



# NLB Group Presentation

1Q 2018 Results



# Disclaimer

**THIS PRESENTATION AND ITS CONTENTS ARE NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO OR FROM THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA OR JAPAN, OR TO ANY RESIDENT THEREOF, OR ANY JURISDICTION WHERE SUCH DISTRIBUTION IS UNLAWFUL.**

This presentation includes forward-looking statements within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements typically use terms such as "believes", "targets", "aims", "projects", "anticipates", "expects", "intends", "plans", "may", "will", "would", "could" or "should" or similar terminology. Statements in this presentation that are not historical facts are forward-looking statements, including statements relating to the intentions, beliefs or current expectations and projections of Nova Ljubljanska banka d.d., Ljubljana ("NLB") about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, provisions, impairments, strategies and opportunities, as well as potential developments in the legal and regulatory environment to which NLB is subject and developments in the markets in which NLB operates, including changes in interest rates, inflation, foreign exchange rates, demographics, and any assumptions underlying any such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. These forward-looking statements are based on NLB's beliefs, assumptions and current expectations regarding future events and trends that affect NLB's future performance, taking into account all information currently available to NLB, and are not guarantees of future performance. In particular, this presentation includes forward-looking statements relating but not limited to NLB's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only NLB's beliefs regarding future events, many of which by their nature are subject to a number of risks and uncertainties, many of which are beyond NLB's control, that could cause NLB's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. NLB expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in their respective expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this presentation or to update or to keep current any other information contained in this presentation. Accordingly, undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this presentation. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance.

The presentation has not been independently verified and no representation or warranty, express or implied, is made or given by or on behalf of NLB or any of their respective parent or subsidiary undertakings or associated companies, or any of such person's respective directors, officers, employees, agents, affiliates or advisers, as to, and no reliance should be placed for any purpose whatsoever on the truth, fullness, accuracy, completeness or fairness of the information or opinions contained in this presentation or any other information relating to NLB, its subsidiary undertakings or, associated companies or affiliates, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available and no responsibility or liability whatsoever is assumed by any such persons for any such information or opinions or for any errors or omissions or for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith. The information in this presentation is in draft form and has not been verified. All information presented or contained in this presentation is subject to verification, correction, completion and change without notice. This presentation does not purport to contain all information that may be required to evaluate NLB. In giving this presentation, none of NLB or any of their respective parent or subsidiary undertakings or associated companies, or any of such person's respective directors, officers, employees, agents, affiliates or advisers, or any other party undertakes or is under any obligation to amend, correct or update this presentation or to provide the recipient with access to any additional information that may arise in connection with it. None of the foregoing persons accepts any responsibility whatsoever for the contents of this presentation, and no representation or warranty, express or implied, is made by any such person in relation to the contents of this presentation. To the fullest extent permissible by law, such persons disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this presentation. Recipients should not construe the contents of this presentation as legal, tax, regulatory, financial or accounting advice and are urged to consult with their own advisers in relation to such matters.

The opinions and estimates contained herein reflect the current judgment of the author(s) on the date of this presentation and are subject to change without notice.

This presentation has not been approved by any regulatory authority. This presentation does not, and is not intended to, constitute or form part of, and should not be construed as, any offer, invitation, solicitation or recommendation to purchase, sell, subscribe for or otherwise acquire, any securities of NLB in any jurisdiction and neither the issue of the information nor anything contained herein shall form the basis of or be relied upon in connection with, or act as any inducement to enter into, any investment activity. This presentation should not be considered as a recommendation that any recipient of this presentation should purchase or sell any of the NLB financial instruments or groups of financial instruments or assets. This presentation does not include all necessary information, which should be considered by the recipient of this presentation when making a decision on purchasing any of the NLB financial instruments or assets. Each recipient of this presentation contemplating purchasing any of the NLB financial instruments or assets should make its own independent investigation of the financial condition and affairs, and its own appraisal of the NLB creditworthiness. Any purchase of securities in NLB should be made solely on the basis of the information contained in a prospectus relating to such securities. If published, any such prospectus would be available at the registered address of NLB and on its website. NLB has not finally decided whether to proceed with any transaction. Any corporate body or natural person interested in investing into NLB's financial instruments or assets should consult well-qualified professional financial experts and thus obtain additional information.

This presentation is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of NLB. The manner of distributing this presentation may be restricted by law or regulation in certain countries, including (but not limited to) the United States. Persons into whose possession this presentation may come are required to inform themselves about and to observe such restrictions. By accepting this presentation, a recipient hereof agrees to be bound by the foregoing limitations.

NLB is regulated by The European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany, The Bank of Slovenia i.e. "Banka Slovenije, Slovenska 35, 1505 Ljubljana, Slovenia" and by The Securities Market Agency i.e. "Agencija za trg vrednostnih papirjev, Poljanski nasip 6, 1000 Ljubljana, Slovenia."

# Team

## Nova Ljubljanska Banka (NLB)



**Blaž Brodnjak**

*Chief Executive Officer (CEO)*

*Chief Marketing Officer (CMO)*

20+

- Responsible for Corporate and Retail Banking since December 2012; CEO since July 2016
- Supervisory Board experience at 11 banking, 3 insurance and 1 asset management and manufacturing company;
- Chairman of the Bank Association of Slovenia
- MBA from IEDC Bled School of Management (Slovenia)



**Archibald Kremser**

*Chief Financial Officer (CFO)*

20+

- Chief Financial Officer of NLB since July 2013
- Previously held senior management positions at Dexia Kommunalkredit Group (CEE)
- Supervisory Board experience in 3 banks
- MBA from INSEAD (France), MSc in Engineering from Vienna University of Technology (Austria)



**Andreas Burkhardt**

*Chief Risk Officer (CRO)*

20+

- Chief Risk Officer of NLB since September 2013
- Previously held senior managerial positions at Volksbank, including among others CRO at Volksbank Bosnia and CFO at Volksbank Romania
- Supervisory Board experience at 4 banks
- MBA from University of Dayton (USA), MSc in Economics from University of Augsburg (Germany)



**László Pelle**

*Chief Operating Officer (COO)*

22+

- Chief Operating Officer of NLB since October 2016
- Previously COO at Erste Bank in Budapest, COO at HSBC CEE and Operations and Technology Director at Citibank Hungary
- Supervisory Board experience at 1 pension fund and 1 processing company
- Master's Degree from Technical University of Budapest (Hungary)

# Overview of NLB Group today

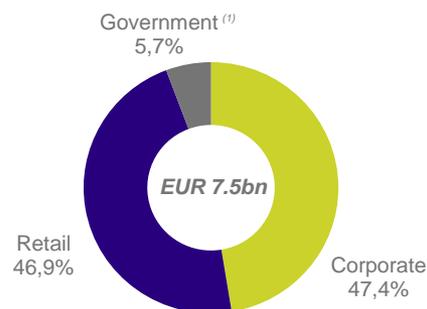
## Investment highlights

- ✓ **The largest banking and financial institution in Slovenia**
  - ✓ 100% owned by the Republic of Slovenia
  - ✓ Leading bank for retail and corporate clients in Slovenia, with 689k active clients and 23.0% market share by total assets (as of Mar-18)
- ✓ **Active in 6 attractive markets in South-Eastern Europe**
  - ✓ Sizeable aggregate population of 15.4m as of Dec-16
  - ✓ 3 of the NLB Group banks are Top-3 banks in their respective markets (by total assets)
- ✓ **Underwent substantial transformation since 2013, achieving turnaround in operational profitability and asset quality**
  - ✓ 14% reduction in operating costs (FY'13-FY'17), an equivalent of -4% CAGR, with 53% C/I as of Q1'18
  - ✓ NPL ratio reduced from Dec-12 peak of 28.2% to 8.8% in Mar-18
- ✓ **Extensive distribution network of 350 branches**
  - ✓ 108 branches in Slovenia (Mar-18)
- ✓ **Attractive dividend payout ratio**
  - ✓ 58% of 2016 NLB Group net profit paid out in April 2017
  - ✓ Proposed: 84% of 2017 NLB Group net profit to be paid out in 2018<sup>(3)</sup>

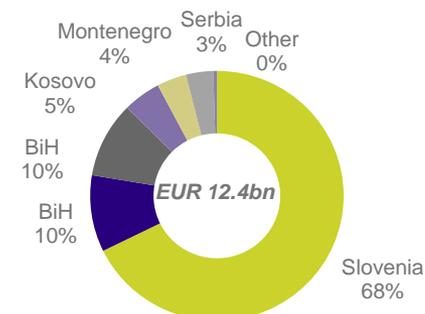
## Key figures

Balance sheet (EURm)	Dec-16	Mar-17	Dec-17	Mar-18	Delta
Total assets	12,039	12,090	12,238	12,425	3%
Loans to customers (gross)	7,901	7,876	7,641	7,501	-5%
Loans to customers (net)	6,997	7,005	6,996	6,935	0%
Customer deposits	9,439	9,514	9,879	9,939	4%
Attributable equity	1,495	1,565	1,654 <sup>(4)</sup>	1,753 <sup>(4)</sup>	12%
P&L (EURm)	FY'16	Q1'17	FY'17	Q1'18	Δ
Net interest income	317	75	309	75	0%
Pre provision income	186	64	204	61	-4%
Profit after tax	110	82	225	58	-29%
Key ratios (%)	Dec-16 / FY'16	Mar-17 / Q1'17	Dec-17 / FY'17	Mar-18 / Q1'18	Δ
CET1 ratio	17.0%	16.7%	15.9% <sup>(5)</sup>	16.6%	-0.1 pp
C/I ratio	60.9%	51.5%	58.3%	53.2%	1.7 pp
NPL ratio	13.8%	12.7%	9.2%	8.8%	-3.9pp
NPL coverage ratio	76.1%	75.6%	77.5%	70.7%	-4.9pp
NPE ratio (EBA)	10.0%	9.3%	6.7%	6.2%	-3.1pp
NPE coverage ratio (EBA)	72.4%	70.7%	74.7%	69.8%	-0.9pp
RoE after tax	7.4%	21.4% <sup>(6)</sup>	14.4%	13.5% <sup>(6)</sup>	-7.9 pp

**Gross loans by customer (Mar-18)**



**Total assets by country (Mar-18)<sup>(2)</sup>**



Source: Company information, Bank of Slovenia

Note: (1) Government departments, municipalities and agencies; (2) Geographical analysis based on location of assets of the NLB Group; (3) Subject to approval of the Supervisory Board and General Meeting of Shareholders and consent of the regulator; (4) Pre EUR189.1m proposed dividend payment distribution to existing shareholders; (5) Post EUR189.1m proposed dividend payment distribution; (6) Based on annualized Q1'17 and Q1'18 figures, respectively

# Slovenia: Fully integrated into European institutions

- ✓ Member of the EU and the Eurozone
- ✓ Export-driven economy with value-added export goods
- ✓ Well educated labour force
- ✓ Solid Parliamentary support for coalition Government (next elections on 3rd June 2018)



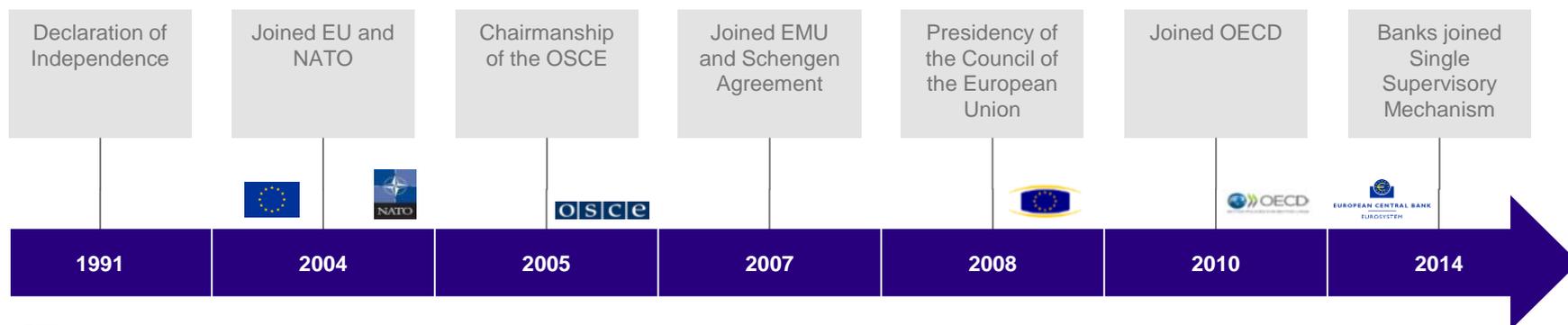
**EUR 43.3 bn** nominal GDP      **5.0%** real GDP growth

**EUR 20.95k** GDP/capita vs EUR 11k CEE average<sup>(1)</sup>      **6.6%** survey unemployment rate

**73.6%** Gov. debt/GDP      **0.0 % of GDP** Gov. deficit

**A+/A-/Baa1** Sovereign rating (S&P/Fitch/Moody's)

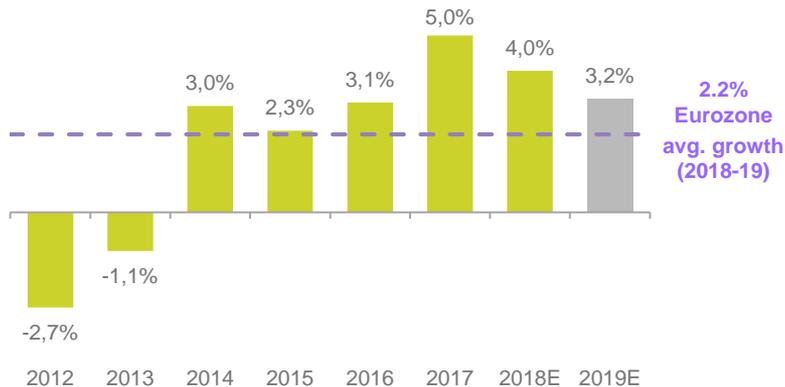
## Recent milestones



Source: Republic of Slovenia, IMF WEO, Statistical Office of the Republic of Slovenia  
 Note: (1) 2017, CEE countries include Poland, Romania, Czech Republic, Slovakia, Hungary.

# Slovenian economy **growing at 5.0%** compared to 2.3% Eurozone growth in 2017

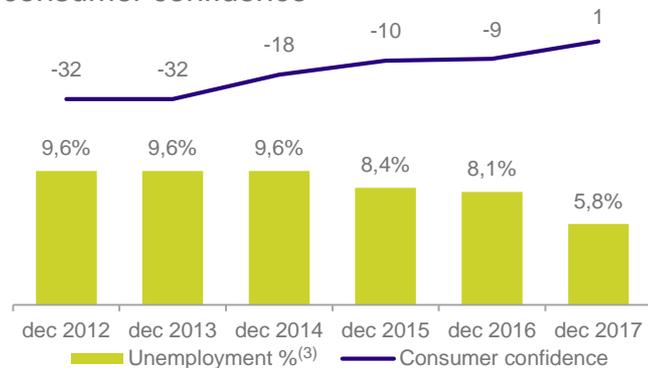
Real GDP growth for Slovenia



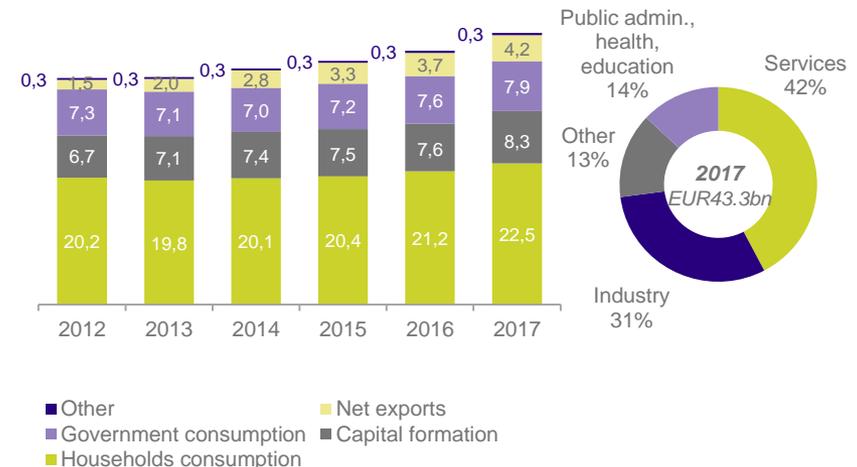
## Macro update

- Slovenian economy grew by 5.0% in 2017 – stronger than the Eurozone average of 2.3%.
- Drivers included final consumption expenditure growth of 3.0% YoY and improved external trade balance of 12.9% YoY.
- Economic recovery drove unemployment rate down in Q4 2017 by 5.3 p.p. since Q1 2013.
- Consumer confidence increased by 42 points since its 2012<sup>(2)</sup> lows, driving household consumption growth. At the end of 2017 index reached a positive value for the first time in its history (since 1996).

Recovery driving lower unemployment and higher consumer confidence<sup>(1)</sup>

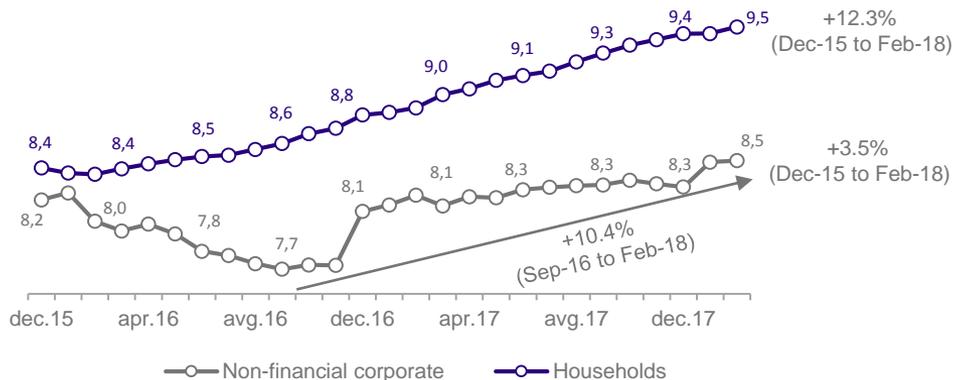


GDP by source and activities (EURbn)



# The banking system has seen a pick-up in consumer loans lending while interest rates remained stable

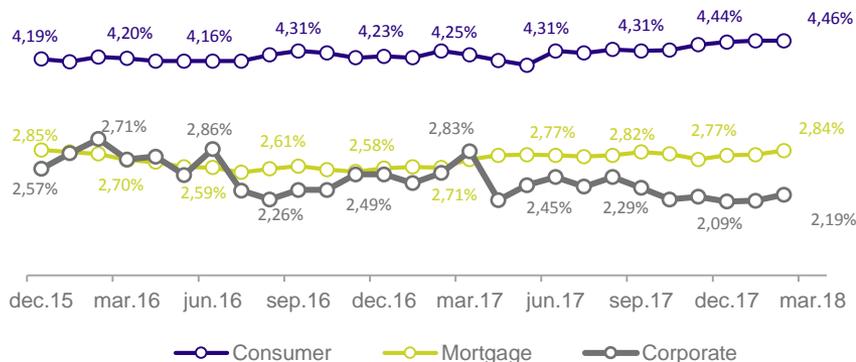
Households and non-financial corporate loans in billion EUR



## Resurgence of corporate loans and steady growth in retail loans

- Non-financial corporate loans stock increased by 10.4% in February 2017, from its September 2016 low
- Household loans stock increased by 12.3% in December 2017 vs December 2015, due to improved consumer confidence and increasing consumption
- Total loans to non-financial sector grew by 4.8% Y-o-Y (Feb-17 to Feb-18)

Interest rate evolution (%)



## Stable interest rate environment

- Average interest rates for consumer and mortgage loans increased by 20 basis points in the past 12 months to February 2018, while interest rates for corporate loans in the same period decreased by 32 basis points.

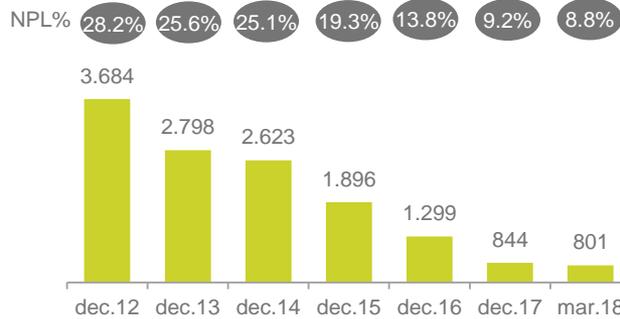
# NLB Group - Journey so far

Transformation into a sustainably profitable client-oriented group, focused on core markets

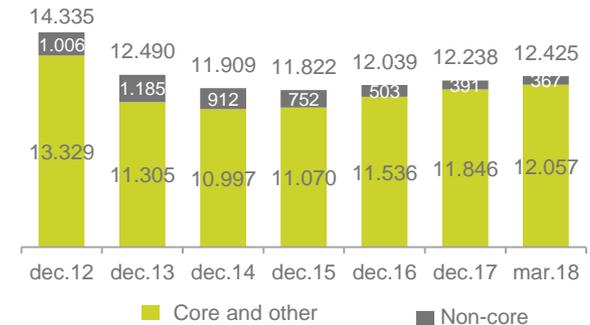
## Key initiatives implemented

- 1 Focus on core businesses and markets and divestment of several non-core subsidiaries and participations
- 2 Emphasis on NPL recovery and improving asset quality
- 3 Balance sheet reduction of non-core part
- 4 4% annual cost reduction achieved<sup>(1)</sup>
- 5 Focus on improved business selection and pricing with clear minimum client RoE targets
- 6 Improved risk management policy and corporate governance

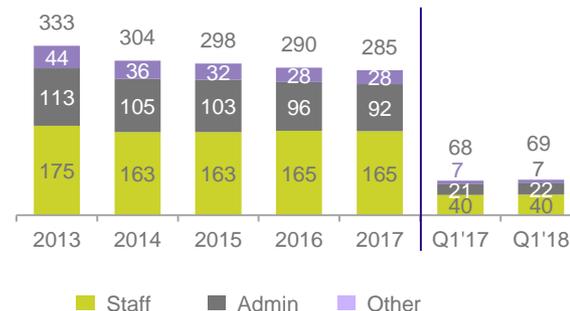
## 78% reduction of NPLs (NPL stock, EURm)



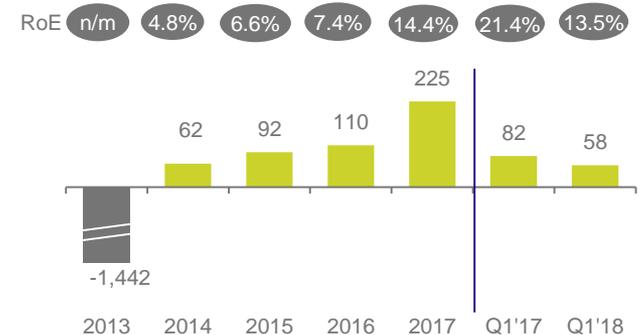
## Stronger balance sheet (EURm)



## 14% cost base reduction from 2013 (EURm)



## Return to profitability<sup>(2)</sup> (EURm)



2013 recapitalisation

Journey so far



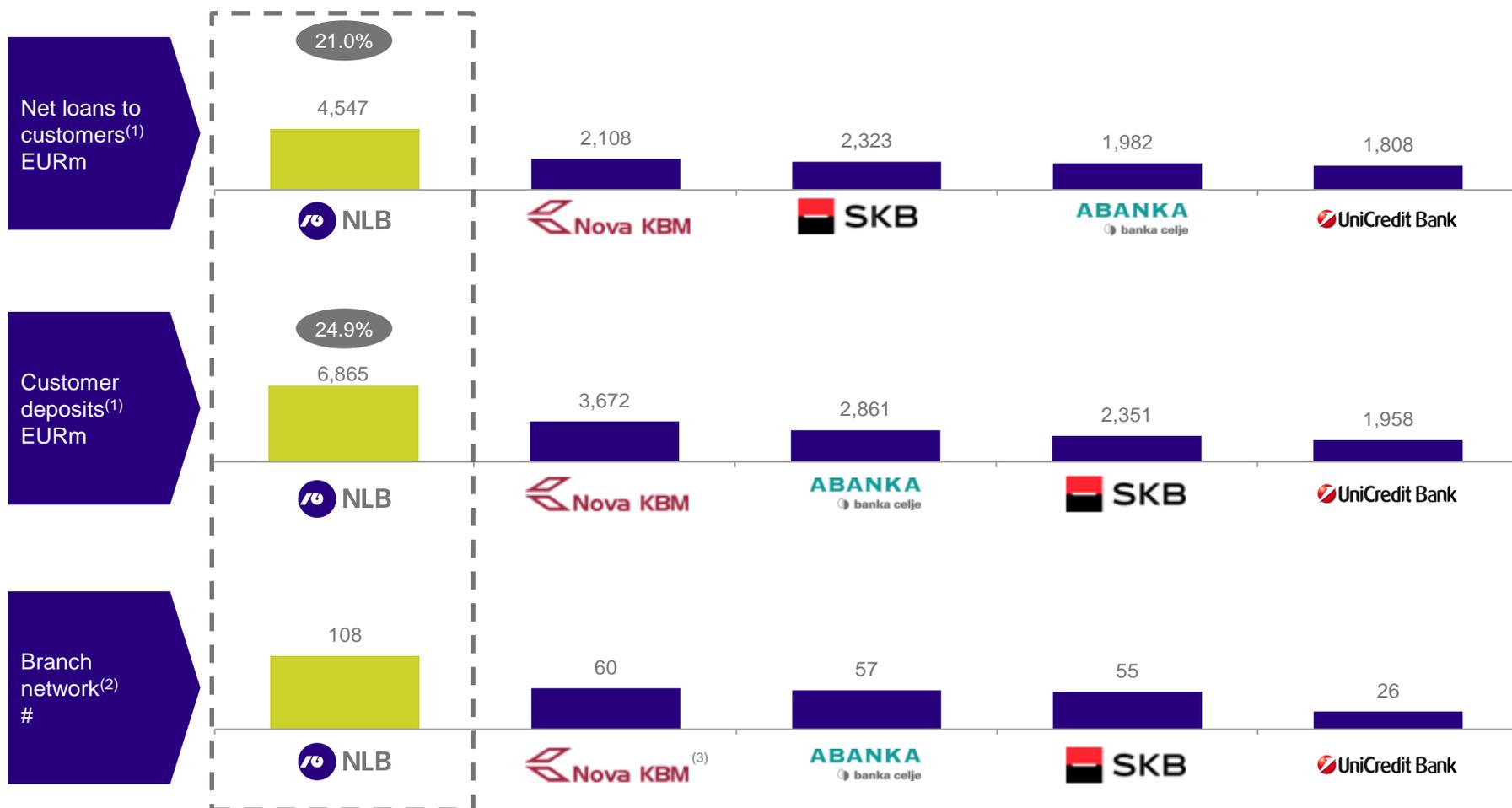
Source: Company information

Note: NPL ratio and NPL stock based on credit portfolio, including balances and obligatory reserves with central banks and demand deposits at banks and different scope of consolidation;

(1) CAGR 2013 to 2017; (2) Profit after tax attributable to the shareholders

# Dominant player in the Slovenian banking sector

Market leader across products in Slovenia



% Market share as of March -18



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 at 31 March 2018, other banks as at December 2017 (latest available). (2) Branches: NLB as at 31 March 2018; other banks as at 31 December 2017.

# Dominant player in the Slovenian banking sector

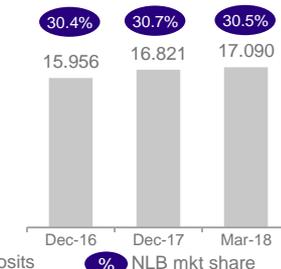
## Retail banking

<b>Market evolution</b>	<ul style="list-style-type: none"> <li>✓ Retail lending has been steadily growing since 2014, primarily driven by mortgages. Household indebtedness in 2016 stood at 31.5% of GDP.</li> <li>✓ Housing transactions and housing prices increasing</li> <li>✓ Significant growth of retail deposits</li> </ul>
<b>NLB positioning</b>	<ul style="list-style-type: none"> <li>✓ Market shares resilient across market segments (As of Mar-18: Retail net loans: 23.5%, Retail deposits: 30.5%)</li> <li>✓ Increasing share of new loan production in growing consumer segment, driven by wide distribution network, strong sales force and large customer base</li> </ul>
<b>Distribution network</b>	<ul style="list-style-type: none"> <li>✓ Network of 108 branches offers nationwide coverage, with presence in all key cities of Slovenia</li> <li>✓ Key initiatives implemented in branches, including rollout of e-signature and branch refurbishment</li> </ul>
<b>Digital banking</b>	<ul style="list-style-type: none"> <li>✓ Ongoing enhancement of online and mobile banking platform with the introduction of new functionalities, including raising Express loan in mobile app (Klikin) 24/7 and full online availability of all transaction banking services. By upgrading the e-bank NLB Klik customers have the option of concluding certain NLB Vita insurance products.</li> <li>✓ the 1st bank in Slovenia introducing contact-less ATMs for contactless cards</li> <li>✓ Mobile wallet NLB Pay was launched</li> </ul>
<b>Upside from fee generating products</b>	<p><b>Private banking:</b></p> <ul style="list-style-type: none"> <li>✓ #1 market position, with growing customer base through conversion of existing NLB customers and limited competition</li> <li>✓ Strong cross-selling capabilities with bancassurance and asset management</li> </ul> <p><b>Bancassurance:</b></p> <ul style="list-style-type: none"> <li>✓ Profitable and growing business segment, with ca 17.2% market share in life by GWP<sup>(2)</sup>, with upside potential from underpenetrated customer base (14.6% penetration for life and non life)</li> </ul> <p><b>Asset management:</b></p> <ul style="list-style-type: none"> <li>✓ # 1 player by AuM in Slovenian asset management exceeding EUR1.2bn in AuM<sup>(3)</sup></li> </ul>

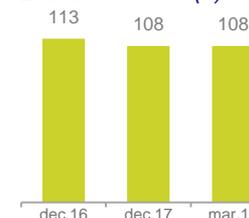
Retail net loans (EURm)



Retail deposits (EURm)



Branch network (#)



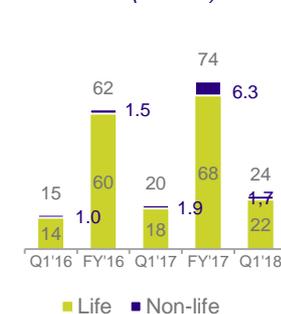
NLB Klik<sup>(1)</sup> users (000s)



Private banking



GWP (EURm)



Source: Bank of Slovenia, Company information, Bank for International Settlements

Note: All figures refer to 31-Mar unless stated otherwise; (1) NLB Klik refers to NLB's online banking application; (2) Slovenian Insurance Association; (3) Including investments in mutual funds and discretionary portfolios. Source: Slovenian Fund Management Association (4) Significant drop in NLB Klik users due to termination of 30,000 inactive clients.

# Dominant player in the Slovenian banking sector

## Corporate banking

### Market evolution

- ✓ Corporate deleveraging post-crisis, volumes decreasing 8% on average during 2014-16
- ✓ Corporate credit demand demonstrated pick-up in 2016 as economic growth continues to improve
- ✓ Substantial progress in corporate NPL resolution

### NLB positioning

- ✓ NLB is clear sector leader with 19.6% net loans market share;
- ✓ Loan balances in key business<sup>(1)</sup> dropped by 1.3% despite the sector growth by 1.65% since 2014
- ✓ Market leader across deposit product lines: 19.2% market share for sight deposits, 8.3% for term deposits

### Competitive advantage

- ✓ Largest bank in the country with the highest capacity to lend and best capability to service large clients
- ✓ Strong pricing power, driven by largest customer base – NLB is positioned in upper third of market
- ✓ International desk to leverage on network of subsidiaries in the region
- ✓ Group payment fee offer for international payments of customers, legal entities operating within the Group

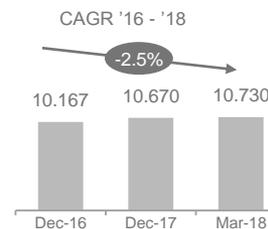
### Strong fee business

- ✓ Leader in merchant acquiring with 12.5k POS terminals, 5.1k merchants and 36.1% market share as at Mar-18
- ✓ Investment banking/Securities services revenues were high, mainly due to positive trend in non-interest income
- ✓ Total asset value under custody exceeded EUR 14.8 billion, a 7,1% increase YoY

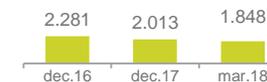
### Opportunity in small and mid business

- ✓ Mid-corporate: with wide physical presence NLB has advantage in a strongly contested market
- ✓ Attractive fee business potential as relevant advisory and treasury services can be offered at smaller scale

Corporate net loans (Market, EURm)



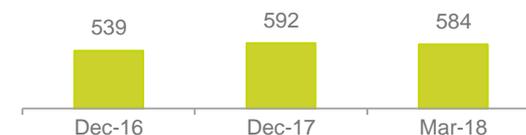
NLB key business<sup>(1)</sup> gross loans (EURm)



Statistics per key client segment<sup>(1)</sup> (EURm, Mar-18)

	Clients	Gross loans (EURm)	Deposits (EURm)
<b>Large</b>	726	1,264	170
<b>Mid</b>	2,758	462	410
<b>SE<sup>(2)</sup></b>	13,996	122	466

SME gross loans<sup>(3)</sup> (EURm)



Source: Bank of Slovenia, Company information

Note: (1) Key business excludes workout and restructuring; (2) Small enterprises, excluding Standard segment clients in Distribution Network; (3) Excluding restructuring and workout.

# NLB's countries of presence outside Slovenia represent attractive markets, with significant growth potential

- ✓ NLB's SEE footprint outside of Slovenia covers 5 countries with EUR 73.1 bn GDP and 15.0m population
- ✓ Attractive growth markets in 2017, with 3.0% real GDP growth and 22.3% household indebtedness as of GDP<sup>(4)</sup>



	Slovenia	Macedonia	Bosnia <sup>(1)</sup>	Kosovo	Montenegro	Serbia
Population (Dec-16, m)	2.1	2.1	3.5	1.8	0.6	7.0
GDP <sup>(3)</sup> (2017, EURbn)	43.3	10.1	16.1	6.3	4.1	36.8
GDP/Capita <sup>(3)</sup> (2016, EURk)	19.6	4.8	4.4	3.4	6.4	4.9
Real GDP growth (2017, YoY)	5.0%	0.0%	3.1%	3.7%	4.3%	1.9%
Average Inflation (2017, YoY)	1.4%	1.4%	1.3%	1.5%	2.4%	3.1%
Government debt/GDP (2017)	73.6%	47.6%	35.6%	16.6%	62.0%	62.5%
Household debt /GDP <sup>(4)</sup> (2017)	21.8%	22.5%	27.3%	14.6%	27.2%	20.3%
Currency	EUR	MKD	EUR <sup>(2)</sup>	EUR	EUR	RSD
Credit rating (Moody's, S&P)	Baa1 / A+	n/a / BB-	B3 / B	n/a / n/a	B1 / B+	Ba3 / BB

# Top position across target SEE countries

Unified brand across 6 markets

- ✓ Leading franchise in the region based on total assets, compared to other banks present in the same countries, with network of 242 branches and 1.1m active clients<sup>(1)</sup> in SEE
- ✓ The only international banking group with exclusive focus on the region
- ✓ Independent, well capitalised, self-funded and profitable subsidiaries



	Macedonia  NLB Banka Skopje	Bosnia  NLB Banka Banja Luka NLB Banka Sarajevo	Kosovo  NLB Banka Prishtina	Montenegro  NLB Banka Podgorica	Serbia  NLB Banka Beograd
NLB ownership (%)	87%	100%	97%	81%	100%
No. of branches (#)	52	58	39	44	31
Market <sup>(2)</sup> share %	16.4% <sup>(2)</sup>	18.9% <sup>(3)</sup>	5.3% <sup>(3)</sup>	15.7% <sup>(2)</sup>	1.2% <sup>(3)</sup>
Profit after tax (EURm)	17.0	5.3	3.0	3.6	1.4
Net interest margin %	3.9%	2.6%	3.2%	4.2%	3.8%
Cost/income %	24.6%	46.5%	54.0%	40.2%	56.5%
Loans/Deposits % (net)	81.8%	65.1%	78.1%	78.7%	93.7%
NPL ratio %	4.6%	3.6%	6.8%	2.7%	8.0%
RoE a.t.	39.2%	23.5%	16.5%	20.9%	16.3%
Total assets (EURm)	1,239	686	545	600	450

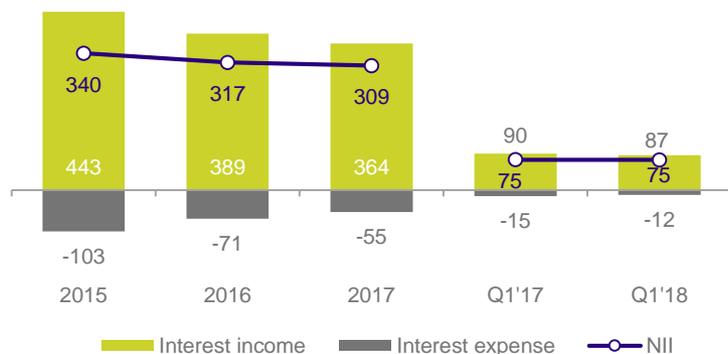


Source: Company disclosure

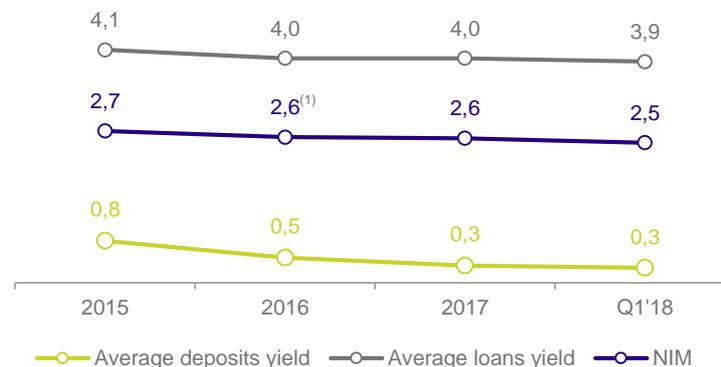
Note: (1) Excluding NLB d.d.; (2) Market share based on total assets, as of Sep-17; (3) Market share in the Republika Srpska; (4) Market share in the Federation of BiH; (5) Market share as of Dec-17

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

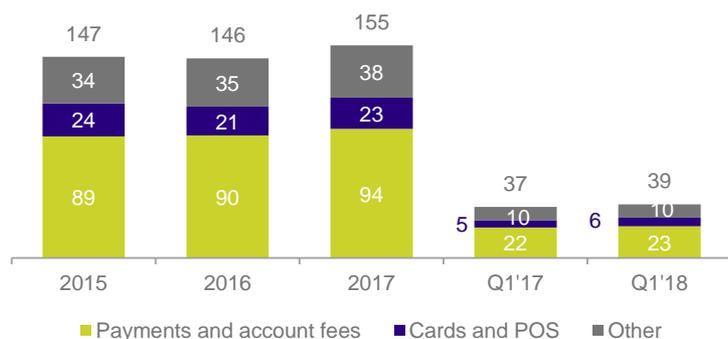
Very challenging interest rate environment resulting in decreasing net interest income (Group, EURm)



Stable NIM (Group, %)



Fee income growing y-o-y supported by improvement in ancillary products and payments (Group, EURm)



International supporting revenue in the Core operations (Group, EURm)<sup>(2)</sup>

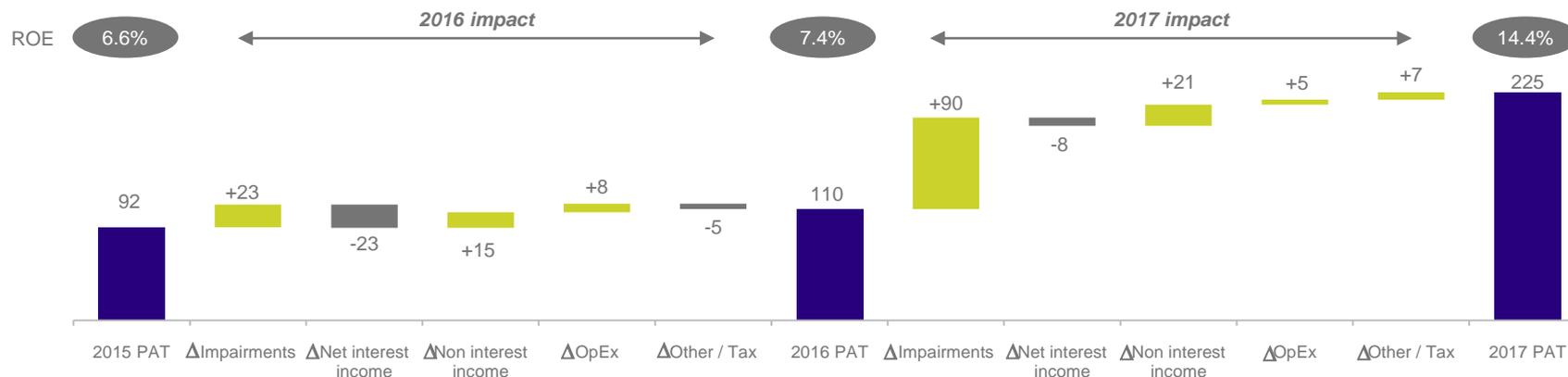


Source: Company information

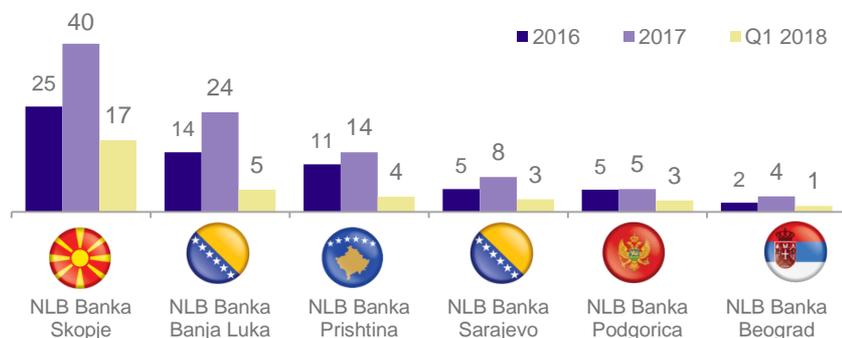
Note: <sup>(1)</sup> NIM of 2.63% in 2016 if normalised for NPL sale impact; <sup>(2)</sup> The sum of net revenues and costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level. Consolidation adjustment amounts to EUR0.5m in Q1 2018, EUR0.8m in Q1 2017, EUR2.5m in 2017; EUR4.0m in 2016 and EUR3.9m in 2015.

# Successful business transformation results in **sustainable profitability**

Evolution of group profitability since 2015 (EURm)



All Core foreign banks profitable (EURm)



## Positive performance continued in Q1 2018

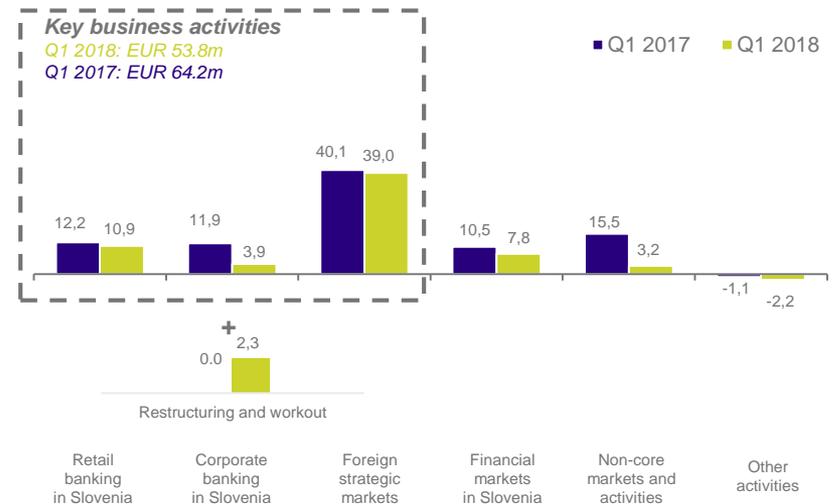
- In Q1 2018, NLB Group generated **EUR 57.7m** of profit after tax (**29% decrease YoY**), due to release of pool provisions in Q1 2017
- Result reflects **business growth** at **resilient margins** and **negative cost of risk**
- Subsidiary banks** contributed an important part of the Group's result, almost 42%<sup>(1)</sup> of the net profit
- Non-core markets** recorded profits as well and contributed to the Group's result

# Profitable all key business segments

Profitable, client-oriented group, focused on core markets

Key metrics (Q1 2018, EURm)			PBT	Gross loans	Assets	% of assets
Core	Core Slovenia	Retail banking	10.9	2,148	2,284	96%
		Corporate banking	6.3	2,116	2,001	
		Financial markets <sup>(1)</sup>	7.8	138	3,655	
	Core members	Foreign strategic markets	39.0	2,683	3,921	
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity Investments Real estate <sup>(2)</sup>	3.2	191	100	3%
		Leasing Ljubljana		154	150	
	Non-core members	Other leasing, factoring and other <sup>(3)</sup>		71	119	
	Other segment		-2.2 <sup>(4)</sup>	0	195	~1%
<b>Group total</b>			<b>65</b>	<b>7,501</b>	<b>12,425</b>	

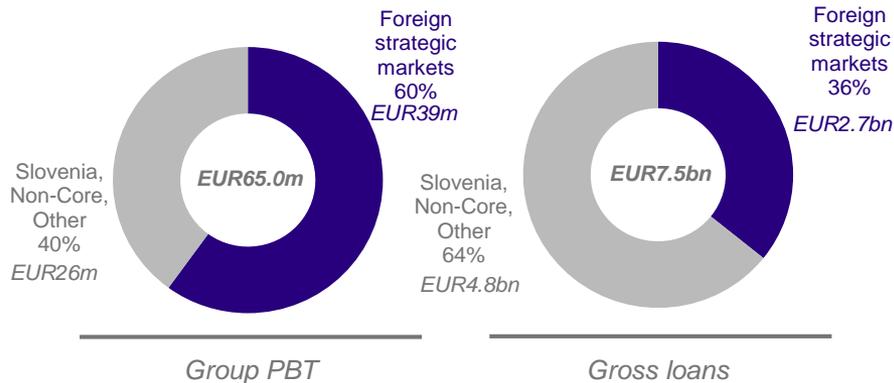
Key business activities consistently profitable, retail and international increasingly profitable (PBT, EURm)



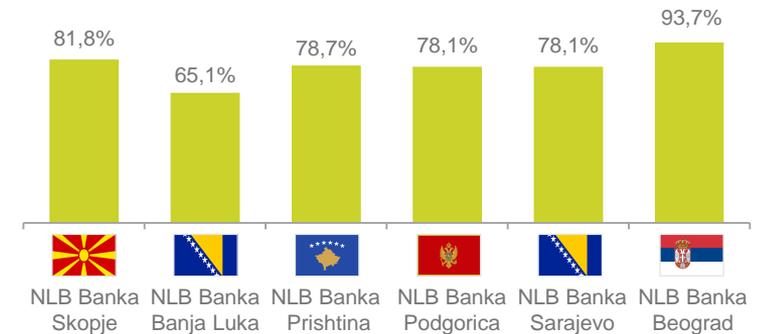
- Profit before tax of key business activities decreased by EUR 10.4m.
- Substantial decrease (67%) in Key/mid/small segment as a consequence of the release of pool provisions in March 2107 that had a positive impact on profit.
- A drop in profit before tax in Strategic foreign markets due to release of impairments in Q1 2017 was offset by one-off income from the sale of NLB Nov penziski fond, Skopje in Q1 2018 in the amount of EUR 12.2 million.
- Substantial drop of profit was recorded also on non-core markets and activities, due to one-offs in the first quarter of 2017.

# Core foreign banks represent a self-funded source of profits, with solid capital adequacy

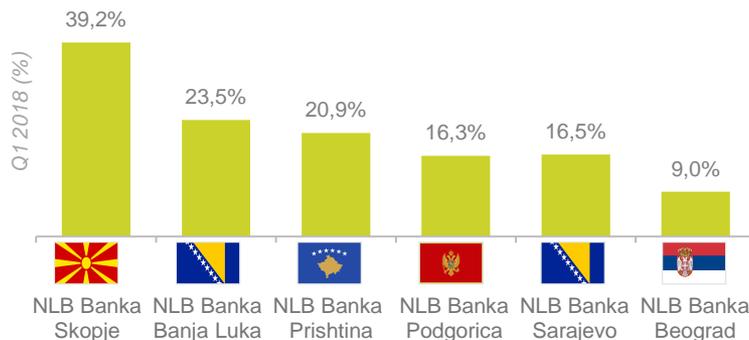
International contributes 60% of Group's profit in Q1 2018



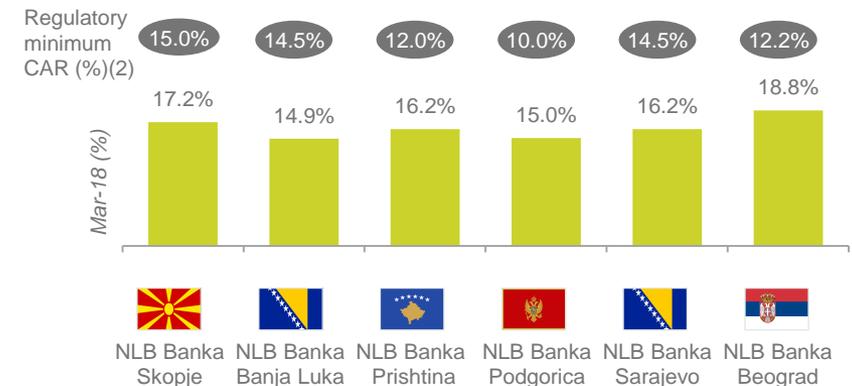
Core foreign banks self-funded by design (L/D ratio<sup>(1)</sup>, Mar-18)



Strong profitability of core foreign banks (RoE a.t.)



Capital adequacy comfortably above local requirements

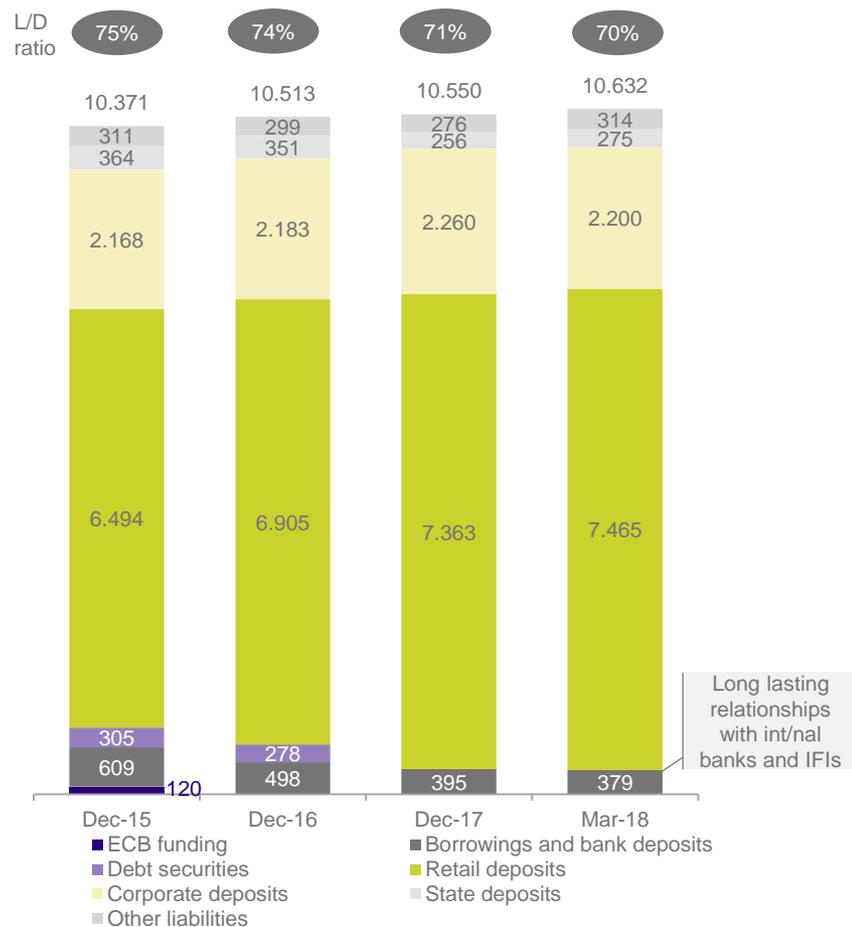


Source: Company information

Note: Geographical analysis based on location of assets of the NLB Group; (1) Calculation based on net loans; (2) including various buffers

# Funding structure driven by **deposits** and complemented by established **wholesale markets access**

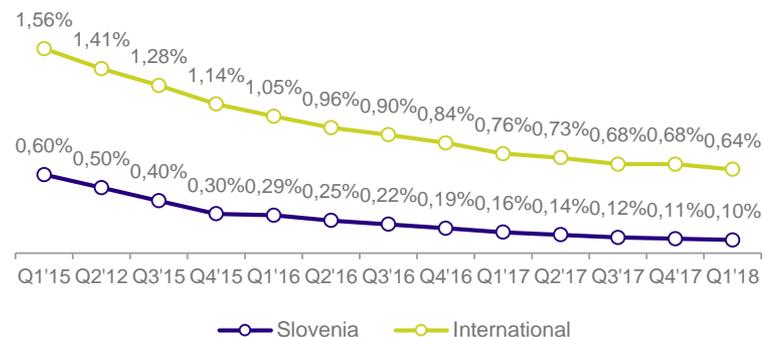
Deposits accounting for 93% of funding (EURm)



Deposits from non-banking sector (EURm) - strong retail franchise provides stable and price insensitive deposits base



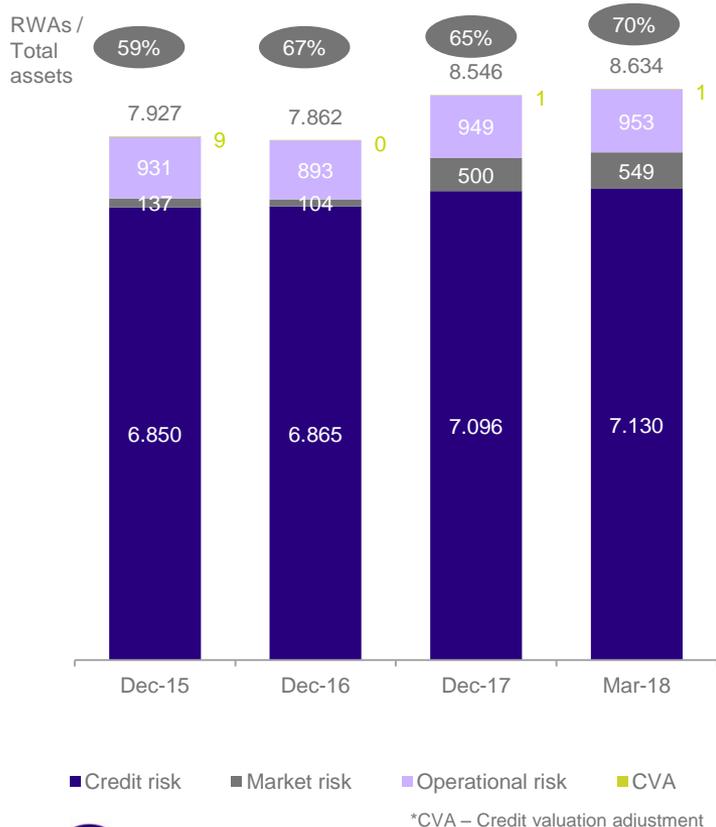
Decreasing deposit yields (%)



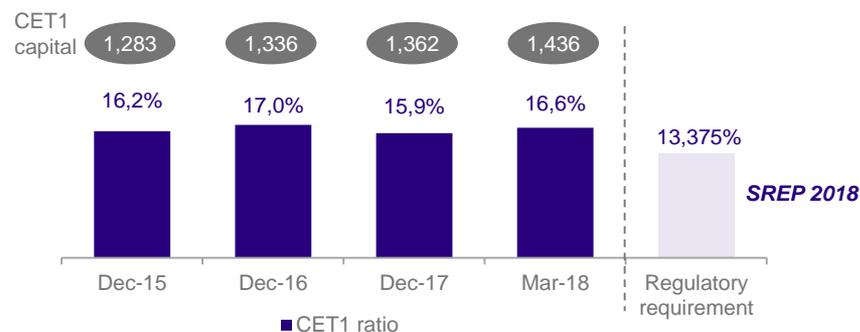
# Well capitalised franchise with solid capital position...

- ✓ Highest quality capital (CET1) at Group and NLB d.d.<sup>(1)</sup>, reaching 16.6% in Mar-18
- ✓ Increase in credit RWAs in 1Q 2018 is mainly a result of lower coverage by impairments and provisions resulting from transition to IFRS 9. Increase in market RWAs is particularly a result of more open positions in domestic currencies of non-euro subsidiary banks.

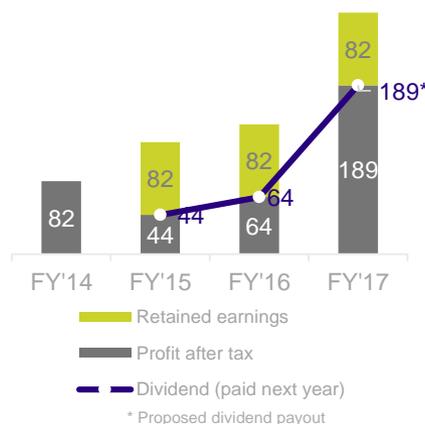
In 1Q 2018 RWA increased by EUR 87.6m, of which EUR 34.1 m on credit risk and 49.5 m on market risk (Group, EURm)



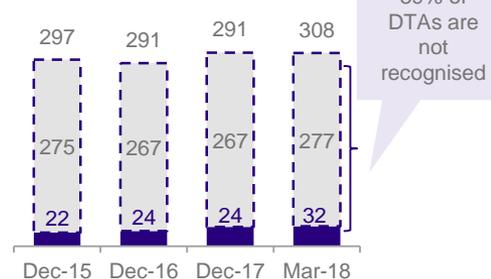
CET1 ratio comfortably above regulatory requirements (Group, EURm)



Dividend potential from retained earnings (NLB d.d., EURm)



Upside from DTAs<sup>(2)</sup> (Group, EURm)



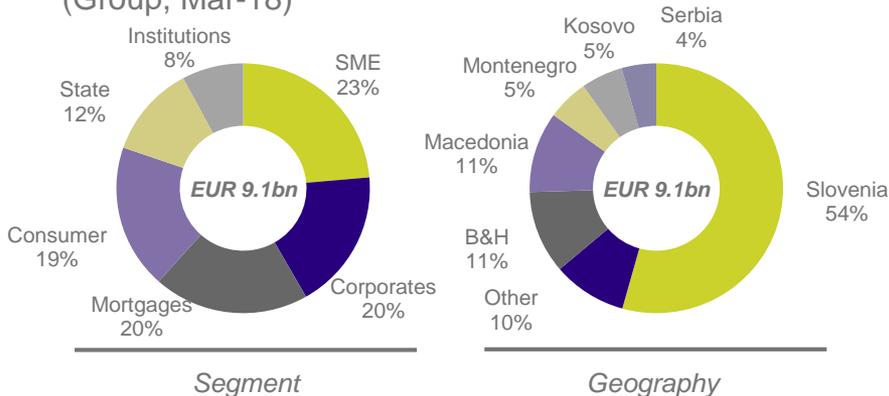
Source: Company information

Note: (1) NLB d.d. CET1 ratio amounted to 22.8% as of Mar-17; (2) NLB d.d. recognised DTAs accrued on the basis of temporary differences in an amount that is expected to be reversed in the foreseeable future (i.e. within five years based on future profit projections); Out of EUR310m Dec-17 gross deferred tax assets of NLB, EUR205m are generated from tax losses which can be used to reduce annual tax base of NLB by 50%

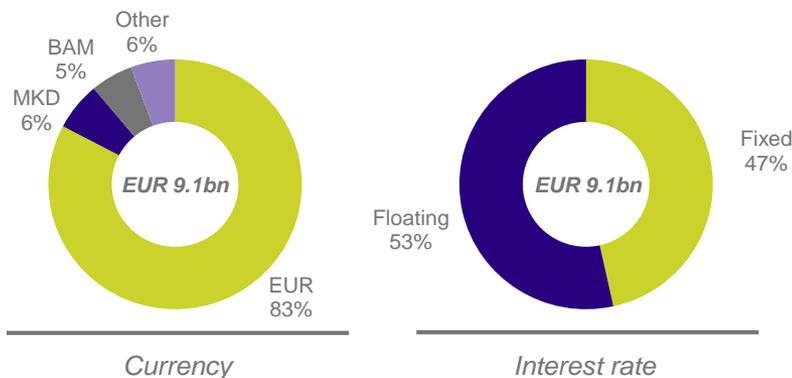
# Diversified loan portfolio

Although Slovenian assets prevail, NLB Group focuses on its core markets and cautious risk taking

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

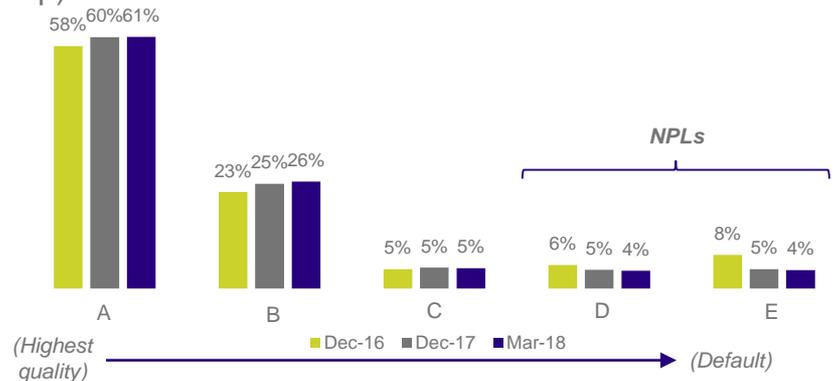


Credit portfolio by currency and rate type (Group, Mar -18)



- **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
- **Credit business** restricted for certain business sectors as part of DG Comp commitments (construction, transport and financial holdings)
- 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

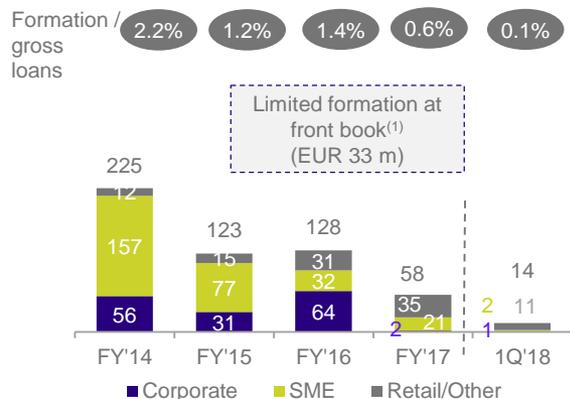
Improving structure of credit portfolio by client credit ratings (Group)



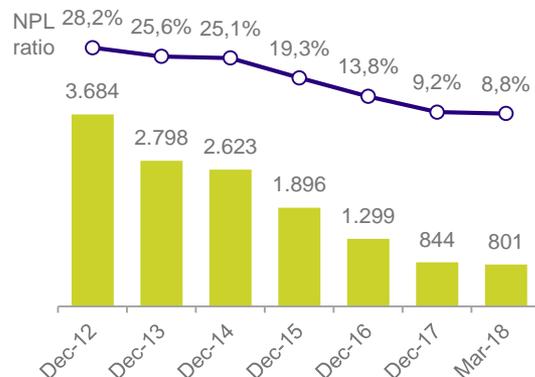
# NLB has driven a **turnaround in asset quality**

Further improvements driven by active NPL management and economic recovery

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



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



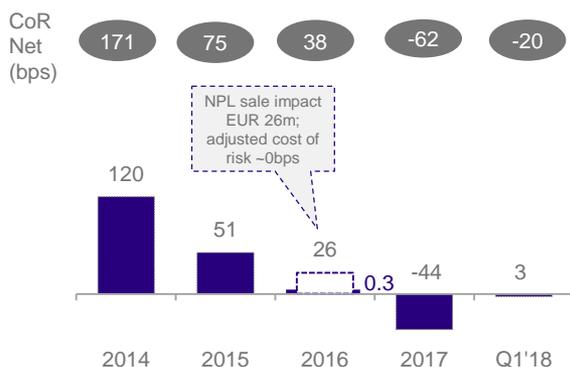
**Reduction of NPLs remains a key focus**

- Gross NPLs at Group level reduced by EUR 43m in 1Q'18
- Positive momentum expected through active portfolio management and macro recovery

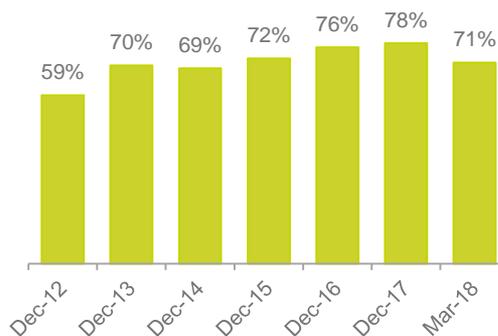
**High coverage of NPLs**

- Coverage ratio remained high in Mar-18 (71%) despite release of provisions in 1Q'18

Low NPL formation drove normalisation of loan provisions (Group, EURm)<sup>(2)</sup>



Increasing NPL cash coverage<sup>(3)</sup> (Group, %)



**Active approach to NPL management**

- Strong emphasis on restructuring (over 62% of NPLs in restructuring process)
- Other NPL management tools include: debt collection, foreclosure of collateral, sale of claims, active marketing and sale of pledged assets



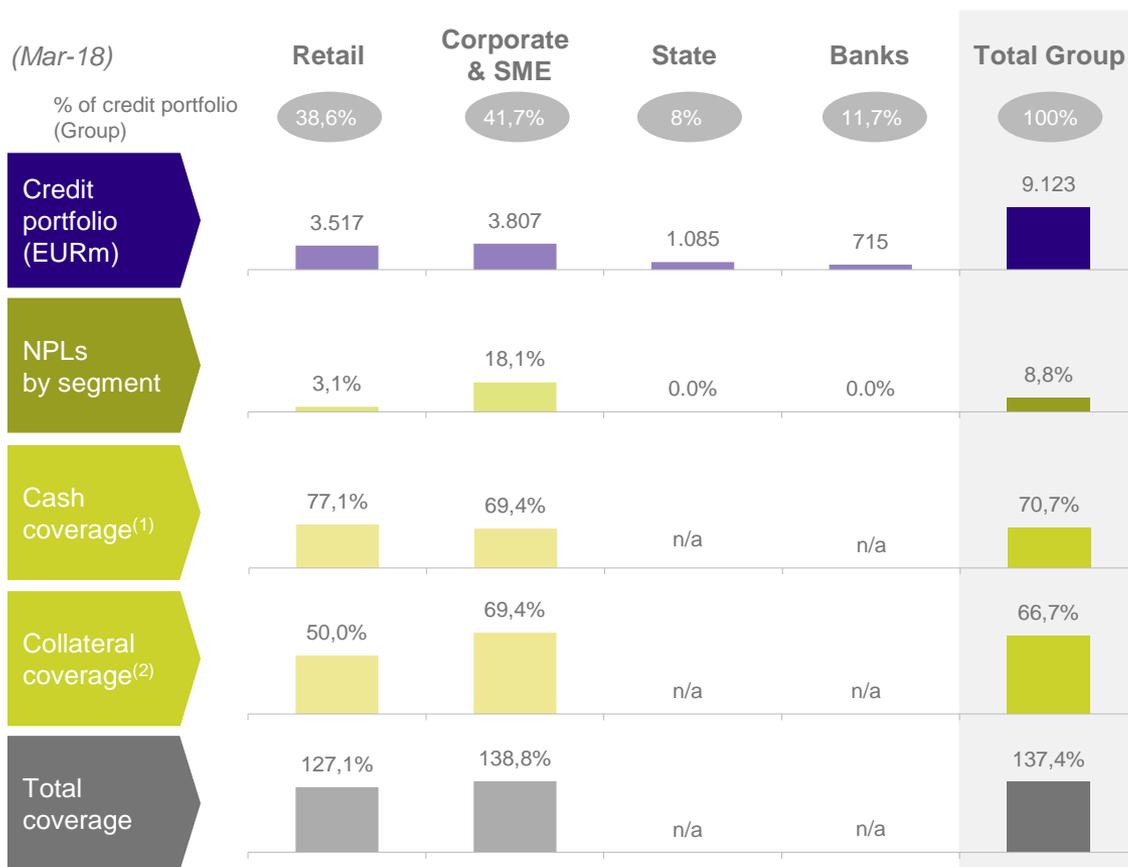
Source: Company information

Note: NPL was defined until December 2014 as loan exposure to D and E clients/claims and delays over 90 days from loans to A, B and C classified clients. Since customers with loans (in arrears over) with 90 days past due should be classified in non-performing grade (D or E), NPL definition changed and from 31.12.2014 include only D and E exposures; NPLs, NPL ratio and NPL cash coverage based on Credit portfolio;

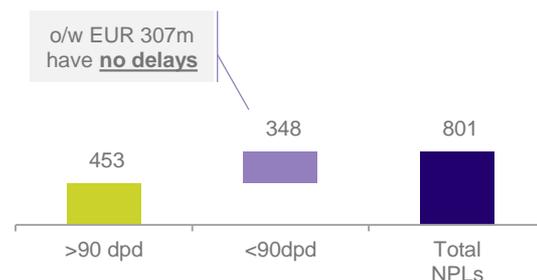
(1) Refers to corporate loans issued since 2014 and retail loans issued since 2015; (2) Represents credit impairments and provisions; (3) Group NPLs cash coverage calculated including both individual and pool provisions

# NPLs adequately covered by provisions and collateral, with limited off balance sheet non-performing exposures

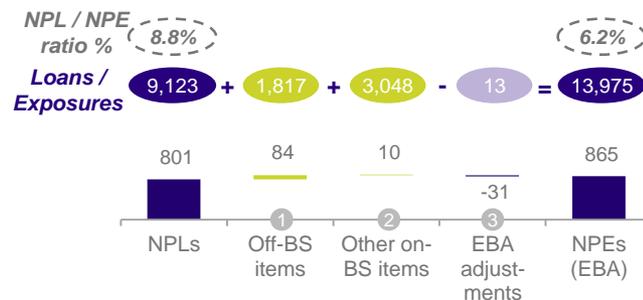
- ✓ Total coverage exceeds 100% across segments
- ✓ Limited non-performing exposures from off-balance sheet items (~EUR84m)



Group NPL structure (Mar-18, EURm)



Group NPL to NPE bridge (Mar-18, EURm)



- Includes letters of credit, guarantees and other contingent liabilities
- Includes HTM securities, accrued income and receivables and other assets
- Includes AFS securities and other adjustments



Source: Company information  
 Note: (1) Cash coverage calculated including both individual and pool provisions; (2) Calculated based on collateral capped at NPL exposure



# Appendix

## Financial statements

# Key financial data and performance

## NLB Group (1/2)

	FY'16	1Q'17	FY'17	1Q'18
Net interest income	317	75	309	75
Net fee and commission income	146	37	155	39
Income from financial operations	20	14	27	3
Other Income	(7)	4	(3)	13
<b>Operating Income</b>	<b>476</b>	<b>131</b>	<b>489</b>	<b>131</b>
Staff costs	(165)	(40)	(164)	(40)
General expenses	(96)	(21)	(92)	(22)
Depreciation and amortization expenses	(28)	(7)	(28)	(7)
<b>Operating expenses</b>	<b>(290)</b>	<b>(67)</b>	<b>(285)</b>	<b>(69)</b>
<b>Pre Provision Income</b>	<b>186</b>	<b>64</b>	<b>204</b>	<b>62</b>
Extraordinary measures	0	0	0	0
Impairment losses on credit risk	(26)	25	43	3
Other <sup>(1)</sup>	(35)	(1)	(14)	(1)
Investments in associates and JVs	5	1	4	1
<b>Profit before income tax</b>	<b>131</b>	<b>89</b>	<b>237</b>	<b>65</b>
Income Tax	(15)	(5)	(4)	(4)
<b>Profit after income tax</b>	<b>116</b>	<b>84</b>	<b>233</b>	<b>61</b>
Profit attributable to shareholders	110	82	225	58



Source: Company information  
 Note: (1) Includes other provisions and impairments of AFS

# Key financial data and performance

## NLB Group (2/2)

	Dec-16	Mar-17	Dec-17	Mar-18
<b>ASSETS</b>				
Cash and balances with Central Banks	1,299	1,520	1,256	1,341
Financial instruments <sup>(1)</sup>	2,863	2,716	3,045	3,092
Loans and advances to banks (net)	436	411	510	553
Loans and advances to customers	6,912	6,920	6,912	6,914
Investments in associates and JV	43	44	44	43
Intangible assets	34	33	35	34
PP&E	197	194	188	186
Other assets	255	253	248	261
<b>Total Assets</b>	<b>12,039</b>	<b>12,090</b>	<b>12,238</b>	<b>12,425</b>
<b>LIABILITIES &amp; EQUITY</b>				
Deposits from banks	42	35	41	36
Deposits from customers	9,439	9,514	9,879	9,939
Borrowings	455	407	354	370
ECB funding	0	0	0	0
Securities and other liabilities	576	536	276	287
<b>Total Liabilities</b>	<b>10,513</b>	<b>10,492</b>	<b>10,550</b>	<b>10,632</b>
Shareholders' funds	1,495	1,565	1,654	1,753
Non Controlling Interests	30	33	35	39
<b>Total Equity</b>	<b>1,526</b>	<b>1,598</b>	<b>1,688</b>	<b>1,792</b>
<b>Total Liabilities &amp; Equity</b>	<b>12,039</b>	<b>12,090</b>	<b>12,238</b>	<b>12,425</b>



Source: Company information

Note: (1) Includes trading assets, financial assets designated at FV through profit or loss, AFS FS and HTM FS

# Key financial data and performance

NLB d.d. (1/2)

	FY'16	1Q'17	FY'17	1Q'18
Net interest income	175	39	159	38
Net fee and commission income	95	24	99	25
Income from financial operations	13	12	17	1
Other Income	0	4	(2)	9
<b>Operating Income</b>	<b>284</b>	<b>80</b>	<b>272</b>	<b>73</b>
Staff costs	(103)	(25)	(104)	(25)
General expenses	(59)	(12)	(54)	(13)
Depreciation and amortization expenses	(19)	(4)	(18)	(4)
<b>Operating expenses</b>	<b>(181)</b>	<b>(42)</b>	<b>(176)</b>	<b>(43)</b>
<b>Pre Provision Income</b>	<b>103</b>	<b>38</b>	<b>96</b>	<b>30</b>
Extraordinary measures	0	0	0	0
Impairment losses on credit risk	(15)	12	41	(2)
Other <sup>(1)</sup>	(49)	0	(11)	0
Investments in subsidiaries, associates and JVs	29	11	58	9
<b>Profit before income tax</b>	<b>68</b>	<b>61</b>	<b>185</b>	<b>38</b>
Income Tax	(4)	(2)	4	(2)
<b>Profit after income tax</b>	<b>64</b>	<b>59</b>	<b>189</b>	<b>36</b>
Profit attributable to shareholders	64	59	189	36



Source: Company information

Note: (1) Includes other provisions and impairments of AFS

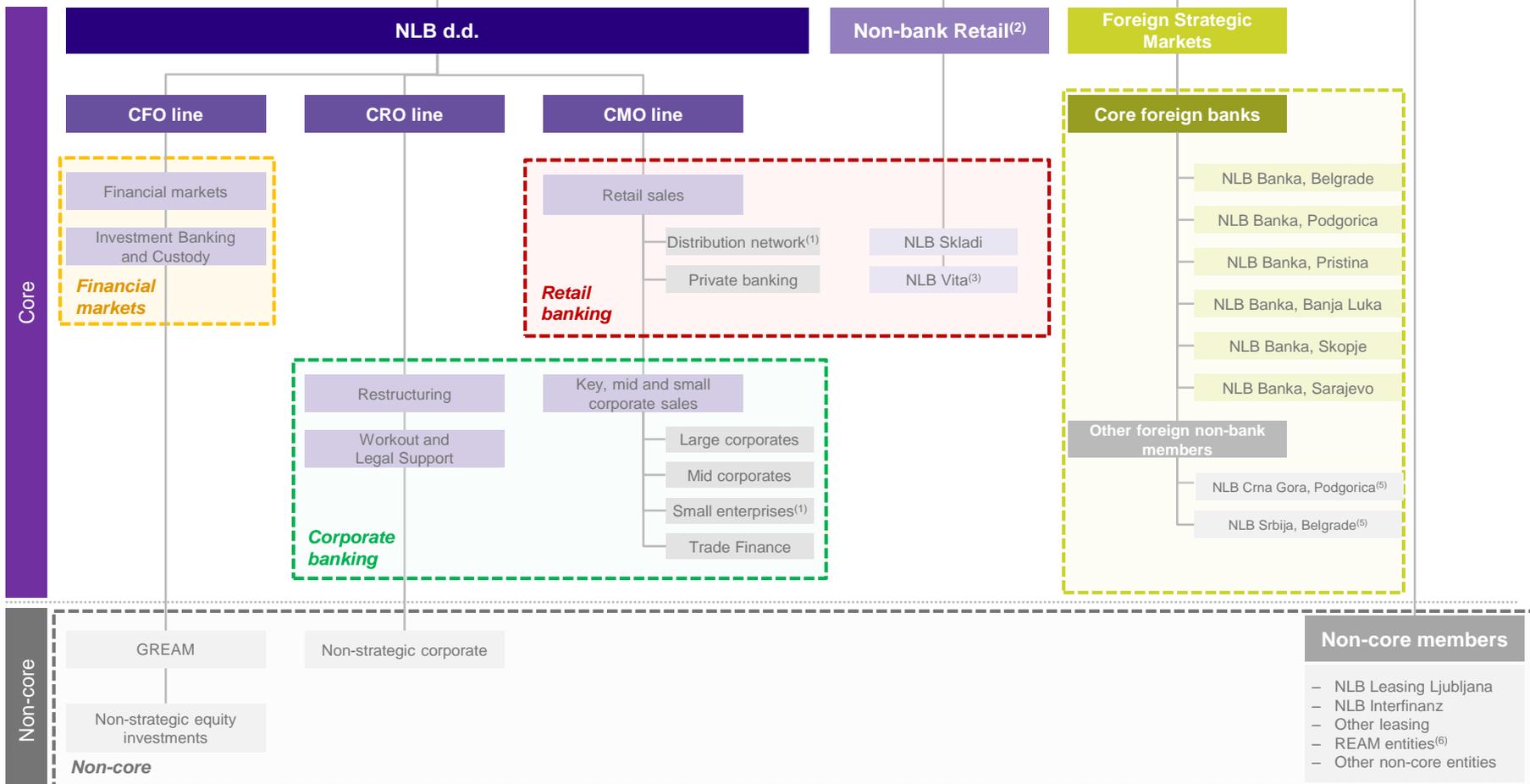
# Key financial data and performance

## NLB d.d (2/2)

	Dec-16	Mar-17	Dec-17	Mar-18
<b>ASSETS</b>				
Cash and balances with Central Banks	617	888	570	680
Financial instruments <sup>(1)</sup>	2,380	2,203	2,542	2,581
Loans and advances to banks (net)	408	364	462	490
Loans and advances to customers	4,844	4,796	4,588	4,521
Investments in subsidiaries, associates and JV	347	347	357	357
Intangible assets	23	22	24	23
PP&E	90	88	87	86
Other assets	68	88	82	113
<b>Total Assets</b>	<b>8,778</b>	<b>8,797</b>	<b>8,713</b>	<b>8,851</b>
<b>LIABILITIES &amp; EQUITY</b>				
Deposits from banks	75	62	72	60
Deposits from customers	6,617	6,674	6,812	6,865
Borrowings	343	300	266	265
ECB funding	0	0	0	0
Securities and other liabilities	478	450	181	218
<b>Total Liabilities</b>	<b>7,513</b>	<b>7,486</b>	<b>7,332</b>	<b>7,407</b>
Shareholders' funds	1,265	1,311	1,381	1,443
Non Controlling Interests	0	0	0	0
<b>Total Equity</b>	<b>1,265</b>	<b>1,311</b>	<b>1,381</b>	<b>1,443</b>
<b>Total Liabilities &amp; Equity</b>	<b>8,778</b>	<b>8,797</b>	<b>8,713</b>	<b>8,851</b>

# Structure of NLB Group

Core Slovenia sub-segments



(EURm, Mar 18)

	Financial Markets	Corporate Banking	Retail Banking	Foreign Strategic Markets	Non-Core & Other	NLB Group
PBT	7.8	6.3	10.9	39.0	1	65.0
Assets	3,655	2,001	2,284	3,921	562	12,425

Note: Organisational structure of operating activities only. Support functions (eg. controlling, global risk, IT, HR, etc) are omitted; (1) Micro corporate clients are included in retail; (2) Includes entity Kreditni Biro Sisbon (in liquidation), 28% minority stake in Skupna pokojninska družba and 39% stake in Bankart respectively; (3) 50% equity stake, under equity consolidation; (4) Pension fund; (5) Main objective is NPL management; (6) Real-estate SPVs

# Key segment financials – 1-3 18

EURm	Core markets and activities					Non-Core	Other <sup>(3)</sup>	NLB Group
	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Foreign Strategic markets	Total			
<b>P&amp;L (1-3 2018)</b>								
Net interest income	72.8	42.9	32.5	144.6	292.7	16.8	(0.2)	309.3
Net non-interest income	68.0	31.0	7.2	47.1	153.2	24.1	4.5	181.8
<b>Net operating income</b>	<b>140.7</b>	<b>73.9</b>	<b>39.6</b>	<b>191.7</b>	<b>445.9</b>	<b>40.9</b>	<b>4.3</b>	<b>491.1<sup>(1)</sup></b>
Total costs	(100.8)	(43.6)	(12.4)	(97.2)	(254.0)	(21.7)	(11.5)	(287.2) <sup>(1)</sup>
<b>Result before impairments and provisions</b>	<b>40.0</b>	<b>30.3</b>	<b>27.2</b>	<b>94.5</b>	<b>192.0</b>	<b>19.2</b>	<b>(7.2)</b>	<b>203.9<sup>(1)</sup></b>
Impairments and provisions	(2.9)	22.5	(0.1)	7.6	27.0	12.9	(10.4)	29.5
Other <sup>(2)</sup>	4.6	-	0.2	-	4.6	(0.9)	-	3.7
<b>Result before tax</b>	<b>41.7</b>	<b>52.8</b>	<b>27.3</b>	<b>102.0</b>	<b>223.8</b>	<b>31.2</b>	<b>(17.7)</b>	<b>237.3</b>

## Balance sheet (Mar-18)

Gross loans	2,122	2,189	221	2,661	7,193	448	-0	7,641
Assets	2,248	2,056	3,508	3,851	11,663	391	183	12,238
Deposits	5,537	1,081	172	3,078	9,869	10	0	9,879
Liabilities	5,543	1,123	502	3,265	10,432	19	98	10,550



Note: (1) Incl. EUR2.5m intersegment consolidation adjustment. 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; (2) Includes contribution to the NLB Group profit from joint venture NLB Vita and associates Skupna pokojninska družba and Bankart; (3) Other activities includes the categories in Bank whose operating results cannot be allocated to individual segments

# Key segment financials – 1-3 17

EURm	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Foreign Strategic markets	Total	Non-Core	Other <sup>(3)</sup>	Group
<b>P&amp;L (1-3 2017)</b>								
Net interest income	71.2	45.9	48.5	136.9	302.6	15.4	(0.7)	317.3
Net non-interest income	62.4	29.2	(0.8)	42.5	133.1	10.8	18.5	162.5
<b>Net operating income</b>	<b>133.6</b>	<b>75.0</b>	<b>47.7</b>	<b>179.4</b>	<b>435.7</b>	<b>26.2</b>	<b>17.8</b>	<b>479.8<sup>(1)</sup></b>
Total costs	(101.1)	(44.6)	(12.2)	(95.5)	(253.3)	(24.2)	(16.0)	(293.5) <sup>(1)</sup>
<b>Result before impairments and provisions</b>	<b>32.4</b>	<b>30.5</b>	<b>35.5</b>	<b>83.9</b>	<b>182.4</b>	<b>2.1</b>	<b>1.8</b>	<b>186.2<sup>(1)</sup></b>
Impairments and provisions	(10.2)	(2.7)	0.1	(16.3)	(29.2)	(20.9)	(10.6)	(60.6)
Other <sup>(2)</sup>	5.2	-	-	(0.0)	5.2	(0.2)	0.0	5.0
<b>Result before tax</b>	<b>27.4</b>	<b>27.8</b>	<b>35.6</b>	<b>67.6</b>	<b>158.4</b>	<b>(18.9)</b>	<b>(8.8)</b>	<b>130.6</b>

## Balance sheet (Mar-17)

Gross loans	1,992	2,511	255	2,457	7,215	676	10	7,901
Assets	2,118	2,339	3,376	3,540	11,373	503	164	12,039
Deposits	5,224	1,152	212	2,824	9,412	26	0	9,439
Liabilities	5,230	1,198	907	3,039	10,374	58	82	10,513



Note: (1) Incl. EUR4.0m intersegment consolidation adjustment. 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; (2) Includes contribution to the NLB Group profit from joint venture NLB Vita and associates Skupna pokojninska družba, Bankart and Kreditni biro Sisbon (in liquidation); (3) Other activities includes the categories in Bank whose operating results cannot be allocated to individual segments