



NLB Group Investor Presentation

FY'16 results



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Team

Nova Ljubljanska Banka (NLB)



Blaž Brodnjak

Chief Executive Officer (CEO)

Chief Marketing Officer (CMO)

18+

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



Archibald Kremser

Chief Financial Officer (CFO)

18+

- Chief Financial Officer of NLB since July 2013
- Previously held senior management positions at Dexia Kommunalkredit Group (CEE)
- Previous consulting experience at Bain & Company and EY
- MBA from INSEAD (France), MSc in Engineering from Vienna University of Technology (Austria)



Andreas Burkhardt

Chief Risk Officer (CRO)

18+

- Chief Risk Officer of NLB since September 2013
- Previously held senior managerial position at Volksbank, including among others CRO at Volksbank Bosnia and CFO at Volksbank Romania
- Supervisory Board experience at 3 banks
- MBA from University of Dayton (USA), MSc in Economics from University of Augsburg (Germany)



László Pelle

Chief Operating Officer (COO)

20+

- 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
- Master's Degree from Technical University of Budapest (Hungary)

Overview of NLB Group

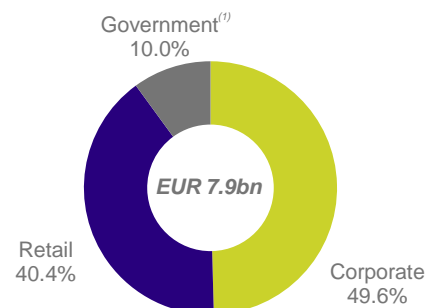
Investment highlights

- ✓ **The largest banking and financial institution in Slovenia by total assets**
 - ✓ 100% owned by the Republic of Slovenia
 - ✓ Leading bank for retail and corporate clients in Slovenia, with ~701k active clients and ~24% market share by total assets
- ✓ **Active in 6 attractive markets in South-Eastern Europe**
 - ✓ 4 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**
 - ✓ ~21% reduction in operating costs (FY'12-FY'16), an equivalent of -6% CAGR
 - ✓ NPL ratio reduced from Dec-12 peak of 28.2% to 13.8% in Dec-16
 - ✓ 12 consecutive quarters of stable and positive performance
- ✓ **Extensive distribution network of 355 branches**
 - ✓ 113 branches in Slovenia (Dec-16)
- ✓ **Attractive dividend payout ratio**
 - ✓ 48% of 2015 NLB Group net profit paid out in August 2016
 - ✓ 58% of 2016 NLB Group net profit to be paid out in April 2017⁽³⁾

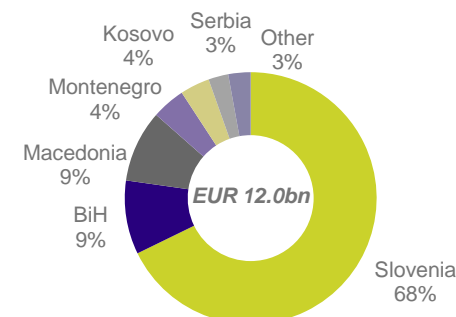
Key figures

Balance sheet (EURm)	Dec-15	Dec-16
Total assets	11,822	12,039
Loans to customers (gross)	8,351	7,901
Loans to customers (net)	7,088	6,997
Customer deposits	9,026	9,439
Attributable equity	1,423	1,495 ⁽⁴⁾
P&L (EURm)	FY'15	FY'16
Net interest income	340	317
Pre provision income	186	186
Profit after tax	92	110
Key ratios (%)	Dec-15 / FY'15	Dec-16 / FY'16
CET1 ratio	16.2%	17.0% ⁽⁵⁾
NPL ratio	19.3%	13.8%
NPL coverage ratio	72.2%	76.1%
NPE ratio (EBA)	14.3%	10.0%
NPE coverage ratio (EBA)	69.9%	72.2%
RoE after tax	6.6%	7.4%

Gross loans by customer (Dec-16)



Total assets by country (Dec-16)⁽²⁾



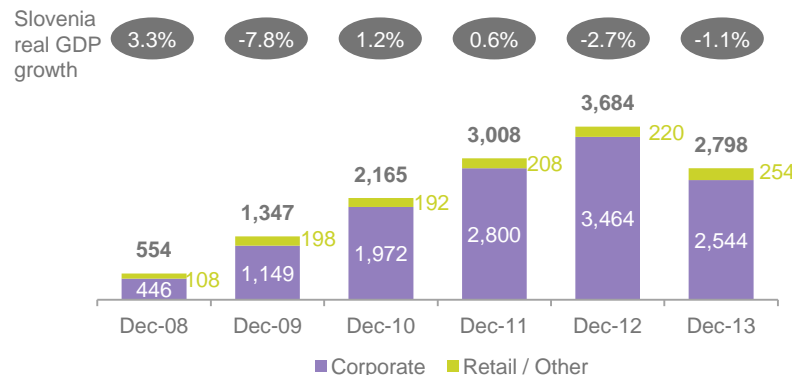
Source: Company information, Bank of Slovenia

Note: (1) Government departments, municipalities and agencies; (2) Geographical analysis based on location of assets of the NLB Group; (3) Represents proposed dividend of EUR63.8m, subject to approval by Supervisory Board and General Meeting of Shareholders; (4) Pre EUR63.8m proposed dividend payment distribution to existing shareholders; (5) Post EUR63.8m proposed dividend payment distribution

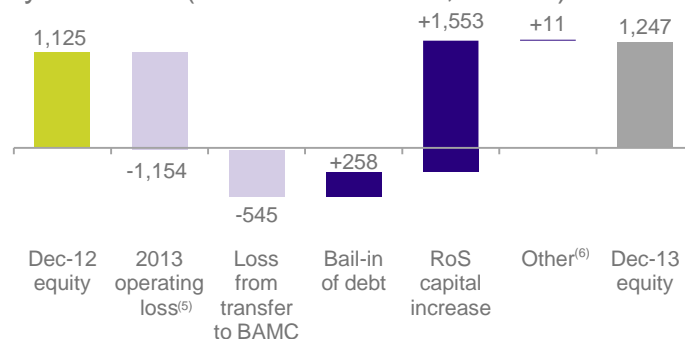
Background to 2013 recapitalisation

- Severe economic contraction in Slovenia during 2009 – 2013 drove NLB's NPLs to unprecedented levels
- An independent Asset Quality Review (AQR) and stress tests undertaken in 2013 by international consultants under the auspices of the Bank of Slovenia identified EUR1.7bn⁽¹⁾ capital shortfall for NLB
- To address that, a number of measures were taken for the recapitalisation of the bank

NLB Group's NPL stock vs real GDP growth (EURm)



Equity evolution (Dec-12 to Dec-13, EURm)



Recapitalisation measures

- Outstanding EUR184m share capital of NLB was reduced to nil
- Bail-in by way of termination of EUR250m outstanding subordinated debt instruments⁽²⁾
- Transfer of EUR1,155m net assets to BAMC⁽³⁾ resulting in a net loss of EUR545m⁽⁴⁾
- EUR1.55bn capital increase, covered entirely by the Republic of Slovenia

2013 recapitalisation

Journey so far



Source: Company information, Slovenian Statistical Office

Note: (1) Capital shortfalls of EUR1,464m under baseline scenario and EUR1,668m under adverse scenario, including new DTAs effect; (2) EUR258m including accrued interest; (3) Gross book value of assets: EUR2,169m; Transfer price: EUR610m; (4) Represents exposures to 279 customers including NPLs and claims against non-strategic clients; (5) EUR1,070m of provisions and impairments; (6) Includes 2013 Other comprehensive income and transactions with non-controlling interests

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 Balance sheet reduction
- 3 6% annual cost reduction achieved⁽⁴⁾
- 4 Improved risk management policy and corporate governance
- 5 Focus on improved business selection and pricing with clear minimum client RoE targets
- 6 Emphasis on NPL recovery and improving asset quality

			Overview	Going forward
Core	Core Slovenia	Retail banking	<ul style="list-style-type: none"> • Largest retail banking group by loans, deposits and number of branches • #1 in private banking and asset management 	✓ Ongoing initiatives to transform operations
		Corporate banking	<ul style="list-style-type: none"> • Market leader in corporate banking with the largest client base in the country • Strong trade finance operations and other fee-based businesses 	✓ Capitalise on attractive growth prospects of fee-generating businesses
		Financial markets ⁽¹⁾	<ul style="list-style-type: none"> • Largest brokerage network providing the best access to securities markets for clients • #1 lead organiser for syndicated loans in Slovenia 	✓ Implementation of differentiated risk-adjusted pricing
	Core members	Foreign strategic markets	<ul style="list-style-type: none"> • Leading franchise in the SEE with 6 independent, well capitalised and self-funded subsidiaries • The only international banking group with exclusive focus on the SEE region 	✓ Increasing contribution to Group profits
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity investments Real estate ⁽²⁾	<ul style="list-style-type: none"> • Assets booked under NLB d.d. or non-core subsidiaries funded via NLB d.d. • Investments in listed and private Slovenian companies 	✓ Targeted exit by 2020 from selected ancillary businesses and lending to certain sectors
	Non-core members	Leasing, factoring and other ⁽³⁾	<ul style="list-style-type: none"> • Various run-off businesses including leasing and factoring in the sale or liquidation processes • Real estate SPVs consolidating investments in SEE 	

2013 recapitalisation

Journey so far



Source: Company information

Note: (1) Segment includes investment banking, custody services, ALM, trading and treasury

(2) GREAM; (3) NLB Leasing Ljubljana, NLB Interfinanz, Other Leasing, REAM and other Non-core members; (4) CAGR 2012 to 2016

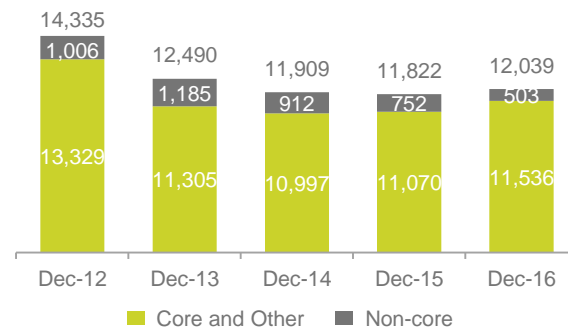
Journey so far (continued)

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

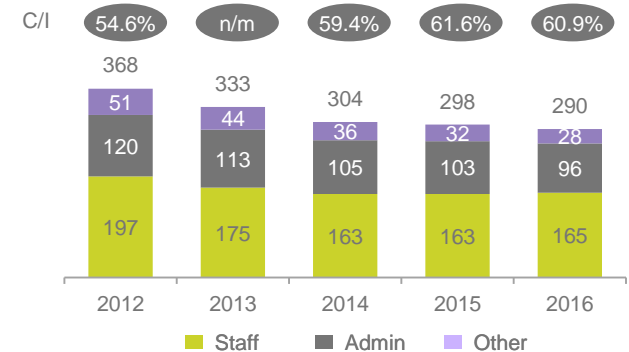
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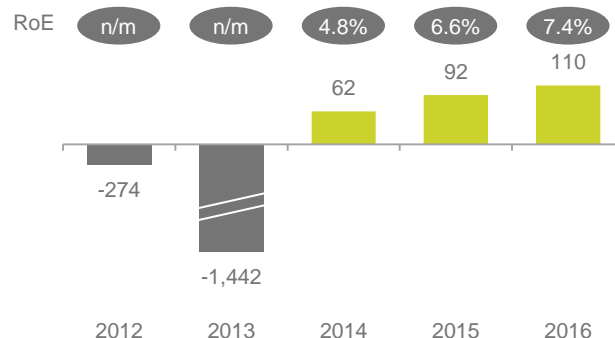
Smaller and stronger balance sheet (EURm)



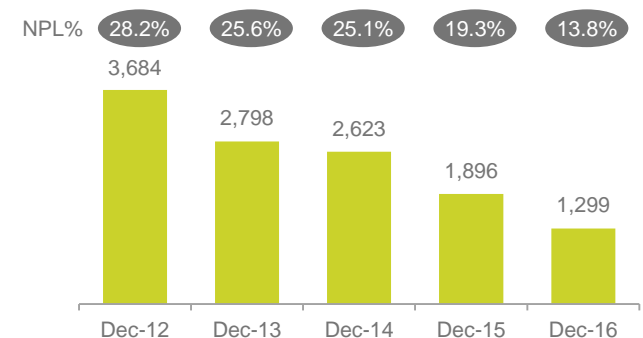
21% cost base reduction from 2012 (EURm)



Return to profitability⁽²⁾ (EURm)



65% reduction of NPLs (NPL stock, 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;

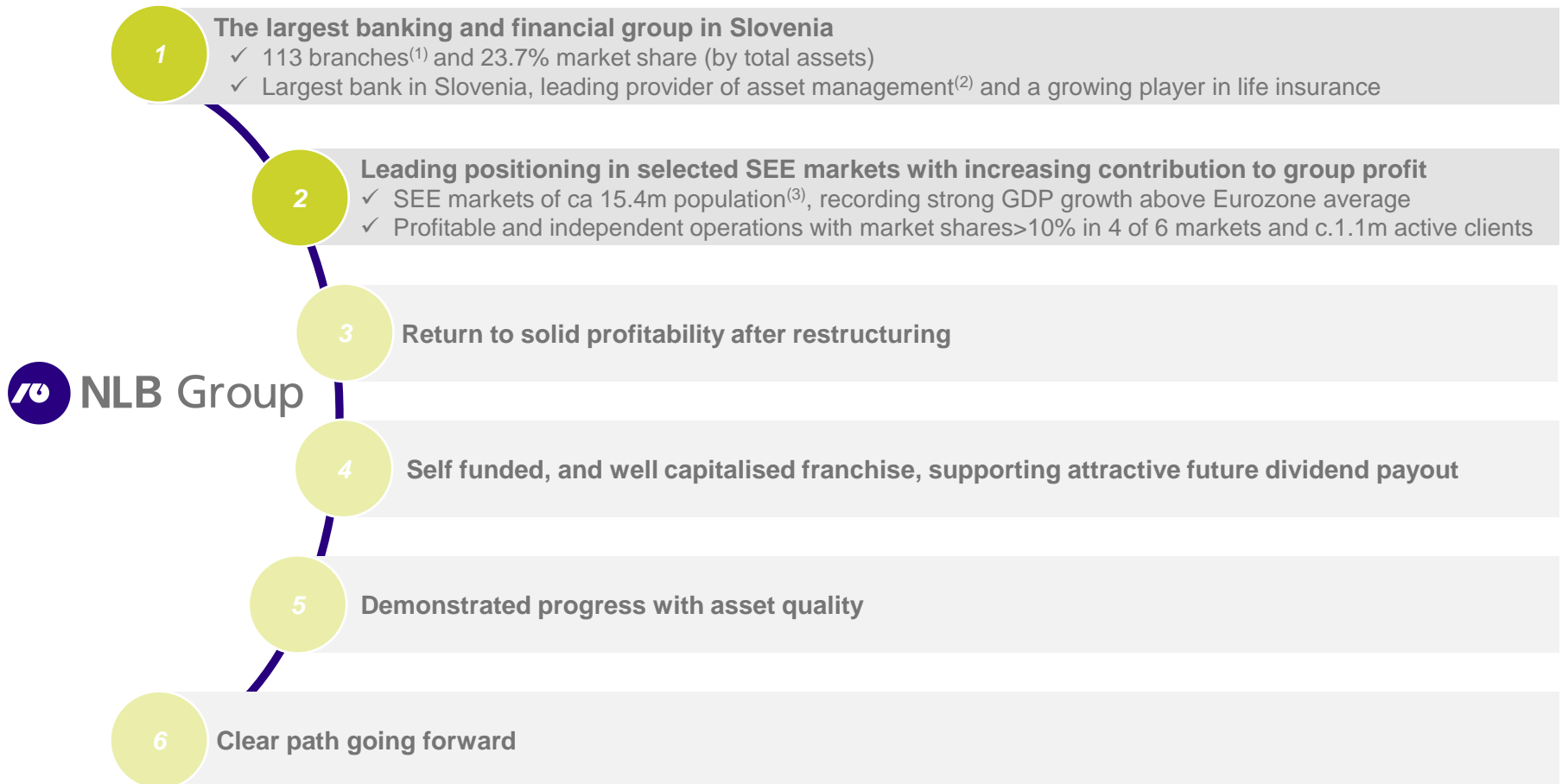
(1) CAGR 2012 to 2016; (2) Profit after tax attributable to the shareholders



Investment highlights

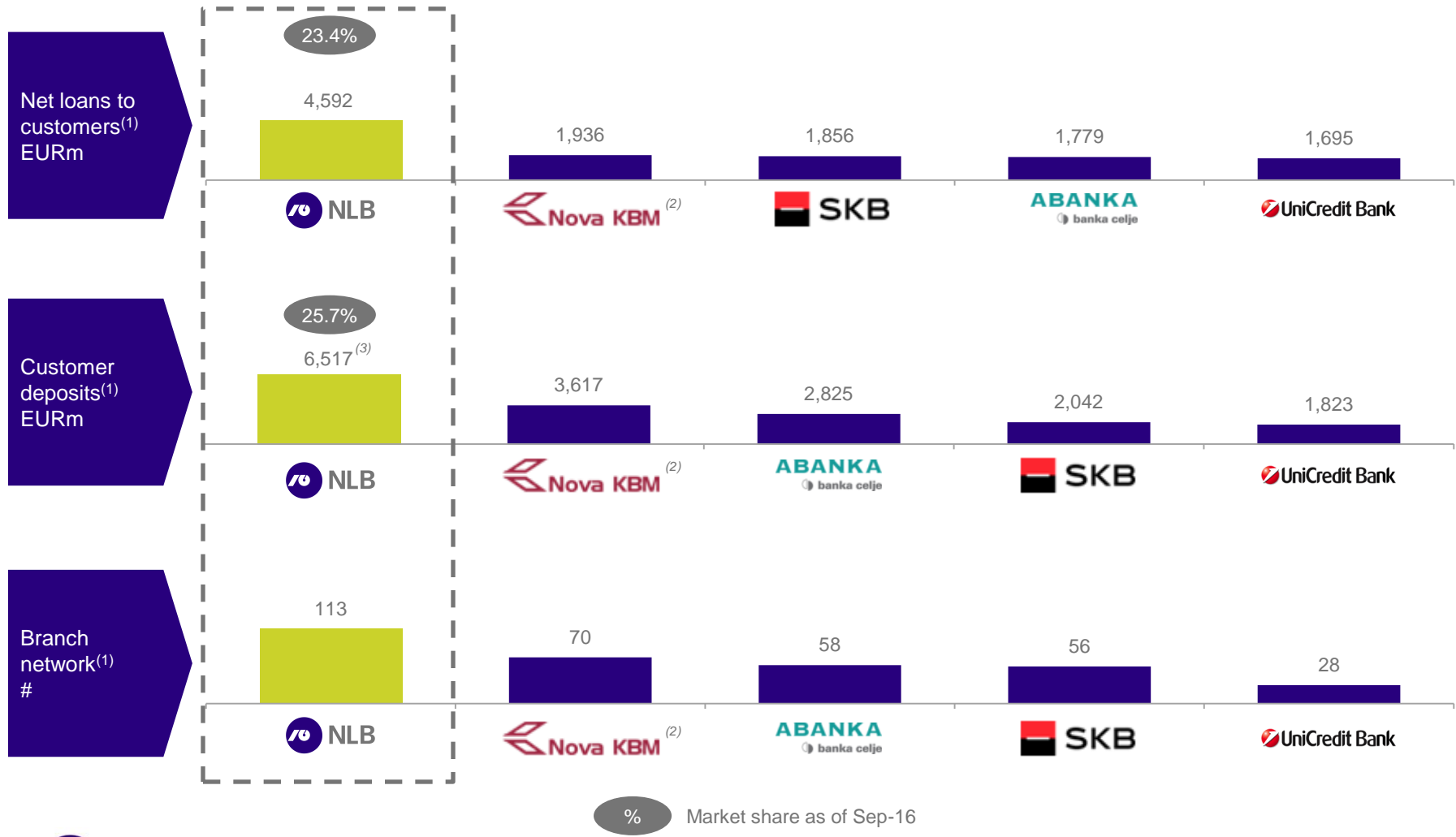
Investment highlights of NLB Group

Largest bank in Slovenia and among top players in selected SEE markets



1 Dominant player in the Slovenian banking sector

Market leader 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 to customers (excl. DARS bonds) as of Sep-16; Customer deposits as of Sep-16; Branches: NLB d.d., Nova KBM as of Dec-16; Abanka as of Jun-16; SKB and UniCredit as of Dec-15; (2) Includes PBS and KBS Bank; (3) Customer deposits without structured deposits (EUR2m)

1 Dominant player in the Slovenian banking sector

Retail banking

Market evolution

- ✓ Retail lending has been steadily growing since 2014, primarily driven by mortgages; household indebtedness remains low vs. Eurozone (22% of GDP as of 2015)
- ✓ Housing transactions increasing, while prices stabilised in 2015
- ✓ Significant growth of retail deposits

NLB positioning

- ✓ Market shares⁽¹⁾ resilient across market segments (As of Dec-16: Retail net loans: 23.7%, Retail deposits: 30.4%)
- ✓ Increasing share of new loan production in growing consumer segment, driven by wide distribution network, strong sales force and large customer base

Distribution network

- ✓ Network of 113 branches offers nationwide coverage, with presence in all key cities of Slovenia
- ✓ Key initiatives implemented in branches, including rollout of e-signature and branch refurbishment

Digital banking

- ✓ Ongoing enhancement of online and mobile banking platform with the introduction of new functionalities, including ability to initiate loan applications online and full online availability of all transaction banking services
- ✓ First bank to introduce contactless debit and credit cards in Slovenia

Upside from fee generating products

Private banking:

- ✓ #1 market position, with growing customer base through conversion of existing NLB customers and limited competition
- ✓ Strong cross-selling capabilities with bancassurance and asset management

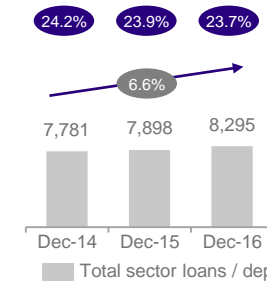
Bancassurance:

- ✓ Profitable and growing business segment, with ca 11.1% market share in life by GWP⁽³⁾, with upside potential from underpenetrated customer base (13% penetration)

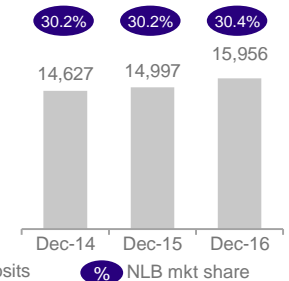
Asset management:

- ✓ # 1 player by AuM in Slovenian asset management exceeding EUR1.0bn in AuM⁽⁴⁾

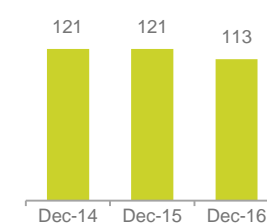
Retail net loans (EURm)



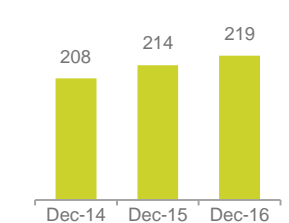
Retail deposits (EURm)



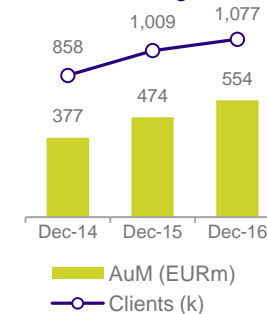
Branch network (#)



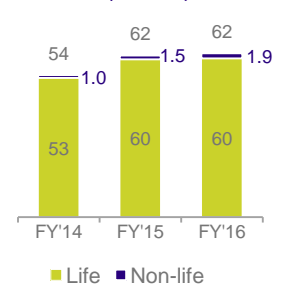
NLB Klik⁽²⁾ users (000s)



Private banking



GWP (EURm)



Source: Bank of Slovenia, Company information

Note: All figures refer to full year ending 31-Dec; (1) Excluding the NPL sale effect of EUR27m net; (2) NLB Klik refers to NLB's online banking application; (3) Slovenian Insurance Association; (4) Including investments in mutual funds and discretionary portfolios. Source: Slovenian Fund Management Association

1 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
- ✓ Substantial progress in corporate NPL resolution

NLB positioning

- ✓ NLB is clear sector leader with 22.3% net loans market share⁽¹⁾; stable market share despite NPL resolution and repayments
- ✓ Loan balances in key business⁽²⁾ grew on average 10% per year despite the sector falling by 8% on average since 2014
- ✓ Market leader across deposit product lines: 20% market share for sight deposits, 13% 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

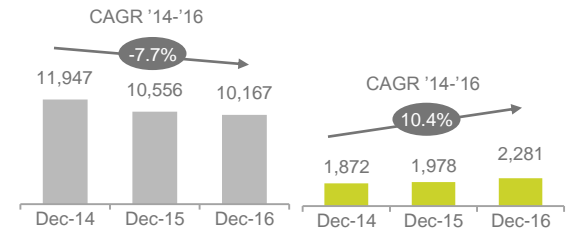
Strong fee business

- ✓ Leader in merchant acquiring with 12k POS terminals, 6k merchants and 35% market share
- ✓ Solid performance in Investment banking, Treasury solutions and Custody, with income from these activities growing 15% between 2014 and 2016
- ✓ Assets under custody exceeded EUR12bn in Dec-16 (+EUR2.7bn vs 2015)

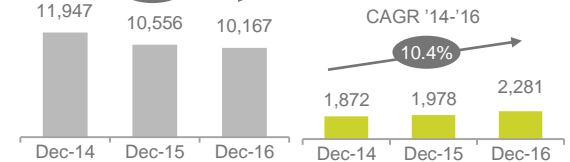
Opportunity in small and mid business

- ✓ 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)



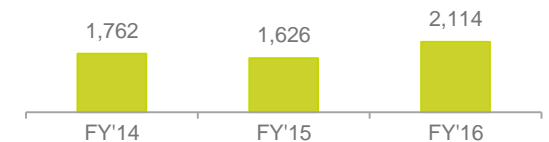
NLB key business⁽²⁾
gross loans (EURm)



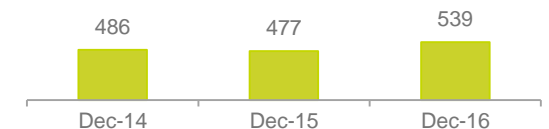
Statistics per key client segment⁽²⁾
(EURm, Dec-16)

	Clients	Gross loans (EURm)	Deposits (EURm)
Large	686	1,742	237
Mid	2,580	442	423
SE ⁽³⁾	13,449	97	447

Non-interest income / client (EUR)⁽⁴⁾



SME gross loans⁽⁵⁾ (EURm)









Source: Bank of Slovenia, Company information

Note: (1) Market share of NLB d.d. excluding DARS bonds and the NPL sale effect of EUR54m net; (2) Key business excludes workout and restructuring; (3) Small enterprises, excluding Standard segment clients in Distribution Network; (4) Non-interest income per larger scale corporate clients (includes large corporate, mid corporate and small enterprises premium plus); (5) Excluding restructuring and workout

2 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 EUR65.6bn GDP and 15.4m population
- ✓ Attractive growth markets, with 2.6% real GDP growth, EUR4k GDP/capita and 21% household indebtedness as % of GDP⁽⁵⁾








	Slovenia	Macedonia	Bosnia ⁽¹⁾	Montenegro	Kosovo	Serbia	Total / Average ⁽⁵⁾
							
Population (Dec-15, m)	2.1	2.1	3.8	0.6	1.8	7.1	15.4
GDP ⁽³⁾ (2015, EURbn)	38.5	9.0	14.4	3.6	5.8	32.9	65.6
GDP/Capita ⁽³⁾ (2015, EURk)	18.7	4.3	3.8	5.8	3.1	4.6	4.3
Real GDP growth (9M'16)	2.6%	2.7%	1.8%	2.1%	3.6%	2.7%	2.6%
Inflation ⁽⁴⁾ (2016)	-0.1%	-0.2%	-1.1%	-0.3%	0.3%	1.2%	-0.1%
Government debt/GDP (2015)	83%	38%	31%	67%	13%	75%	45%
Household debt /GDP (2015)	22%	22%	27%	25%	12%	19%	21%
Currency	EUR	MKD	EUR ⁽²⁾	EUR	EUR	RSD	n/a
Credit rating (Moody's, S&P)	Baa3 / A	n/a / BB-	B3 / B	B1 / B+	n/a / n/a	B1 / BB-	n/a

2 Top position across target SEE countries

Unified brand across 6 markets since 2015

- ✓ 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⁽¹⁾ in SEE
- ✓ The only international banking group with exclusive focus on the region
- ✓ Independent, well capitalised and profitable subsidiaries



	<div>Macedonia</div> <div></div> <div>NLB Banka Skopje</div>	<div>Bosnia</div> <div></div> <div>NLB Banka Banja Luka</div> <div>NLB Banka Sarajevo</div>	<div>Montenegro</div> <div></div> <div>NLB Banka Podgorica</div>	<div>Kosovo</div> <div></div> <div>NLB Banka Prishtina</div>	<div>Serbia</div> <div></div> <div>NLB Banka Beograd</div>	
NLB ownership (%)	87%	100%	97%	99%	81%	100%
No. of branches (#)	51	60	37	18	45	31
Market ⁽²⁾ share %	15.9%	19.6% ⁽³⁾	5.3% ⁽⁴⁾	13.3%	14.6%	1.0%
Net interest margin %	4.7%	2.9%	3.4%	4.3%	5.0%	6.0%
Cost/ income %	38.0%	47.2%	57.1%	58.7%	40.1%	97.8%
Loans/ Deposits %	79.2%	66.1%	76.7%	70.8%	74.6%	83.6%
NPL ratio %	5.7%	5.1%	9.9%	14.7%	3.6%	10.3%
RoE	20.8%	20.0%	9.1%	7.3%	18.9%	4.7%
Total assets (EURm)	1,153	635	498	473	516	276



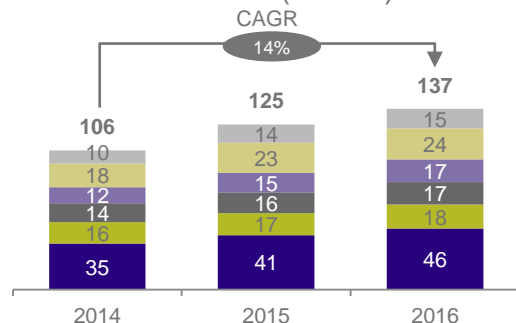
Source: Company disclosure

Note: Data as of Dec-16;

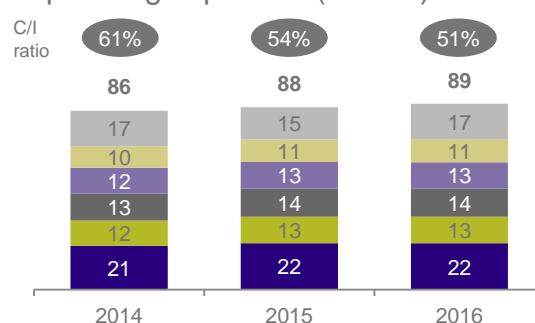
(1) Excluding NLB d.d.; (2) Market share based on total assets, as of Sep-16; except for Kosovo, as of Jun-16; (3) Market share in the Republika Srpska; (4) Market share in the Federation of BiH

2 Consistent volume and revenue growth in International resulting in 14% RoE

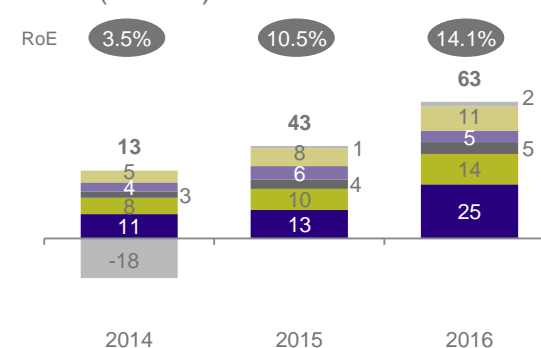
Net interest income (EURm)



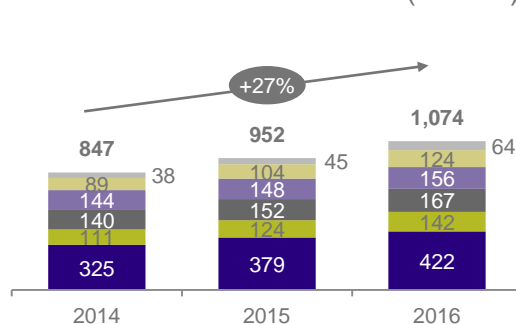
Operating expenses (EURm)



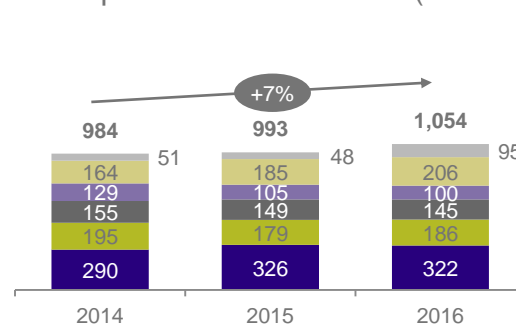
PAT (EURm)



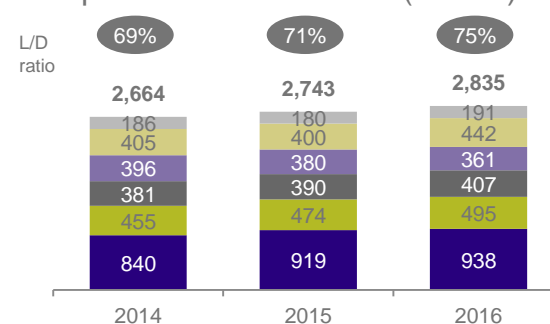
Net retail loans to customers (EURm)



Net corp. loans to customers (EURm)



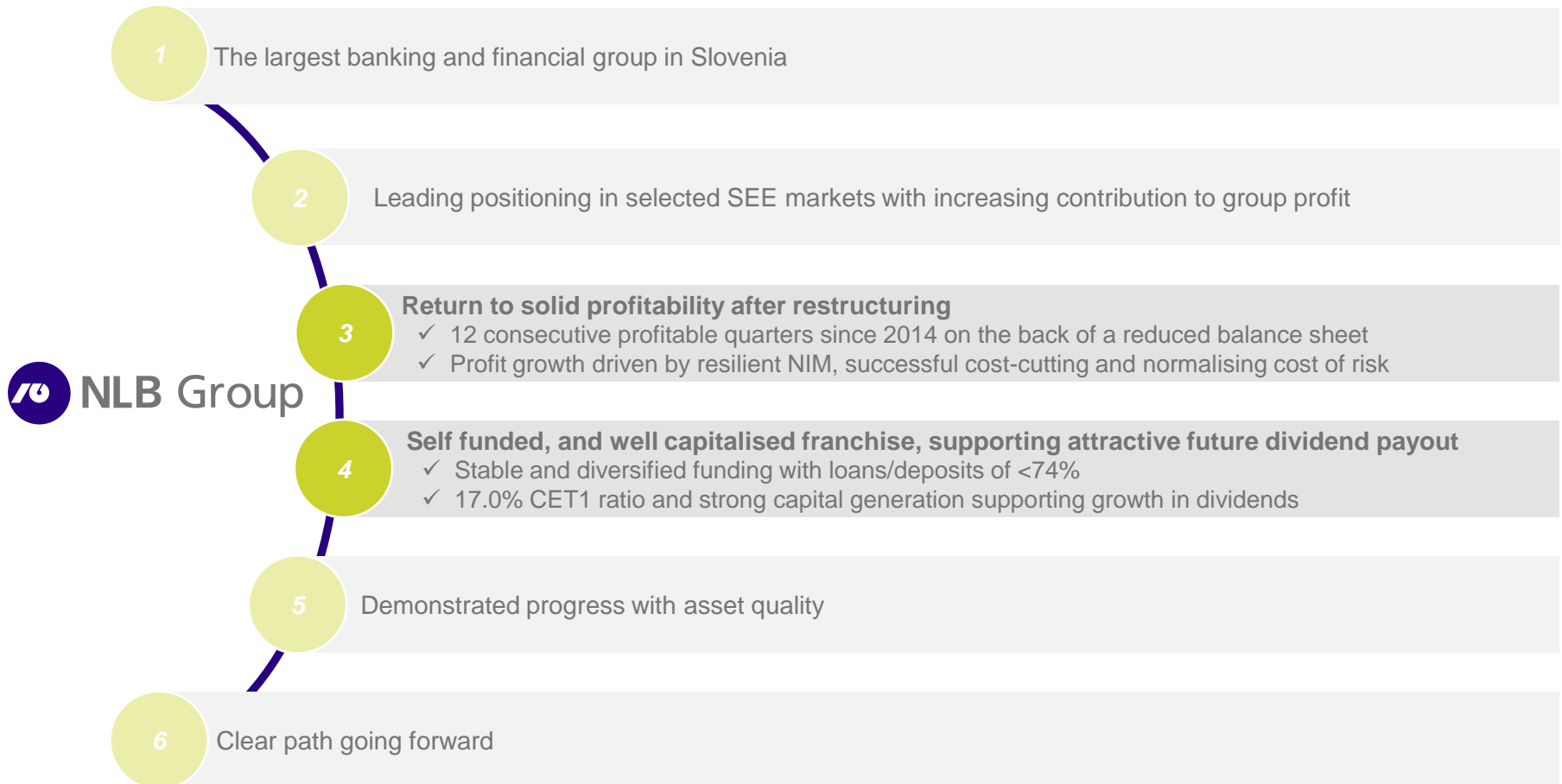
Deposits from customers (EURm)



■ Macedonia ■ BiH – RS (1) ■ BiH – Fed (2)
■ Montenegro ■ Kosovo ■ Serbia

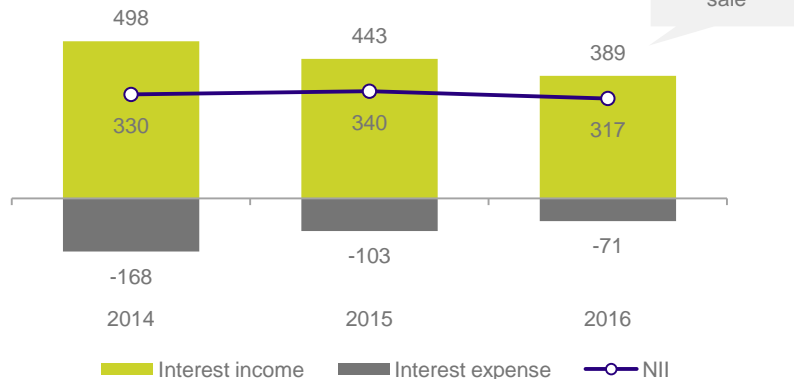
Investment highlights of NLB Group

Largest bank in Slovenia and among top players in selected SEE markets

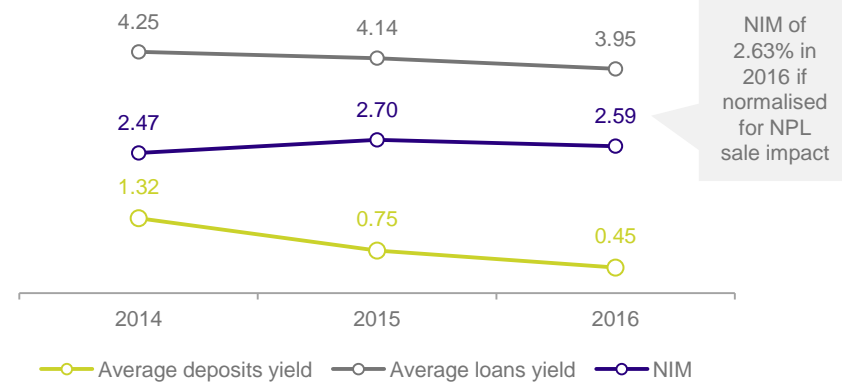


3 Strong revenue performance driven by stable NIM and resilient fee income

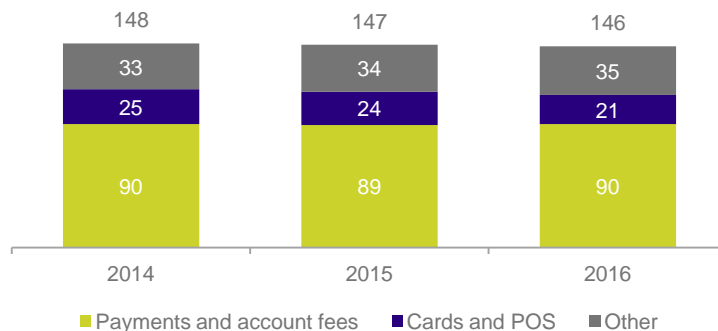
Net interest income remains under pressure...
(Group, EURm)



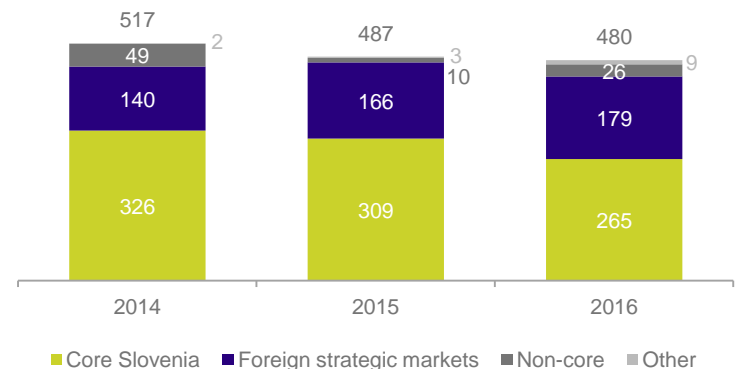
...but NIM remains stable despite monetary easing in Eurozone (Group, %)



Resilient fee income (Group, EURm)



International supporting revenue in the Core operations (Group, EURm)⁽¹⁾

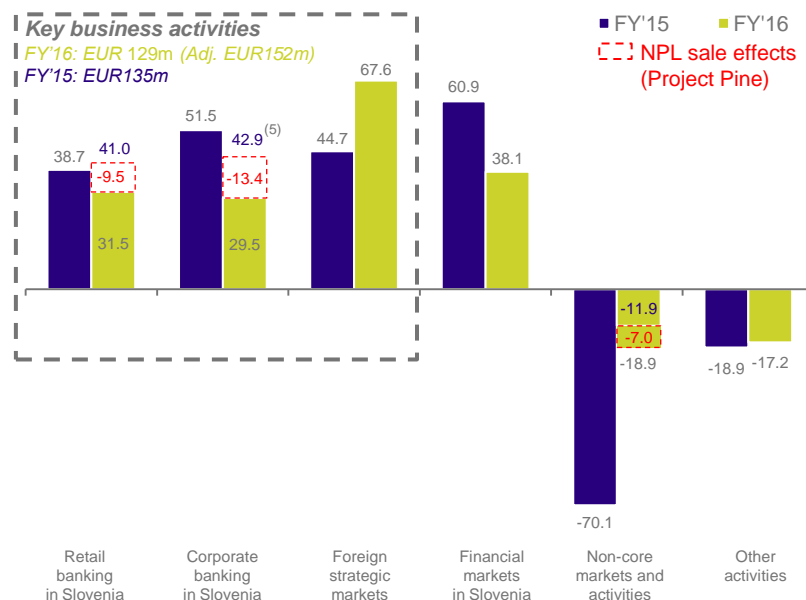


3 Profitability improvement in all key business segments, with reduction of non-core losses

Profitable, client-oriented group, focused on core markets

Key metrics (FYE Dec-16, EURm)			PBT	Gross loans	Assets	% of assets
Core	Core Slovenia	Retail banking	31.5	1,992	2,118	94%
		Corporate banking	29.5	2,511	2,339	
		Financial markets ⁽¹⁾	38.1	255	3,376	
	Core members	Foreign strategic markets	67.6	2,457	3,540	
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity Investments Real estate ⁽²⁾	-18.9	364	158	4%
	Non-core members	Leasing, factoring and other ⁽³⁾		312	345	
Other segment			-17.2 ⁽⁴⁾	10	164	~2%
Group total			131	7,901	12,039	

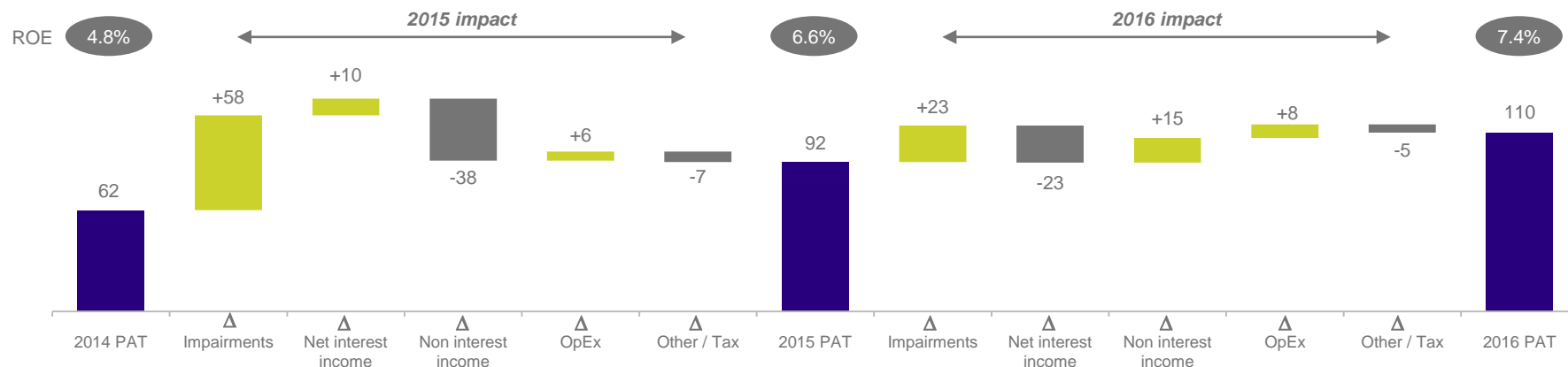
Core segments consistently profitable, retail and international increasingly profitable (PBT, EURm)



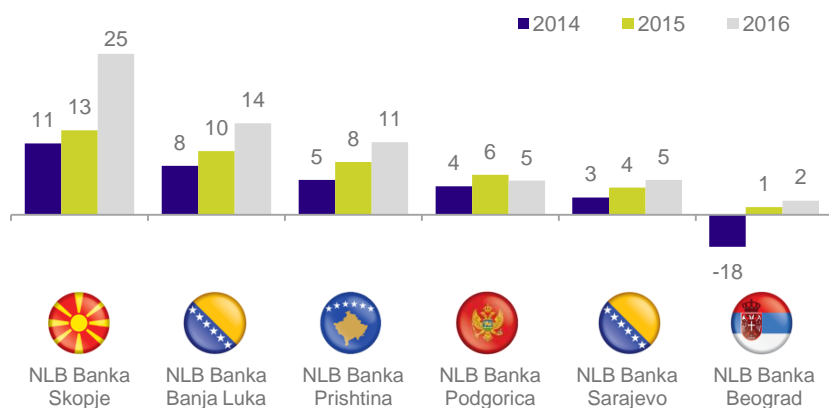
- Profit before tax of key business activities decreased by EUR6m primarily as a result of lower interest income and EUR23m negative impact by NPL sale
- Foreign strategic markets continued positive trend showing an EUR23m increase y-o-y vs 2015
- Non-strategic markets and other activities drag on profitability considerably lower y-o-y

3 Successful business transformation results in **sustainable profitability** with 20% profit growth in 2016

Evolution of group profitability since 2014 (EURm)



All Core foreign banks profitable (EURm)

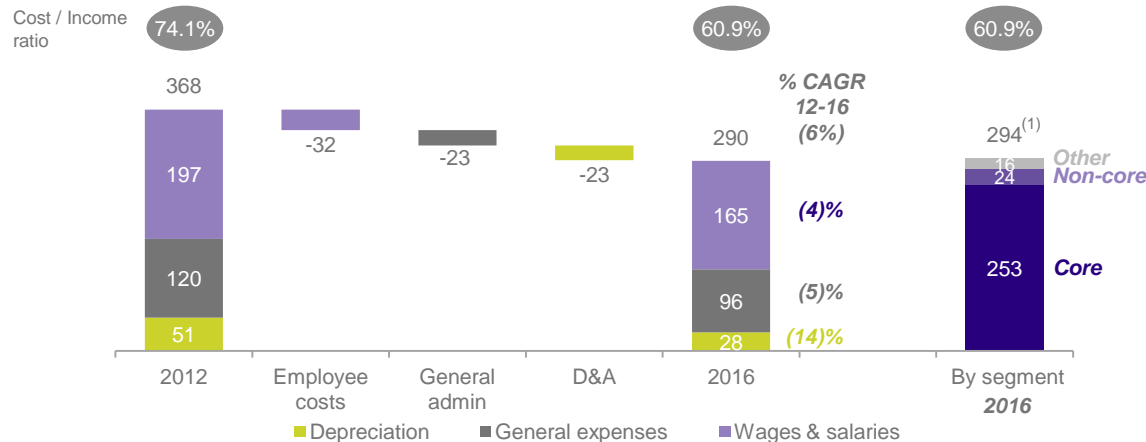


Positive performance continued in 2016

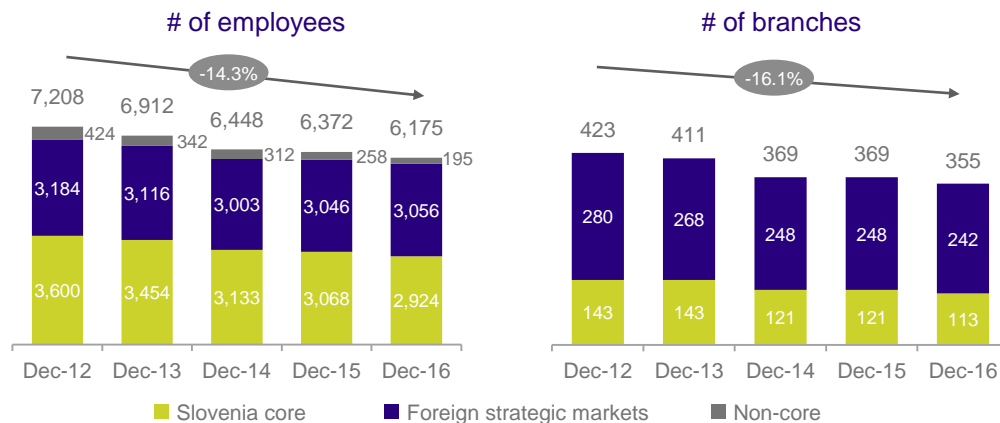
- Continued trend of stable and profitable Group operations
- In 2016, NLB Group generated **EUR110.0m** of profit after tax (**20% increase YoY**)
- **All Core foreign banks** profitable in 2016 with significant increase YoY

3 6% annualised cost reduction driven by network optimisation, HQ personnel and non-personnel reductions and Non-Core

Impressive cost reduction across the board (Group, EURm)



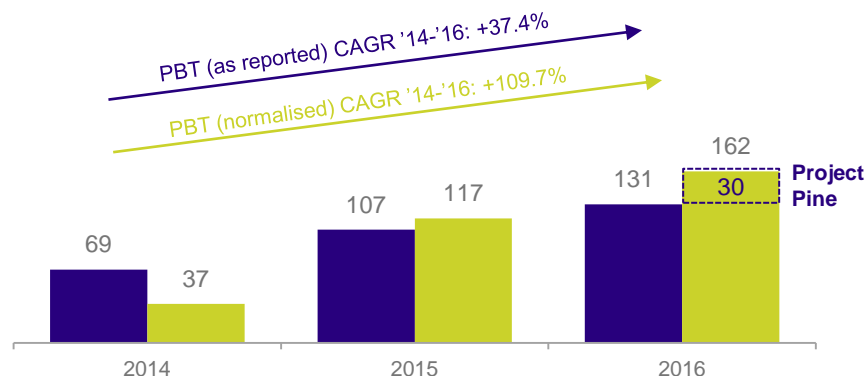
Effective rationalisation of headcount and network (#)



- Strong management commitment to strict cost containment and optimisation measures
- Headcount dropped by 14.3% over 2012 – 2016 driven primarily by Slovenia Core and Non-Core
- Closure of unprofitable branches already took place across NLB Group, with high retention rate by transferring clients' business to nearest branches

3 Double-digit increase in profit before tax since 2014

Normalising NLB Group profit before tax (Group, EURm)



	2014	2015	2016
Profit before tax	69.2	106.8	130.6
Project Pine – net interest income	-	-	(4.1)
Project Pine – loan loss provisions	-	-	(25.8)
Total Pine impact			(29.9)
Profit before tax (adjusted for Project Pine)	69.2	106.8	160.5
Exceptional items	35.5	(7.1)	13.2
Other provisions	5.0	-	(10.6)
Restructuring expenses	(8.1)	(3.5)	(3.8)
Total one-off items	32.4	(10.6)	(1.2)
Profit before tax - normalised	36.8	117.3	161.8

One-off items

• Exceptional items:

2016:

- EUR7.8m gain on sale of Visa Europe to Visa Inc.
- EUR5.5m success fee and gain on sale of equity investments

2015:

- EUR(10.6)m exchange difference on CHF
- EUR5.2m gain on sale of Republic on Slovenia bonds
- EUR(1.7)m other items

2014:

- EUR22.8m gain on sale of equity investments
- EUR11.9m gain on sale of Republic of Slovenia bonds
- EUR0.8m other items

• Other provisions:

2016

- EUR(10.6)m restructuring provisions

2014

- EUR2.9m provisions related to transfer to BAMC
- EUR2.1m annuity payment

• Restructuring expenses:

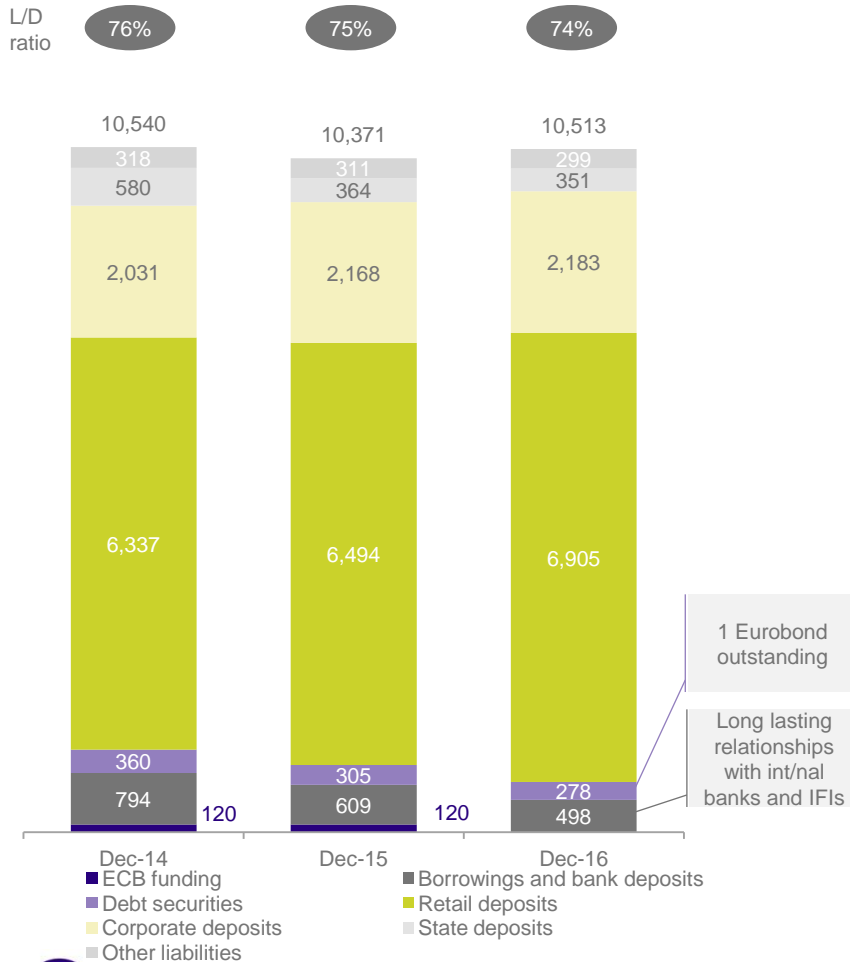
- Expenses related to fulfillment of commitments towards EC (non-core disposal, compliance, EC procedures, NPL wind-down, cost reduction program)

• Project Pine:

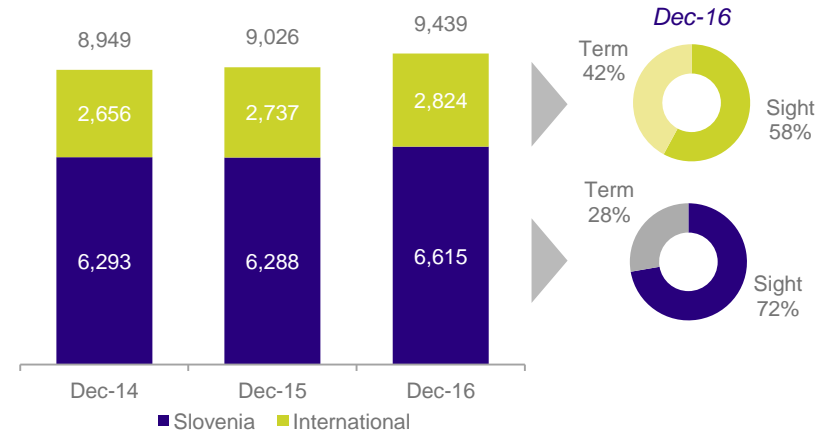
- Reduction of net interest income and additional loan loss provisions following the NPL portfolio sale

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

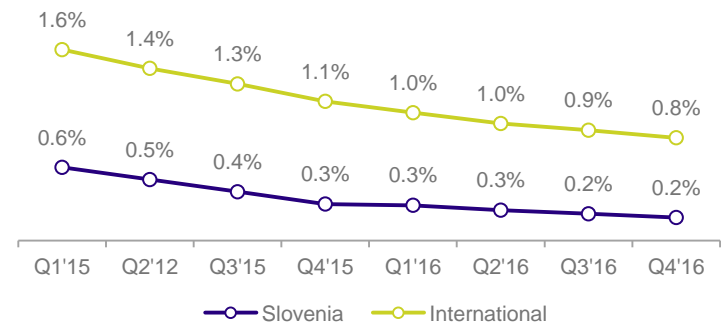
Deposits accounting for 90% of funding (EURm)



Strong retail franchise provides stable and price insensitive deposits base (EURm)



Decreasing deposit yields (%)

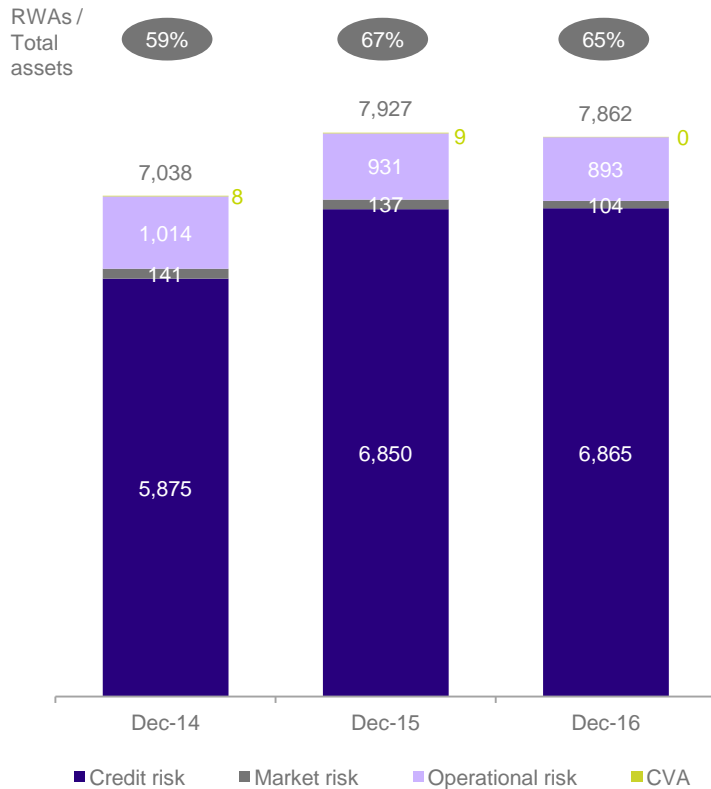


4 Well capitalised franchise

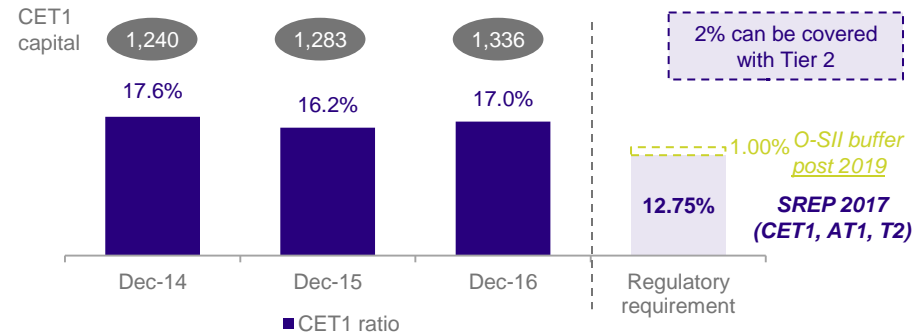
Solid capital position with large and stable deposit base

- ✓ Highest quality capital (CET1) at Group and NLB d.d.⁽¹⁾
- ✓ Immaterial dependency on net recognised DTAs

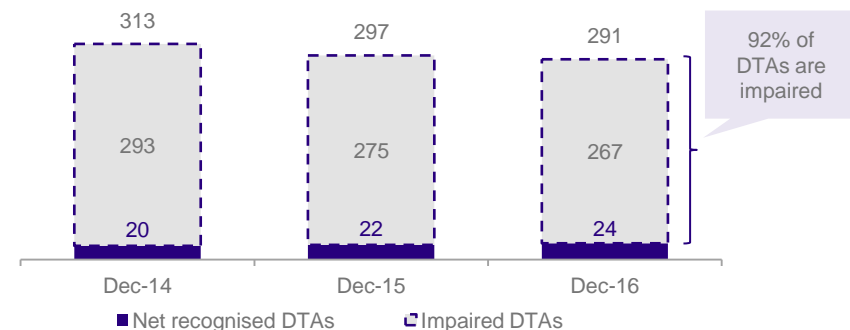
RWAs expansion in 2015 driven by one-off increase in SEE sovereign risk weighting (Group, EURm)



CET1 ratio comfortably above regulatory requirements⁽²⁾ (Group, EURm)

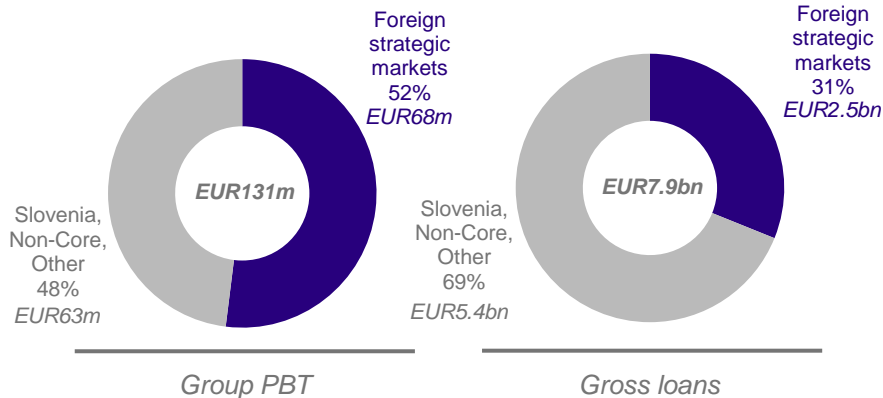


Upside from DTAs⁽³⁾ (Group, EURm)

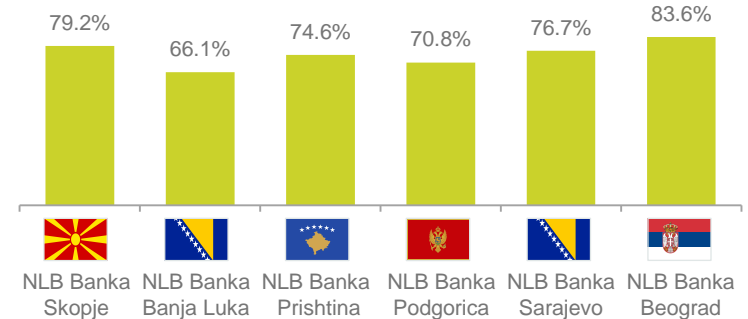


4 Core foreign banks represent a self-funded source of profits, with solid capital adequacy

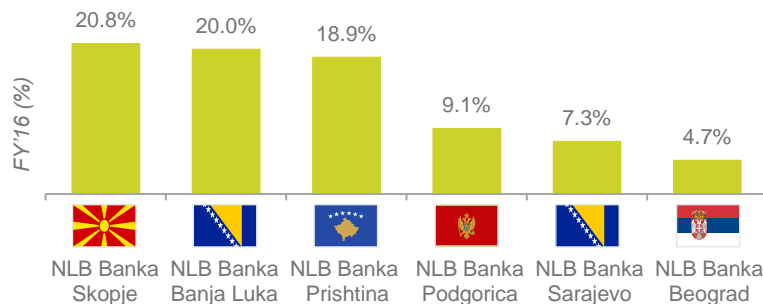
International contributes >50% of Group profit (FY-16)



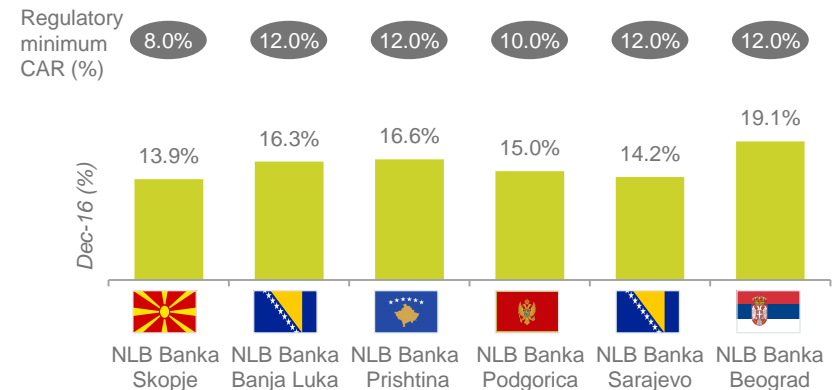
Core foreign banks self-funded by design (L/D ratio⁽¹⁾, Dec-16)



Strong profitability of core foreign banks in 2016 (RoE)

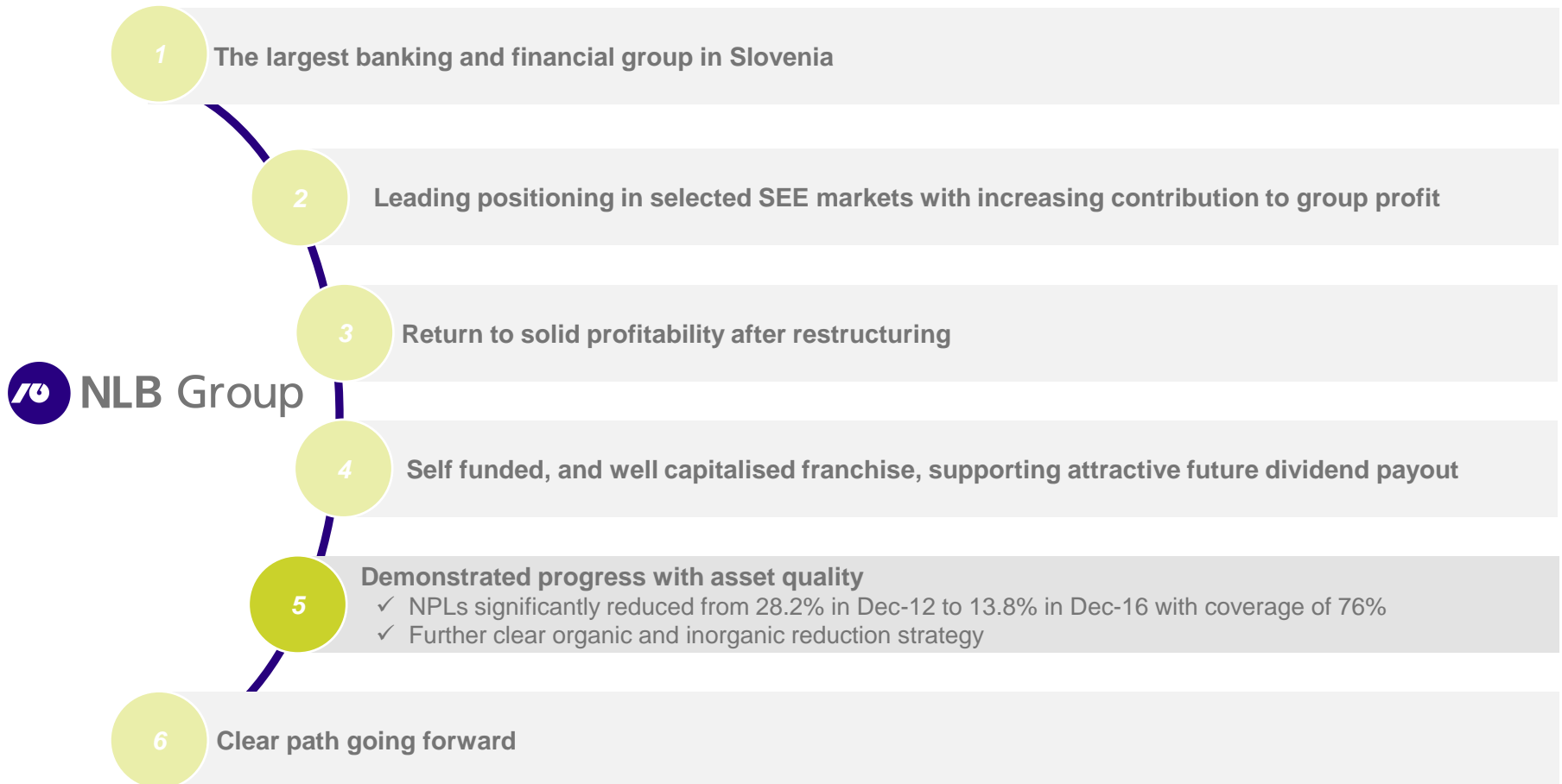


Capital adequacy comfortably above local requirements



Investment highlights of NLB Group

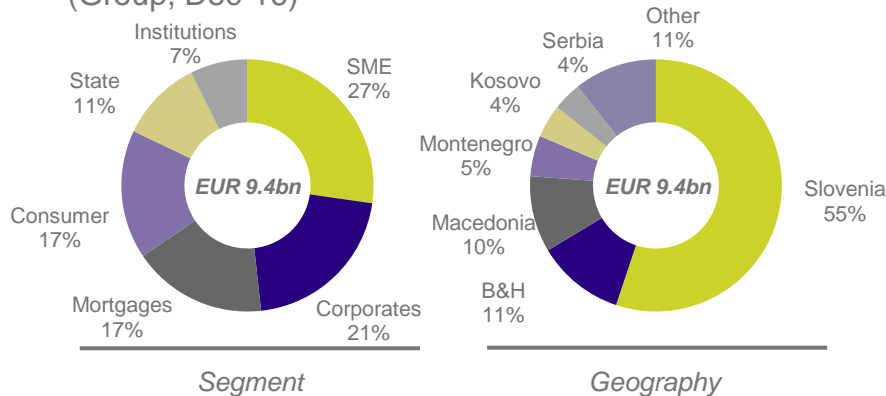
Largest bank in Slovenia and among top players in selected SEE markets



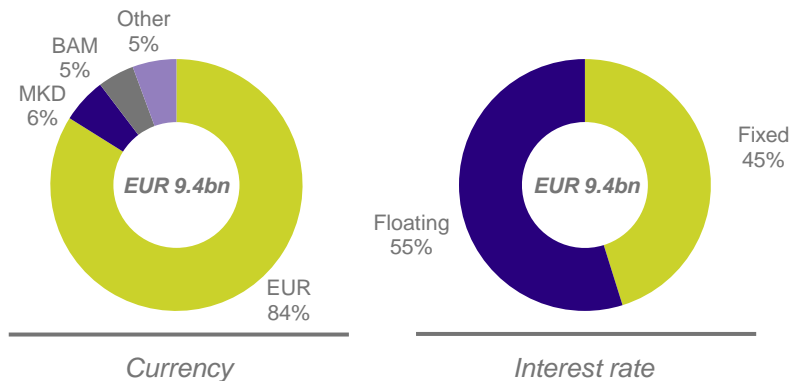
5 Diversified loan portfolio

Dominated by Slovenian assets, focused on core markets and cautious risk taking

Credit portfolio by segment and geography
(Group, Dec-16)

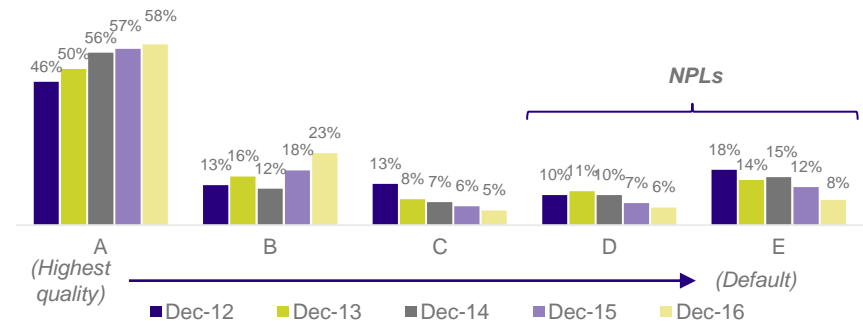


Credit portfolio by currency and rate type
(Group, Dec-16)



- **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

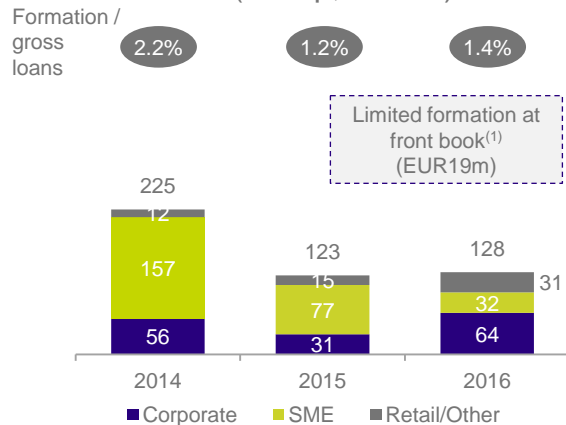
Improving structure of credit portfolio by client credit ratings
(Group)



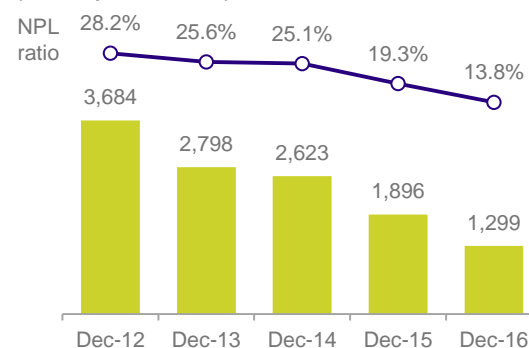
5 NLB has driven a turnaround in asset quality

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)



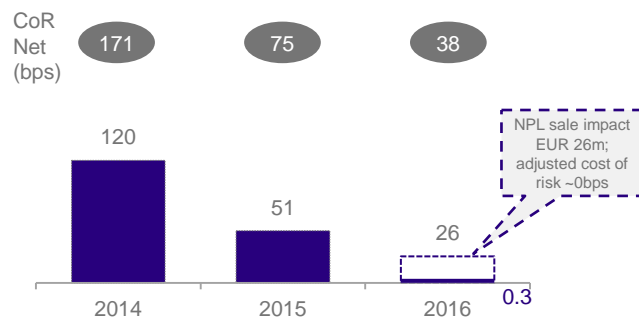
Reduction of NPLs remains a key focus

- Gross NPLs at Group level reduced by EUR596m in FY'16
- Positive momentum expected through active portfolio management and macro recovery

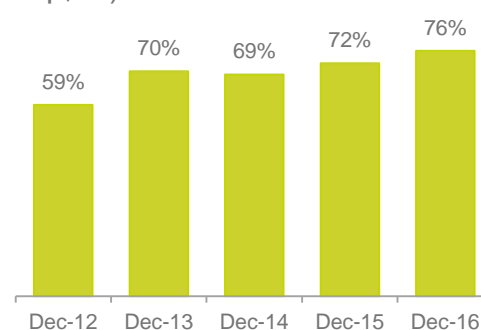
High coverage of NPLs

- Coverage ratio reached 76% in Dec-16 due to NPL reduction, repayments and cashed collateral

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



Increasing NPL cash coverage⁽³⁾ (Group, %)



Active approach to NPL management

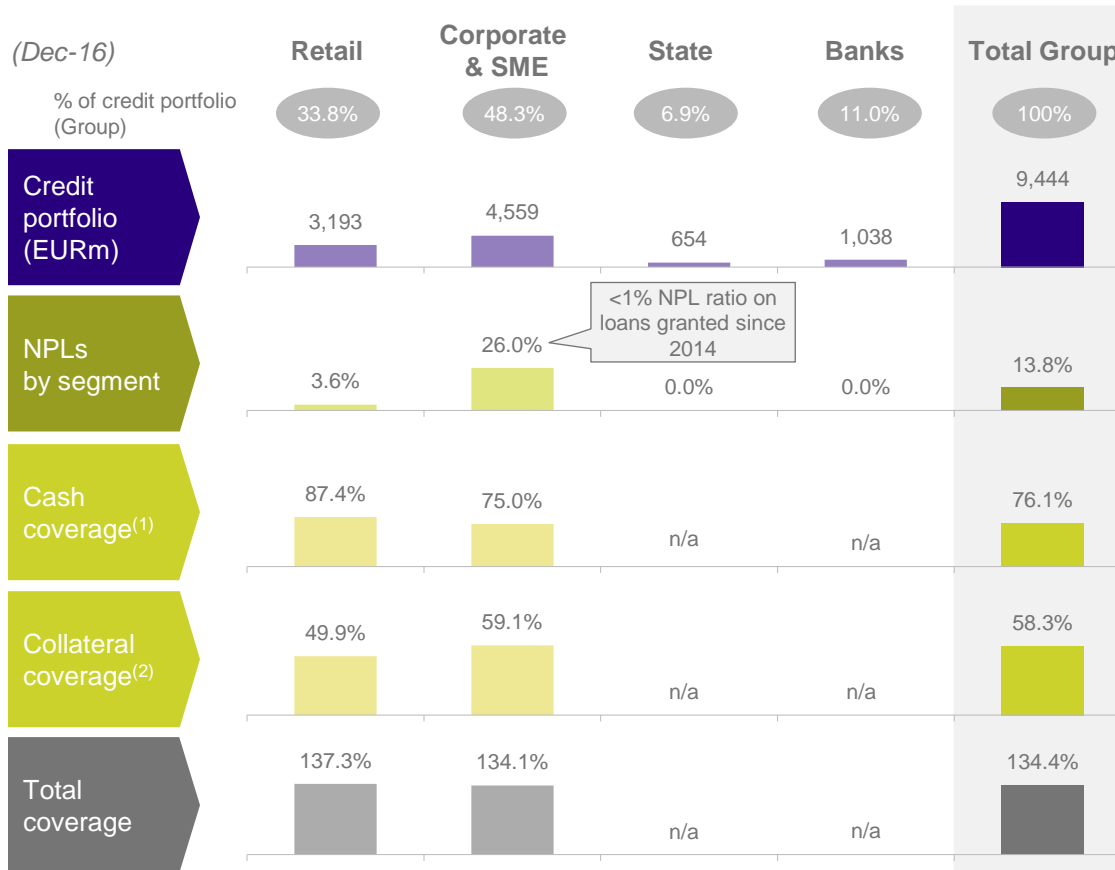
- Strong emphasis on restructuring (over 64% of NPLs in restructuring process)
- Other NPL management tools include: debt collection, foreclosure of collateral, sale of claims, active marketing and sale of pledged assets

5 Project Pine: Disposal of ca EUR500m of non-performing exposures

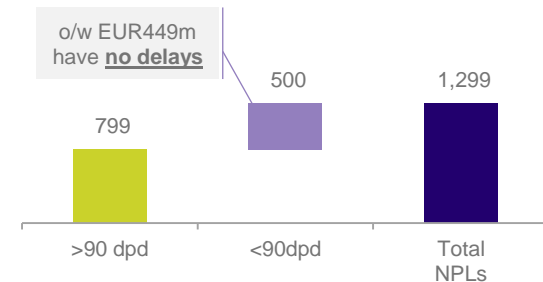
	Slovenia Corporate	Slovenia Retail	Transaction overview and rationale <ul style="list-style-type: none">✓ Competitive tender process, run by international financial consultant, based on international standards✓ Substantial de-risking of balance sheet with immediate reduction of NPL stock✓ Acceptable P&L impact for substantial NPL reduction✓ Significant release of workout resources and collection cost savings (direct costs & headcount optimisation)✓ Frees up senior management's time from the legacy cases
Perimeter	<ul style="list-style-type: none">• Corporate NPL loans of gross book value of EUR396m• ~80% of portfolio exceeded 360dpd	<ul style="list-style-type: none">• Total consumer NPL loans of gross book value of EUR104m• ~73% of portfolio exceeded 360dpd	
Status	<ul style="list-style-type: none">• Announced on 30 June 2016• Transaction closed in Q3'16	<ul style="list-style-type: none">• Announced on 19 July 2016• Transaction closed in Q3'16	
Buyer	<ul style="list-style-type: none">• International investor	<ul style="list-style-type: none">• International investor	
NPL reduction	<ul style="list-style-type: none">• Gross <u>NPLs reduced by EUR233m</u> (NPL ratio improved by 2 percentage points, from 17.9% to 15.9%⁽²⁾)		
NPL coverage	<ul style="list-style-type: none">• Minor increase in NPL coverage in 2016 after loans transfer		
P&L impact	<ul style="list-style-type: none">• <u>One-off P&L impact of EUR29.9m⁽¹⁾</u> was reflected in FY'16 results		

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

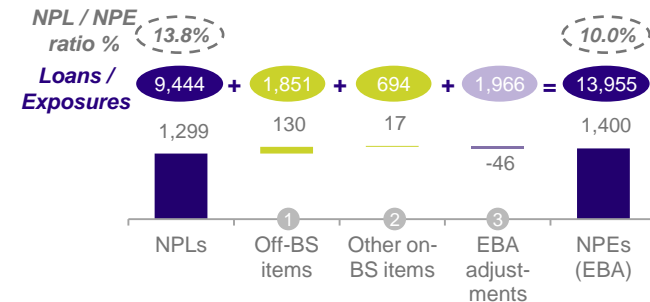
- ✓ Total coverage exceeds 100% across segments
- ✓ Limited non-performing exposures from off-balance sheet items (~EUR130m)



Group NPL structure (Dec-16, EURm)



Group NPL to NPE bridge (Dec-16, EURm)



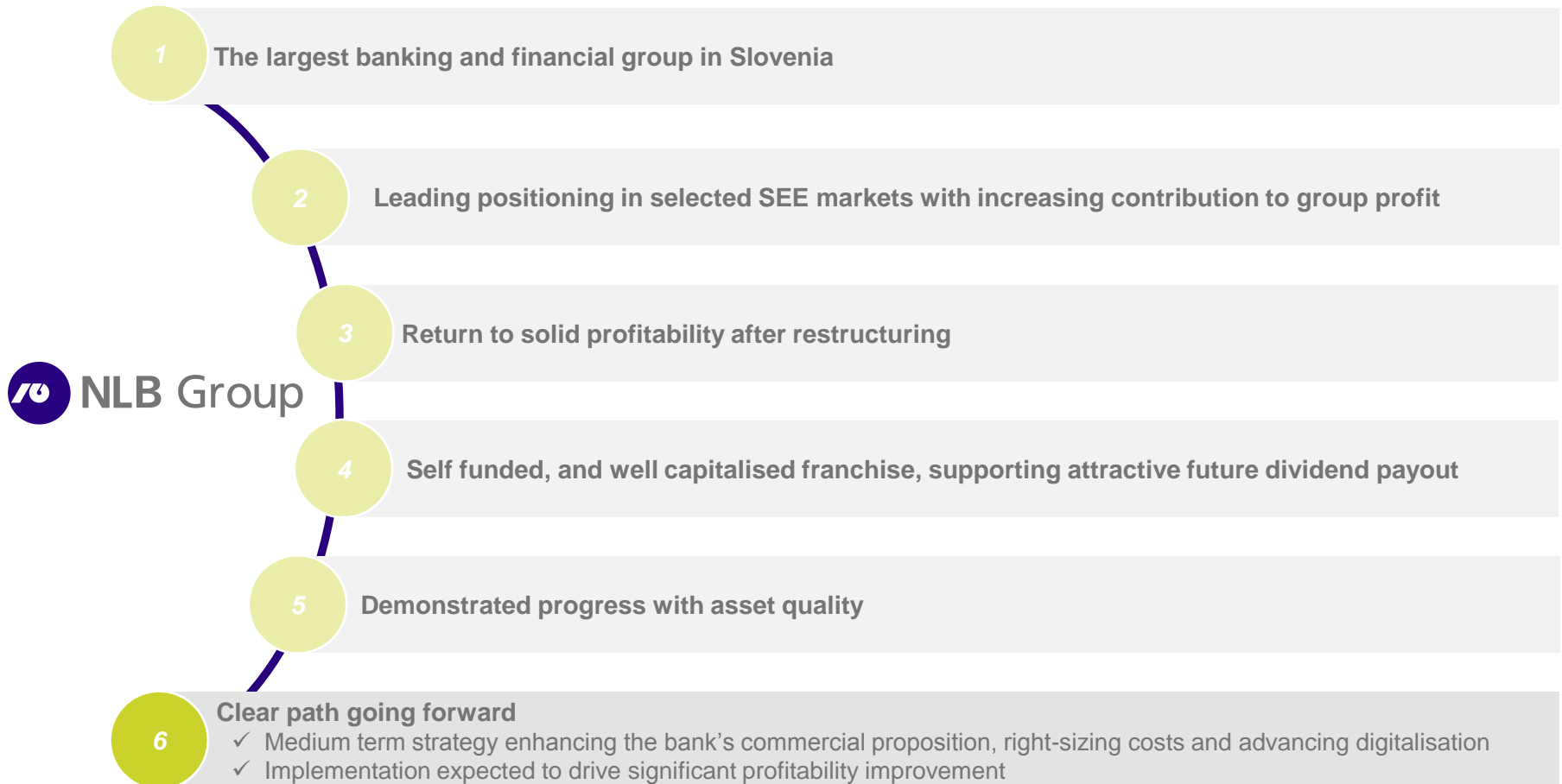
① Includes letters of credit, guarantees and other contingent liabilities

② Includes HTM securities, accrued income and receivables and other assets

③ Includes AFS securities and other adjustments

Investment highlights of NLB Group

Largest bank in Slovenia and among top players in selected SEE markets



6 We have a clear strategy to address current challenges

Key trends and challenges

Sector and regulation	Macro
<ul style="list-style-type: none">Regulatory interventionsFurther complexity through new regulations (TLAC, Basel IV, IFRS9)Market consolidation	<ul style="list-style-type: none">Low interest rate environmentHeightening political and geopolitical risksSubdued credit demand
Social and consumer	Products and technology
<ul style="list-style-type: none">More demanding and knowledgeable clientsPreference for digital channels	<ul style="list-style-type: none">Product competition from new, lower-cost entrantsEnhanced customer insights through sophisticated data managementImpact of social media

Key priorities

Focus on customer experience

- ✓ Omni-channel product distribution
- ✓ Partnership programmes
- ✓ End-to-end customer solutions



Optimised product offering

- ✓ Pricing optimisation
- ✓ Simplified product offering
- ✓ Further focus on fee-based products



Simplicity champion

- ✓ Operational optimisation
- ✓ Right sizing workforce
- ✓ IT transformation



Enhanced distribution

- ✓ Migration to digital channels
- ✓ Sales process optimisation
- ✓ Improved customer insight



Improved risk management

- ✓ Optimised risk processes
- ✓ Improved risk modelling
- ✓ Streamlined risk governance



Regional specialist

- ✓ 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

Improving macro environment	<ul style="list-style-type: none"> ✓ Ongoing economic recovery 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"> ✓ Growing retail 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 ✓ 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

Targets⁽¹⁾

	2016	Medium term
NIM	2.6%	>2.7%
Loans to deposits ratio	74%	<95%
Total capital ratio	17%	~16%
Cost-income ratio	61%	~50%
Cost of risk ⁽²⁾	38bps ~0bps (adj.) ⁽³⁾	<100bps
Return on equity (RoE)	7%	>10%
Dividend payout ⁽⁴⁾	58% (proposed)	>70%
NPE ratio ⁽⁵⁾	10%	<5%

Investment highlights of NLB Group

Largest bank in Slovenia and among top players in selected SEE markets



NLB Group

Source: Company information

Note: (1) As of Dec-16; (2) By AuM. Source: Slovenia Fund Management Association; (3) Excluding Slovenia;

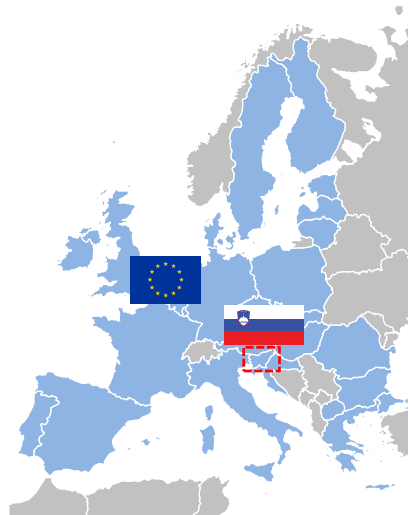


Appendix A

Slovenia macro and banking backdrop

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 (in place until Sep-18)



EUR 38.5bn

nominal GDP

2.6%

real GDP growth⁽²⁾

EUR 19k

GDP/capita vs EUR 11k CEE average⁽¹⁾

7.3%

unemployment rate⁽²⁾

83.1%

Govt debt/GDP

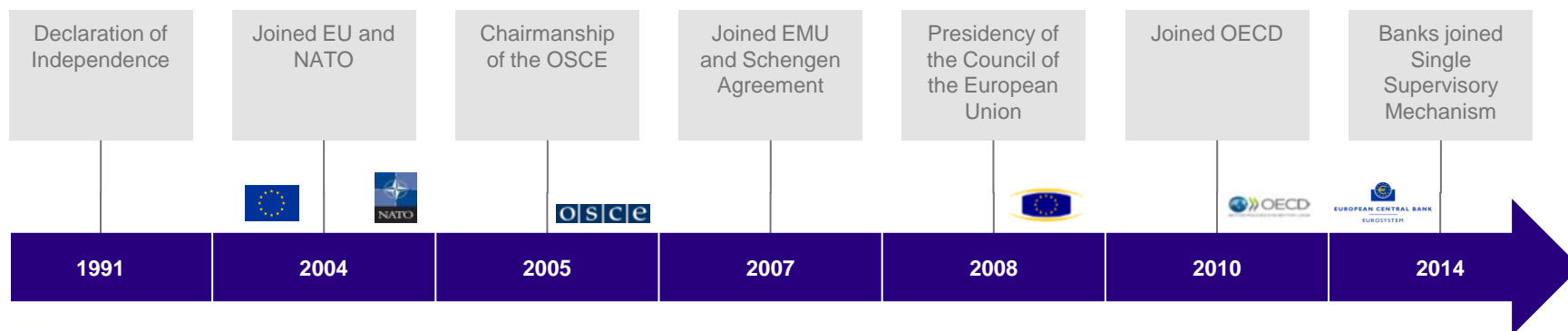
0.8% of GDP

primary surplus

A/BBB+/Baa3

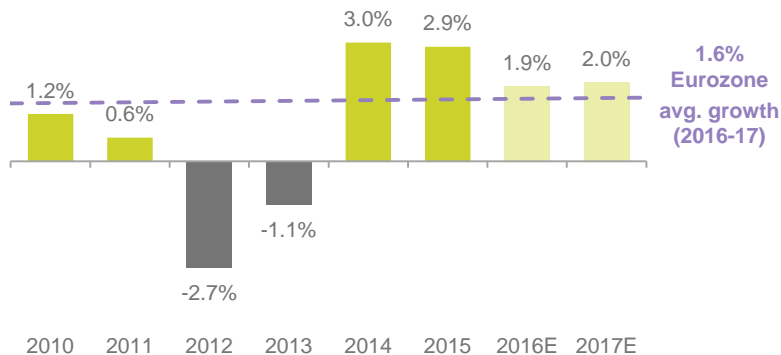
Sovereign rating (S&P/Fitch/Moody's)

Recent milestones



Slovenian economy **growing at 2.9%** compared to 2.0% Eurozone growth, driven by exports and private consumption

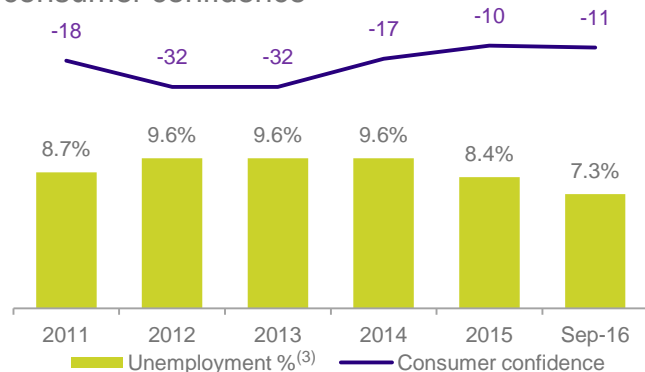
Real GDP growth



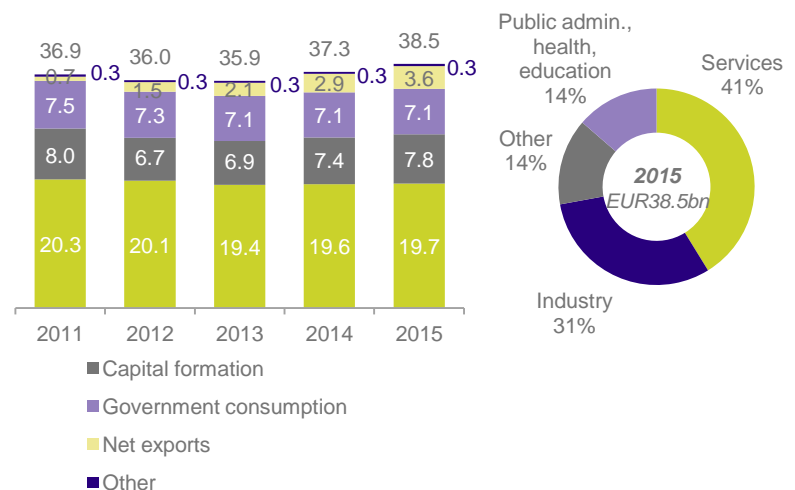
Macro update

- Slovenian economy grew by 2.9% in 2015 – stronger than Eurozone average of 2.0%
- Drivers included 4.4% exports growth and continued increase in private consumption (1% in 2015)
- Economic recovery drove unemployment rate down by 1.2% since 2013
- Consumer confidence increased by 34 points since its 2012⁽²⁾ lows, driving household consumption growth
- Relatively low household indebtedness providing sufficient room for lending growth

Recovery driving lower unemployment and higher consumer confidence⁽¹⁾



GDP by source and activities (EURbn)



Strong progress with structural reforms

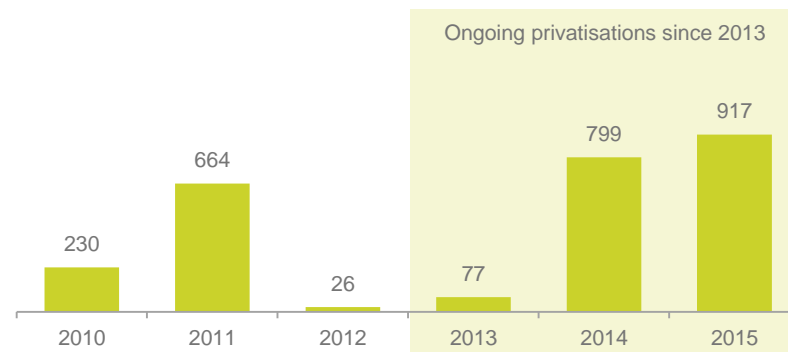
Key reforms implemented

	Measures
Fiscal	✓ Adoption of the fiscal rule requiring balanced budget over the medium term ⁽¹⁾
	✓ Demonstrated progress in tax collection, with further measures implemented to fight tax evasion (e.g. on-line system of cash registers)
Labour	✓ Labour market reform implemented in 2013 has effected numerous improvements:
	✓ Relaxation of employment and dismissal procedures
	✓ Reduced labour costs, through limiting notice periods and severance payments
Pensions	✓ Pension reform implemented in 2012 has improved system sustainability through:
	✓ Increased statutory and minimum retirement age
	✓ Introduction of penalties for early retirement
Privatisations	✓ In 2013 Parliament approved 15 firms to be privatised
	✓ As of Jul-16, 9 companies were successfully privatised
	✓ Strategy and management plan including performance criteria for the management of state assets have been adopted
Banking	✓ Established Bank Asset Management Company managing assets and orderly deleveraging companies
	✓ Banking sector CET1 ratio increased to all time high (20.0% in Q4'15)

Privatisations attracted foreign investment

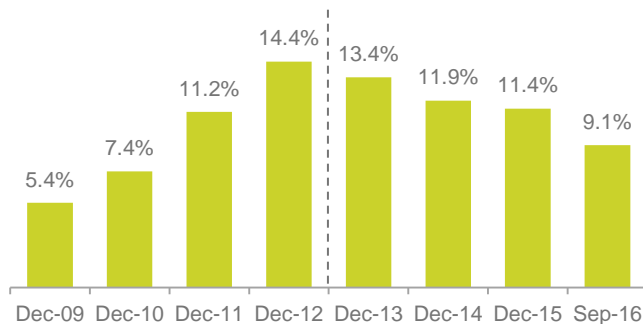
Asset	Sector	Investor	Date	EURm
ADRIA	Airlines	4K Invest	Jan-16	n/a
ADRIA tehnika	Infrastructure	Linetech	Nov-15	n/a
elan	Consumer	VR Global	Jul-15	n/a
Nova KBM	Financial	Apollo Global	Jun-15	250
Žito	Consumer	Podravka	Apr-15	79
Aerodrom Ljubljana	Infrastructure	Fraport	Sep-14	234
Letrika	Industrials	Mahle Holding	Jun-14	108
Fotona	Industrials	Gores Group	Jan-14	18
HELIOS	Chemicals	Ring International	Oct-13	254
Total				>943

FDI (EURm)

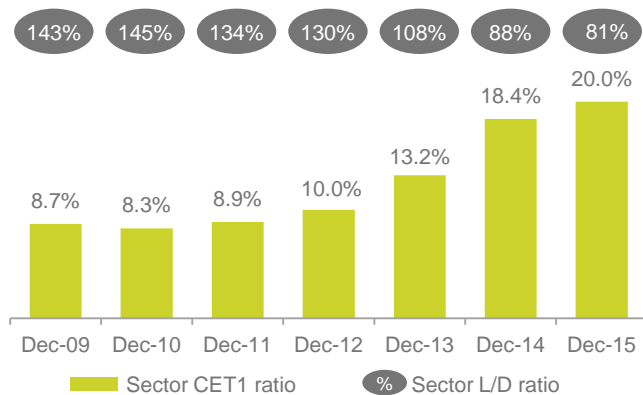


Slovenian banking sector turnaround with vastly improved funding, asset quality and capital position

Sector NPE ratio evolution⁽¹⁾



Sector CET1 and L/D ratio evolution



Overview of 2013 extraordinary measures

- Significant contraction of economic activity since 2009 paired with high indebtedness of corporate sector drove NPEs to unprecedented levels
- Asset Quality Review (AQR) undertaken in 2013 identified EUR 3.3bn⁽²⁾ capital shortfall at systemic banks
- Extraordinary measures included:
 - write-off of existing shareholders and holders of subordinated instruments
 - capital increase by RoS - 100% state ownership of banks (NLB, NKBM, Banka Celje and Abanka)
 - transfer of EUR 3.3bn non-performing claims⁽³⁾ to State-owned BAMC⁽⁴⁾ leading to substantial losses for local banks

Strengthened banking system

- ✓ Profitability of Slovenian banking sector returned to positive levels in 2015
- ✓ NPE ratio (according to the harmonised definition of EBA) decreased to 9.1%, as a consequence of active NPE management by local banks
- ✓ L/D ratio decreased by ~65p.p. since 2010 to 81% as a result of stricter loan policies, low demand for loans and "cash-rich" retail and corporate sector
- ✓ Sale of NKBM completed while Abanka and Banka Celje completed merger



Appendix B

Additional information

Successfully managing EC restructuring plan commitments

✓ Restructuring period to end on 31 December 2017, subject to successful completion of restructuring commitments

	Commitment	Status
Restructuring	▪ Reduction of balance sheet	Ongoing
	▪ Reduction of operating expenses	✓
	▪ Divestment of several subsidiaries and participations	Ongoing
	▪ Reduction of credit business in several sectors	✓
	▪ Restrictions on business with foreign clients, risk management and credit policies	✓
Behavioural	▪ NLB must pay dividends at the lower of : <ul style="list-style-type: none"> ▪ 50% (until 2017) or 100% (in 2018) of the excess capital above the minimum capital requirement⁽¹⁾ plus a capital buffer of 100bps; or ▪ Profit after tax for the relevant year 	✓
	▪ Acquisition ban	✓
	▪ Republic of Slovenia to reduce stake in NLB to 25%+ 1 share by YE'17 <ul style="list-style-type: none"> ▪ Failure to complete would result to NLB appointing a Divestiture Trustee with the mandate to sell its 6 Core Foreign Subsidiary Banks for a minimum price no lower than a fixed proportion of such subsidiaries' book value 	Ongoing



NLB Group

Source: Company information

Note: (1) Applicable minimum capital requirement on the consolidated level (including Pillar 1 and 2)

All commitments are in force until end 2017 except dividend commitment (until 2018 payout) and reduction of RoS shareholding in NLB

NLB IT highlights

Infrastructure supports business requirements with an integrated architectural approach, providing robust operations and high availability, with rigorous cost control





Appendix C

Asset quality

Comprehensive Group Strategy towards NPE reduction

Solid underlying Group capabilities



Dedicated units

- ✓ Restructuring Task Force for complex cases
- ✓ Specialised restructuring teams mainly in Slovenia, with capabilities in foreign banks
- ✓ Separated Non-Core Unit



Implementation and execution

- ✓ Organised collection effort
- ✓ Group real estate capabilities to facilitate foreclosure and liquidation



Group synergies

- ✓ Transfer of know-how to subsidiary banks
- ✓ Group Governance and oversight

Key strategies

A Liquidation of collateral

- Corporation collaboration with specialised real estate team (GREAM) to evaluate optimal strategy for repossession and liquidation
- Repossession of real estate

B Collections / cured clients

- Proactive role as leading creditor in corporate restructurings of major Corporates
- Consensual and court collection (alternative collection measures)

C Portfolio and asset sales

- Specialised internal team focused on arranging portfolio and asset sales

D Write-offs

- Write-off of fully provisioned NPLs based on strict rules

Target NPE % reduction

10%

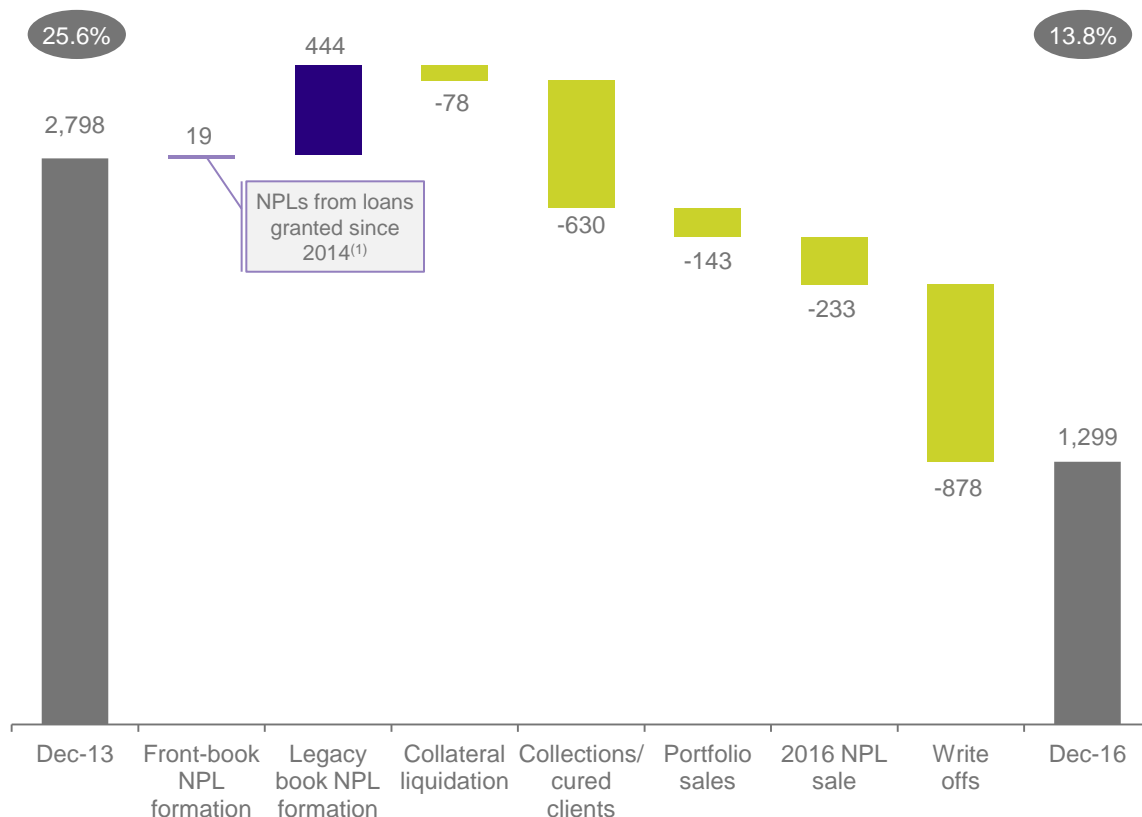
Dec-16

5%

Medium-term target

Demonstrated impact to asset quality

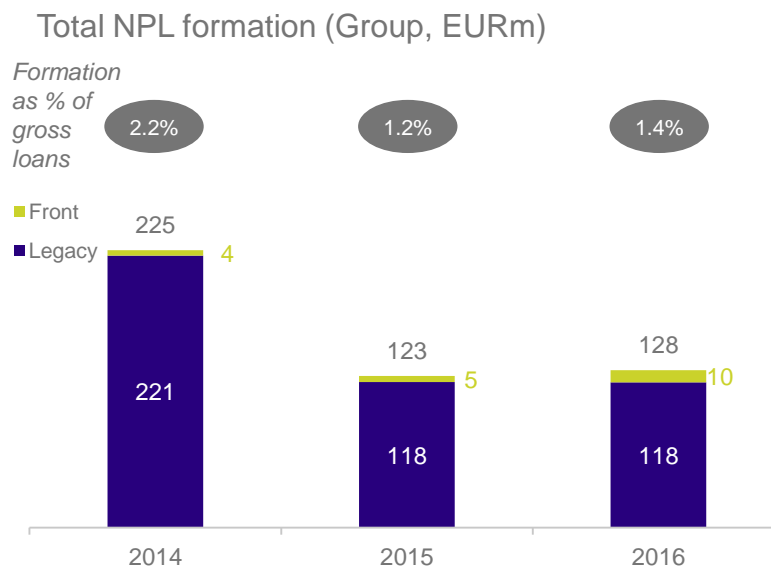
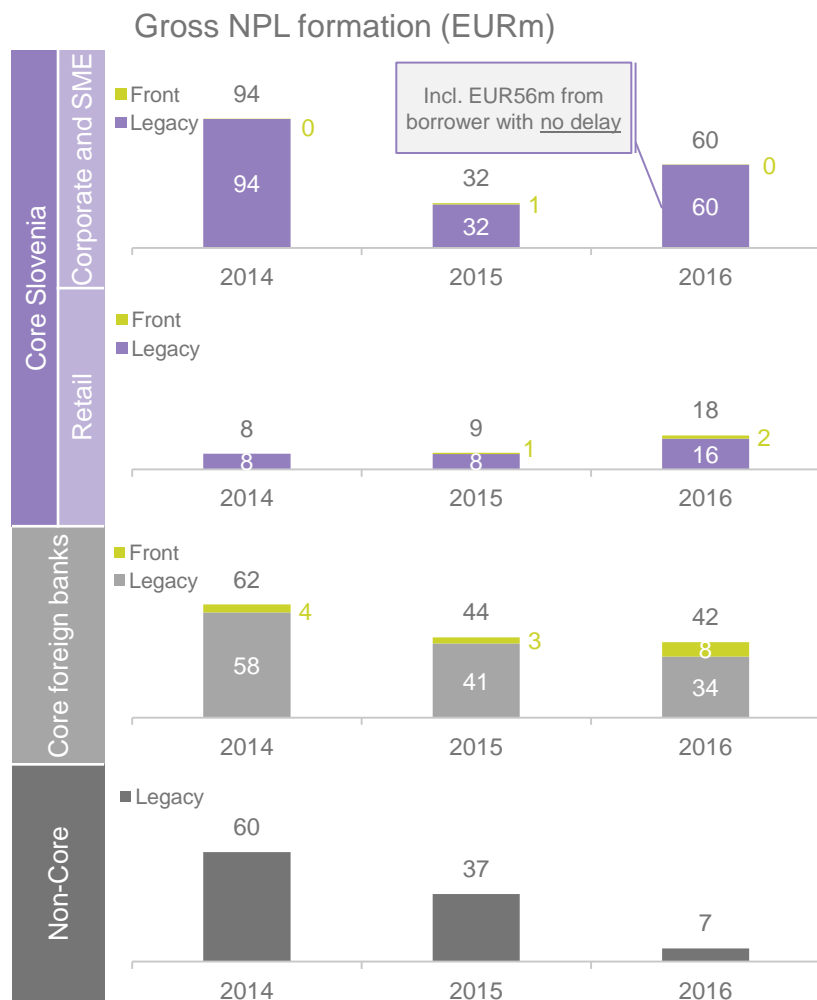
Impact on NPL ratio (Dec-13 to Dec-16, Group, EURm)



Comments

- Cured clients, collections and collateral liquidation contributed 36% of NPL stock reduction since Dec-13
- Sale of NPL portfolio in Q2'16 contributed 12% 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

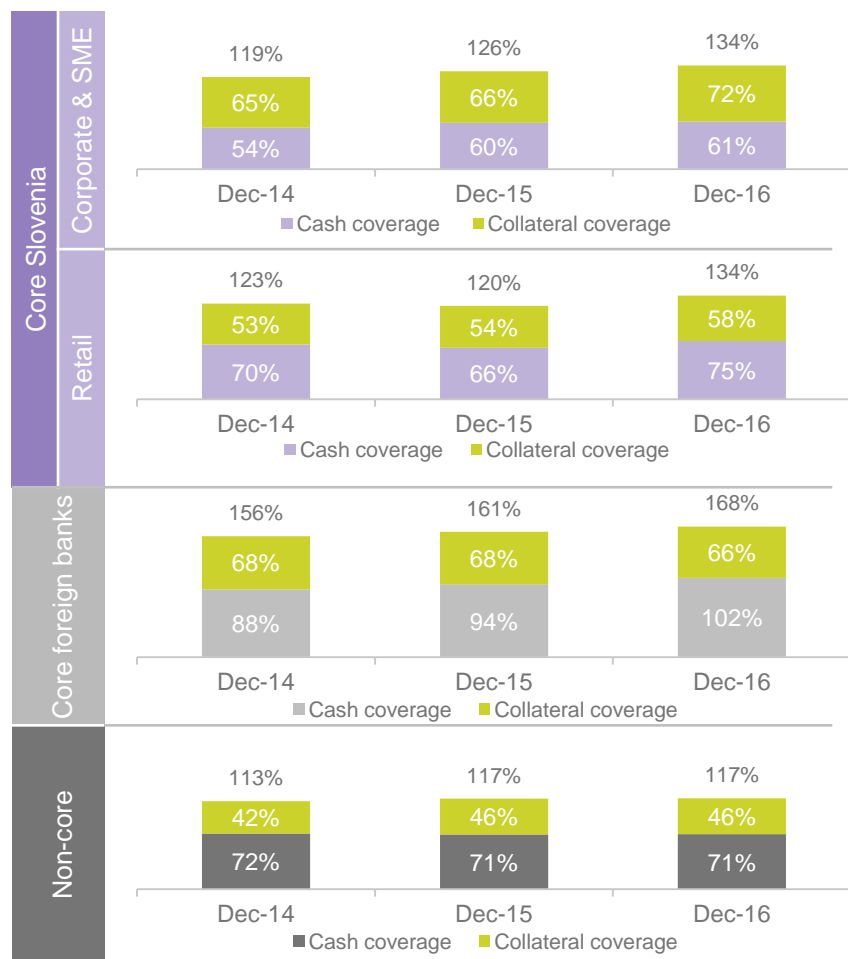
Minimised new NPL formation and high quality of new production



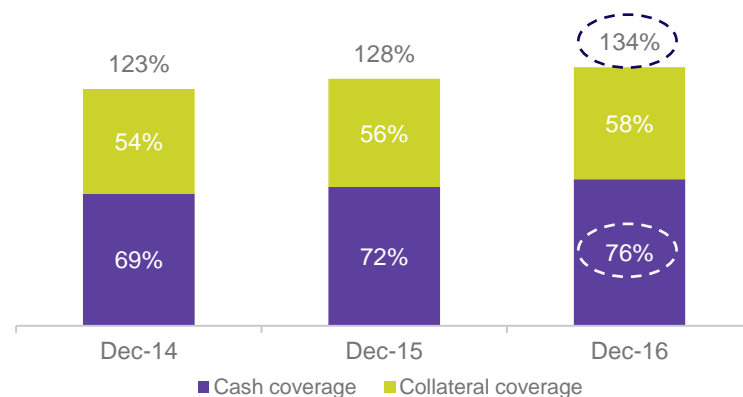
Comments

- ✓ NPL formation for existing portfolio normalised across segments since 2014
- ✓ NPL formation for new production (2014 – 2016) below 1.0% of new loans at Group level (EUR19m)⁽¹⁾

NPL cash and total coverage increased to 76% and 134%, respectively, in Dec-16



Coverage for the Group (%)



Comments

- ✓ NPL coverage increasing since Dec-14 across key business segments of NLB Group, reaching 76% in Dec-16 (Group), with total coverage exceeding 134% when including collateral
- ✓ NPLs of Core foreign banks fully covered with provisions
- ✓ Total coverage well above 100% in all key segments



NLB Group

Source: Company information

Note: Cash coverage calculated including both individual and pool provisions; Collateral coverage calculated based on collateral capped at NPL exposure



Appendix D

Financial statements

Key financial data and performance

NLB Group (1/2)

	FY'14	FY'15	FY'16
Net interest income	330	340	317
Net fee and commission income	148	147	146
Income from financial operations	38	4	20
Other Income	(5)	(8)	(7)
Operating Income	511	483	476
Staff costs	(163)	(163)	(165)
General expenses	(105)	(103)	(96)
Depreciation and amortization expenses	(36)	(32)	(28)
Operating expenses	(304)	(298)	(290)
Pre Provision Income	208	185	186
Extraordinary measures	0	0	0
Impairment losses on credit risk	(120)	(51)	(26)
Other ⁽¹⁾	(22)	(32)	(35)
Gains/Losses on associates and JVs	3	4	5
Profit / (Loss) before income tax	69	107	131
Income Tax	(4)	(11)	(15)
Profit/ (Loss) after income tax	65	95	116
Profit / (Loss) attributable to shareholders	62	92	110



NLB Group

Source: Company information

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

Key financial data and performance

NLB Group (2/2)

	Dec-14	Dec-15	Dec-16
ASSETS			
Cash and balances with Central Banks	1,128	1,162	1,299
Financial instruments ⁽¹⁾	2,529	2,578	2,778
Loans and advances to banks (net)	271	432	436
Loans and advances to customers	7,415	7,088	6,997
Investments in associates and JV	38	40	43
Intangible assets	43	39	34
PP&E	215	208	197
Other assets	270	275	255
Total Assets	11,909	11,822	12,039
LIABILITIES & EQUITY			
Deposits from banks	62	58	42
Deposits from customers	8,949	9,026	9,439
Borrowings	731	551	455
ECB funding	120	120	0
Securities and other liabilities	678	616	576
Total Liabilities	10,540	10,371	10,513
Shareholders' funds	1,343	1,423	1,495
Non Controlling Interests	26	28	30
Total Equity	1,369	1,450	1,526
Total Liabilities & Equity	11,909	11,822	12,039

Key financial data and performance

NLB d.d. (1/2)

	FY'14	FY'15	FY'16
Net interest income	227	208	175
Net fee and commission income	101	98	95
Income from financial operations	34	9	13
Other Income	3	(2)	0
Operating Income	364	313	284
Staff costs	(102)	(102)	(103)
General expenses	(67)	(64)	(59)
Depreciation and amortization expenses	(24)	(21)	(19)
Operating expenses	(193)	(187)	(181)
Pre Provision Income	171	126	103
Extraordinary measures	0	0	0
Impairment losses on credit risk	(84)	(28)	(15)
Other ⁽¹⁾	(9)	(60)	(49)
Gains/Losses on associates and JVs	5	14	29
Profit / (Loss) before income tax	83	52	68
Income Tax	(1)	(8)	(4)
Profit/ (Loss) after income tax	82	44	64
Profit / (Loss) attributable to shareholders	82	44	64



NLB Group

Source: Company information

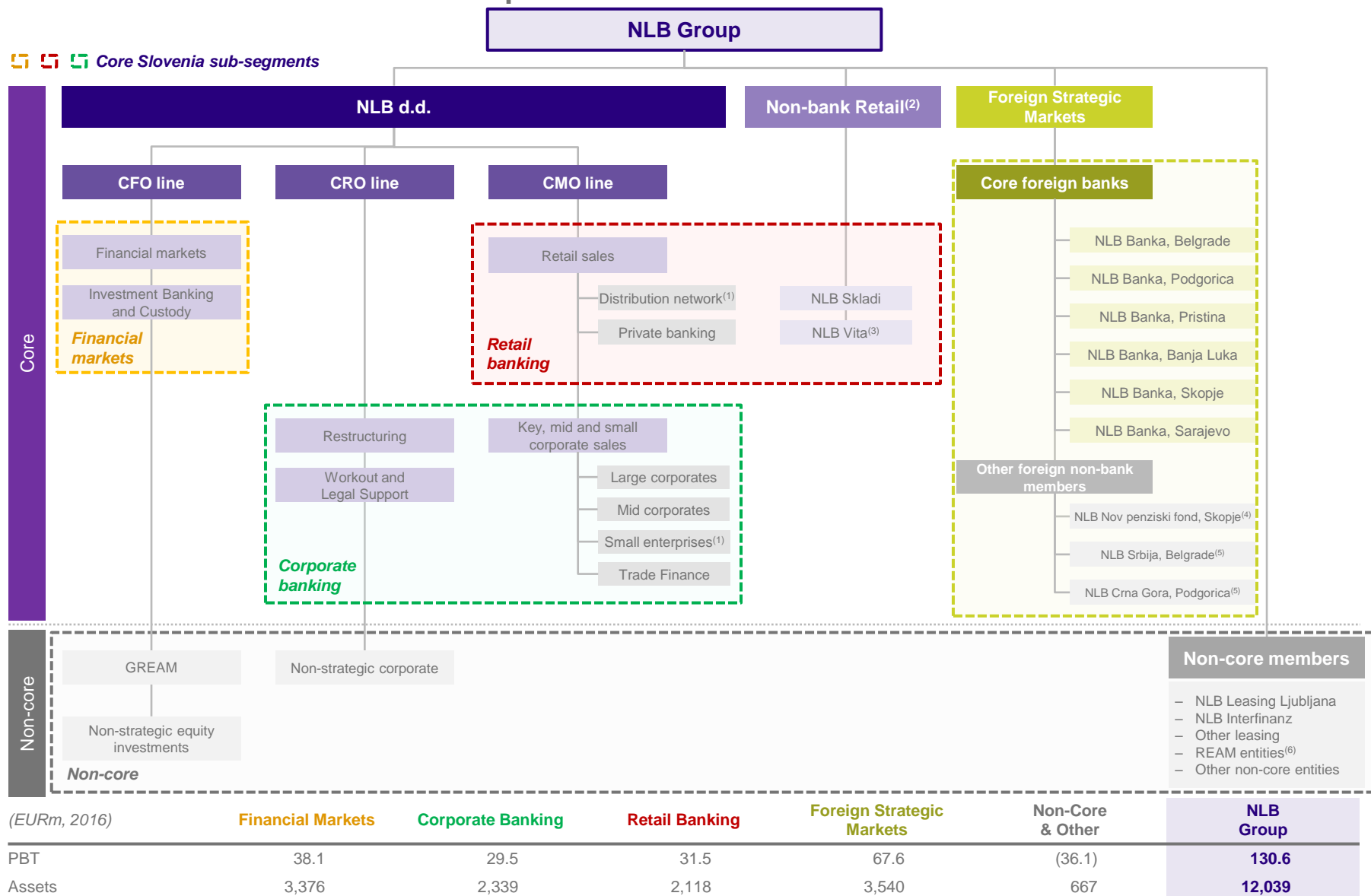
Note: (1) Includes other provisions and impairments of AFS

Key financial data and performance

NLB d.d (2/2)

	Dec-14	Dec-15	Dec-16
ASSETS			
Cash and balances with Central Banks	434	497	617
Financial instruments ⁽¹⁾	2,038	2,087	2,295
Loans and advances to banks (net)	159	345	408
Loans and advances to customers	5,700	5,221	4,929
Investments in associates and JV	353	353	347
Intangible assets	34	30	23
PP&E	97	95	90
Other assets	70	80	68
Total Assets	8,886	8,707	8,778
LIABILITIES & EQUITY			
Deposits from banks	91	97	75
Deposits from customers	6,300	6,298	6,617
Borrowings	557	416	343
ECB funding	120	120	0
Securities and other liabilities	613	534	478
Total Liabilities	7,681	7,465	7,513
Shareholders' funds	1,205	1,242	1,265
Non Controlling Interests	0	0	0
Total Equity	1,205	1,242	1,265
Total Liabilities & Equity	8,886	8,707	8,778

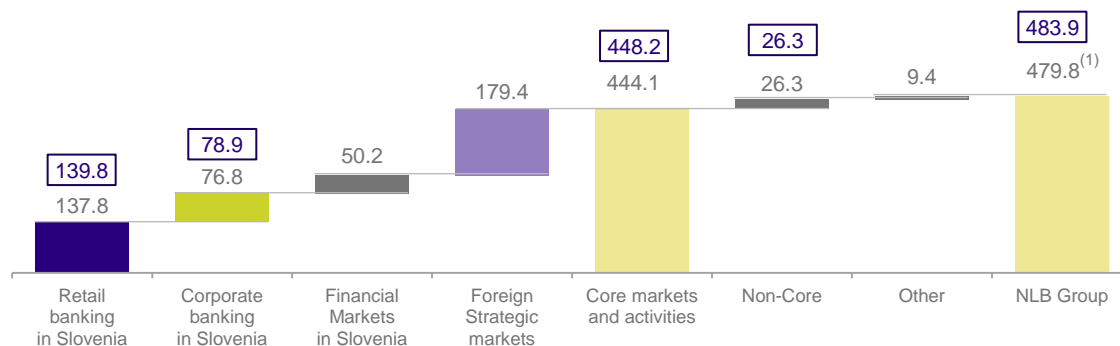
Structure of NLB Group



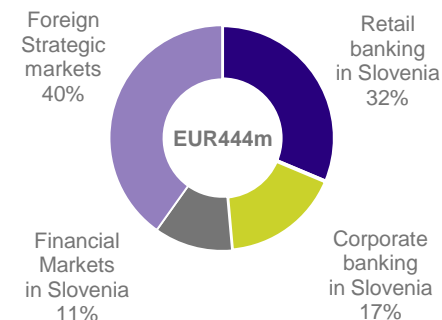
Note: Organisational structure of operating activities only. Support functions (eg. controlling, global risk, IT, HR, etc) are omitted; (1) Micro corporate clients are included in retail; (2) Includes entity Kreditni Biro Sisbon (in liquidation), 28% minority stake in Skupna pokojninska družba and 39%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

Segment profitability

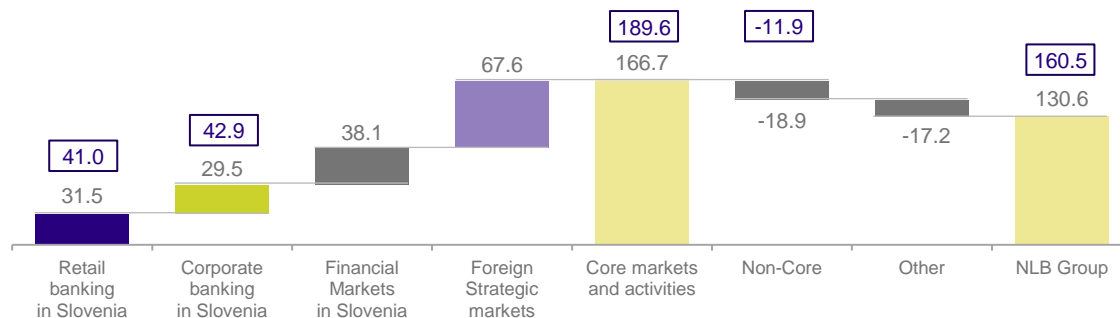
Contribution to NLB Group Net Banking Income 2016



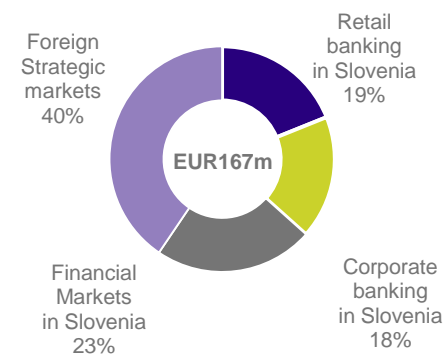
Contribution to Core NBI



Contribution to NLB Group PBT 2016



Contribution to Core PBT



Key segment financials

FY 2016, EURm	Core markets and activities					Non-Core	Other ⁽³⁾	NLB Group
	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Foreign Strategic markets	Total			
P&L								
Net interest income	71.2	45.9	48.5	136.9	302.6	15.4	(0.7)	317.3
Net non-interest income	66.5	30.9	1.6	42.5	141.5	10.9	10.1	162.5 ⁽¹⁾
Net banking income	137.8	76.8	50.2	179.4	444.1	26.3	9.4	479.8⁽¹⁾
Total costs	(101.1)	(44.6)	(12.2)	(95.5)	(253.3)	(24.2)	(16.0)	(293.5) ⁽¹⁾
Result before impairments and provisions	36.6	32.2	38.0	83.9	190.7	2.1	(6.6)	186.2
Impairments and provisions	(10.2)	(2.7)	0.1	(16.3)	(29.2)	(20.9)	(10.6)	(60.6)
Other ⁽²⁾	5.2	-	-	-	5.2	(0.2)	-	5.0
Result before tax	31.5	29.5	38.1	67.6	166.7	(18.9)	(17.2)	130.6
Result before tax (adj. for proj. Pine)	41.0	42.9	38.1	67.6	189.6	(11.9)	(17.2)	160.5

Balance sheet

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. EUR4m 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, costs of restructuring, HR provisions, DGS and SRF payment, expenses from the vacant business premises and on non-recurring effect of Visa EU share transaction