



NLB Group Presentation – 3Q 2017



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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 July 2016
- Supervisory Board experience at 11 banking, 3 insurance and 1 manufacturing company
- 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)
- Supervisory Board experience in 2 banks
- 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 positions 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 and 1 processing company
- Master's Degree from Technical University of Budapest (Hungary)

Overview of NLB Group today

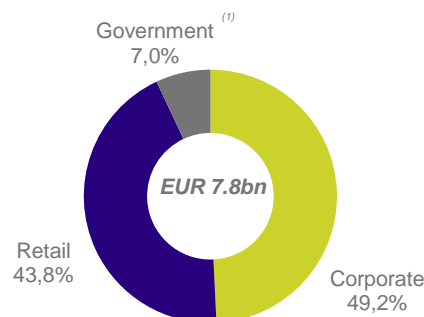
Investment highlights

- ✓ **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 693k active clients and 23.1% market share by total assets (as of Sep-17)
- ✓ **Active in 6 attractive markets in South-Eastern Europe**
 - ✓ Sizeable aggregate population of 15.4m as of Dec-16
 - ✓ 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**
 - ✓ Increasing profitability in all key business segments
 - ✓ ~21% reduction in operating costs (FY'12-FY'16), an equivalent of -6% CAGR, with 61% C/I as of FY'16
 - ✓ NPL ratio reduced from Dec-12 peak of 28.2% to 11.9% in Sep-17
- ✓ **Extensive distribution network of 358 branches**
 - ✓ 113 branches in Slovenia (Sep-17)
- ✓ **Attractive dividend payout ratio**
 - ✓ 48% of 2015 NLB Group net profit paid out in August 2016
 - ✓ 58% of 2016 NLB Group net profit paid out in April 2017⁽³⁾

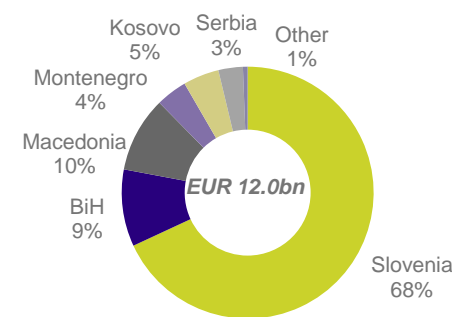
Key figures

Balance sheet (EURm)	Dec-15	Dec-16	Sep-16	Sep-17	Delta
Total assets	11,822	12,039	11,898	12,008	1%
Loans to customers (gross)	8,351	7,901	7,994	7,788	-3%
Loans to customers (net)	7,088	6,997	6,998	6,989	0%
Customer deposits	9,026	9,439	9,268	9,672	4%
Attributable equity	1,423	1,495 ⁽⁴⁾	1,487	1,611 ⁽⁴⁾	8%
P&L (EURm)	FY'15	FY'16	9m16	9m17	Δ
Net interest income	340	317	239	229	-4%
Pre provision income	186	186	144	158	10%
Profit after tax	92	110	92	184	101%
Key ratios (%)	Dec-15 / FY'15	Dec-16 / FY'16	Sep-16 / 9m16	Sep-17 / 9m17	Δ
CET1 ratio	16.2%	17.0% ⁽⁵⁾	16.9%	16.3% ⁽⁵⁾	-0.6pp
C/I ratio	61.6%	60.9%	59.9%	56.8%	-3.1pp
NPL ratio	19.3%	13.8%	14.5%	11.9%	-2.6pp
NPL coverage ratio	72.2%	76.1%	77.7%	77.5%	-0.2pp
NPE ratio (EBA)	14.3%	10.0%	10.8%	8.3%	-2.5pp
NPE coverage ratio (EBA)	69.9%	72.2%	74.5%	73.6%	-0.9pp
RoE after tax	6.6%	7.4%	8.2% ⁽⁶⁾	15.9% ⁽⁶⁾	7.7pp

Gross loans by customer (Sep-17)



Total assets by country (Sep-17)⁽²⁾

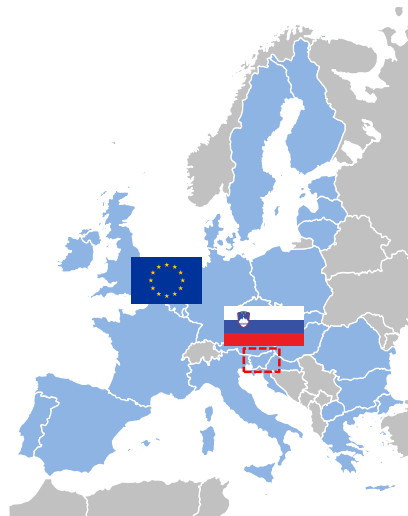


Source: Company information, Bank of Slovenia

Note: (1) Government departments, municipalities and agencies; (2) Geographical analysis based on location of assets of the NLB Group; (3) Represents dividend of EUR63.8m, approved by General Meeting of Shareholders; (4) Pre EUR63.8m Apr-17 dividend payment distribution to existing shareholders; (5) Post EUR63.8m Apr-17 dividend payment distribution; (6) Based on annualized Q3'16 and Q3'17 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 in 2018)



EUR 40.4bn

nominal GDP⁽¹⁾

4.4%

real GDP growth⁽³⁾

EUR 19.6k

GDP/capita vs EUR 11k CEE average⁽²⁾

6.4%

survey unemployment rate⁽³⁾

79.8%

Govt debt/GDP⁽³⁾

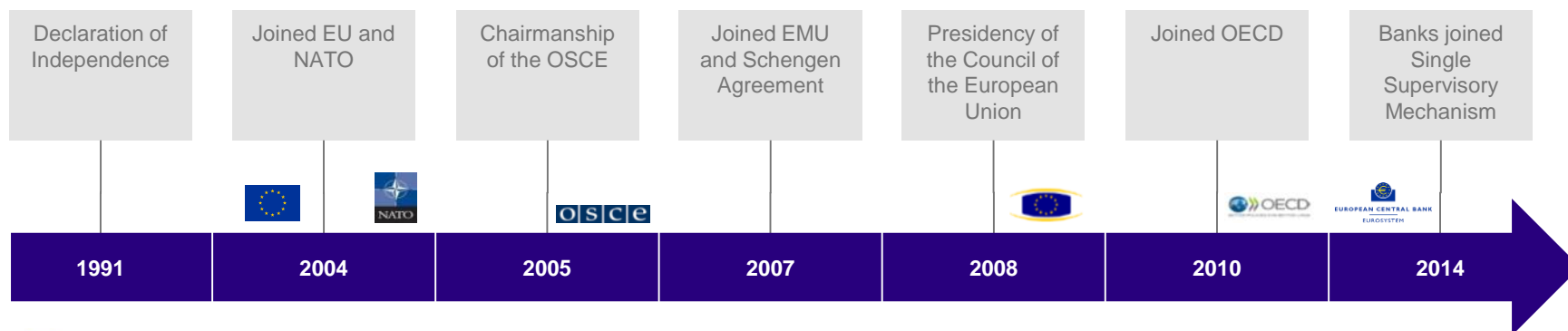
0.3% of GDP

primary surplus⁽³⁾

A+/A-/Baa1

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

Recent milestones



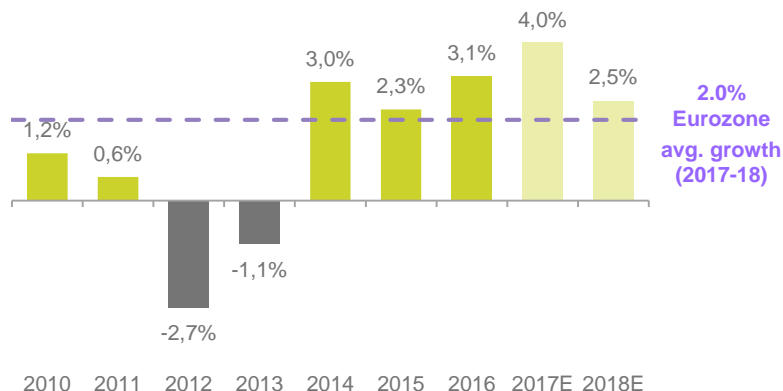
Source: Republic of Slovenia, IMF WEO, Statistical Office of the Republic of Slovenia

Note: (1) As of 2016

(2) 2016, CEE countries include Poland, Romania, Czech Republic, Slovakia, Hungary; (3) As of Q2 2017

Slovenian economy **growing at 4.4%** compared to 2.3% Eurozone growth in Q2 2017

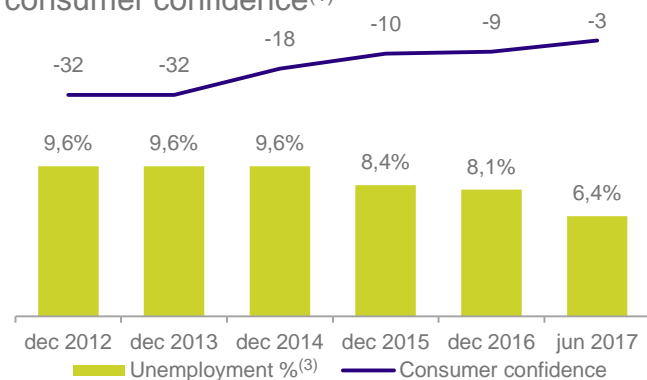
Real GDP growth for Slovenia



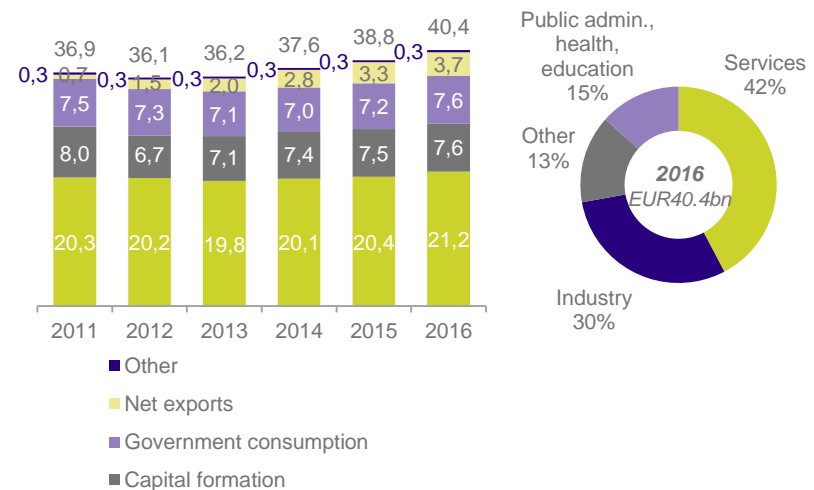
Macro update

- Slovenian economy grew by 4.4% in Q2 2017 – stronger than Eurozone average of 2.3%
- Drivers included 7.4% gross capital formation growth and continued increase in private consumption (3.2% in Q2 2017)
- Economic recovery drove unemployment rate down in Q2 2017 by 4.7 p.p. since Q1 2013
- Consumer confidence increased by 42 points since its 2012⁽²⁾ lows, driving household consumption growth

Recovery driving lower unemployment and higher consumer confidence⁽¹⁾

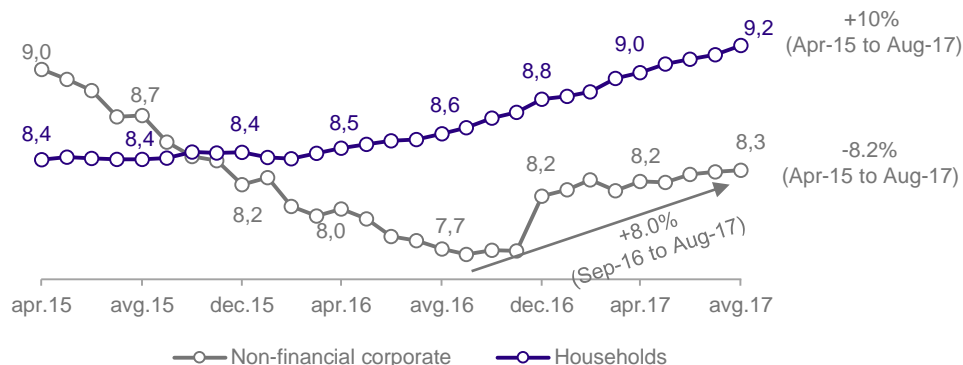


GDP by source and activities (EURbn)



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

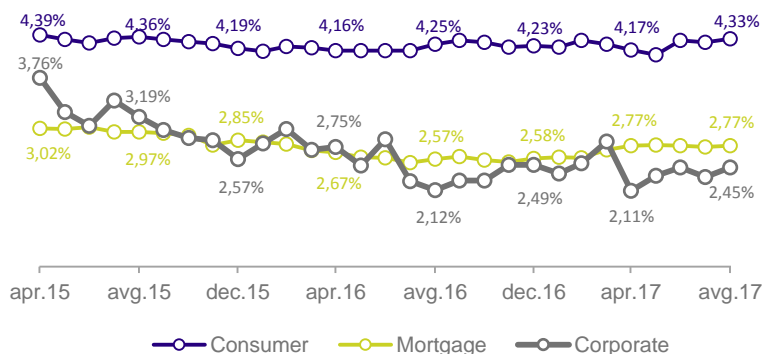
Households and non-financial corporate loans in billion EUR



Resurgence of corporate loans and steady growth in retail loans

- Non-financial corporate loans stock increased by 8.0% in August 2017, from its September 2016 low
- Households loans stock increased by 10% in August 2017 vs April 2015, on the back of improving consumer confidence
- Total loans to the non-banking sector grew by 5.1% Y-o-Y (Aug-16 to Aug-17)

Interest rate evolution (%)



Stable interest rate environment

- Average interest rate for consumer loans remained stable for the past 12 months to August 2017, while interest rates for mortgage and corporate loans in the same period increased by 0.2 and 0.3 percentage point, respectively.

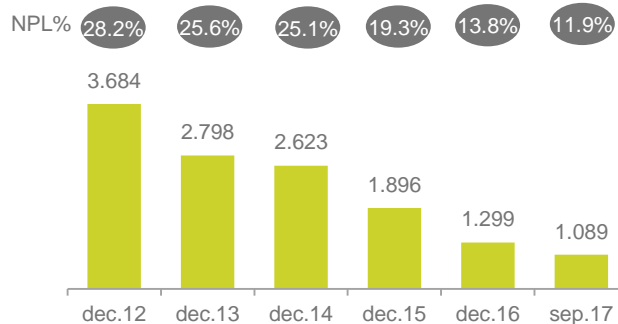
NLB Group - Journey so far

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

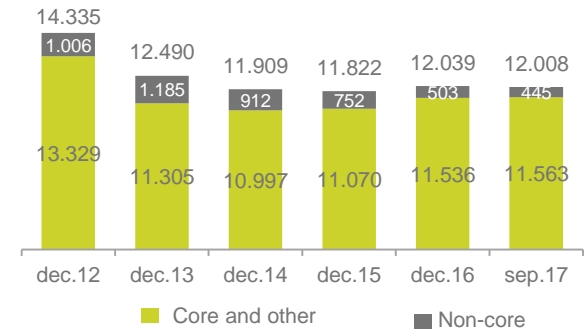
Key initiatives implemented

- 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
- 4 6% annual cost reduction achieved⁽¹⁾
- 5 Focus on improved business selection and pricing with clear minimum client RoE targets
- 6 Improved risk management policy and corporate governance

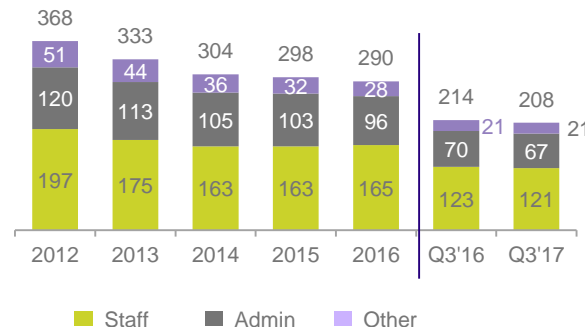
71% reduction of NPLs (NPL stock, EURm)



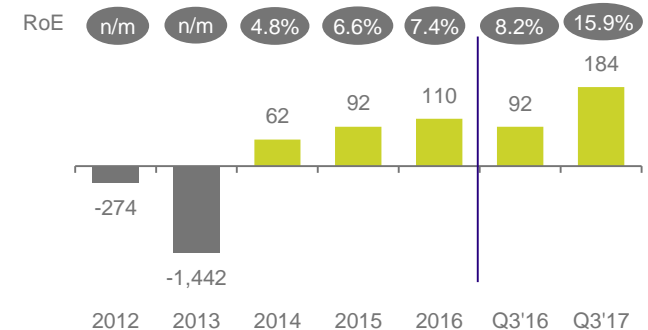
Smaller and stronger balance sheet (EURm)



24% cost base reduction from 2012 (EURm)



Return to profitability⁽²⁾ (EURm)



2013 recapitalisation

Journey so far



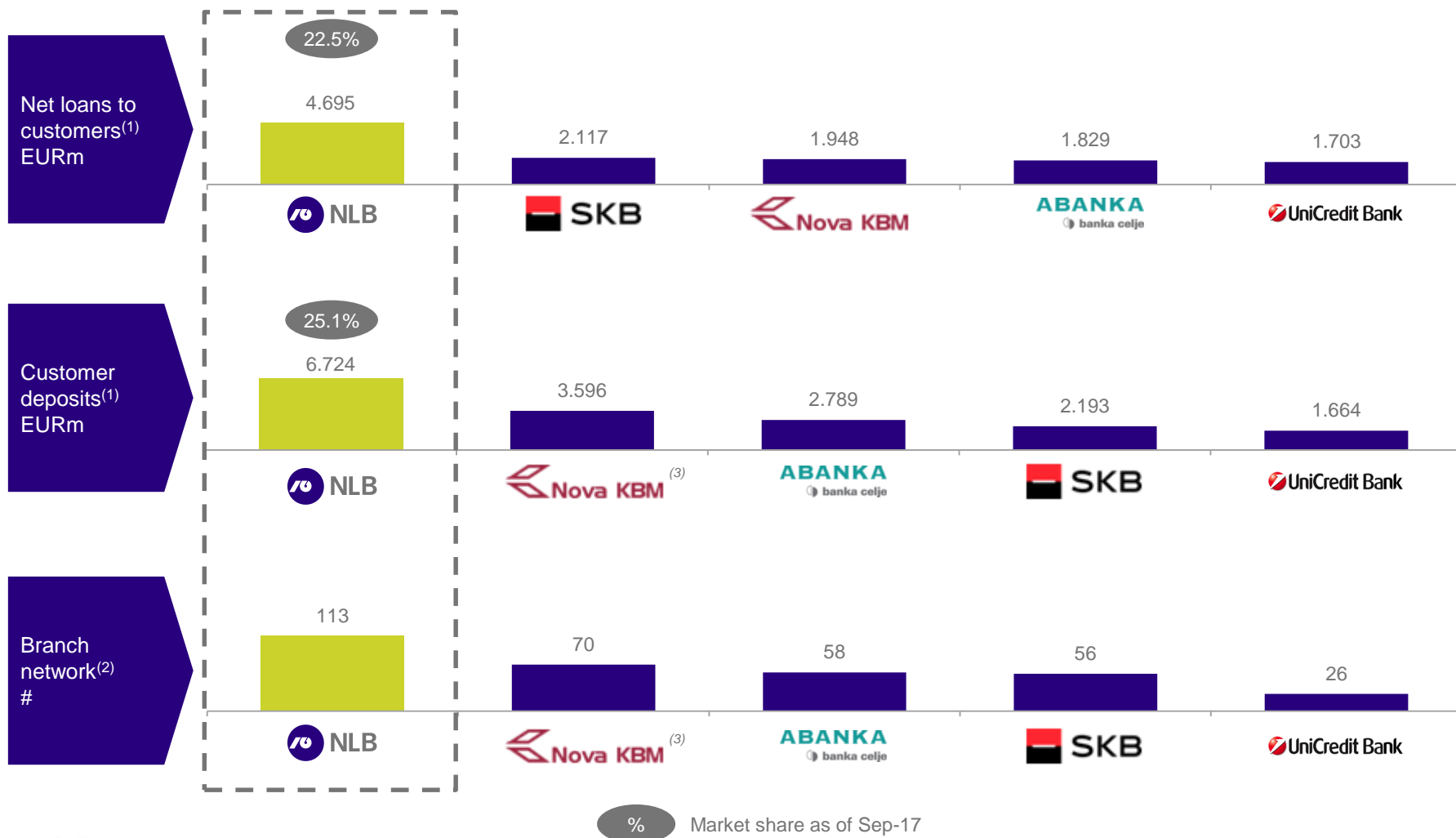
Source: Company information

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

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 and deposits from non-banking sector for NLB as at 30 September 2017 and other banks as at 30 June 2017 (latest available). Loans for NLB without DARS bond; (2) Branches: NLB as at 30 Sep 2017; Abanka as at 30 June 2017; other banks as at 31 December 2016; (3) Loans, Deposits and Number of branches for NKBM include KBS Bank as at 31 December 2016 (merged January 2017)

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 in 2016 stood at 58.6% of GDP.
- ✓ Housing transactions and housing prices increasing
- ✓ Significant growth of retail deposits

NLB positioning

- ✓ Market shares resilient across market segments (As of Sep-17: Retail net loans: 23.4%, 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:

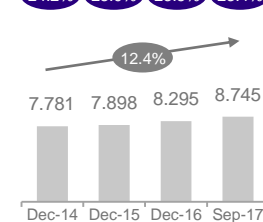
- ✓ Profitable and growing business segment, with ca 11.4% market share in life by GWP⁽²⁾, with upside potential from underpenetrated customer base (13% penetration)

Asset management:

- ✓ # 1 player by AuM in Slovenian asset management exceeding EUR1.0bn in AuM⁽³⁾

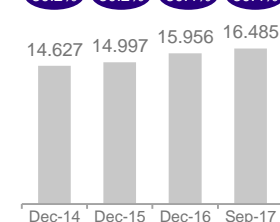
Retail net loans (EURm)

24.2% 23.9% 23.5% 23.4%



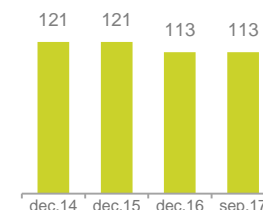
Retail deposits (EURm)

30.2% 30.2% 30.4% 30.4%

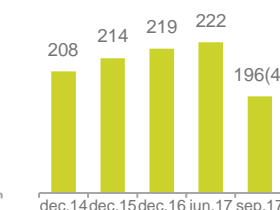


■ Total sector loans / deposits % NLB mkt share

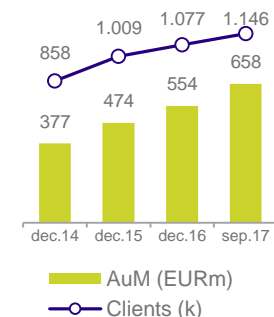
Branch network (#)



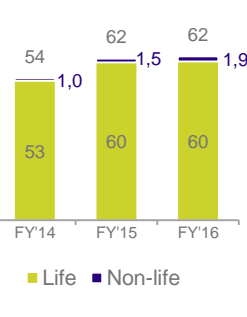
NLB Klik⁽¹⁾ users (000s)



Private banking



GWP (EURm)



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

Note: All figures refer to full year ending 31-Dec 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 20.9% net loans market share⁽¹⁾;
- ✓ Loan balances in key business⁽²⁾ grew by 11.6% despite the sector falling by 4.2% on average since 2014
- ✓ Market leader across deposit product lines: 18.6% market share for sight deposits, 11.2% 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

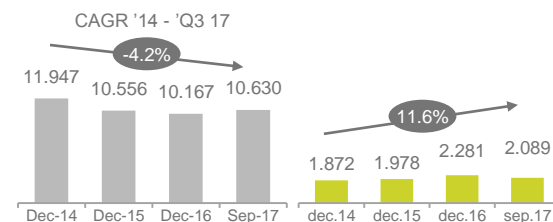
Strong fee business

- ✓ Leader in merchant acquiring with 12k POS terminals, 5.6k merchants and 34% market share as at Sep-17
- ✓ Strong performance of Investment Banking in Q3'17, with income growing at 33% (compared to Q3'16 Y-o-Y)
- ✓ Assets under custody has exceeded the ceiling of EUR15.0bn in Sep-17 (+43% vs Sep-16)
- ✓ Leading market position in Brokerage (largest client base) and Treasury Sales showing strong revenue growth of 34.5% YOY.

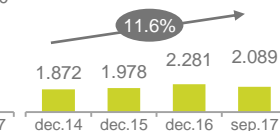
Opportunity in small and mid business

- ✓ 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)



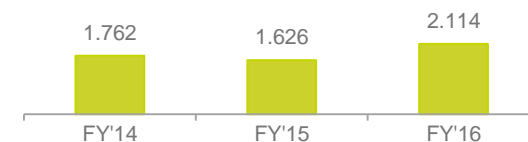
NLB key business⁽²⁾
gross loans (EURm)



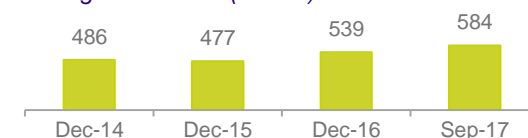
Statistics per key client segment⁽²⁾
(EURm, Sep-17)

	Clients	Gross loans (EURm)	Deposits (EURm)
Large	668	1,554	169
Mid	2,604	461	421
SE⁽³⁾	13,975	111	448

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; (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

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 EUR69.9bn GDP and 15.0m population
- ✓ Attractive growth markets, with 2.2% real GDP growth, EUR4.8k GDP/capita and 22.5% household indebtedness as % of GDP⁽⁵⁾








	Slovenia	Macedonia	Bosnia ⁽¹⁾	Kosovo	Montenegro	Serbia	Total / Average ⁽⁴⁾
							
Population (Dec-16, m)	2.1	2.1	3.5	1.8	0.6	7.0	15.0
GDP ⁽³⁾ (2016, EURbn)	40.4	9.9	15.8	6.1	4.0	34.1	69.9
GDP/Capita ⁽³⁾ (2016, EURk)	19.6	4.8	4.4	3.4	6.4	4.9	4.8
Real GDP growth (Q2 2017)	3.7%	-1.8%	1.7%	4.6%	5.1%	1.3%	2.2%
Inflation (September 2017, YoY)	1.4%	1.7%	1.5%	1.7%	2.8%	3.2%	2.2%
Government debt/GDP (Q2 2017)	79.8%	36.4%	38.7% ⁽⁵⁾	15.5%	61.3%	65.7%	43.5%
Household debt /GDP ⁽⁵⁾ (Q2 2017)	21.8%	22.1%	27.5%	14.1%	27.9%	20.7%	22.5%
Currency	EUR	MKD	EUR ⁽²⁾	EUR	EUR	RSD	n/a
Credit rating (Moody's, S&P)	Baa1 / A+	n/a / BB-	B3 / B	n/a / n/a	B1 / B+	Ba3 / BB-	n/a

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 244 branches and 1.1m active clients⁽¹⁾ 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%	99%	100%
No. of branches (#)	52	59	39	45	18	31
Market ⁽²⁾ share %	15.8%	18.6% ⁽³⁾	5.4% ⁽⁴⁾	15.0%	11.9%	1.3%
Profit after tax (EURm)	38.0	20.1	5.3	11.0	4.2	4.1
Net interest margin %	5.0%	2.8%	3.5%	4.9%	4.1%	6.2%
Cost/ income %	36.7%	44.3%	53.6%	38.2%	55.7%	73.8%
Loans/ Deposits % (net)	78.9%	63.0%	78.0%	78.9%	70.4%	103.9%
NPL ratio %	5.5%	4.6%	8.9%	2.8%	8.0%	6.3%
RoE a.t.	36.2%	33.3%	11.2%	23.1%	7.2%	10.1%
Total assets (EURm)	1,167	674	525	553	486	343



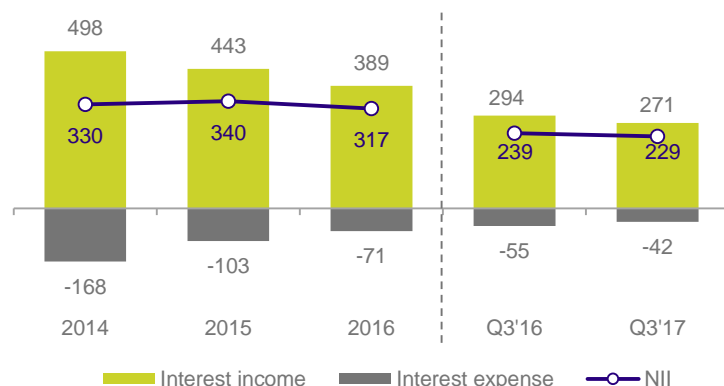
Source: Company disclosure

Note: Data as of quarter ended Sep-17;

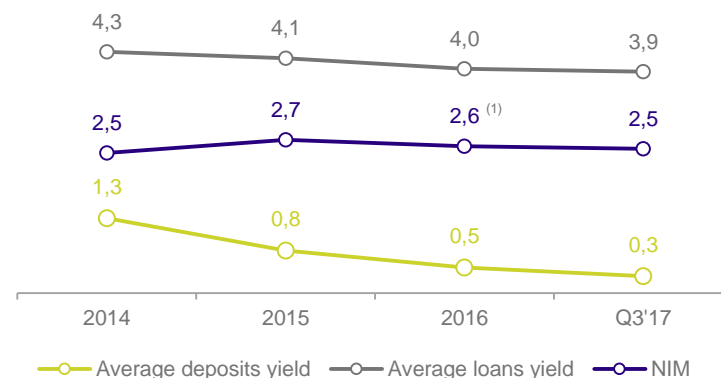
(1) Excluding NLB d.d.; (2) Market share based on total assets, as of Jun-17; (3) Market share in the Republika Srpska; (4) Market share in the Federation of BiH;

Strong revenue performance driven by stable NIM and resilient fee income

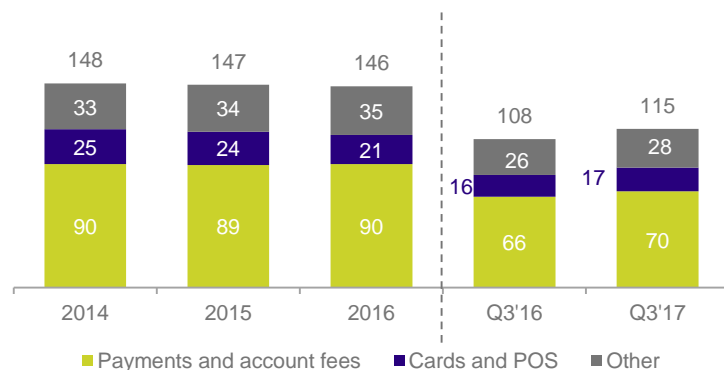
Net interest income relatively stable in very challenging environment (Group, EURm)



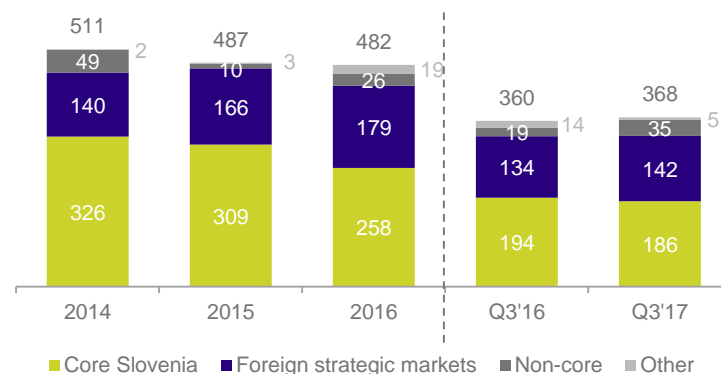
Marginal reduction in NIM in Q3'17 (Group, %)



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

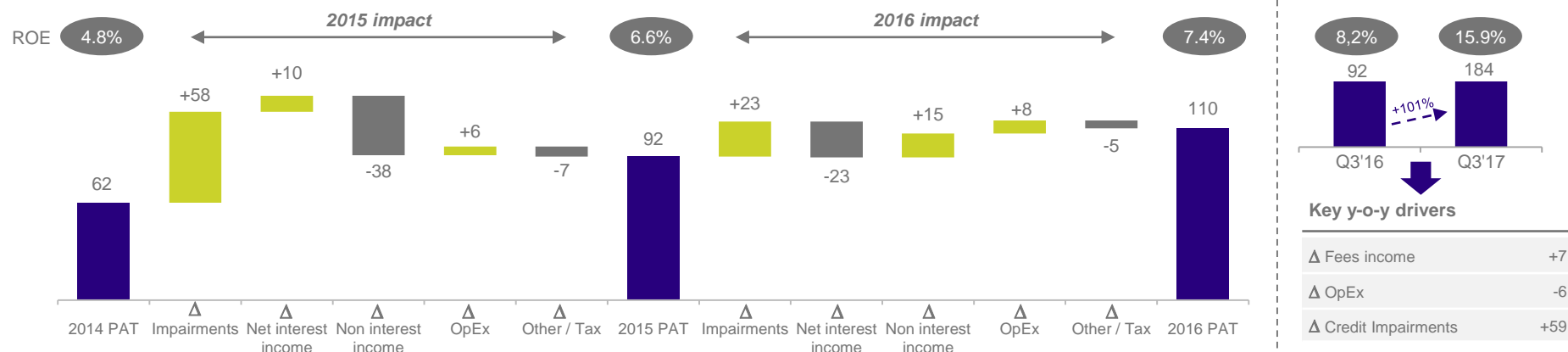


International supporting revenue in the Core operations (Group, EURm)⁽²⁾

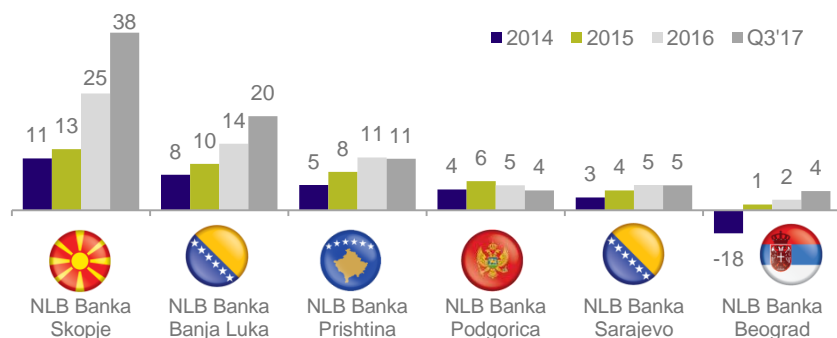


Successful business transformation results in sustainable profitability

Evolution of group profitability since 2014 (EURm)



All Core foreign banks profitable⁽¹⁾ (EURm)



Positive performance continued in 2016 and Q3'17

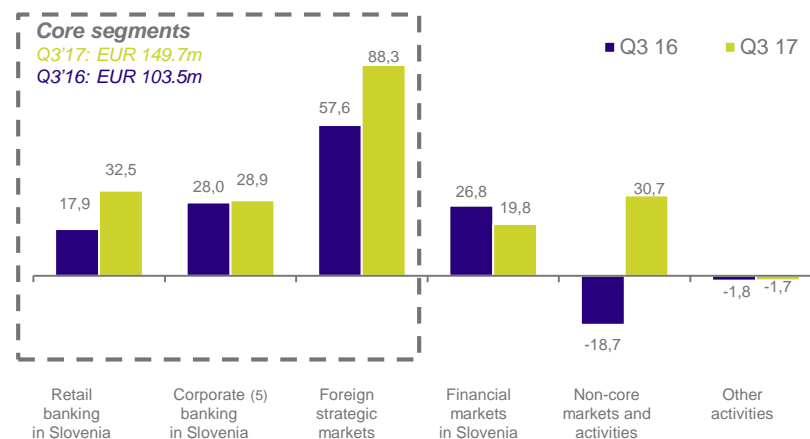
- Continued trend of stable and profitable Group operations
- In Q3 2017, NLB Group generated **EUR 184.0m** of profit after tax (**101% increase YoY**)
- All Core foreign banks** profitable since 2015 going forward

Profitability improvement in all key business segments during Q3'17

Profitable, client-oriented group, focused on core markets

Key metrics (FYD Sep-17, EURm)			PBT	Gross loans	Assets	% of assets
Core	Core Slovenia	Retail banking	32,5 16%	2,093	2,213	95%
		Corporate banking	28.9 14%	2,287	2,135	
		Financial markets ⁽¹⁾	19.8 10%	241	3,328	
	Core members	Foreign strategic markets	88.3 45%	2,591	3,730	
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity Investments Real estate ⁽²⁾	30.7 15%	306	107	4%
		Leasing Ljubljana		170	173	
	Non-core members	Other leasing, factoring and other ⁽³⁾		99	168	
		Other segment		-1.7 ⁽⁴⁾ -1%	0	
Group total			198	7,788	12,008	

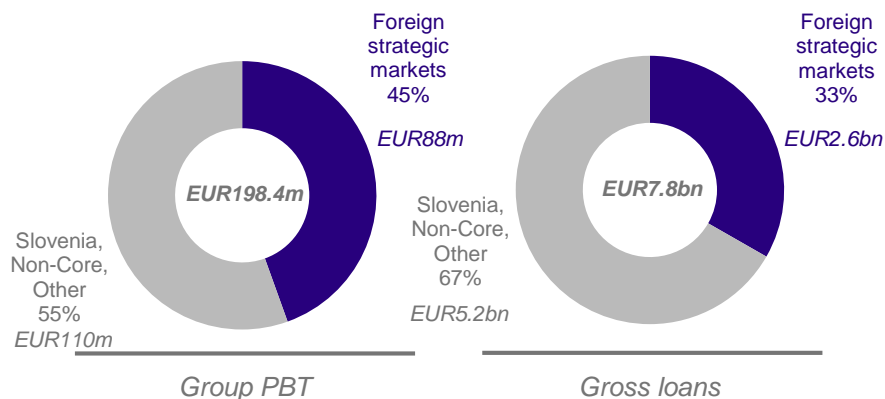
Core segments consistently profitable, retail and international increasingly profitable (PBT, EURm)



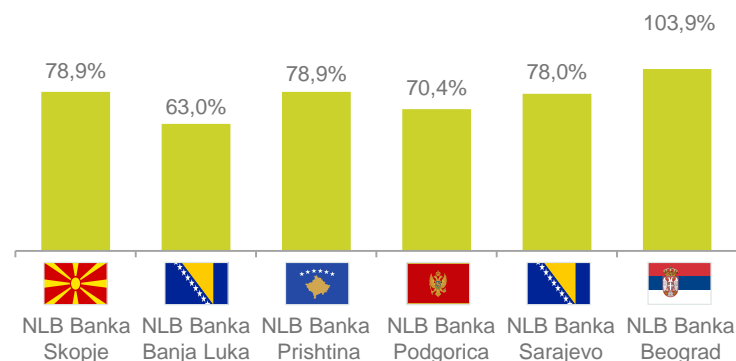
- Profit before tax of key business activities increased by EUR 46.2m primarily as a result of higher business volumes in retail and strategic foreign markets, stable margins in SEE markets, improvement of cost efficiency and continued low cost of risk.
- Foreign strategic markets continued positive trend showing an EUR 30.7m increase y-o-y.
- Non-strategic markets profit before tax in Q3 2017 was EUR 30.7 million – a significant improvement on Q3 2016 (Q3 2016: EUR – 18.7 million) based on much improved cost of risk and a one-off gain of EUR 13.2 million on divesting an equity exposure in Q3 2017.

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

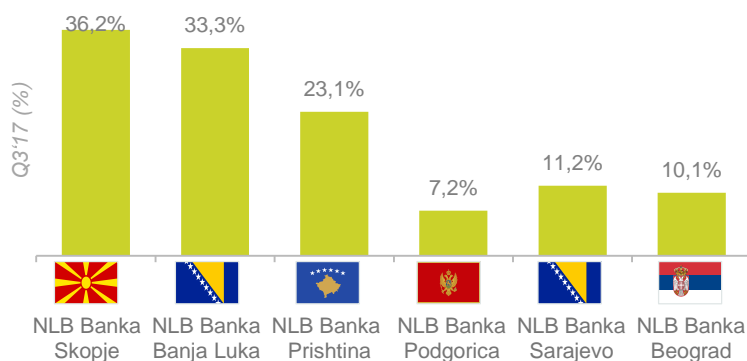
International contributes 45% of Group's profit (Q3'17)



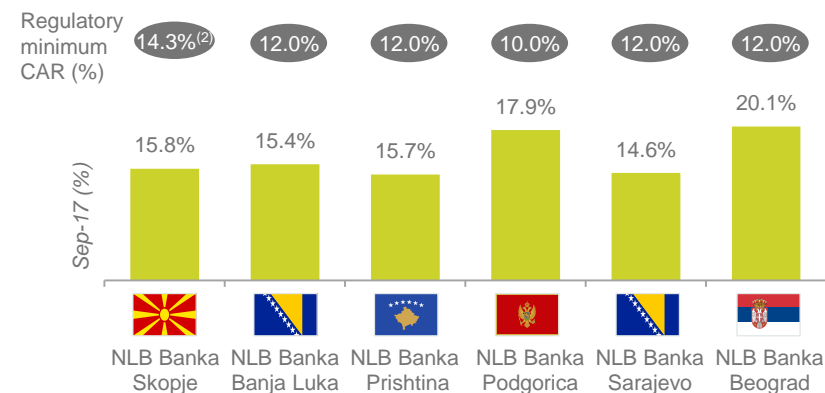
Core foreign banks self-funded by design (L/D ratio⁽¹⁾, Sept-17)



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

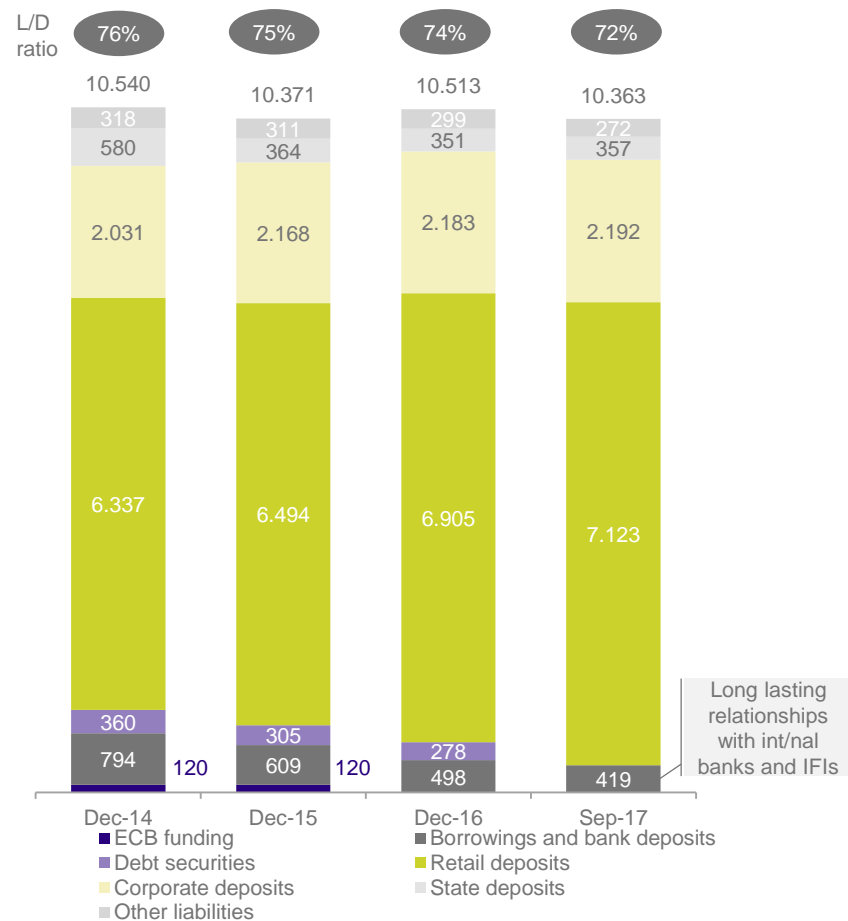


Capital adequacy comfortably above local requirements



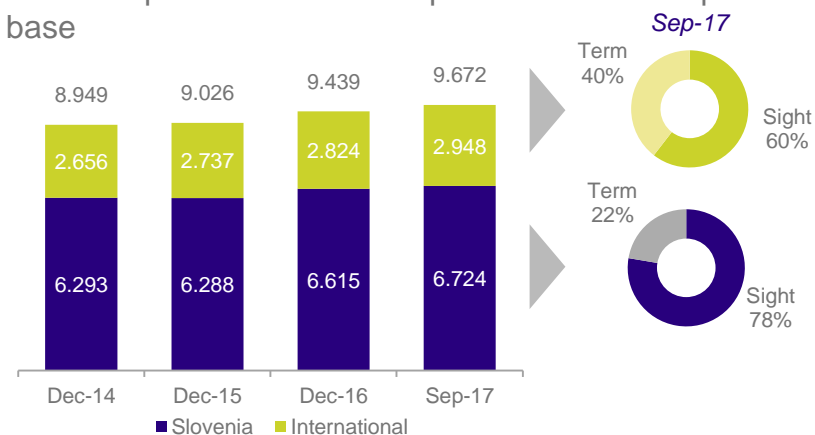
Funding structure driven by **deposits** and complemented by established **wholesale markets access**

Deposits accounting for 93% of funding (EURm)

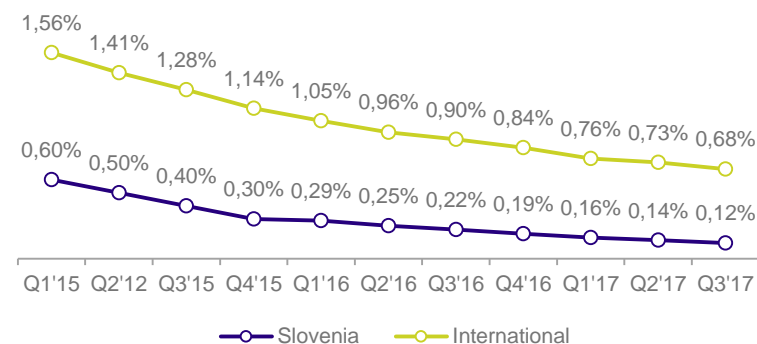


Comment: Value of debt securities in issue decreased to EUR 0 effective 3 Jul 2017 when the Eurobond matured.

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



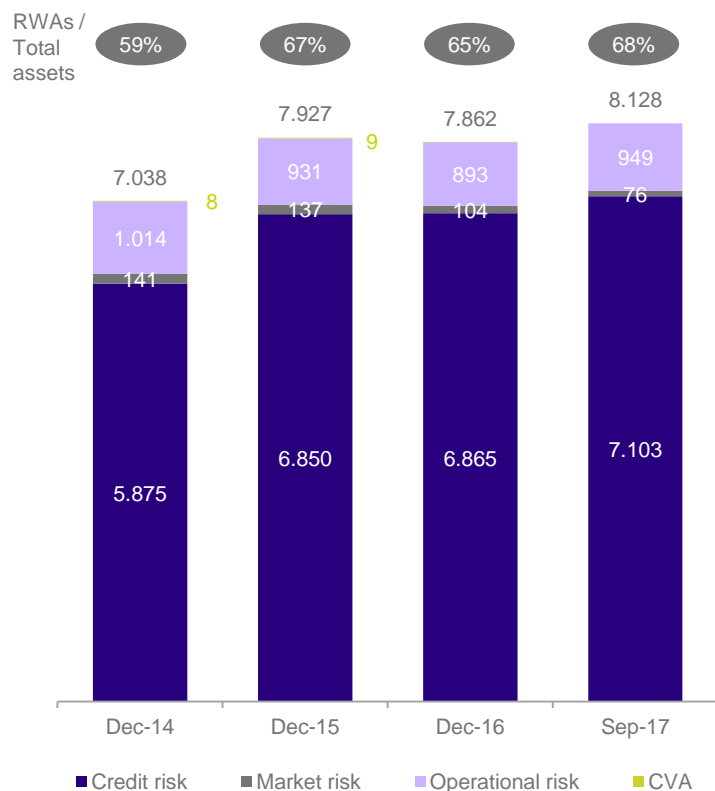
Decreasing deposit yields (%)



Well capitalised franchise with solid capital position...

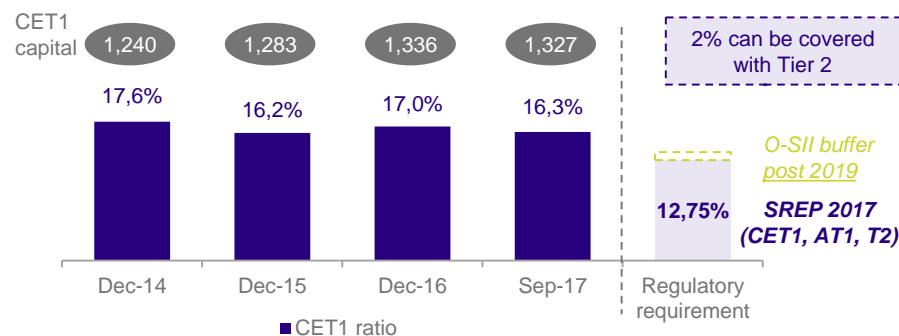
- ✓ Highest quality capital (CET1) at Group and NLB d.d.⁽¹⁾, reaching 16.3% in Sep-17
- ✓ Increase in credit RWAs in 3Q'17 is a result of increased retail exposures due to housing and consumer loans growth. RWA on operating risks increased due to higher three-year average income, which represents the basis for the calculation.

In 3Q 2017 RWA increased by EUR 266 m, of which EUR 238m on credit risk (Group, EURm) ⁽²⁾

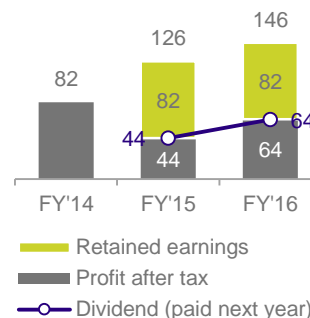


*CVA – Credit valuation adjustment

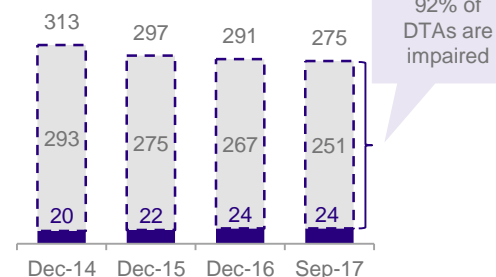
CET1 ratio comfortably above regulatory requirements (Group, EURm)



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



Upside from DTAs⁽³⁾ (Group, EURm)



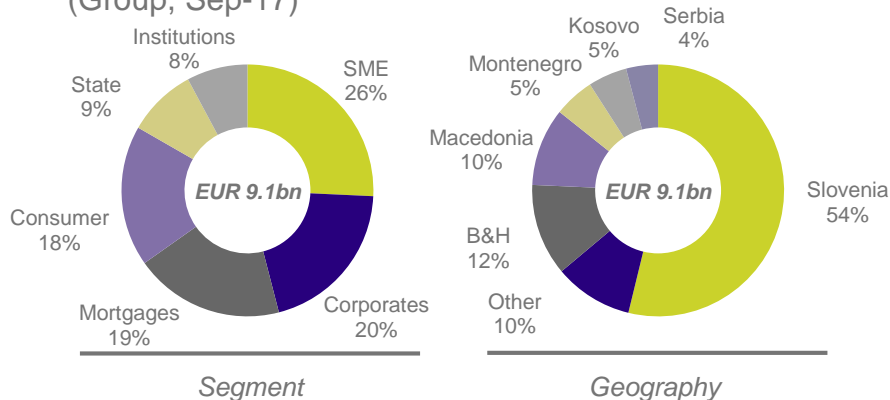
Source: Company information

Note: (1) NLB d.d. CET1 ratio amounted to 22.3% as of Sep-17; (2) RWAs expansion in 2015 driven by one-off increase in SEE sovereign risk weighting (3) 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 EUR271m Sep-17 deferred tax assets, EUR208m are generated from tax losses which can be used to reduce annual tax base of NLB by 50%

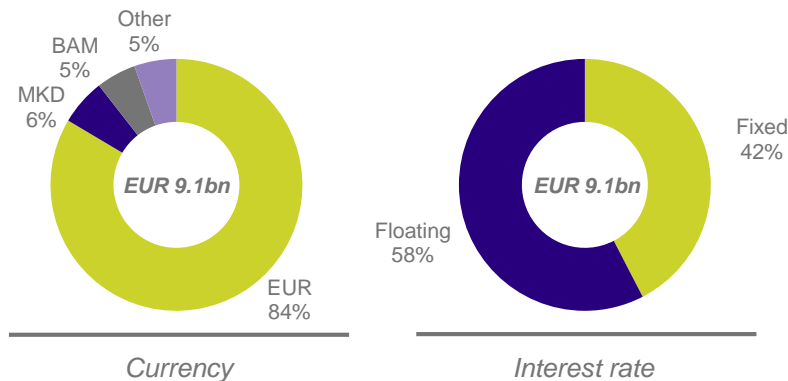
Diversified loan portfolio

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

Credit portfolio by segment and geography
(Group, Sep-17)

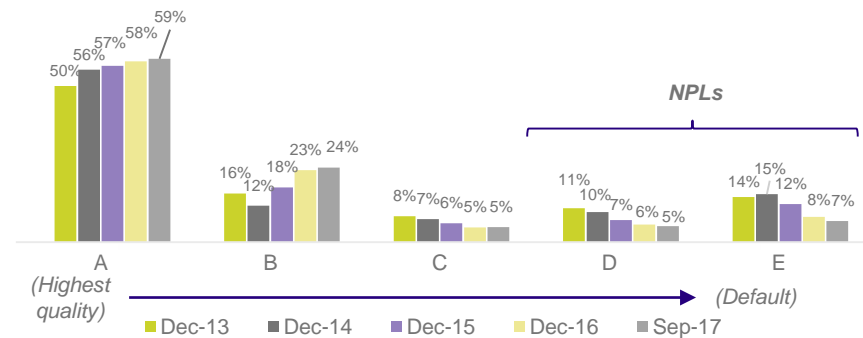


Credit portfolio by currency and rate type
(Group, Sep -17)



- **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

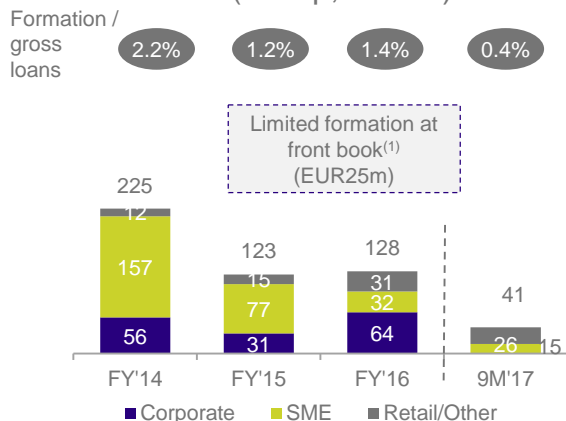
Improving structure of credit portfolio by client credit ratings
(Group)



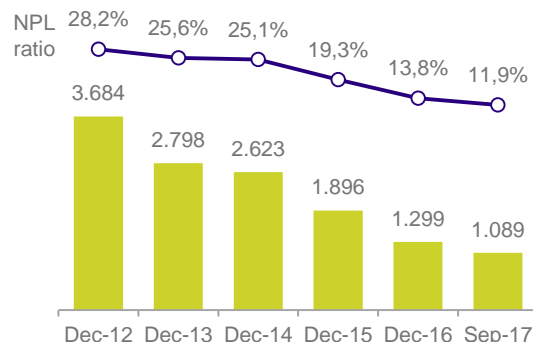
NLB has driven a **turnaround in asset quality**

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)



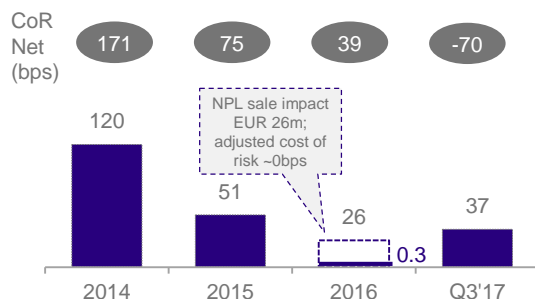
Reduction of NPLs remains a key focus

- Gross NPLs at Group level reduced by EUR 210m in 9m'17
- Positive momentum expected through active portfolio management and macro recovery

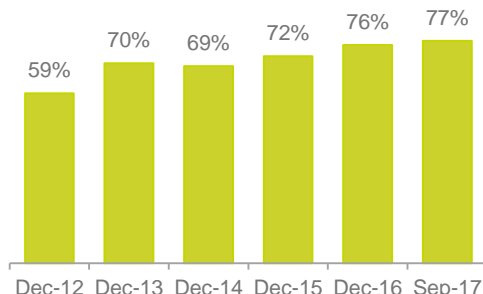
High coverage of NPLs

- Coverage ratio remained high in Sep-17 (77%) despite release of provisions in 9m'17

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



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

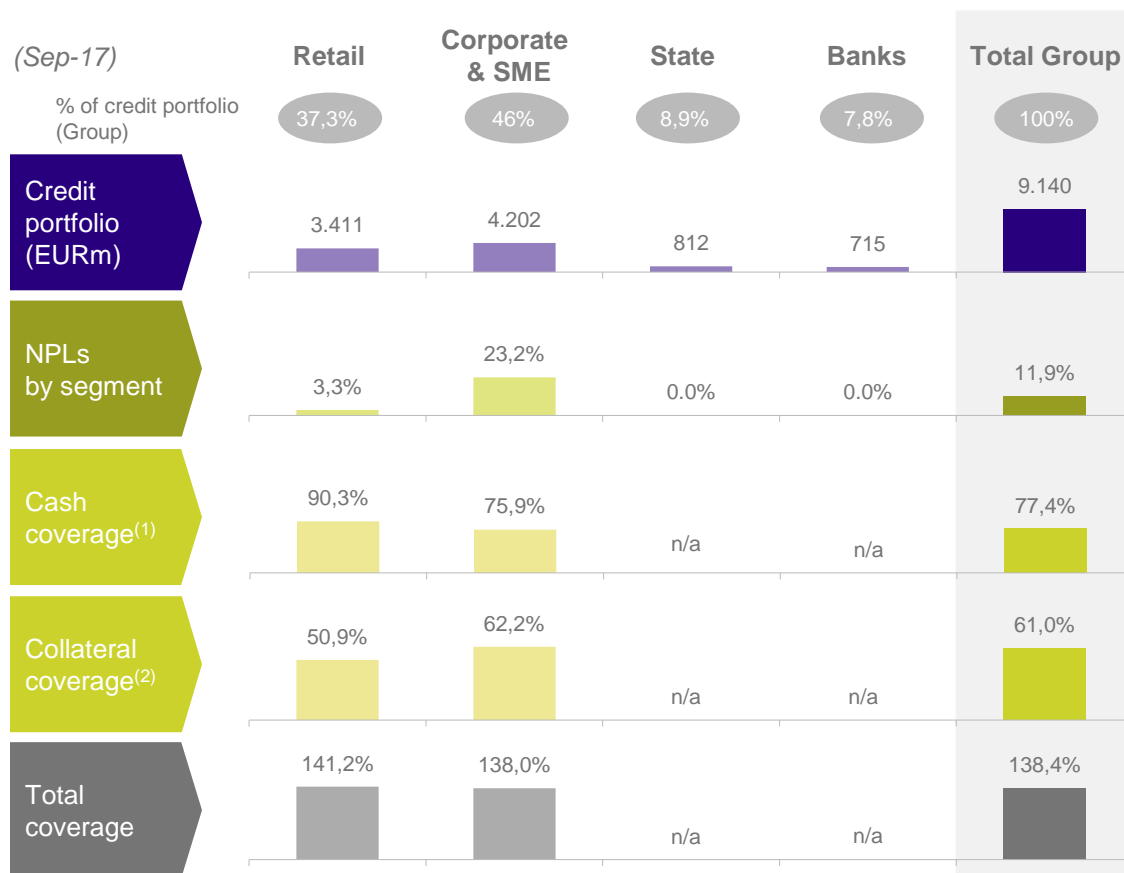


Active approach to NPL management

- Strong emphasis on restructuring (over 66% 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

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

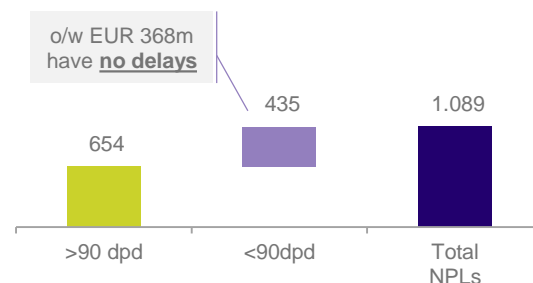
- ✓ Total coverage exceeds 100% across segments
- ✓ Limited non-performing exposures from off-balance sheet items (~EUR92m)



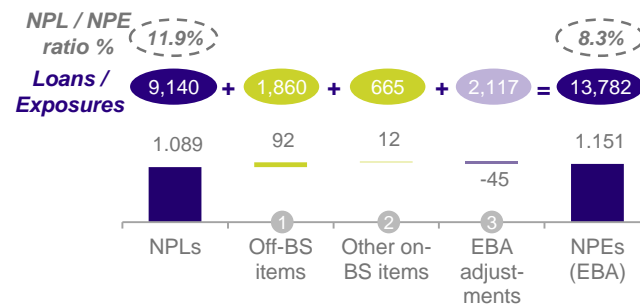
Source: Company information

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

Group NPL structure (Sep-17, EURm)



Group NPL to NPE bridge (Sep-17, 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

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⁾

	3Q'17	Medium term
NIM	2.5%	>2.7%
Loans to deposits ratio	72%	<95%
Total capital ratio	16.3%	~16%
Cost-income ratio	57%	~50%
Cost of risk ⁽²⁾	n/a ⁽³⁾	<100bps
Return on equity (RoE)	15.9%	>10%
Dividend payout ⁽⁴⁾	58%	>70%
NPE ratio ⁽⁵⁾	8%	<5%



Appendix

Financial statements

Key financial data and performance

NLB Group (1/2)

	FY'14	FY'15	FY'16	Q3'16	Q3'17
Net interest income	330	340	317	239	229
Net fee and commission income	148	147	146	108	115
Income from financial operations	38	4	20	19	23
Other Income	(5)	(8)	(7)	-8	0
Operating Income	511	483	476	358	366
Staff costs	(163)	(163)	(165)	-123	-121
General expenses	(105)	(103)	(96)	-70	-66
Depreciation and amortization expenses	(36)	(32)	(28)	-21	-21
Operating expenses	(304)	(298)	(290)	-214	-208
Pre Provision Income	208	185	186	143	158
Extraordinary measures	0	0	0	0	0
Impairment losses on credit risk	(120)	(51)	(26)	-22	37
Other ⁽¹⁾	(22)	(32)	(35)	-16	0
Investments in subsidiaries, associates and JVs	3	4	5	4	3
Profit before income tax	69	107	131	110	198
Income Tax	(4)	(11)	(15)	-14	-7
Profit after income tax	65	95	116	96	191
Profit attributable to shareholders	62	92	110	91	184

Key financial data and performance

NLB Group (2/2)

	Dec-14	Dec-15	Dec-16	Sep-17
ASSETS				
Cash and balances with Central Banks	1,128	1,162	1,299	1,094
Financial instruments ⁽¹⁾	2,529	2,578	2,778	2,911
Loans and advances to banks (net)	271	432	436	483
Loans and advances to customers	7,415	7,088	6,997	6,989
Investments in subsidiaries, associates and JV	38	40	43	42
Intangible assets	43	39	34	35
PP&E	215	208	197	190
Other assets	270	275	255	264
Total Assets	11,909	11,822	12,039	12,008
LIABILITIES & EQUITY				
Deposits from banks	62	58	42	49
Deposits from customers	8,949	9,026	9,439	9,672
Borrowings	731	551	455	370
ECB funding	120	120	0	0
Securities and other liabilities	678	616	576	272
Total Liabilities	10,540	10,371	10,513	10,363
Shareholders' funds	1,343	1,423	1,495	1,611
Non Controlling Interests	26	28	30	34
Total Equity	1,369	1,450	1,526	1,645
Total Liabilities & Equity	11,909	11,822	12,039	12,008

Key financial data and performance

NLB d.d. (1/2)

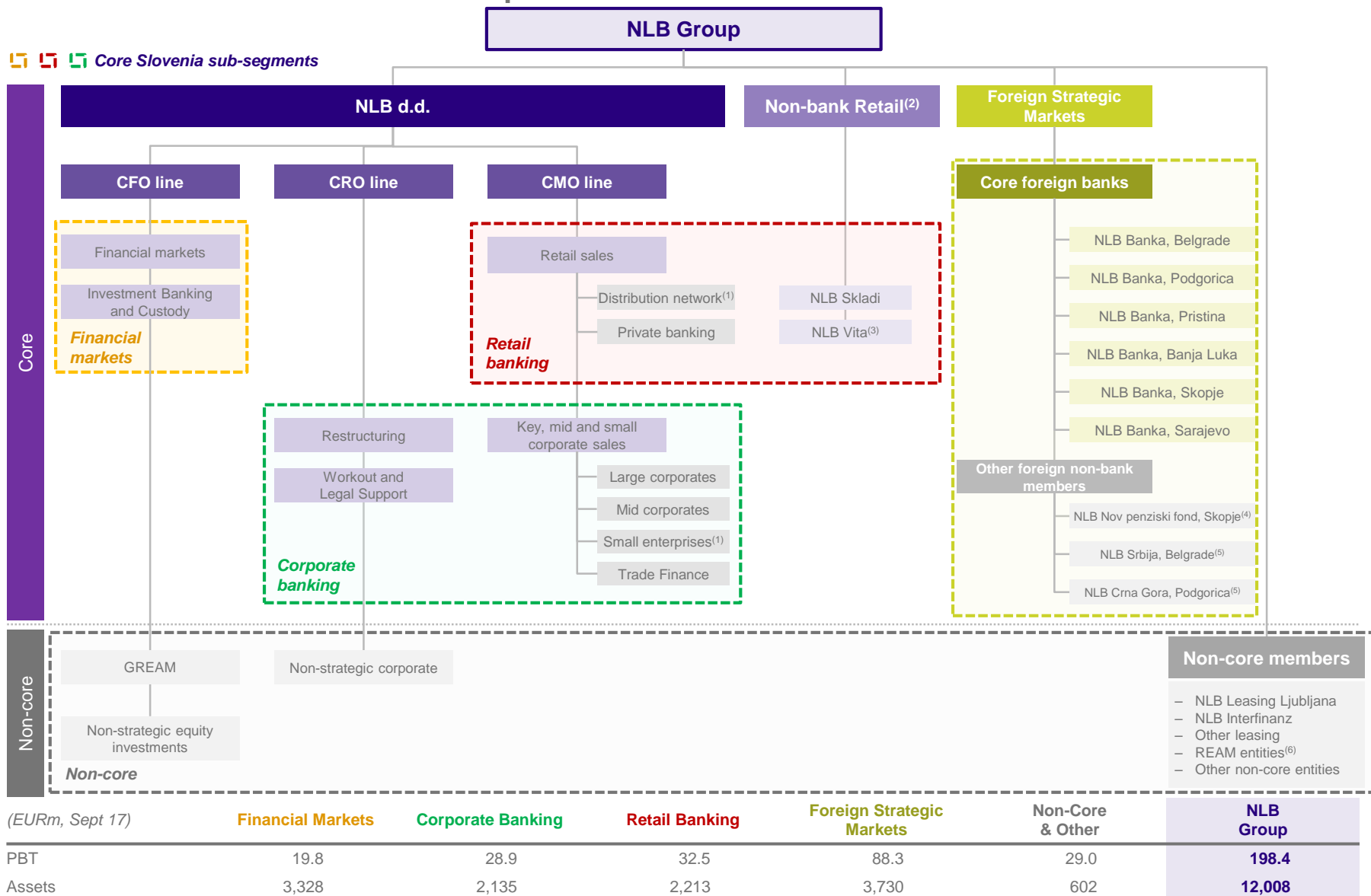
	FY'14	FY'15	FY'16	Q3'16	Q3'17
Net interest income	227	208	175	133	116
Net fee and commission income	101	98	95	71	73
Income from financial operations	34	9	13	15	15
Other Income	3	(2)	0	-2	0
Operating Income	364	313	284	217	204
Staff costs	(102)	(102)	(103)	-78	-76
General expenses	(67)	(64)	(59)	-43	-39
Depreciation and amortization expenses	(24)	(21)	(19)	-14	-14
Operating expenses	(193)	(187)	(181)	-135	-128
Pre Provision Income	171	126	103	81	76
Extraordinary measures	0	0	0	0	0
Impairment losses on credit risk	(84)	(28)	(15)	-18	21
Other ⁽¹⁾	(9)	(60)	(49)	-31	0
Investments in subsidiaries, associates and JVs	5	14	29	29	48
Profit before income tax	83	52	68	60	145
Income Tax	(1)	(8)	(4)	-7	0
Profit after income tax	82	44	64	54	145
Profit attributable to shareholders	82	44	64	54	145

Key financial data and performance

NLB d.d (2/2)

	dec.14	dec.15	dec.16	jun.17	Sep.17
ASSETS					
Cash and balances with Central Banks	434	497	617	693	431
Financial instruments ⁽¹⁾	2,038	2,087	2,295	2,318	2,419
Loans and advances to banks (net)	159	345	408	423	433
Loans and advances to customers	5,7	5,221	4,929	4,793	4,777
Investments in associates and JV	353	353	347	358	358
Intangible assets	34	30	23	26	24
PP&E	97	95	90	87	87
Other assets	70	80	68	90	81
Total Assets	8,886	8,707	8,778	8,789	8,610
LIABILITIES & EQUITY					
Deposits from banks	91	97	75	80	98
Deposits from customers	6,300	6,298	6,617	6,660	6,724
Borrowings	557	416	343	292	278
ECB funding	120	120	0	0	0
Securities and other liabilities	613	534	478	464	173
Total Liabilities	7,681	7,465	7,513	7,496	7,273
Shareholders' funds	1,205	1,242	1,265	1,293	1,337
Non Controlling Interests	0	0	0	0	0
Total Equity	1,205	1,242	1,265	1,293	1,337
Total Liabilities & Equity	8,886	8,707	8,778	8,789	8,610

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

Key segment financials – 1-9 17

EURm	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Foreign Strategic markets	Total	Non-Core	Other ⁽³⁾	Group
P&L (1-9 2017)								
Net interest income	53,8	30,3	24,0	108,2	216,3	12,6	(0,2)	228,7
Net non-interest income	50,3	22,8	5,0	33,8	111,9	22,3	5,3	137,5
Net operating income	104,1	53,1	29,0	142,0	328,2	34,9	5,2	366,2⁽¹⁾
Total costs	(73,9)	(32,4)	(9,3)	(70,6)	(186,2)	(16,3)	(7,4)	(207,8) ⁽¹⁾
Result before impairments and provisions	30,2	20,7	19,7	71,4	142,0	18,6	(2,2)	158,4⁽¹⁾
Impairments and provisions	(1,2)	8,2	(0,1)	16,9	23,8	13,0	(0,5)	37,3
Other ⁽²⁾	3,6	-	-	-	3,6	(0,9)	-	2,8
Result before tax	32,5	28,9	19,8	88,3	169,5	30,7	(1,7)	198,4

Balance sheet (Sept-17)

Gross loans	2.093	2.287	241	2.591	7.212	575	0	7.788
Assets	2.213	2.135	3.328	3.730	11.406	445	157	12.008
Deposits	5.392	1.060	226	2.958	9.636	37	0	9.672
Liabilities	5.398	1.109	575	3.149	10.231	57	76	10.363

Key segment financials – 1-9'16

EURm	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Foreign Strategic markets	Total	Non-Core	Other ⁽³⁾	Group
P&L (1-9 2016)								
Net interest income	54,3	36,0	35,2	101,9	227,4	11,9	(0,5)	238,8
Net non-interest income	45,9	21,6	0,0	31,6	99,1	7,0	14,8	118,8
Net operating income	100,2	57,6	35,3	133,5	326,6	18,9	14,3	357,6⁽¹⁾
Total costs	(77,1)	(34,0)	(9,1)	(69,2)	(189,4)	(17,9)	(9,7)	(214,2) ⁽¹⁾
Result before impairments and provisions	23,1	23,6	26,2	64,3	137,2	1,0	4,6	143,5⁽¹⁾
Impairments and provisions	(9,2)	4,5	0,0	(6,8)	(11,5)	(19,7)	(6,3)	(37,5)
Other ⁽²⁾	4,0	-	0,6	-	4,6	-	-	4,0
Result before tax	17,9	28,0	26,8	57,6	130,3	(18,7)	(1,8)	110,0

Balance sheet (Sept-16)

Gross loans	1.991	2.511	255	2.457	7.214	676	10	7.901
Assets	2.118	2.339	3.376	3.541	11.374	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