



NLB Group Presentation

Audited results 2017



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Team

Nova Ljubljanska Banka (NLB)



Blaž Brodnjak

Chief Executive Officer (CEO)

Chief Marketing Officer (CMO)

19+

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



Archibald Kremser

Chief Financial Officer (CFO)

19+

- 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)

19+

- 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)

21+

- 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

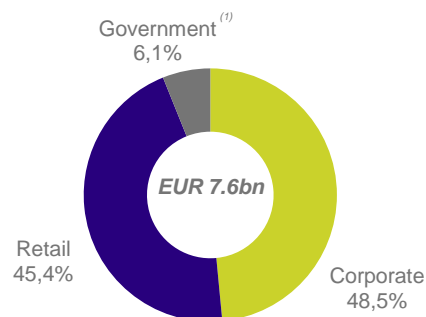
Investment highlights

- ✓ **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 23.0% market share by total assets (as of Dec-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'13-FY'17), an equivalent of -2% CAGR, with 58% C/I as of FY'17
 - ✓ NPL ratio reduced from Dec-12 peak of 28.2% to 9.2% in Dec-17
- ✓ **Extensive distribution network of 350 branches**
 - ✓ 108 branches in Slovenia (Dec-17)
- ✓ **Attractive dividend payout ratio**
 - ✓ 58% of 2016 NLB Group net profit paid out in April 2017
 - ✓ 84% of 2017 NLB Group net profit to be paid out in 2018⁽³⁾

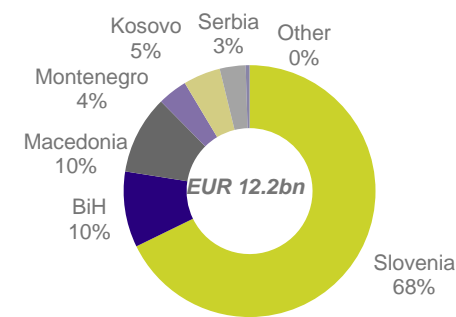
Key figures

| Balance sheet (EURm) | Dec-15 | Dec-16 | Dec-17 | Delta |
|----------------------------|----------------|----------------|----------------------|---------|
| Total assets | 11,822 | 12,039 | 12,238 | 2% |
| Loans to customers (gross) | 8,351 | 7,901 | 7,641 | -3% |
| Loans to customers (net) | 7,088 | 6,997 | 6,995 | 0% |
| Customer deposits | 9,026 | 9,439 | 9,879 | 5% |
| Attributable equity | 1,423 | 1,495 | 1,654 ⁽⁴⁾ | 11% |
| P&L (EURm) | FY'15 | FY'16 | FY'17 | Δ |
| Net interest income | 340 | 317 | 309 | -3% |
| Pre provision income | 186 | 186 | 204 | 9% |
| Profit after tax | 92 | 110 | 225 | 105% |
| Key ratios (%) | Dec-15 / FY'15 | Dec-16 / FY'16 | Dec-17 / FY'17 | Δ |
| CET1 ratio | 16.2% | 17.0% | 15.9% ⁽⁵⁾ | -1.1pp |
| C/I ratio | 61.6% | 60.9% | 58.3% | -3.1pp |
| NPL ratio | 19.3% | 13.8% | 9.2% | 4.6 pp |
| NPL coverage ratio | 72.2% | 76.1% | 77.5% | -1.4 pp |
| NPE ratio (EBA) | 14.3% | 10.0% | 6.7% | 3.3 pp |
| NPE coverage ratio (EBA) | 69.9% | 72.4% | 74.7% | -2.3 pp |
| RoE after tax | 6.6% | 7.4% | 14.4% | 7.7pp |

Gross loans by customer (Dec-17)



Total assets by country (Dec-17)⁽²⁾

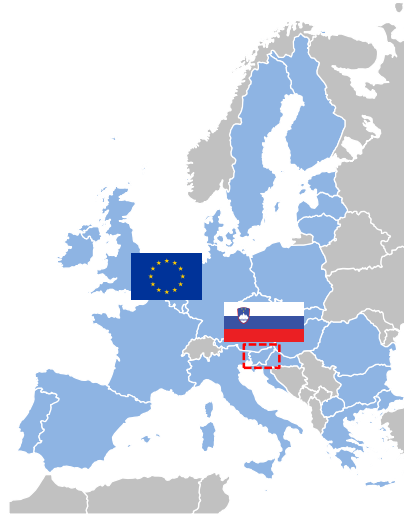


Source: Company information, Bank of Slovenia

Note: (1) Government departments, municipalities and agencies; (2) Geographical analysis based on location of assets of the NLB Group; (3) Represents proposed dividend of EUR189.1m, subject to approval by Supervisory Board and General Meeting of Shareholders; (4) Pre EUR189.1m Apr-17 proposed dividend payment distribution to existing shareholders; (5) Post EUR189.1m proposed dividend payment distribution;

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)



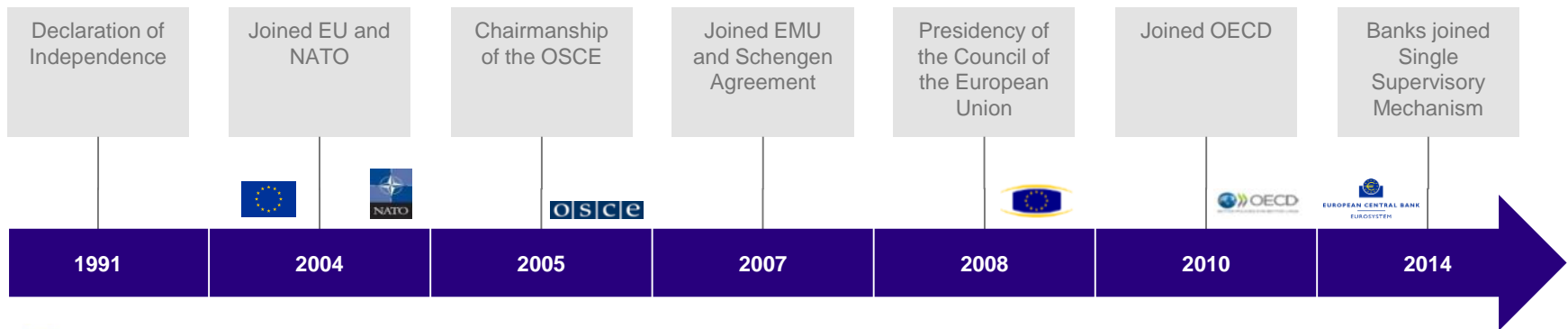
EUR 43.3 bn nominal GDP **5.0%** real GDP growth

EUR 20.96k GDP/capita vs EUR 11k CEE average⁽¹⁾ **6.6%** survey unemployment rate

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

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

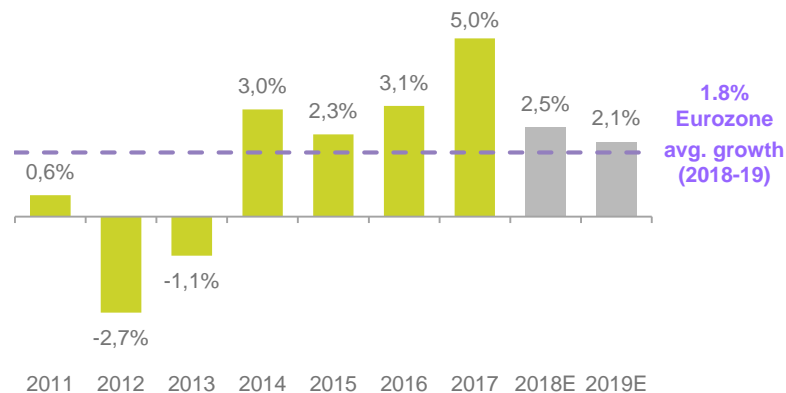
Recent milestones



Source: Republic of Slovenia, IMF WEO, Statistical Office of the Republic of Slovenia
 Note: (1) 2016, CEE countries include Poland, Romania, Czech Republic, Slovakia, Hungary.

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

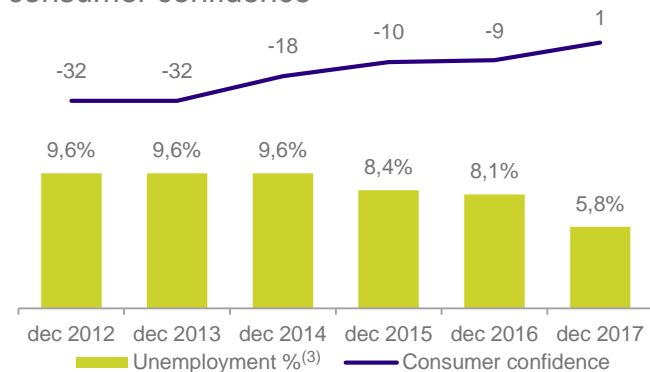
Real GDP growth for Slovenia



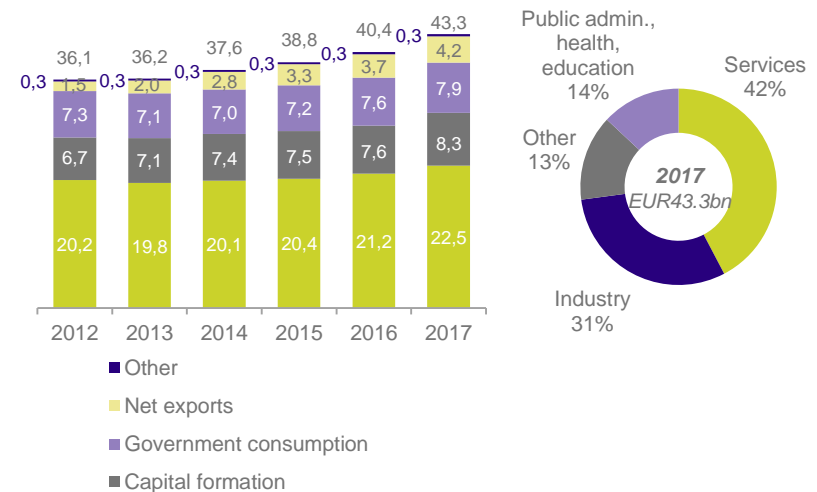
Macro update

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

Recovery driving lower unemployment and higher consumer confidence⁽¹⁾

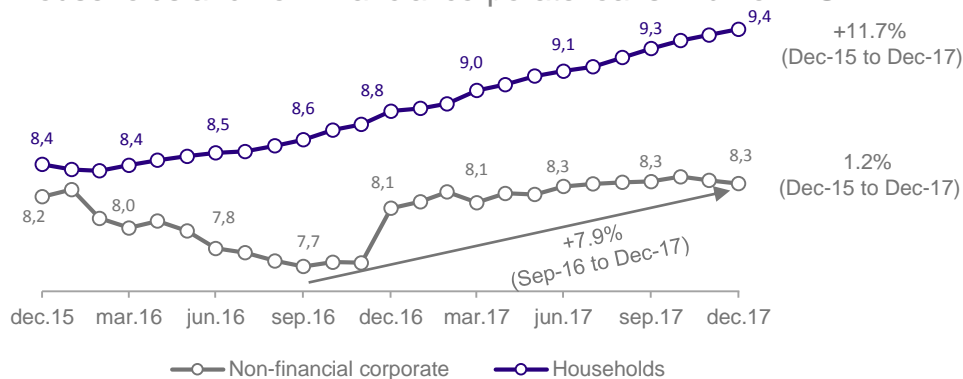


GDP by source and activities (EURbn)



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

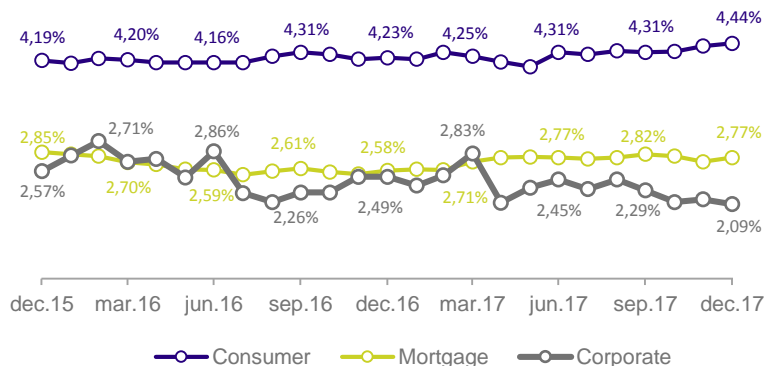
Households and non-financial corporate loans in billion EUR



Resurgence of corporate loans and steady growth in retail loans

- Non-financial corporate loans stock increased by 7.9% in December 2017, from its September 2016 low
- Household loans stock increased by 11.7% in December 2017 vs December 2015, mostly due to improved consumer confidence
- Total loans to non-financial sector grew by 4.8% Y-o-Y (Dec-16 to Dec-17)

Interest rate evolution (%)



Stable interest rate environment

- Average interest rate for consumer and mortgage loans increased by 20 basis points in the past 12 months to December 2017, while interest rates for corporate loans in the same period decreased by 40 basis points.

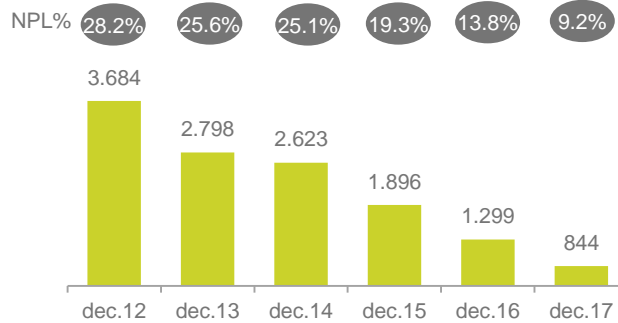
NLB Group - Journey so far

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

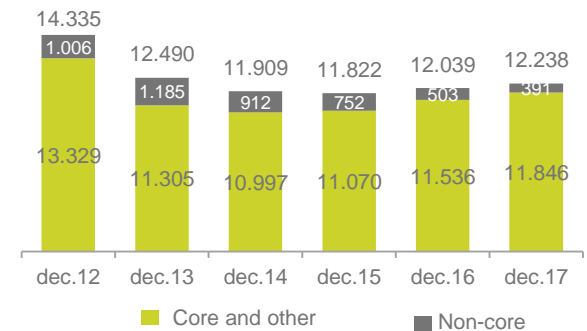
Key initiatives implemented

- 1 Focus on core businesses and markets and divestment of several non-core subsidiaries and participations
- 2 Emphasis on NPL recovery and improving asset quality
- 3 Balance sheet reduction
- 4 4% 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

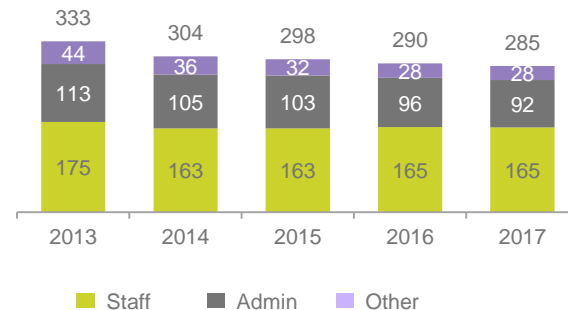
77% reduction of NPLs (NPL stock, EURm)



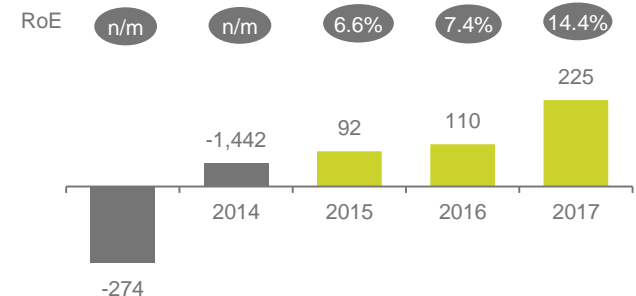
Smaller and stronger balance sheet (EURm)



14% cost base reduction from 2013 (EURm)



Return to profitability⁽²⁾ (EURm)



2013 recapitalisation

Journey so far



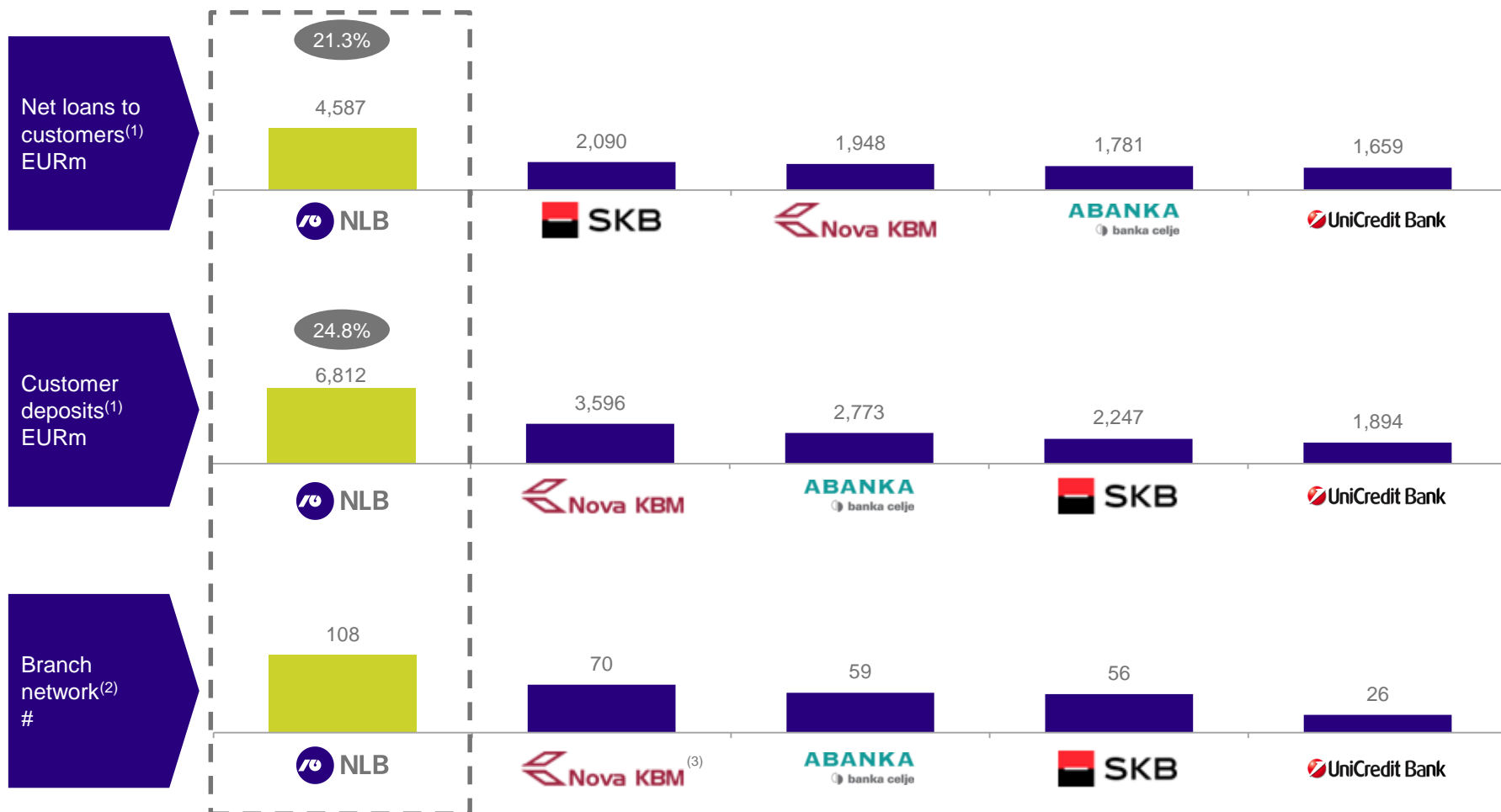
Source: Company information

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

Dominant player in the Slovenian banking sector

Market leader across products in Slovenia



% Market share as of December -17



Source: Net loans, deposits and branches as per Company information; Market shares calculated based on respective aggregates of Bank Of Slovenia

Note: (1) Net loans and deposits from non-banking sector for NLB as at 31 December 2017, Nova KBM as at 30 June 2017 and other banks as at September 2017 (latest available). Loans for NLB without DARS bond; (2) Branches: NLB as at 31 December 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)

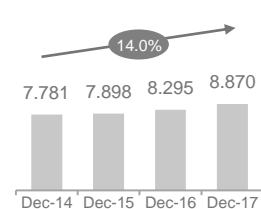
Dominant player in the Slovenian banking sector

Retail banking

| | |
|-------------------------------------|---|
| Market evolution | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ Market shares resilient across market segments (As of Dec-17: Retail net loans: 23.4%, Retail deposits: 30.7%) ✓ Increasing share of new loan production in growing consumer segment, driven by wide distribution network, strong sales force and large customer base |
| Distribution network | <ul style="list-style-type: none"> ✓ Network of 108 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 | <ul style="list-style-type: none"> ✓ Ongoing enhancement of online and mobile banking platform with the introduction of new functionalities, including raising Express loan in mobile app (Klikin) 24/7 and full online availability of all transaction banking services. By upgrading the e-bank NLB Klik customers have the option of concluding certain NLB Vita insurance products. ✓ the 1st bank in Slovenia introducing contact-less ATMs for contactless cards ✓ First bank to introduce contactless debit and credit cards in Slovenia |
| Upside from fee generating products | <p>Private banking:</p> <ul style="list-style-type: none"> ✓ #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 <p>Bancassurance:</p> <ul style="list-style-type: none"> ✓ Profitable and growing business segment, with ca 13,5% market share in life by GWP⁽²⁾, with upside potential from underpenetrated customer base (14,3% penetration for life and non life) <p>Asset management:</p> <ul style="list-style-type: none"> ✓ # 1 player by AuM in Slovenian asset management exceeding EUR1.2bn in AuM⁽³⁾ |

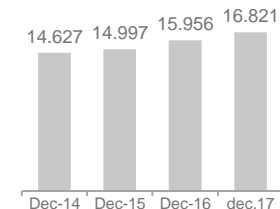
Retail net loans (EURm)

24.2% 23.9% 23.5% 23.4%

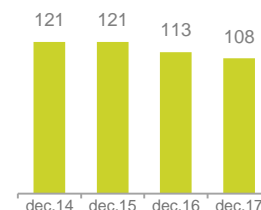


Retail deposits (EURm)

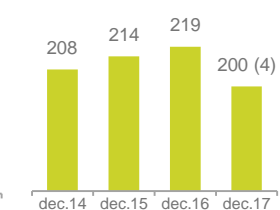
30.2% 30.2% 30.4% 30.7%



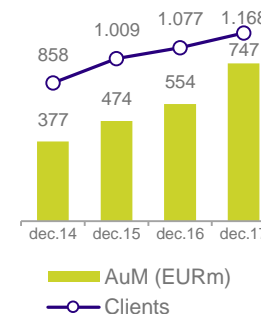
Branch network (#)



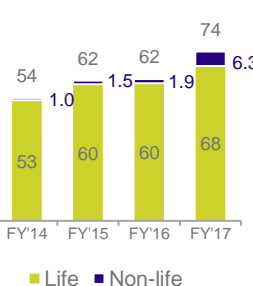
NLB Klik⁽¹⁾ users (000s)



Private banking



GWP (EURm)



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

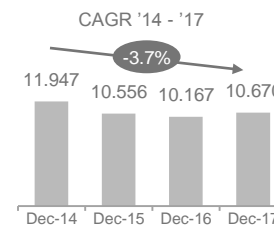
Note: All figures refer to full year ending 31-Dec unless stated otherwise; (1) NLB Klik refers to NLB's online banking application; (2) Slovenian Insurance Association; (3) Including investments in mutual funds and discretionary portfolios. Source: Slovenian Fund Management Association (4) Significant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

Dominant player in the Slovenian banking sector

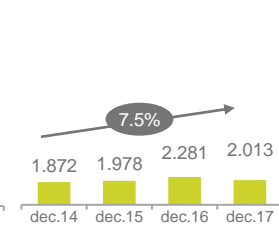
Corporate banking

| | |
|---------------------------------------|---|
| Market evolution | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ NLB is clear sector leader with 20.2% net loans market share⁽¹⁾; ✓ Loan balances in key business⁽²⁾ grew by 7.5% despite the sector falling by 3.7% on average since 2014 ✓ Market leader across deposit product lines: 18.6% market share for sight deposits, 9.9% for term deposits |
| Competitive advantage | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ Leader in merchant acquiring with 12,5k POS terminals, 5.5k merchants and 34% market share as at Dec-17 ✓ Strong performance of Investment Banking in 2017, with income growing at 33.7% (compared to 2016) ✓ Assets under custody reached almost EUR14.7bn in Dec-17 (+20% vs Dec-16) ✓ Leading market position in Brokerage and Treasury Sales showing strong revenue growth of 45% YOY. |
| Opportunity in small and mid business | <ul style="list-style-type: none"> ✓ 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)



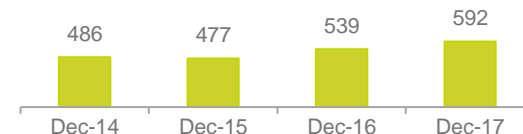
NLB key business⁽²⁾ gross loans (EURm)



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

| | Clients | Gross loans (EURm) | Deposits (EURm) |
|-------------------------|---------|--------------------|-----------------|
| Large | 671 | 1,421 | 160 |
| Mid | 2,679 | 477 | 422 |
| SE⁽³⁾ | 14,250 | 115 | 473 |

SME gross loans⁽⁴⁾ (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) Excluding restructuring and workout

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

- ✓ NLB's SEE footprint outside of Slovenia covers 5 countries with EUR 73.1 bn GDP and 15.0m population
- ✓ Attractive growth markets in Q3 2017, with 2.6% real GDP growth and 22.4% household indebtedness as of GDP⁽⁴⁾








| | Slovenia | Macedonia | Bosnia ⁽¹⁾ | Kosovo | Montenegro | Serbia |
|--|-----------|-----------|-----------------------|---------------------|---------------------|----------|
| Population (Dec-16, m) | 2.1 | 2.1 | 3.5 | 1.8 | 0.6 | 7.0 |
| GDP ⁽³⁾ (2017, EURbn) | 43.3 | 10.1 | 15.9 ⁽⁵⁾ | 6.2 ⁽⁵⁾ | 4.1 ⁽⁶⁾ | 36.8 |
| GDP/Capita ⁽³⁾ (2016, EURk) | 19.6 | 4.8 | 4.4 | 3.4 | 6.4 | 4.9 |
| Real GDP growth (2017, YoY) | 5.0% | 0.0% | 3.0% ⁽⁴⁾ | 3.8% ⁽⁴⁾ | 4.3% ⁽⁴⁾ | 1.9% |
| Average Inflation (2017, YoY) | 1.4% | 1.4% | 1.3% | 1.5% | 2.4% | 3.1% |
| Government debt/GDP (Q3 2017) | 78.4% | 45.8% | 36.7% ⁽⁸⁾ | 15.5% | 59.3% | 61.5% |
| Household debt /GDP ⁽⁷⁾ (Q3 2017) | 21.9% | 22.7% | 27.4% | 14.4% | 27.4% | 20.3% |
| Currency | EUR | MKD | EUR ⁽²⁾ | EUR | EUR | RSD |
| Credit rating (Moody's, S&P) | Baa1 / A+ | n/a / BB- | B3 / B | n/a / n/a | B1 / B+ | Ba3 / BB |

Top position across target SEE countries

Unified brand across 6 markets

- ✓ Leading franchise in the region based on total assets, compared to other banks present in the same countries, with network of 242 branches and 1.1m active clients⁽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% | 100% |
| No. of branches (#) | 52 | 58 | 39 | 44 | 31 |
| Market ⁽²⁾ share % | 16.2% | 18.9% ⁽³⁾ | 5.3% ⁽⁴⁾ | 15.7% ⁽⁵⁾ | 11.0% ⁽⁵⁾ |
| Profit after tax (EURm) | 40.0 | 23.7 | 8.3 | 14.2 | 5.4 |
| Net interest margin % | 4.9% | 2.8% | 3.5% | 4.9% | 4.1% |
| Cost/income % | 37.4% | 46.1% | 54.8% | 38.7% | 57.7% |
| Loans/Deposits % (net) | 79.2% | 65.6% | 77.7% | 76.3% | 73.7% |
| NPL ratio % | 5.2% | 3.7% | 6.9% | 2.9% | 8.0% |
| RoE a.t. | 27.8% | 29.3% | 12.8% | 22.2% | 7.0% |
| Total assets (EURm) | 1,236 | 670 | 531 | 584 | 457 |

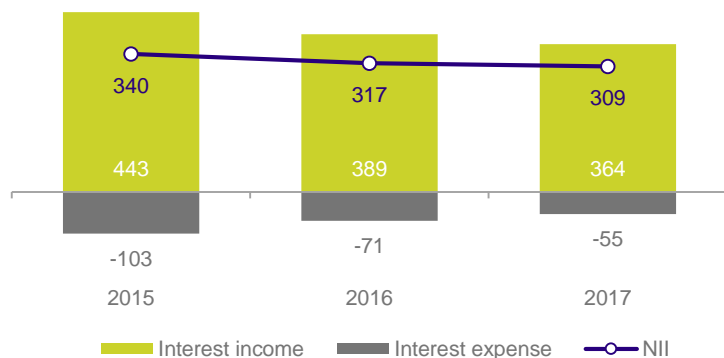


Source: Company disclosure

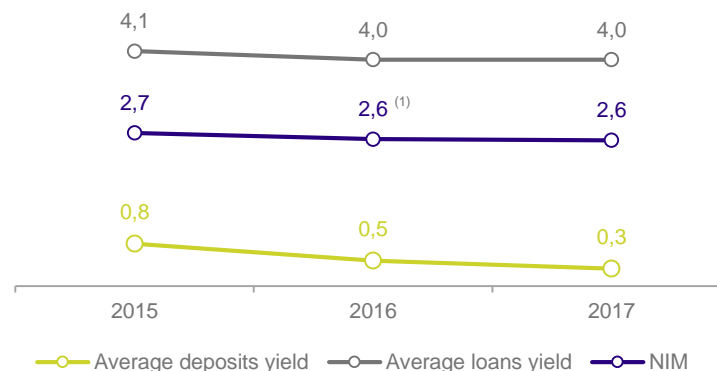
Note: (1) Excluding NLB d.d.; (2) Market share based on total assets, as of Sep-17; (3) Market share in the Republika Srpska; (4) Market share in the Federation of BiH; (5) Market share as of Dec-17

Strong revenue performance driven by stable NIM and resilient fee income

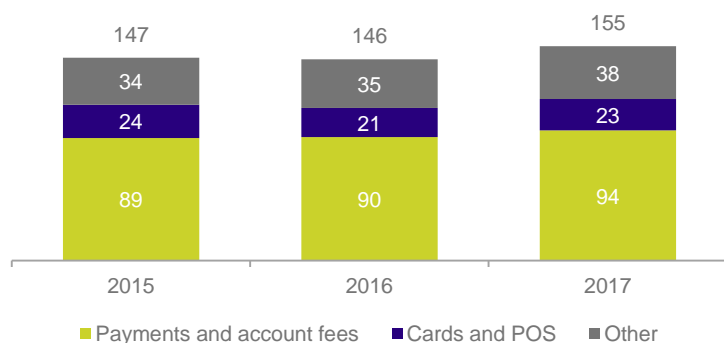
Very challenging interest rate environment resulting in decreasing net interest income with positive trend in the last two quarters (Group, EURm)



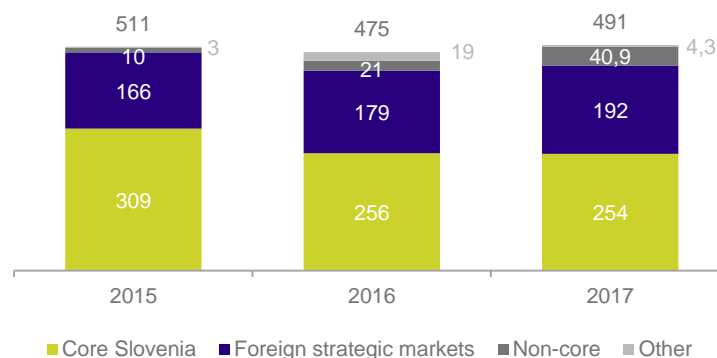
Stable NIM in 2017 (Group, %)



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⁾

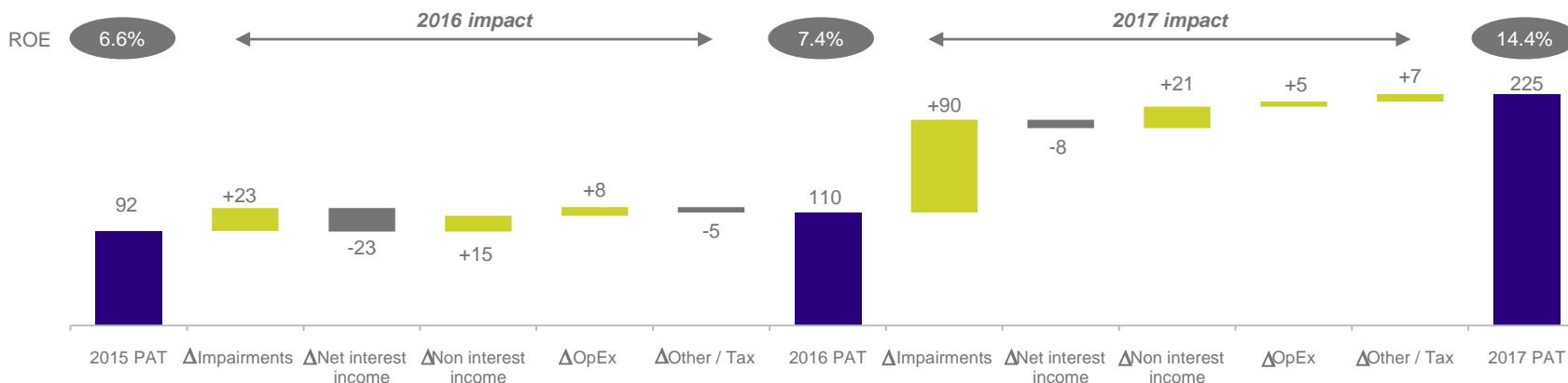


Source: Company information

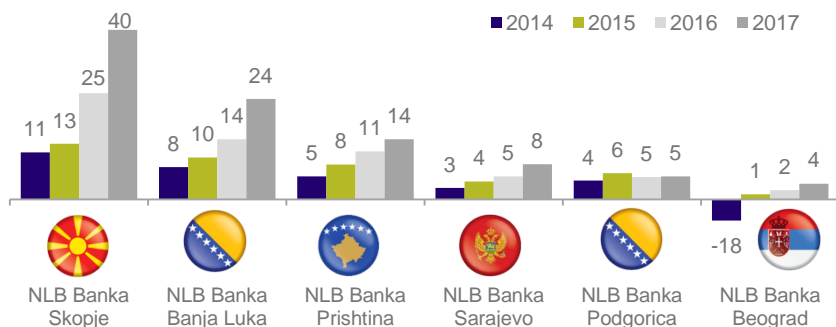
Note: ⁽¹⁾ NIM of 2.63% in 2016 if normalised for NPL sale impact; ⁽²⁾ The sum of net revenues and costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level. Consolidation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

Successful business transformation results in **sustainable profitability**

Evolution of group profitability since 2015 (EURm)



All Core foreign banks profitable⁽¹⁾ (EURm)



Positive performance continued in 2017

- In 2017, NLB Group generated **EUR 225.1m** of profit after tax (**105% increase YoY**), a great result in the history of the Group
- Strong result reflects **business growth** at **resilient margins** and **negative cost of risk**
- **Subsidiary banks** contributed an important part of the Group's result, almost 40% of the net profit
- **Non-core markets** recorded growing profits as well and contributed to the Group's result



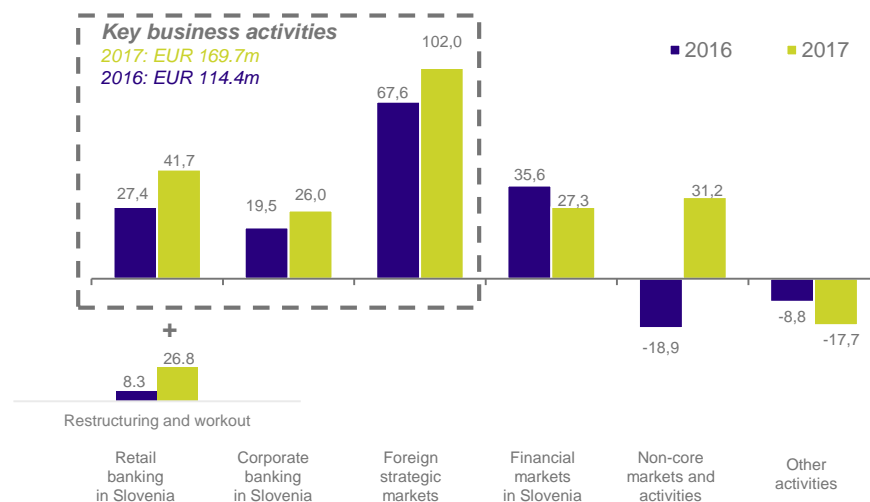
Source: Company information
Note: (1) Ordered based on FY'17 profitability

Profitability improvement in all key business segments during 2017

Profitable, client-oriented group, focused on core markets

| Key metrics (FY 2017, EURm) | | | PBT | Gross loans | Assets | % of assets |
|-----------------------------|---|---|----------------------|--------------|---------------|-------------|
| Core | Core Slovenia | Retail banking | 41.7 52% | 2,123 | 2,248 | 95% |
| | | Corporate banking | 52.8 90% | 2,189 | 2,056 | |
| | | Financial markets ⁽¹⁾ | 27.3 -23% | 221 | 3,509 | |
| | Core members | Foreign strategic markets | 102.0 51% | 2,661 | 3,851 | |
| | Non-core Slovenia (part of NLB d.d.) | Corporate lending Equity Investments Real estate ⁽²⁾ | 31.2 264% | 199 | 101 | |
| Non-core members | Leasing Ljubljana | | 169 | 168 | | |
| | Other leasing, factoring and other ⁽³⁾ | | 80 | 122 | | |
| | Other segment | | -17.7 ⁽⁴⁾ | 0 | 183 | ~1% |
| Group total | | | 225 | 7,641 | 12,238 | |

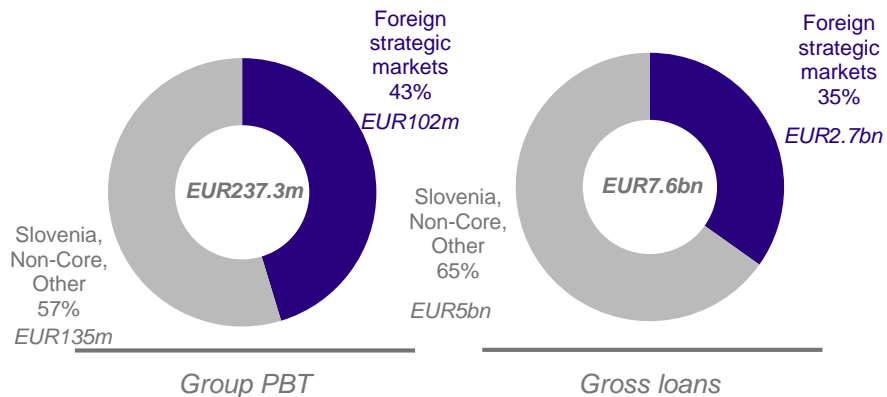
Key business activities consistently profitable, retail and international increasingly profitable (PBT, EURm)



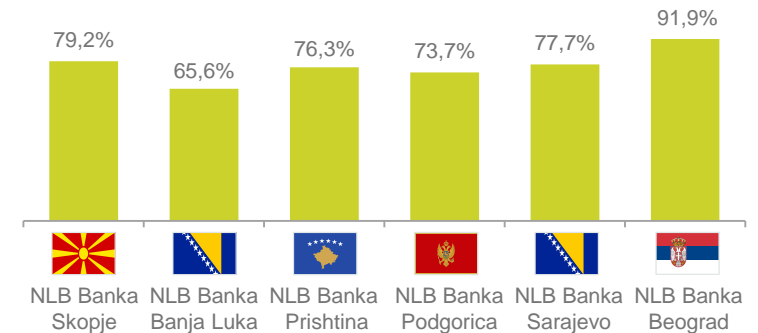
- Profit before tax of key business activities increased by EUR 55.3m.
- Both the Retail and Corporate segments in Slovenia showed solid performance, with the Retail segment revealing healthy growth.
- Strong development was recorded on Strategic foreign markets with record results in Macedonia and the strong performance in Kosovo and in Bosnia and Herzegovina. An improvement was recorded on the Serbian market and favourable results were also achieved in Montenegro.
- The Financial markets segment reflects decline due to reinvestment of investments in securities.
- Non-core result achieved an improvement based on collection of NPLs and improved cost of risk, a one-off gain from divesting an equity exposure, divestment of non-core subsidiaries and contribution to non-interest income from real estate management.

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

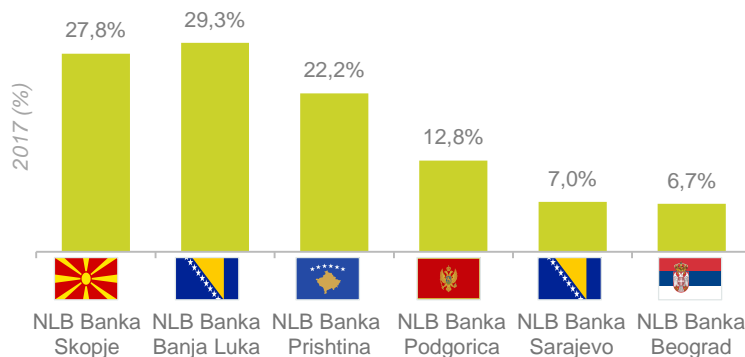
International contributes 45% of Group's profit in 2017



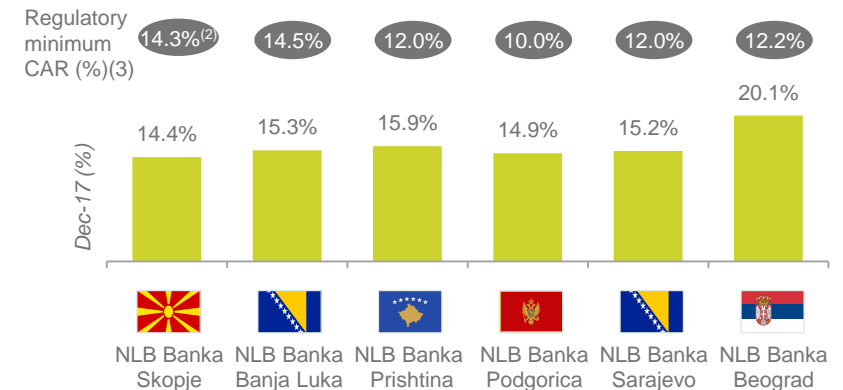
Core foreign banks self-funded by design (L/D ratio⁽¹⁾, Dec-17)



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



Capital adequacy comfortably above local requirements

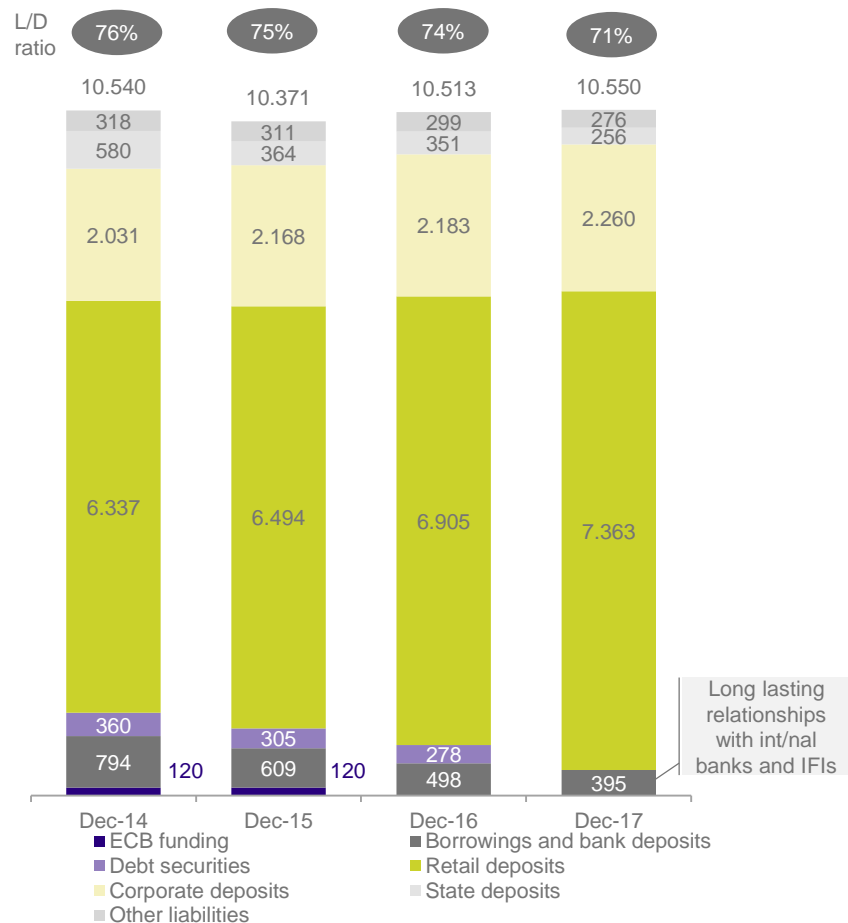


Source: Company information

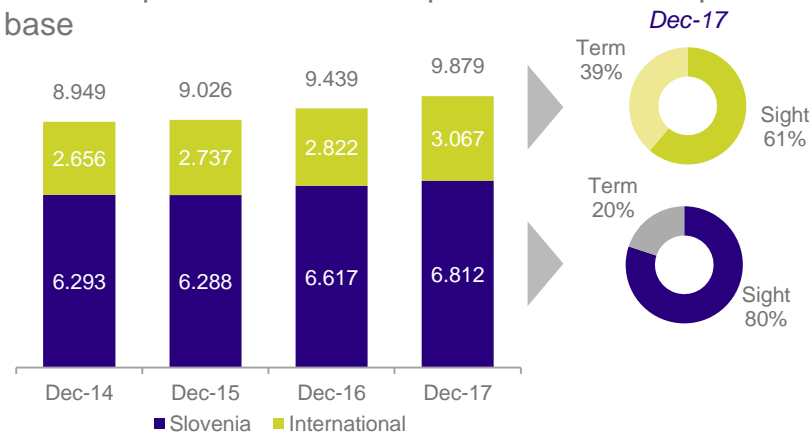
Note: Geographical analysis based on location of assets of the NLB Group; (1) Calculation based on net loans; (2) Regulatory minimum CAR will be increased to 15% as of 31.3.2018 (3) including various buffers

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

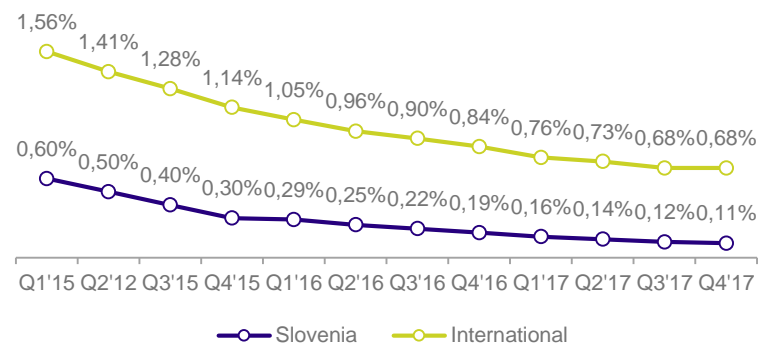
Deposits accounting for 94% of funding (EURm)



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



Decreasing deposit yields (%)

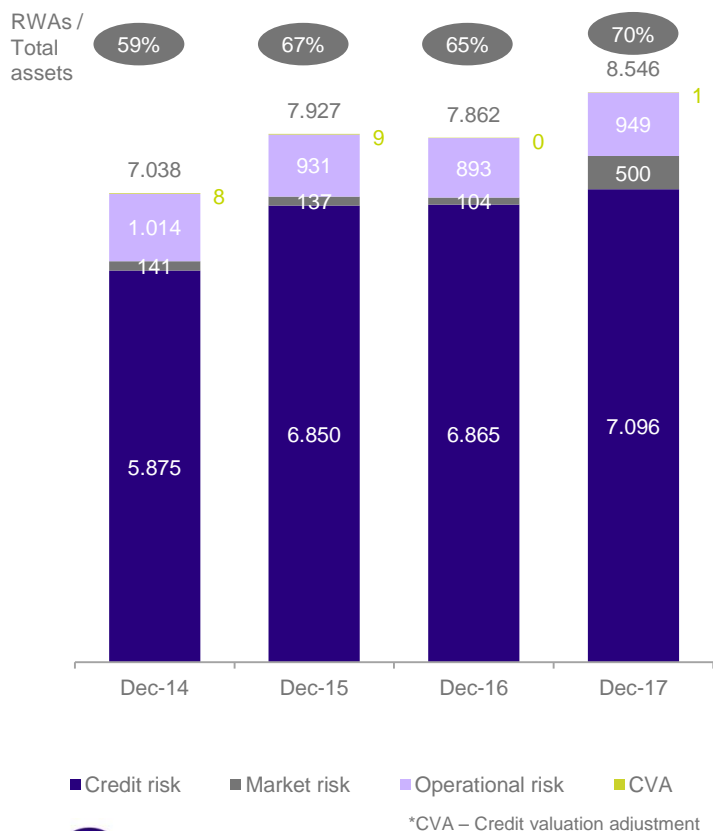


Comment: Value of debt securities in issue decreased to EUR 0 effective 3 Jul 2017 when the Eurobond matured.

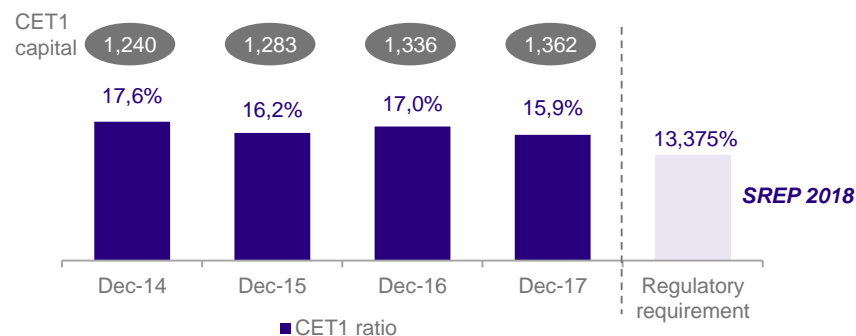
Well capitalised franchise with solid capital position...

- ✓ Highest quality capital (CET1) at Group and NLB d.d.⁽¹⁾, reaching 15.9% in Dec-17
- ✓ Increase in credit RWAs in 2017 is mainly a result of increased retail exposures due to housing and consumer loans growth. Increase in market RWAs is particularly a result of requested correction of treatment of FX position on consolidated level and treatment of equity investments in non-euro subsidiary banks.

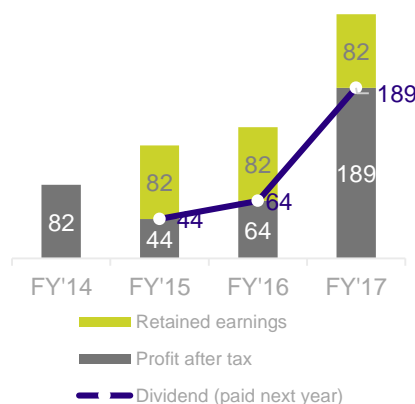
In 2017 RWA increased by EUR 684 m, of which EUR 232m on credit risk and 396m on market risk (Group, EURm)



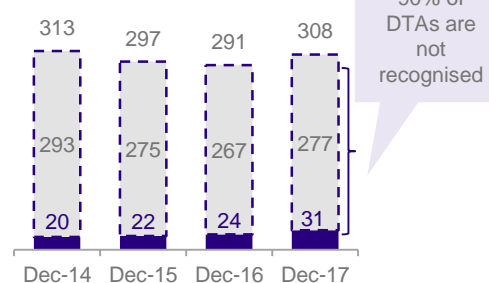
CET1 ratio comfortably above regulatory requirements (Group, EURm)



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



Upside from DTAs⁽²⁾ (Group, EURm)



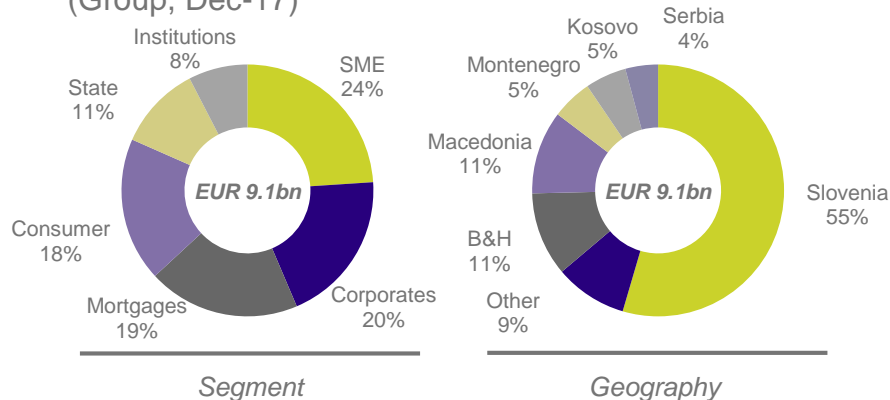
Source: Company information

Note: (1) NLB d.d. CET1 ratio amounted to 21.8% as of Dec-17; (2) NLB d.d. recognised DTAs accrued on the basis of temporary differences in an amount that is expected to be reversed in the foreseeable future (i.e. within five years based on future profit projections); Out of EUR306m Dec-17 gross deferred tax assets of NLB, EUR205m are generated from tax losses which can be used to reduce annual tax base of NLB by 50%

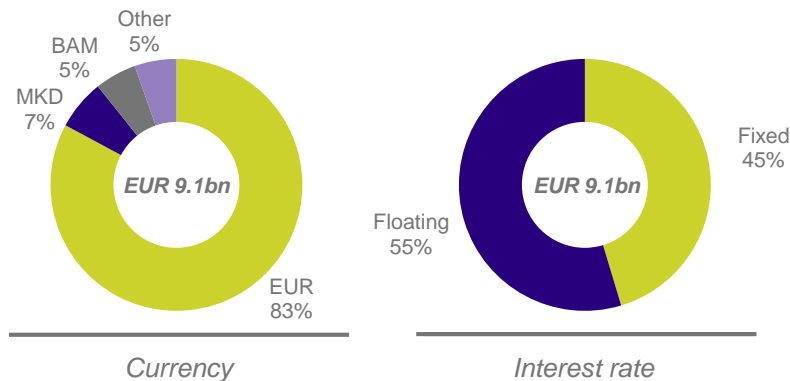
Diversified loan portfolio

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

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

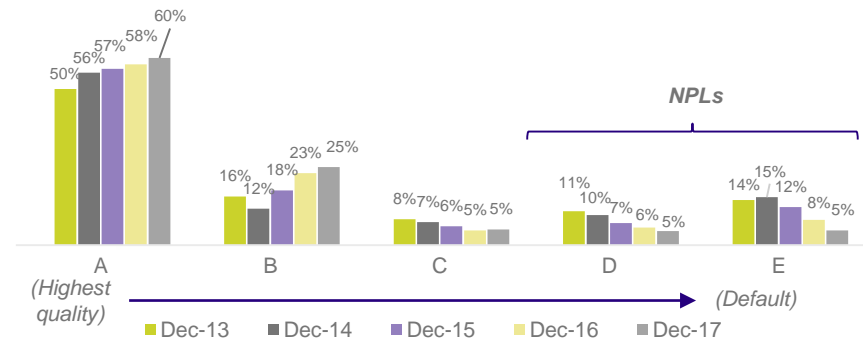


Credit portfolio by currency and rate type
(Group, Dec -17)



- **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

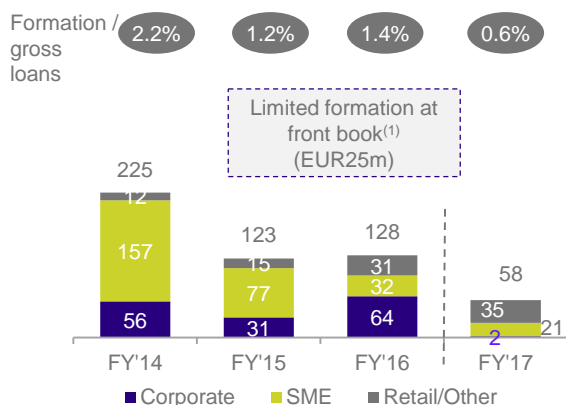
Improving structure of credit portfolio by client credit ratings
(Group)



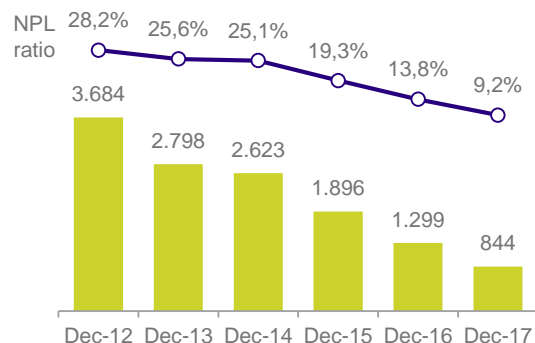
NLB has driven a **turnaround in asset quality**

Further improvements driven by active NPL management and economic recovery

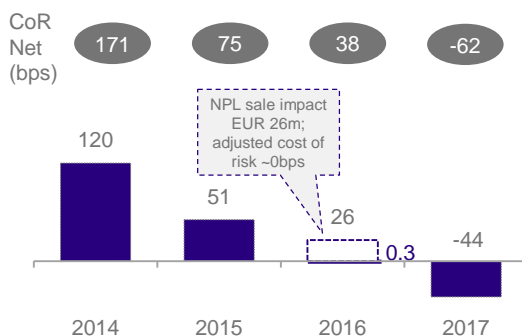
Gross NPL formation has been low since 2014 (Group, EURm)



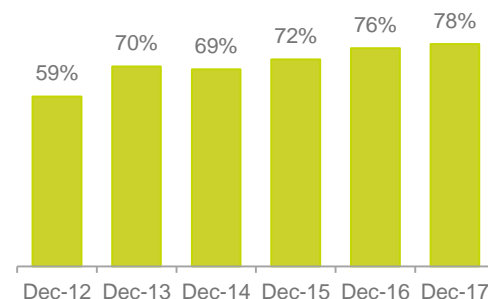
Active workout drove gross NPL ratio down despite falling loan volumes (Group, EURm)



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



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



Reduction of NPLs remains a key focus

- Gross NPLs at Group level reduced by EUR 455m in FY'17
- Positive momentum expected through active portfolio management and macro recovery

High coverage of NPLs

- Coverage ratio remained high in Dec-17 (78%) despite release of provisions in FY'17

Active approach to NPL management

- Strong emphasis on restructuring (over 63% of NPLs in restructuring process)
- Other NPL management tools include: debt collection, foreclosure of collateral, sale of claims, active marketing and sale of pledged assets



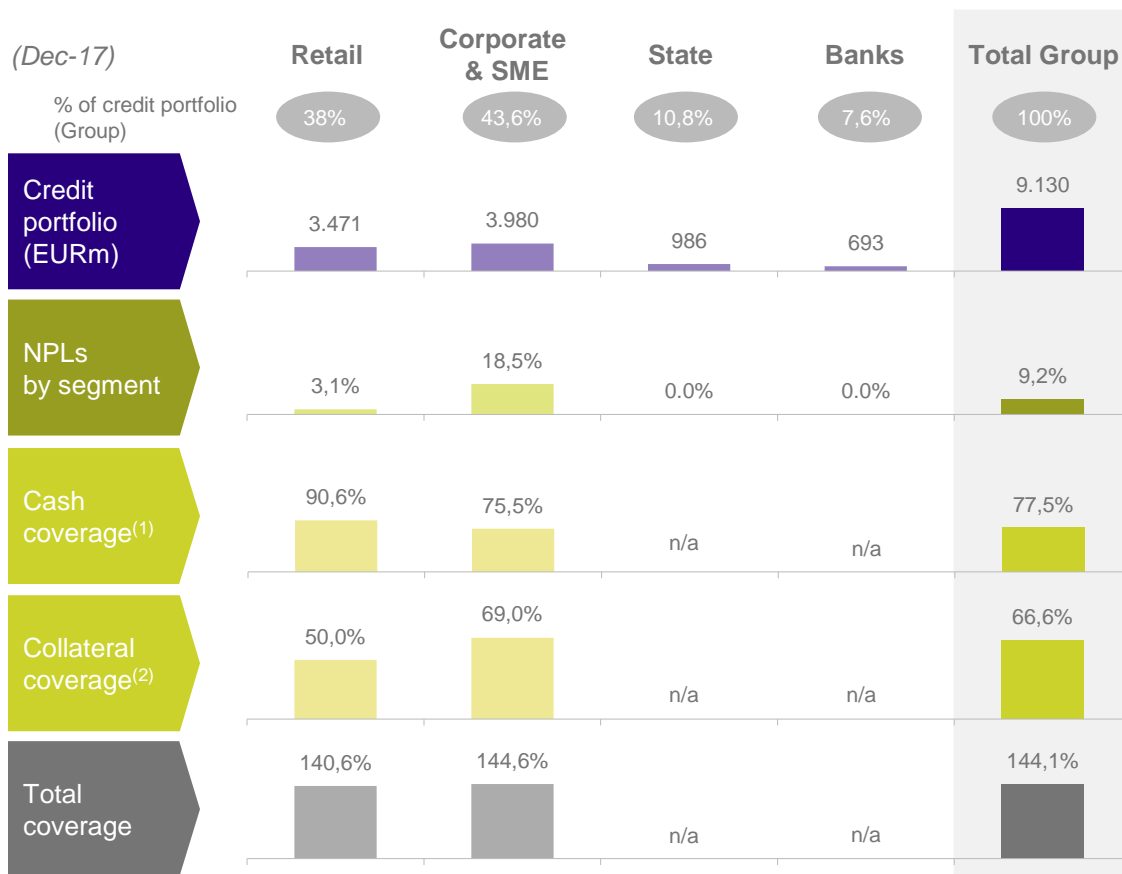
Source: Company information

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

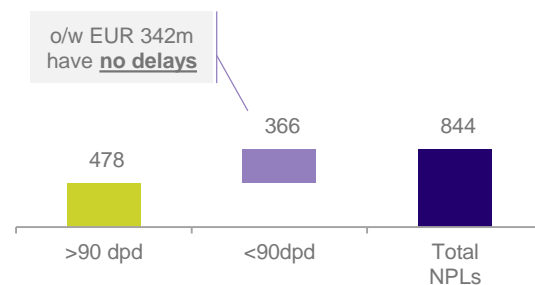
(1) Refers to corporate loans issued since 2014 and retail loans issued since 2015; EUR25m refers to cumulative NPLs 2014-30.9.2017; (2) Represents credit impairments and provisions; (3) Group NPLs cash coverage calculated including both individual and pool provisions

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

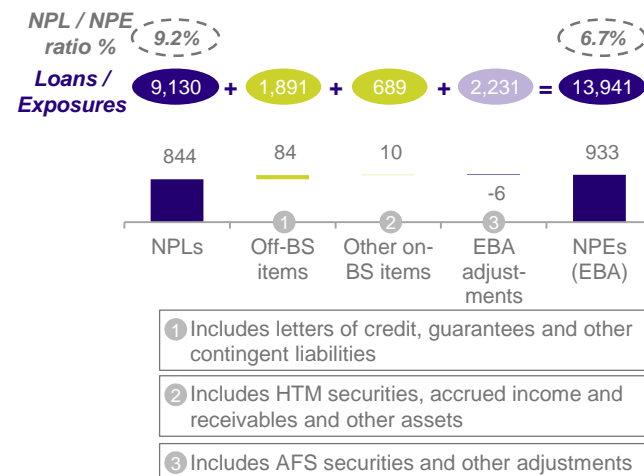
- ✓ Total coverage exceeds 100% across segments
- ✓ Limited non-performing exposures from off-balance sheet items (~EUR84m)



Group NPL structure (Dec-17, EURm)



Group NPL to NPE bridge (Dec-17, EURm)



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

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⁾

| | FY 2017 | Medium term |
|--------------------------------|----------------|-------------|
| NIM | 2.6% | >2.7% |
| Loans to deposits ratio | 71% | <95% |
| Total capital ratio | 15.9% | ~16% |
| Cost-income ratio | 58% | ~50% |
| Cost of risk ⁽²⁾ | -62 | <100bps |
| Return on equity (RoE) | 14.4% | >10% |
| Dividend payout ⁽³⁾ | 84% (proposed) | >70% |
| NPE ratio ⁽⁴⁾ | 6.7% | <5% |





Appendix

Financial statements

Key financial data and performance

NLB Group (1/2)

| | FY'14 | FY'15 | FY'16 | FY'17 |
|--|--------------|--------------|--------------|--------------|
| Net interest income | 330 | 340 | 317 | 309 |
| Net fee and commission income | 148 | 147 | 146 | 155 |
| Income from financial operations | 38 | 4 | 20 | 27 |
| Other Income | (5) | (8) | (7) | (3) |
| Operating Income | 511 | 483 | 476 | 489 |
| Staff costs | (163) | (163) | (165) | (164) |
| General expenses | (105) | (103) | (96) | (92) |
| Depreciation and amortization expenses | (36) | (32) | (28) | (28) |
| Operating expenses | (304) | (298) | (290) | (285) |
| Pre Provision Income | 208 | 185 | 186 | 204 |
| Extraordinary measures | 0 | 0 | 0 | 0 |
| Impairment losses on credit risk | (120) | (51) | (26) | 43 |
| Other ⁽¹⁾ | (22) | (32) | (35) | (14) |
| Investments in associates and JVs | 3 | 4 | 5 | 4 |
| Profit before income tax | 69 | 107 | 131 | 237 |
| Income Tax | (4) | (11) | (15) | (4) |
| Profit after income tax | 65 | 95 | 116 | 233 |
| Profit attributable to shareholders | 62 | 92 | 110 | 225 |



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 | Dec-17 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| ASSETS | | | | |
| Cash and balances with Central Banks | 1,128 | 1,162 | 1,299 | 1,256 |
| Financial instruments ⁽¹⁾ | 2,529 | 2,578 | 2,778 | 2,963 |
| Loans and advances to banks (net) | 271 | 432 | 436 | 510 |
| Loans and advances to customers | 7,415 | 7,088 | 6,997 | 6,994 |
| Investments in associates and JV | 38 | 40 | 43 | 44 |
| Intangible assets | 43 | 39 | 34 | 35 |
| PP&E | 215 | 208 | 197 | 188 |
| Other assets | 270 | 275 | 255 | 248 |
| Total Assets | 11,909 | 11,822 | 12,039 | 12,238 |
| LIABILITIES & EQUITY | | | | |
| Deposits from banks | 62 | 58 | 42 | 41 |
| Deposits from customers | 8,949 | 9,026 | 9,439 | 9,879 |
| Borrowings | 731 | 551 | 455 | 354 |
| ECB funding | 120 | 120 | 0 | 0 |
| Securities and other liabilities | 678 | 616 | 576 | 276 |
| Total Liabilities | 10,540 | 10,371 | 10,513 | 10,550 |
| Shareholders' funds | 1,343 | 1,423 | 1,495 | 1,654 |
| Non Controlling Interests | 26 | 28 | 30 | 35 |
| Total Equity | 1,369 | 1,450 | 1,526 | 1,688 |
| Total Liabilities & Equity | 11,909 | 11,822 | 12,039 | 12,238 |



Source: Company information

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

Key financial data and performance

NLB d.d. (1/2)

| | FY'14 | FY'15 | FY'16 | FY'17 |
|---|--------------|--------------|--------------|--------------|
| Net interest income | 227 | 208 | 175 | 159 |
| Net fee and commission income | 101 | 98 | 95 | 99 |
| Income from financial operations | 34 | 9 | 13 | 17 |
| Other Income | 3 | (2) | 0 | (2) |
| Operating Income | 364 | 313 | 284 | 272 |
| Staff costs | (102) | (102) | (103) | (104) |
| General expenses | (67) | (64) | (59) | (54) |
| Depreciation and amortization expenses | (24) | (21) | (19) | (18) |
| Operating expenses | (193) | (187) | (181) | (176) |
| Pre Provision Income | 171 | 126 | 103 | 96 |
| Extraordinary measures | 0 | 0 | 0 | 0 |
| Impairment losses on credit risk | (84) | (28) | (15) | 41 |
| Other ⁽¹⁾ | (9) | (60) | (49) | (11) |
| Investments in subsidiaries, associates and JVs | 5 | 14 | 29 | 58 |
| Profit before income tax | 83 | 52 | 68 | 185 |
| Income Tax | (1) | (8) | (4) | 4 |
| Profit after income tax | 82 | 44 | 64 | 189 |
| Profit attributable to shareholders | 82 | 44 | 64 | 189 |



Source: Company information

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

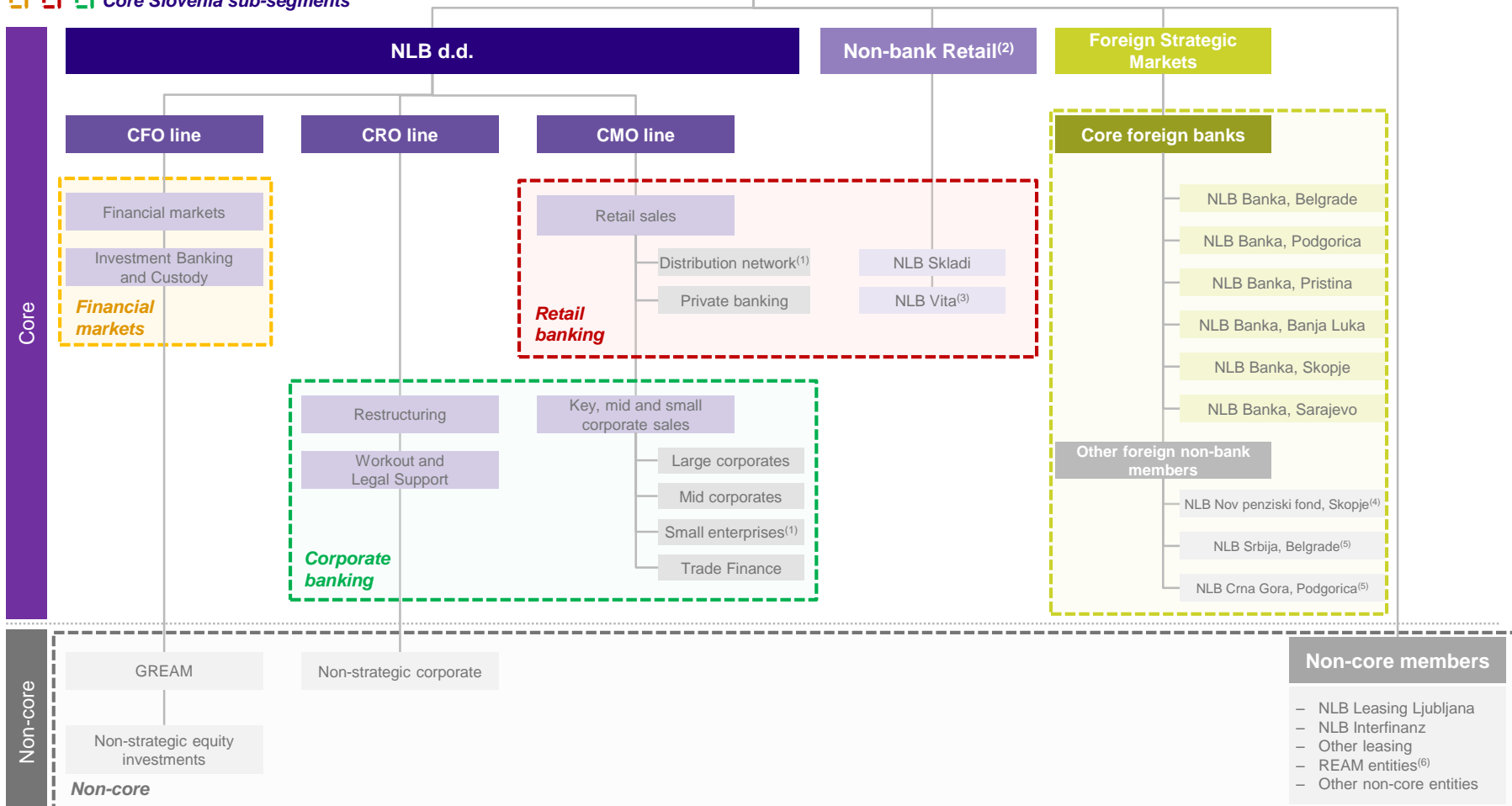
Key financial data and performance

NLB d.d (2/2)

| | dec.14 | dec.15 | dec.16 | dec.17 |
|--|--------------|--------------|--------------|--------------|
| ASSETS | | | | |
| Cash and balances with Central Banks | 434 | 497 | 617 | 570 |
| Financial instruments ⁽¹⁾ | 2,038 | 2,087 | 2,295 | 2,460 |
| Loans and advances to banks (net) | 159 | 345 | 408 | 462 |
| Loans and advances to customers | 5,7 | 5,221 | 4,929 | 4,670 |
| Investments in subsidiaries, associates and JV | 353 | 353 | 347 | 357 |
| Intangible assets | 34 | 30 | 23 | 24 |
| PP&E | 97 | 95 | 90 | 87 |
| Other assets | 70 | 80 | 68 | 82 |
| Total Assets | 8,886 | 8,707 | 8,778 | 8,713 |
| LIABILITIES & EQUITY | | | | |
| Deposits from banks | 91 | 97 | 75 | 72 |
| Deposits from customers | 6,300 | 6,298 | 6,617 | 6,812 |
| Borrowings | 557 | 416 | 343 | 266 |
| ECB funding | 120 | 120 | 0 | 0 |
| Securities and other liabilities | 613 | 534 | 478 | 181 |
| Total Liabilities | 7,681 | 7,465 | 7,513 | 7,332 |
| Shareholders' funds | 1,205 | 1,242 | 1,265 | 1,381 |
| Non Controlling Interests | 0 | 0 | 0 | 0 |
| Total Equity | 1,205 | 1,242 | 1,265 | 1,381 |
| Total Liabilities & Equity | 8,886 | 8,707 | 8,778 | 8,713 |

Structure of NLB Group

 Core Slovenia sub-segments



(EURm, Dec 17)

| | Financial Markets | Corporate Banking | Retail Banking | Foreign Strategic Markets | Non-Core & Other | NLB Group |
|--------|-------------------|-------------------|----------------|---------------------------|------------------|---------------|
| PBT | 27.3 | 52.8 | 41.7 | 102.0 | 13.5 | 237.3 |
| Assets | 3,509 | 2,056 | 2,248 | 3,851 | 574 | 12,238 |

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 – 1-12 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 (1-12 2017) | | | | | | | | |
| Net interest income | 72.8 | 42.9 | 32.5 | 144.6 | 292.7 | 16.8 | (0.2) | 309.3 |
| Net non-interest income | 68.0 | 31.0 | 7.2 | 47.1 | 153.2 | 24.1 | 4.5 | 181.8 |
| Net operating income | 140.7 | 73.9 | 39.6 | 191.7 | 445.9 | 40.9 | 4.3 | 491.1⁽¹⁾ |
| Total costs | (100.8) | (43.6) | (12.4) | (97.2) | (254.0) | (21.7) | (11.5) | (287.2) ⁽¹⁾ |
| Result before impairments and provisions | 40.0 | 30.3 | 27.2 | 94.5 | 192.0 | 19.2 | (7.2) | 203.9⁽¹⁾ |
| Impairments and provisions | (2.9) | 22.5 | (0.1) | 7.6 | 27.0 | 12.9 | (10.4) | 29.5 |
| Other ⁽²⁾ | 4.6 | - | 0.2 | - | 4.6 | (0.9) | - | 3.7 |
| Result before tax | 41.7 | 52.8 | 27.3 | 102.0 | 223.8 | 31.2 | (17.7) | 237.3 |

Balance sheet (Dec-17)

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



Note: (1) Incl. EUR2.5m intersegment consolidation adjustment. The sum of net revenues and costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level; (2) Includes contribution to the NLB Group profit from joint venture NLB Vita and associates Skupna pokojninska družba and Bankart; (3) Other activities includes the categories in Bank whose operating results cannot be allocated to individual segments

Key segment financials – 1-12 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 (1-12 2016) | | | | | | | | |
| Net interest income | 71.2 | 45.9 | 48.5 | 136.9 | 302.6 | 15.4 | (0.7) | 317.3 |
| Net non-interest income | 62.4 | 29.2 | (0.8) | 42.5 | 133.1 | 10.8 | 18.5 | 162.5 |
| Net operating income | 133.6 | 75.0 | 47.7 | 179.4 | 435.7 | 26.2 | 17.8 | 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 | 32.4 | 30.5 | 35.5 | 83.9 | 182.4 | 2.1 | 1.8 | 186.2⁽¹⁾ |
| Impairments and provisions | (10.2) | (2.7) | 0.1 | (16.3) | (29.2) | (20.9) | (10.6) | (60.6) |
| Other ⁽²⁾ | 5.2 | - | - | (0.0) | 5.2 | (0.2) | 0.0 | 5.0 |
| Result before tax | 27.4 | 27.8 | 35.6 | 67.6 | 158.4 | (18.9) | (8.8) | 130.6 |

Balance sheet (Dec-16)

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



Note: (1) Incl. EUR4.0m intersegment consolidation adjustment. The sum of net revenues and costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level; (2) Includes contribution to the NLB Group profit from joint venture NLB Vita and associates Skupna pokojninska družba, Bankart and Kreditni biro Sisbon (in liquidation); (3) Other activities includes the categories in Bank whose operating results cannot be allocated to individual segments