



NLB Group: Short Overview of Preliminary Unaudited Full Year 2018 Financial Results

in EUR million / % / bps	2018	2017	Change YoY	Q4 18	Q3 18	Q4 17
Key Income Statement Data (in EUR million)						
Net operating income	493,3	487,7	1%	124,3	125,9	122,4
Net interest income	312,9	309,3	1%	81,0	80,2	80,6
Net non-interest income	180,4	178,4	1%	43,3	45,7	41,8
Total costs	-288,7	-284,7	-1%	-78,3	-70,4	-76,9
Result before impairments and provisions	204,6	203,0	1%	46,0	55,5	45,6
Impairments and provisions	23,3	29,5	-21%	4,3	4,6	-7,7
Result before tax	233,3	237,3	-2%	51,5	61,7	38,9
Income tax	-21,8	-4,0	-	-5,1	-6,0	3,2
Result of non-controlling interests	7,9	8,2	-4%	1,2	2,2	1,0
Result after tax	203,6	225,1	-10%	45,3	53,5	41,1
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	11,8%	14,4%	-2,6 p.p.			
Return on assets after tax (ROA a.t.)	1,6%	1,9%	-0,2 p.p.			
Interest margin (on interest bearing assets)	2,56%	2,57%	-0,01 p.p.	2,63%	2,59%	2,67%
Cost-to-income ratio (CIR)	58,5%	58,4%	0,1 p.p.	63,0%	55,9%	62,8%
Cost of Risk Net (bps) ¹	-43	-62	19 p.p.			
Key Financial Position Statement Data (in EUR million)						
Total assets	12.740,0	12.237,7	4%			
Loans to customers (gross)	7.627,5	7.641,2	0%			
Loans to customers (net)	7.148,4	6.994,5	2%			
Deposits from customers	10.464,0	9.879,0	6%			
Equity	1.616,2	1.653,6	-2%			
Other Key Financial Indicators						
Total capital ratio	16,7%	15,9%	0,8 p.p.			
Total risk weighted assets (RWA)	8.677,6	8.546,5	2%			
NPL volume - gross (in EUR million)	622,3	844,5	-26%			
Share of non-performing loans (NPL) in all loans	6,9%	9,2%	-2,3 p.p.			
Net non-performing loans (NPL)/total net loans	2,6%	3,8%	-1,2 p.p.			
Non-performing exposure (NPE) - EBA Definition	4,7%	6,7%	-2,0 p.p.			
Employees						
Number of employees	5.887	6.029	-2,4%			

¹ Credit impairments and provisions (annualised level) / average net loans to non-banking sector

In 2018 NLB Group continued its trend of stable and profitable business operations, net profit for the period amounted to EUR 203.6 million with substantial continued contribution from subsidiaries.

Main developments:

- Higher operating income: interest and non-interest income higher by 1%. Net interest income increased slightly due to loan volume growth – predominantly in retail - and lower interest expenses, net non-interest income increased due to higher fees and commissions.
- Stable cost dynamics at Group level with moderate increase on discretionary spending.
- NPLs further reduced due to successful resolution measures and supportive macroeconomic environment. NPE ratio stood at 4.7%. Overall negative cost of risk was recorded with release of impairments and provisions in the amount of EUR 23.3 million. Higher income tax (EUR 21.8 million vs EUR 4.0 million in 2017), given significant positive non-recurring effects in 2017.

Strategic focus:

- Regional specialist: NLB Group is the only financial institution focusing solely on the SEE region. We have a unique understanding of the local environment; the language, culture and mentality.
- Customer-oriented: we are focusing on delivering the best customer experience and pay special attention to building personal relations with our clients, our societies and our environment.
- Digital: We are building unique omnichannel product distribution, partnership programs and end-to-end customer solutions.

Unaudited report FY2018 is scheduled to be published on 8 March 2019, while presentation and call for the interested stakeholders will take place on 11 March 2019 (details to be announced).