



NLB Group Presentation

FY 2018 Unaudited Results



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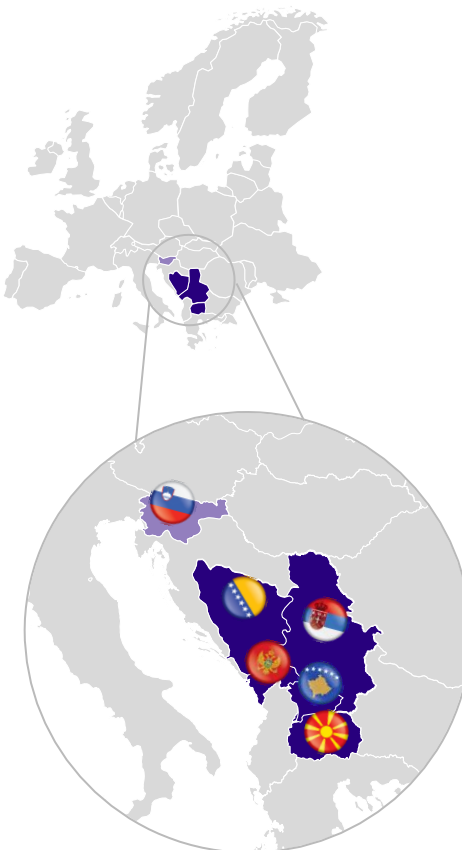
Key performance indicators of NLB Group

	Medium-term targets set in 2018 ⁽¹⁾			
	YE 16	YE 17	YE 18	Medium term
Net interest margin ⁽²⁾	2.6%	2.6%	2.6%	>2.7%
Loans to deposits ratio	74.1%	70.8%	68.3%	<95%
Total capital ratio	17.0%	15.9%	16.7%	~17.0% ⁽⁸⁾
Cost-income ratio	60.9%	58.4%	58.5%	~50%
Cost of risk ⁽³⁾	38 bps	-62 bps	-43 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	7.4%	14.4%	11.8%	~12.0%
Dividend payout	58%	84% ⁽⁵⁾	/	~70% ⁽⁷⁾
NPE ratio ⁽⁴⁾	10.0%	6.7%	4.7%	3.0 – 4.0%

Source: Company information

Note: (1) Target set by NLB management as a part of their financial projections for 2019-2023; (2) Calculated on the basis of interest bearing assets. (3) Calculated as credit impairments and provisions over average net loans to customers; (4) Based on EBA definition. (5) Payout calculated based on 2017 profit. Total dividend paid for 2017 amounted to EUR 270.6 million (EUR 189.1 million of profit for 2017 and EUR 81.5 million of retained profit from previous years) i.e. dividend payout 120%. (6) CoR < 90bps should be read as NLB Group's limit that should not be exceeded even in deteriorated economic conditions. (7) The payment of dividends by NLB, will depend on NLB's capital structure, risk appetite, profits, financial condition, regulatory requirements, general economic and business conditions, and future prospects. (8) Target total capital ratio of around 17% will be regularly revised by competent bodies to reflect each time applicable capital requirements.

NLB Group – performance indicators across SEE countries



Slovenia	Macedonia	Bosnia and Herzegovina	Kosovo	Montenegro	Serbia	NLB Group
						
NLB d.d., Ljubljana	NLB Banka Skopje	NLB Banka Banja Luka	NLB Banka Sarajevo	NLB Banka Prishtina	NLB Banka Podgorica	NLB Banka Beograd

Data on stand-alone basis

Consolidated data*

Result after tax (EURm)	165.3	37.1	16.2	8.8	14.8	10.0	5.2	203.6
Net interest margin⁽¹⁾ %	1.89%	3.98%	2.79%	3.20%	4.44%	4.11%	4.92%	2.56%
Cost/income %	55.3%	34.4%	43.5%	54.8%	36.4%	51.8%	76.2%	58.5%
Loans/Deposits % (net)	63.7%	79.8%	66.8%	76.1%	79.7%	79.3%	90.3%	68.3%
NPL ratio %	6.3%	5.1%	3.2%	5.7%	2.4%	5.2%	2.4%	6.9%
RoE a.t.	11.6%	19.9%	18.7%	11.6%	21.6%	14.9%	7.9%	11.8%
Total assets (EURm)	8,811	1,350	721	592	668	489	484	12,740
NLB ownership (%)	/	87.0%	99.8%	97.3%	81.2%	99.8%	99.9%	/
No. of branches (#)	94	54	57	38	38	18	28	327
Market⁽²⁾ share %	22.7%	16.3%	18.3% ^(4,6)	5.1% ^(3,5)	16.8%	11.1%	1.5% ⁽³⁾	/

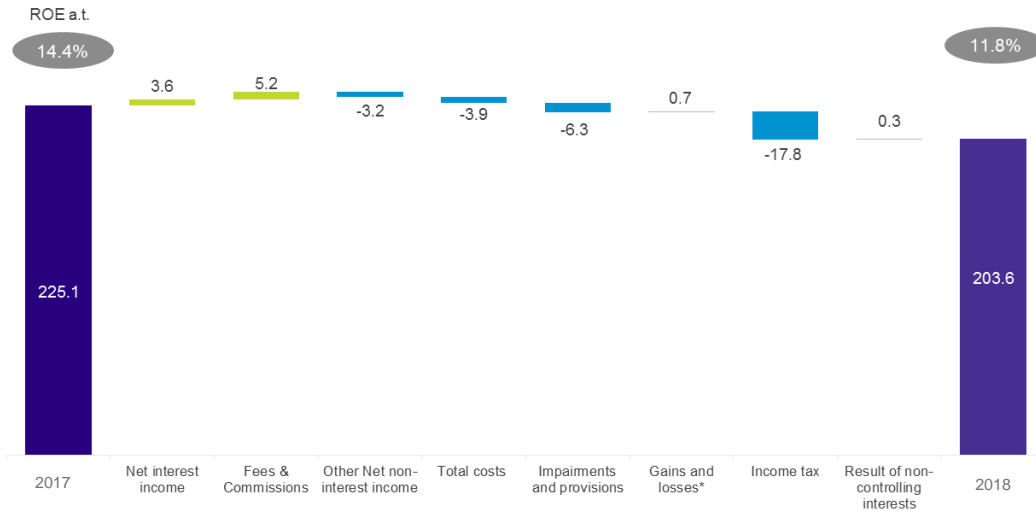
Note: Financial data as of Dec – 2018.

* Consolidated data. Including non-core (2% of total assets as per 31.12.2018), other activities (2% of total assets as per 31.12.2018) and other core members.

(1) Calculated on the basis of interest bearing assets (2) Market share based on total assets; (3) Market share as of Sep-18; (4) Market share in the Republika Srpska; (5) Market share in the Federation of BiH; (6) Preliminary market share as of Dec-18.

Income Statement

Result after tax of NLB Group – evolution YoY (EURm)

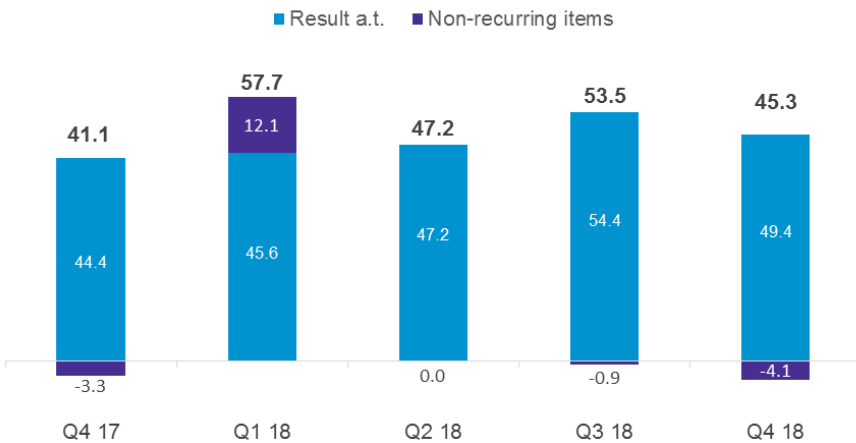


* Gains less losses from capital investments in subsidiaries, associates, and joint ventures.

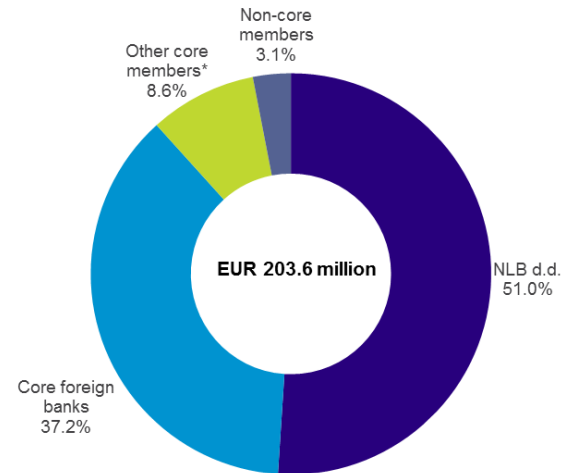
In 2018, NLB Group generated **EUR 203.6 million of profit after tax**:

- Higher net interest income, mainly due to loan volume growth and lower interest expenses;
- Higher net fee and commission income;
- Higher costs, due to increase in costs related to marketing/promotion and business consulting;
- Non-recurring income from the sale of the subsidiary NLB Nov penziski fond (EUR 12.2 million), Skopje and 28.13% minority stake in Skupna pokojninska družba (EUR - 0.5 million).

Result after tax including non-recurring items (NLB Group, EURm)



Contribution to the NLB Group consolidated result a.t.

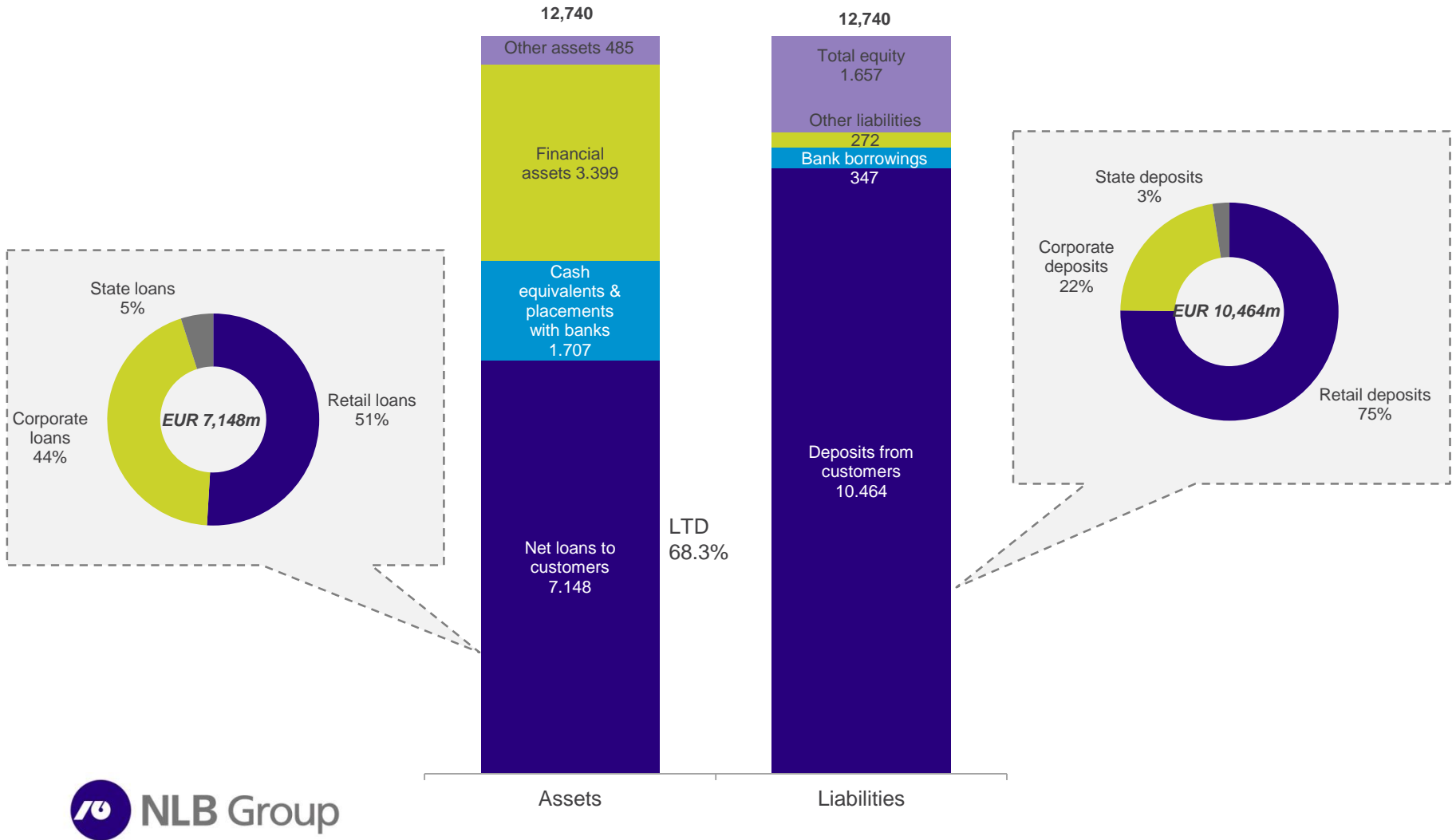


*NLB Skladi, NLB Nov penziski fond, NLB Vita, Skupna pokojninska družba, Bankart, NLB Crna gora and NLB Srbija.

Balance sheet structure – NLB Group

Simple client business driven balance sheet

(31 Dec 18, EURm)



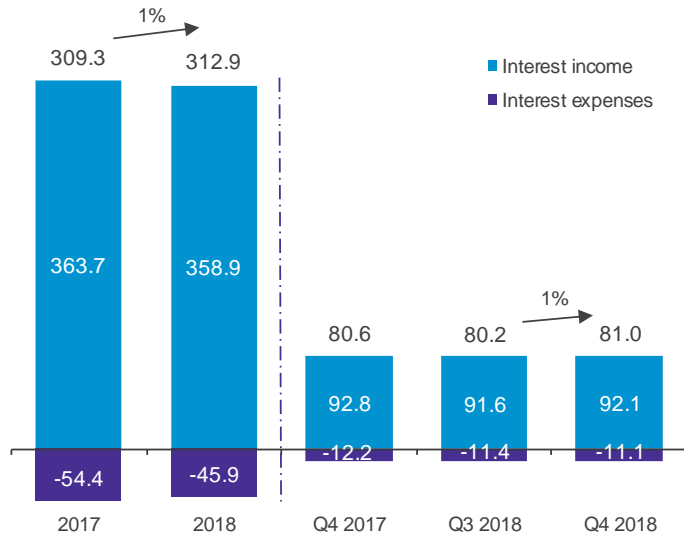


Business Performance

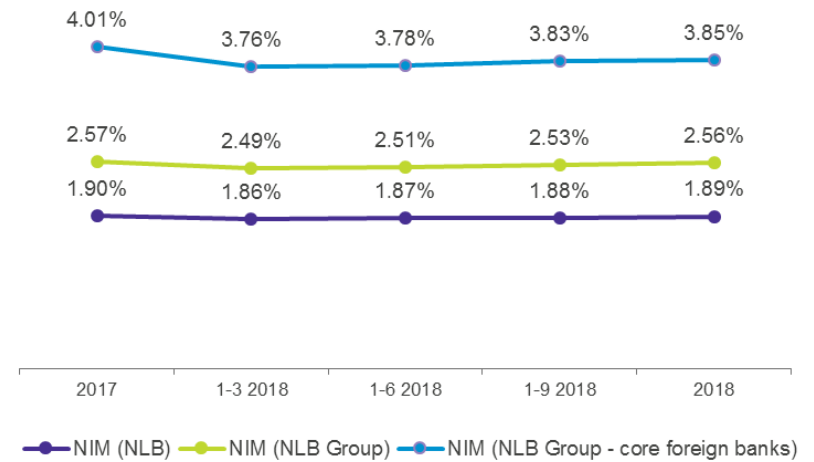
Net interest income & net interest margin

Higher net interest income and stable NIM

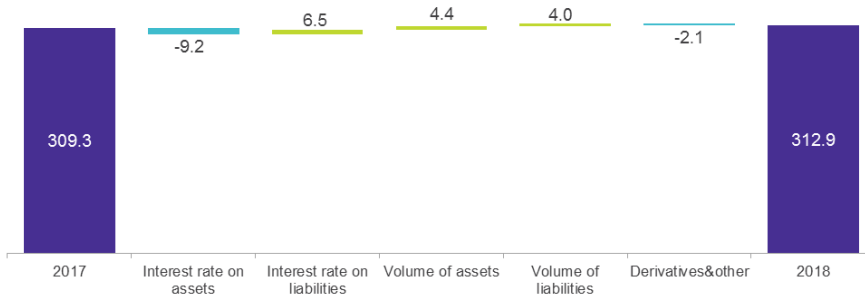
Solid loan volume growth, especially in retail and SEE



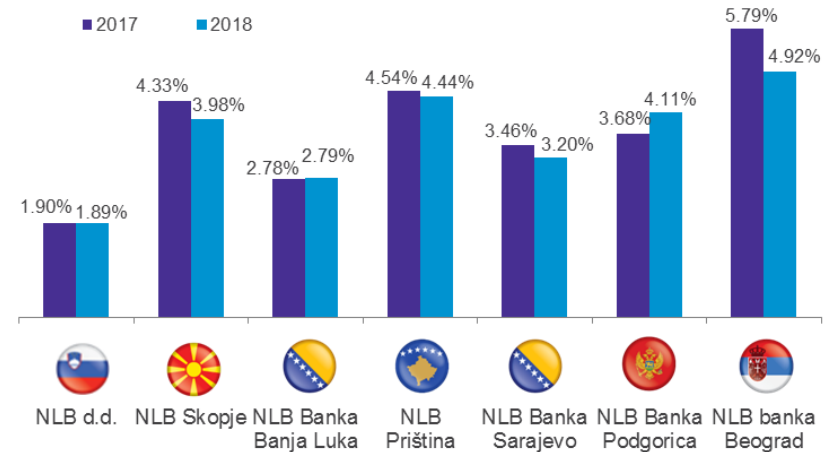
Stable net interest margin⁽¹⁾ (Group, %)



Effects on net interest income change - YoY evolution (EURm)



Net interest margin⁽¹⁾ in NLB Group banks (in %)



Source: Company information
Note: (1) Calculated on the basis of interest bearing assets.

Net interest income drivers – NLB d.d. Slovenia⁽¹⁾

Solid retail and SEE loan growth, Stable loan yields

Interest income

- ✓ Increasing retail loan balances
- ✓ Stable loan yields
- ✗ Decline in interest income as a result of a 4% YoY decline in gross loans

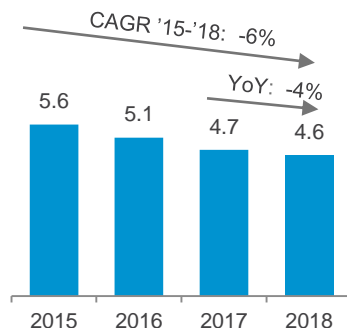
Macro-environment

Volume (EURbn)

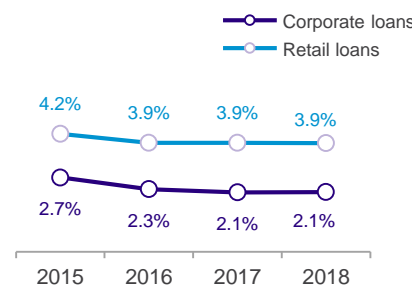
Yields and rates

Interest income / Expenses⁽²⁾ (EURm)

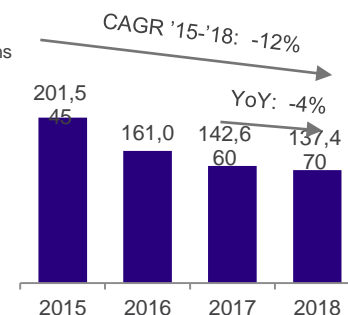
Gross loans



Loan yields



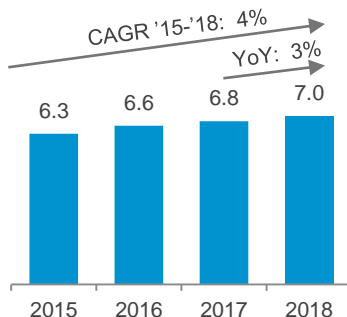
Interest income



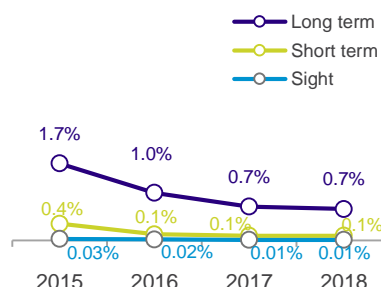
Interest expenses

- ✓ Deposit re-pricing due to falling interest rates
- ✓ Deposit structure shift towards cheaper sight deposits

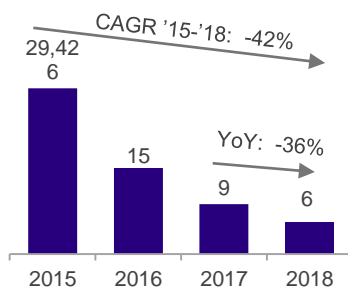
Deposits



Deposit rates



Interest expenses



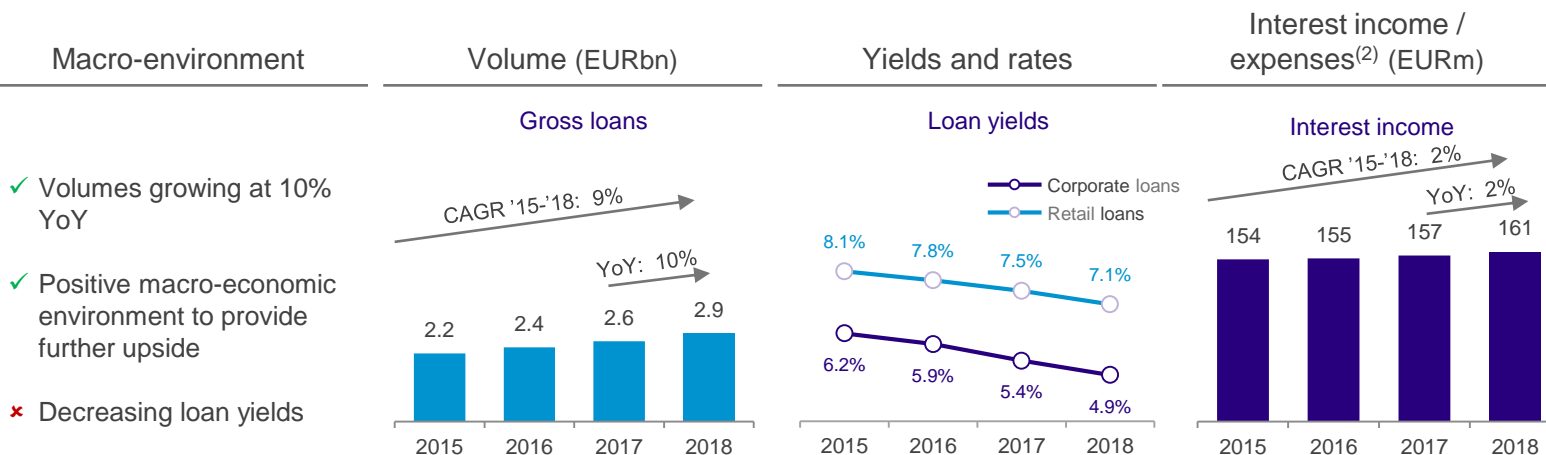
Note: (1) NLB d.d. (internal relations excluded); (2) Excluding Funds Transfer Pricing (FTP); (3) Includes also other items from presented interest income from loans and interest expenses from deposits; (4) Calculated on the basis of interest bearing assets.

	2015	2016	2017	2018
Net interest income ⁽³⁾	208	175	159	158
NIM ⁽⁴⁾	2.3%	2.0%	1.9%	1.9%

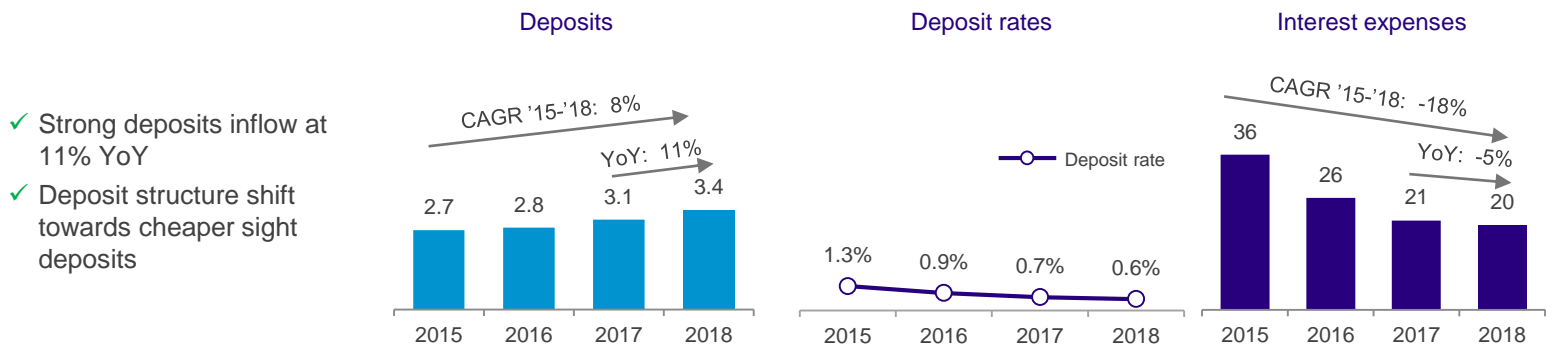
Net interest income drivers – Foreign strategic markets⁽¹⁾

Loan growth 10%yoy, slight decline in NIM

Interest income



Interest expenses



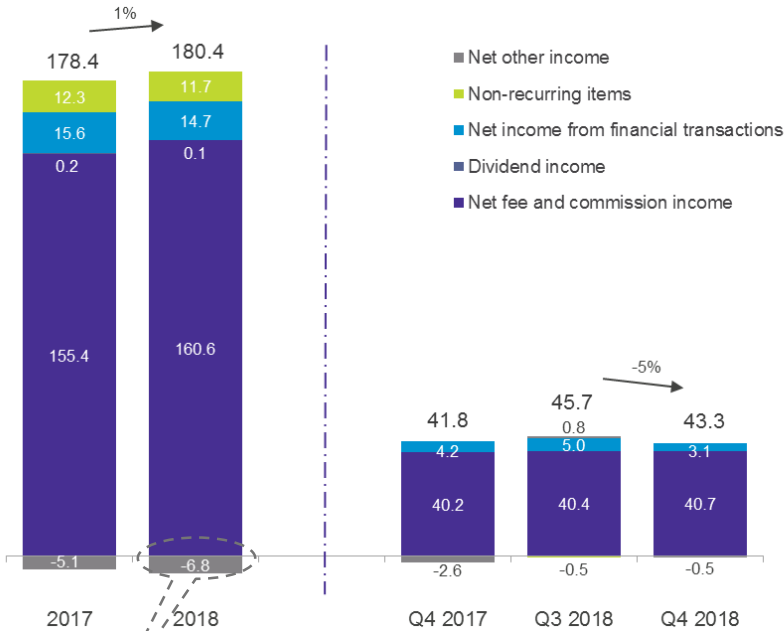
Note: (1) Core foreign banks; (2) Excluding Funds Transfer Pricing (FTP); (3) Includes also other items from presented interest income from loans and interest expense from deposits; (4) Calculated on the basis of interest bearing assets.

	2015	2016	2017	2018
Net interest income⁽³⁾	125	137	145	151
NIM⁽⁴⁾	3.6%	4.0%	4.0%	3.8%

Net non-interest income – NLB Group

Good performance in Fee and Commissions mainly

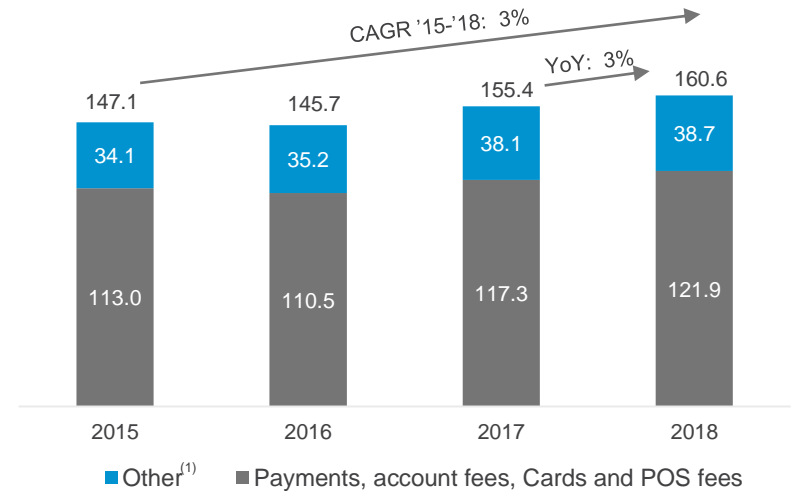
Net non-interest income (Group, EURm)



in EURm	Realization		Change	
	2018	2017	YoY	
Net other income	-6.8	-5.1	-1.7	-34%
DGS	-13.8	-13.4	-0.4	-3%
SRF	-2.5	-2.6	0.1	4%
Expenses related to issued service guarantees	-3.1	-0.6	-2.5	-421%
External realisation NLB (IT, vault)	5.1	7.2	-2.1	-29%
Rents	6.9	8.2	-1.3	-16%
Valuation of investment property	0	-1.2	1.1	96%
Other	0.6	-2.8	3.4	122%

Note: (1) Includes investment funds, guarantees, investment banking, insurance products and other services.

Net fee and commission income growing YoY (Group, EURm)

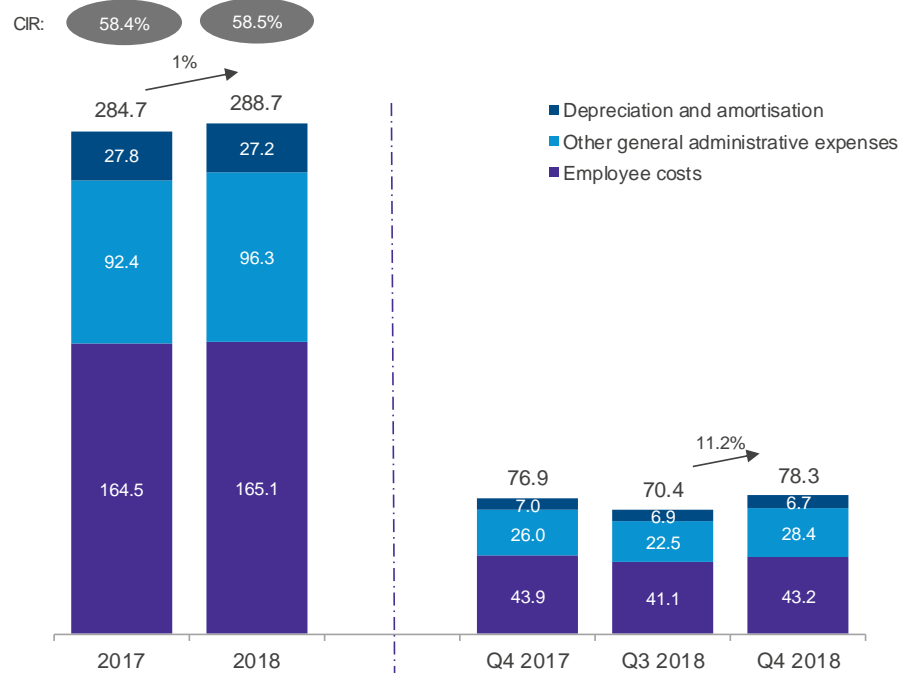


Net non-interest income increased due to **higher net fee and commission income** (EUR 5.2 million or 3% YoY). The increase is mainly related to the new package offer for individuals that **simplified** the use of banking services.

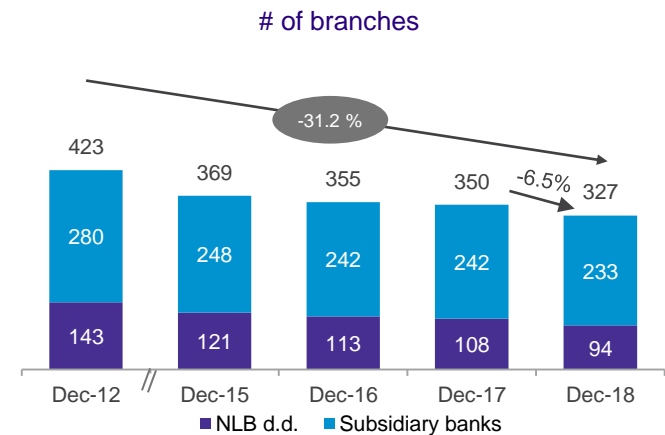
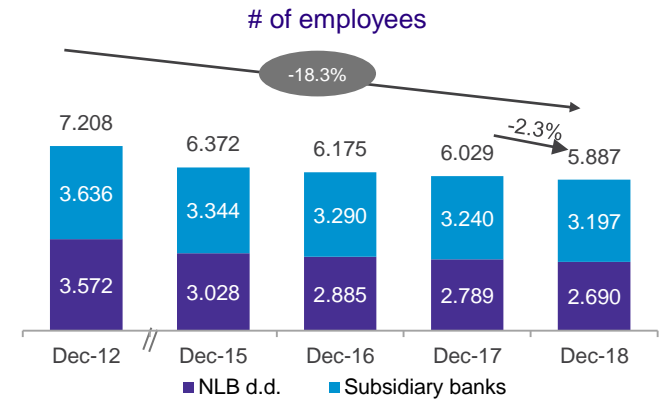
Costs – NLB Group

Cost containment, some upward pressures

Operating expenses reduction (Group, EURm)



Employees and branches evolution – stronger rationalisation in tougher Slovenia market (#)

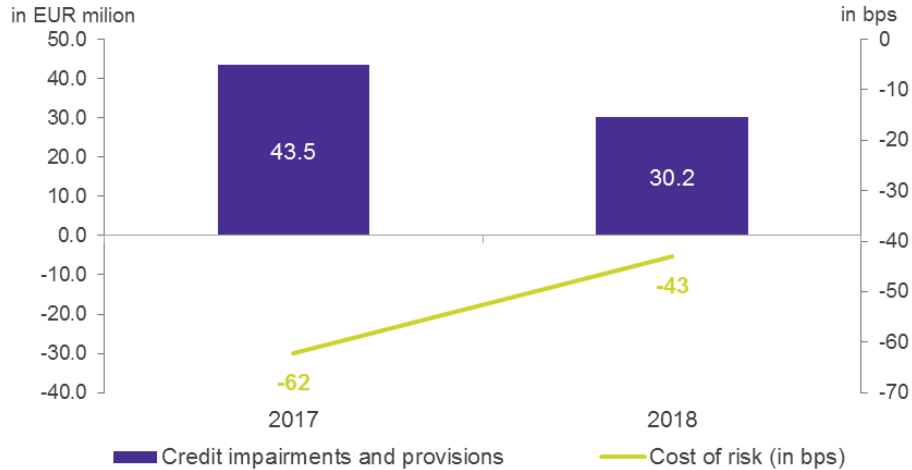


- Increase was recorded in costs related to marketing/promotion and business consulting (EUR 18.7 million).
- **CIR** increased by 0.1 p.p. to 58.5%, while CIR normalised⁽¹⁾ increased by 0.1 p.p. to 59.0%.
- Headcount dropped by 18% over 2012-2018 driven primarily by Slovenia core & non-core.
- Ongoing closures of unprofitable branches.

Credit impairments and provisions & cost of risk – NLB Group

Lower credit release of impairments and provisions; cost of risk remained negative

Credit impairments and provisions and cost of risk

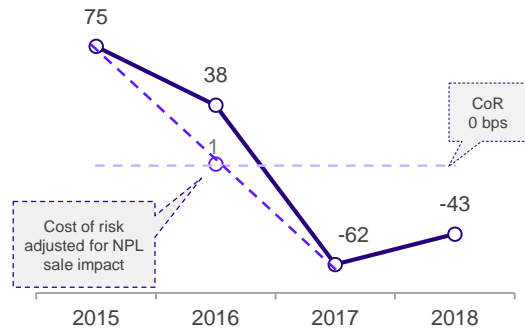


In 2018 **credit impairments and provisions** were net released in the amount of EUR 30.2 million (EUR 13.3 million lower YoY) as a result of a successful restructuring of some major exposures and the recovery of non-performing loans.

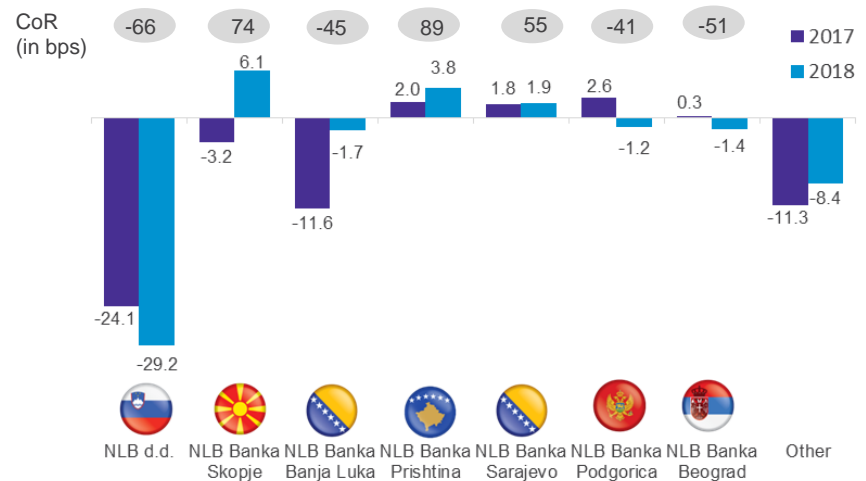
The release in 2017 was to a large extent affected by the release of pool provisions in the approx. amount of EUR 21 million, mainly in the corporate client segment.

Consequently, the **cost of risk** in both periods is negative but increased from -62 bps to -43 bps.

Negative cost of risk (Group, bps)⁽³⁾



Credit impairments and provisions – contribution (EURm)



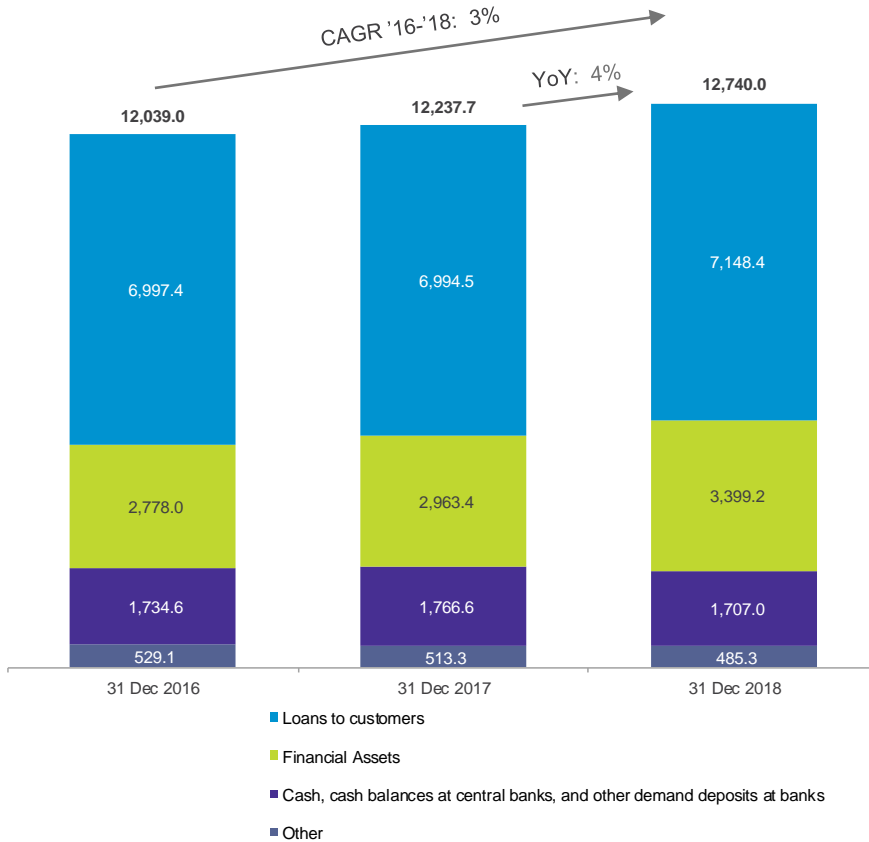


Assets and Liabilities

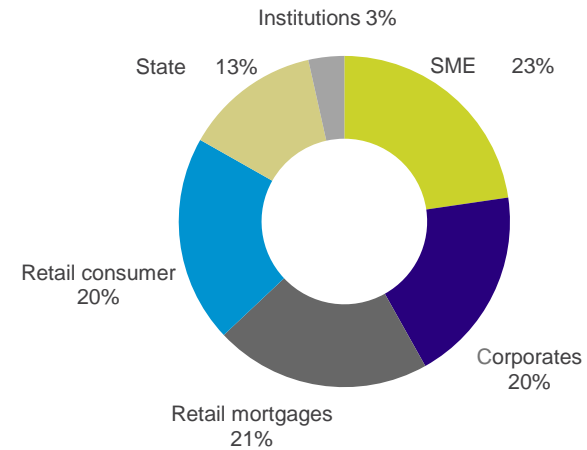
NLB Group Assets

Well diversified loan book, strong liquidity position

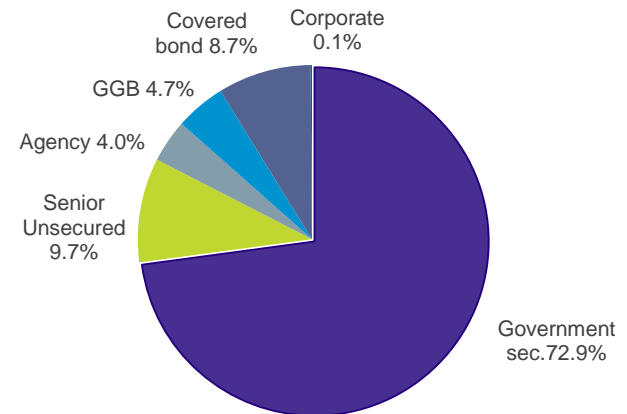
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment (31 Dec 2018)



Banking book portfolio by asset class (Group, 31 Dec 2018, EURm)



NLB Group Assets – Loan portfolio

Balanced loan portfolio with substantial loan growth in subsidiaries

Gross loans to non-banks by strategic member – contribution (EURm)

EURm	31 Dec 2018	31 Dec 2017	Change YoY	
Retail banking in Slovenia	2.243,4	2.122,5	121,0	6%
Corporate banking in Slovenia	2.061,0	2.188,6	-127,6	-6%
Financial markets in Slovenia ⁽¹⁾	101,8	221,1	-119,3	-54%
Strategic foreign markets	2.932,7	2.660,6	272,1	10%
<i>of which</i>				
<i>NLB Banka Skopje</i>	<i>918,1</i>	<i>877,9</i>	<i>40,2</i>	<i>5%</i>
<i>NLB Banka Banja Luka</i>	<i>408,3</i>	<i>379,2</i>	<i>29,1</i>	<i>8%</i>
<i>NLB Banka Prishtina</i>	<i>494,0</i>	<i>414,3</i>	<i>79,7</i>	<i>19%</i>
<i>NLB Banka Sarajevo</i>	<i>391,6</i>	<i>368,5</i>	<i>23,1</i>	<i>6%</i>
<i>NLB Banka Podgorica</i>	<i>323,9</i>	<i>287,1</i>	<i>36,8</i>	<i>13%</i>
<i>NLB Banka Beograd</i>	<i>327,8</i>	<i>251,1</i>	<i>76,8</i>	<i>31%</i>
Non-core markets and activities	288,6	448,5	-159,9	-36%
NLB Group	7.627,5	7.641,2	-13,7	0%

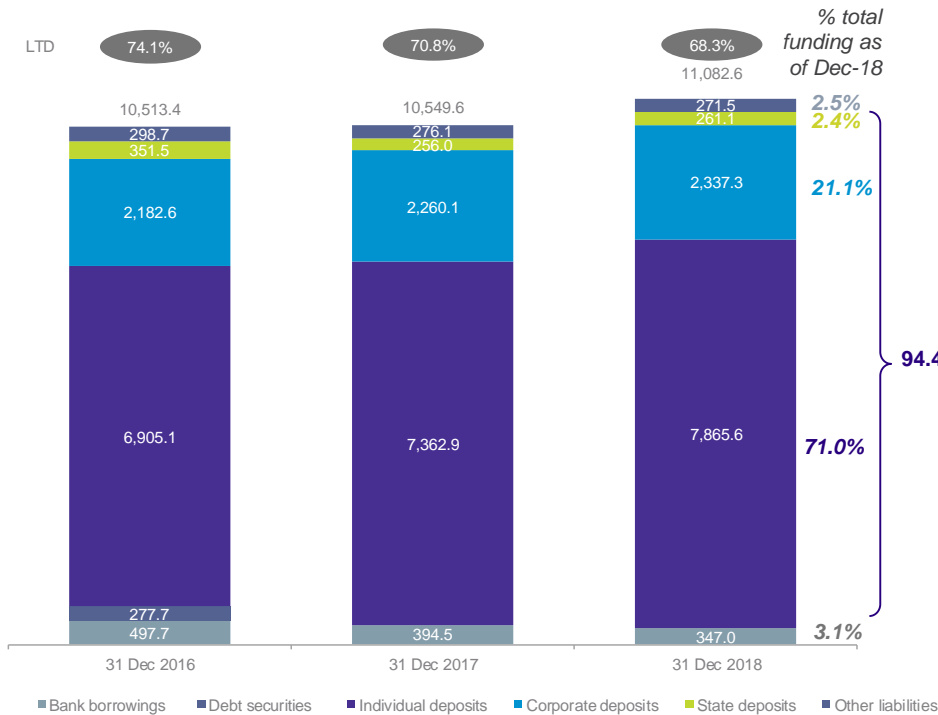
Gross loan growth in subsidiaries banks, especially in NLB Banka Prishtina, NLB Banka Beograd and NLB Banka Podgorica.

Equally distributed loans to individuals and corporate with increasing loans to individuals in 2018.

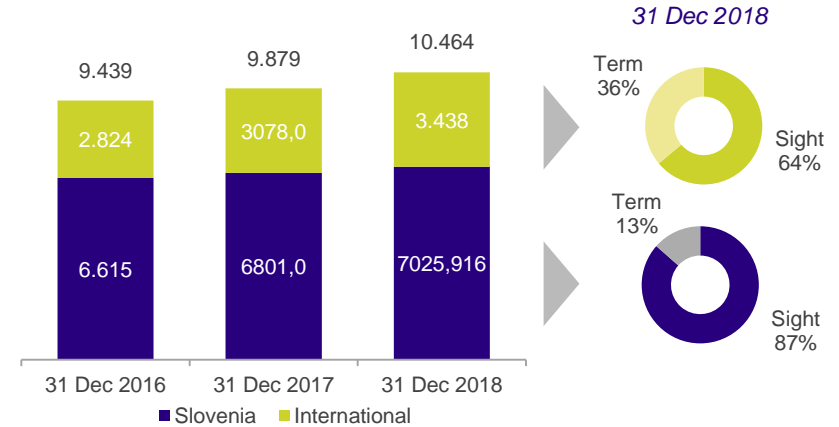
NLB Group Liabilities

Funding structure driven by stable and price insensitive deposit base

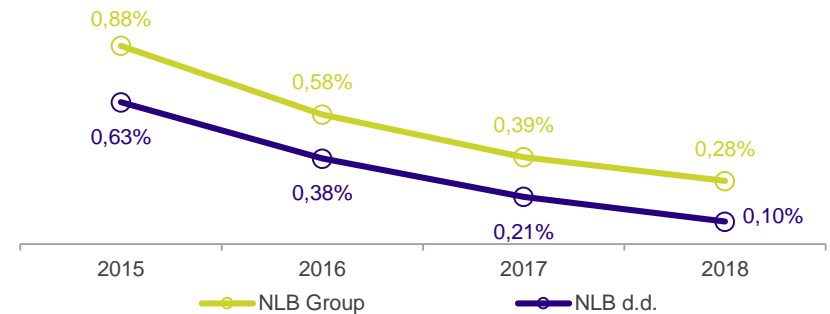
Deposits accounting for 94% of funding (Group, EURm)



Deposit split (Group, EURm)



Decreasing average cost of funding (%)

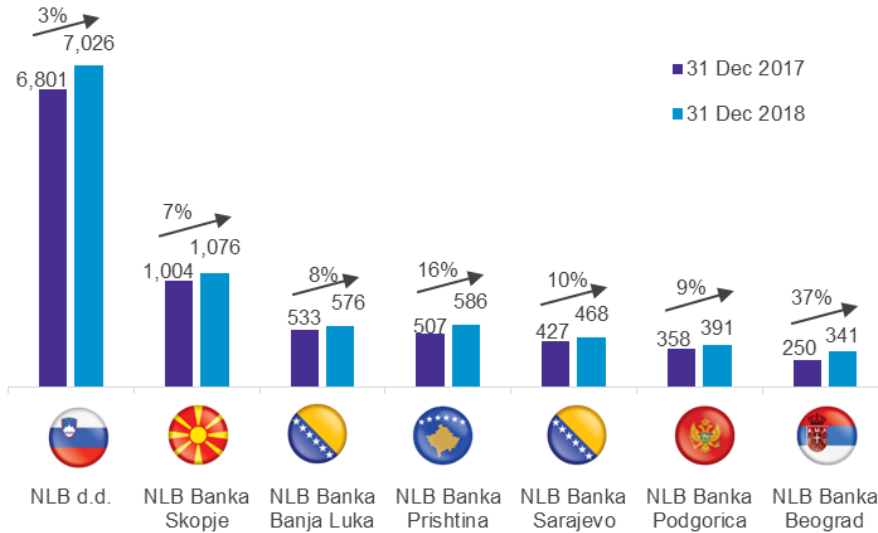


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing
- Decreasing cost of funding

NLB Group Liabilities

Strong deposit growth

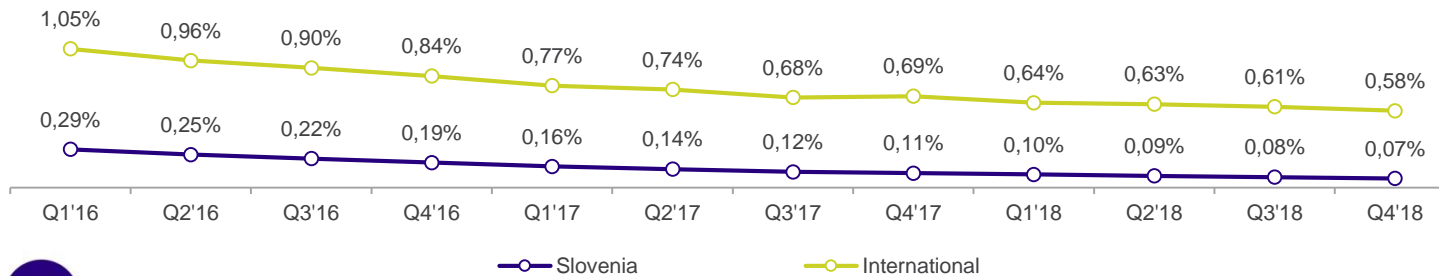
Deposits from customers by strategic member – contribution (EURm)



Deposit growth across all markets, despite low interest rate environment.

NLB d.d. charges 0.03% monthly **fee on deposits volume** (threshold from Jan-19 at EUR 100k) to corporate deposits and account balances.

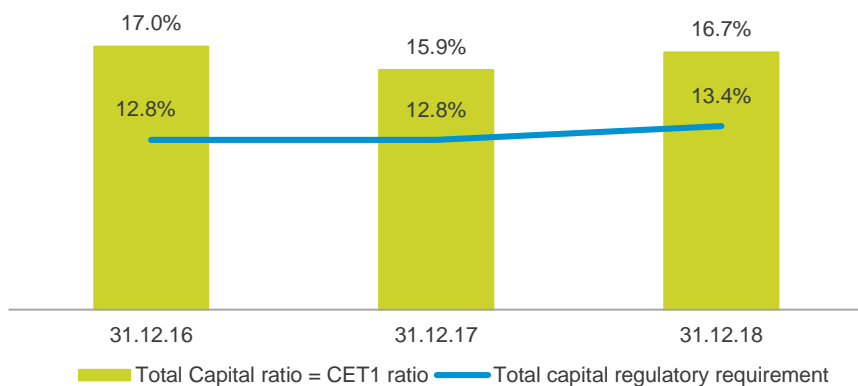
Decreasing deposit interest rates (%)*



Capital - NLB Group

CET1 capital up YoY

NLB Group capital ratios (%)



At the end of December 2018, the **capital ratios** for NLB Group stood at 16.7% (or 0.8 p.p. higher YoY).

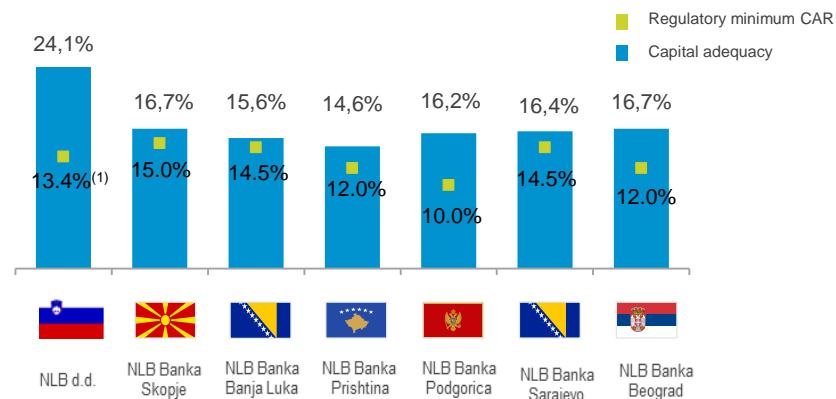
The improvement of capital adequacy derives from higher capital, mainly due to:

- inclusion of H1 2018 profit (EUR 108.8 million),
- inclusion of positive effect from the implementation of IFRS 9 (EUR 44 million for NLB Group),
- conclusion of transitional arrangements relevant until the end of 2017 in the amount of EUR 28 million and
- decrease in the amount of EUR 82 million – retained earnings paid as part of dividend pay-out.

Capital structure and ratios

(in EUR million)	NLB Group			
	31 Dec 2017	31 Dec 2018	Change YoY	
Common Equity Tier 1 capital	1,362.1	1,453.4	91.3	6.7%
Additional Tier 1 capital	0.0	0.0	0.0	
Tier 1 capital	1,362.1	1,453.4	91.3	6.7%
Tier 2 capital	0.0	0.0	0.0	
Total capital	1,362.1	1,453.4	91.3	6.7%
Total risk exposure amount (RWA)	8,546.5	8,677.6	131.1	1.5%
Common Equity Tier 1 Ratio	15.9%	16.7%	0.8 p.p.	
Tier 1 Ratio	15.9%	16.7%	0.8 p.p.	
Total Capital Ratio	15.9%	16.7%	0.8 p.p.	

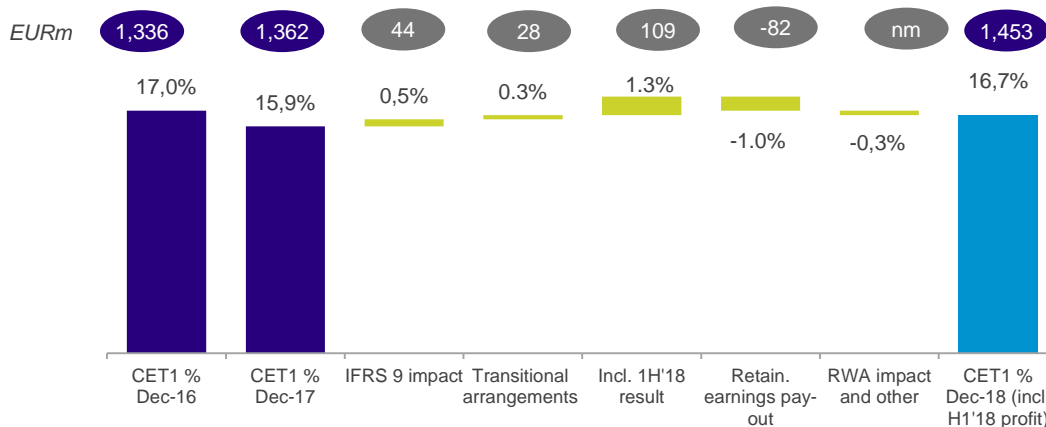
Capital adequacy and local requirements (31 Dec-18, %)



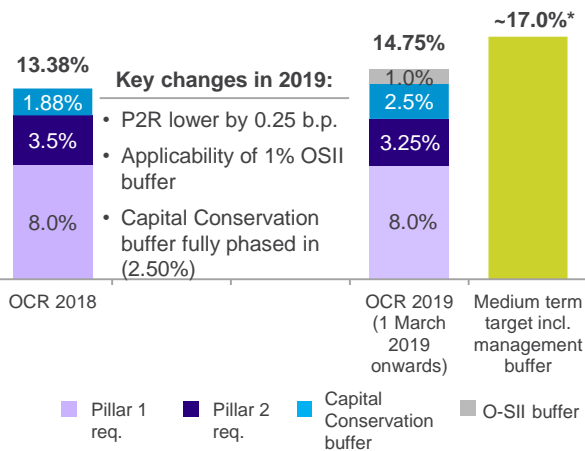
Capital evolution and requirements

Strong capital position

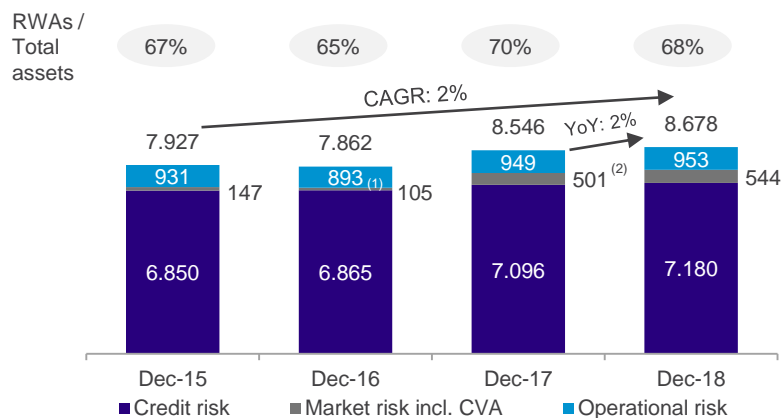
Capital position fully reflective of IFRS9 impact (Group, EURm)



Well above applicable regulatory requirement and the EU average (as published by EBA (3))



RWA structure (EURm)



- **Highest quality capital, CET1 only**, reaching 16.7% on Group level in Dec-18 (after dividend payout and inclusion of H1'18 profit)
- As of 1 March 2019 **Pillar 2 Requirement (P2R) lower by 0.25 p.p.** (3.25%), as a result of better overall SREP assessment. **Comfortable buffers** against 2019 regulatory requirements of 14.75% OCR
- NLB medium term target of 17% total capital ratio; to be regularly revised by competent bodies to reflect each time applicable capital requirements.
- NLB intends to issue a **Tier 2 instrument by end of 2019** as part of new EC commitments (subject to market conditions), as such deploying its capital optimisation potential



Note: (1) Decrease of RWA for operating risk in 2016 is a reflection of declining net interest income in 2013 vs 2012. Given RWA for operating risk are calculated based on past three-year average this impacted the decline in 2016; (2) Increase of RWA for market risk since December 2016 is a result of inclusion of FX structural position of SEE subsidiaries; (3) See EBA's Risk Dashboard data as of Q3 2018 for average CET1 ratio of EU banks.

Solid dividend distribution

(NLB d.d., EURm)

	2015	2016	2017	2018
NLB d.d. profit	44	64	189	165
o/w dividends from subsidiaries, associates and joint ventures to NLB d.d.	14	29	58	50
NLB Group profit after tax	92	110	225	204
NLB Group dividend to shareholder (paid in year after)	44	64	271	
Implied payout ratio (%)	48%	58%	84%⁽¹⁾	

- The payment of dividends by NLB, will depend on a number of factors, including NLB's capital structure, risk appetite, profits, financial condition, regulatory requirements, general economic and business conditions, and future prospects.
- The Bank's future intention is to **distribute dividends in excess of the Group's target total capital ratio**. The said ratio currently amounts to 17%, however is under revision to reflect new (lower) capital requirement (TSCR) that is applicable as of 1 March 2019.
- As at 31 December 2018, the Group had CET 1 ratio of 16.7% which includes the H1 2018 result of EUR 109 million. The Bank intends to further strengthen and also optimize NLB Group capital structure by issuing a Tier 2 instrument in 2019.
- The Bank targets the payment of dividend in the amount of approximately **70%** of its consolidated profit, subject to the decision by the Bank's General Assembly.

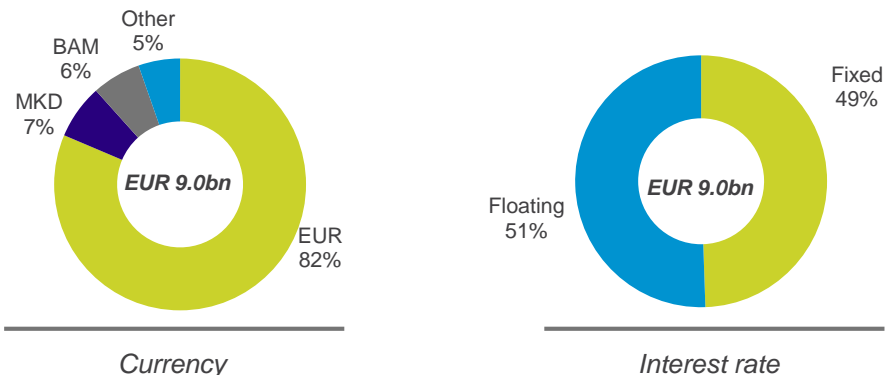


Asset Quality

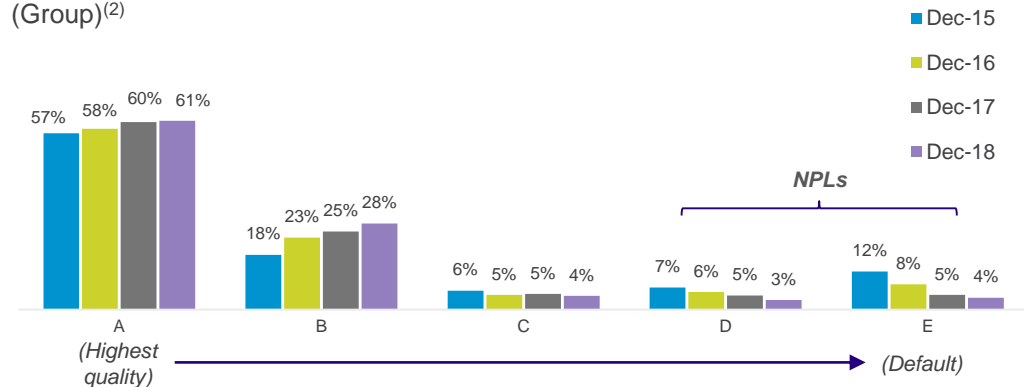
Asset quality – NLB Group

Diversified credit portfolio, focused on core markets and cautious risk taking

Credit portfolio⁽¹⁾ by currency and rate type (Group, 31 Dec 2018)



Improving structure of credit portfolio by client credit ratings (Group)⁽²⁾

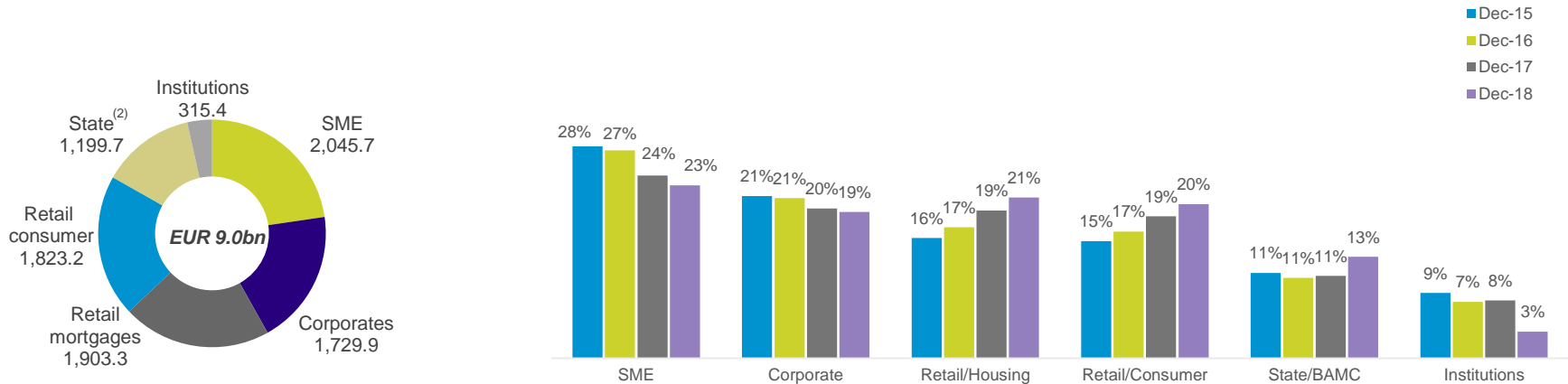


- **No large concentration** in any specific industry or client segment
- **Lending strategy** focuses on its core markets of retail, SME and selected corporate business activities
- Great emphasis is also placed on **further improvement of credit portfolio**
 - Intensive and proactive handling of problematic customers
 - Changes in the credit process
 - Early warning system for detecting increased credit risk
- The Group is **actively present** on the market, financing existing and new creditworthy clients. The successful deleveraging of companies and new investment projects in Slovenia have had a positive influence on the approval of new loans.

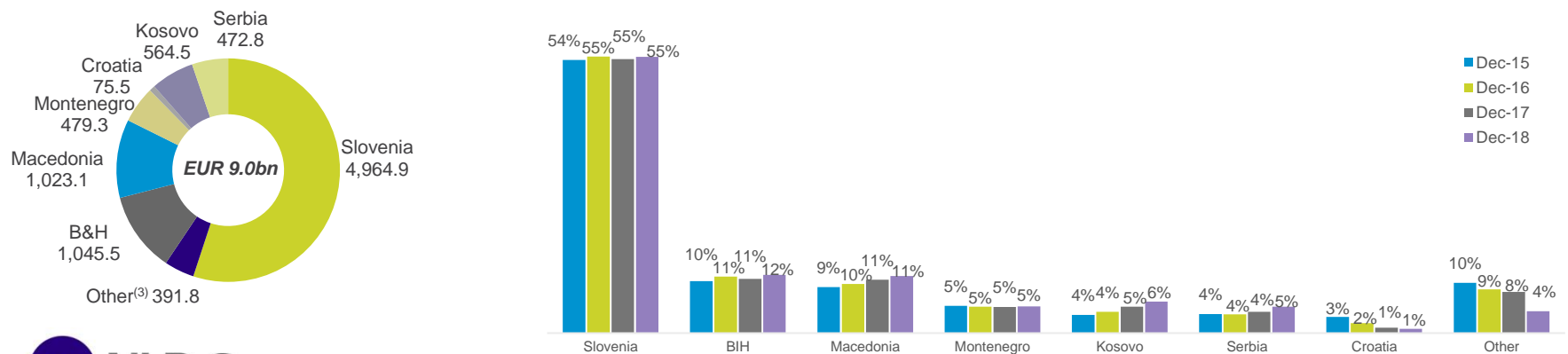
Asset quality – NLB Group

Diversified credit portfolio, focused on core markets and cautious risk taking

Credit portfolio⁽¹⁾ by segment (Group, 31 Dec 2018, EURm)



Credit portfolio⁽¹⁾ by geography (Group, 31 Dec 2018, EURm)



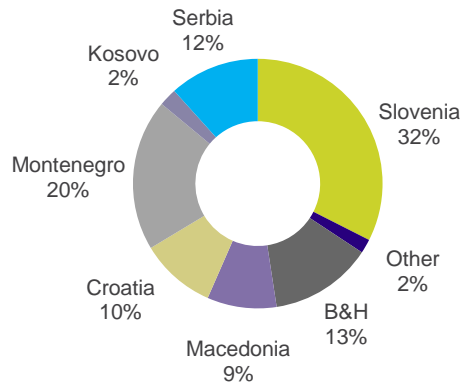
Source: Company information

Note: (1) Credit portfolio also includes advances to banks and central banks; (2) State includes exposures to central banks; (3) Other countries represent less than 8% of total portfolio. The largest part represent EU members.

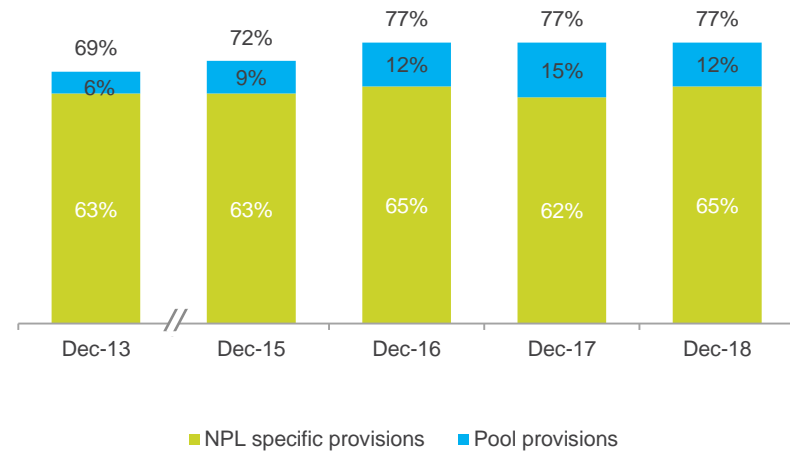
Asset quality – NLB Group

NPLs reduced significantly & fully covered by provisions and collateral

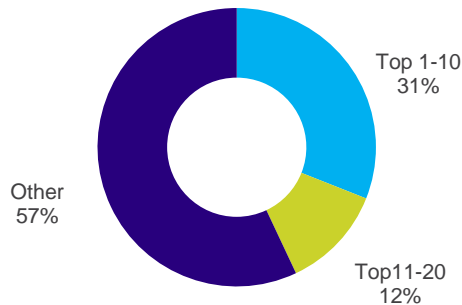
NPL by geography (Group, 31 Dec 2018)



NPL cash coverage⁽¹⁾ (Group, %)



Top 20 NPLs (Group, 31 Dec 2018)

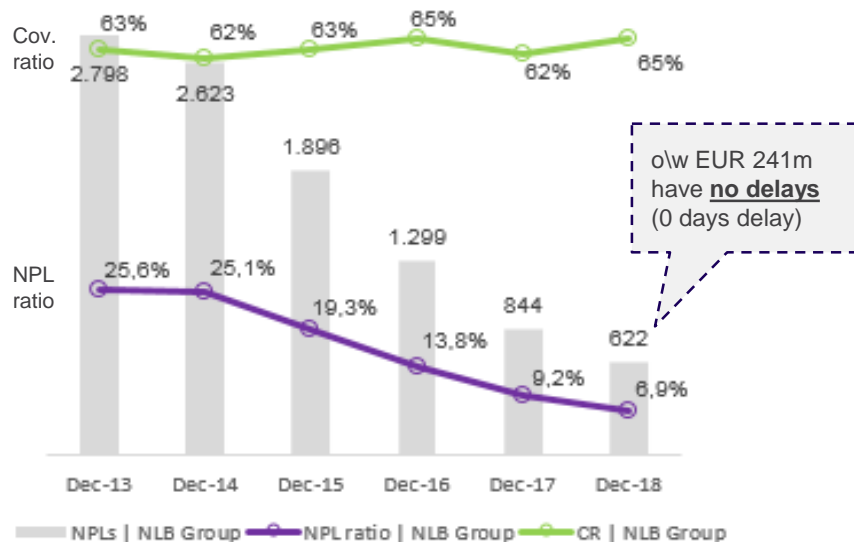


• An important Group strength is the NPL coverage ratio 1, which remains high at 77.1%. Further, the Group's NPL coverage ratio 2 stands at 64.6%, which is well above the EU average as published by the EBA (45.7% for Q3 2018). As such, it enables a further reduction in NPLs without any material losses

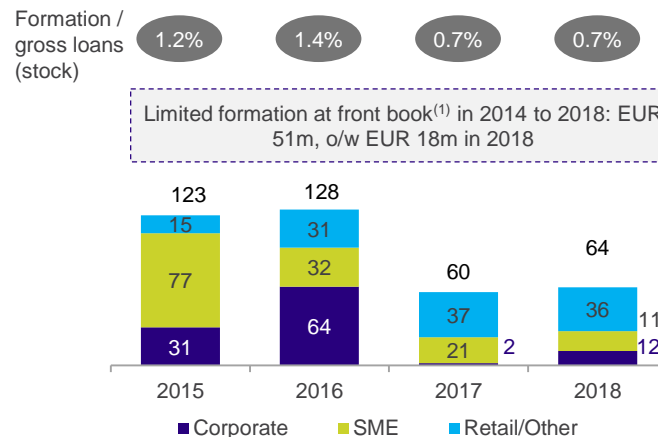
Asset quality – NLB Group

New formation very low, successful legacy resolution

Active workout drove **gross NPL ratio** down
(Group, in EURm)



Gross NPL formation has been low since 2015
(Group, EURm)



Low NPL in **Retail** segment throughout the economic cycle.

In **Corporate** segment a considerable reduction of NPL is observed in industries with the highest NPL %.

Top 10 NPL represent over 30% of the entire NPL volume;
the coverage with provisions remains high, limiting the potential losses.

NPE ratio reduced by 2 p.p. YoY to 4.7%.





Strategy & IT


Track record of innovation


The pioneer of banking innovation in Slovenia

 Ranked as the best m- and e-bank on the Slovenian market ⁽³⁾

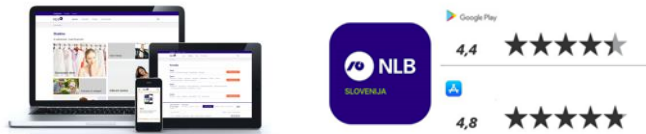
 First Slovenian bank to launch **contactless ATMs**

 First Slovenian bank to launch **chat and video call** functionalities

 Only bank with **multichannel 24/7 support** (through phone, chat and video call)

 Only bank with **fully mobile express loan capabilities** (Consumer & SME)

 **Top-ranked financial apps** on App Store and Google Play



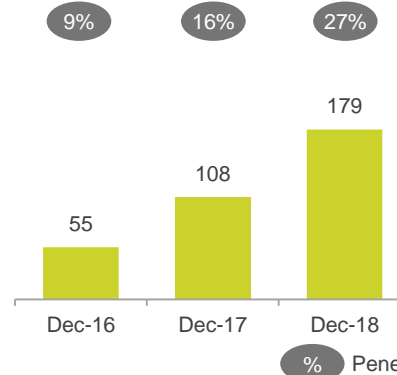
 **NLB Group**

Note: All figures are for Slovenia

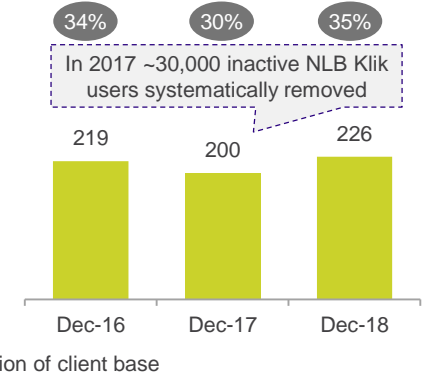
(1) Individual users (Klikin and NLB Klik); (2) Average for total period of implementation from Dec-17 to Dec-18; (3) mBančništvo v Sloveniji 2018, performed by E-laborat in 2018

Demonstrated success in moving to digital

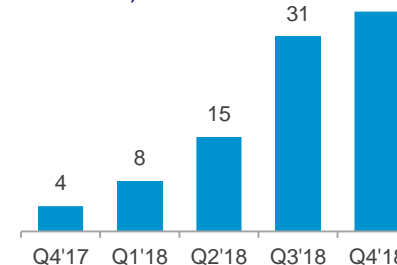
Mobile bank users⁽¹⁾ ('000s)



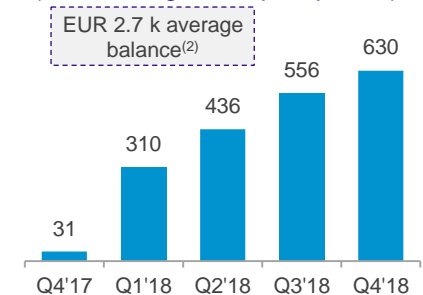
Online bank users⁽¹⁾ ('000s)



Increased use of chat and video call functionality ('000s of contacts)



Express loans through mobile app (# of loans granted per quarter)









Clear strategy to address current challenges

Key challenges

Sector and regulation	Macro	Clients	Technology
<ul style="list-style-type: none"> Regulatory interventions Further complexity of new regulations (MREL, Basel IV) Market consolidation 	<ul style="list-style-type: none"> Low interest rate environment Potential political and geopolitical risks Potential economic slowdown 	<ul style="list-style-type: none"> More demanding and knowledgeable clients Preference for digital channels 	<ul style="list-style-type: none"> Competition from fintechs Enhanced customer insights through data management Impact of social media

Strategic priorities

<p>Innovative focus on customer experience</p>  <ul style="list-style-type: none"> ✓ Omni-channel product distribution ✓ Partnership programmes ✓ End-to-end customer solutions 	<p>Enhanced distribution</p>  <ul style="list-style-type: none"> ✓ Migration to digital channels ✓ Sales process optimisation ✓ Improved value-creating customer insights
<p>Cost containment – Simplicity champion</p>  <ul style="list-style-type: none"> ✓ Optimal operations and workforce („Lean initiative“) ✓ Effective procurement at group level ✓ Investment in IT transformation and shared services 	<p>Improved risk management</p>  <ul style="list-style-type: none"> ✓ Optimised risk processes ✓ Improved risk modelling ✓ Streamlined risk governance
<p>Optimised product offering</p>  <ul style="list-style-type: none"> ✓ Pricing optimisation ✓ Simplified product offering ✓ Further focus on fee-based & advisory products 	<p>Regional specialist</p>  <ul style="list-style-type: none"> ✓ Exclusive strategic interest in and unique understanding of the region ✓ Consistent strategy across markets

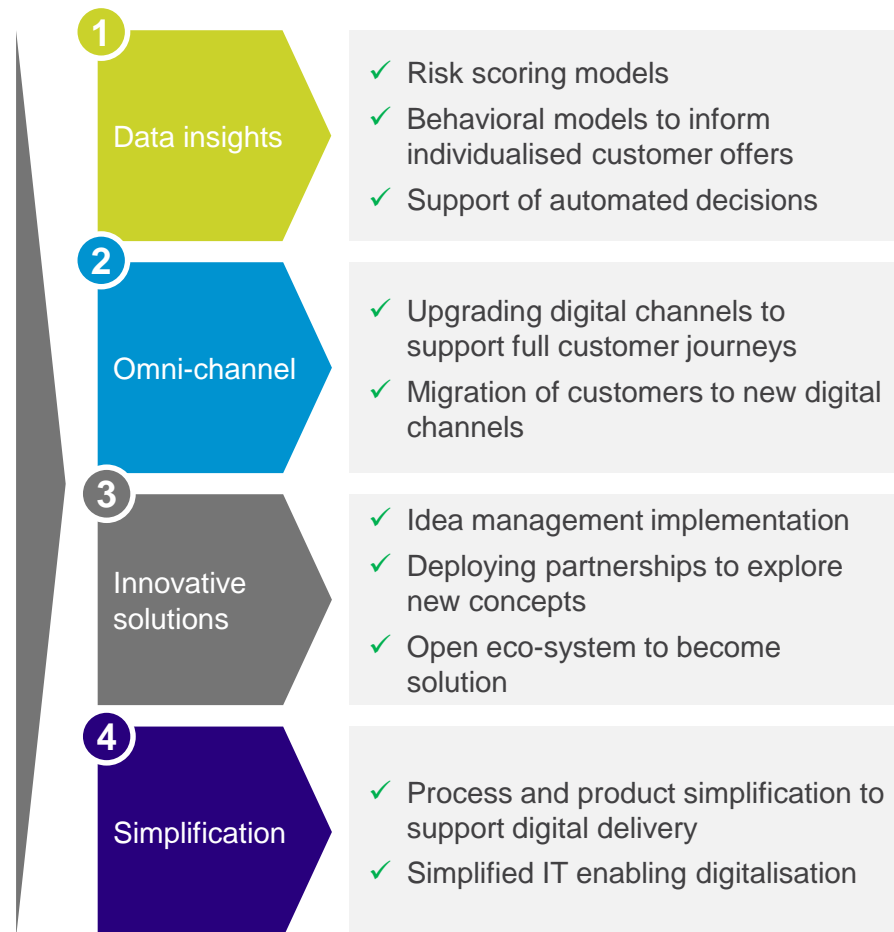
Medium-term objectives in IT and Digital

Leverage digital and data to enhance our business model

Strategic objectives

Improve customer insight	<ul style="list-style-type: none">✓ Data collection✓ Data extrapolation✓ Advanced analytics
Enhance customer experience	<ul style="list-style-type: none">✓ Increase customer satisfaction✓ Create new business opportunities
Increase innovation capacity	<ul style="list-style-type: none">✓ Agile development✓ Pull ideas driven by customer demands✓ Empowering employees
Optimise operations	<ul style="list-style-type: none">✓ Full (paperless) digitalisation of processes✓ Increased process automation✓ Reduction in cost-to-serve✓ Concentration on value adding activities (advisory, sales)

Strategic initiatives



NLB Group synergy opportunities

Group synergies are being addressed in all functional areas

IT competence center

- Established predominantly for subsidiary banks
- Core banking maintenance and development operating since the beginning of 2018
- Additional support with common teams is being added:
 - Solution for loan origination and approval process roll-out in 5 subsidiary banks
 - ESB roll-out in 4 subsidiary banks
 - CRM capability assessment followed by roll-out in 5 banks

Process (System) competences

- Introduction of lean principles is underway
- Loan origination and approval process is being mapped in all 6 subsidiary banks with aim to define a standard regional process
- Standard and KPI definition is completed for payment processing and cash transactions
- Basic KPI framework is being defined for common core processes

IT regionalisation activities

- SIEM⁽¹⁾ and SOC⁽²⁾ set up in Ljubljana are near completion
- IT capability assessment in the NLB GROUP is in progress
- Communications and data center activities are underway
- Aiming to avail an enabling group infrastructure architecture

Procurement

- Regional standards in procurement were implemented in 2010
- Systematic approach to cost optimisation through Non-FTE cost optimisation project was introduced in September 2015
- Central sourcing in strategic sourcing categories is in place

By actively working on Group synergies, NLB Group wants to leverage on costs (scale), speed of implementation and knowledge sharing



Outlook

Outlook 2019

Macro outlook & risk factors affecting the business outlook

- ✓ Real GDP growth: most countries are likely to **grow at around 3% - 4%** if supported by loose monetary conditions, fiscal easing and solid domestic demand
- ✓ Public debt in all markets **below EU average**
- ✓ **Low** household indebtedness and **solid** savings performance

- ? Economies will be sensitive to a **potential slowdown in the Eurozone**
- ? **Worsened** interest rate outlook
- ? **Regulatory & tax** measures impacting banks
- ? **Geopolitical** uncertainties



ASSUMPTIONS:

- **Moderate** increase of revenues and pre-provision income
- Continued net loan growth in line with GDP dynamics and **stable NIM**
- **Increase** of cost of risk, however remaining at low levels
- Ambition to remain **flat on costs**, however upward pressure due to investments and labour costs
- In 2017 and 2018 non-recurring income of EUR 10+ million → **not expected** for 2019

Business outlook

Appendixes

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Appendix 4: Financial statements	70

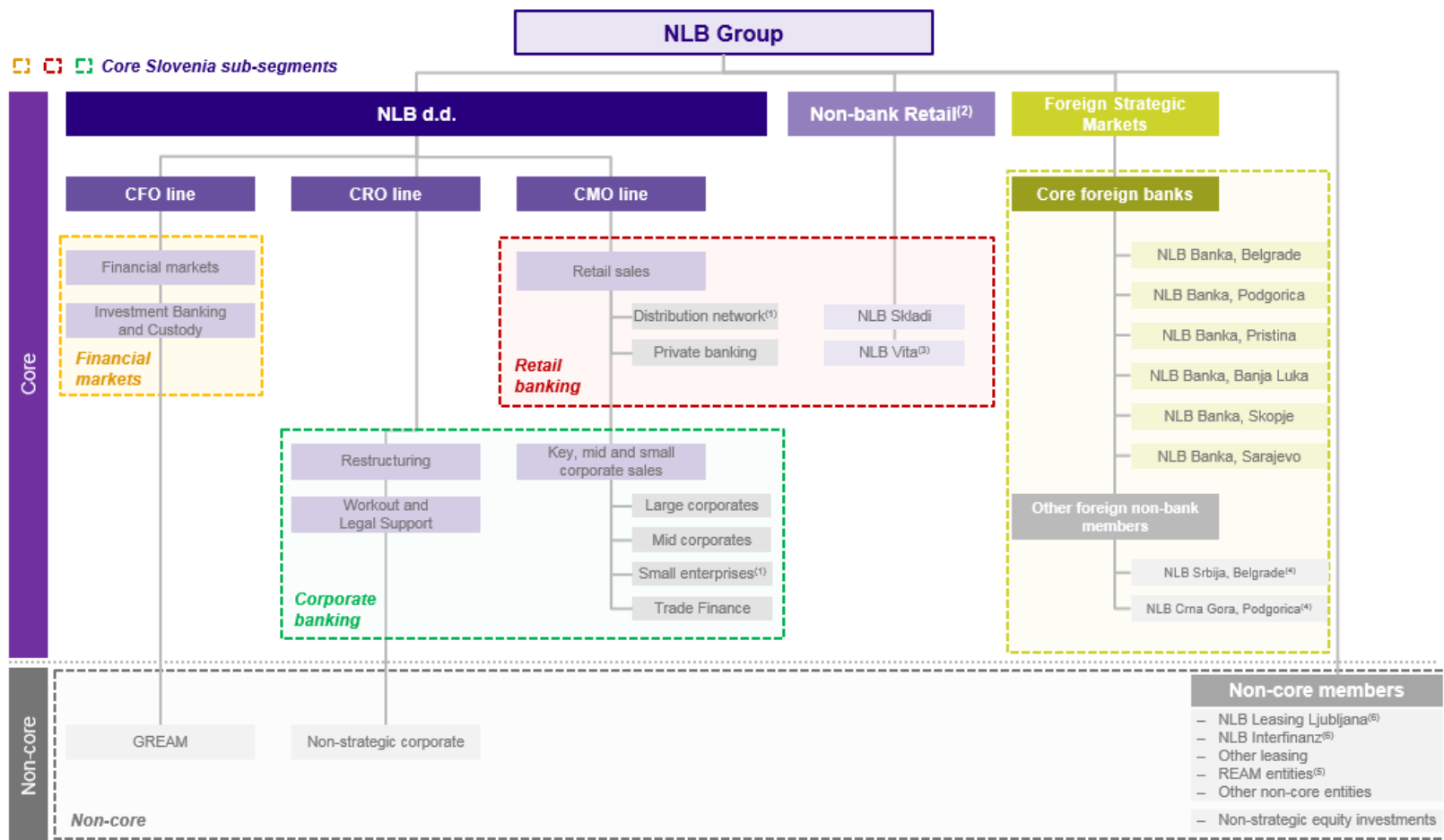


Appendix 1

Segment Analysis



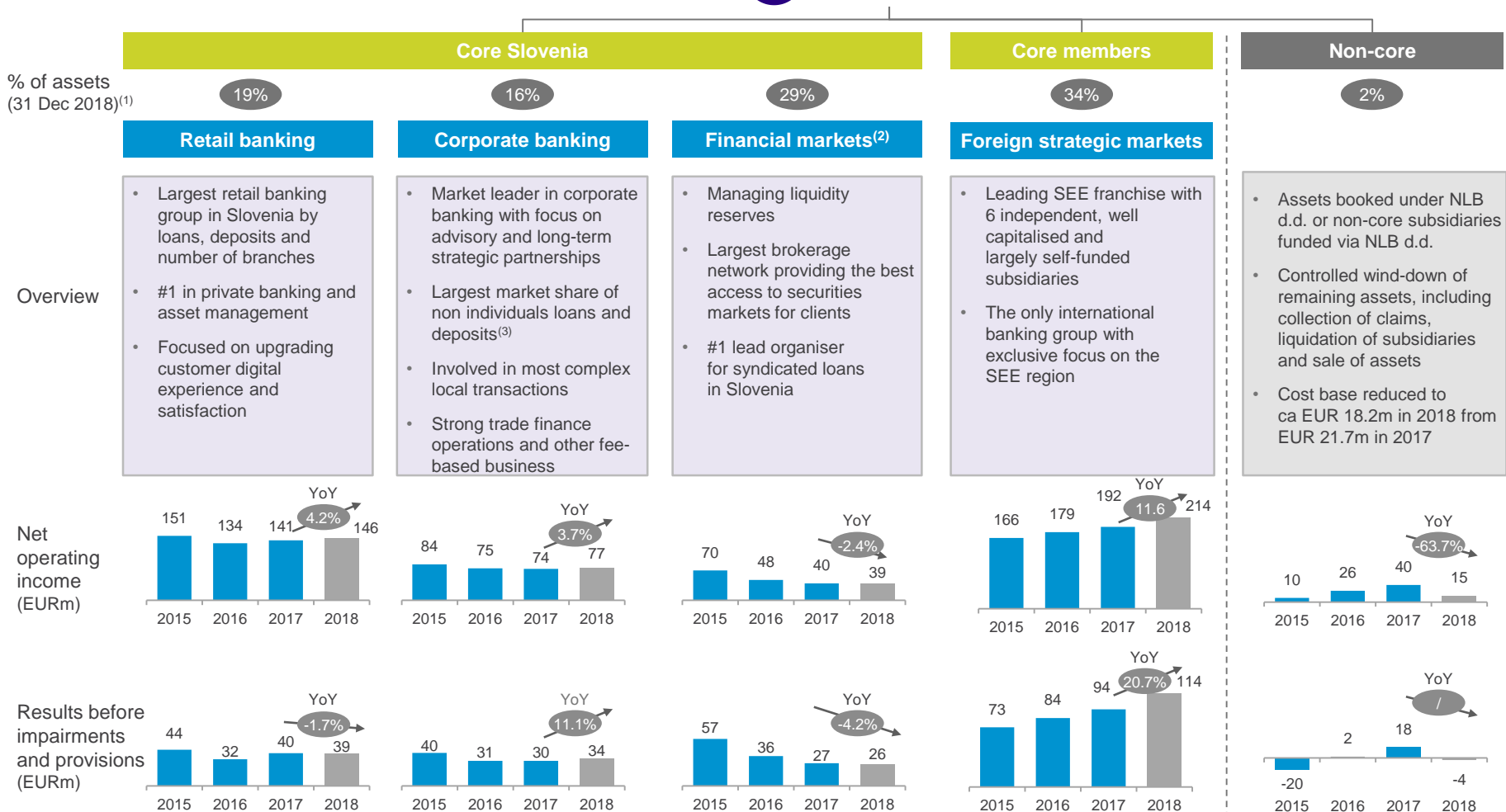
NLB Group Segments



(EURm, 2018 / 31 Dec 2018)	Corporate Banking	Retail Banking	Foreign Strategic Markets	Financial Markets ⁽⁷⁾	Non-Core	NLB Group
Profit before tax	60.4	40.9	99.7	26.5	8.2	233.3
Assets	1,976	2,384	4,293	3,635	264	12,740
CIR	56.0%	73.3%	46.7%	32.4%	125.5%	58.5%
Cost of risk (in bps)	-135	17	35	/	-705	-43

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 39% minority stake in Bankart; (3) 50% equity stake, under equity consolidation; (4) Main objective is NPL management; (5) Real-estate SPVs; (6) In liquidation; (7) All figures include Investment Banking;

Group refocused on profitable activities



Source: Company information

Note: (1) Other activities 1%; (2) All figures include Investment Banking; (3) As per Bank of Slovenia and internal calculations as of 31 Dec 2018.

Retail banking in Slovenia

<i>in EURm consolidated</i>	2018	2017	Change YoY	
Net interest income	79.3	72.8	6.6	9%
Net non-interest income	67.1	67.8	-0.7	-1%
Total net operating income	146.4	140.6	5.9	4%
Total costs	-107.3	-100.8	-6.5	-6%
Result before impairments and provisions	39.1	39.8	-0.7	-2%
o/w non-recurring items	-0.5		-0.5	-
Impairments and provisions	-3.7	-2.9	-0.8	-26%
Net gains from investments in subsidiaries, associates, and JVs'	5.4	4.8	0.7	14%
Result before tax	40.9	41.7	-0.8	-2%

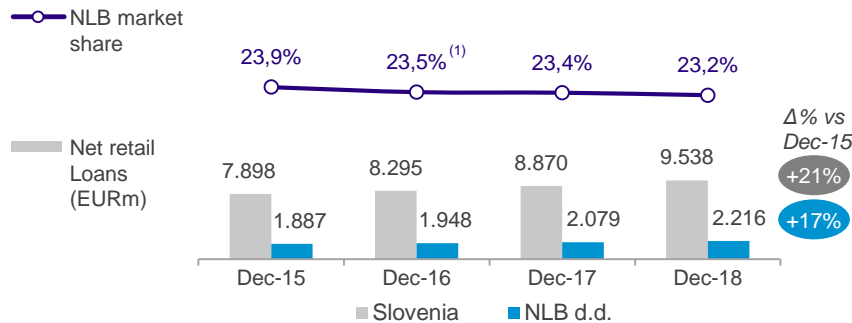
	31 Dec 2018	31 Dec 2017	Change YoY	
Net loans to customers	2,217.4	2,083.9	133.6	6%
Gross loans to customers	2,243.4	2,122.5	121.0	6%
Housing loans	1,374.6	1,324.6	49.9	4%
<i>Interest rate on housing loans</i>	2.50%	2.46%	0.04 p.p.	
Consumer loans	599.0	525.0	74.0	14%
<i>Interest rate on consumer loans</i>	5.88%	5.60%	0.28 p.p.	
Other	269.9	272.9	-3.0	-1%
Deposits from customers	5,814.5	5,537.1	277.3	5%
<i>Interest rate on deposits</i>	0.08%	0.14%	-0.06 p.p.	
Non performing loans (gross)	43.0	50.0	-7.0	-14%
Cost of risk (in bps)	17	14	4	
CIR	73.3%	71.7%	1.6 p.p.	
Interest margin	2.02%	1.95%	0.07 p.p.	

- **Net interest income** was still under pressure given the continued low interest rates environment; nevertheless, it increased (9% YoY) due to the growth of the retail loan portfolio and slow growth in interest rates on new loans.
- **Net non-interest income** decreased (1% YoY):
 - **Net fees and commission income** increased by 4% YoY, due to revenue growth in the asset management business (NLB Skladi) and a new package offer for individuals.
 - **Net other income** was burdened by EUR 2.2 million higher regulative expenses (DGS EUR 1.4 million and SRF EUR 0.8 million higher in 2018) and the negative effect from the sale of 28.13% minority stake in Skupna pokojninska družba (EUR -0.5 million).
- Higher **costs** and additional **impairments and provisions** contributed to the lower profit before tax by 2% YoY.
- Growth of 6% YoY in **loan balances** and growth of 5% YoY in **deposits volume**.

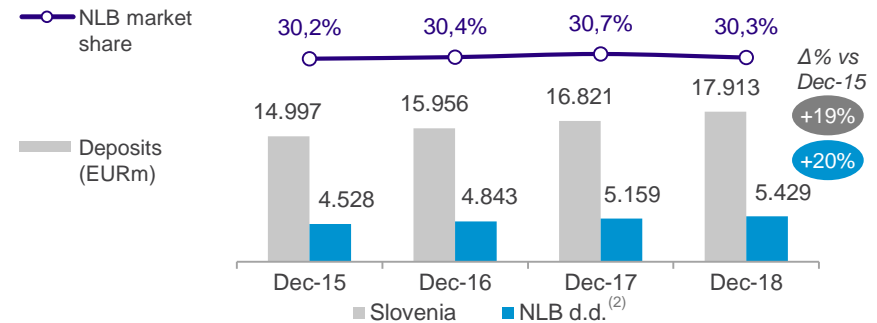
Retail banking in Slovenia

High and stable market shares across products

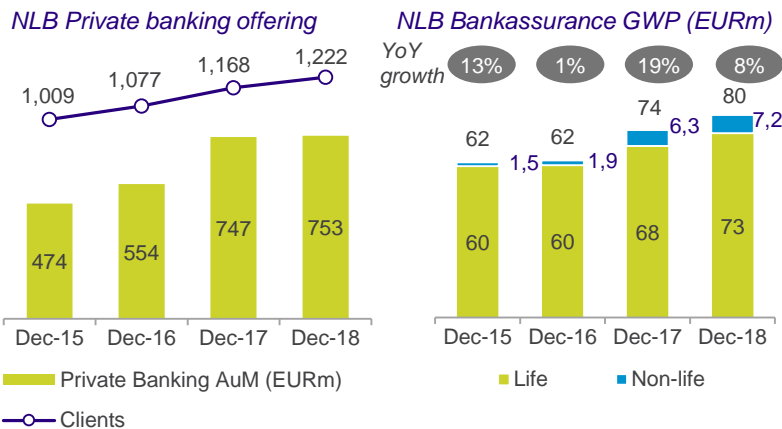
Retail net loans in Slovenia



Retail deposits in Slovenia



Upside from fee generating products



- Improving macro and low household indebtedness (21% GDP in 2015) driving retail banking growth
- #1 player in Private Banking⁽³⁾
 - Limited competition and strong cross-selling capabilities with Bankassurance and asset management
- #1 player in Slovenian asset management⁽⁴⁾; market share of NLB Skladi at mutual funds in Slovenia equals 32.1% as of 31 Dec 2018
 - AuM of EUR 1.26bn as of 31 Dec 2018 including investments in mutual funds and discretionary portfolios
- Growing Bankassurance business across products
 - Life: NLB Vita has reached 14.6% market share by GWP, becoming #3 largest player in the Slovenian market as of 31 Dec 2018
 - Non-life: Solid growth, in partnership with #3 non-life company (Generali)



Source: Bank of Slovenia (retail loans and deposits), Company information, Slovenian Fund Management Association
 Note: All figures refer to full year ending 31 Dec unless stated otherwise; (1) Excluding the NPL sale effect of EUR 27m net; (2) Excludes deposits of foreign persons; (3) Company information; (4) By AuM (Slovenian Fund Management Association).

Corporate banking in Slovenia

<i>in EURm consolidated</i>	2018	2017	Change YoY	
Net interest income	42.5	42.9	-0.4	-1%
Net non-interest income	34.1	31.0	3.1	10%
Total net operating income	76.7	73.9	2.7	4%
Total costs	-43.0	-43.6	0.6	1%
Result before impairments and provisions	33.7	30.3	3.4	11%
Impairments and provisions	26.6	22.5	4.2	19%
Result before tax	60.4	52.8	7.5	14%

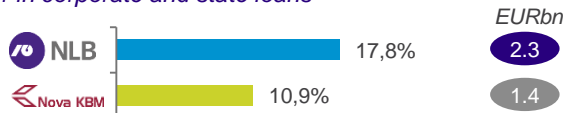
	31 Dec 2018	31 Dec 2017	Change YoY	
Net loans to customers	1,950.4	2,026.3	-75.9	-4%
Gross loans to customers	2,061.0	2,188.6	-127.6	-6%
Corporate	1,854.4	1,939.3	-84.9	-4%
Key/Mid/Small Corporate	1,643.2	1,770.7	-127.5	-7%
<i>Interest rate on Key/Mid/Small Corporate loans</i>	1.88%	2.03%	-0.15 p.p.	
Restructuring and Workout	211.2	168.6	42.6	25%
State	206.1	248.7	-42.6	-17%
<i>Interest rate on State loans</i>	1.69%	1.51%	0.19 p.p.	
Deposits from customers	1,120.8	1,080.9	39.9	4%
<i>Interest rate on deposits</i>	0.07%	0.09%	-0.02 p.p.	
Non performing loans (gross)	179.7	262.8	-83.1	-32%
Cost of risk (in bps)	-135	-104	-30	
CIR	56.0%	59.0%	-2.9 p.p.	
Interest margin	2.61%	2.29%	0.31 p.p.	

- The segment recorded EUR 60.4 million in **profit before tax** in 2018, affected by the low interest environment and the generally very high liquidity in the market.
- **Net operating income** increased EUR 2.7 million YoY (4%), mostly due to higher net income from financial transactions due to the effects of the valuation of loans at fair value in Restructuring and Workout.
- Higher release of **impairments and provisions** (EUR 4.2 million).
- A decrease in **gross loans** due to the size of matured loans in Key enterprises and prepayment of some larger exposures, while Small enterprises continues to grow (9% YoY).

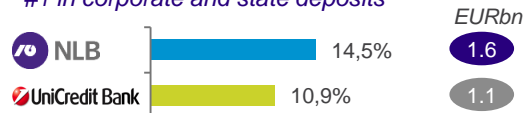
Corporate banking in Slovenia

High market shares across products⁽¹⁾

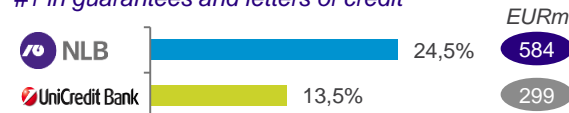
#1 in corporate and state loans



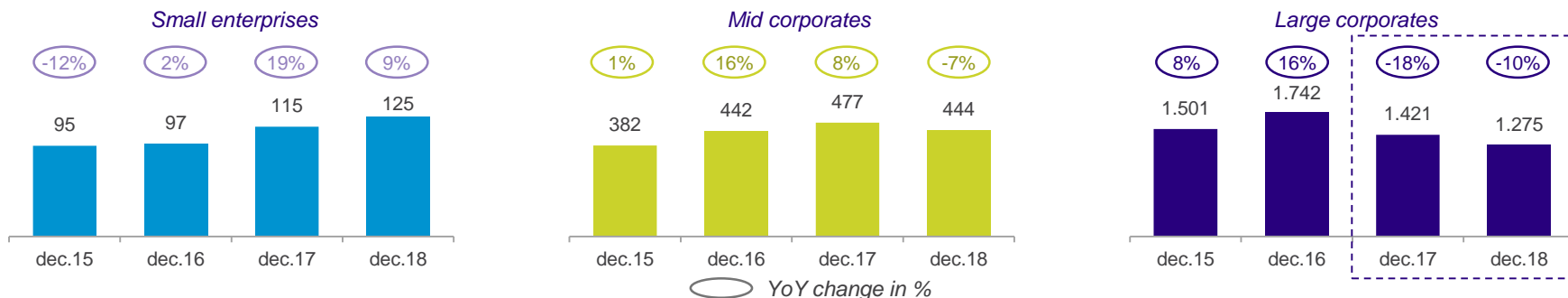
#1 in corporate and state deposits



#1 in guarantees and letters of credit



Key business lines⁽²⁾ gross loans (EURm)



- Largest bank in the country with high capacity to lend to and service large clients
 - Serves over 19k corporate clients as of 31 Dec 2018
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises
- Large Corporate portfolio has declined since 2016 mainly due to EC commitments that imposed:
 - RoE targets, affecting NLB ability to participate in recent issuance by State-owned enterprises and high rated corporate clients⁽⁴⁾
 - Additional restrictions on cross-border lending (released in Aug-18), leasing and factoring have impacted new business opportunity
 - In 2018 sizable maturities and prepayments of some larger exposures.
- With the restrictions being lifted NLB is able to explore these and other opportunities to restore a healthy growth in Large Corporate segment

Strong local corporate fee business, across merchant acquiring, investment banking and custody services

12.8k⁽³⁾
POS terminals

36.4% mkt share⁽³⁾
in merchant acquiring

EUR 15.9bn
assets under custody

Source: Bank of Slovenia, Company information

Note: All figures refer to full year ending 31-Dec unless stated otherwise; (1) Data for NLB as per 31 Dec 2018, other banks as per 30 Sep 2018 (latest available); (2) Key business excludes restructuring and workout; (3) As of 31 Dec 2018; (4) Based on NLB internal credit rating.

Financial markets and Investment banking in Slovenia

Financial markets Slovenia

<i>in EURm consolidated</i>	2018	2017	Change YoY	
Net interest income	31.4	31.9	-0.4	-1%
Net non-interest income	-1.1	-0.9	-0.2	-26%
Total net operating income	30.3	31.0	-0.7	-2%
Total costs	-6.5	-6.7	0.1	2%
Result before impairments and provisions	23.8	24.3	-0.5	-2%
Impairments and provisions	0.2	0.0	0.3	-
Result before tax	24.0	24.3	-0.3	-1%

	31 Dec 2018	31 Dec 2017	Change YoY	
Balances with Central banks	575.0	350.8	224.2	64%
Banking book securities	2,755.2	2,337.4	417.9	18%
<i>Interest rate on banking book securities</i>	1.25%	1.40%	-0.16 p.p.	
Wholesale funding	244.1	260.7	-16.6	-6%
<i>Interest rate on wholesale funding</i>	0.48%	0.51%	-0.03 p.p.	

- **Profit before tax** amounted to EUR 24.0 million, a decrease of 1% YoY.
- 1% lower **net interest income** due to decreasing yields in the securities portfolio (the maturity of some high yielding assets and reinvestments made in still low yielding environment) and due to higher interest expenses resulting from the increased level of excess liquidity.
- Negative **net non-interest income**, EUR 0.2 million lower YoY, mostly as a result of early sale of French bonds in 2017 (EUR 1.8 million) and EUR 1.3 million lower expenses for SRF in 2018 (EUR 0.4 million).

Investment banking

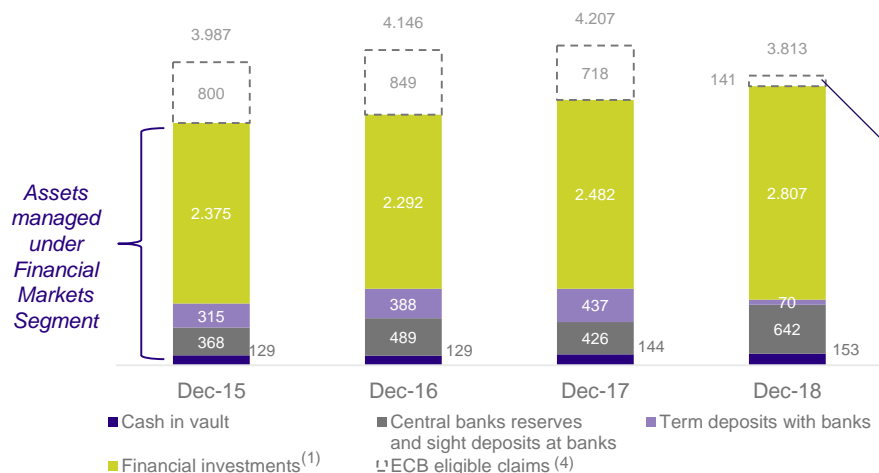
<i>in EURm consolidated</i>	2018	2017	Change YoY	
Total net operating income	8.5	8.8	-0.3	-3%
Total costs	-6.1	-5.8	-0.3	-5%
Result before tax	2.4	3.0	-0.6	-20%

- The Investment banking and custody services **result before tax** decreased by EUR 0.6 million YoY.
- **Total net operating income** decreased YoY; fewer concluded interest rate hedge deals and consequently revenue decrease in treasury sales which was compensated by revenue growth in corporate finances, brokerage and custody.
- The **total asset value under custody** at the end of 2018 was EUR 15.9 billion, a 8.23% increase YoY.

Financial markets in Slovenia

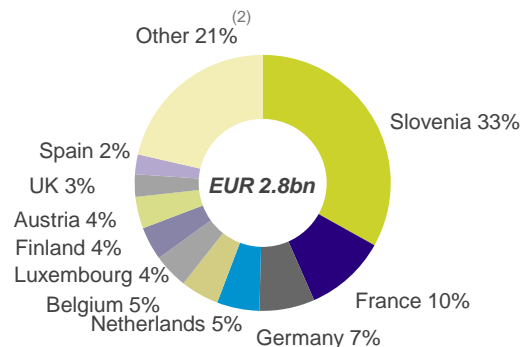
Strong liquidity position

Liquid assets evolution (EURm)

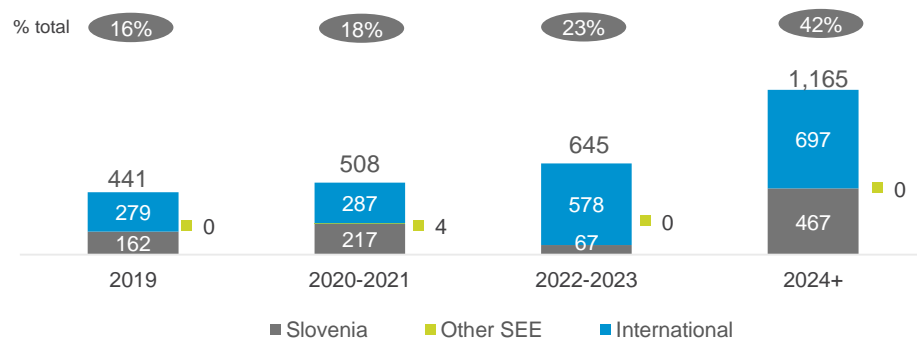


The volume of ECB eligible credit claims decreased due to the modification in ECB eligibility criterion adopted on 7 February 2018 in ECB Guideline (EU) 2018/570.

Well diversified banking book by geography (31 Dec 2018)



Maturity profile of banking book securities⁽³⁾ (31 Dec 2018, EURm)



Well positioned and funded division

- Strong liquidity buffer provides solid base for future core growth consisting of liquid assets which are not encumbered for operational or regulatory purposes
- Banking book securities portfolio is well diversified in terms of asset class and geography to minimise concentration risk, and is invested predominantly in high quality issuers on prudent tenors



Note: Numbers refer to NLB d.d. only; (1) Incl. trading and banking book securities; (2) Includes other European countries, Canada and Russian federation; (3) Including DARS bonds; (4) Loans booked under segment Corporate Banking Slovenia.

Strategic foreign markets





<i>in EURm consolidated</i>	2018	2017	Change YoY	
Net interest income	150.1	144.6	5.5	4%
Net non-interest income	63.9	47.1	16.8	36%
Total net operating income	214.0	191.7	22.3	12%
Total costs	-100.0	-97.2	-2.8	-3%
Result before impairments and provisions	114.0	94.5	19.6	21%
o/w non-recurring items	12.2	-	-	-
Impairments and provisions	-14.3	7.6	-21.8	-
Result before tax	99.7	102.0	-2.3	-2%
o/w Result of minority shareholders	7.9	8.2	-0.3	-4%

	31 Dec 2018	31 Dec 2017	Change YoY	
Net loans to customers	2,718.0	2,393.5	324.5	14%
Gross loans to customers	2,932.7	2,660.6	272.1	10%
Individuals	1,438.1	1,276.2	161.9	13%
<i>Interest rate on retail loans</i>	7.09%	7.50%	-0.42 p.p.	
Corporate	1,405.0	1,277.9	127.1	10%
<i>Interest rate on corporate loans</i>	4.92%	5.41%	-0.49 p.p.	
State	89.6	106.5	-16.9	-16%
<i>Interest rate on state loans</i>	4.33%	4.82%	-0.50 p.p.	
Deposits from customers	3,438.1	3,078.3	359.8	12%
<i>Interest rate on deposits</i>	0.61%	0.86%	-0.25 p.p.	
Non performing loans (gross)	219.9	252.0	-32.1	-13%
Cost of risk (in bps)	35	-39	74	
CIR	46.7%	50.7%	-4.0 p.p.	
Interest margin	3.85%	4.04%	-0.19 p.p.	

- **Profit before tax** amounted to EUR 99.7 million, and includes non-recurring income from the sale of the subsidiary NLB Nov penziski fond, Skopje in the positive amount of EUR 12.2 million. In contrast, in 2017 the profit was positively affected by the release of impairments and provisions in the amount of EUR 7.6 million (release of pool provisions in Q1 2017).
- Despite the competitive market environment and high pressure on interest rates, **net interest income** increased by 4% YoY due to higher volume of operation.
- Strong growth in net non-interest income, especially in fee and commission income (4% YoY).
- The **cost of risk** was positive due to establishment of Impairments and provisions.
- Growth of 10% YoY in **gross loan balances** and growth of 12% YoY in **deposits volume**.

SEE banks continuing solid performance in 2018

- ✓ Profitability improvement across all markets in SEE, with 17% pre-provision income growth y-o-y
- ✓ Growing credit portfolio in all markets, with aggregate deposits balance marginally up q-o-q
- ✓ Reversal of pool provisions represents EUR 12m of total PBT increase

	NLB Banka Skopje		NLB Banka Banja Luka		NLB Banka Sarajevo		NLB Banka Prishtina		NLB Banka Podgorica		NLB Banka Beograd		Total core banks ⁽¹⁾			
																
B/S (EURm)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	Δ
Total assets	1,236	1,350	670	721	531	592	584	668	457	489	371	484	3,849	4,116	7%	
Net loans to customers	797	859	349	385	333	359	387	467	265	311	239	319	2,370	2,603	10%	
Deposits from customers	1,005	1,076	533	576	428	472	507	586	360	392	260	353	3,093	3,282	6%	
P&L (EURm)	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	Δ	
NII ⁽²⁾	49.7	48.8	18.1	19.1	18.1	17.6	24.5	27.4	16.4	18.0	18.0	19.8	144.7	150.6	4%	
NNII ⁽²⁾	12.8	24.0	9.6	10.9	7.5	8.3	4.6	5.0	5.1	5.8	3.0	3.8	42.7	57.8	35%	
OpEx	-23.4	-25.0	-12.8	-13.0	-14.0	-14.2	-11.2	-11.8	-12.4	-12.3	-16.3	-18.0	-90.1	-94.4	5%	
PPI	39.1	47.7	15.0	17.0	11.5	11.7	17.8	20.6	9.1	11.5	4.7	5.6	97.3	114.0	17%	
Result a.t.	40.0	37.1	23.7	16.2	8.3	8.8	14.2	14.8	5.4	10.0	3.7	5.2	95.3	92.1	-3%	
Ratios	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018				
LTD net	79.2%	79.8%	65.6%	66.8%	77.7%	76.1%	76.3%	79.7%	73.7%	79.3%	91.9%	90.3%				
Net interest margin ⁽³⁾	4.33%	3.98%	2.78%	2.79%	3.46%	3.20%	4.54%	4.44%	3.68%	4.11%	5.79%	4.92%				
CIR	37.4%	34.4%	46.1%	43.5%	54.8%	54.8%	38.7%	36.4%	57.7%	51.8%	77.8%	76.2%				
RoE a.t.	27.8%	19.9%	29.3%	18.7%	12.8%	11.6%	22.2%	21.6%	7.0%	14.9%	6.7%	7.9%				



Source: Company information

Note: (1) Calculated as simple sums for each item; (2) NII: Net interest income, NNII: Net non-interest income; (3) Calculated on the basis of interest bearing assets.

NLB Banka Skopje

NLB Banka AD Skopje

"on stand alone basis"

Key financial indicators

	2018	2017	Change	
			YoY	
ROE a.t.	19.9%	27.8%	-7.9	p.p.
Interest margin*	3.98%	4.33%	-0.4	p.p.
CIR	34.4%	37.4%	-3.0	p.p.
Cost of risk net (bps)**	74	-43	117	
LTD net (%)	79.8	79.2	0.5	

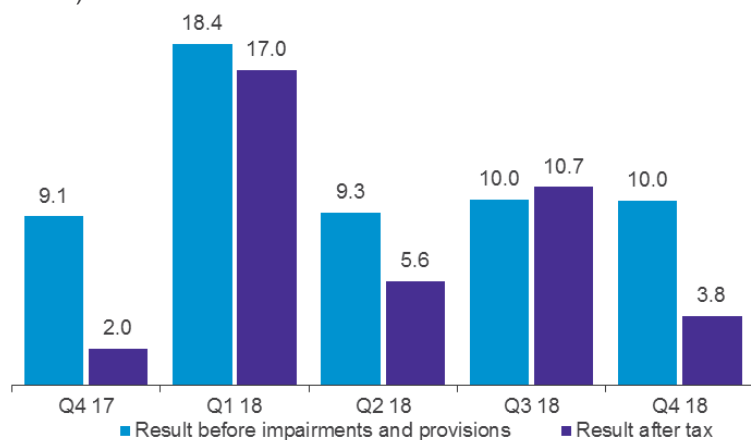
Income statement

in 000 EUR	2018	2017	Change	
			YoY	
Total net operating income	72,753	62,511	10,242	16.4%
Net interest income	48,781	49,665	-884	-1.8%
Net non-interest income	23,972	12,846	11,126	86.6%
o/w net fees and commissions	14,334	14,169	165	1.2%
Total costs	-25,049	-23,381	-1,668	-7.1%
Employee costs	-12,975	-12,370	-605	-4.9%
Other general and administrative expenses	-8,878	-8,000	-878	-11.0%
Depreciation and amortization	-3,196	-3,011	-185	-6.1%
Result before impairments and provisions	47,704	39,130	8,574	21.9%
Impairments and provisions	-6,796	5,481	-12,277	-
Result after tax	37,068	40,004	-2,936	-7.3%
Number of employees	893	865	28	3.2%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

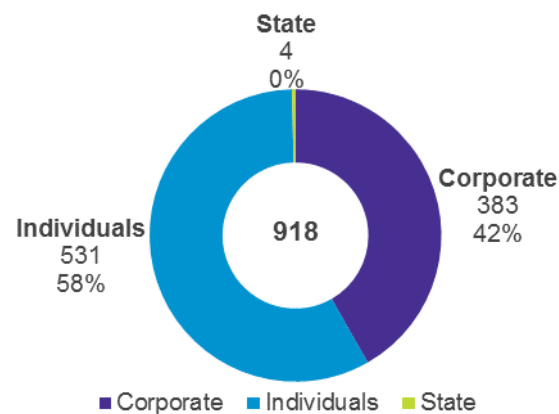
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change	
			YoY	
Total assets	1,350,054	1,235,914	114,153	9.2%
Loans to customers (gross stock)	918,140	877,644	40,237	4.6%
Gross loans to corporate	383,212	383,678	-631	-0.2%
Gross loans to individuals	531,406	485,873	45,442	9.4%
Gross loans to state	3,522	8,093	-4,574	-56.5%
Loans to customers (net stock)	858,592	796,678	61,921	7.8%
Financial assets	196,112	168,532	27,586	16.4%
Deposits from customers (stock)	1,076,154	1,005,282	70,879	7.1%
Deposits from corporate	272,060	269,865	2,196	0.8%
Deposits from individuals	800,372	732,036	68,341	9.3%
Deposits from state	3,722	3,381	342	10.1%
NPL gross	55,967	53,800	2,085	3.9%
% NPL	5.1%	5.2%	-0.1	p.p.
Capital (according to local legislation)				
Capital adequacy ratio	16.7%	14.4%	2.3	p.p.

Gross loans to customers split (31 Dec 2018, EURm)



NLB Banka Banja Luka

NLB Banka A.D., Banja Luka

"on stand alone basis"

Key financial indicators

	2018	2017	Change YoY	
ROE a.t.	18.7%	29.3%	-10.6 p.p.	
Interest margin*	2.79%	2.78%	0.0 p.p.	
CIR	43.5%	46.1%	-2.6 p.p.	
Cost of risk net (bps)**	-45	-348	302	
LTD net (%)	66.8	65.6	1.2	

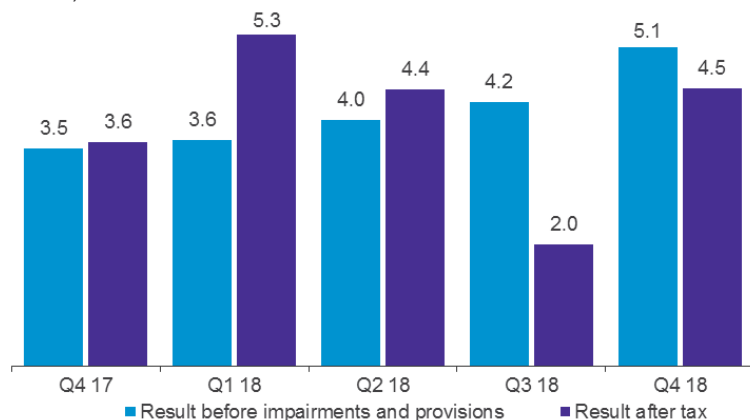
Income statement

in 000 EUR	2018	2017	Change YoY	
Total net operating income	29,996	27,782	2,214	8.0%
Net interest income	19,057	18,146	911	5.0%
Net non-interest income	10,939	9,636	1,303	13.5%
o/w net fees and commissions	10,911	9,316	1,595	17.1%
Total costs	-13,046	-12,803	-243	-1.9%
Employee costs	-8,350	-8,316	-34	-0.4%
Other general and administrative expenses	-3,521	-3,341	-180	-5.4%
Depreciation and amortization	-1,175	-1,146	-29	-2.5%
Result before impairments and provisions	16,950	14,979	1,971	13.2%
Impairments and provisions	1,387	10,579	-9,192	-86.9%
Result after tax	16,184	23,694	-7,510	-31.7%
Number of employees	476	475	1	0.2%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

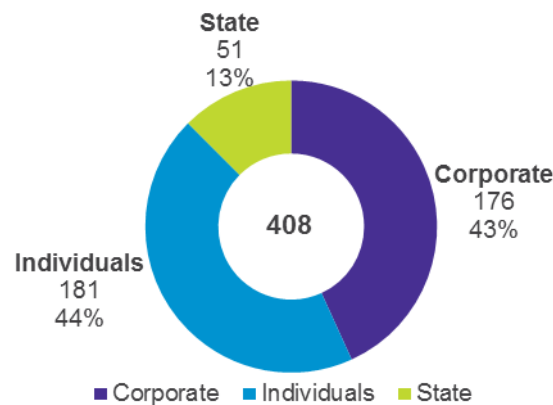
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change YoY	
Total assets	720,509	669,949	50,562	7.5%
Loans to customers (gross stock)	408,312	379,161	29,086	7.7%
Gross loans to corporate	176,353	155,547	20,771	13.4%
Gross loans to individuals	180,933	161,829	19,085	11.8%
Gross loans to state	51,026	61,785	-10,770	-17.4%
Loans to customers (net stock)	384,806	349,102	35,686	10.2%
Financial assets	107,316	116,612	-9,296	-8.0%
Deposits from customers (stock)	575,775	531,646	43,634	8.2%
Deposits from corporate	135,670	121,222	14,450	11.9%
Deposits from individuals	402,203	363,562	39,087	10.8%
Deposits from state	37,902	46,862	-9,903	-21.1%
NPL gross	19,199	20,151	-952	-4.7%
% NPL	3.2%	3.7%	-0.5 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.6%	15.3%	1.2 p.p.	

Gross loans to customers split (31 Dec 2018, EURm)



NLB Banka Sarajevo

NLB Banka d.d., Sarajevo

"on stand alone basis"

Key financial indicators

	2018	2017	Change YoY	
ROE a.t.	11.6%	12.8%	-1.3 p.p.	
Interest margin*	3.20%	3.46%	-0.3 p.p.	
CIR	54.8%	54.8%	0.0 p.p.	
Cost of risk net (bps)**	55	55	0	
LTD net (%)	76.1	77.7	-1.6	

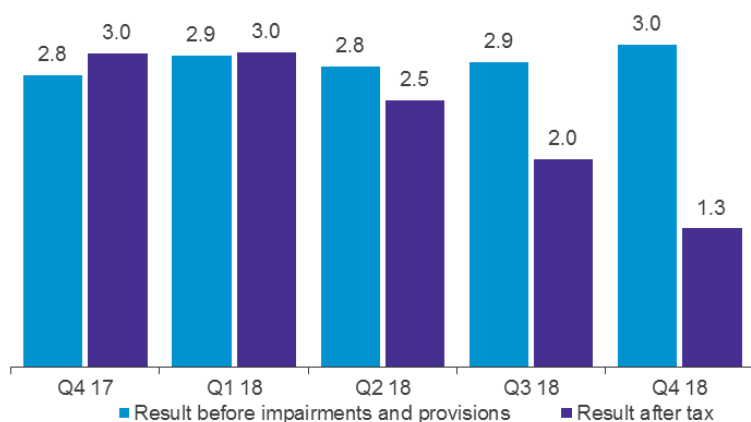
Income statement

in 000 EUR	2018	2017	Change YoY	
Total net operating income	25,857	25,512	345	1.4%
Net interest income	17,586	18,059	-473	-2.6%
Net non-interest income	8,271	7,453	818	11.0%
o/w net fees and commissions	7,405	7,100	305	4.3%
Total costs	-14,170	-13,973	-197	-1.4%
Employee costs	-8,453	-8,066	-387	-4.8%
Other general and administrative expenses	-4,910	-5,095	185	3.6%
Depreciation and amortization	-807	-812	5	0.6%
Result before impairments and provisions	11,687	11,539	148	1.3%
Impairments and provisions	-1,965	-2,000	35	1.8%
Result after tax	8,757	8,300	457	5.5%
Number of employees	455	459	-4	-0.9%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

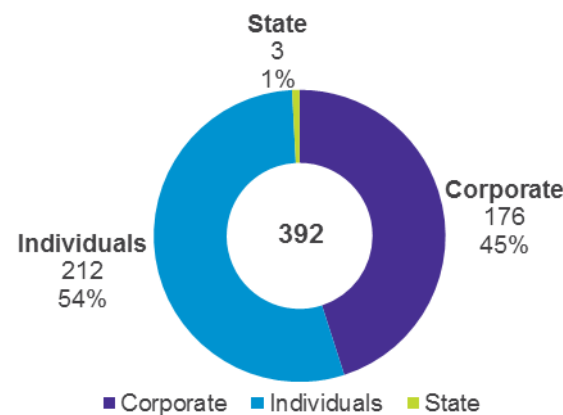
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change YoY	
Total assets	592,166	531,016	61,153	11.5%
Loans to customers (gross stock)	391,567	368,440	23,105	6.3%
Gross loans to corporate	176,368	168,563	7,793	4.6%
Gross loans to individuals	211,972	197,121	14,841	7.5%
Gross loans to state	3,227	2,756	471	17.1%
Loans to customers (net stock)	359,499	332,557	26,942	8.1%
Financial assets	39,337	38,341	996	2.6%
Deposits from customers (stock)	472,297	427,932	44,369	10.4%
Deposits from corporate	127,175	112,434	14,742	13.1%
Deposits from individuals	280,207	260,895	19,314	7.4%
Deposits from state	64,915	54,603	10,313	18.9%
NPL gross	30,805	34,014	-3,218	-9.5%
% NPL	5.7%	6.9%	-1.2 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.4%	15.2%	2.0 p.p.	

Gross loans to customers split (31 Dec 2018, EURm)



NLB Banka Prishtina

NLB Banka sh.a., Prishtine

"on stand alone basis"

Key financial indicators

	2018	2017	Change	
			YoY	
ROE a.t.	21.6%	22.2%	-0.6 p.p.	
Interest margin*	4.44%	4.54%	-0.1 p.p.	
CIR	36.4%	38.7%	-2.2 p.p.	
Cost of risk net (bps)**	89	54	34	
LTD net (%)	79.7	76.3	3.3	

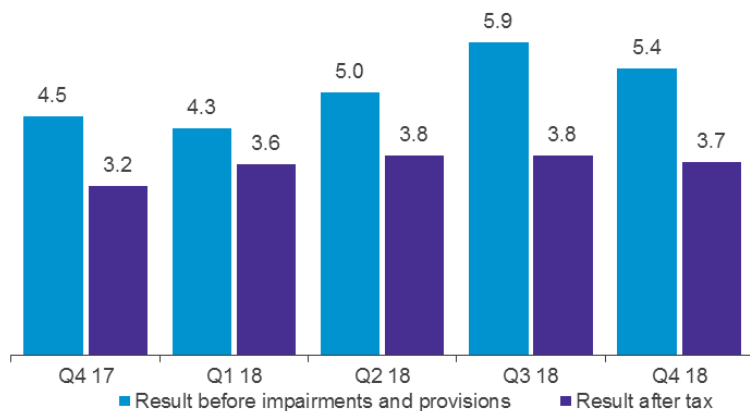
Income statement

in 000 EUR	2018	2017	Change	
			YoY	
Total net operating income	32,406	29,082	3,324	11.4%
Net interest income	27,372	24,471	2,901	11.9%
Net non-interest income	5,034	4,611	423	9.2%
o/w net fees and commissions	6,131	5,452	679	12.5%
Total costs	-11,801	-11,242	-559	-5.0%
Employee costs	-5,961	-5,653	-308	-5.4%
Other general and administrative expenses	-4,662	-4,442	-220	-5.0%
Depreciation and amortization	-1,178	-1,147	-31	-2.7%
Result before impairments and provisions	20,605	17,840	2,765	15.5%
Impairments and provisions	-3,792	-2,176	-1,616	-74.3%
Result after tax	14,836	14,197	639	4.5%
Number of employees	476	481	-5	-1.0%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

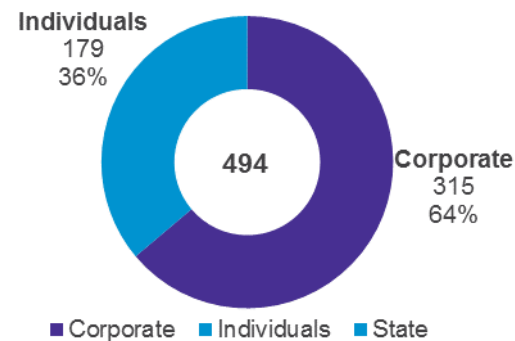
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change	
			YoY	
Total assets	668,127	584,086	84,041	14.4%
Loans to customers (gross stock)	493,950	414,228	79,678	19.2%
Gross loans to corporate	315,408	262,643	52,731	20.1%
Gross loans to individuals	178,542	151,585	26,947	17.8%
Gross loans to state	0	0	0	-
Loans to customers (net stock)	466,854	386,804	80,050	20.7%
Financial assets	64,733	65,228	-495	-0.8%
Deposits from customers (stock)	585,851	506,672	79,179	15.6%
Deposits from corporate	154,828	122,981	31,847	25.9%
Deposits from individuals	421,003	374,328	46,675	12.5%
Deposits from state	10,020	9,363	657	7.0%
NPL gross	14,362	14,804	-442	-3.0%
% NPL	2.4%	2.9%	-0.5 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	14.6%	15.9%	0.2 p.p.	

Gross loans to customers split (31 Dec 2018, EURm)



NLB Banka Podgorica

NLB Banka a.d., Podgorica

"on stand alone basis"

Key financial indicators

	2018	2017	Change YoY	
ROE a.t.	14.9%	7.0%	7.9 p.p.	
Interest margin*	4.1%	3.7%	0.4 p.p.	
CIR	51.8%	57.7%	-5.9 p.p.	
Cost of risk net (bps)**	-41	100	-141	
LTD net (%)	79.3	73.7	5.6	

Income statement

in 000 EUR	2018	2017	Change YoY	
Total net operating income	23,818	21,526	2,292	10.6%
Net interest income	18,047	16,416	1,631	9.9%
Net non-interest income	5,771	5,110	661	12.9%
o/w net fees and commissions	5,926	5,469	457	8.4%
Total costs	-12,340	-12,414	74	0.6%
Employee costs	-7,180	-7,204	24	0.3%
Other general and administrative expenses	-4,301	-4,368	67	1.5%
Depreciation and amortization	-859	-842	-17	-2.0%
Result before impairments and provisions	11,478	9,112	2,366	26.0%
Impairments and provisions	-1,267	-3,807	2,540	66.7%
Result after tax	10,033	5,385	4,648	86.3%
Number of employees	300	311	-11	-3.5%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

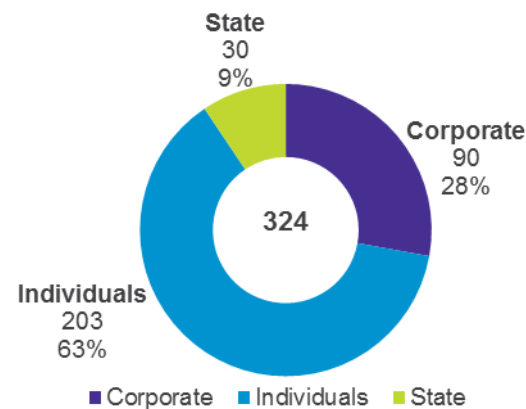
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change YoY	
Total assets	489,283	457,236	32,047	7.0%
Loans to customers (gross stock)	323,914	287,102	36,768	12.8%
Gross loans to corporate	90,223	76,931	13,270	17.2%
Gross loans to individuals	203,207	176,683	26,502	15.0%
Gross loans to state	30,484	33,488	-3,004	-9.0%
Loans to customers (net stock)	310,692	265,062	45,630	17.2%
Financial assets	54,781	50,348	4,433	8.8%
Deposits from customers (stock)	391,750	359,736	32,013	8.9%
Deposits from corporate	116,364	110,109	6,255	5.7%
Deposits from individuals	256,975	235,598	21,376	9.1%
Deposits from state	18,411	14,029	4,382	31.2%
NPL gross	20,627	31,054	-10,427	-33.6%
% NPL	5.2%	8.0%	-2.8 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.2%	14.9%	1.8 p.p.	

Gross loans to customers split (31 Dec 2018, EURm)



NLB Banka Beograd

NLB Banka a.d., Beograd

"on stand alone basis"

Key financial indicators

	2018	2017	Change YoY	
ROE a.t.	7.9%	6.7%	1.2 p.p.	
Interest margin*	4.92%	5.79%	-0.9 p.p.	
CIR	76.2%	77.8%	-1.6 p.p.	
Cost of risk net (bps)**	-51	13	-64	
LTD net (%)	90.3	91.9	-1.6	

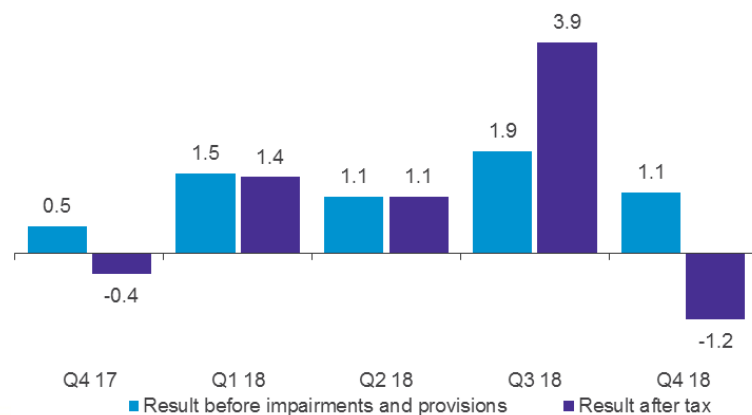
Income statement

in 000 EUR	2018	2017	Change YoY	
Total net operating income	23,596	20,999	2,597	12.4%
Net interest income	19,764	17,984	1,780	9.9%
Net non-interest income	3,832	3,015	817	27.1%
o/w net fees and commissions	4,998	4,131	867	21.0%
Total costs	-17,981	-16,336	-1,645	-10.1%
Employee costs	-9,498	-8,329	-1,169	-14.0%
Other general and administrative expenses	-7,270	-6,734	-536	-8.0%
Depreciation and amortization	-1,213	-1,273	60	4.7%
Result before impairments and provisions	5,615	4,663	952	20.4%
Impairments and provisions	-377	-919	542	59.0%
Result after tax	5,202	3,731	1,471	39.4%
Number of employees	458	431	27	6.3%

* Interest margin for 2017 is adjusted to the new methodology valid from 1.1.2018.

** Calculated as credit impairments and provisions over average net loans to customers.

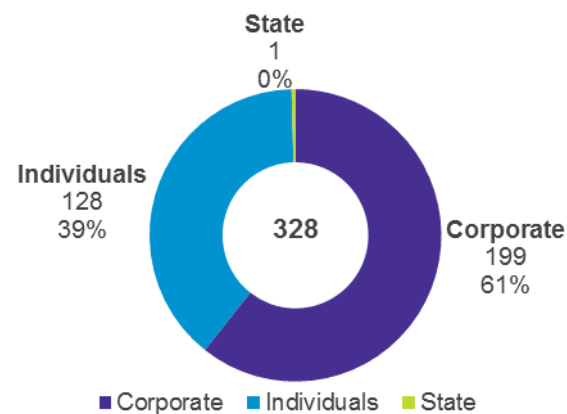
Result after tax and before impairments and provisions (EURm)



Balance sheet

in 000 EUR	31 Dec 2018	31 Dec 2017	Change YoY	
Total assets	484,492	370,807	113,683	30.7%
Loans to customers (gross stock)	327,847	251,056	76,766	30.6%
Gross loans to corporate	198,833	152,063	46,756	30.7%
Gross loans to individuals	127,629	98,615	29,002	29.4%
Gross loans to state	1,385	378	1,008	-
Loans to customers (net stock)	318,792	238,795	79,999	33.5%
Financial assets	58,285	56,623	1,666	2.9%
Deposits from customers (stock)	352,940	259,755	92,754	35.7%
Deposits from corporate	160,683	109,393	51,273	46.9%
Deposits from individuals	182,702	144,254	38,016	26.4%
Deposits from state	9,555	6,108	3,465	56.7%
NPL gross	9,884	15,184	-5,316	-35.0%
% NPL	2.4%	5.0%	-2.6 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.7%	20.1%	2.3 p.p.	

Gross loans to customers split (31 Dec 2018, EURm)



Non-core markets and activities

in EURm
consolidated

	2018	2017	Change YoY	
Net interest income	9.3	16.8	-7.5	-44%
Net non-interest income	5.2	23.2	-18.0	-78%
Total net operating income	14.5	40.0	-25.5	-64%
Total costs	-18.2	-21.7	3.5	16%
Result before impairments and provisions	-3.7	18.2	-22.0	-
o/w non-recurring items	-	10.7	-	-
Impairments and provisions	11.9	12.9	-1.0	-8%
Result before tax	8.2	31.2	-22.9	-74%

	31 Dec 2018	31 Dec 2017	Change YoY	
Segment assets	263.7	391.3	-127.6	-33%
Net loans to customers	160.9	269.9	-109.0	-40%
Gross loans to customers	288.6	448.5	-159.9	-36%
Investment Property and Property & Equipment received for repayment of loans	68.5	81.6	-13.0	-16%
Other assets	34.3	39.9	-5.6	-14%
Deposits from customers	9.6	10.2	-0.6	-6%
Non-performing loans (gross)	179.7	279.7	-100.0	-36%

- The Non-core **result before tax** was EUR 8.2 million – 74% lower YoY due to reduction of non-core portfolio and consequently reduction of net interest and net non-interest income.
- The **cost base** was reduced by 16% YoY to EUR 18.2 million due to the continued divestment process.
- Segment **assets** decreased by 33% YoY.

Other activities

*in EURm
consolidated*

	2018	2017	Change YoY	
Total net operating income	4.8	4.3	0.5	13%
Total costs	-9.6	-11.5	1.9	17%
Result before impairments and provisions	-4.8	-7.2	2.5	34%
Impairments and provisions	2.4	-10.4	12.9	-
Result before tax	-2.3	-17.7	15.3	0.9

- Other activities include the categories whose operating results cannot be allocated to individual segments (i.e. external realization of IT, costs of restructuring, the expenses for vacant business premises...).
- In 2017 established HR provisions in the amount of EUR 8.6 million and provisions for legal risk in the amount of EUR 1.8 million, while in 2018 release of legal risk provisions in the amount of EUR 2.3 million.




Appendix 2:


Macro Overview

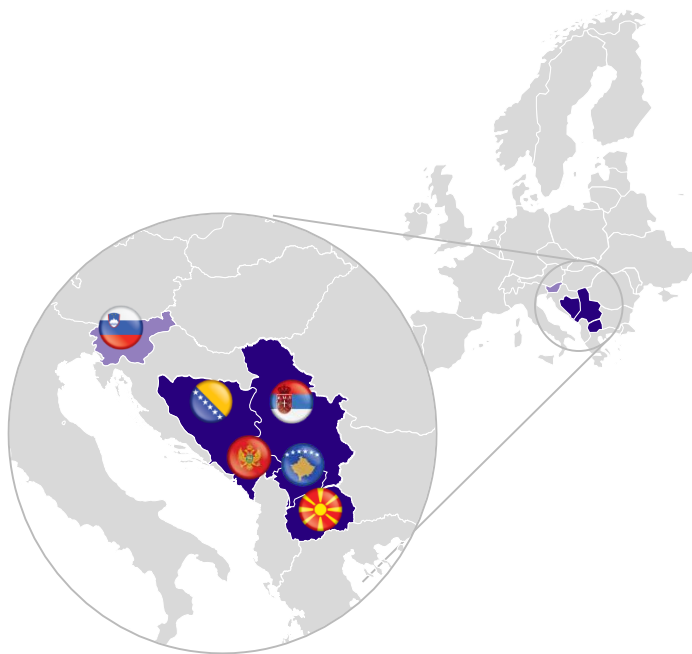
NLB Group – Macro overview


NLB d.d. & 6 subsidiary banks operate in Slovenia (EU member) & 5 SEE countries (convergence to EU)

Slovenia 	EUR
GDP (EURbn)	45.7
Real GDP growth (%)	4.5
Population (m)	2.1
Household indebtedness ⁽¹⁾	22.4%
Credit ratings (S&P / Moody's / Fitch)	A+ / Baa1 / A-


Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	17.4
Real GDP growth (%)	3.0
Population (m)	3.5
Household indebtedness ⁽¹⁾	30.9%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.6
Real GDP growth (%)	4.2
Population (m)	0.6
Household indebtedness ⁽¹⁾	27.5%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	42.7
Real GDP growth (%)	4.4
Population (m)	7.0
Household indebtedness ⁽¹⁾	20.5%
Credit ratings (S&P / Moody's / Fitch)	BB / Ba3 / BB

Kosovo 	EUR
GDP (EURbn)	6.7
Real GDP growth (%)	4.1
Population (m)	1.8
Household indebtedness ⁽¹⁾	15%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

Macedonia 	MKD
GDP (EURbn)	10.4
Real GDP growth (%)	2.3
Population (m)	2.1
Household indebtedness ⁽¹⁾	34.5%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB

Macro Overview

Economic data

- Most countries are likely to grow at around 3% - 4% if supported by loose monetary conditions, fiscal easing and solid domestic demand.
- Inflation is likely to remain within target ranges throughout the region.
- Economic growth will be sensitive to a potential slowdown in the Eurozone and tighter global financial conditions.

Fiscal data

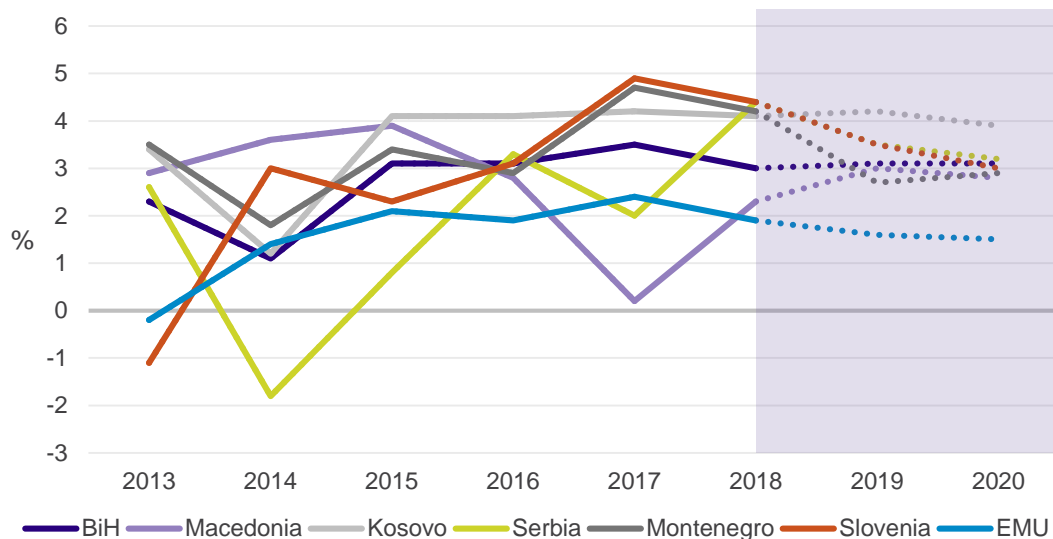
- Environment for necessary reforms seen slightly improved.
- Fiscal imbalances should not aggravate general government borrowing position and public debt seems manageable, nevertheless caution still recommended.
- Large current account deficits and geographical contagion are important drivers to capital flows.

Monetary data

- Positive momentum for higher lending volumes seen ahead.
- As loan to deposit ratios remain firm, a future expansion of the regional banking sectors should not be capped from a refinancing perspective.
- A more pronounced slowdown in Europe or larger capital outflows from EM would moderate favourable trends in the region.

Macro Overview – Economic data

Real GDP growth, %



KEY FINDINGS:

Highest YoY increase of economic growth was registered by **Serbia**, growing from 2% to 4.4% in 2018, followed by **Macedonia** (from 0.2% to 2.3% in 2018).

Five countries with above 4% growth of GDP in 2018.

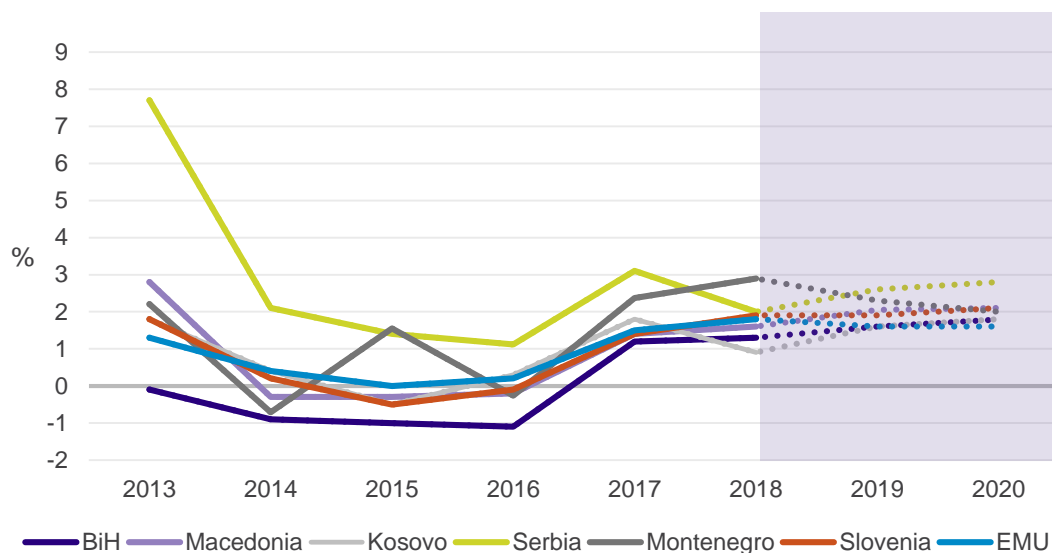
Overall, real GDP growth in the region will remain strong, well above the EMU.

Real GDP growth, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	2.3	1.1	3.1	3.1	3.5	3.0	3.1	3.1
Macedonia	2.9	3.6	3.9	2.8	0.2	2.3	3.0	2.8
Kosovo	3.4	1.2	4.1	4.1	4.2	4.1	4.2	3.9
Serbia	2.6	-1.8	0.8	3.3	2.0	4.4	3.5	3.2
Montenegro	3.5	1.8	3.4	2.9	4.7	4.2	2.7	2.9
Slovenia	-1.1	3.0	2.3	3.1	4.9	4.5	3.5	3.0
EMU	-0.2	1.4	2.1	1.9	2.4	1.9	1.6	1.5

Sources: National Statistical Offices, Central banks, IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Economic data

Average inflation rate, %



KEY FINDINGS:

There seems to be a favourable inflation development in all countries. Minor pressures noted in **Serbia**, yet with no material impact on the local currency.

CPI continues to be driven by exogenous factors, nonetheless robust domestic demand is expected to lift inflation over the medium term.

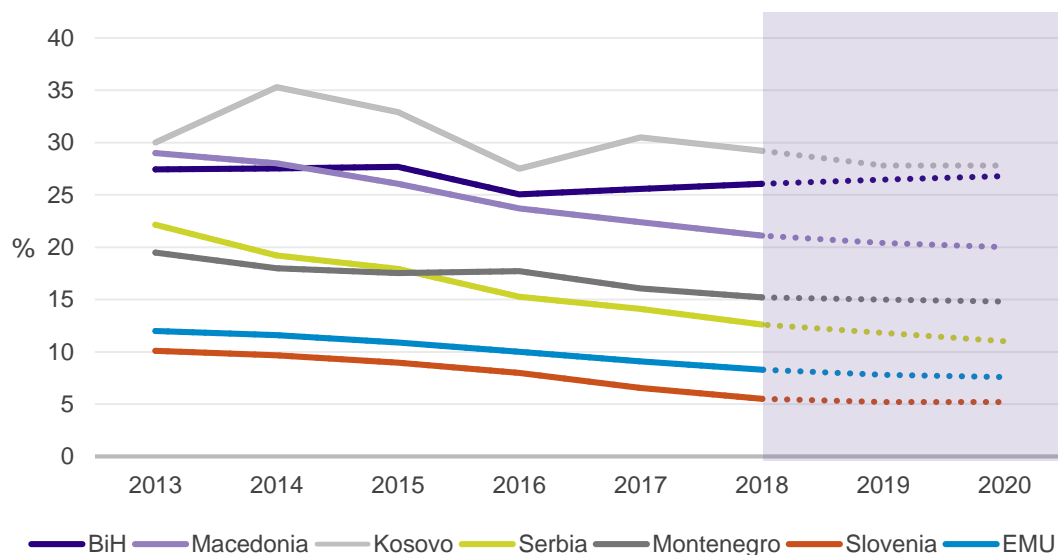
The inflation rates are projected to remain stable close to 2.0 %.

Average inflation rate, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-0.1	-0.9	-1.0	-1.1	1.2	1.3	1.6	1.8
Macedonia	2.8	-0.3	-0.3	-0.2	1.4	1.6	2.0	2.1
Kosovo	1.8	0.4	-0.5	0.3	1.8	0.9	1.6	1.8
Serbia	7.7	2.1	1.4	1.1	3.1	2.0	2.6	2.8
Montenegro	2.2	-0.7	1.5	-0.3	2.4	2.9	2.3	2.0
Slovenia	1.8	0.2	-0.5	-0.1	1.4	1.9	1.9	2.1
EMU	1.3	0.4	0.0	0.2	1.5	1.8	1.6	1.6

Sources: National Statistical Offices, Central banks, IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Economic data

Unemployment rate, %



KEY FINDINGS:

Despite strong growth, unemployment is projected to stay at relatively high levels across the whole region.

The biggest improvement recorded by **Serbia**, followed by **Macedonia**, **Slovenia** and **Montenegro**, while in **BiH** a slight increase in unemployment is foreseen.

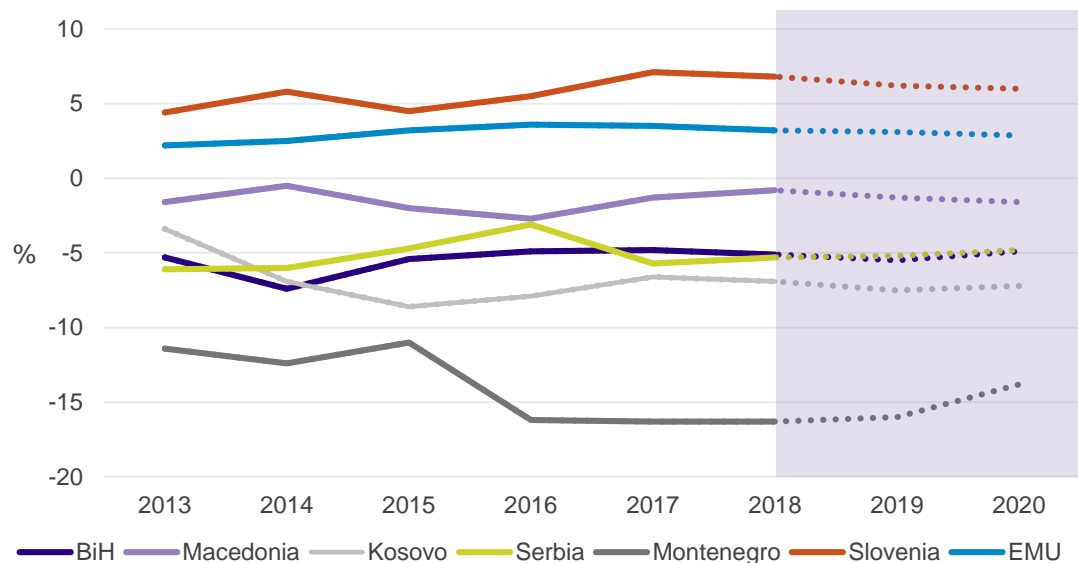
Official unemployment rates seems to be affected by various factors such as shrinking labour force on one side and permanent unemployment on the other.

Unemployment rate, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	27.5	27.5	27.7	25.1	25.6	26.1	26.5	26.8
Macedonia	29.0	28.0	26.1	23.7	22.4	21.1	20.4	20.0
Kosovo	30.0	35.3	32.9	27.5	30.5	29.2	27.8	27.8
Serbia	22.2	19.2	17.9	15.3	14.1	12.6	11.8	11.0
Montenegro	19.5	18.0	17.5	17.7	16.1	15.2	15.0	14.8
Slovenia	10.1	9.7	9.0	8.0	6.6	5.5	5.2	5.2
EMU	12.0	11.6	10.9	10.0	9.1	8.3	7.8	7.6

Sources: National Statistical Offices, Central banks, IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

Huge difference between countries due to various reasons. CA deficit being covered either by capital inflows or remittances.

Montenegro continues to underperform heavily in the region.

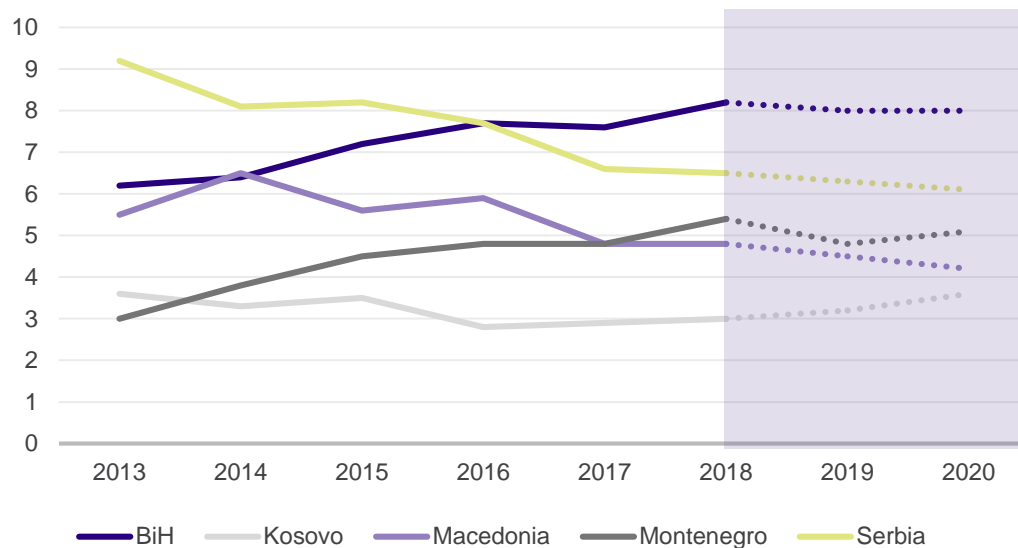
In general, no reduction of current account deficits can be expected in the near future.

Current Account, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-5.3	-7.4	-5.4	-4.9	-4.8	-5.1	-5.5	-4.9
Macedonia	-1.6	-0.5	-2.0	-2.7	-1.3	-0.8	-1.3	-1.6
Kosovo	-3.4	-6.9	-8.6	-7.9	-6.6	-6.9	-7.5	-7.2
Serbia	-6.1	-6.0	-4.7	-3.1	-5.7	-5.3	-5.2	-4.8
Montenegro	-11.4	-12.4	-11.0	-16.2	-16.3	-16.3	-16.0	-13.8
Slovenia	4.4	5.8	4.5	5.5	7.1	6.8	6.2	6.0
EMU	2.2	2.5	3.2	3.6	3.5	3.2	3.1	2.9

Sources: National Statistical Offices, Central banks, IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Economic data

Int. reserves, import coverage in months



KEY FINDINGS:

Int. reserves expressed as import coverage in months remain stable and seem sufficient.

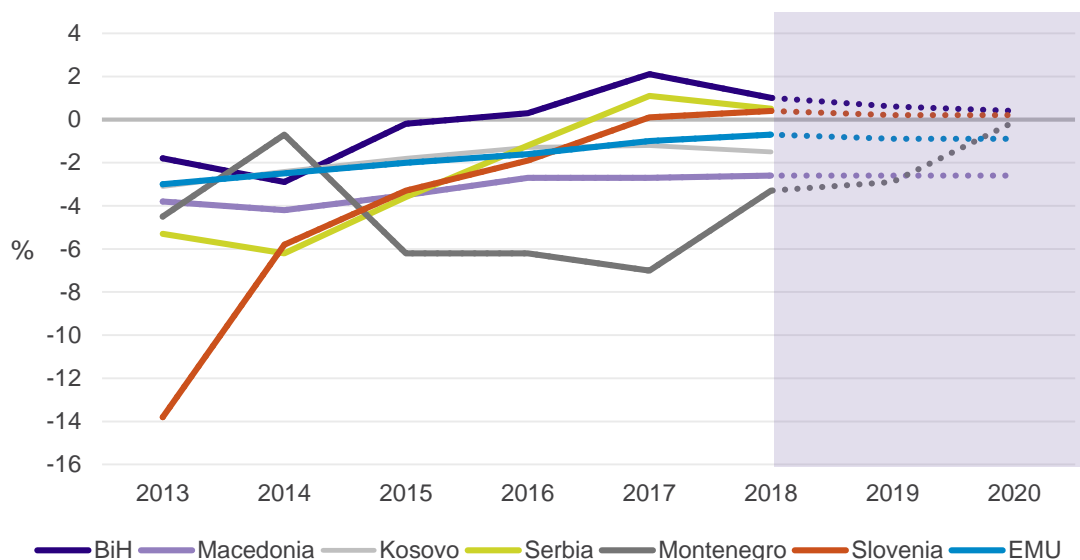
Favourable trendline adds to the stability of foreign exchange rate in **Serbia, Macedonia** and **BiH**. Unless major geopolitical tensions realize, stable currency regimes remain the baseline scenario.

Int. Reserves (months of imports)	2013	2014	2015	2016	2017	2018	2019	2020
BiH	6.2	6.4	7.2	7.7	7.6	8.2	8	8
Macedonia	5.5	6.5	5.6	5.9	4.8	4.8	4.5	4.2
Kosovo	3.6	3.3	3.5	2.8	2.9	3	3.2	3.6
Serbia	9.2	8.1	8.2	7.7	6.6	6.5	6.3	6.1
Montenegro	3	3.8	4.5	4.8	4.8	5.4	4.8	5.1

Source: FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

A slight deterioration in the fiscal performance throughout the region expected for 2019-20.

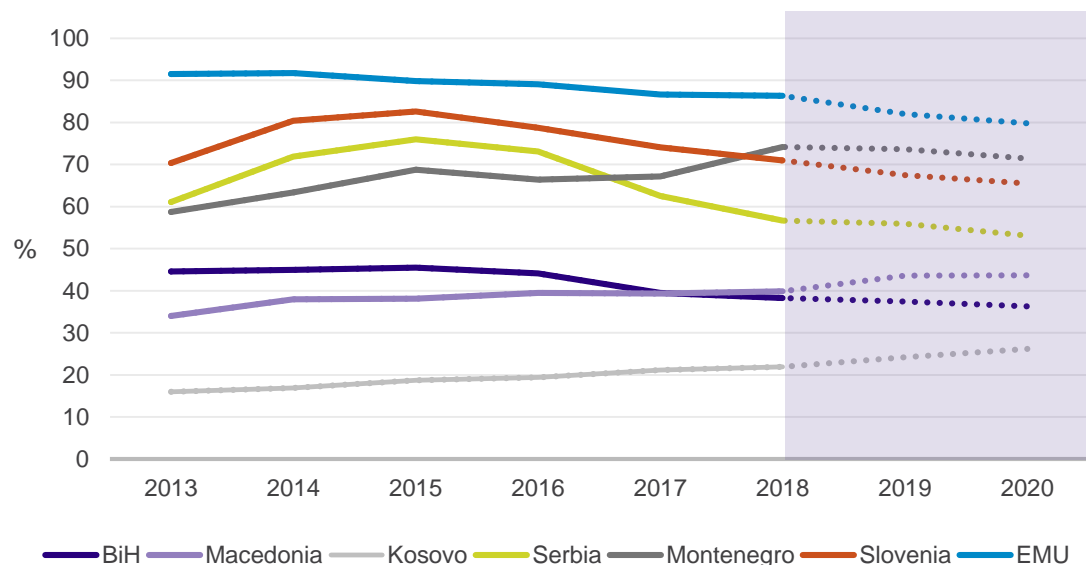
BiH and **Slovenia** are expected to keep balanced public finances, while budget deficit will stay at relatively high levels in **Macedonia, Kosovo** and **Montenegro**.

Fiscal balance, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-1.8	-2.9	-0.2	0.3	2.1	1.0	0.6	0.4
Macedonia	-3.8	-4.2	-3.5	-2.7	-2.7	-2.6	-2.6	-2.6
Kosovo	-3.1	-2.4	-1.8	-1.3	-1.2	-1.5	-2.3	-2.3
Serbia	-5.3	-6.2	-3.6	-1.2	1.1	0.5	-0.3	-0.7
Montenegro	-4.5	-0.7	-6.2	-6.2	-7.0	-3.3	-2.9	-0.1
Slovenia	-13.8	-5.8	-3.3	-1.9	0.1	0.4	0.2	0.2
EMU	-3.0	-2.5	-2.0	-1.6	-1.0	-0.7	-0.9	-0.9

Sources: IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Fiscal data

Public Debt, % GDP



KEY FINDINGS:

Public debt varies intensively between the countries.

Slow convergence of public indebtedness is projected. Reduction of public debt is expected in **BiH, Serbia, Montenegro** and **Slovenia**, while an increase is forecasted for **Macedonia** and **Kosovo**.

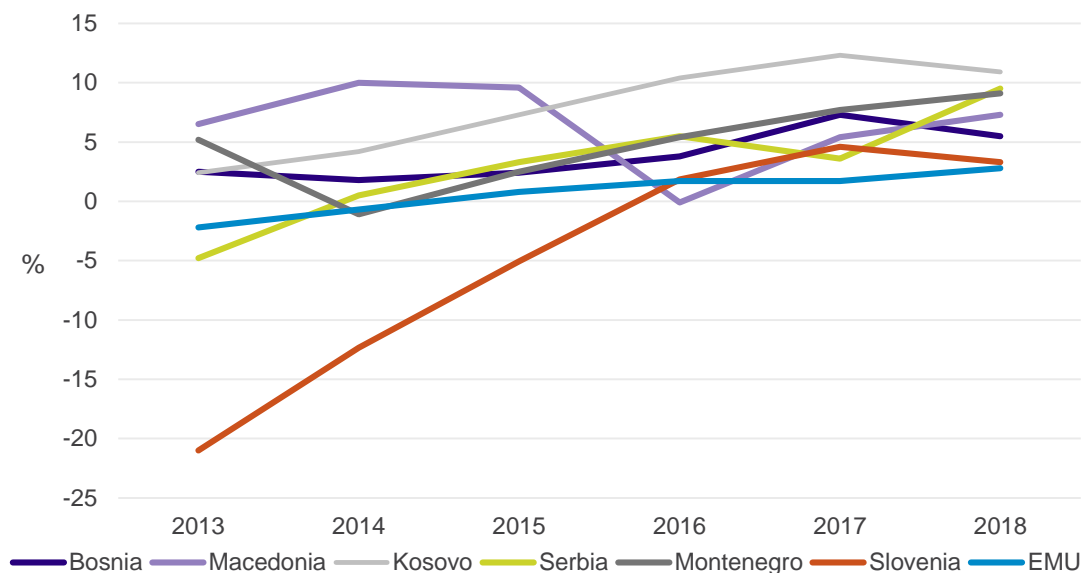
All the countries in the region are below the EMU level.

Public debt, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	44.6	45.0	45.5	44.1	39.5	38.3	37.4	36.3
Macedonia	34.0	38.0	38.1	39.5	39.3	39.9	43.6	43.7
Kosovo	16.0	16.9	18.7	19.4	21.2	21.9	24.2	26.2
Serbia	61.1	71.9	76.0	73.1	62.5	56.7	55.9	53.1
Montenegro	58.7	63.4	68.8	66.4	67.2	74.2	73.6	71.4
Slovenia	70.4	80.3	82.6	78.6	73.6	71.0	67.5	65.5
EMU	91.5	91.7	89.8	89.1	86.8	86.3	82.0	79.8

Sources: IMF, Eurostat, FocusEconomics
 Note: Estimates for 2018, Consensus Forecasts for 2019 and 2020

Macro Overview – Monetary data

Loans growth (NFC + Households), %



KEY FINDINGS:

Encouraging levels of credit growth in both corporate and retail segment, much higher than in EMU.

Kosovo (10.9%), **Serbia** (9.5%) and **Montenegro** (9.1%) leading the loans growth in the region.

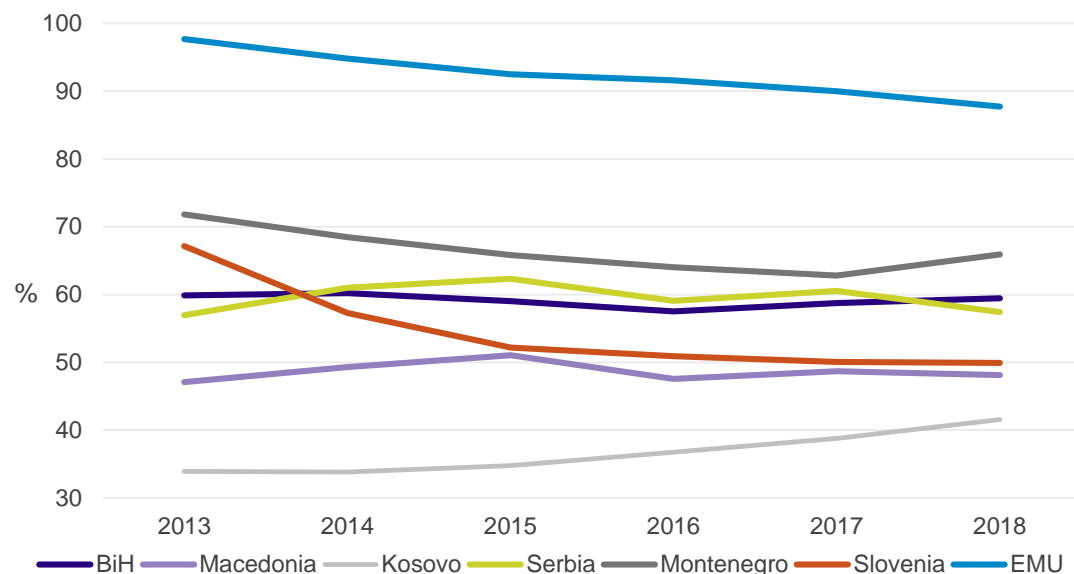
In **Serbia**, healthy loan dynamics driven by rising consumption, fixed investments and more proactive banking sector approach.

Loan growth (NFC + Households), %	2013	2014	2015	2016	2017	2018
BiH	2.5	1.8	2.4	3.8	7.3	5.5
Macedonia	6.5	10.0	9.5	0.2	5.3	7.3
Kosovo	2.4	4.2	7.3	10.4	11.4	10.9
Serbia	-4.8	0.5	3.3	5.5	3.6	9.5
Montenegro	5.2	-1.1	2.5	5.4	7.7	9.1
Slovenia	-21.0	-12.4	-5.1	1.8	4.6	3.3
EMU	-2.2	-0.7	0.8	1.7	1.7	2.8

Sources: National Central banks, ECB, Own calculations

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

Entire region below EMU average with an excellent growth potential.

Stable loan to GDP ratio in **BiH** and **Macedonia**.

In **Slovenia** and **Montenegro**, the share of loans in GDP exhibits negative trend, however stabilized last year.

In **Kosovo**, the share of loans in GDP is steadily increasing, but still the lowest among peers.

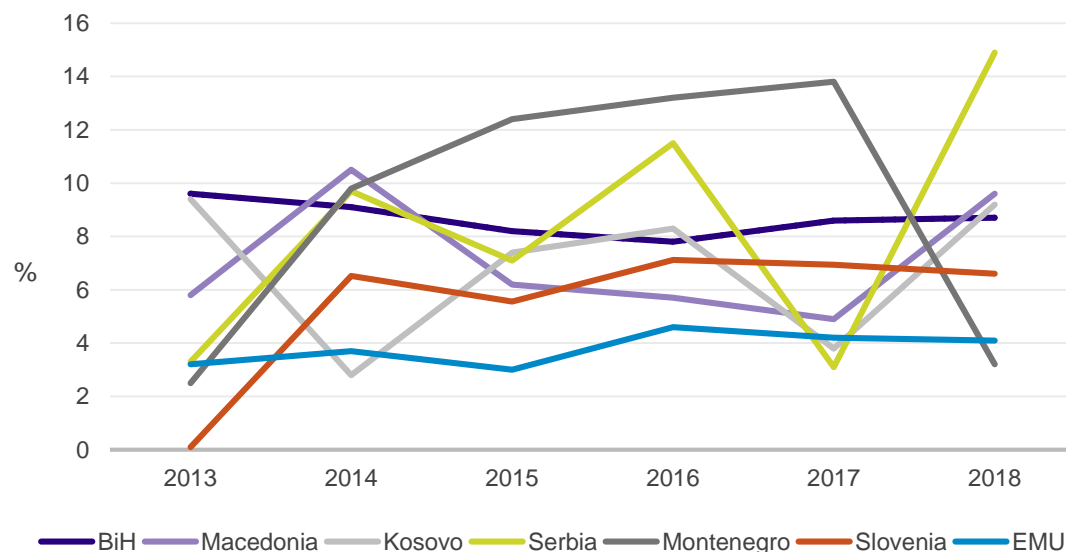
Total loans, % GDP	2013	2014	2015	2016	2017	2018
BiH	59.8	60.2	59.0	57.5	58.7	59.4
Macedonia	47.1	49.3	51.0	47.6	48.7	48.1
Kosovo	33.9	33.8	34.8	36.7	38.7	41.5
Serbia	57.0	61.0	62.3	59.1	60.5	57.4
Montenegro	71.8	68.5	65.8	64.0	62.8	65.9
Slovenia	67.2	57.3	52.2	50.9	50.1	49.9
EMU	97.7	94.8	92.5	91.6	90.0	87.7

Sources: National Central banks, ECB, Own calculations

Note: 2018 data for Q3; EMU Total loans to GDP includes only NFC + Households loans

Macro Overview – Monetary data

Deposits growth (NFC + Households), %



KEY FINDINGS:

There are substantial differences in deposit growth numbers.

Serbia (14.9%) leads the deposit growth in the region in 2018, followed by strong growth of other countries in the region.

Montenegro's growth moderated after high growth in the previous years.

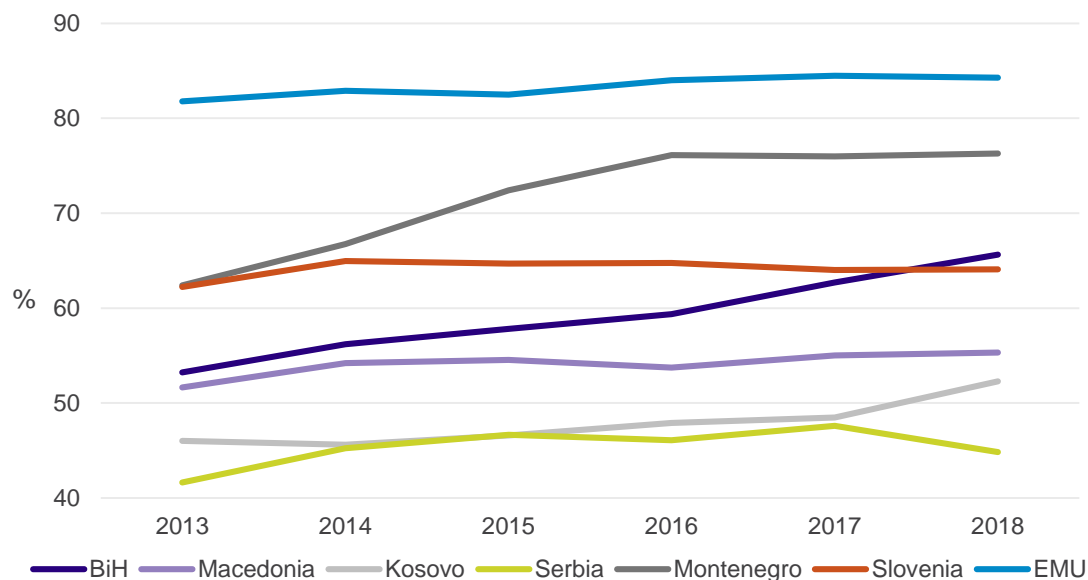
Underdeveloped capital markets participating importantly to deposit growth record.

Deposit growth (NFC + Households), %	2013	2014	2015	2016	2017	2018
BiH	9.6	9.1	8.2	7.8	8.6	8.7
Macedonia	5.8	10.5	6.2	5.7	4.9	9.6
Kosovo	9.4	2.8	7.4	8.3	3.8	9.2
Serbia	3.3	9.7	7.1	11.5	3.1	14.9
Montenegro	2.5	9.8	12.4	13.2	13.8	3.2
Slovenia	0.1	6.5	5.6	7.1	6.9	6.6
EMU	3.2	3.7	3.0	4.6	4.2	4.1

Sources: National Central banks, ECB, Own calculations

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

Stable deposits to GDP ratio in **Serbia**, **Macedonia** and **Slovenia**.

Growing trend in the rest of the region with the highest increase in **Kosovo**.

Across the whole region the share of deposits in GDP is lower than in EMU.

Total deposits, % GDP	2013	2014	2015	2016	2017	2018
BiH	53.2	56.2	57.8	59.4	62.7	65.6
Macedonia	51.6	54.2	54.6	53.7	55.0	55.3
Kosovo	46.0	45.6	46.6	47.9	48.5	52.3
Serbia	41.6	45.2	46.6	46.1	47.6	44.8
Montenegro	62.4	66.7	72.4	76.1	76.0	76.3
Slovenia	62.2	65.0	64.7	64.8	64.0	64.1
EMU	81.8	82.9	82.5	84.0	84.5	84.3

Sources: National Central banks, ECB, Own calculations

Note: 2018 data for Q3; EMU Total deposits to GDP includes only NFC + Households deposits



Appendix 3:

EC commitments

EC Commitments

Pursuant to **EC decision of 10 August 2018**, NLB and RoS must comply with certain commitments until specified deadlines.

Risk management and credit policies commitment (minimum specified RoE on either individual loan or each client relationship): currently ceased to apply due to divestment of more than 50% plus one share of the RoS shareholding in NLB, but could apply again from a specified date on and until RoS reduces its shareholding in NLB to the Blocking Minority.

NLB must also comply with the following:

- **issue Tier 2 instrument** by end of 2019, except in case of severe market disruptions (when approval of the Commission is needed for non-issuance of the instrument), to investors who are totally independent from RS;
- **close 15 outlets in Slovenia** by end of June 2019;
- EC decision also states that if RoS shareholding in NLB is not reduced to Blocking Minority until end of 2018, NLB has to **divest its insurance subsidiary NLB Vita** by a specified deadline.

Commitments valid until 31 December 2019:

- NLB will not acquire any stake in any undertaking (**acquisition ban**).
- RoS will:
 - allocate all of the seats and voting rights on the SB and its committees to independent experts;
 - ensure each state-owned bank remains a separate economic unit with independent powers of decision;
 - ensure non-discrimination of non-state-owned companies.

Commitments valid until RoS reduces its shareholding in NLB to Blocking Minority, except for Monitoring Trustee commitment which applies until end of 2019):

- **Reduction of Costs**: capped at EUR 297.7 million;
- **Divestment of Non-core Subsidiaries**: NLB will not re-enter business and activities which it had to divest;
- **Bans of Advertising and Aggressive commercial strategies**;
- **Capital Repayment Mechanism**: based on audited year-end accounts, NLB will pay to its shareholders for each fiscal year in form of dividend at least the amount of net income for such fiscal year, subject to regulations and capital requirement on the consolidated level;
- **Monitoring Trustee**;
- **Divestiture Trustee**.

Other commitments set out in 2013 EC decision (e.g. ban on cross-border business, reduction of balance sheet) no longer apply.



Appendix 4:

Financial statements

NLB Group Income statement

(EURm)	YE2017	YE2018	YoY	4Q2017	3Q2018	4Q2018	QoQ	YoY
Interest and similar income	363.7	358.9	-1%	92.8	91.6	92.1	1%	-1%
Interest and similar expense	-54.4	-45.9	16%	-12.2	-11.4	-11.1	3%	9%
Net interest income	309.3	312.9	1%	80.6	80.2	81.0	1%	1%
Fee and commission income	207.9	218.6	5%	54.0	56.0	56.5	1%	5%
Fee and commission expense	-52.5	-57.9	-10%	-13.8	-15.6	-15.9	-2%	-15%
Net fee and commission income	155.4	160.6	3%	40.2	40.4	40.7	1%	1%
Dividend income	0.2	0.1	-34%	0.0	0.0	0.0	-25%	-65%
Net trading income & gains less losses from inv. securities	26.7	14.7	-45%	4.2	5.0	3.1	-38%	-27%
Other operating income	-3.9	4.9	/	-2.6	0.3	-0.5	/	82%
Net Banking Income	487.7	493.3	1%	122.4	125.9	124.3	-1%	2%
Staff costs	-164.5	-165.1	0%	-43.9	-41.1	-43.2	-5%	2%
Administrative expenses	-92.4	-96.3	-4%	-26.0	-22.5	-28.4	-26%	-9%
Depreciation and amortization	-27.8	-27.2	2%	-7.0	-6.9	-6.7	2%	4%
Operating Cost	-284.7	-288.7	-1%	-76.9	-70.4	-78.3	-11%	-2%
Pre-Provision Income	203.0	204.6	1%	45.6	55.5	46.0	-17%	1%
Impairments and provisions for credit risk	43.5	30.2	-31%	6.6	7.6	7.0	-8%	7%
Other impairments and provisions	-13.9	-6.9	51%	-14.3	-3.0	-2.7	10%	81%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4.8	5.4	14%	1.0	1.6	1.3	-14%	28%
Profit before Tax	237.3	233.3	-2%	38.9	61.7	51.7	-16%	33%
Income tax expense	-4.0	-21.8	/	3.2	-6.0	-5.1	15%	/
Non Controlling Interests	8.2	7.9	-4%	1.0	2.2	1.2	-44%	27%
Net Profit / (Loss) Attributable to Shareholders	225.1	203.6	-10%	41.1	53.5	45.3	-15%	10%

NLB Group Balance Sheet

(EURm)	YE2017	YE2018	YoY
ASSETS			
Cash and balances with Central Banks	1,256.5	1,588.3	26.4%
Financial instruments	2,963.4	3,399.2	14.7%
<i>o/w Trading Book</i>	72.2	63.6	-11.9%
<i>o/w Non-trading Book</i>	2,891.2	3,335.6	15.4%
Loans and advances to banks (net)	510.1	118.7	-76.7%
<i>o/w gross loans</i>	510.7	118.8	-76.7%
<i>o/w provisions</i>	-0.6	-0.1	-78.1%
Loans and advances to customers	6,994.5	7,148.4	2.2%
<i>o/w gross loans</i>	7,641.2	7,627.5	-0.2%
- Corporates	3,705.0	3,540.4	-4.4%
- State	466.0	360.5	-22.6%
- Retail	3,470.2	3,726.5	7.4%
<i>o/w provisions</i>	-646.8	-479.0	-25.9%
Investments in associates and JV	43.8	37.1	-15.1%
Goodwill	3.5	3.5	0.0%
Other intangible assets	31.4	31.4	0.0%
Property, plant and equipment	188.4	177.4	-5.8%
Investment property	51.8	58.6	13.1%
Other assets	194.4	177.1	-8.9%
Total Assets	12,237.7	12,740.0	4.1%
LIABILITIES & EQUITY			
Deposits from banks	40.6	26.8	-34.1%
Deposits from customers	9,879.0	10,464.0	5.9%
- Corporates	2,260.1	2,337.3	3.4%
- State	256.0	261.1	2.0%
- Retail	7,362.9	7,865.6	6.8%
Borrowings	353.9	320.3	-9.5%
Debt securities in issue	-	-	-
Subordinated liabilities	27.4	15.1	-45.0%
Other liabilities	248.7	256.5	3.1%
Total Liabilities	10,549.6	11,082.6	5.1%
Shareholders' funds	1,653.6	1,616.2	-2.3%
Non Controlling Interests	34.6	41.2	19.1%
Total Equity	1,688.2	1,657.4	-1.8%
Total Liabilities & Equity	12,237.7	12,740.0	4.1%