



NLB Group Presentation

1Q 2019 Results



NLB Group

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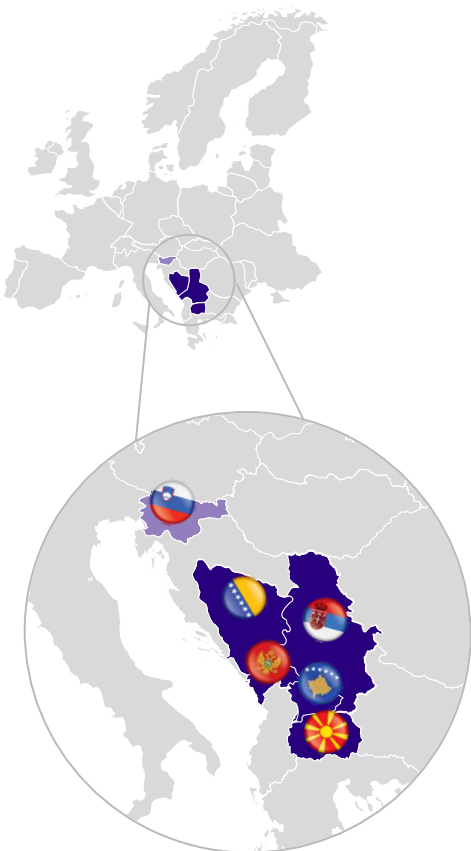
Key performance indicators of NLB Group









	Medium-term targets set in 2018 ⁽¹⁾			
	YE 17	YE 18	Q1 19	Medium term
Net interest margin ⁽²⁾	2.57%	2.56%	2.56%	>2.7%
Loans to deposits ratio	70.8%	68.3%	68.0%	<95%
Total capital ratio	15.9%	16.7%	16.6%	~16.25%
Cost-income ratio	58.4%	58.5%	51.6%	~50%
Cost of risk ⁽³⁾	-62 bps	-43 bps	-23 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	14.4%	11.8%	14.0%	~12.0%
Dividend payout	84% ⁽⁵⁾	70% ⁽⁸⁾	/	~70% ⁽⁷⁾
NPE ratio ⁽⁴⁾	6.7%	4.7%	4.3%	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; interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period). (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) The Management Board and Supervisory Board will propose to the shareholders that 70% of the NLB Group profit will be paid-out as dividend.

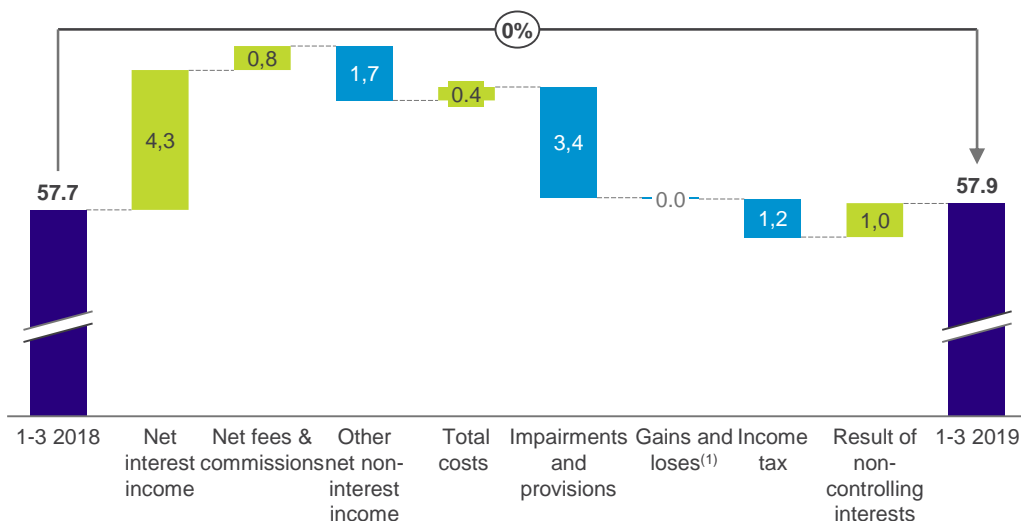
NLB Group – performance indicators across SEE countries



Slovenia	North 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*
42.2	7.5	5.9	2.7	4.8	-0.5 ⁽⁸⁾	1.1	
1.92%	3.84%	2.67%	3.02%	4.43%	4.22%	4.21%	2.56%
51.7%	42.2%	42.7%	52.5%	34.4%	51.4%	75.8%	51.6%
62.8%	80.6%	63.8%	77.9%	81.4%	83.2%	94.2%	68.0%
5.5%	5.2%	2.6%	5.5%	2.3%	4.9%	2.4%	6.3%
12.8%	14.8%	25.9%	13.5%	25.8%	-2.8%	6.2%	14.0%
9,088	1,336	753	601	691	494	499	13,066
/	86.97%	99.85%	97.34%	81.21%	99.83%	99.99% ⁽⁷⁾	/
94	53	55	38	35	18	28	321
23.0%	16.3% ⁽⁵⁾	18.3% ^(3,5)	5.2% ^(4,5)	17.1%	11.4% ⁽⁶⁾	1.6% ⁽⁵⁾	/

Income Statement

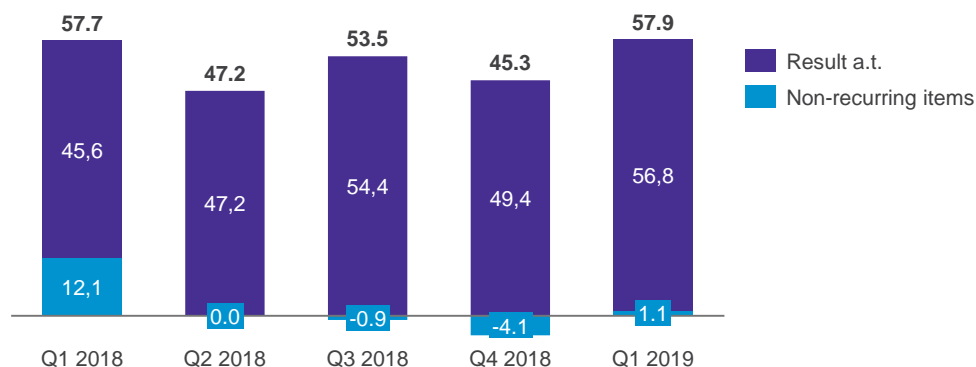
Result after tax of NLB Group – evolution YoY (EURm)



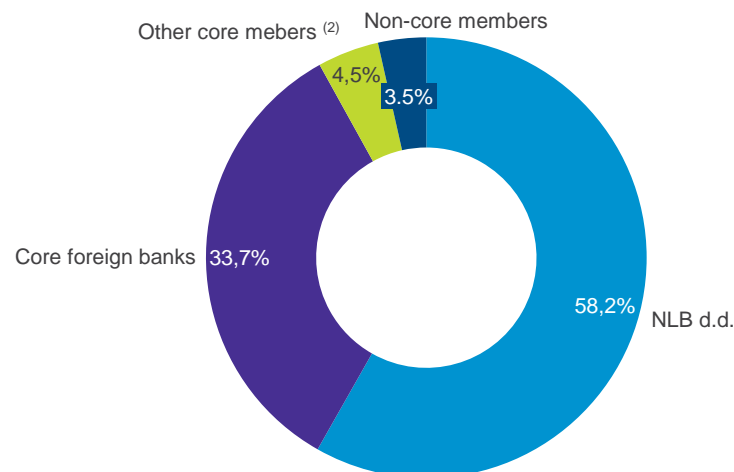
In Q1 2019, NLB Group generated **EUR 57.9 million of profit after tax**:

- Higher net interest income, mainly due to loan volume growth and lower interest expenses;
- Higher net fee and commission income, mostly as a result of package offer for individuals;
- Lower costs, mostly due to moderate decrease of discretionary spending in 2019;
- EUR 0.6 million of net provisions and impairments were established in Q1 2019, while in Q1 2018 EUR 2.8 million of net impairments and provisions were released.

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



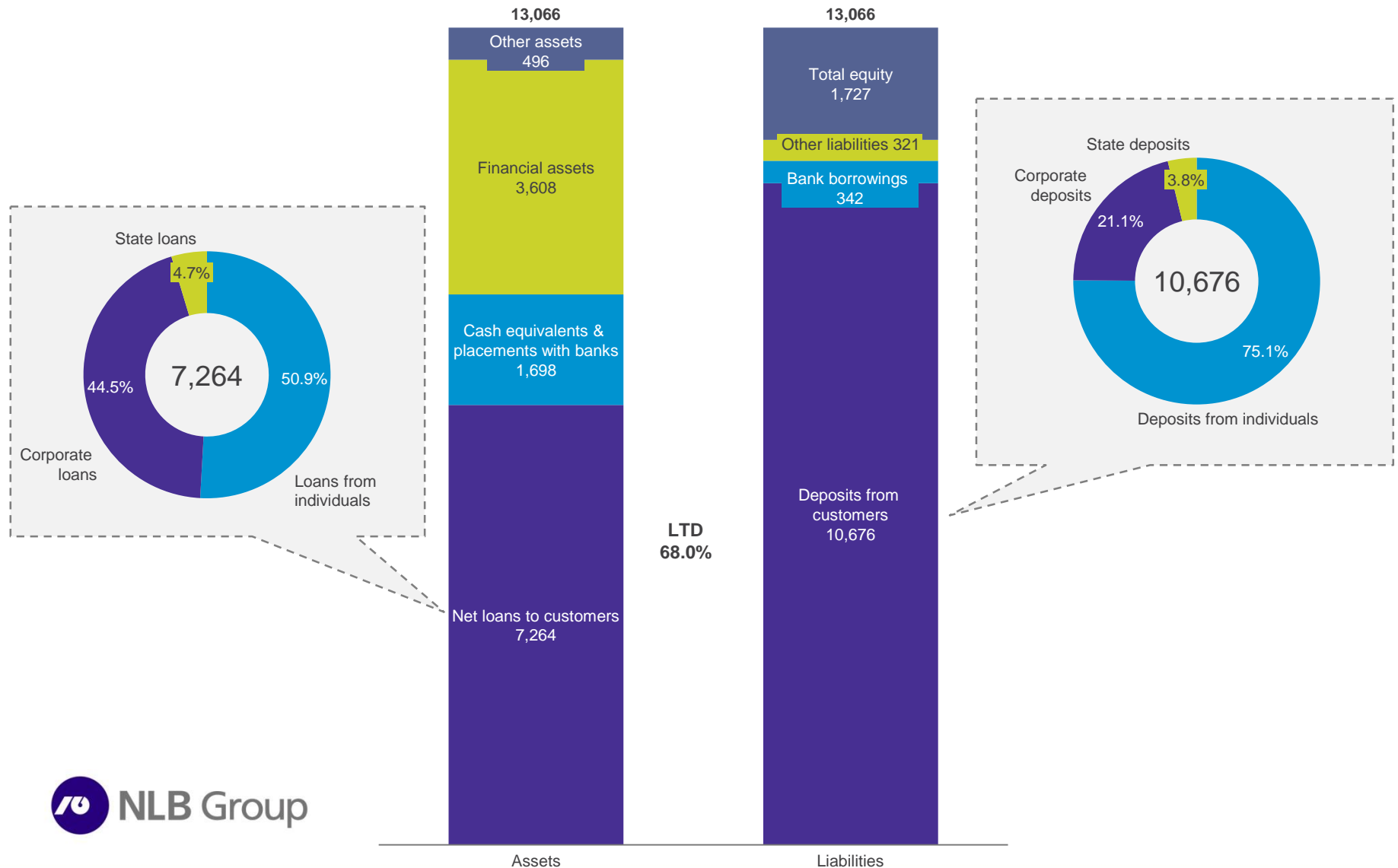
Contribution to the NLB Group consolidated result a.t.



Balance sheet structure – NLB Group

Simple client business driven balance sheet

(31 Mar 2019, in EUR million)



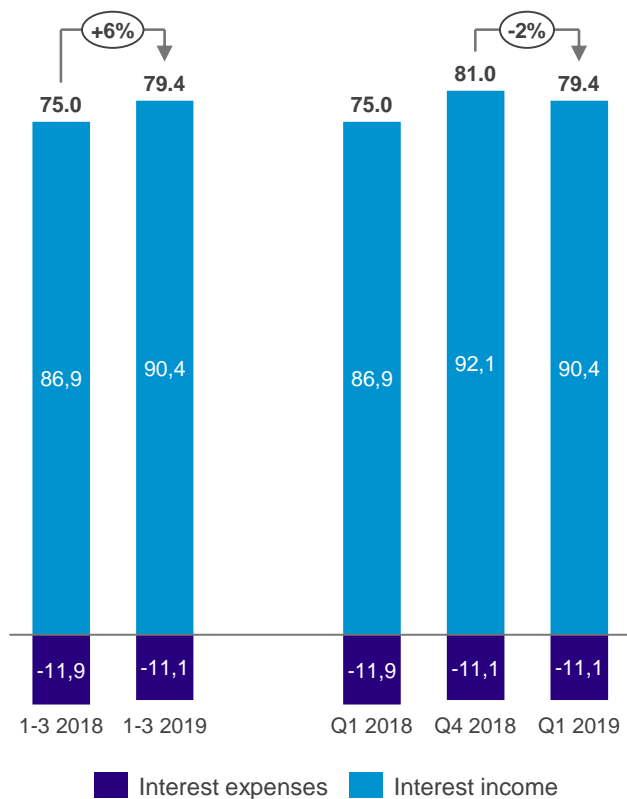


Business Performance

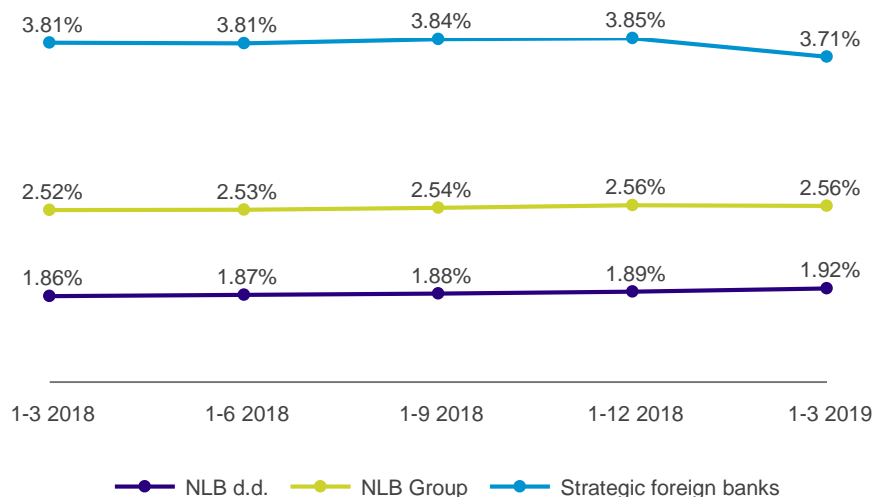
Net interest income & net interest margin

Net interest income increased YoY but remains under pressure

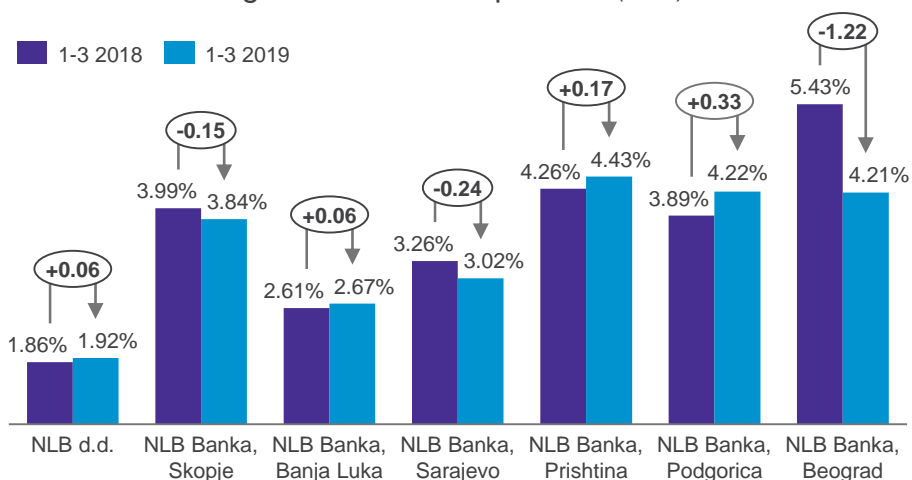
Solid interest income growth YoY



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



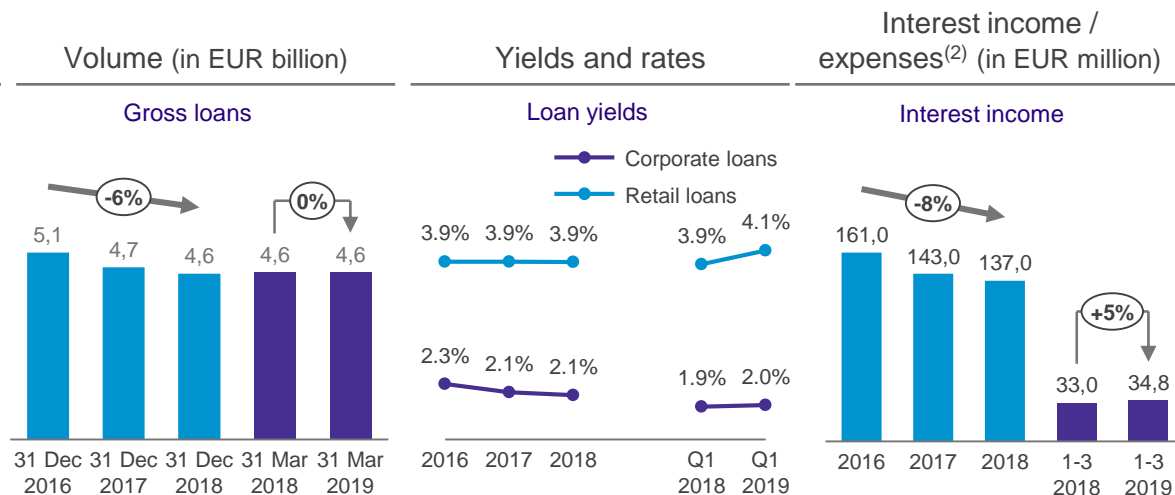
Net interest margin⁽¹⁾ in NLB Group banks (in %)



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

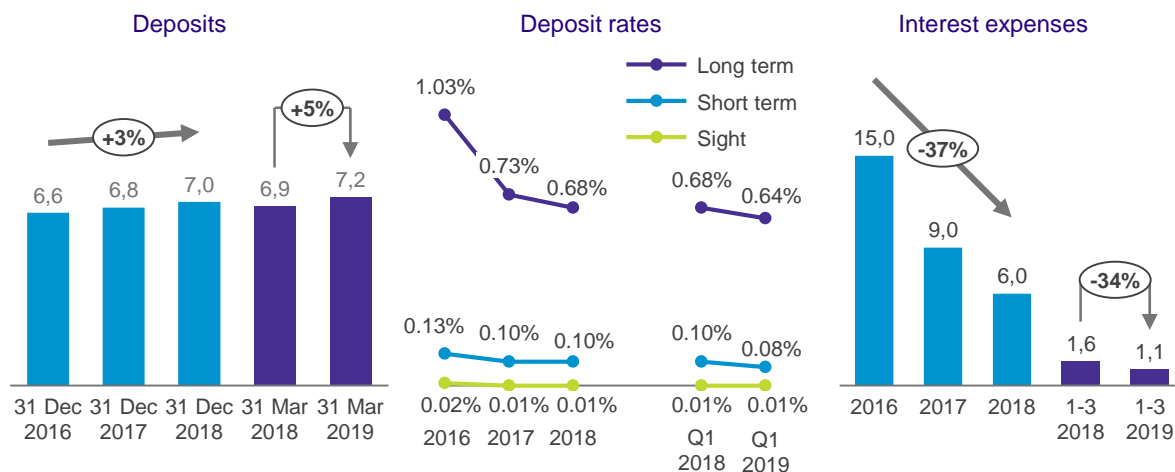
Interest income

- Increasing retail loan balances
- Decrease in interest income in the last 3 full years as a result of a 6% pa decline in gross loans on average
- Increase in interest income YoY due to increase of loan yields and volume of retail loan book



Interest expenses

- Inflow of deposits despite negative interest rate environment
- Decrease of interest expenses despite increase in volume, due to lower interest rates
- Deposit structure shift towards cheaper sight deposits

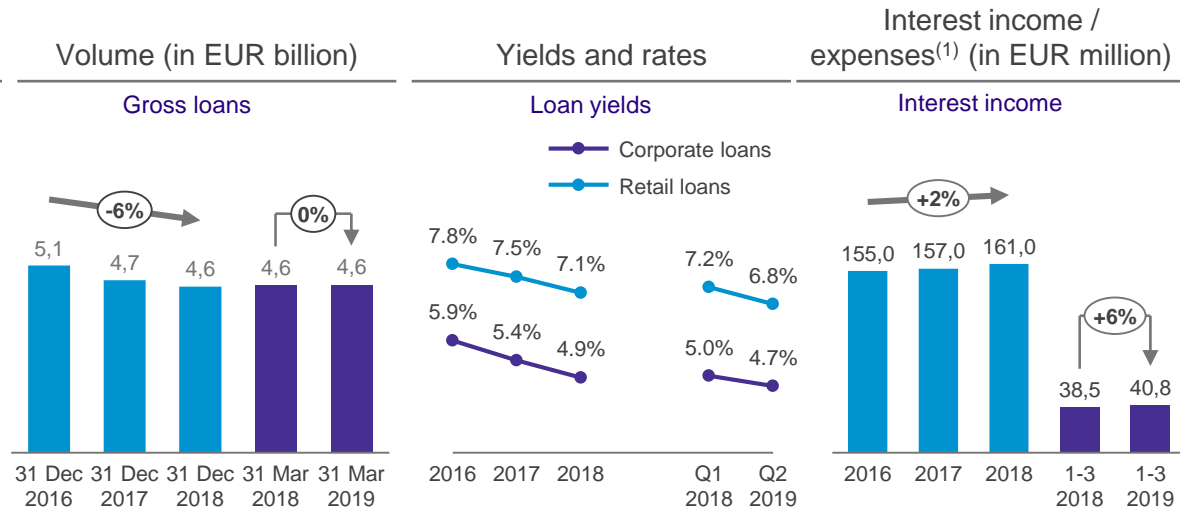


	2016	2017	2018	1-3 2018	1-3 2019
Net interest income ⁽³⁾	175	159	158	40	38
NIM ⁽⁴⁾	2.0%	1.9%	1.9%	1.9%	1.9%

Net interest income drivers – Strategic foreign markets

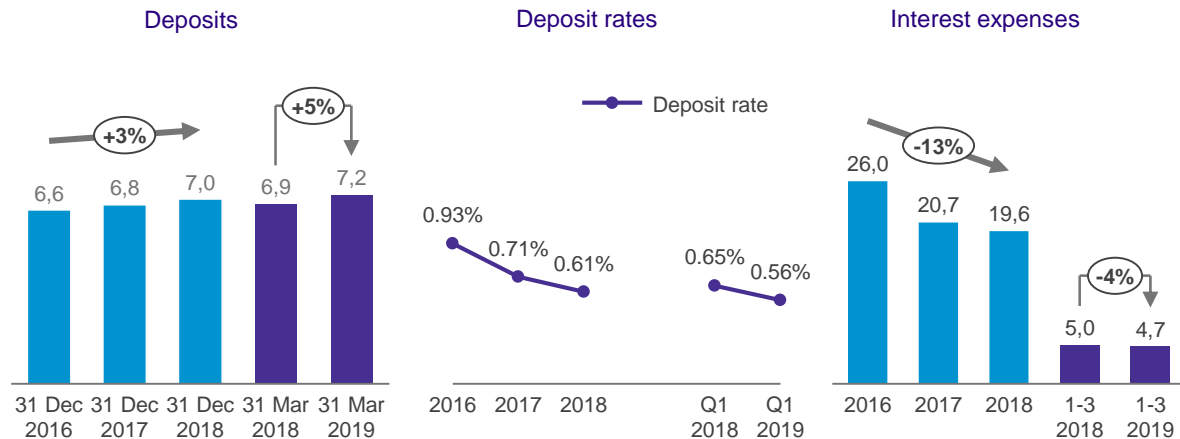
Interest income

- Volumes growing at 10% pa on average in last 3 full years, 12% YoY
- Expected macro-economic growth to provide further upside
- Increasing interest income despite decreasing loan yields



Interest expenses

- Stable deposits inflow at 10% pa in last 3 full years, 12% YoY
- Decrease in interest expenses due to decrease of deposit rates

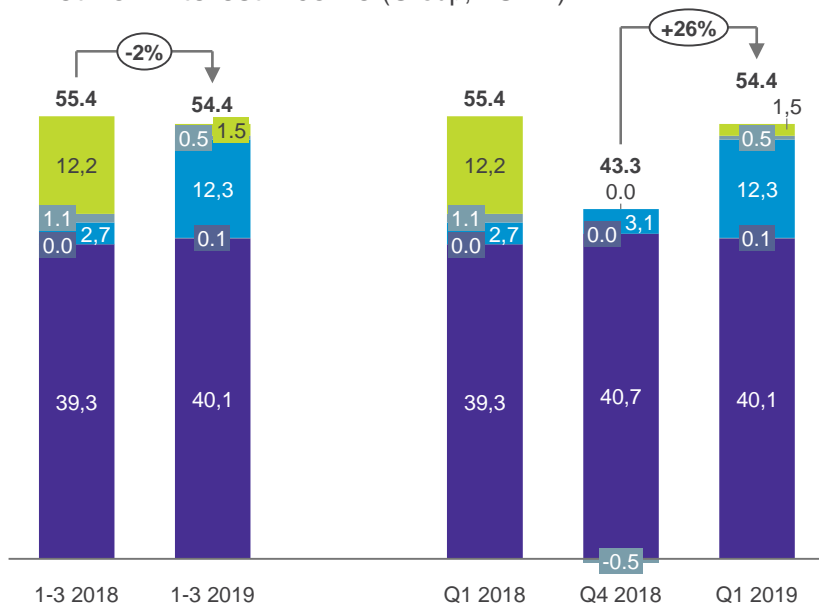


	2016	2017	2018	1-3 2018	1-3 2019
Net interest income ⁽²⁾	137	145	151	36	39
NIM ⁽³⁾	4.0%	4.0%	3.8%	3.8%	3.7%

Net non-interest income – NLB Group

Good performance in Fee and Commissions

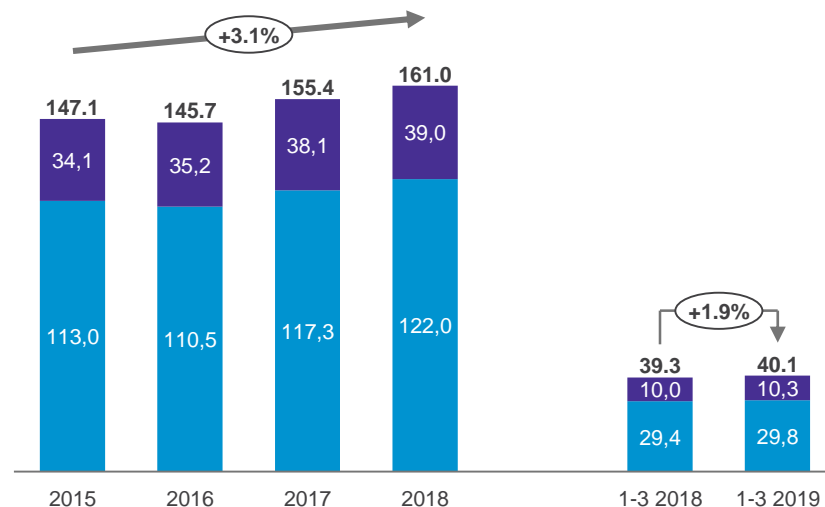
Net non-interest income (Group, EURm)



- Net fee and commission income
- Dividend income
- Regular net income from financial transactions
- Regular net other income
- Non-recurring items

in EUR million	1-3 2019	1-3 2018	Change YoY	
Regular net other income	0.5	1.1	-0.6	-58%
DGS	-2.2	-2.0	-0.2	-12%
SRF	0.0	0.0	0.0	-
BGR	0.0	0.0	0.0	39%
External realisation NLB (IT, vault)	1.0	1.1	-0.1	-10%
Rents	1.5	2.0	-0.5	-25%
Valuation of investment property	0.0	-0.1	0.1	116%
Other	0.2	0.1	0.1	83%

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



- Payments, account fees, cards and POS fees
- Other⁽¹⁾

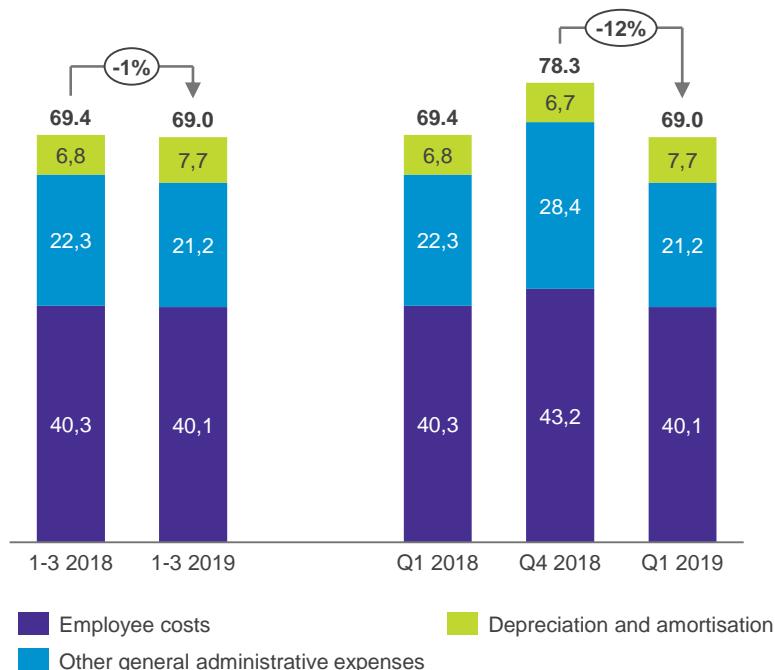
Net non-interest income decreased slightly YoY due to **lower non-recurring income**, which was almost off-set by substantial increase in **net income from financial transaction**, mostly due to partial repayment of larger exposure measured at fair value through profit and loss (EUR 5.1 million) and sale of debt securities held by the Bank (EUR 2.6 million). The 2% increase in fee and commission income is mainly related to the new package offer for individuals that **simplified** the use of banking services.

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

Costs – NLB Group

Cost lower by 1% YoY

Operating expenses (Group, EURm)



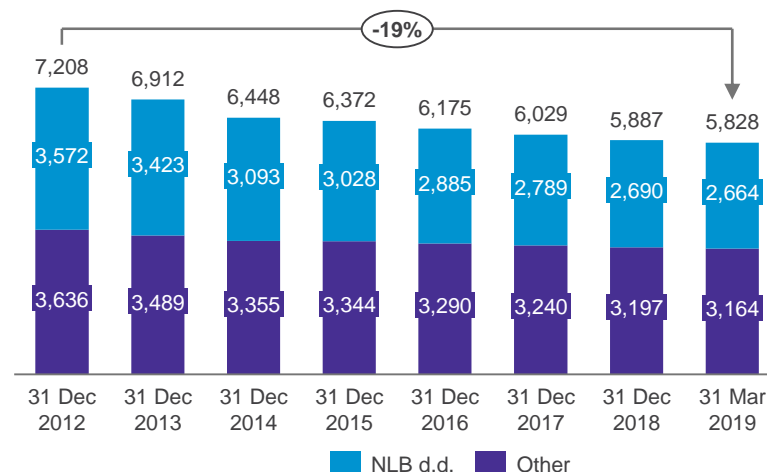
- EUR 0.4 million decrease in total costs due to moderate decrease of discretionary spending in 2019.
- CIR and CIR normalised⁽¹⁾ stood at 51.6% or 51.8% respectively.
- Headcount dropped by 19% over 2012-31 March 2019 driven primarily by Slovenia core & non-core members.
- Ongoing closures of unprofitable branches.



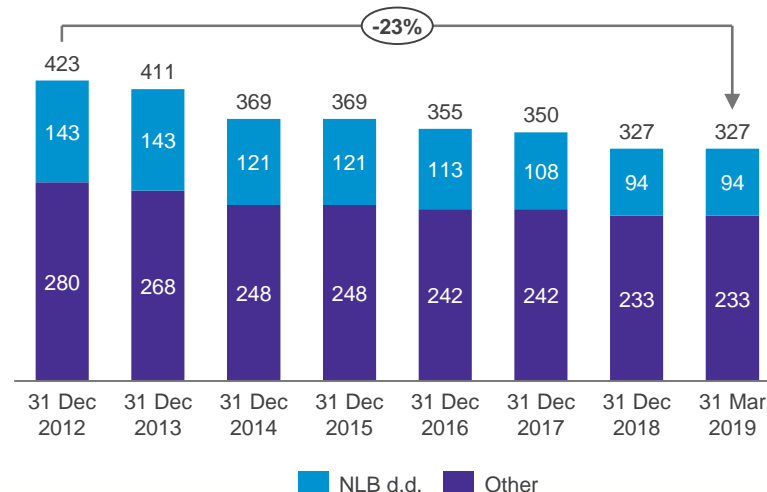
Note: (1) Non-recurring items are excluded.

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

of employees



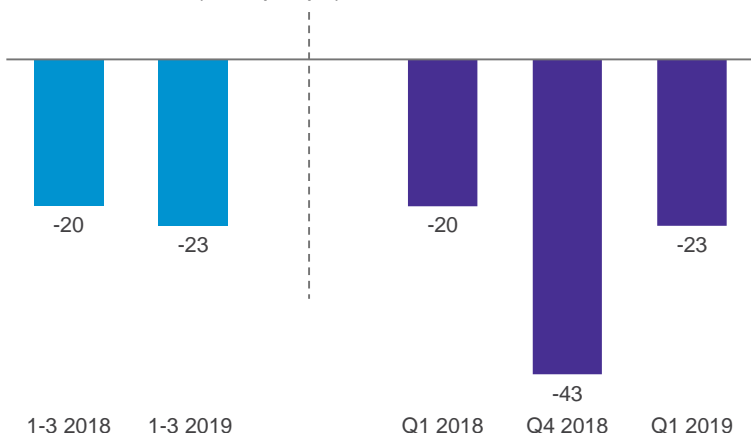
of branches



Impairments and provisions for credit risk & cost of risk

Cost of risk remained negative

Cost of risk (Group, bps)

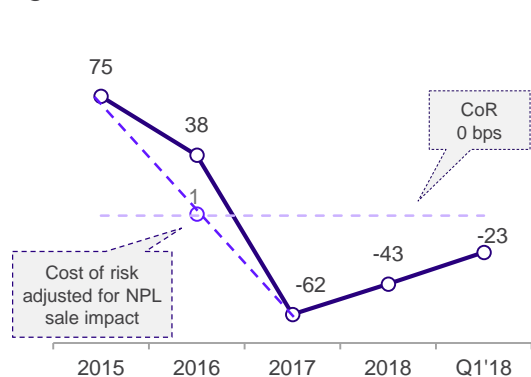


In Q1 2019, the Group established EUR 0.6 million of **net impairments and provisions** while in Q1 2018 EUR 2.8 million net impairments and provisions were released.

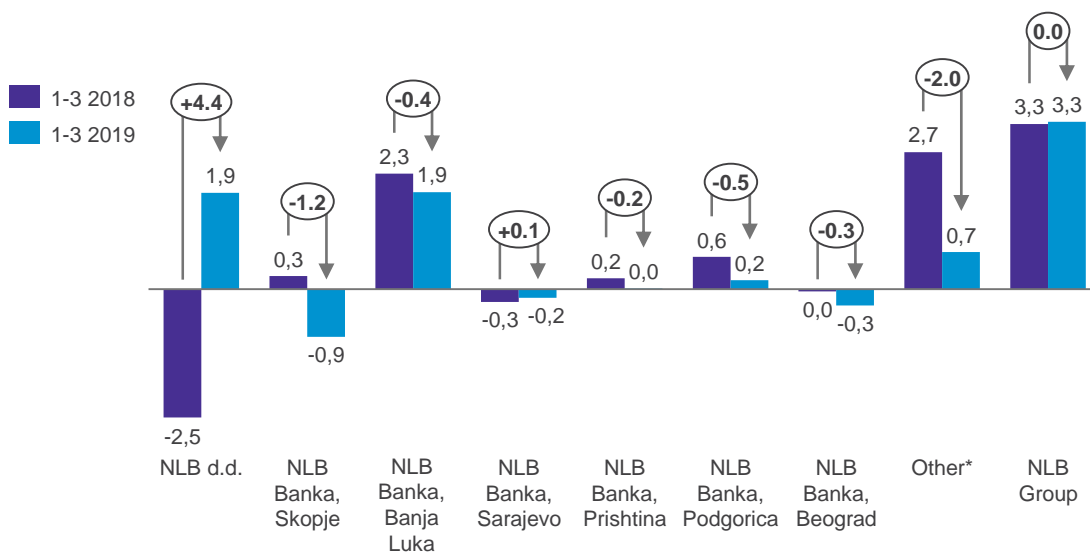
Impairments and provisions for credit risk were net released in the amount of EUR 3.3 million, mainly as a result of a successful restructuring of several larger exposures and the recovery of NPLs, hence the cost of risk in Q1 2019 was negative.

Other impairments and provisions were established in the net amount of EUR 3.9 million.

Negative cost of risk (Group, bps)⁽³⁾



Impairments and provisions for credit risk – contribution (EURm)



*Other includes: NLB Srbija, NLB Crna gora, Leasing companies, LHB Frankfurt and NLB InterFinanz

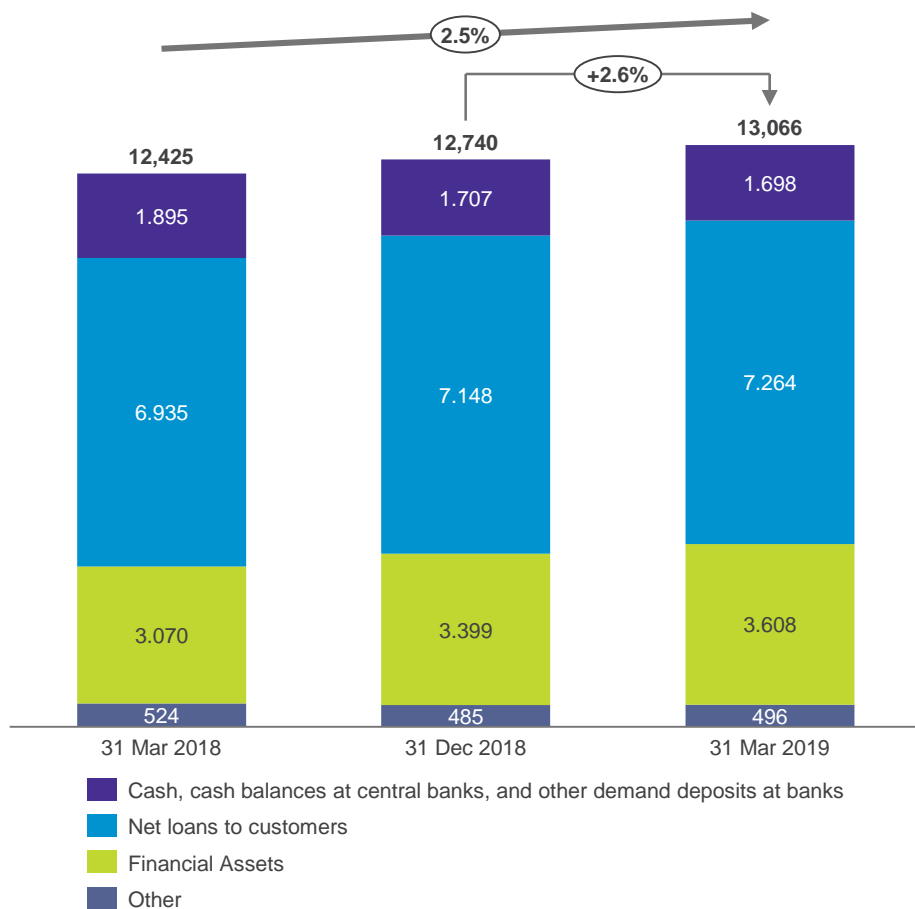


Assets and Liabilities

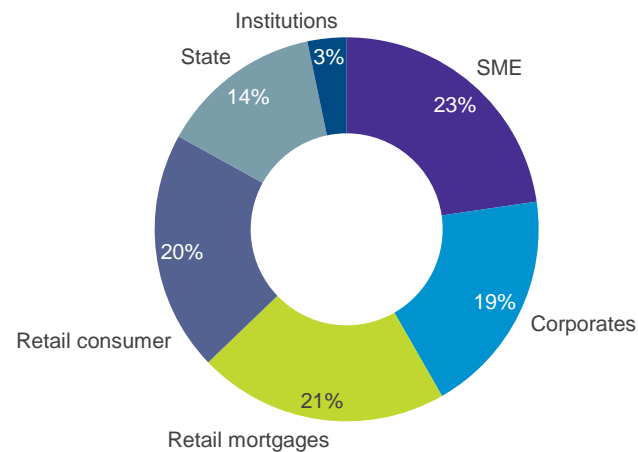
NLB Group Assets

Well diversified loan book, strong liquidity position

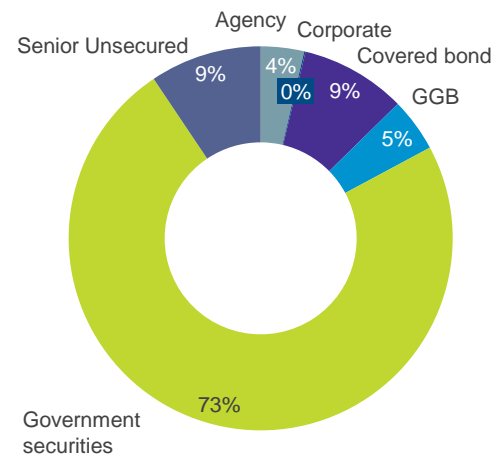
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment (31 Mar 2019)



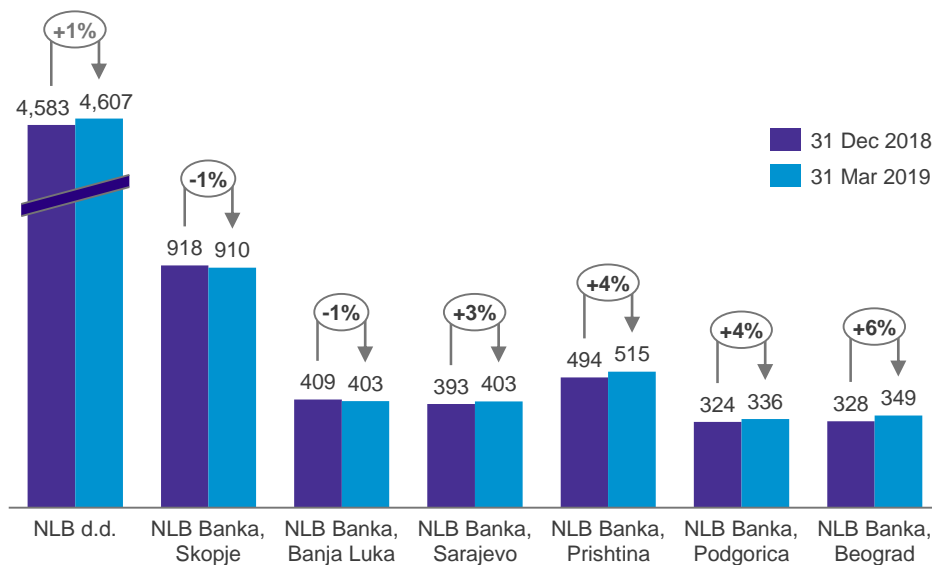
Banking book portfolio by asset class (Group, 31 Mar 2019, EURm)



NLB Group Assets – Loan portfolio

Balanced loan portfolio with loan growth in most of banks

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



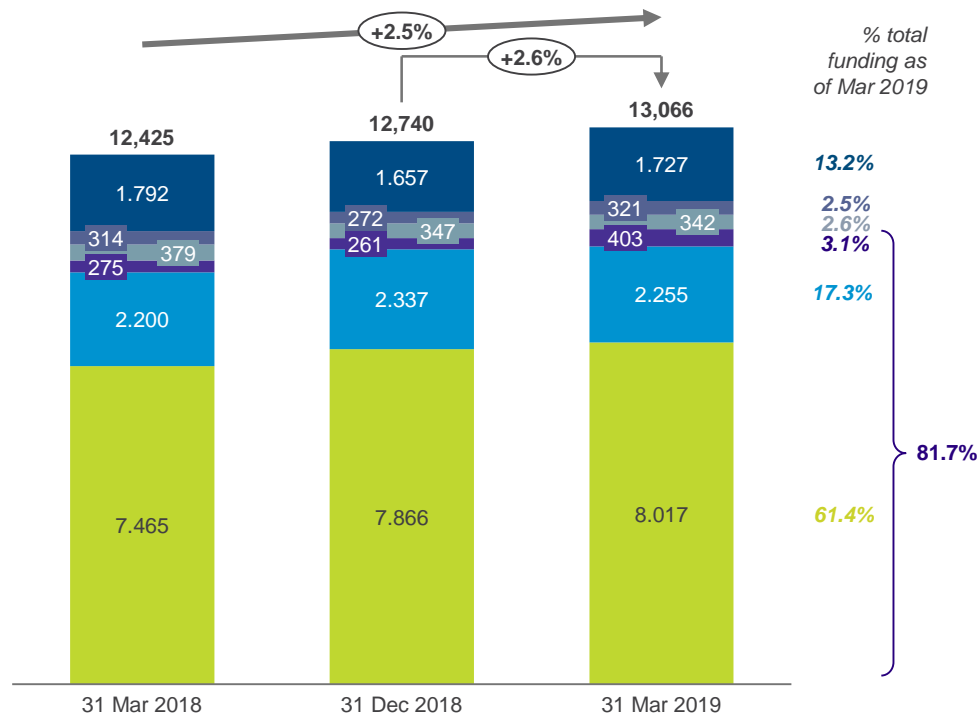
Gross loan growth in most subsidiaries banks, especially in NLB Banka Prishtina, NLB Banka Beograd and NLB Banka Podgorica.

Gross loans to individuals in subsidiary banks grew by 2.3% and to corporate by 1.6%.

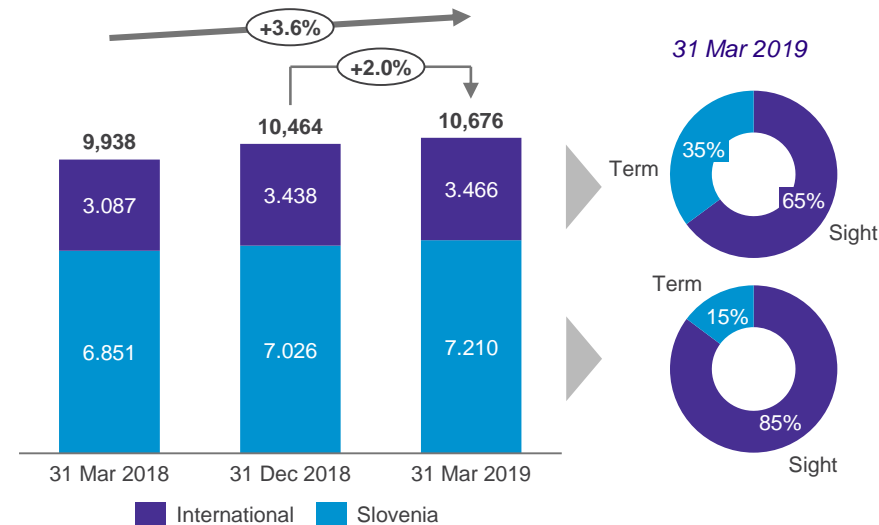
NLB Group Liabilities and Equity

Funding structure driven by stable and price insensitive deposit base

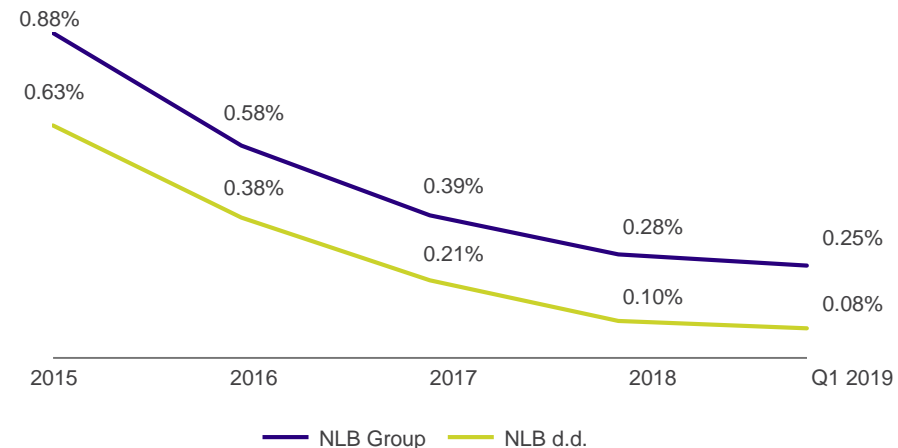
Deposits accounting for 82% of funding (Group, EURm)



Deposit split (Group, EURm)



Decreasing average cost of funding (%)

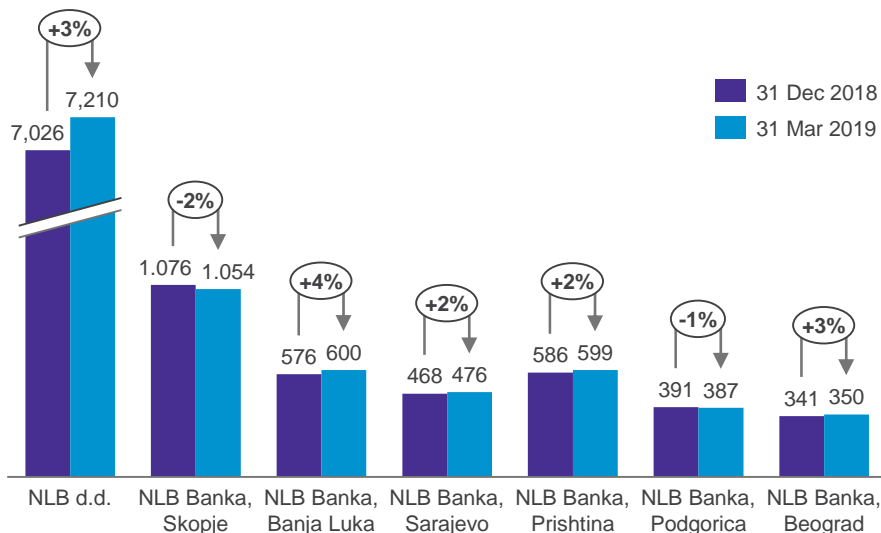


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing
- Decreasing cost of funding

NLB Group Liabilities

Deposit growth; interest rates decreasing

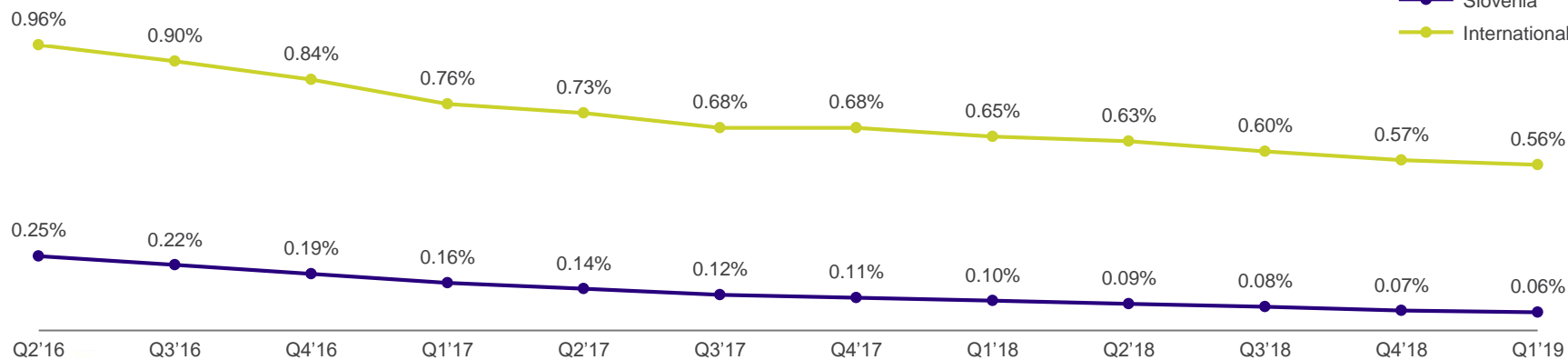
Deposits from customers by strategic member – contribution (EURm)



Deposit growth across most of the markets, despite low interest rate environment.

NLB d.d. charges 0.03% monthly **fee on deposits volume** (threshold from January 2019 at EUR 100k) to corporate deposits and account balances.

Decreasing deposit interest rates (%)*

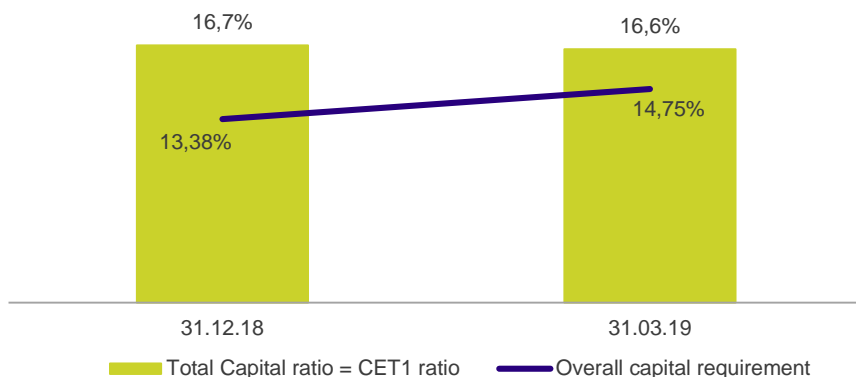


*Quarterly data for the stock of deposits from customers

Capital - NLB Group

CET 1 Capital slightly up YtD

NLB Group capital ratios (%)

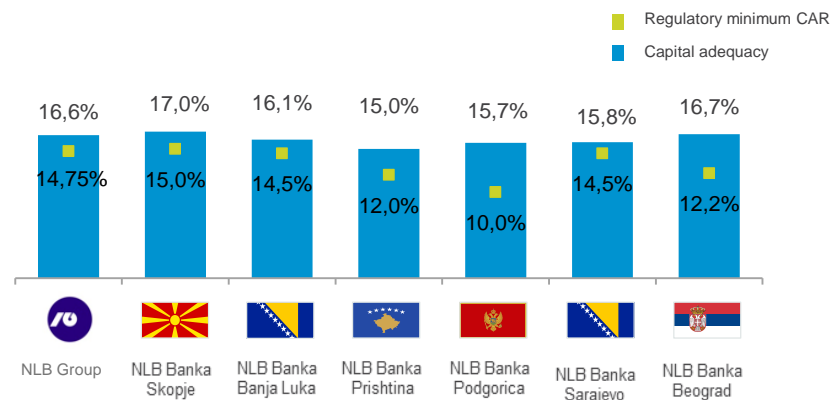


- At the end of March 2019, the **capital ratios** for NLB Group stood at 16.6% (or 0.1 p.p. lower YtD), and for NLB at 23.9% (0.2 p.p. lower YtD).
- The lower capital adequacy derives from higher RWA (EUR 133.9 million for NLB Group). In 2019 the capital increased by EUR 6.7 million, mainly due to higher Other comprehensive income (EUR 5.1 million) and lower Intangible assets (EUR 1.8 million, as deduction item).

Capital structure and ratios

(in EUR million)	NLB Group		
	31.3.2019	31.12.2018	Change YtD
Common Equity Tier 1 capital	1,460.1	1,453.4	6.7 0.5%
Additional Tier 1 capital	0.0	0.0	0.0
Tier 1 capital	1,460.1	1,453.4	6.7 0.5%
Tier 2 capital	0.0	0.0	0.0
Total capital	1,460.1	1,453.4	6.7 0.5%
Total risk exposure amount (RWA)	8,811.6	8,677.6	133.9 1.5%
Common Equity Tier 1 Ratio	16.6%	16.7%	-0.1%
Tier 1 Ratio	16.6%	16.7%	-0.1%
Total Capital Ratio	16.6%	16.7%	-0.1%

Capital adequacy and local requirements (31 Mar-19, %)

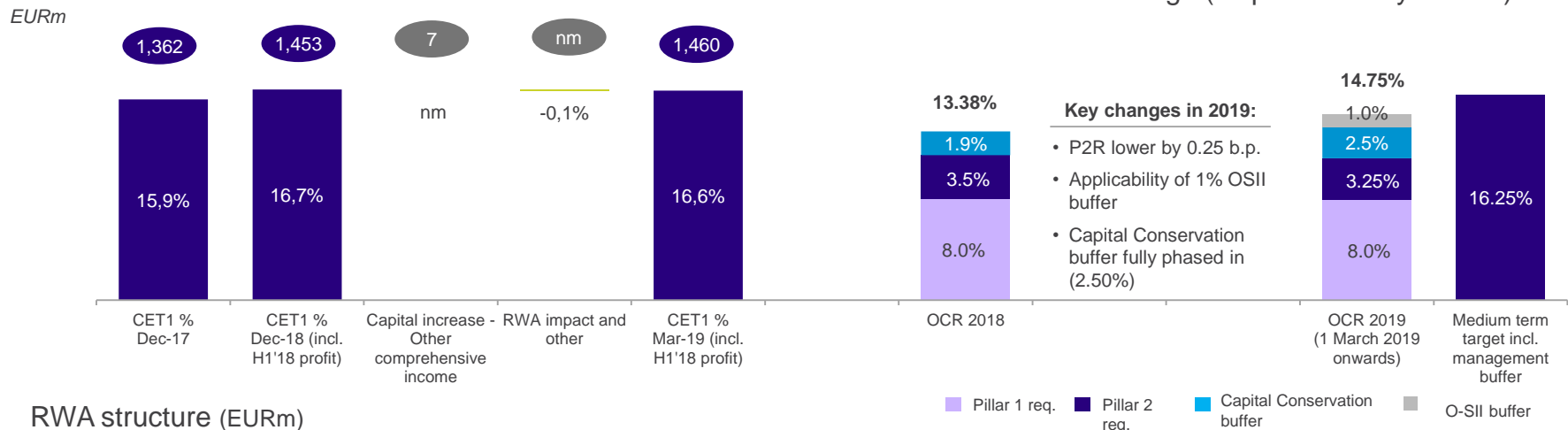


Capital evolution and requirements

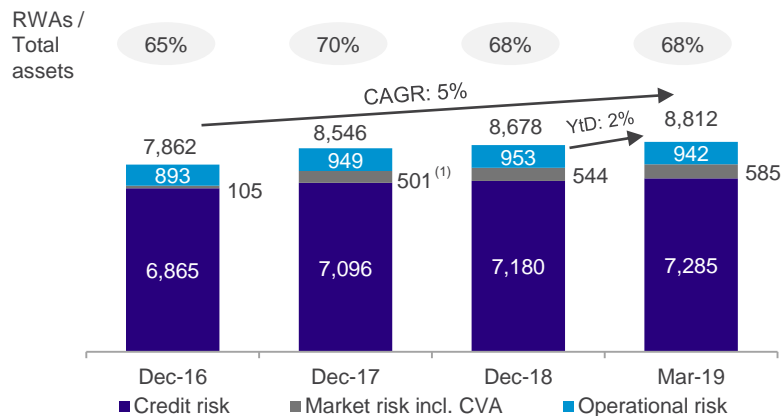
Strong capital position

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

Well above applicable regulatory requirement and the EU average (as published by EBA ⁽²⁾)



RWA structure (EURm)



- Highest quality capital, CET1 only**, reaching 16.6% on Group level in Mar-19 (including 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 16.25% total capital ratio; to be regularly revised by competent bodies to reflect each time applicable capital requirements.
- NLB issued ⁽³⁾ a **Tier 2 instrument** in the amount of **EUR 45 million** as part of EC commitments (subject to market conditions), as such deploying its capital optimisation potential.

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	142.6 ⁽²⁾
Implied payout ratio (%)	48%	58%	84%⁽¹⁾	70%⁽²⁾

- 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.
- 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.

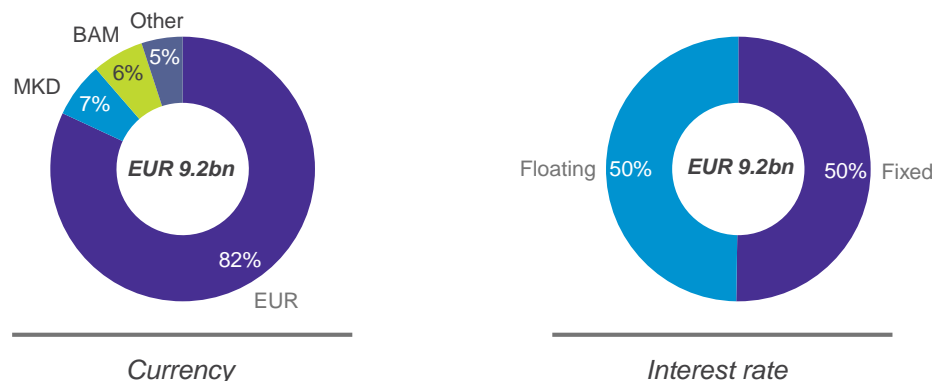


Asset Quality

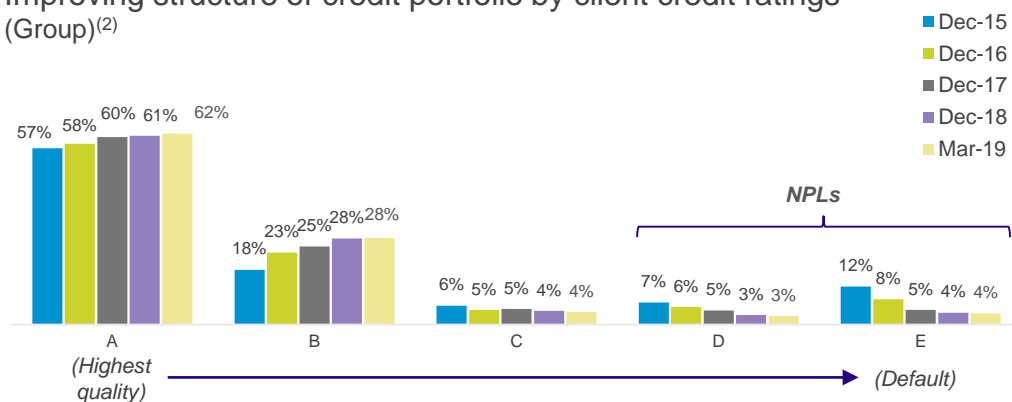
Asset quality – NLB Group

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

Credit portfolio⁽¹⁾ by currency and rate type (Group, 31 Mar 2019)



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

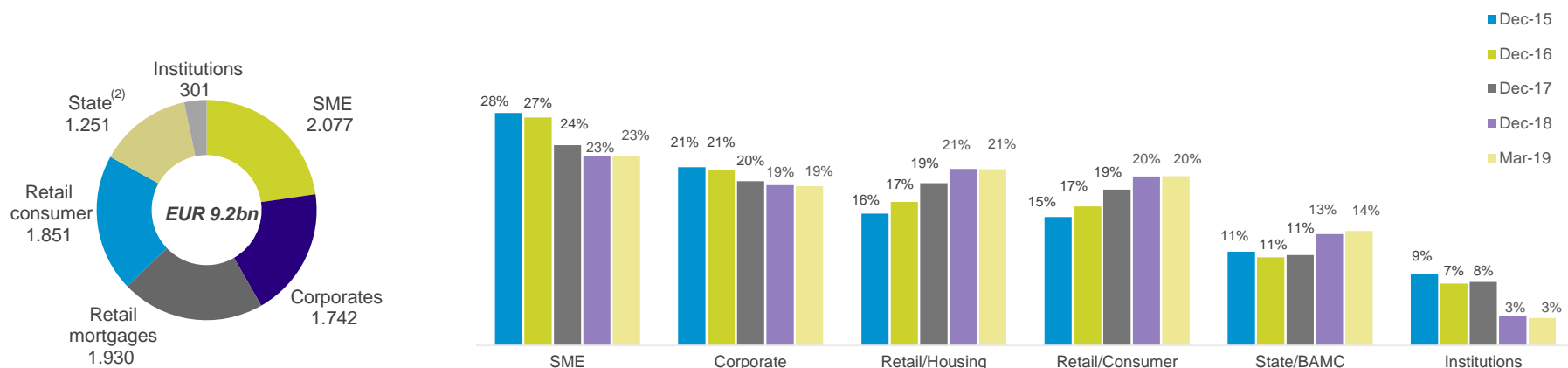


- **No large concentration** in any specific industry or client segment
- **Lending strategy** focuses primarily on its core markets of retail, SME and selected corporate business activities
- Great emphasis is also placed on **further improvement of credit portfolio**
 - Intensive and proactive handling of problematic customers
 - Cautious lending policy
 - Early warning system for detecting increased credit risk
- The Group is **actively present** on the market, financing existing and new creditworthy clients.

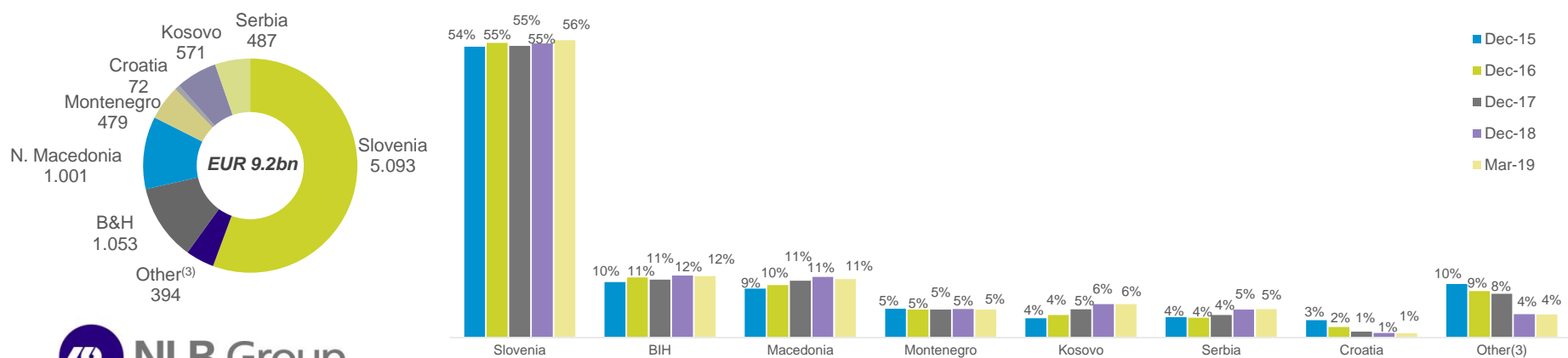
Asset quality – NLB Group

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

Credit portfolio⁽¹⁾ by segment (Group, Mar-19, EURm)



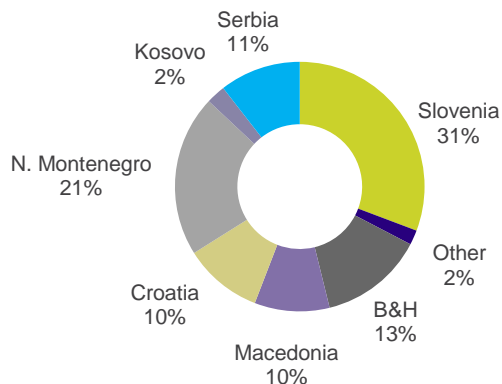
Credit portfolio⁽¹⁾ by geography (Group, Mar-19, EURm)



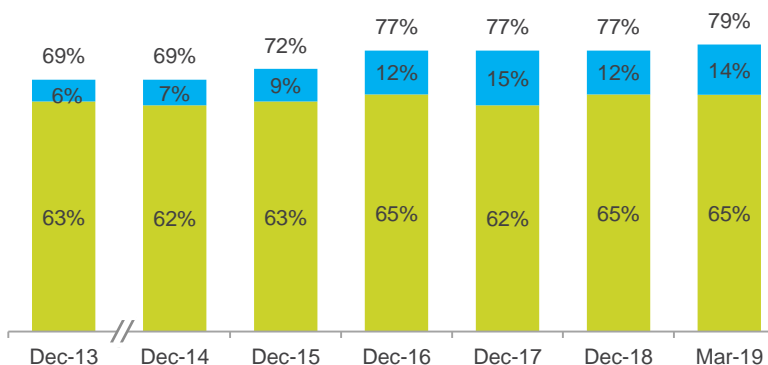
Asset quality – NLB Group

NPLs fully covered by provisions and collateral

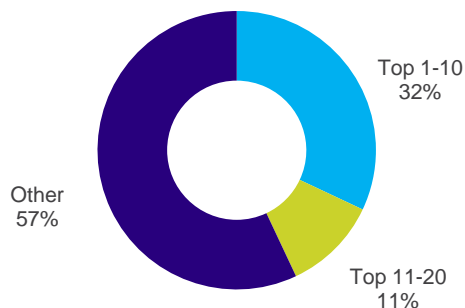
NPL by geography (Group, Mar-19)



NPL cash coverage⁽¹⁾ (Group, %)



Top 20 NPLs (Group, Mar-19)



■ NPL specific provisions ■ Pool provisions

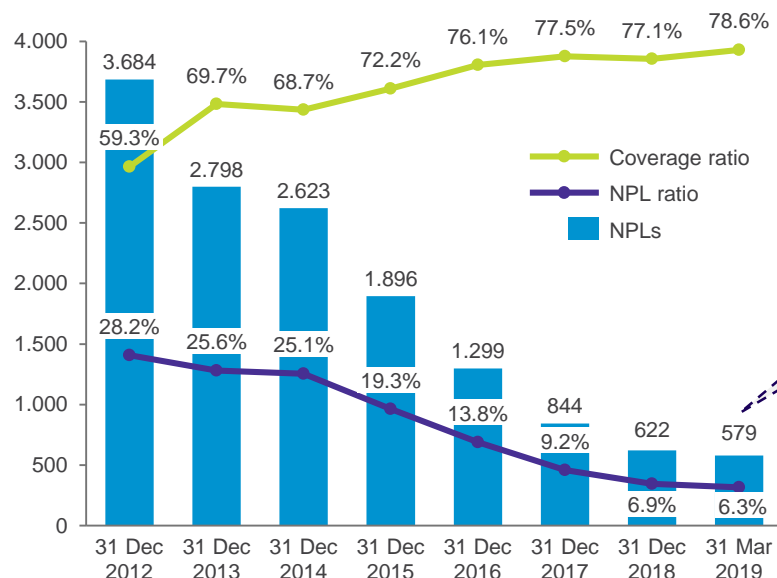
An important Group strength is the NPL cash coverage (CR1), which remains high at 78.6%. Further, the Group's NPL coverage ratio 2 stands at 64.9%, which is well above the EU average as published by the EBA (45.1% for Q4 2018).

As such, it enables a further reduction in NPLs without any material losses

Asset quality – NLB Group

New NPL 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)

Formation /
gross loans
(stock)

1.2%

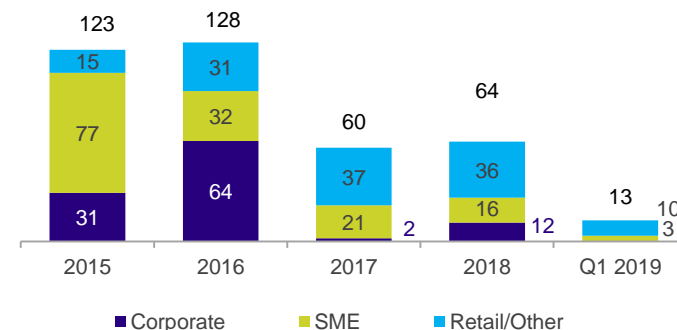
1.4%

0.7%

0.7%

0.1%

Limited formation at front book⁽¹⁾ in 2015 to Q1 2019: EUR 48m,
o/w EUR 1.3m in Q1 2019



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 %.

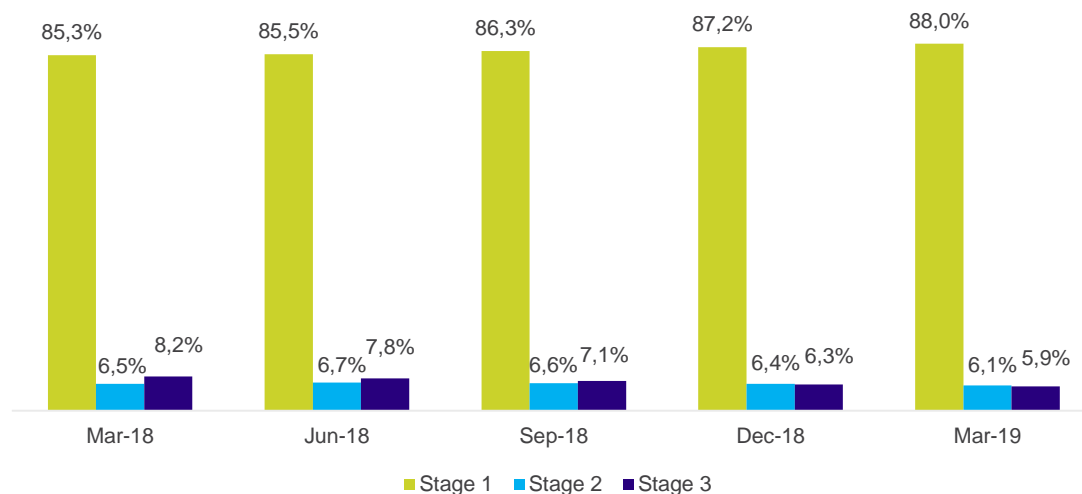
Top 10 NPL represent over 30% of the entire NPL volume; the coverage with provisions remains high, limiting the potential losses.

NPL ratio decreased from 6.9% to 6.3% YtD, while **NPE ratio** reduced by 0.4 p.p. YtD to 4.3%.

Asset quality – NLB Group

High % of Stage 1 Loan portfolio (Valued at amortized cost)

Stage portfolio at amortized costs
(Group, Mar-19)



Stage 1 loans represent 88% of loan portfolio valued at amortized cost.

Due to NPL reduction Strategy the share of **Stage 3** loans is decreasing.

Share of **Stage 2** loans is reducing as well.



Strategy & IT

Track record of innovation

The pioneer of banking innovation in Slovenia



First Slovenian bank to launch **contactless ATMs**



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



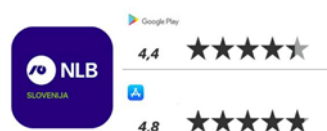
Only bank with **multichannel 24/7 support** (through phone, chat and video call)



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



Top-ranked financial apps on App Store and Google Play



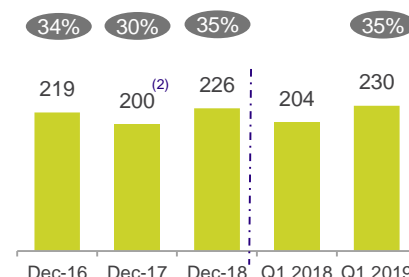
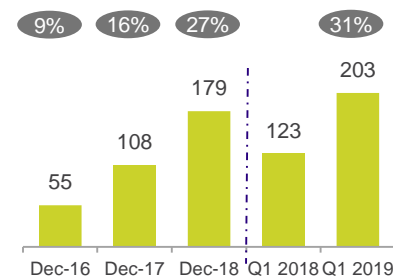
Note: All figures are for Slovenia

(1) Individual users (Klikin and NLB Klik); (2) In 2017 ~30,000 inactive NLB Klik users systematically removed; (3) Chat process improved with an additional question before putting chat to the queue, thus customers who previously clicked on a chat by mistake were removed and therefore consultants are more accessible to customers with real questions.

Demonstrated success in moving to digital

Mobile bank users⁽¹⁾ ('000s)

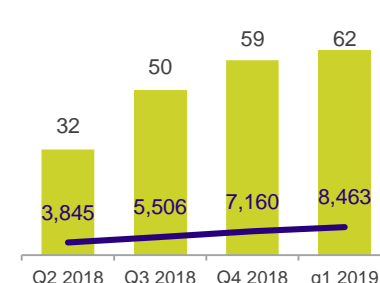
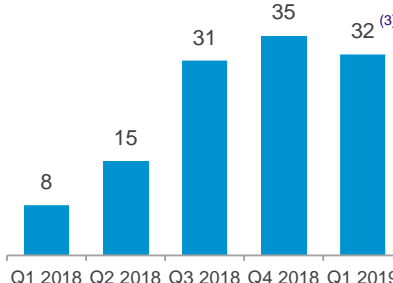
Online bank users⁽¹⁾ ('000s)



% Penetration of client base

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

Mobile wallet users & transactions (in EURk)









Volume of txs (in 000 EUR)
of users

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

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

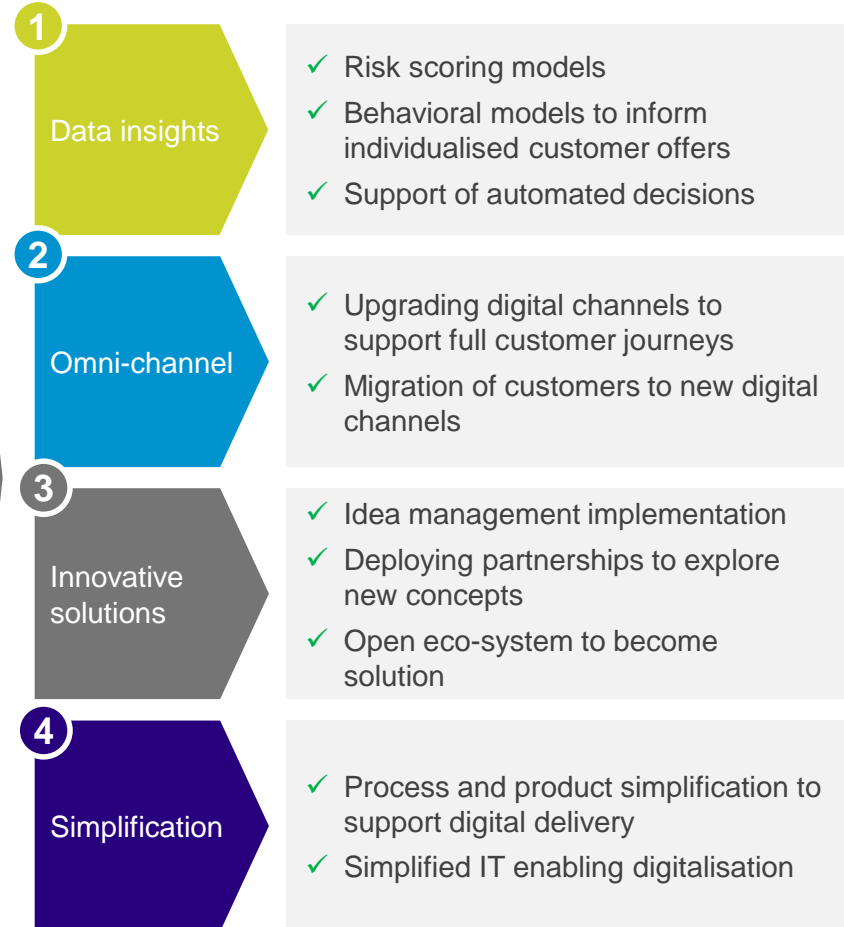
Medium-term objectives in IT and Digital

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 and automate 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
- Regional sourcing for all major categories is done on regular basis
- Implementation of a modern data management platform is progressing according to the project plan
- Regional IT strategy is currently being updated to fully reflect potential regional synergies

Procurement

- Updated regional standards in procurement that are ready to be implemented will unify local sourcing processes in the Group and maximise their financial effects
- Systematic approach to cost optimisation through Non-FTE cost optimisation project in the NLB Group was introduced in September 2015
- Central sourcing in strategic sourcing categories is in place

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



NLB Group

Note: (1) Security information and event management
(2) Security operations center



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

Appendixes

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Appendix 1

Segment Analysis

NLB Group business segments

	Retail banking in Slovenia	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	Retail NLB Skladi NLB Vita⁽¹⁾ Bankart⁽²⁾	Key corporates SME corporates Investment banking and custody Restructuring and workout	NLB Banka, Skopje NLB Banka, Banja Luka NLB Banka, Sarajevo NLB Banka, Prishtina NLB Banka, Podgorica NLB Banka, Beograd	Treasury activities Trading in financial instruments Asset and liabilities management (ALM)	Non-core members according to EC commitments REAM entities NLB Srbija NLB Crna Gora
	<ul style="list-style-type: none"> • Largest retail banking group in Slovenia by loans, deposits and number of branches • #1 in private banking and asset management • Focused on upgrading customer digital experience and satisfaction 	<ul style="list-style-type: none"> • Market leader in corporate banking with focus on advisory and long-term strategic partnerships • Market leader in Investment Banking and Custody services • Regional know-how and experience in Corporate Finance and #1 lead organiser for syndicated loans in Slovenia • Strong trade finance operations and other fee-based business • Market leader at FX and interest rate hedges 	<ul style="list-style-type: none"> • Leading SEE franchise with 6 independent, well capitalised and largely self-funded subsidiaries • The only international banking group with exclusive focus on the SEE region 	<ul style="list-style-type: none"> • Maintaining stable funding base • Management of well diversified liquidity reserves • Managing interest rate positions with responsive pricing policy 	<ul style="list-style-type: none"> • Assets booked non-core subsidiaries funded via NLB d.d. • Controlled wind-down of remaining assets, including collection of claims, liquidation of subsidiaries and sale of assets
(Mar 2019, in EUR million)					
Profit b.t.	16.3	19.4	22.2	6.1	1.4
Total assets	2,441	2,014	4,293	3,911	217
% of total assets ⁽³⁾	19%	15%	33%	30%	2%
CIR	62.3%	38.8%	50.0%	21.0%	80.7%
Cost of risk (bp)	5	-15	-2	/	-67

Notes: (1) 50% equity stake, under equity consolidation; (2) 39% minority stake; (3) Other activities 1%.

Estimated effects of segments methodology changes

From 2019, the new methodology for monitoring the business segment operations has been in use, due to the changes in the market segmentation criteria and the treatment of legal entities in the Bank, the release of EC commitments related to disinvestments of certain industries and other strategic decisions:

- Investment Banking and Custody Services were transferred from the Financial Markets in Slovenia to Corporate and Investment Banking in Slovenia.
- SME reorganization affected Corporate and Investment Banking in Slovenia and Retail Banking in Slovenia (transfer of micro clients from Corporate to Retail segment).
- The EC commitments regarding the reduction of credit business in specific industries (construction, transport, financial holdings, foreign clients) have ceased to apply, hence the specific monitoring and management of this segment is not needed any more. This affected the Corporate and Investment Banking in Slovenia and the segment of Non-Core Members (renamed from Non-Core Markets and Activities).
- NLB Srbija and NLB Crna Gora were transferred from the segment Strategic Foreign Markets to Non-Core Members.

Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. In the table below, the estimated effects due to segments changes for the full year 2018 are presented.

Estimated effects of segments methodology changes for 2018⁽¹⁾

	Retail banking in Slovenia	Corporate and Investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other
in EUR million						
Net interest income	3.1	1.8	0.5	-0.3	-5.1	
Net non-interest income	4.6	2.3	-1.8	-8.2	3.2	
Total costs*	-6.1	-4.4	1.4	6.1	3.0	no effects
Impairments and provisions*	-0.9	6.6	1.4	0.0	-7.1	
Result before tax	0.7	6.3	1.5	-2.4	-6.1	
Total assets	37.1	-9.5	-43.5	47.9	-32.1	
Gross loans to customers	38.1	111.8	-69.0	-0.1	-80.8	no effects
Deposit from customers	188.1	-107.6	0.0	-71.0	-9.6	

*negative value=increase, positive value=decrease

Retail banking in Slovenia

in EUR million
consolidated

Retail banking in Slovenia

	1-3 2019	1-3 2018	Change YoY*
Net interest income	23.0	18.2	4.8
Net non-interest income	20.0	18.3	1.8
Total net operating income	43.0	36.4	6.6
Total costs	-26.8	-25.5	-1.3
Result before impairments and provisions	16.2	10.9	5.3
o/w non-recurring items			
Impairments and provisions	-1.1	-1.2	0.2
Net gains from investments in subsidiaries, associates, and JVs'	1.1	1.2	0.0
Result before tax	16.3	10.9	5.4

	31 Mar 2019	31 Dec 2018	Change YtD*
Net loans to customers	2,277.1	2,217.4	59.7
Gross loans to customers	2,305.0	2,243.4	61.5
Housing loans	1,376.8	1,374.6	2.3
Interest rate on housing loans	2.54%	2.50%	0.04 p.p.
Consumer loans	628.4	599.0	29.4
Interest rate on consumer loans	6.28%	5.88%	0.40 p.p.
Other	299.7	269.9	29.8
Deposits from customers	6,095.4	5,814.5	280.9
Interest rate on deposits	0.06%	0.08%	-0.03 p.p.
Non-performing loans (gross)	43.9	43.0	0.9

	1-3 2019	1-3 2018	Change YoY*
Cost of risk (in bps)	5	4	1
CIR	62.3%	70.0%	-7.7 p.p.
Interest margin	2.21%	1.89%	0.32 p.p.

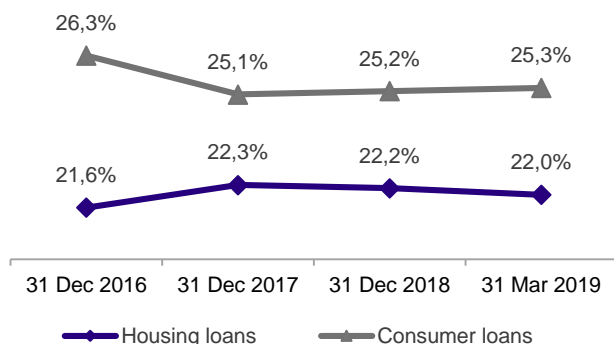
* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

- The segment recorded EUR 43.0 million of **net operating income**. The comparison shows EUR 6.6 million increase YoY, of which approximately EUR 2 million increase is assessed as the effect of the transfer of micro clients from Corporate to Retail segment.
- **Net interest income** is higher due to higher interest rates and growth in volume of loans in the amount of EUR 61.5 million, of which EUR 38 million increase relates to the transfer of micro clients from Corporate segment. The production of new consumer loans in Q1 2019 amounted to EUR 100 million (EUR 82 million in Q1 2018), which led to increase of balance by EUR 29.4 million YtD. The share of consumer loans in all gross loans increased to 28% (from 25% in Q1 2018).
- Without the effect of the change in segment presentation (approximately EUR 1.5 million) the **total costs** remained on the level of the same period of previous year.
- Increase **in deposits from customers** mostly due to transfer of micro clients from Corporate segment (EUR 188.1 million) and increase in demand deposits from retail clients.

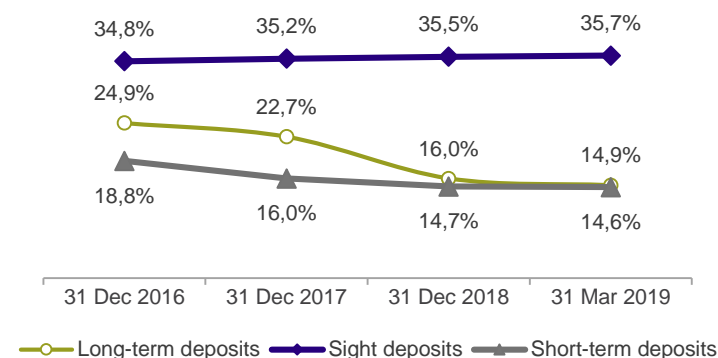
Retail banking in Slovenia

High and stable market shares across products

Market share of net loans to individuals in Slovenia

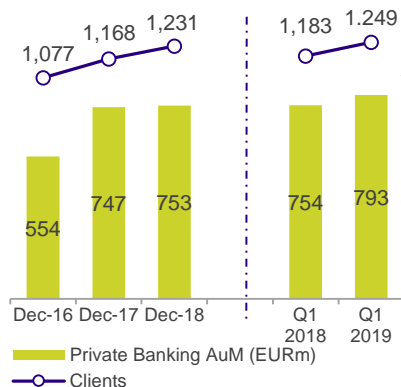


Market share of deposits from individuals in Slovenia

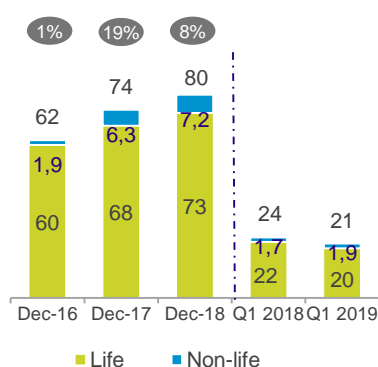


Upside from fee generating products

NLB Private banking offering



NLB Bankassurance GWP (EURm)



- Improving macro and low household indebtedness (21% GDP) 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 32.2% as of 31 Mar 2019
 - AuM of 1,322 EUR m as of 31 Mar 2019 including investments in mutual funds and discretionary portfolios
- Bankassurance business
 - Life: NLB Vita has reached 15.7% market share by GWP, becoming #3 largest player in the Slovenian market as of 31 March 2019
 - 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: (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 and Investment banking in Slovenia

in EUR million
consolidated

Corporate and Investment banking in Slovenia

	1-3 2019	1-3 2018	Change YoY*
Net interest income	10.8	9.6	1.2
Net non-interest income	15.5	8.4	7.1
Total net operating income	26.3	17.9	8.4
Total costs	-10.2	-10.5	0.4
Result before impairments and provisions	16.1	7.4	8.7
Impairments and provisions	3.3	-1.1	4.4
Result before tax	19.4	6.3	13.1

	31 Mar 2019	31 Dec 2018	Change Ytd*
Net loans to customers	2,011.4	1,950.4	61.0
Gross loans to customers	2,183.8	2,061.0	122.8
Corporate	1,987.7	1,854.4	133.3
Key/SME Corporates	1,697.2	1,643.2	54.0
<i>Interest rate on Key/SME Corporates loans</i>	<i>1.87%</i>	<i>1.88%</i>	<i>-0.01 p.p.</i>
Investment banking**	0.1	/	/
Restructuring and Workout	290.4	211.2	79.2
State	195.8	206.1	-10.4
<i>Interest rate on State loans</i>	<i>2.84%</i>	<i>1.69%</i>	<i>1.15 p.p.</i>
Deposits from customers	1,111.7	1,120.8	-9.1
<i>Interest rate on deposits</i>	<i>0.07%</i>	<i>0.07%</i>	<i>0.00 p.p.</i>
Non-performing loans (gross)	262.8	179.7	83.0

	1-3 2019	1-3 2018	Change YoY*
Cost of risk (in bps)	-15	4	-19
CIR	38.8%	58.9%	-20.1 p.p.
Interest margin	2.87%	2.32%	0.56 p.p.

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

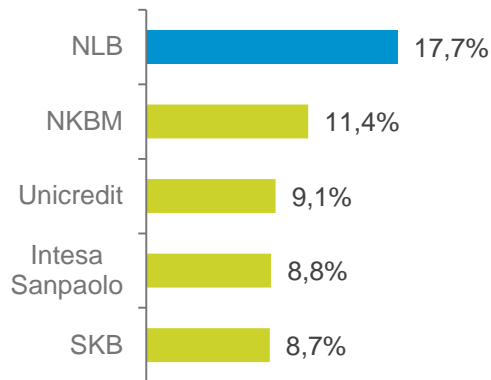
**Investment banking was shown as separate part of this segment before 2019.

- The segment recorded EUR 26.3 million of **net operating income**, EUR 8.4 million increase YoY, of which approximately EUR 2.3 million is assigned to change in segment presentation. **Net non-interest income** was mainly affected by partial repayment of larger exposure measured at fair value through profit and loss (EUR 5.1 million).
- The **Investment Banking and Custody** recorded net non-interest income in the amount of EUR 2.6 million and has increased by EUR 0.3 million YoY. Total income growth is the result of larger volume of transactions.
- Total costs** decreased by EUR 0.4 million YoY, despite the transfer of the costs due to change in segment presentation.
- Impairments and provisions** were released in the amount of EUR 3.3 million, which includes releases on NPL clients that were transferred from Non-core segment.
- Presented increase in **gross loans to customers** is mostly due to change in segment presentation (EUR 149.8 million due to transfer from NLB Non-core and EUR -38.1 million from transfer of micro clients to Retail). Key and SME clients recorded the growth due to redrawing of revolving loans and production of new loans (EUR 48.5 million). The gross loans to state recorded a decrease of EUR 10.4 million.

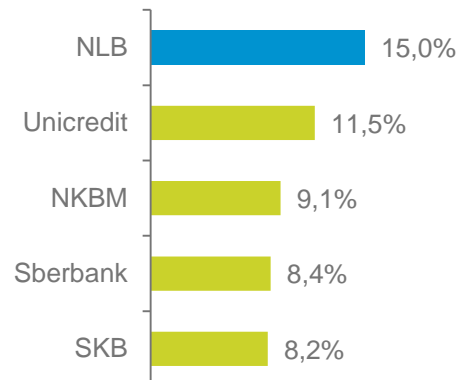
Corporate banking in Slovenia

High market shares across products⁽¹⁾

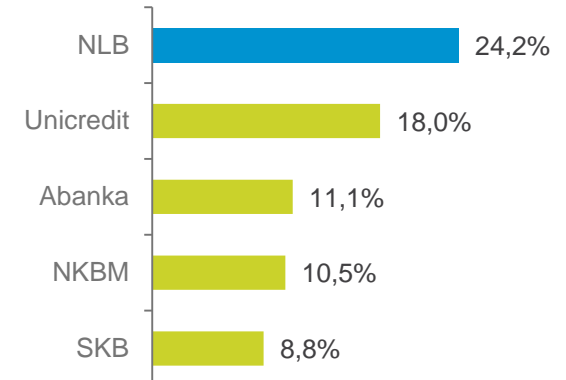
#1 in corporate and state loans



#1 in corporate and state deposits



#1 in guarantees and letters of credit



- Largest bank in the country with high capacity to lend to and service large clients
 - Serves over 9k corporate clients as of 31 Mar 2019
- 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

12.9k⁽³⁾

POS terminals

36.4% mkt share⁽³⁾

in merchant acquiring

EUR 15.9bn

assets under custody

Source: Bank of Slovenia, Company information

Note: (1) Data for NLB as per 31 Mar 2019, other banks as per 31 Dec 2018 (latest available); (2) Key business excludes restructuring and workout; (3) As of 31 Mar 2019; (4) Based on NLB internal credit rating.

Strategic foreign markets

in EUR million
consolidated

Strategic foreign markets

	1-3 2019	1-3 2018	Change YoY*
Net interest income	38.6	35.5	3.1
Net non-interest income	12.1	24.6	-12.5
Total net operating income	50.7	60.1	-9.4
Total costs	-25.3	-24.1	-1.2
Result before impairments and provisions	25.4	36.0	-10.6
o/w non-recurring items	-0.3	12.2	
Impairments and provisions	-3.2	3.0	-6.2
Result before tax	22.2	39.0	-16.8
o/w Result of minority shareholders	2.0	3.0	-1.0

	31 Mar 2019	31 Dec 2018	Change YtD*
Net loans to customers	2,753.6	2,718.0	35.6
Gross loans to customers	2,915.8	2,932.7	-17.0
Retail	1,466.7	1,438.1	28.6
Interest rate on retail loans	6.80%	7.09%	-0.29 p.p.
Corporate	1,364.6	1,405.0	-40.3
Interest rate on corporate loans	4.71%	4.92%	-0.21 p.p.
State	84.4	89.6	-5.2
Interest rate on state loans	4.23%	4.33%	-0.09 p.p.
Deposits from customers	3,466.1	3,438.1	28.0
Interest rate on deposits	0.56%	0.61%	-0.06 p.p.
Non-performing loans (gross)	146.2	219.9	-73.6







	1-3 2019	1-3 2018	Change YoY*
Cost of risk (in bps)	-2	-9	7
CIR normalized	50.0%	40.1%	9.9 p.p.
Interest margin	3.71%	3.81%	-0.11 p.p.

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

- The segment recorded EUR 50.7 million of **net operating income**. In Q1 2018 the result was positively affected by the sale of NLB Nov Penziski Fond, Skopje (EUR 12.2 million). Increase of **net interest income** of EUR 3.1 million was recorded in all subsidiary banks on due to loan growth despite decreasing trend of interest margins.
- Total costs** increased by EUR 1.2 million YoY of which EUR 0.3 million relates to non-recurring costs.
- Change in **impairments and provisions**, establishment of EUR 3.2 million in Q1 2019, while release of EUR 3.0 million in Q1 2018.
- Gross loans to customers** decreased by EUR 17.0 million YtD of which due to change in segment presentation in the amount of EUR -69.0 million. Nevertheless, gross loans in most subsidiary banks increased. The largest increases were recorded in NLB Banka, Prishtina (EUR 20.9 million) and NLB Banka, Beograd (EUR 21.0 million).
- NPLs** decrease mostly due to change in segment presentation.

SEE banks continuing solid performance

- ✓ 8% growth of net interest income YoY
- ✓ Net non-interest income on the same level YoY, if non-recurring income from the sale of NLB Nov Penziski Fond, Skopje in Q1 2018 is excluded
- ✓ Growing credit portfolio in most markets, with aggregate deposits balance marginally up YtD

	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 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	Δ
Total assets	1,336	1,350	753	721	601	592	691	668	494	489	499	484	4,374	4,305	2%
Net loans to customers	850	859	382	385	371	359	488	467	323	311	340	319	2,754	2,699	2%
Deposits from customers	1,054	1,076	600	576	477	472	599	586	388	392	360	353	3,478	3,455	1%
P&L (EURm)	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	Δ
NII ⁽²⁾	12.4	11.8	4.8	4.3	4.4	4.3	7.4	6.2	4.8	4.1	4.9	4.9	38.6	35.6	8%
NNII ⁽²⁾	3.7	12.6	2.6	2.5	2.3	2.1	1.3	1.0	1.2	1.1	1.1	0.9	12.1	20.1	-40% ⁽⁴⁾
OpEx	-6.8	-6.0	-3.2	-3.2	-3.5	-3.4	-3.0	-2.9	-3.1	-2.9	-4.5	-4.2	-24.0	-22.7	6%
PPI	9.3	18.4	4.2	3.6	3.1	2.9	5.7	4.3	2.9	2.3	1.4	1.5	26.7	33.0	-19%
Result a.t.	7.5	17.0	5.9	5.3	2.7	3.0	4.8	3.6	-0.5 ⁽⁵⁾	2.7	1.1	1.4	21.5	33.1	-35%
Ratios	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	1-3 2019	1-3 2018	
LTD net (in %)	80.6	81.8	63.8	65.1	77.9	78.1	81.4	78.7	83.2	78.1	94.2	93.7			
Net interest margin ⁽³⁾	3.84%	3.99%	2.67%	2.61%	3.02%	3.26%	4.43%	4.26%	4.22%	3.89%	4.21%	5.43%			
CIR	42.2%	24.6%	42.7%	46.5%	52.5%	54.0%	34.4%	40.2%	51.4%	56.5%	75.8%	73.8%			
RoE a.t.	14.8%	39.2%	25.9%	23.5%	13.5%	16.5%	25.8%	20.9%	-2.8%	16.3%	6.2%	9.0%			

NLB Banka Skopje

NLB Banka AD Skopje

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	14.8%	39.2%	-24.5 p.p.
Interest margin*	3.84%	3.99%	-0.2 p.p.
CIR	42.2%	24.6%	17.6 p.p.
Cost of risk net (bps)**	37	-14	51
LTD net (%)	80.6	81.8	-1.1

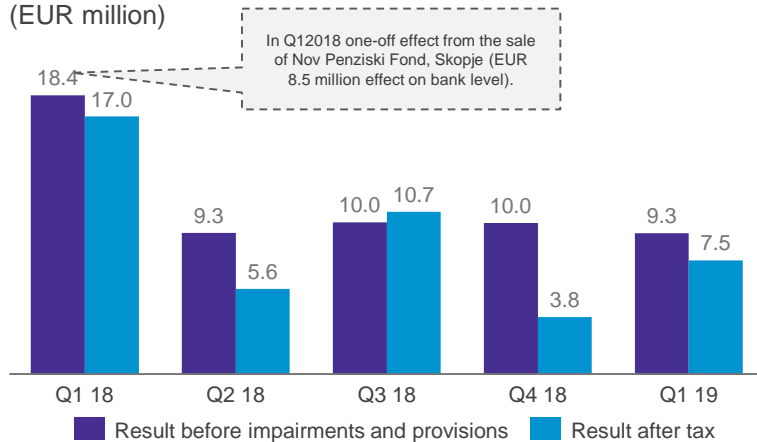
Income statement

in 000 EUR	1-3 2019	1-3 2018	Change YoY
Total net operating income	16,066	24,400	-8,334 -34.2%
Net interest income	12,413	11,847	566 4.8%
Net non-interest income	3,653	12,553	-8,900 -70.9%
o/w net fees and commissions	3,561	3,799	-238 -6.3%
Total costs	-6,776	-6,004	-772 -12.9%
Employee costs	-3,416	-3,230	-186 -5.8%
Other general and administrative expenses	-2,278	-1,998	-280 -14.0%
Depreciation and amortization	-1,082	-775	-307 -39.6%
Result before impairments and provisions	9,290	18,397	-9,107 -49.5%
Impairments and provisions	-946	208	-1,154 -
Result after tax	7,502	16,996	-9,494 -55.9%
Number of employees	878	858	20 2.3%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

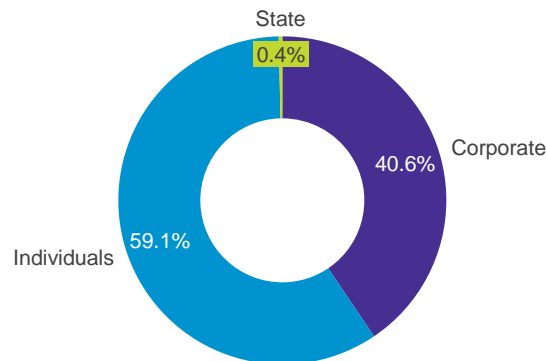
Result after tax and before impairments and provisions (EUR million)



Balance sheet

in 000 EUR	31 Mar 2019	31 Dec 2018	Change YtD
Total assets	1,336,123	1,350,054	-13,931 -1.0%
Loans to customers (net)	849,792	858,592	-8,800 -1.0%
Loans to customers (gross)	909,789	918,140	-8,351 -0.9%
Gross loans to corporate	368,968	383,212	-14,244 -3.7%
Gross loans to individuals	537,621	531,406	6,215 1.2%
Gross loans to state	3,200	3,522	-322 -9.1%
Financial assets	225,608	196,112	29,496 15.0%
Deposits from customers	1,054,053	1,076,154	-22,101 -2.1%
Deposits from corporate	261,743	272,060	-10,317 -3.8%
Deposits from individuals	788,568	800,372	-11,804 -1.5%
Deposits from state	3,742	3,722	20 0.5%
NPL gross	56,186	56,050	136 0.2%
% NPL	5.2%	5.1%	0.1 p.p.
Capital (according to local legislation)			
Capital adequacy ratio	17.0%	16.7%	0.3 p.p.

Gross loans to customers split (31 Mar 2019, EUR million)



NLB Banka Banja Luka

NLB Banka A.D., Banja Luka

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	25.9%	23.5%	2.4 p.p.
Interest margin*	2.67%	2.61%	0.1 p.p.
CIR	42.7%	46.5%	-3.8 p.p.
Cost of risk net (bps)**	-208	-261	53
LTD net (%)	63.8	65.1	-1.3

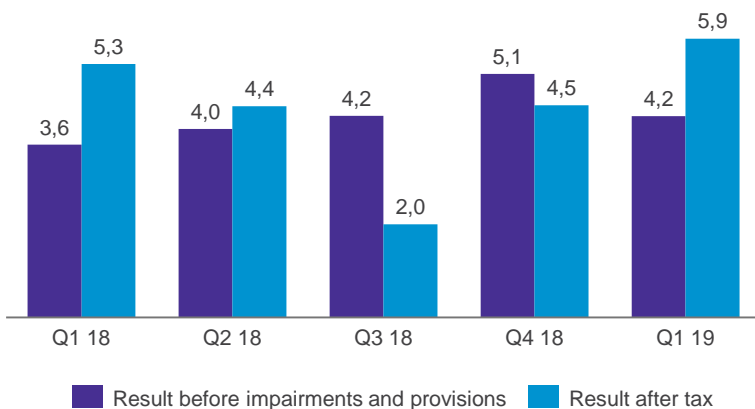
Income statement

in 000 EUR	1-3 2019	1-3 2018	Change YoY
Total net operating income	7,386	6,786	600 8.8%
Net interest income	4,756	4,305	451 10.5%
Net non-interest income	2,630	2,481	149 6.0%
o/w net fees and commissions	2,579	2,591	-12 -0.5%
Total costs	-3,155	-3,154	-1 0.0%
Employee costs	-2,104	-2,066	-38 -1.8%
Other general and administrative expenses	-716	-794	78 9.8%
Depreciation and amortization	-335	-294	-41 -13.9%
Result before impairments and provisions	4,231	3,632	599 16.5%
Impairments and provisions	1,914	2,294	-380 -16.6%
Result after tax	5,862	5,327	535 10.0%
Number of employees	481	485	-4 -0.8%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

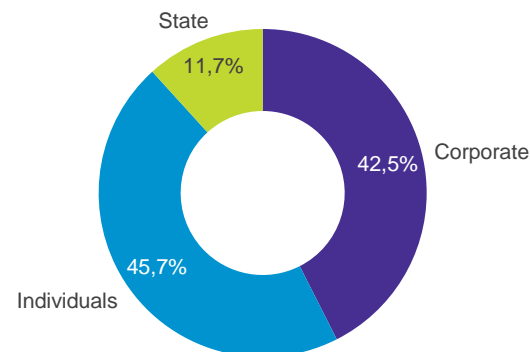
Result after tax and before impairments and provisions (EUR million)



Balance sheet

in 000 EUR	31 Mar 2019	31 Dec 2018	Change YtD
Total assets	753,027	720,509	32,518 4.5%
Loans to customers (net)	382,490	384,806	-2,316 -0.6%
Loans to customers (gross)	403,345	408,312	-4,967 -1.2%
Gross loans to corporate	171,546	176,353	-4,807 -2.7%
Gross loans to individuals	184,363	180,933	3,430 1.9%
Gross loans to state	47,436	51,026	-3,590 -7.0%
Financial assets	134,076	107,316	26,760 24.9%
Deposits from customers	599,828	575,775	24,053 4.2%
Deposits from corporate	130,423	135,670	-5,247 -3.9%
Deposits from individuals	416,523	402,203	14,320 3.6%
Deposits from state	52,882	37,902	14,980 39.5%
NPL gross	15,717	19,199	-3,482 -18.1%
% NPL	2.6%	3.2%	-0.6 p.p.
Capital (according to local legislation)			
Capital adequacy ratio	16.1%	15.6%	0.5 p.p.

Gross loans to customers split (31 Mar 2019, EUR million)



NLB Banka Sarajevo

NLB Banka d.d., Sarajevo

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	13.5%	16.5%	-3.0 p.p.
Interest margin*	3.02%	3.26%	-0.2 p.p.
CIR	52.5%	54.0%	-1.5 p.p.
Cost of risk net (bps)**	-10	-1	-9
LTD net (%)	77.9	78.1	-0.2

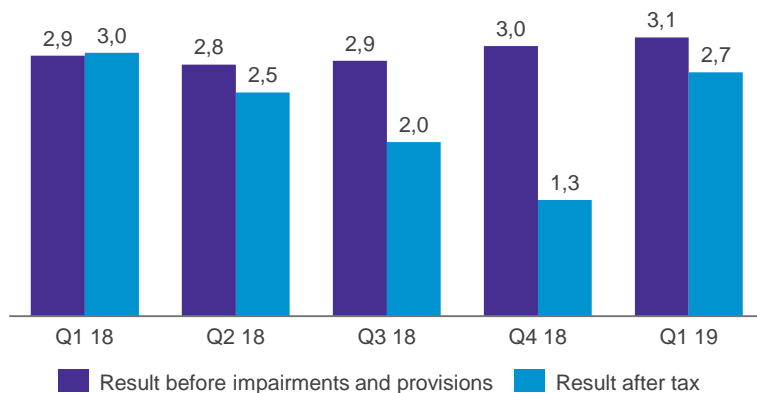
Income statement

in 000 EUR	1-3 2019	1-3 2018	YoY	
Total net operating income	6,610	6,377	233	3.7%
Net interest income	4,359	4,317	42	1.0%
Net non-interest income	2,251	2,060	191	9.3%
o/w net fees and commissions	2,010	1,708	302	17.7%
Total costs	-3,469	-3,444	-25	-0.7%
Employee costs	-2,053	-2,081	28	1.3%
Other general and administrative expenses	-1,070	-1,169	99	8.5%
Depreciation and amortization	-346	-194	-152	-78.4%
Result before impairments and provisions	3,141	2,933	208	7.1%
Impairments and provisions	-40	352	-392	-
Result after tax	2,748	2,966	-218	-7.3%
Number of employees	449	464	-15	-3.2%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

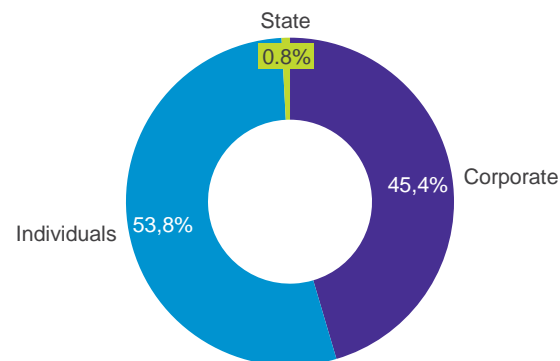
Result after tax and before impairments and provisions (EUR million)



Balance sheet

In 000 EUR	31 Mar 2019	31 Dec 2018	YtD	
Total assets	601,320	592,166	9,154	1.5%
Loans to customers (net)	371,307	359,499	11,808	3.3%
Loans to customers (gross)	402,779	391,567	11,212	2.9%
Gross loans to corporate	182,970	176,368	6,602	3.7%
Gross loans to individuals	216,501	211,972	4,529	2.1%
Gross loans to state	3,308	3,227	81	2.5%
Financial assets	42,103	39,337	2,766	7.0%
Deposits from customers	476,690	472,297	4,393	0.9%
Deposits from corporate	119,645	127,175	-7,530	-5.9%
Deposits from individuals	286,099	280,207	5,892	2.1%
Deposits from state	70,946	64,915	6,031	9.3%
NPL gross	30,014	30,805	-791	-2.6%
% NPL	5.5%	5.7%	-0.2 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.8%	16.4%	-0.5 p.p.	

Gross loans to customers split (31 Mar 2019, EUR million)



NLB Banka Prishtina

NLB Banka sh.a., Prishtine

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	25.8%	20.9%	4.9 p.p.
Interest margin*	4.43%	4.26%	0.2 p.p.
CIR	34.4%	40.2%	-5.9 p.p.
Cost of risk net (bps)**	-6	1	-7
LTD net (%)	81.4	78.7	2.7

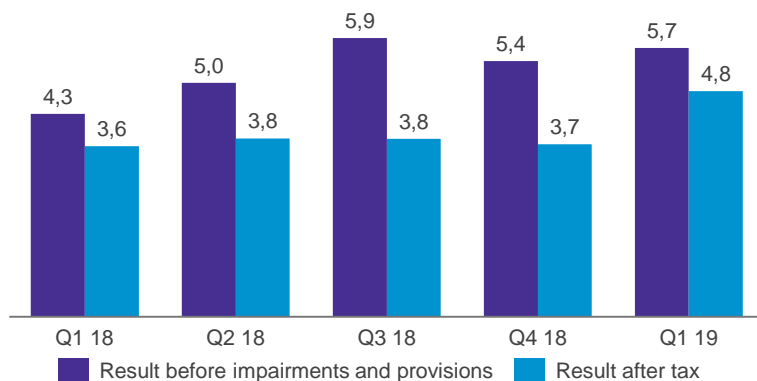
Income statement

in 000 EUR	1-3 2019	1-3 2018	Change YoY	
Total net operating income	8,695	7,198	1,497	20.8%
Net interest income	7,384	6,183	1,201	19.4%
Net non-interest income	1,311	1,015	296	29.2%
o/w net fees and commissions	1,575	1,297	278	21.4%
Total costs	-2,989	-2,896	-93	-3.2%
Employee costs	-1,490	-1,514	24	1.6%
Other general and administrative expenses	-1,053	-1,080	27	2.5%
Depreciation and amortization	-446	-302	-144	-47.7%
Result before impairments and provisions	5,706	4,302	1,404	32.6%
Impairments and provisions	-363	-311	-52	-16.7%
Result after tax	4,787	3,617	1,170	32.3%
Number of employees	470	476	-6	-1.3%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

Result after tax and before impairments and provisions (EUR million)

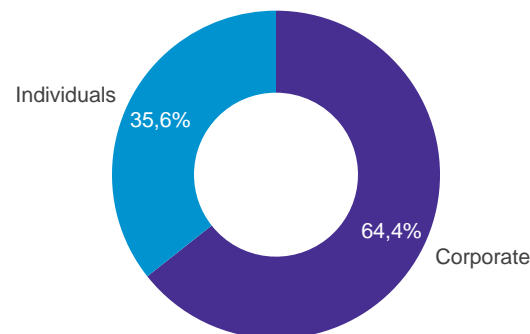


Balance sheet

in 000 EUR

	31 Mar 2019	31 Dec 2018	Change YtD	
Total assets	691,186	668,127	23,059	3.5%
Loans to customers (net)	487,557	466,854	20,703	4.4%
Loans to customers (gross)	514,823	493,950	20,873	4.2%
Gross loans to corporate	331,322	315,408	15,914	5.0%
Gross loans to individuals	183,501	178,542	4,959	2.8%
Gross loans to state	0	0	0	-
Financial assets	75,302	64,733	10,569	16.3%
Deposits from customers	598,878	585,851	13,027	2.2%
Deposits from corporate	153,429	154,828	-1,399	-0.9%
Deposits from individuals	435,513	421,003	14,510	3.4%
Deposits from state	9,936	10,020	-84	-0.8%
NPL gross	14,368	14,361	7	0.0%
% NPL	2.3%	2.4%	-0.1 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.0%	14.6%	0.4 p.p.	

Gross loans to customers split (31 Mar 2019, EUR million)



NLB Banka Podgorica

NLB Banka a.d., Podgorica

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	-2.8%	16.3%	-19.1 p.p.
Interest margin*	4.22%	3.89%	0.3 p.p.
CIR	51.4%	56.5%	-5.1 p.p.
Cost of risk net (bps)**	-21	-97	76
LTD net (%)	83.2	78.1	5.2

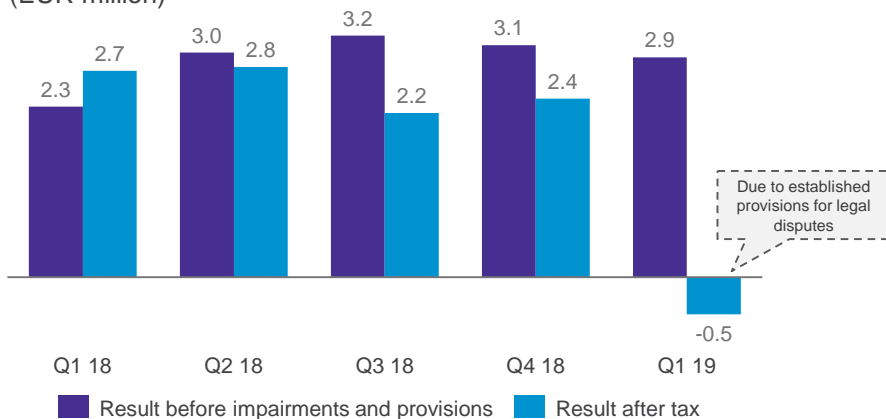
Income statement

in 000 EUR	1-3 2019	1-3 2018	Change YoY	
Total net operating income	5,981	5,183	798	15.4%
Net interest income	4,788	4,100	688	16.8%
Net non-interest income	1,193	1,083	110	10.2%
o/w net fees and commissions	1,318	1,214	104	8.6%
Total costs	-3,075	-2,929	-146	-5.0%
Employee costs	-1,809	-1,770	-39	-2.2%
Other general and administrative expenses	-887	-939	52	5.5%
Depreciation and amortization	-379	-220	-159	-72.3%
Result before impairments and provisions	2,906	2,254	652	28.9%
Impairments and provisions	-3,369	478	-3,847	-
Result after tax	-489	2,729	-3,218	-
Number of employees	300	311	-11	-3.5%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

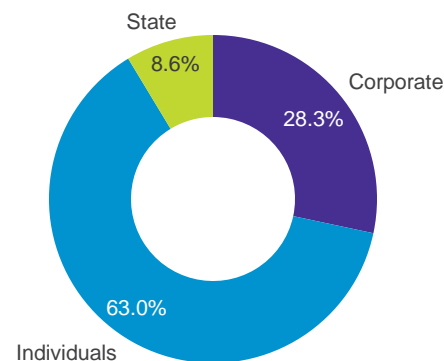
Result after tax and before impairments and provisions (EUR million)



Balance sheet

in 000 EUR	31 Mar 2019	31 Dec 2018	Change YtD	
Total assets	494,201	489,283	4,918	1.0%
Loans to customers (net)	322,866	310,692	12,174	3.9%
Loans to customers (gross)	336,150	323,914	12,236	3.8%
Gross loans to corporate	95,287	90,223	5,064	5.6%
Gross loans to individuals	211,797	203,207	8,590	4.2%
Gross loans to state	29,066	30,484	-1,418	-4.7%
Financial assets	44,999	54,781	-9,782	-17.9%
Deposits from customers	387,874	391,750	-3,876	-1.0%
Deposits from corporate	117,259	116,364	895	0.8%
Deposits from individuals	255,602	256,975	-1,373	-0.5%
Deposits from state	15,013	18,411	-3,398	-18.5%
NPL gross	19,974	20,627	-653	-3.2%
% NPL	4.9%	5.2%	-0.3 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.7%	16.2%	-0.5 p.p.	

Gross loans to customers split (31 Mar 2019, EUR million)



NLB Banka Beograd

NLB Banka a.d., Beograd

"on stand alone basis"

Key financial indicators

	1-3 2019	1-3 2018	Change YoY
ROE a.t.	6.2%	9.0%	-2.9 p.p.
Interest margin*	4.21%	5.43%	-1.2 p.p.
CIR	75.8%	73.8%	2.0 p.p.
Cost of risk net (bps)**	34	5	28
LTD net (%)	94.2	93.7	0.5

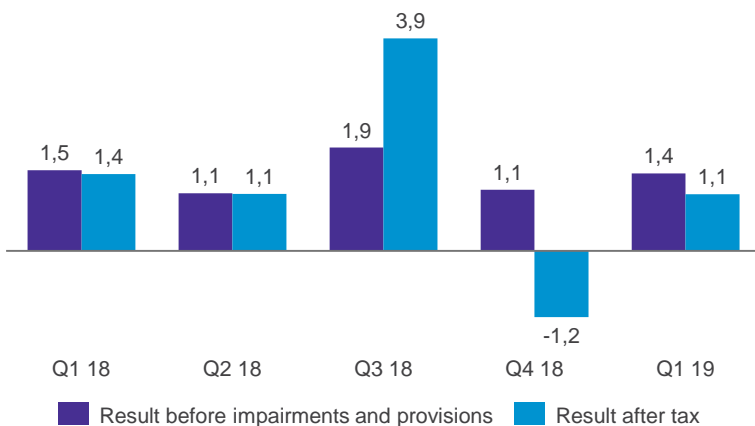
Income statement

in 000 EUR	1-3 2019	1-3 2018	Change YoY
Total net operating income	5,972	5,723	249 4.4%
Net interest income	4,913	4,860	53 1.1%
Net non-interest income	1,059	863	196 22.7%
o/w net fees and commissions	1,190	1,091	99 9.1%
Total costs	-4,528	-4,225	-303 -7.2%
Employee costs	-2,477	-2,177	-300 -13.8%
Other general and administrative expenses	-1,390	-1,722	332 19.3%
Depreciation and amortization	-661	-326	-335 -102.8%
Result before impairments and provisions	1,444	1,498	-54 -3.6%
Impairments and provisions	-392	-42	-350 -
Result after tax	1,052	1,430	-378 -26.4%
Number of employees	455	439	16 3.6%

* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

Result after tax and before impairments and provisions (EUR million)

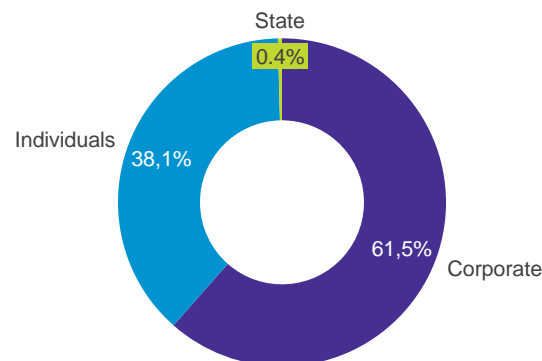


Balance sheet

in 000 EUR

	31 Mar 2019	31 Dec 2018	Change YtD
Total assets	498,510	484,492	14,018 2.9%
Loans to customers (net)	339,551	318,792	20,759 6.5%
Loans to customers (gross)	348,874	327,847	21,027 6.4%
Gross loans to corporate	214,551	198,833	15,718 7.9%
Gross loans to individuals	132,931	127,629	5,302 4.2%
Gross loans to state	1,392	1,385	7 0.5%
Financial assets	62,990	58,285	4,705 8.1%
Deposits from customers	360,466	352,940	7,526 2.1%
Deposits from corporate	155,947	160,683	-4,736 -2.9%
Deposits from individuals	189,760	182,702	7,058 3.9%
Deposits from state	14,759	9,555	5,204 54.5%
NPL gross	9,983	9,957	26 0.3%
% NPL	2.4%	2.4%	-0.1 p.p.
Capital (according to local legislation)			
Capital adequacy ratio	16.7%	16.7%	0.0 p.p.

Gross loans to customers split (31 Mar 2019, EUR million)



Financial markets in Slovenia⁽¹⁾

in million EUR
consolidated

Financial markets in Slovenia

	1-3 2019	1-3 2018	Change YoY
Net interest income	6.0	8.6	-2.6
Net non-interest income	2.1	-0.1	2.2
Total net operating income	8.1	8.5	-0.4
Total costs	-1.7	-1.6	-0.1
Result before impairments and provisions	6.4	6.9	-0.5
Impairments and provisions	-0.3	0.0	-0.4
Result before tax	6.1	7.0	-0.9

	31 Mar 2019	31 Dec 2018	Change YtD
Balances with Central banks	666.3	575.0	91.3
Banking book securities	2,924.1	2,755.2	168.8
<i>Interest rate on banking book securities</i>	<i>1.10%</i>	<i>1.25%</i>	<i>-0.14 p.p.</i>
Wholesale funding	244.0	244.1	-0.1
<i>Interest rate on wholesale funding</i>	<i>0.53%</i>	<i>0.48%</i>	<i>0.05 p.p.</i>

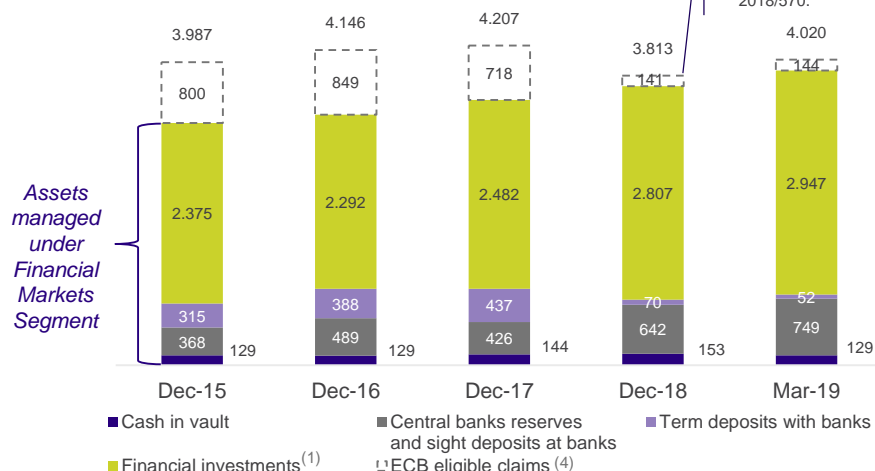
- Lower **net interest income**, EUR 2.6 million YoY, due to lower transformation margin.
- Higher **net non-interest income**, EUR 2.2 million YoY, due to the sale of debt securities (EUR 2.6 million), which positively affected the net income from financial transaction.
- Increase in **balances with ECB** (EUR 91.3 million YtD) and increase in **banking book securities** (EUR 168.8 million YtD), due to lower LTD ratio and consequently higher amount of liquid assets (liquidity reserves).

Financial markets in Slovenia

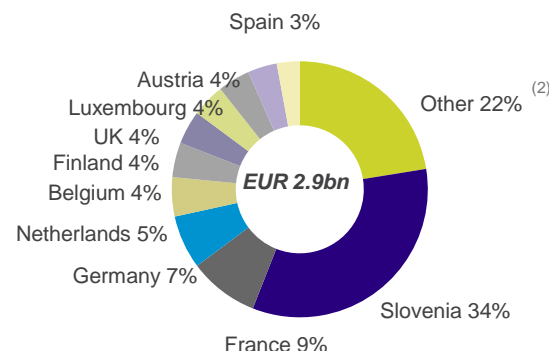
Strong liquidity position

Liquid assets evolution (EURm)

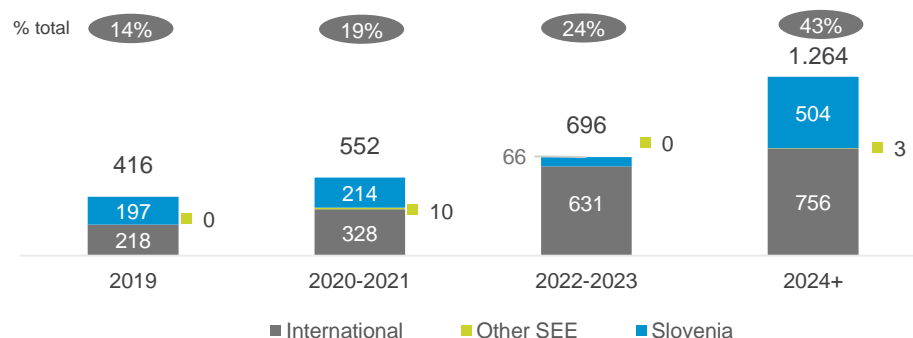
The volume of ECB eligible credit claims decreased due to the modification in ECB eligibility criterion adopted on 7 February 2018 in ECB Guideline (EU) 2018/570.



Well diversified banking book by geography (31 March 2019)



Maturity profile of banking book securities⁽³⁾ (31 March 2019, 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.

Non-core members

in EUR million
consolidated

Non-core members

	1-3 2019	1-3 2018	Change YoY*
Net interest income	1.0	3.1	-2.1
Net non-interest income	2.8	2.6	0.2
Total net operating income	3.8	5.7	-1.9
Total costs	-3.1	-4.7	1.7
Result before impairments and provisions	0.7	0.9	-0.2
o/w non-recurring items	1.3		
Impairments and provisions	0.7	2.3	-1.6
Result before tax	1.4	3.2	-1.8

	31 Mar 2019	31 Dec 2018	Change YtD*
Segment assets	216.9	263.7	-46.8
Net loans to customers	103.8	160.9	-57.1
Gross loans to customers	196.0	288.6	-92.6
Investment property and property & equipment received for repayment of loans	45.1	68.5	-23.5
Other assets	68.1	34.3	33.8
Deposits from customers	0.0	9.6	-9.6
Non-performing loans (gross)	126.3	179.7	-53.4

	1-3 2019	1-3 2018	Change YoY*
Cost of risk (in bps)	-67	-66	-1
CIR normalized	80.7%	83.5%	31.4 p.p.

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

- The segment recorded EUR 1.9 million decrease of **net operating income**, partially due to transfer of NLB Non-core part to Corporate (approximately EUR -1.9 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets (EUR 0.3 million); non-recurring income from the contractual penalty (EUR 1.3 million).
- Decrease in **total costs**, EUR 1.7 million YoY, due to transfer of NLB Non-core part to Corporate (approximately EUR -1.0 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets (EUR 0.3 million).
- Gross loans to customers** decreased, mostly due to change in segment presentation, EUR 80.8 million YtD, of which EUR 149.8 million from transfer of NLB Non-core part to Corporate and EUR 69.0 million from transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets.
- Decrease in **deposits from customers**, EUR 9.6 million due to transfer of NLB Non-core part to Corporate.
- NPLs** decrease mostly due to new segmentation.

Other⁽¹⁾

in EUR million
consolidated

	Other		
	1-3 2019	1-3 2018	Change
Total net operating income	2.1	-0.1	2.2
Total costs	-2.2	-1.9	-0.3
Result before impairments and provisions	-0.1	-2.0	1.9
o/w non-recurring items	0.2		
Impairments and provisions	0.0	-0.2	0.2
Result before tax	-0.1	-2.2	2.1


- The segment Other recorded EUR 0.1 million of **loss before tax**, with EUR 2.1 million **net operating income** and EUR 2.2 million of **total costs**, related mostly to IT, cash transport, external realization, restructuring costs and empty business permises.




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)	45.9
Real GDP growth (%)	4.5
Population (m)	2.1
Household indebtedness ⁽¹⁾	21.9%
Credit ratings (S&P / Moody's / Fitch)	A+ / Baa1 / A-

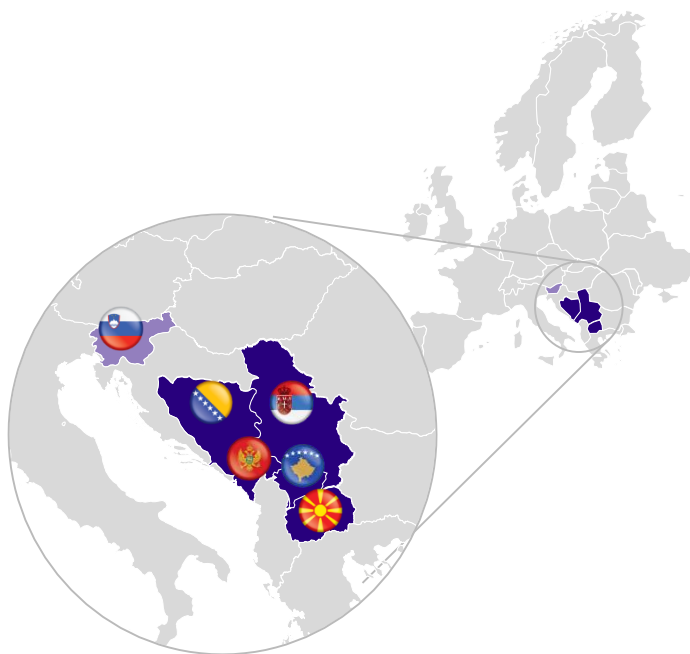
Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	16.8
Real GDP growth (%)	3.1
Population (m)	3.5
Household indebtedness ⁽¹⁾	28.2%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.6
Real GDP growth (%)	4.9
Population (m)	0.6
Household indebtedness ⁽¹⁾	27.1%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.

Serbia 	RSD
GDP (EURbn)	42.8
Real GDP growth (%)	4.3
Population (m)	7.0
Household indebtedness ⁽¹⁾	20.3%
Credit ratings (S&P / Moody's / Fitch)	BB / Ba3 / BB

Kosovo 	EUR
GDP (EURbn)	6.5
Real GDP growth (%)	3.9
Population (m)	1.8
Household indebtedness ⁽¹⁾	15.3%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	10.7
Real GDP growth (%)	2.7
Population (m)	2.1
Household indebtedness ⁽¹⁾	23.6%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB



Macro Overview

Economic data

- Most countries are likely to grow at around 3% 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

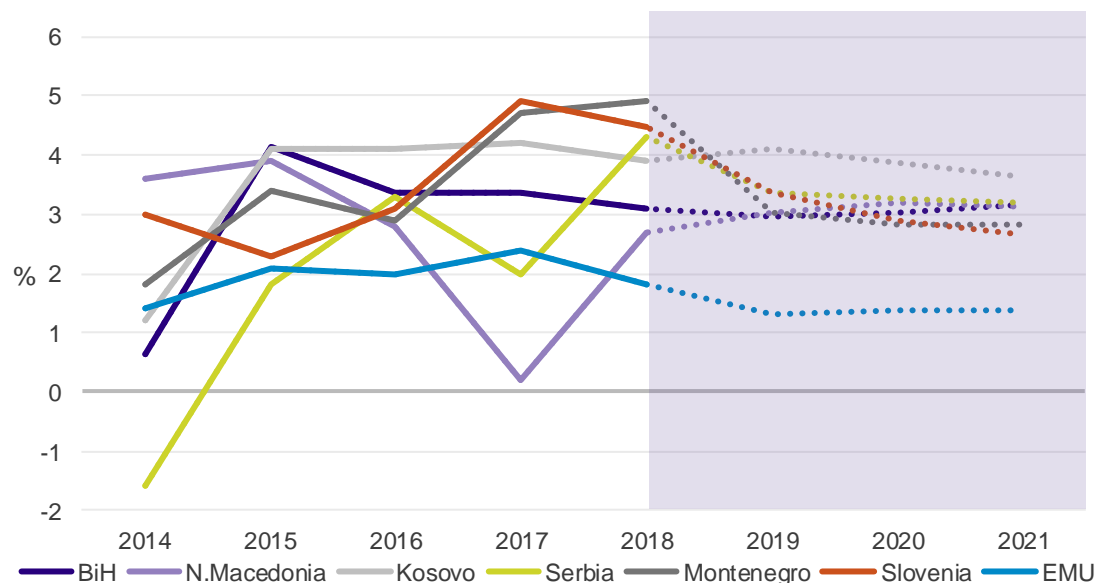
- Environment for necessary reforms seen slightly improved.
- Fiscal imbalances should not aggravate general government borrowing position and public debt seems manageable, nevertheless caution still recommended.
- Large current account deficits and geographical contagion are important drivers to capital 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 **North Macedonia**, growing from 0.2% to 2.7% in 2018, followed by **Serbia** (from 2% to 4.3% in 2018).

Five countries with above 3% growth of GDP in 2018.

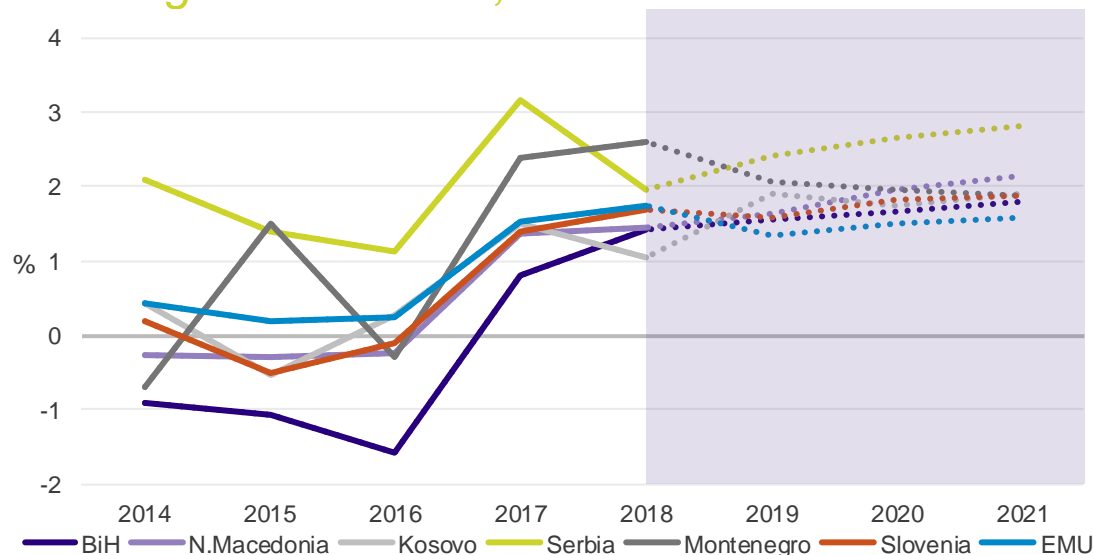
Growth is likely to decelerate slightly in 2019, but, overall, real GDP growth in the region will remain strong, well above the EMU.

Real GDP growth, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	0.7	4.1	3.4	3.4	3.1	3.0	3.0	3.1
North Macedonia	3.6	3.9	2.8	0.2	2.7	3.0	3.2	3.1
Kosovo	1.2	4.1	4.1	4.2	3.9	4.1	3.9	3.6
Serbia	-1.6	1.8	3.3	2.0	4.3	3.4	3.3	3.2
Montenegro	1.8	3.4	2.9	4.7	4.9	3.0	2.8	2.8
Slovenia	3.0	2.3	3.1	4.9	4.5	3.3	2.9	2.6
EMU	1.4	2.1	2.0	2.4	1.8	1.3	1.4	1.4

Sources: National Statistical Offices, FocusEconomics, Eurostat
 Note: Consensus Forecasts for 2019, 2020 and 2021

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.

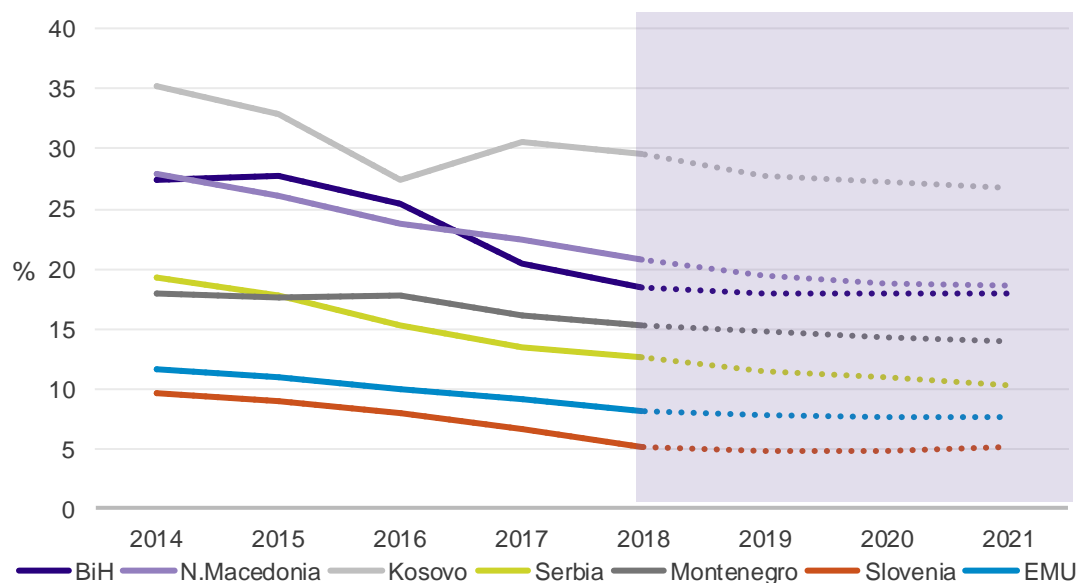
The inflation rates are projected to remain stable close to 2.0 %.

Average inflation rate, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-0.9	-1.1	-1.6	0.8	1.4	1.5	1.7	1.8
North Macedonia	-0.3	-0.3	-0.2	1.4	1.4	1.6	2.0	2.1
Kosovo	0.4	-0.5	0.3	1.5	1.1	1.9	1.7	1.9
Serbia	2.1	1.4	1.1	3.2	2.0	2.4	2.7	2.8
Montenegro	-0.7	1.5	-0.3	2.4	2.6	2.1	2.0	1.9
Slovenia	0.2	-0.5	-0.1	1.4	1.7	1.6	1.8	1.9
EMU	0.4	0.2	0.2	1.5	1.8	1.3	1.5	1.6

Sources: National Statistical Offices, FocusEconomics
Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Unemployment rate, %



KEY FINDINGS:

Despite strong growth, unemployment is projected to stay at relatively high levels across the whole region, with the exception of **Slovenia**.

In 2018, the biggest improvement was recorded by **BiH, North Macedonia, Slovenia**. Future rates of unemployment are expected to continue to improve at a slower pace.

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

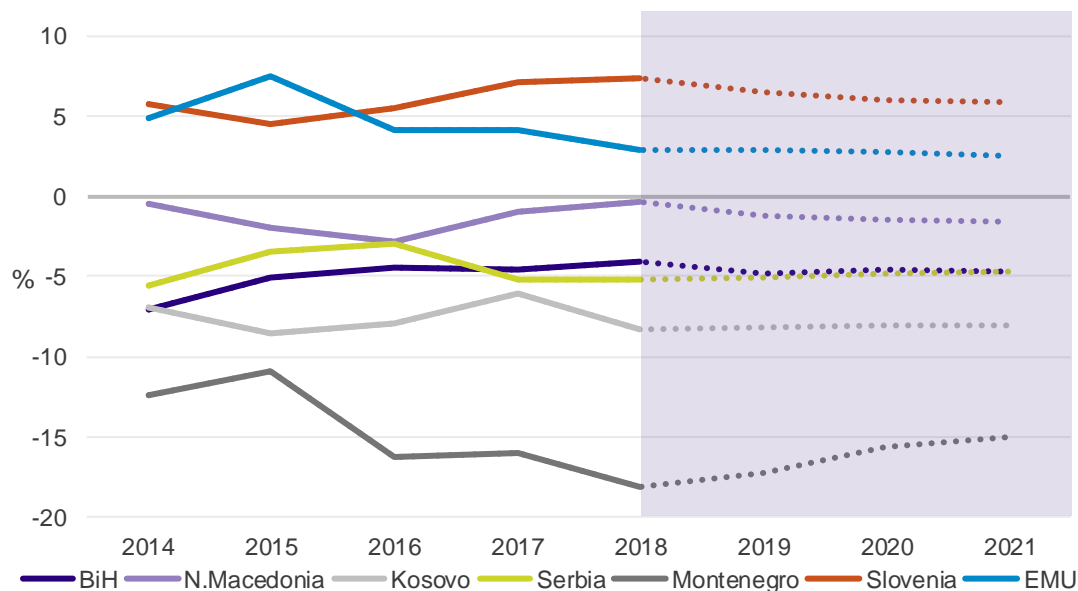
Unemployment rate, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	27.5	27.7	25.4	20.5	18.4	18.0	18.0	18.0
North Macedonia	28.0	26.1	23.7	22.4	20.7	19.5	18.8	18.6
Kosovo	35.3	32.9	27.5	30.5	29.5	27.8	27.3	26.7
Serbia	19.2	17.7	15.3	13.5	12.7	11.5	10.9	10.4
Montenegro	18.0	17.6	17.7	16.1	15.2	14.8	14.4	14.0
Slovenia	9.7	9.0	8.0	6.6	5.1	4.8	4.7	5.1
EMU	11.6	10.9	10.0	9.1	8.2	7.8	7.7	7.6

Sources: FocusEconomics, ILO

Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

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

Montenegro continues to underperform heavily in the region.

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

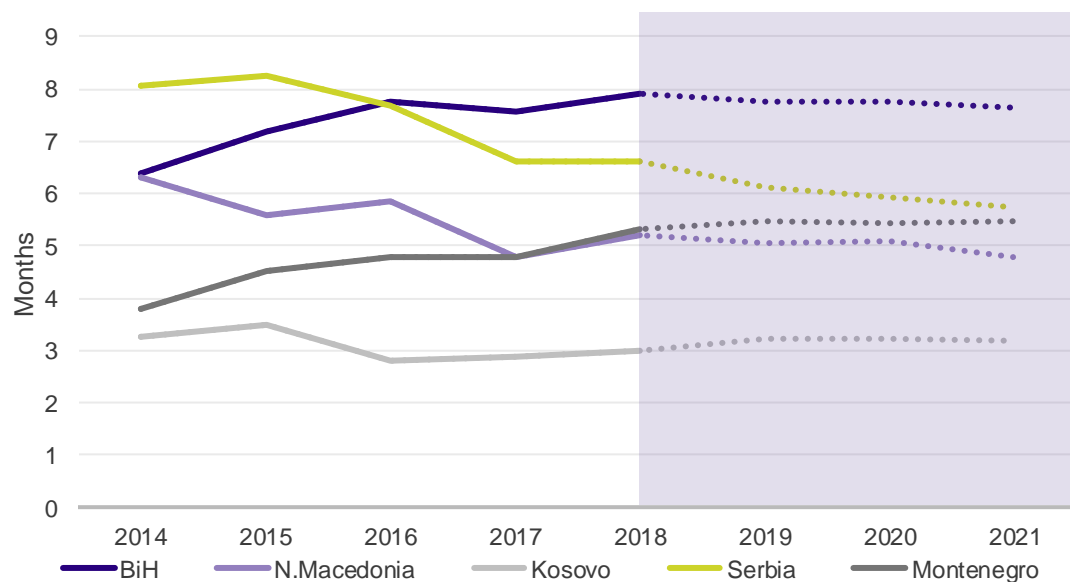
Current Account, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-7.1	-5.1	-4.5	-4.5	-4.0	-4.8	-4.5	-4.7
North Macedonia	-0.5	-1.9	-2.9	-1.0	-0.3	-1.2	-1.5	-1.5
Kosovo	-6.9	-8.6	-7.9	-6.1	-8.3	-8.2	-8.0	-8.1
Serbia	-5.6	-3.5	-2.9	-5.2	-5.2	-5.1	-4.8	-4.6
Montenegro	-12.4	-11.0	-16.2	-16.1	-18.2	-17.3	-15.7	-15.1
Slovenia	5.8	4.5	5.5	7.2	7.3	6.5	6.0	5.8
EMU	4.8	7.5	4.2	4.1	2.9	2.9	2.8	2.5

Source: FocusEconomics

Note: Estimates for 2018, Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

International reserves, import coverage in months



KEY FINDINGS:

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

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

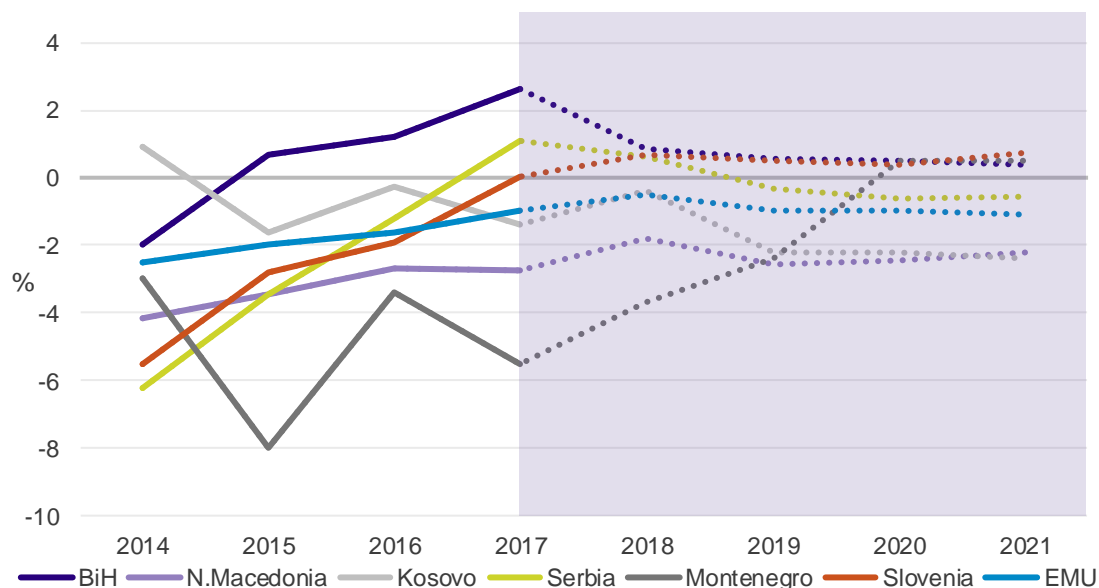
Int. Reserves (months of imports)	2014	2015	2016	2017	2018	2019	2020	2021
BiH	6.4	7.2	7.7	7.6	7.9	7.8	7.8	7.6
North Macedonia	6.3	5.6	5.9	4.8	5.2	5.1	5.1	4.8
Kosovo	3.3	3.5	2.8	2.9	3.0	3.2	3.2	3.2
Serbia	8.1	8.2	7.7	6.6	6.6	6.1	5.9	5.7
Montenegro	3.8	4.5	4.8	4.8	5.3	5.5	5.4	5.5

Source: FocusEconomics

Note: Estimates for 2018, Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

A slight deterioration in the fiscal performance throughout most of 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 **North Macedonia** and **Kosovo**. Levels are expected to improve in **Montenegro**.

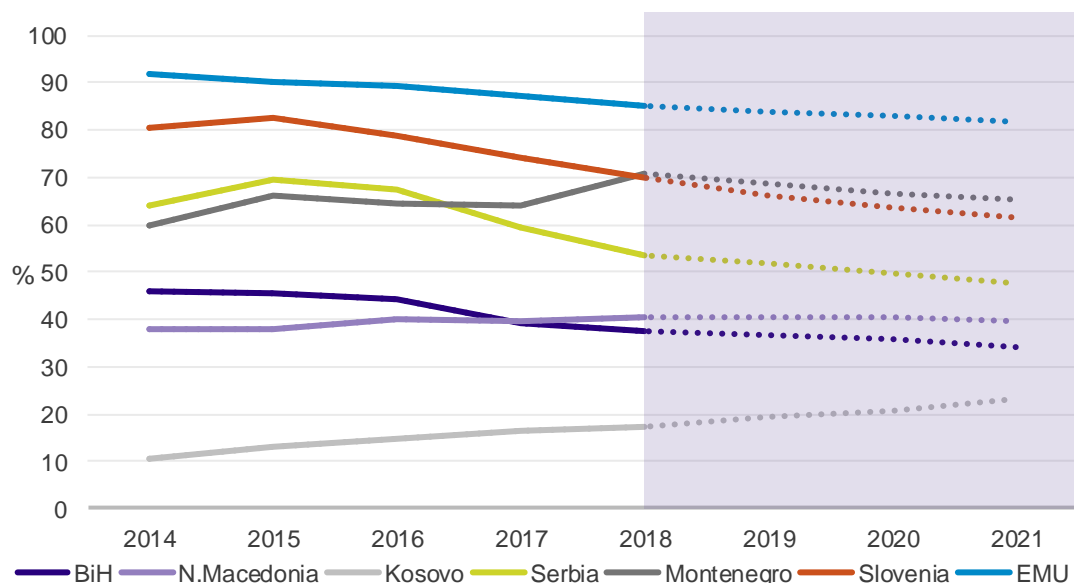
Fiscal balance, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-2.0	0.7	1.2	2.6	0.8	0.5	0.5	0.4
North Macedonia	-4.2	-3.5	-2.7	-2.7	-1.8	-2.5	-2.4	-2.2
Kosovo	0.9	-1.6	-0.3	-1.4	-0.4	-2.2	-2.2	-2.4
Serbia	-6.2	-3.5	-1.2	1.1	0.6	-0.3	-0.6	-0.6
Montenegro	-3.0	-8.0	-3.4	-5.5	-3.7	-2.4	0.5	0.5
Slovenia	-5.5	-2.8	-1.9	0.0	0.7	0.5	0.4	0.7
EMU	-2.5	-2.0	-1.6	-1.0	-0.5	-1.0	-1.0	-1.1

Source: FocusEconomics

Note: Estimates for 2018, Consensus Forecasts for 2019, 2020 and 2021

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 **Kosovo**.

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

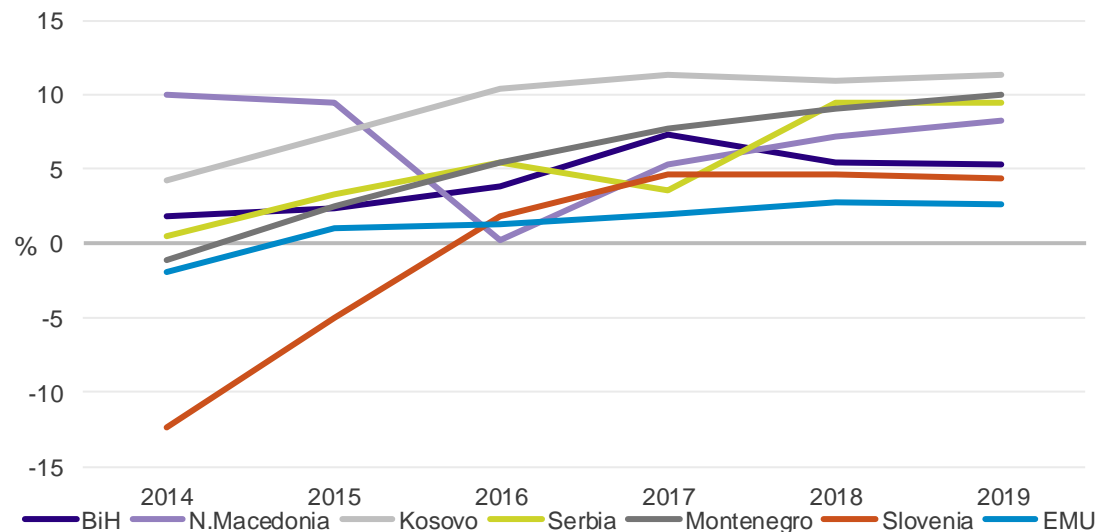
Public debt, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	45.9	45.5	44.1	39.0	37.6	36.5	35.9	34.1
North Macedonia	38.1	38.1	39.9	39.5	40.5	40.6	40.3	39.6
Kosovo	10.7	13.1	14.6	16.2	17.1	19.2	20.7	23.0
Serbia	64.2	69.5	67.6	59.3	53.6	51.8	49.9	47.8
Montenegro	59.9	66.2	64.4	64.2	70.8	68.7	66.8	65.2
Slovenia	80.4	82.6	78.7	74.1	70.1	66.3	63.6	61.3
EMU	92.0	90.1	89.2	87.1	85.1	84.1	82.9	81.9

Source: FocusEconomics

Note: Estimates for 2018, Consensus Forecasts for 2019, 2020 and 2021

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 credit growth in the region.

In **Serbia** and **Montenegro** healthy loan dynamics driven by rising consumption and fixed investments.

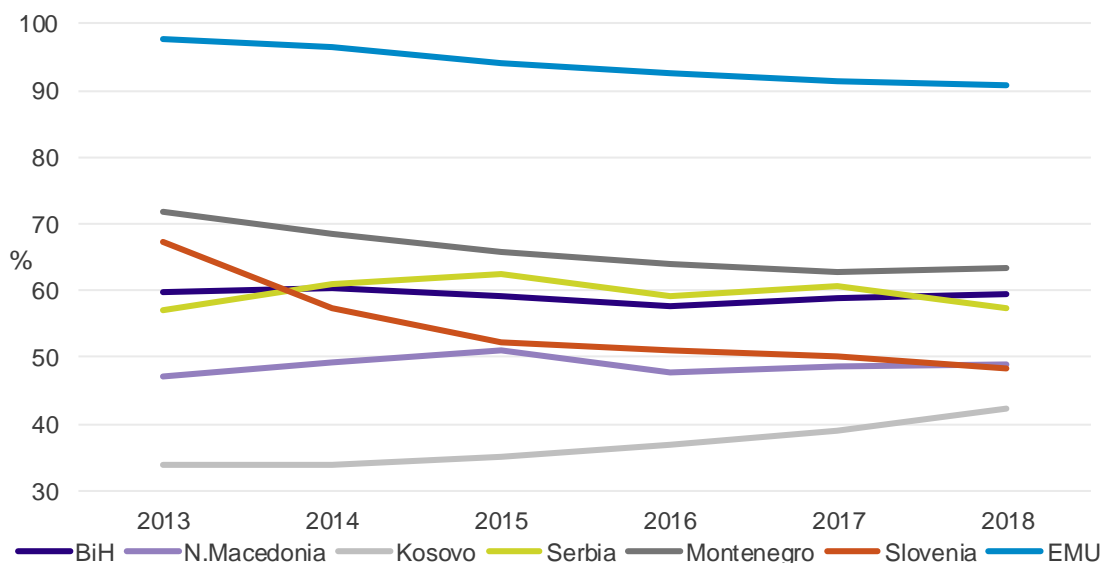
Loan growth (NFC + Households), %	2014	2015	2016	2017	2018	2019 ⁽¹⁾
BiH	1.8	2.4	3.8	7.3	5.5	5.3
North Macedonia	10.0	9.5	0.2	5.3	7.2	8.3
Kosovo	4.2	7.3	10.4	11.4	10.9	11.4
Serbia	0.5	3.3	5.5	3.6	9.5	9.5
Montenegro	-1.1	2.5	5.4	7.7	9.1	10.0
Slovenia	-12.4	-5.1	1.8	4.6	4.7	4.4
EMU	-1.9	1.0	1.3	1.9	2.8	2.7

Sources: National Central banks, ECB, Own calculations

Note: (1) February 2019 YoY growth

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

Entire region below EMU average with growth potential.

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

In **Montenegro**, the negative trend stabilized last year. In **Slovenia**, the ratio is continuing to fall.

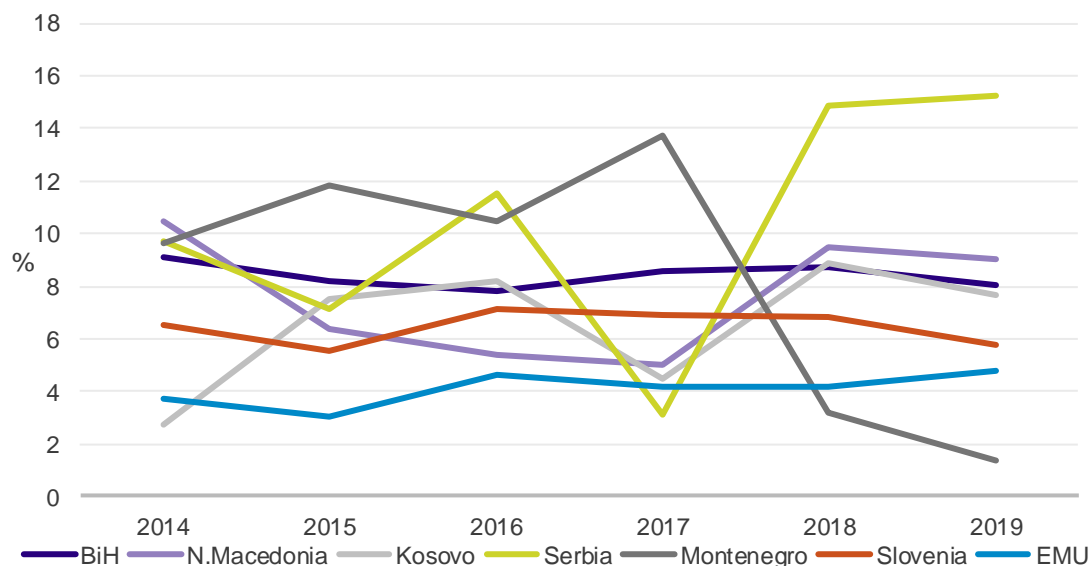
In **Kosovo**, the share of loans in GDP is steadily increasing, but still the lowest among peers.

Total loans, % GDP	2013	2014	2015	2016	2017	2018
BiH	59.8	60.2	59.0	57.5	58.7	59.5
North Macedonia	47.1	49.3	51.0	47.6	48.7	48.8
Kosovo	33.9	33.8	34.9	36.9	38.9	42.4
Serbia	57.0	61.0	62.3	59.1	60.5	57.5
Montenegro	71.8	68.5	65.8	64.0	62.8	63.4
Slovenia	67.2	57.3	52.2	50.9	50.1	48.4
EMU	97.7	96.4	94.0	92.7	91.2	90.8

Sources: National Central banks, ECB, Own calculations
 Note: EMU Total loans 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%) is far ahead of the rest and leads the deposit growth in the region in 2018, followed by strong growth of other countries in the region.

An exception is **Montenegro** (3.2%), which went from having the highest growth in 2017 to the lowest in 2018 and is the only country with growth under the EMU level.

Underdeveloped capital markets participating importantly to deposit growth record.

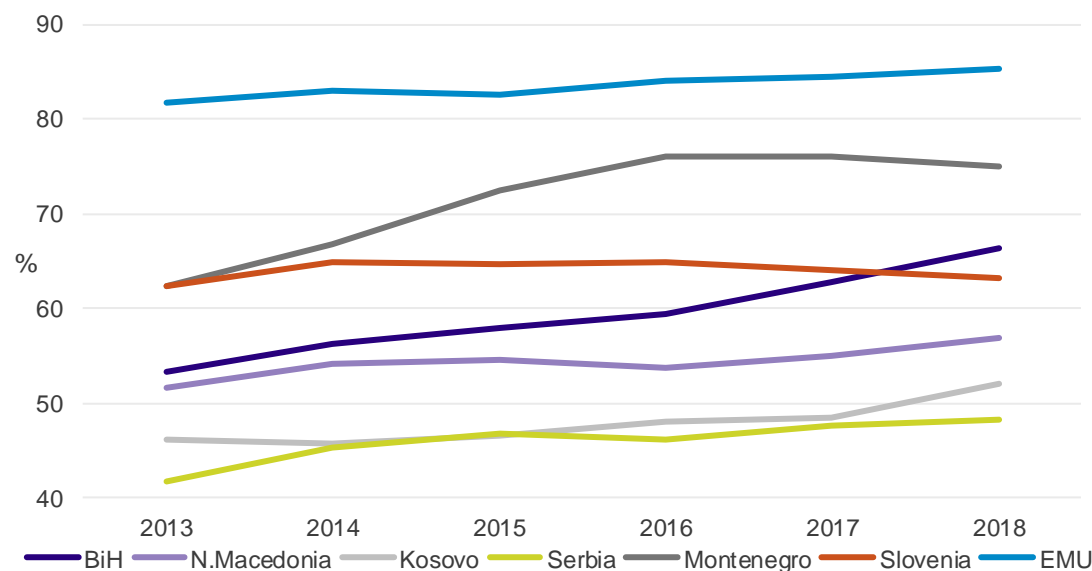
Deposit growth (NFC + Households), %	2014	2015	2016	2017	2018	2019 ⁽¹⁾
BiH	9.1	8.2	7.8	8.6	8.7	8.0
North Macedonia	10.5	6.4	5.4	5.0	9.5	9.0
Kosovo	2.7	7.5	8.2	4.5	8.9	7.7
Serbia	9.7	7.1	11.5	3.1	14.9	15.2
Montenegro	9.6	11.8	10.5	13.7	3.2	1.3
Slovenia	6.5	5.6	7.1	6.9	6.8	5.7
EMU	3.7	3.0	4.6	4.2	4.1	4.8

Sources: National Central banks, ECB, Own calculations

Note: (1) February 2019 YoY growth

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

Slightly falling, but stable deposit to GDP ratio in **Montenegro** and **Slovenia**.

Growing trend in the rest of the region with the highest increase in **BiH** and **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	66.4
North Macedonia	51.6	54.2	54.6	53.7	55.0	56.8
Kosovo	46.0	45.6	46.6	47.9	48.5	52.0
Serbia	41.6	45.2	46.6	46.1	47.6	48.2
Montenegro	62.4	66.7	72.4	76.1	76.0	74.9
Slovenia	62.2	65.0	64.7	64.8	64.0	63.1
EMU	81.8	82.9	82.5	84.0	84.5	85.3

Sources: National Central banks, ECB, Own calculations

Note: EMU Total deposits 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, to investors who are totally independent from RS – commitment completed with issuance of Tier 2 bond on 6 May 2019;
- **close 15 outlets in Slovenia** by end of June 2019 ⁽¹⁾ – o/w 14 already closed;
- 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)	1-3 2019	1-3 2018	YoY	Q1 2019	Q4 2018	Q1 2018	QoQ
Interest and similar income	90.4	86.9	4%	90.4	92.1	86.9	-2%
Interest and similar expense	-11.1	-11.9	7%	-11.1	-11.1	-11.9	0%
Net interest income	79.4	75.0	6%	79.4	81.0	75.0	-2%
Fee and commission income	53.8	51.6	4%	53.8	56.5	51.6	-5%
Fee and commission expense	-13.8	-12.3	-12%	-13.8	-15.9	-12.3	13%
Net fee and commission income	40.1	39.3	2%	40.1	40.7	39.3	-1%
Dividend income	0.1	0.0	-	0.1	0.0	0.0	-
Net income from financial transactions	12.3	2.7	-	12.3	3.1	2.7	-
Other operating income	2.0	13.3	-85%	2.0	-0.5	13.3	-
Total net operating income	133.8	130.4	3%	133.8	124.3	130.4	8%
Employee costs	-40.1	-40.3	1%	-40.1	-43.2	-40.3	7%
Other general and administrative expenses	-21.2	-22.3	5%	-21.2	-28.4	-22.3	25%
Depreciation and amortisation	-7.7	-6.8	-14%	-7.7	-6.7	-6.8	-15%
Total costs	-69.0	-69.4	1%	-69.0	-78.3	-69.4	12%
			-				-
Result before impairments and provisions	64.8	61.0	6%	64.8	46.0	61.0	41%
Impairments and provisions for credit risk	3.3	3.3	1%	3.3	7.0	3.3	-53%
Other impairments and provisions	-3.9	-0.5	-	-3.9	-2.7	-0.5	-46%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	1.1	1.2	-4%	1.1	1.3	1.2	-16%
Result before Tax	65.3	65.0	1%	65.3	51.7	65.0	26%
Income tax expense	-5.4	-4.3	-28%	-5.4	-5.1	-4.3	-6%
Non Controlling Interests	2.0	3.0	-35%	2.0	1.2	3.0	61%
Net Profit / (Loss) Attributable to Shareholders	57.9	57.7	0%	57.9	45.3	57.7	28%

NLB Group Statement of Financial Position

(EURm)	31 Mar 2019	31 Dec 2018	YtD
ASSETS			
Cash and balances with Central Banks	1,589.0	1,588.3	0%
Financial instruments	3,608.0	3,399.2	6%
<i>o/w Trading Book</i>	38.4	63.6	-40%
<i>o/w Non-trading Book</i>	3,569.6	3,335.6	7%
Loans and advances to banks (net)	108.9	118.7	-8%
<i>o/w gross loans</i>	109.0	118.8	-8%
<i>o/w impairments</i>	-0.1	-0.1	-13%
Loans and advances to customers	7,264.3	7,148.4	2%
<i>o/w gross loans</i>	7,719.0	7,627.5	1%
- Corporates	3,593.1	3,540.4	1%
- State	345.2	360.5	-4%
- Individuals	3,780.7	3,726.5	1%
<i>o/w impairments and valuation</i>	-454.7	-479.0	5%
Investments in associates and JV	42.9	37.1	16%
Goodwill	3.5	3.5	0%
Other intangible assets	29.7	31.4	-6%
Property, plant and equipment	193.8	177.4	9%
Investment property	58.4	58.6	0%
Other assets	167.3	177.1	-6%
Total Assets	13,065.8	12,740.0	3%
LIABILITIES & EQUITY			
Deposits from banks and central banks	24.6	26.8	-8%
Deposits from customers	10,675.8	10,464.0	2%
- Corporates	2,255.3	2,337.3	-4%
- State	403.1	261.1	54%
- Individuals	8,017.4	7,865.6	2%
Borrowings	317.4	320.3	-1%
Debt securities in issue	-	-	-
Subordinated liabilities	15.3	15.1	2%
Other liabilities	305.7	256.5	19%
Total Liabilities	11,338.8	11,082.6	2%
Shareholders' Equity	1,683.8	1,616.2	4%
Non Controlling Interests	43.2	41.2	5%
Total Equity	1,727.0	1,657.4	4%
Total Liabilities & Equity	13,065.8	12,740.0	3%