



NLB Group Presentation

1H2020 Results



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NLB Group Highlights

Key developments – Relatively strong Q2 despite Covid-19 related loss in revenues and higher IFRS9 related cost of risk charges

- **Covid-19**
 - Government measures: intervention & strategic measures.
 - NLB Group measures: necessary measures to protect customers and employees by ensuring safety conditions and ensuring services are provided without disruption.
 - Clients turned to digital channels and the Bank proved to be well prepared also for such circumstances: the Bank further extended the set of products and services offered to clients using digital channels (i.e. new NLB Package Digital) & new possibility of opening an account and application for housing or consumer loan through video call in NLB Contact Centre.
- **Acquisition of Komercijalna banka a.d. Beograd**
 - The closing of the transaction is expected in Q4 2020.
- **NLB Vita sale**
 - NLB has completed the sale of NLB Vita on 29 May 2020 with P&L effect of EUR 11 million.
- **Capital measures**
 - Strengthening capital position (TCR from 16.3% at year end to 20.5%):
 - ✓ Inclusion of Tier2 notes (EUR 240 million)
 - ✓ Inclusion of 2019 unallocated profit (EUR 157.5 million)
 - ✓ Inclusion of minorities (EUR 32 million)
 - RWA reduction (effects from July 2020)
 - ✓ On 30 June the bank entered into a contract with MIGA for guarantee agreements, which reduced the risk weighted assets of NLB d.d. on consolidated level by EUR 303.1 million.
 - ✓ SME supporting factor with approximately EUR 170 million RWA reduction
- **Regulatory changes**
 - ECB/BoS restriction for 2019 dividend payments.
- **Annual General Meeting**
 - 35th General Meeting of NLB d.d. held in Ljubljana, on 15 June 2020.
 - Distributable profit for 2019 in the amount of EUR 228,039,879.73 remains undistributed, representing the profit carried over.
 - 3 new Supervisory board members appointed as workers council representatives



Key Developments

Key performance indicators of NLB Group

Medium-term targets set in 2018⁽¹⁾

	YE 18	YE 19	H1 20	Medium term ⁽⁷⁾
Net interest margin ⁽²⁾	2.56%	2.48%	2.19%	>2.7%
Loans to deposits ratio	68.3%	65.5%	63.1%	<95%
Total capital ratio	16.7%	16.3%	20.5%	15.75% ⁽⁶⁾
Cost-income ratio	58.5%	55.2% ⁽⁸⁾	55.7%	~50%
Cost of risk ⁽³⁾	-43 bps	-20 bps	85 bps	<90bps
Return on equity (RoE)	11.8%	11.7%	8.7%	~12.0%
Dividend payout	70%	/ ⁽⁹⁾		~70% ⁽⁵⁾
NPE ratio ⁽⁴⁾	4.7%	2.7%	2.6%	<4.0%

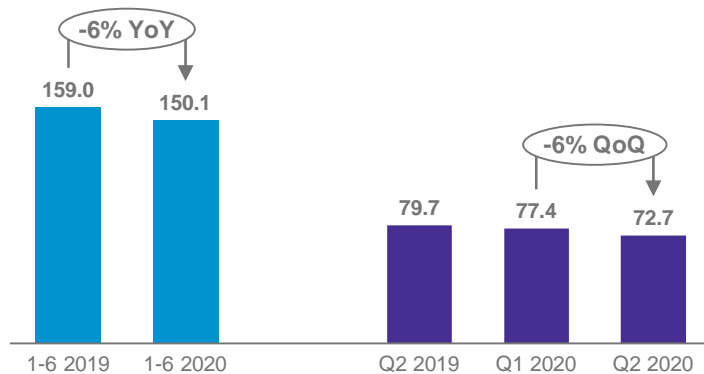
Source: Company information

Note: (1) Target set by NLB management as a part of their financial projections for 2019-2023; (2) Calculated on the basis of average 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) 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. (6) Revised in April 2020 (from 16.25%); target total capital ratio is regularly revised to reflect each time the applicable capital requirements. (7) Mid-term target is subject to review as COVID-19 will likely have a negative impact on achievement of the target within the originally foreseen timeframe (2023); (8) CIR is adjusted to changed schemes prescribed by the BoS. (9) due to the ECB Recommendation on dividend distributions during the COVID-19 pandemic for the European banks, accompanied also with the BoS restriction on dividend distributions applicable for Slovenian banks, the Bank is not expected to pay out any dividends in 2020

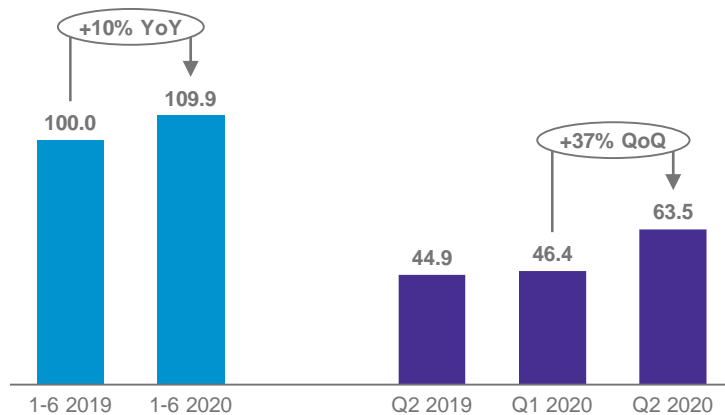
Revenues and Cost Dynamics

Core revenues robust, NIM affected by tactical balance sheet and capital measures, cost discipline in place

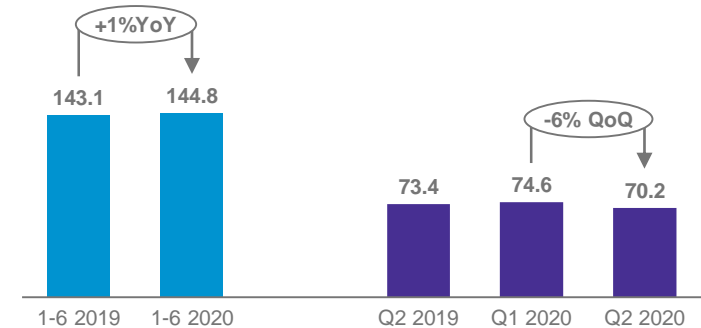
Net interest income (Group, EURm)



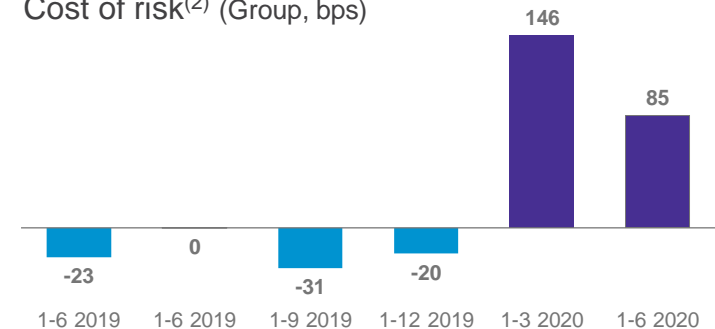
Net non-interest income⁽¹⁾ (Group, EURm)



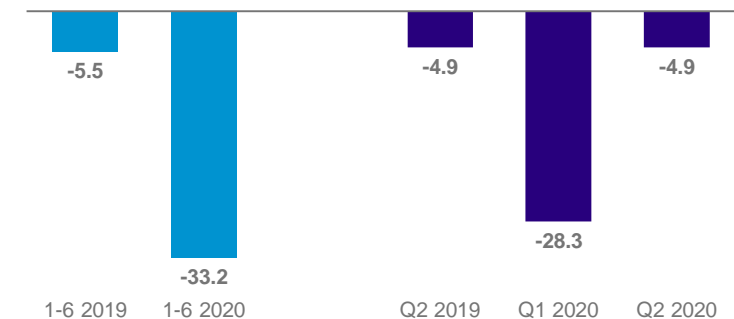
Costs⁽¹⁾ (Group, EURm)



Cost of risk⁽²⁾ (Group, bps)



Net impairments and provisions (Group, EUR m)



Note: (1) Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses).

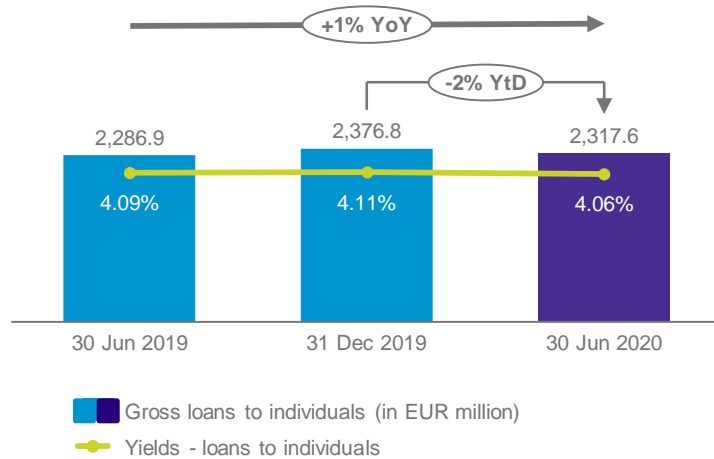
(2) Cost of risk = credit impairments and provisions (annualised level) / average net loans to customers;

Loan dynamics

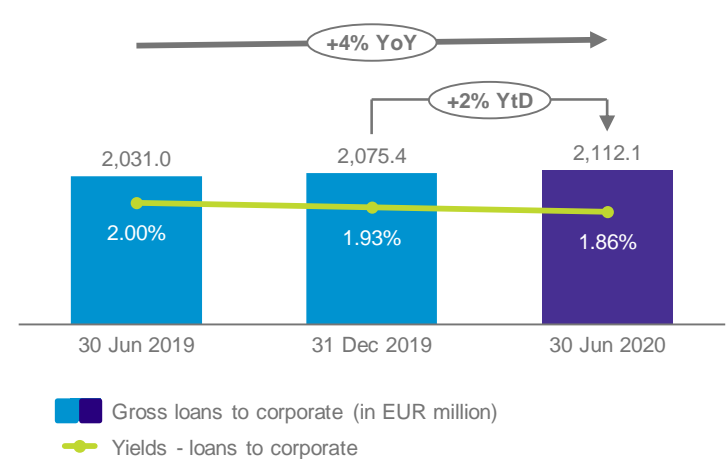
Total gross loans slightly up, continued growth in subsidiaries; Slovenia consumer lending effected by regulation, Slovenia housing robust

NLB d.d. (1)

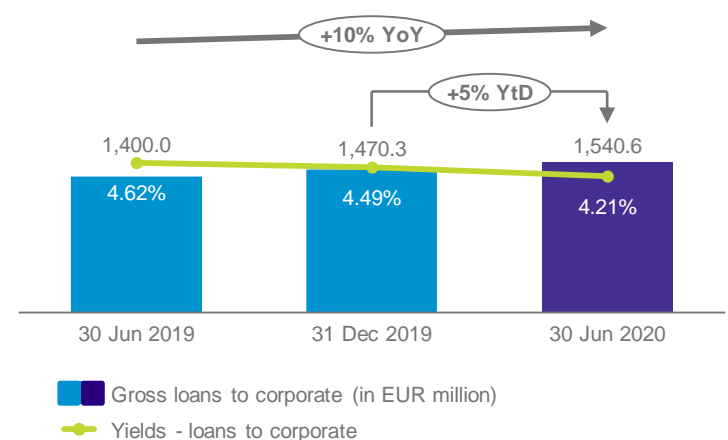
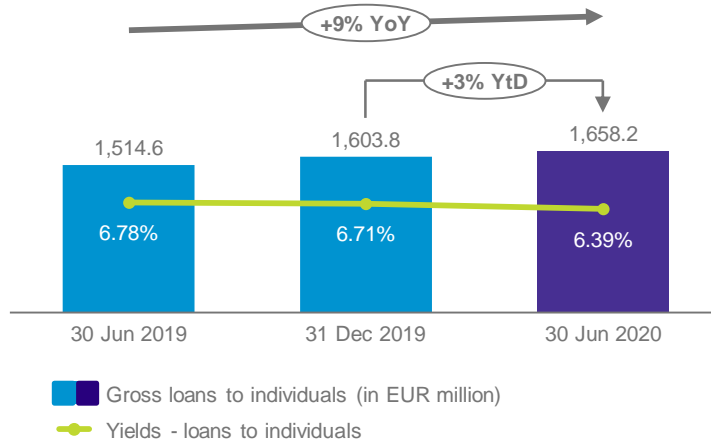
Gross loans to individuals



Gross loans to corporate



Strategic foreign markets

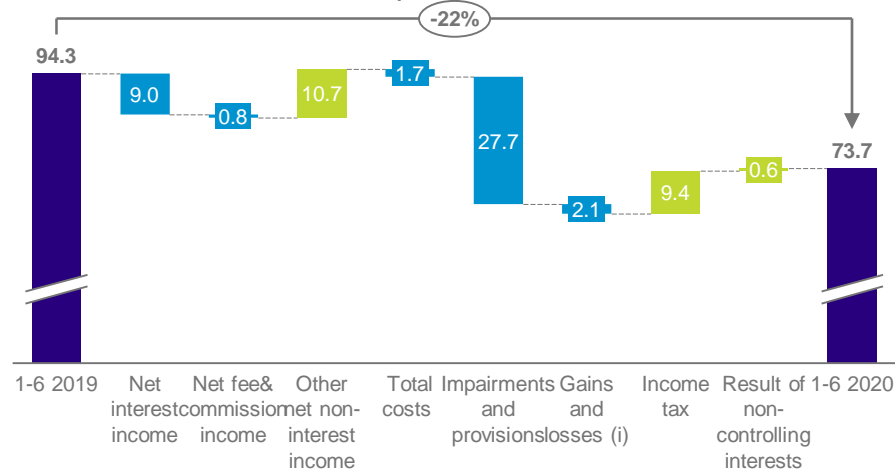


Note: (1) Without funding of subsidiaries;

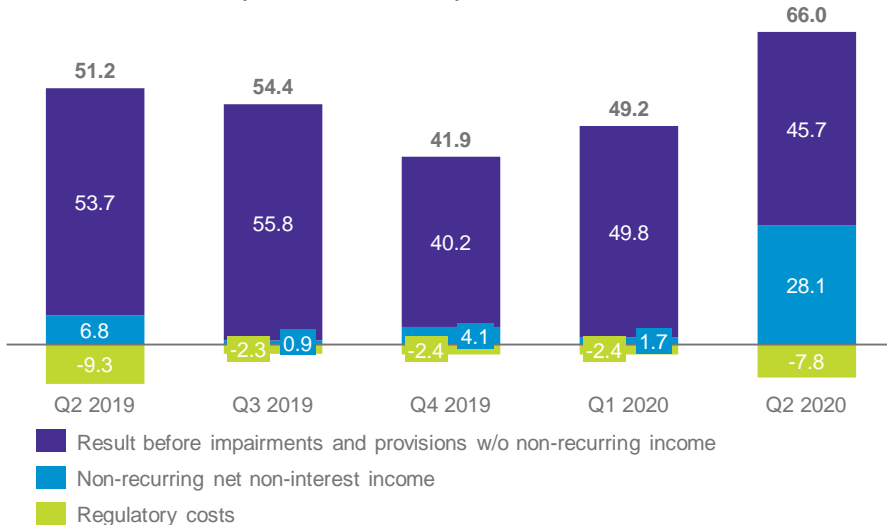
Income Statement

Overall robust H1 performance given circumstances, stable core-revenues from lending and fee business, pre-provision result on par with support from non-recurring revenues

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



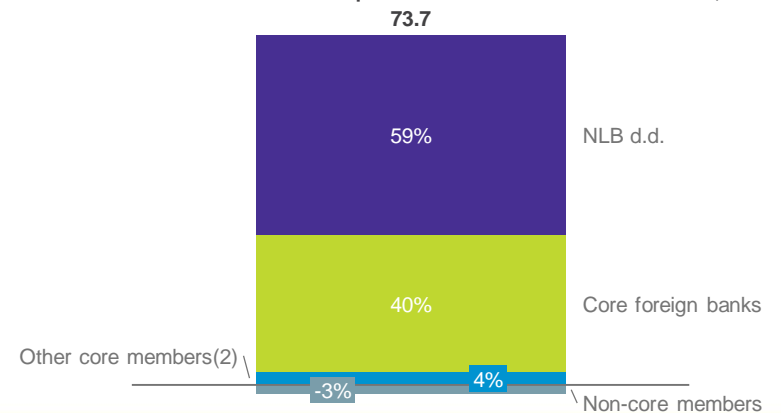
Result before impairments and provisions (Group, EURm)



In H1 2020, NLB Group generated **EUR 73.7 million of profit a.t.**

- Net interest income was lower by EUR 9.0 million YoY (6%): mostly related to sale of debt securities and higher volume of cash and balances with central bank, while higher interest expenses related to the new subordinated Tier 2 instruments. The pressure on interest margins in the Bank and banking members in SEE is continuing.
- Lower net fee and commission income, EUR 0.8 million (1%), due to COVID-19 outbreak, mainly on payment transactions and card operations and bancassurance business.
- Non-recurring net income from financial transaction affected by the sale of debt securities in the Bank (EUR 17.2 million), while in 2019 by partial repayment of a large exposure measured at fair value through profit and loss in the amount of EUR 5.1 million and revaluation of a non-core equity stake in the amount of EUR 6.3 million. Non-recurring net other income affected by the sale of NLB Vita with positive effect of EUR 11.0 million in May 2020.
- Total cost slightly up (1% YoY).
- Net established impairments and provisions were EUR 33.2 million, while EUR 5.5 million in H1 2019. New credit impairments and provisions in the total amount of EUR 20.0 million were established in H1 2020 due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.

Contribution to the NLB Group consolidated result a.t. (EURm)

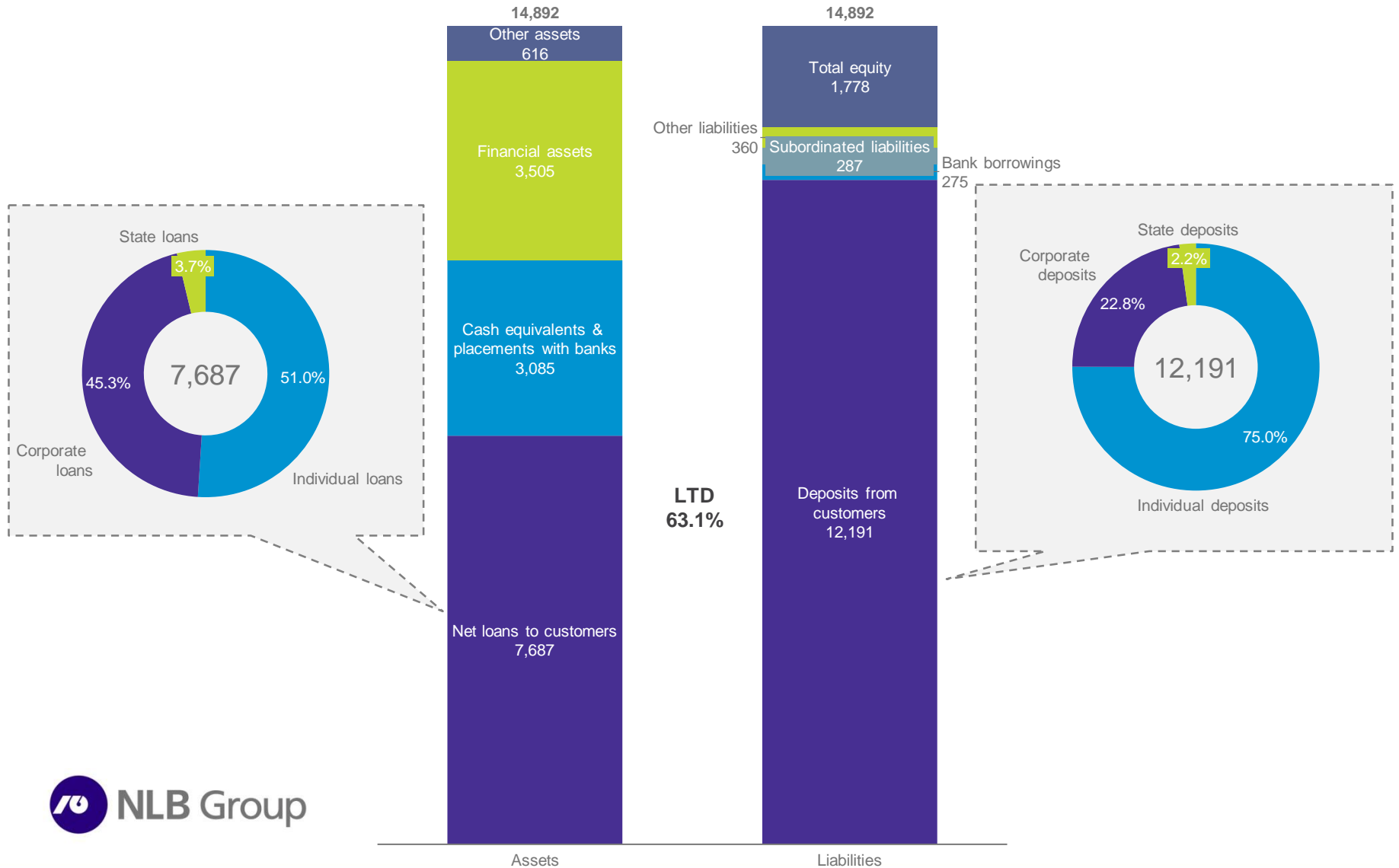


Notes: (1) Gains less losses from capital investments in subsidiaries, associates, and joint ventures. (2) NLB Skladi and Bankart.

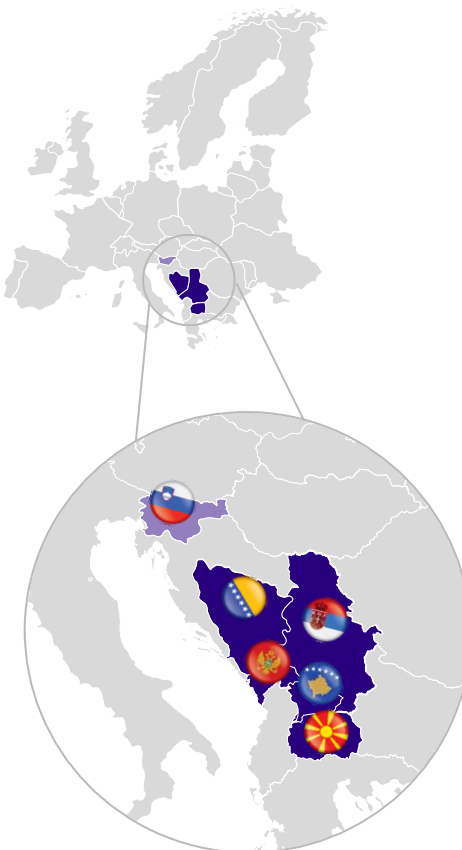
Balance sheet structure – NLB Group








Substantial influx of deposits in H1 driving increase in cash position

(30 June 2020, in EUR million)



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*
Result after tax (EURm)	67.8	11.7	4.6	3.2	8.3	0.8	2.0	73.7
Total assets (EURm)	10,449	1,522	781	625	825	545	687	14,892
RoE a.t.	10.1%	10.9%	10.3%	7.8%	18.7%	2.5%	5.5%	8.7%
Net interest margin⁽¹⁾	1.54%	3.40%	2.40%	3.02%	4.05%	4.10%	3.33%	2.19%
CIR (cost to income ratio)	51.6%	41.1%	47.0%	54.2%	31.4%	55.9%	74.8%	55.7%
LTD net %	54.8%	76.4%	67.7%	80.8%	80.3%	91.6%	95.2%	63.1%
NPL ratio	2.6%	4.7%	1.8%	3.6%	1.5%	4.6%	1.3%	3.7%
NLB ownership (%)		87.0%	99.8%	97.3%	81.2%	99.8%	99.9%	/
No. of branches (#)	80	52	53	35	34	19	28	301
Market share by total assets (%)	24.2%	16.3%	18.3% ^(2, 4)	5.2% ^(3, 5)	17.9%	11.6% ⁽⁶⁾	1.8% ⁽⁵⁾	/

Note: Financial data as of June 2020

*Consolidated data. Including non-core members and other activities and other core members.

(1) Calculated on the basis of interest bearing assets; (2) Market share in the Republic of Srpska; (3) Market share in the Federation of BiH; (4) Data for market share as of 31 Dec 2019; (5) Data for market share as of 31 Mar 2020; (6) Data for market share as of 31 May 2020.

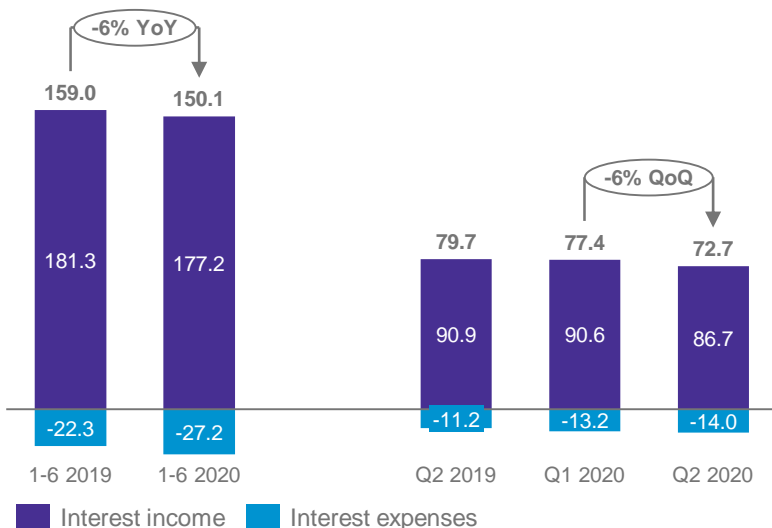


Business Performance

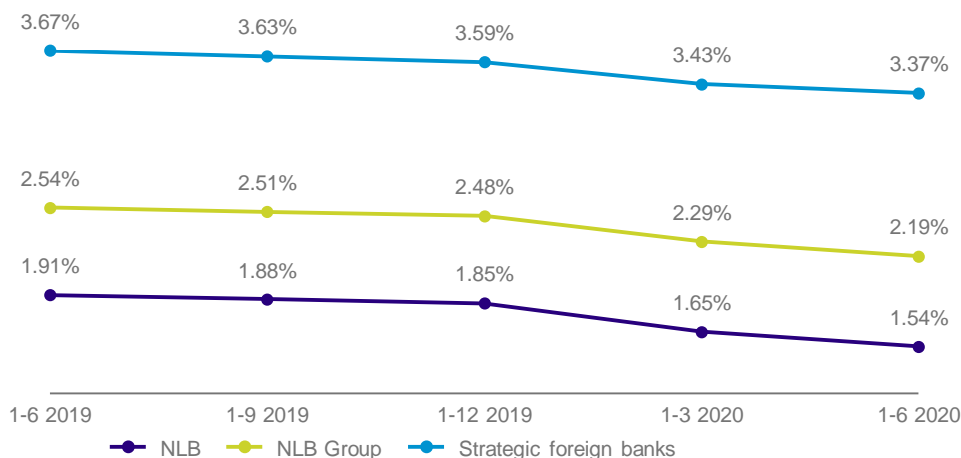
Net interest income & net interest margin

Tactical balance sheet measures/deposit inflows burdening NIM; gross loan revenues stable/slightly rising YtD

Interest income (Group, EURm)



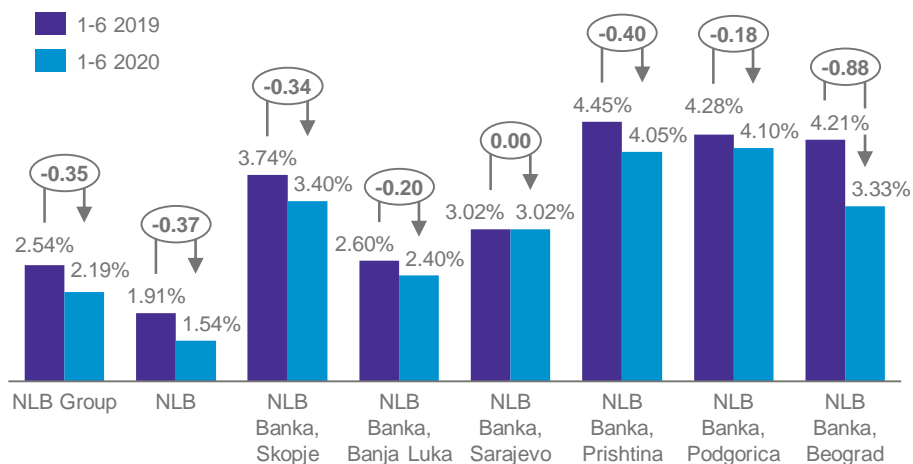
Net interest margin⁽¹⁾ (Group, %)



Net interest income totalled EUR 150.1 million and decreased by EUR 9.0 million or 6% YoY, due to lower interest income, mostly related to the sale of debt securities in the Bank, higher volume of cash and balances with the central bank and continued pressure on interest margins on loan portfolio in the Bank and banking subsidiaries in SEE region. Higher interest expenses are related to the new subordinated Tier 2 instruments raised by the Bank to optimize the capital structure. Interest expenses for customer deposits were decreasing. On QoQ basis lower interest income also due to decrease in customer loans and overdrafts.

Consequently substantial decrease in interest margin.

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



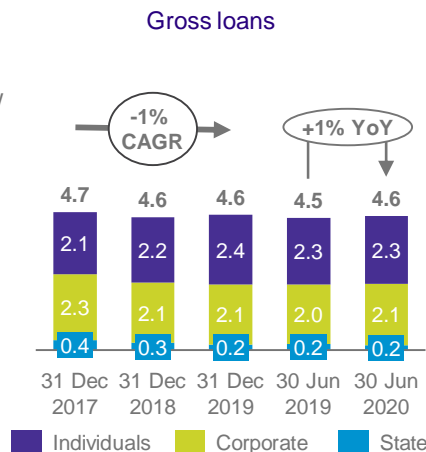
Source: Company information
Note: (1) Calculated on the basis of interest bearing assets.

Net interest income drivers – NLB d.d.

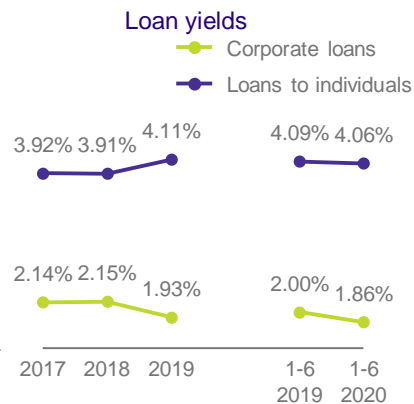
Interest income⁽¹⁾

- Slight drop in NLB d.d.'s loan book YtD due to COVID-19 outbreak (increase in corporate loans YtD, while production of new loans to individuals was lower).
- In last years the structure is changing in favour of loans to individuals with higher interest rates which is reflected in higher interest income.

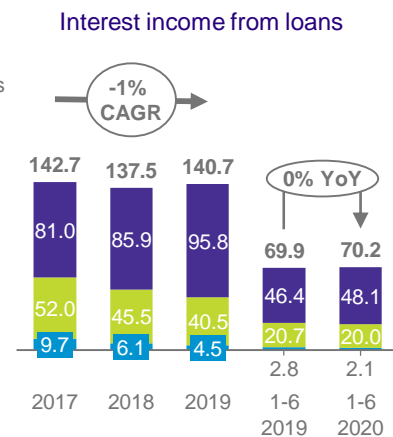
Volume (in EUR billion)



Yields and rates



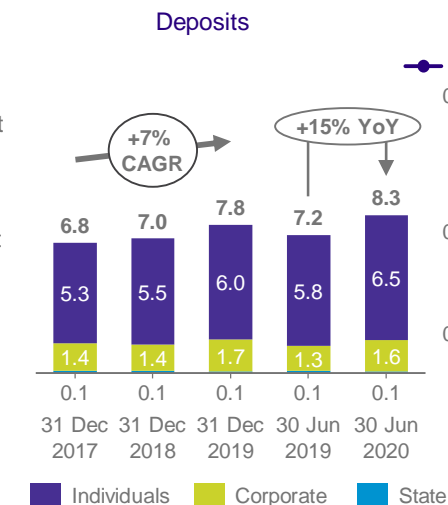
Interest income / expense (in EUR million)



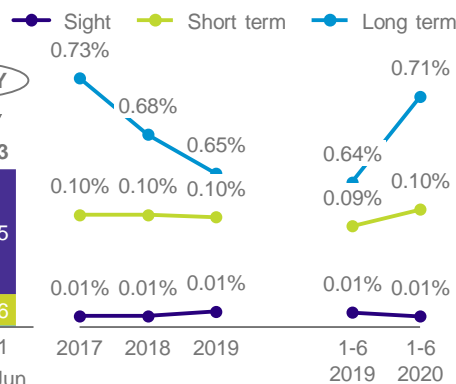
Interest expense

- Inflow of deposits, mostly from individuals, in light of negative interest rate environment.
- Deposit structure is changing from maturity point of view, with cheaper sight deposit prevailing in the structure, consequently decrease in average deposit rate despite increase in interest rates YoY. As a result also decrease in interest expenses.

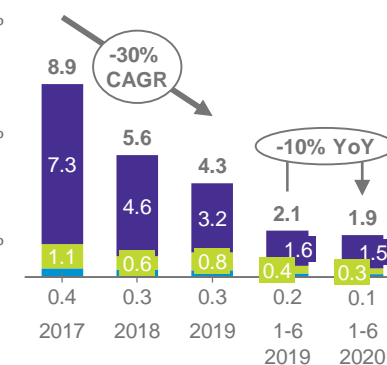
Deposits



Deposit rates



Interest expenses from deposits



Note: (1) Without funding of subsidiaries; (2) Includes also other items from presented interest income from loans and interest expense from deposits; (3) Calculated on the basis of interest bearing assets.

	2017	2018	2019	1-6 2019	1-6 2020
Net interest income ⁽²⁾	159	158	158	80	71
NIM ⁽³⁾	1.9%	1.9%	1.9%	1.9%	1.5%

Net interest income drivers – Strategic foreign markets⁽¹⁾

Interest income

- Growth in loan volume despite COVID-19 outbreak.
- Increasing interest income due to increase of loan volume and despite decreasing loan yields.

■ Individuals ■ Corporate ■ State

Interest expense

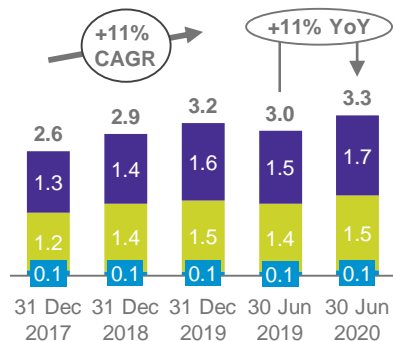
- Deposit structure is slightly shifting from term towards sight deposits with lower interest rates.
- Decrease in interest expenses due to decrease in deposit rates.

■ Individuals ■ Corporate ■ State

Drivers

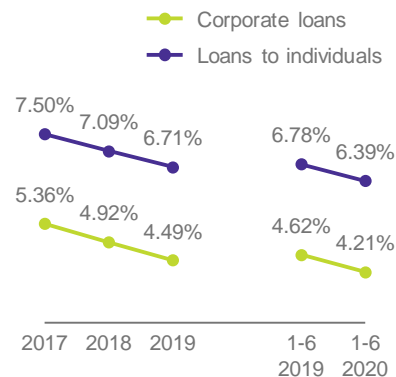
Volume⁽²⁾ (in EUR billion)

Gross loans



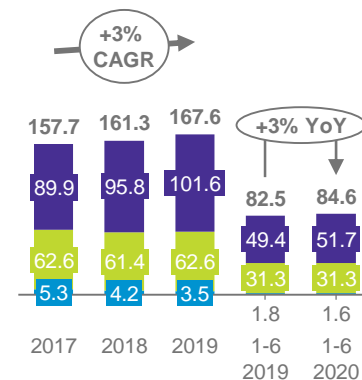
Yields and rates

Loan yields

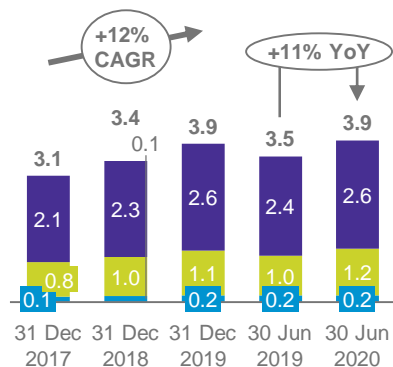


Interest income / expense (in EUR million)

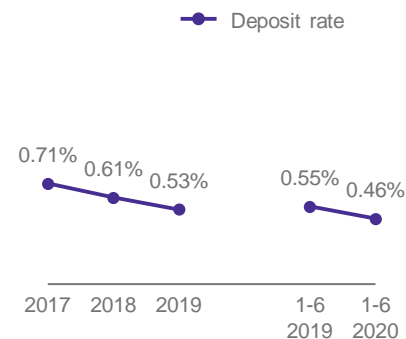
Interest income from loans



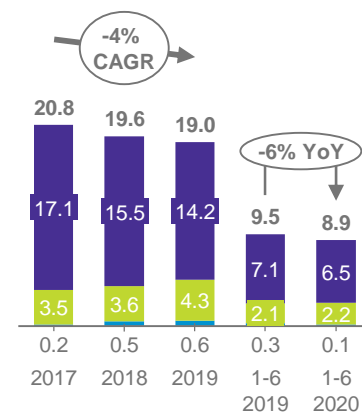
Deposits



Deposit rates



Interest expenses from deposits



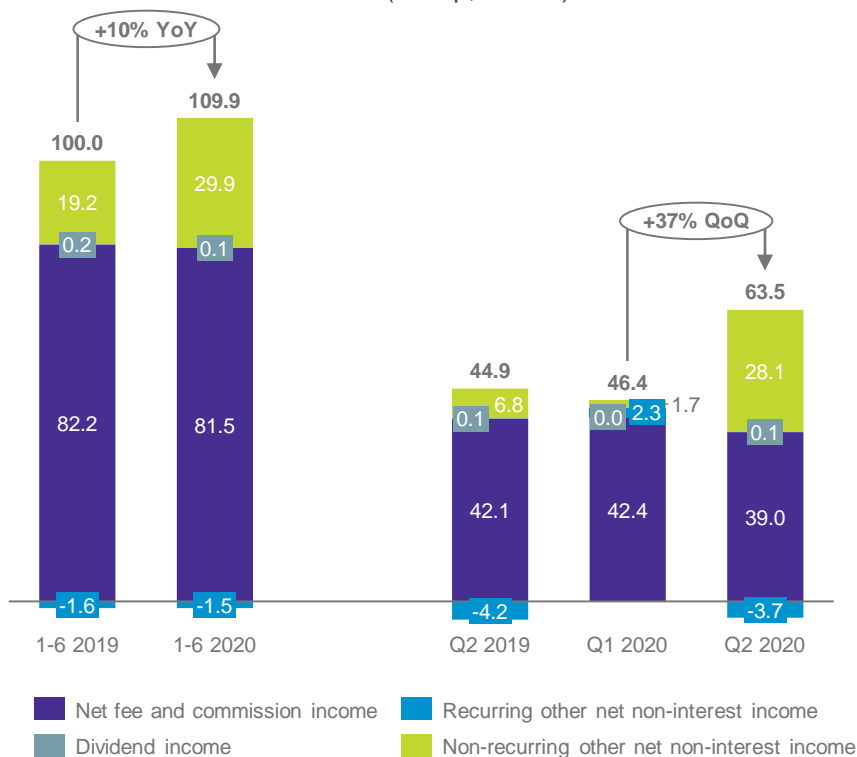
Note: (1) Only banks also before new segmentation from 2019 on; (2) On consolidated basis; (3) Includes also other items from presented interest income from loans and interest expense from deposits; (4) Calculated on the basis of interest bearing assets.

	2017	2018	2019	1-6 2019	1-6 2020
Net interest income ⁽²⁾	145	151	158	78	79
NIM ⁽³⁾	4.0%	3.8%	3.6%	3.7%	3.4%

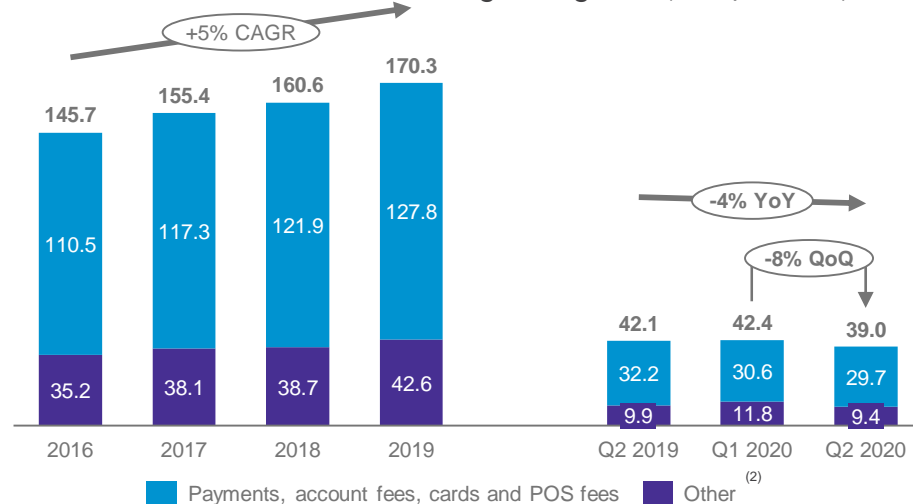
Net non-interest income – NLB Group

Effects of Vita and tactical securities divestments with positive effects in Q2;
Core revenues slightly down due to pandemic

Net non-interest income (Group, EURm)⁽¹⁾



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



Net non-interest income reached EUR 109.9 million and increased by EUR 9.9 million or 10% YoY. The YoY dynamic was influenced by the following factors:

- Net fee and commission income lower by EUR 0.8 million (1%) YoY, mostly related to COVID-19 outbreak and its negative impact on payment transactions and card operations (lower consumption by clients). June results are already normalizing to pre COVID-19 income.
- Non-recurring net income from financial transactions was affected by the sale of debt securities in the Bank as a consequence of perceived higher risk during the COVID-19 pandemic. As the volatility of prices on various markets has increased, the Group sold debt securities with increased credit spreads as part of its strategy to manage the credit risk, in the amount of EUR 209.1 million measured as FV OCI (fair value through other comprehensive income) and EUR 120.1 million measured at AC (amortised cost). Total realised gains amounted to EUR 17.2 million (EUR 4.5 million from FV OCI and EUR 12.7 million from AC portfolio). In 2019, the Group made a non-recurring net income by partial repayment of a large exposure measured at fair value through profit and loss (EUR 5.1 million) and revaluation of a non-core equity stake (EUR 6.3 million, sold in Q4 2019).
- Non-recurring net other income affected by the sale of NLB Vita with a positive effect of EUR 11.0 million on the Group level (EUR 35.5 million on the level of the Bank).

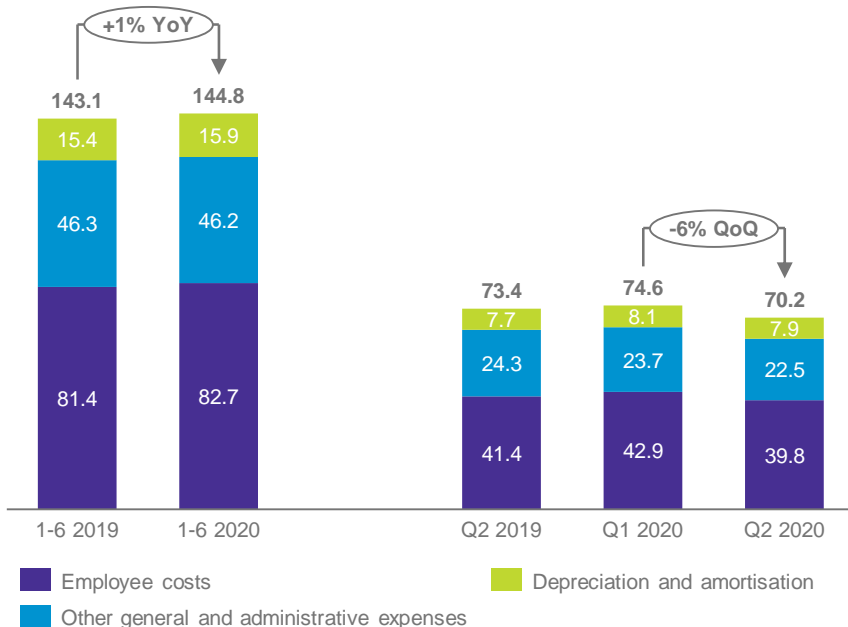
in EUR million	Realization		Change	
	1-6 2020	1-6 2019	YoY	
Recurring net non-interest income	80.1	80.8	-0.8	-1%
Net fee and commission income	81.5	82.2	-0.8	-1%
Dividends income	0.1	0.2	-0.1	-50%
Net income from financial transactions (Fees from Exchange differences)	5.4	5.3	0.1	2%
Net other income	-6.8	-6.8	0.0	0%
- external realization (IT, cash logistics)	1.7	1.8	-0.1	-8%
- rents	1.7	2.8	-1.2	-40%
- regulatory charges (SRF, DGS)	-10.2	-11.5	1.3	11%

Note: (1) Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses). (2) Includes investment funds, guarantees, investment banking, insurance products and other services.

Total costs – NLB Group

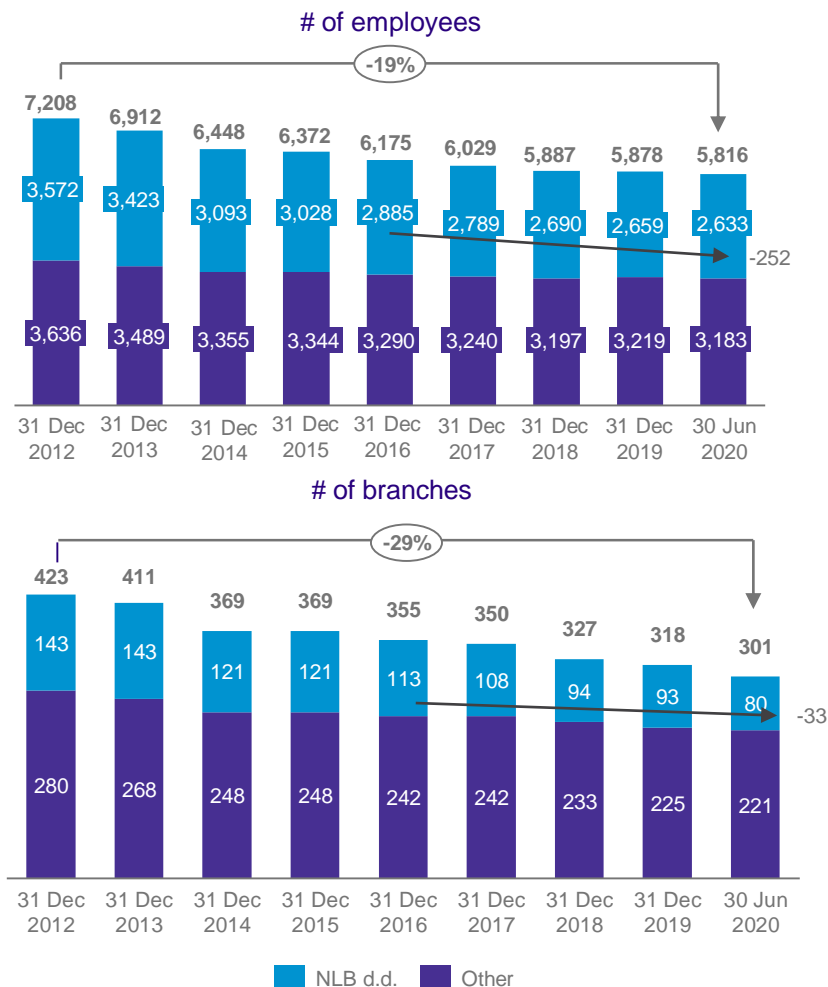
Cost discipline strong focus with further branch closures implemented and some Covid-19 related cost stabilisers put in place

Operating expenses⁽¹⁾ (Group, EURm)



- **Total costs** amounted to EUR 144.8 million, and are thus by EUR 1.7 million or 1% higher YoY, mostly due to higher employee costs. QoQ decrease of employee costs related to COVID-19 outbreak measures taken expected to be valid by the end of 2020. The Group is undertaking several strategic initiatives (channel strategy, digitalization, paperless, lean process, branch network optimization...) to maintain the sustainable cost base going forward.
- CIR stood at 55.7%.
- Headcount dropped by 19% over 2012-June 2020 driven primarily by Slovenia core & non-core members.
- Ongoing closures of unprofitable branches.

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

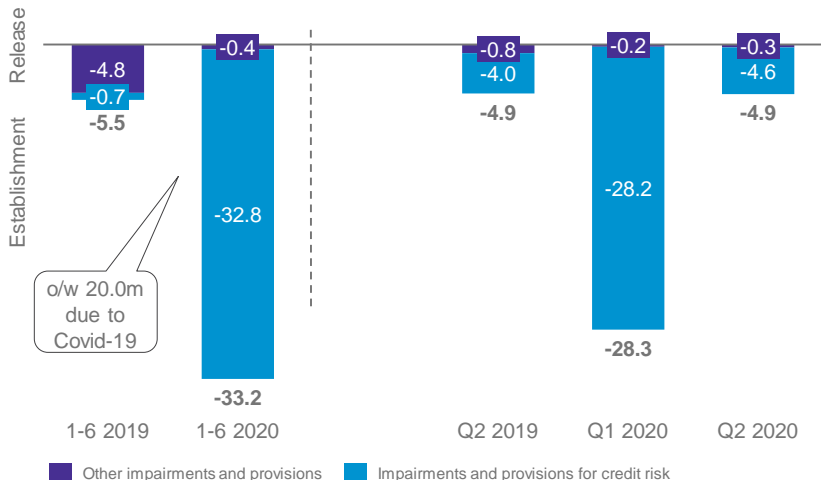


Note: (1) Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses).

Impairments and provisions & cost of risk

Cost of risk high

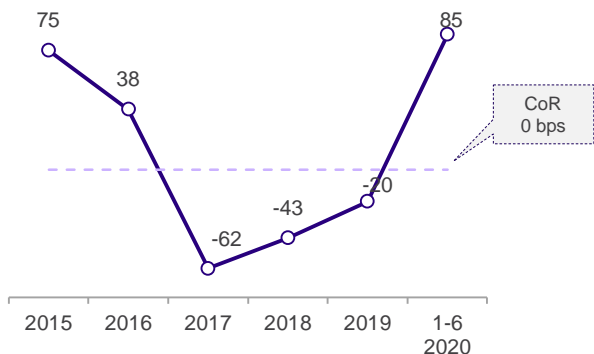
Impairments and provisions (Group, EUR m)



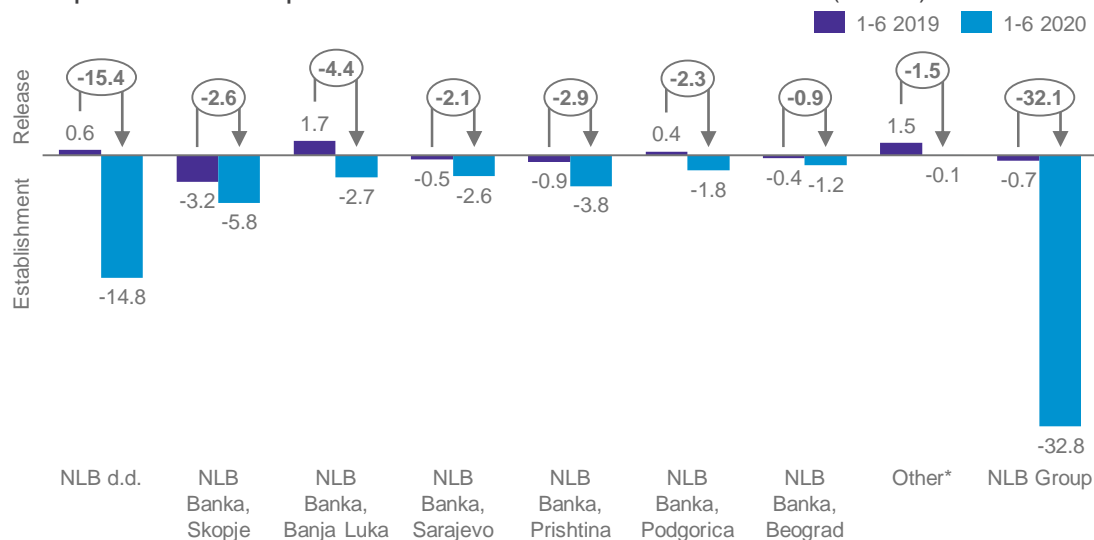
In H1 2020, the Group established EUR 33.2 million of **net impairments and provisions**, of which EUR 32.8 million for credit risk (cost of risk 85 bps). EUR 20.0 million were established due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.

In H1 2019, the net impairments and provisions amounted to EUR 5.5 million, of which 0.7 million was for credit risk (cost of risk close to 0 bps).

Cost of risk⁽¹⁾ (Group, bps)



Impairments and provisions for credit risk – contribution (EURm)



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

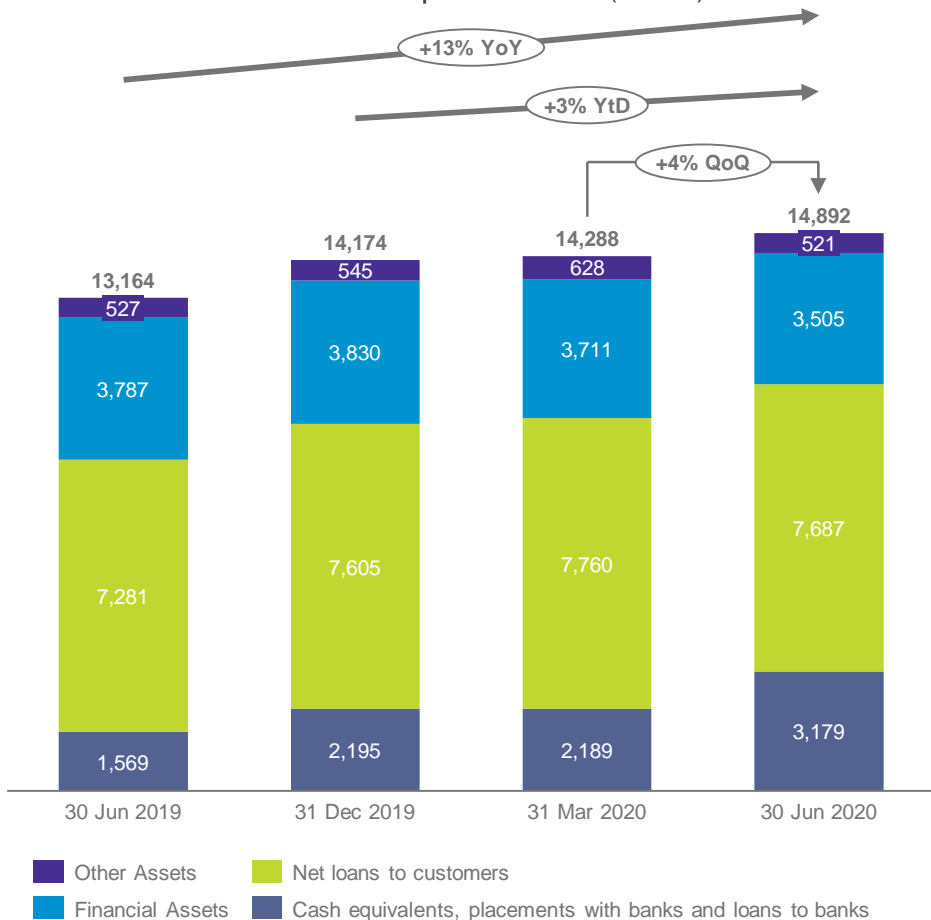


Assets **and** Liabilities

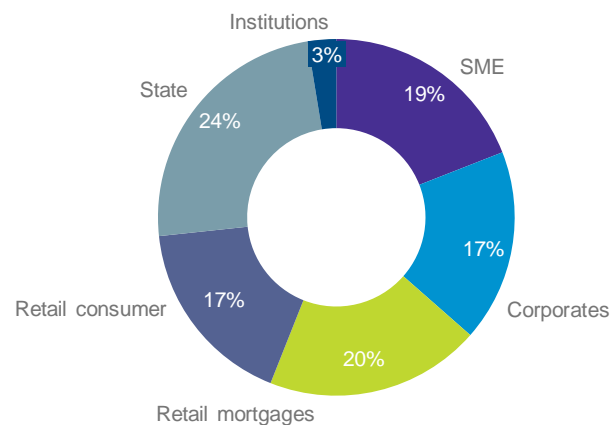
NLB Group Assets

The net liquidity from continued inflow of deposits from individuals and sale of securities portfolio placed with the central bank

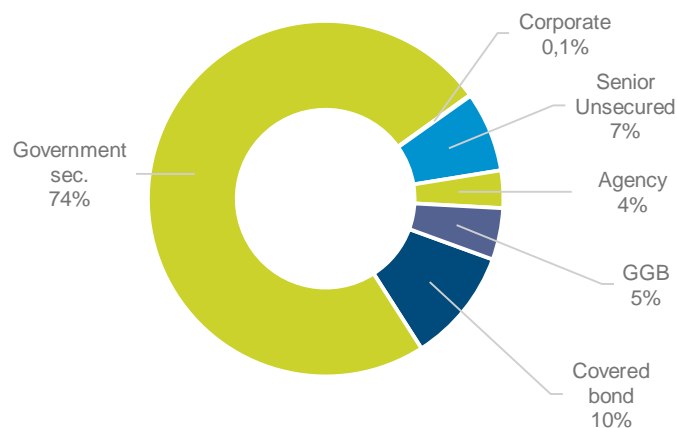
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment (Group, 30 Jun 2020)



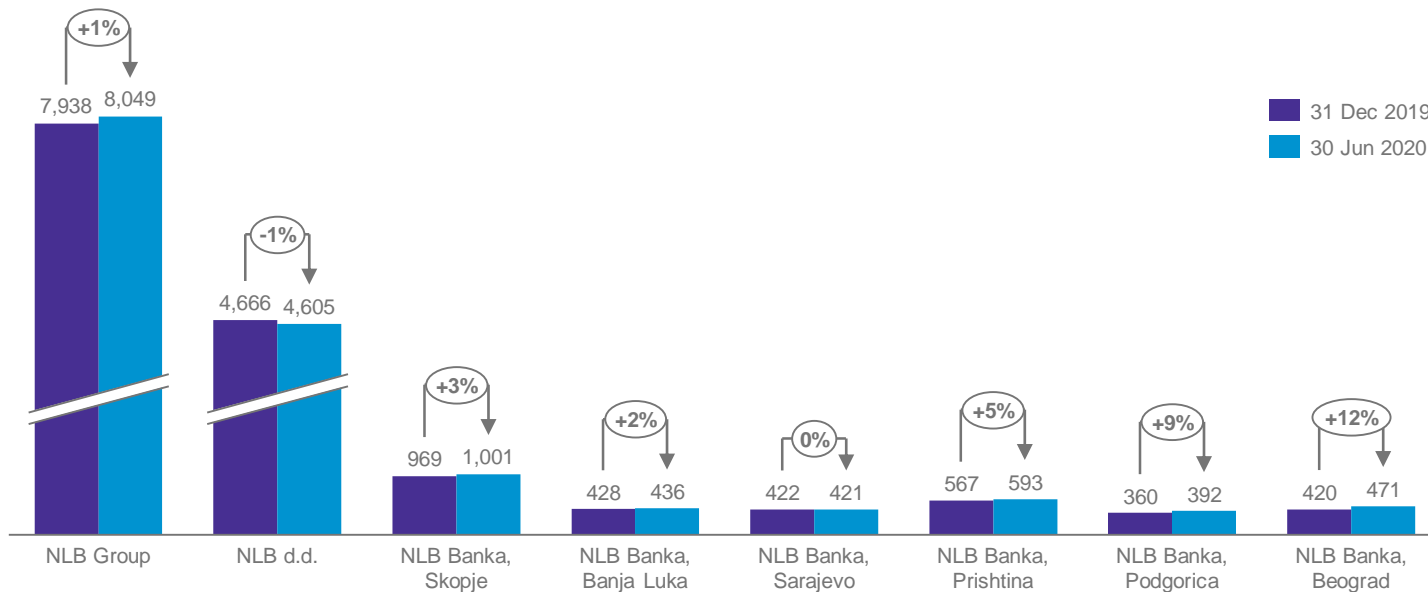
Banking book portfolio by asset class (Group, 30 June 2020)



NLB Group Assets – Loan portfolio

Balanced loan portfolio with loan growth in all foreign banks

Gross loans to customers by strategic member – contribution (EURm)



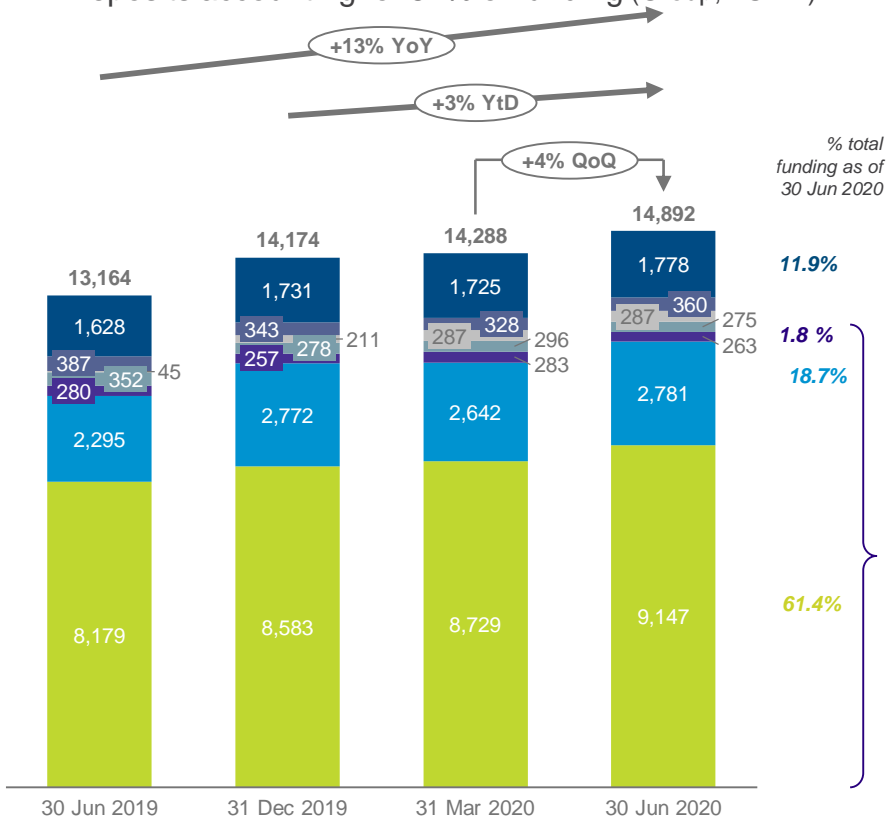
Gross loan growth in all foreign banks, especially in NLB Banka, Beograd and NLB Banka, Podgorica. NLB d.d. recorded slight drop due to COVID-19 outbreak and regulatory restrictions on consumer lending causing lower new production of loans to individuals.

Gross loans to individuals in subsidiary banks grew by 3.4% and to corporate by 4.6% YtD.

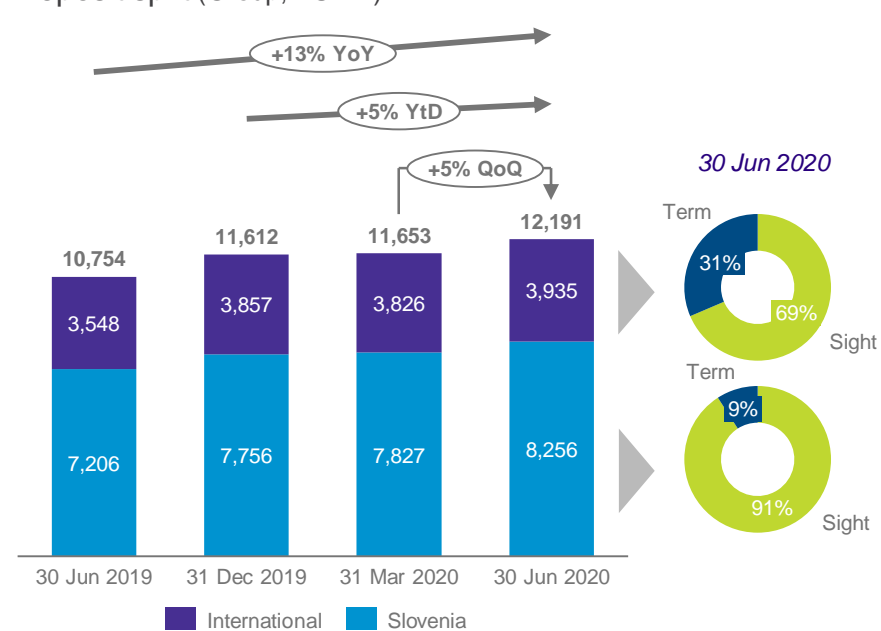
NLB Group Liabilities and Equity

Strong deposit inflows in H1; NLB clearly seen as “safe haven” bank in most of region

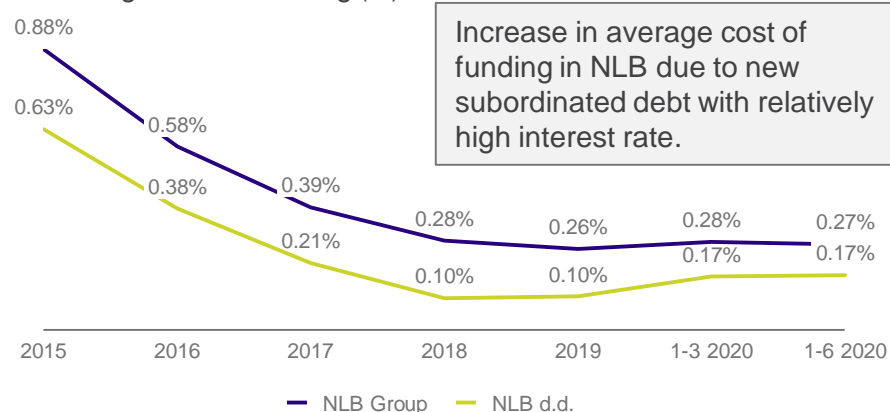
Deposits accounting for 82% of funding (Group, EURm)



Deposit split (Group, EURm)



Average cost of funding (%)

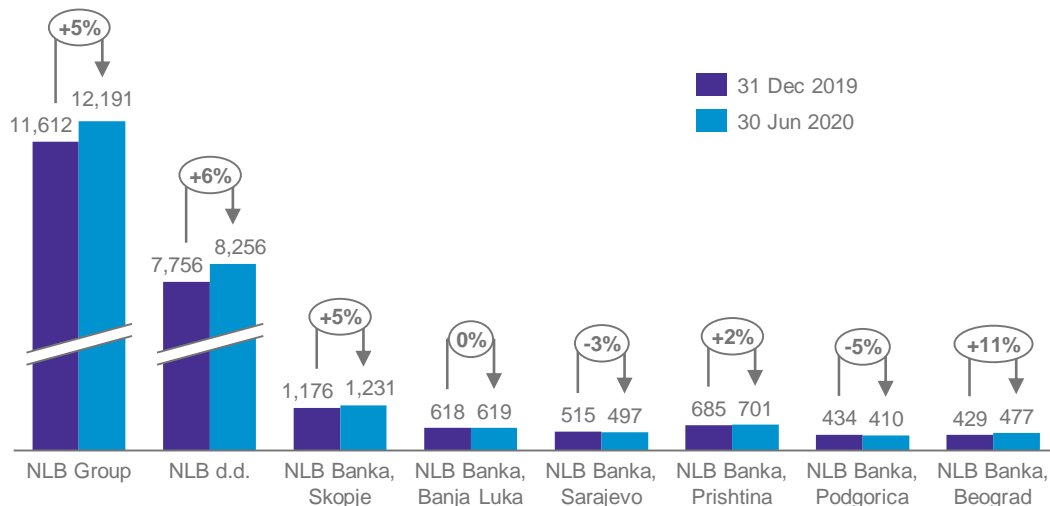


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing

NLB Group Liabilities

Stable deposit base with decreasing interest rate

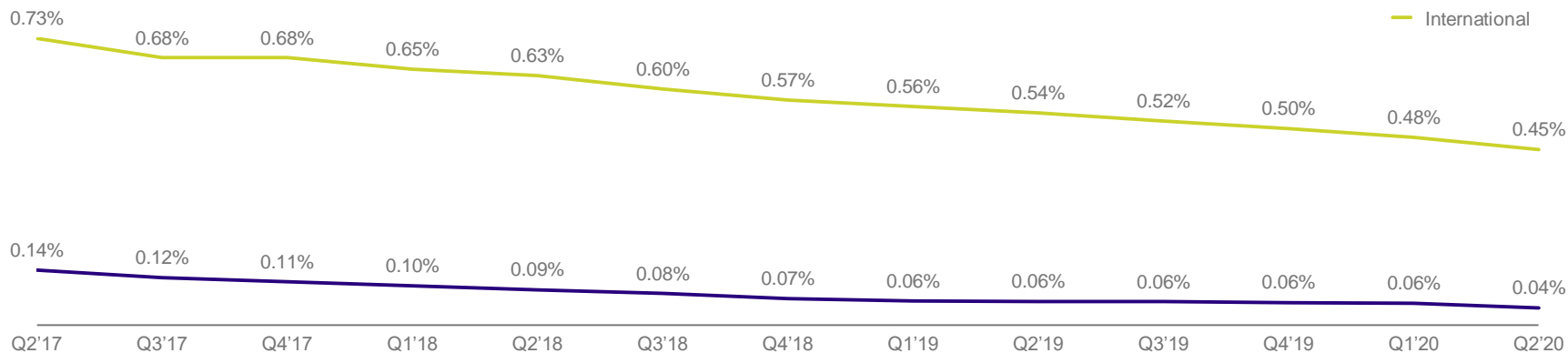
Deposits from customers by strategic member – contribution (EURm)



Deposit increased overall in the Group, despite low interest rate environment. Decrease was recorded in NLB Banka, Podgorica and NLB Banka, Sarajevo.

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

Decreasing deposit interest rates (%)*

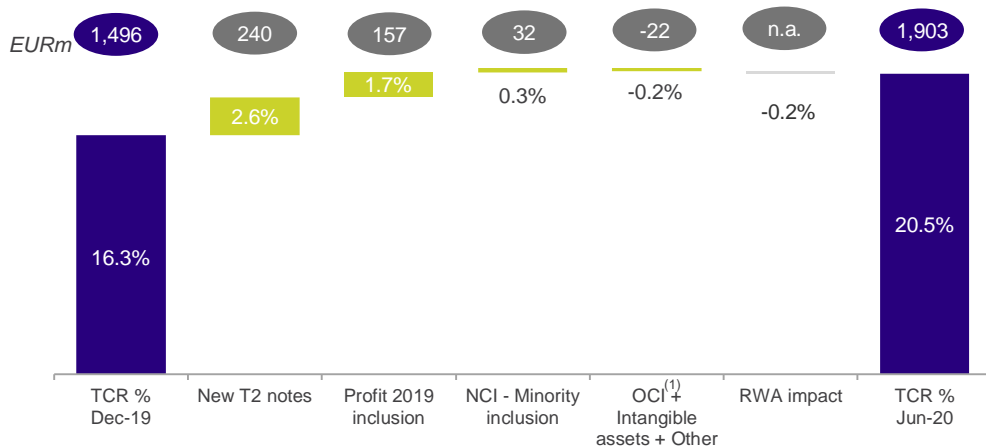


*Quarterly data for the stock of deposits from customers

Capital evolution

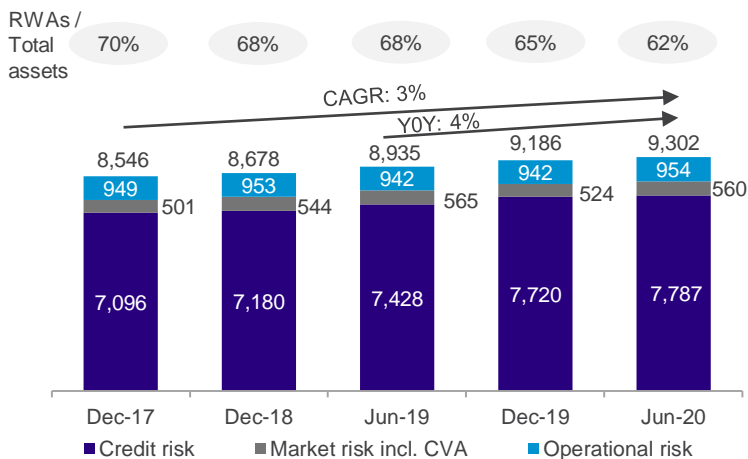
Strong capital position – capital position strengthened substantially with 2019 profit retention, minorities inclusion, Tier2 and RWA measures

Capital position (Group, EURm)



- At the end of June 2020, the **Total capital ratio** for NLB Group stood at **20.5%** (or 4.2 p.p. higher YtD), presenting a strong base to cover all regulatory capital requirements, also in the aggravated circumstances during COVID-19 pandemic
- The higher total capital adequacy derives from higher capital (EUR 407 million for NLB Group) mainly due to inclusion of all T2 instruments in capital (EUR 240 million) and additional inclusion of 2019 undistributed profit (EUR 157 million).

RWA structure (EURm)



- RWA for credit risk** increased by EUR 66.9 million YtD, mainly as a result of new loan production on the corporate and retail segment. In 2020, Serbia was added to the list of third countries whose supervisory and regulatory requirements are considered equivalent to those of the EEA countries, which reduced RWA for exposures to the Serbian central government and central bank denominated in local currency by EUR 100.3 million. Furthermore, the higher volume of provisions formed on the performing portfolio due to the worse macro forecasts related to COVID-19 further contributed to the RWA decrease.
- The RWA increase for market risks and CVA** (EUR 36.8 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks.
- The increase in the RWA for operational risks** (EUR 12.6 million) arose from the higher three-year average of relevant income, which represents the basis for the calculation.

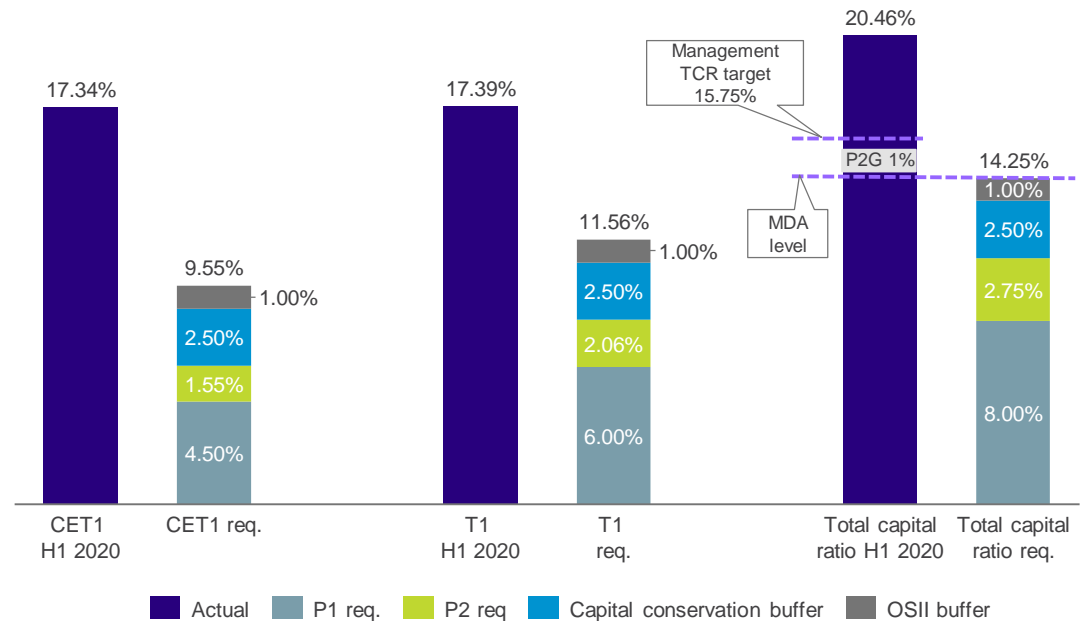
Note: (1) OCI – Other Comprehensive Income, Intangible assets are deduction item

Capital requirements - NLB Group

Strong capital position

- Capital position well above all regulatory requirements including P2G.
- Current management target stands at 15.75%. Current **TCR 475bps above** management target.
- As from 1 January 2020, **Pillar 2 Requirement (P2R)** is lowered by 0.5 p.p. to **2.75%** as a result of better overall SREP assessment.
- Substantial buffers to target ratios in anticipation of **KB integration** with approx. net increment of EUR 3,5bn RWA (or approx. 550bps CAR).
- ECB has effectively, as of 12 March 2020, amended the applicable decision for NLB in relation to the P2R composition, whereas P2R shall be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital as a minimum, and not entirely as CET1 capital as required in previous years.
- BoS/ECB restriction on dividend distribution due to COVID-19 pandemic

Total Capital Requirement (TCR) vs. Capital Position



Overall Capital Requirement = MDA level

Buffer above MDA (excl. P2G)








14.25%

625 bps
(475bps above mng. target)



Asset Quality

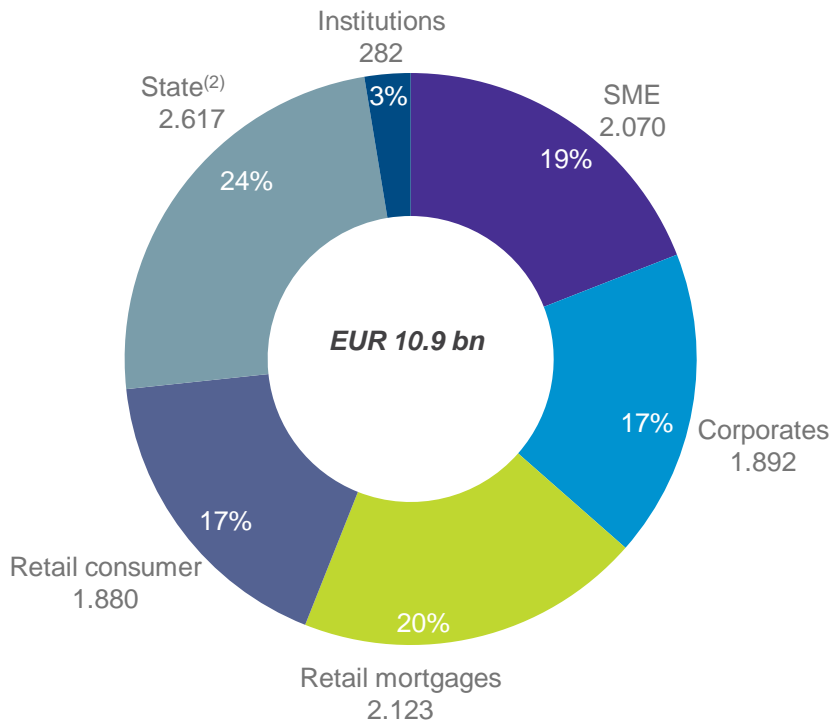
Covid-19 measures by country

	Moratorium	Dividend restriction	Capital measures	All combined measures (% of GDP)	Guarantee scheme
 Slovenia	Up to 12 months (applications until 30 November) Opt-in mode	YES	RWA reliefs Inclusion of prudently valued software in CET1	approx. EUR 3.7bn (8.3% of GDP)	EUR 2.2bn government loan guarantee scheme to provide liquidity to businesses
 North Macedonia	Up to 30 September Opt-in mode	YES (strong recommendation)	RWA reliefs	EUR 550m (5.5% of GDP)	EUR 10m state guarantee for commercial loans and for securing customs debt to support Start-ups and small and micro companies
 R. Srpska	Up to 6 months (applications until 31 July) Opt-in mode	YES	The banks can temporarily use the capital conservation buffer (2.5%) if needed, so min OCR at 12%	EUR 400m (approx. 7% of GDP)	EUR 50m Guarantee Fund to support small business Public call to banks in progress
 Federation BiH	Up to 6 months (applications until 31 July) Opt-in mode	YES	The banks can temporarily use the capital conservation buffer (2.5%) if needed, so min OCR at 12%	EUR 1-1.5bn (approx. 7% of GDP)	EUR 50m Guarantee Fund (guarantee potential EUR 250m) Public call to banks in progress
 Kosovo	16 March-30 April, extended until 30 June Opt-in mode New phase valid up to 31 August enabling conditional application for prolonged tenor up to 12 months	NO (Central bank consent for dividend payout)	NO	Currently 4.5% of GDP. Further measures expected	EUR 15m guarantee fund 50% guaranteed by the Kosovo Credit Guarantee Fund and 50% by the government
 Montenegro	Up to 90 days Opt-in mode	YES	NO	EUR 320m (7% of GDP) Further measures expected	NO
 Serbia	21 March – 30 June Opt-out and 1 Aug – 30 Sep Opt-in mode second moratorium applicable to all borrowers and financial lessees	YES	NO	EUR 5.7 bn (12.2% of GDP)	EUR 2bn loan package, with 24% state guarantee (EUR 480m) In practice since Q2 2020

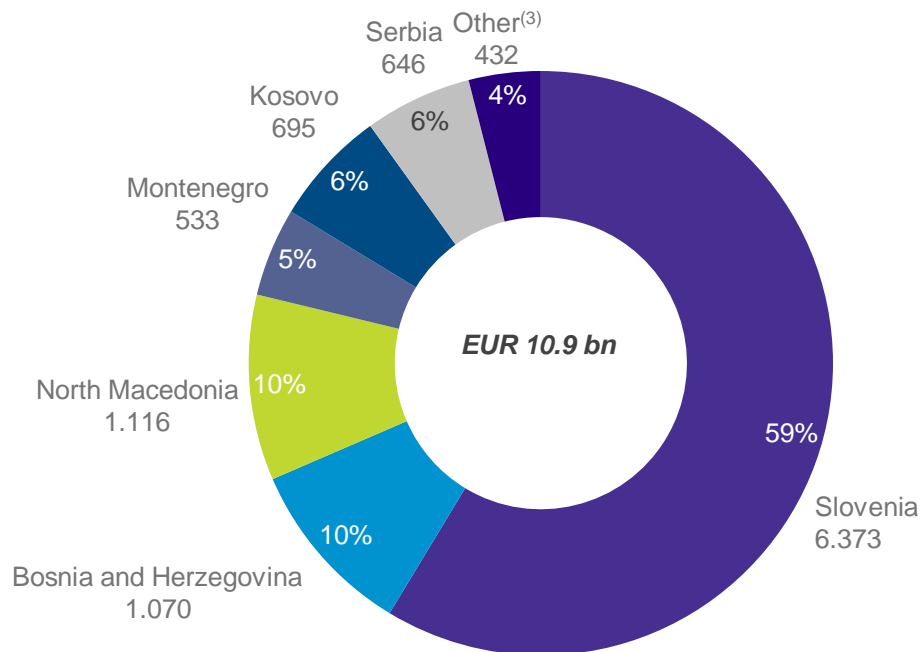
NLB Group Assets by segment and geography

Well diversified credit portfolio, with substantial retail exposure

Credit portfolio⁽¹⁾ by segment (Group, 30 Jun 2020, EURm)



Credit portfolio⁽¹⁾ by geography (Group, 30 Jun 2020, EURm)



Segmentation by industry & sectors

Limited exposure to sectors considered as sensitive

Corporate sector, industry structure	Performing loans	%
Accommodation and food service activities	95,349,662	2.62%
Act. of extraterritorial org. and bodies	0	0.00%
Administrative And support service activities	112,253,869	3.08%
Agriculture, forestry and fishing	147,363,031	4.05%
Arts, entertainment And recreation	14,264,663	0.39%
Construction industry	261,453,551	7.18%
Education	14,057,114	0.39%
Electricity, gas, steam and air conditioning	147,292,567	4.05%
Finance	109,594,413	3.01%
Human health and social work activities	22,980,021	0.63%
Information And communication	184,638,634	5.07%
Manufacturing	899,636,006	24.72%
Mining and quarrying	20,621,334	0.57%
Professional, scientific And technical activities	83,679,106	2.30%
Public administration, defence, compulsory social security	122,207,043	3.36%
Real estate activities	153,197,432	4.21%
Services	15,075,165	0.41%
Transport And storage	540,974,084	14.87%
Water supply	26,717,594	0.73%
Wholesale And retail trade	667,597,719	18.35%
Other	128,249	0.00%
Total	3,639,081,257	100.00%

Accommodation and food service activities	Performing loans	%
Hotels and similar	63,266,264	1.74%
Restaurants and mobile food	18,966,580	0.52%
Others	8,710,856	0.24%
Accommodation	4,405,962	0.12%
Total	95,349,662	2.62%

Manufacturing (main sub industries - related to car industry)	Performing loans	%
Manuf. of el. motors, generators and transformers	33,361,586	0.92%
Manuf. of other parts and accessories for motor vehicles	22,790,778	0.63%
Manuf. of metal structures and parts of structures	22,625,897	0.62%
Casting of light metals	21,155,698	0.58%
Manufacture of batteries and accumulators	11,114,882	0.31%
Manufacture of el. distribution and control apparatus	9,043,299	0.25%
Manufacture of other pumps and compressors	4,712,709	0.13%
Manufacture of fluid power equipment	2,687,180	0.07%
Total	127,492,030	3.50%

Transport	Performing loans	%
Exposure to State Guarantee (slovene highways)	372,187,234	10.23%
Land transport (freight and pipelines)	69,675,667	1.91%
Land transport (passenger)	25,547,951	0.70%
Postal services	17,783,353	0.49%
Air transport (all)	1,706,149	0.05%
Water transport (all)	1,705,409	0.05%
Total	488,605,763	13.43%

Accommodation, Manufacturing (related to Car industry only) and Transport represents 9.32% (0.34bn EUR) of corporate exposure (excl. exposure to corporate client with state guarantee)

Portfolio response

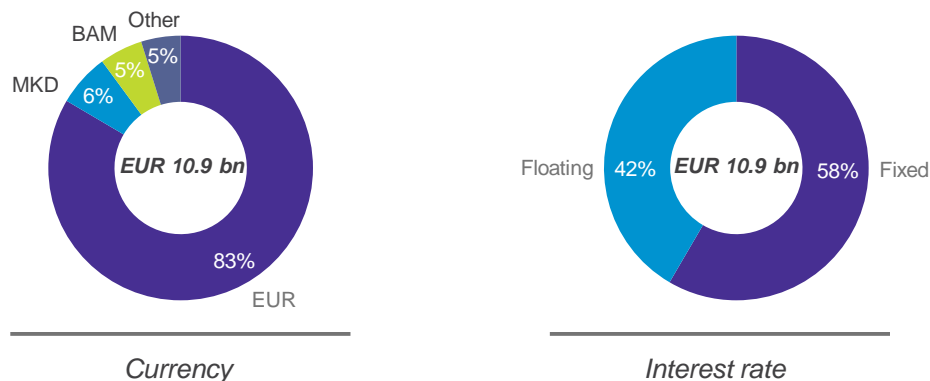
NLB Group member	Covid-19 Moratorium					Covid-19 New Financing					Total Covid-19 Related Transactions	
	Number of clients	Exposure	o/w expired by 30 June 2020	% of Exposure	% of Exposure (excl. expired moratoriums)	Number of clients	Exposure	o/w expired by 30 June 2020	o/w subject to public guarantee schemes	% of Exposure	Exposure	o/w expired by 30 June 2020
NLB d.d., Ljubljana	3,427	417,450.8	0.9	6.2%	6.2%	130	31,343.8	0.0	0.0	0.5%	448,794.6	0.9
NLB Banka, Beograd	42,413	297,968.6	0.0	51.2%	51.2%	107	31,164.3	0.0	31,164.3	5.4%	329,132.8	0.0
NLB banka, Podgorica	8,100	184,505.5	160,935.4	39.5%	5.1%	18	1,930.3	0.0	0.0	0.4%	186,435.9	160,935.4
NLB Banka, Banja Luka	631	68,879.5	46.2	12.2%	12.2%	15	1,553.4	0.0	0.0	0.3%	70,432.9	46.2
NLB Banka, Skopje	81,701	416,262.8	0.0	34.8%	34.8%	2	97.8	0.0	0.0	0.0%	416,360.6	0.0
NLB Banka, Sarajevo	1,422	39,261.0	25,349.7	7.4%	2.6%	0	0.0	0.0	0.0	0.0%	39,261.0	25,349.7
NLB Banka, Prishtina	6,383	269,247.6	60,085.4	35.9%	27.9%	3	148.6	0.0	0.0	0.0%	269,396.2	60,085.4
TOTAL NLB Group	144,077	1,693,575.8	246,417.6	15.6%	13.4%	275	66,238.2	0.0	31,164.3	0.6%	1,759,814.0	246,417.6

- On **NLB Group level EUR 1,694 million moratorium approved** so far, 51% to Non-financial corporations and 49% to Households
- The amount represents 15.6% of total gross book.
- In accordance with the Intervention Measure Act on Deferred Payments of Borrowers' Obligations (ZIUPOPOK) in Slovenia, by the end of H1 2020 the Bank granted COVID-19 moratoriums in the total amount EUR 417.5 million, of which EUR 306.8 million to its corporate clients and EUR 110.6 million to its retail clients.
- **Moratoriums are granted for the period between 3 to 12 months**, subject to applicable government measure. Based on that banks in Strategic Foreign Markets have approved EUR 1,276.1 million of moratoriums, of which EUR 246.5 million expired by the end of H1 2020.
- Apart from moratoriums, the Group is also providing additional liquidity by granting **new loans** to help with the specific situation due to COVID-19 crisis. The volume of such loans was EUR 31 million in the Bank and close to EUR 4 million in other banking members of the Group. In addition the **new COVID-19 loans subject to public guarantee schemes** were granted in the amount of EUR 31 million by NLB Banka, Beograd. The legislation in Slovenia was finalized recently and is therefore expected to see effects in 2H2020, while in Serbia the volume of such loans is increasing as the government is granting new tranches.
- Intra-moratorium IFRS9 **stage migration**: individual review of corporates as well as expert-opinion-based portfolio assessment for retail expected to lead to S1/S2 migration and contribute to provision increase in 2H2020. In 1Q2020 weaker macroeconomic assumptions were incorporated into IFRS9 provision calculation, which contributed to one-off increase of pool provisions in this period.

Asset quality – NLB Group

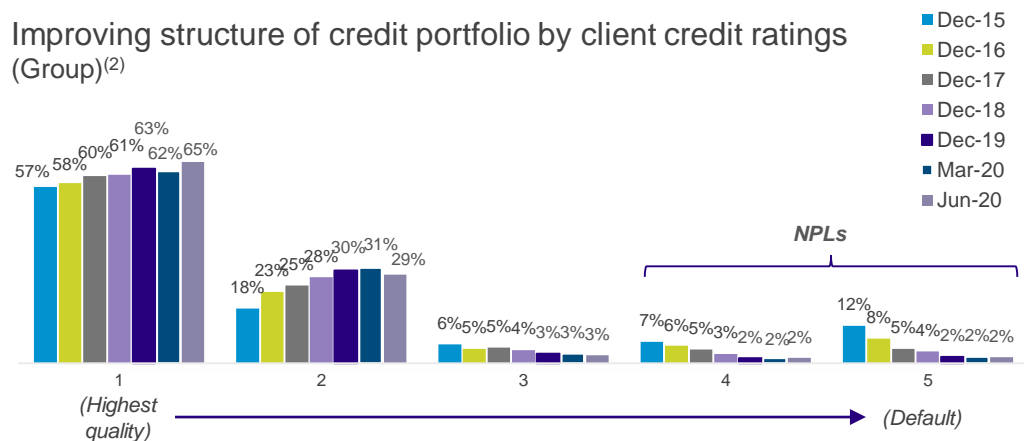
Diversified credit portfolio, focused on core markets and cautious risk taking

Credit portfolio⁽¹⁾ by currency and rate type (Group, 30 Jun 2020)



- **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.

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



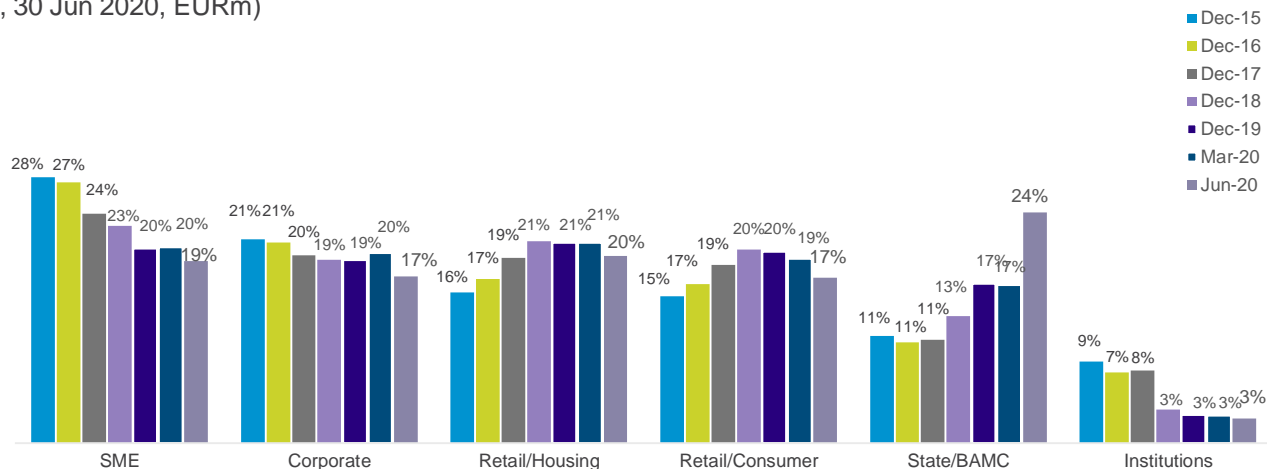
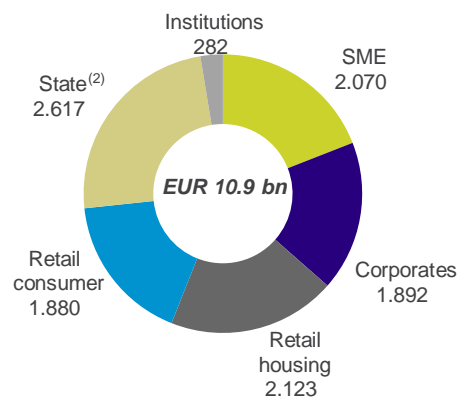
Source: Company information

Note: (1) Credit portfolio also includes advances to banks and central banks; (2) Rating A, B and C are performing exposures. Rating A: investment grade clients with high financial stability; Rating B: clients with high ability to repay their obligations, a significant aggravation of the economic environment would cause problems to them; Rating C: performing clients with increased level of risk who may encounter problems with settlement of liabilities in the future; Rating D and E are NPLs: Default clients (article 178 of CRR), including clients in delay >90days and other clients considered 'unlikely to pay' with delays below 90 days. Numbers may not add up to 100% due to rounding.

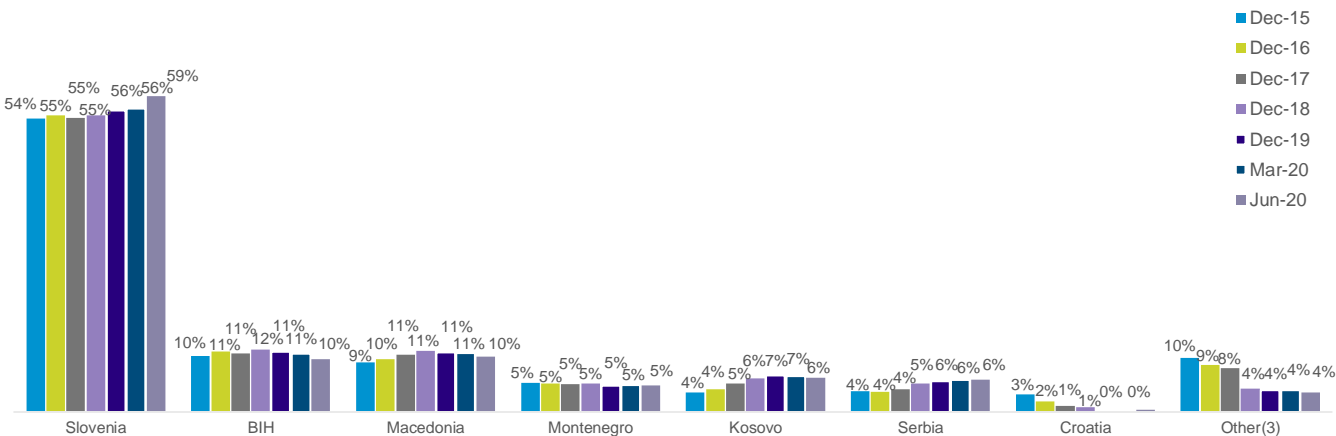
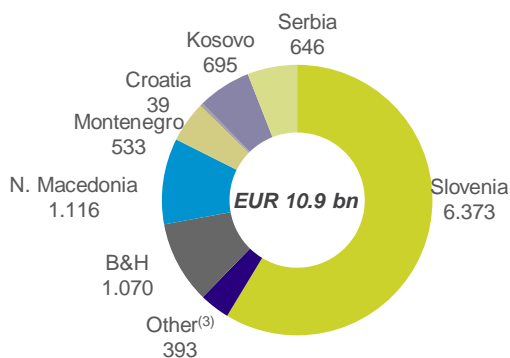
Asset quality – NLB Group

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

Credit portfolio⁽¹⁾ by segment (Group, 30 Jun 2020, EURm)



Credit portfolio⁽¹⁾ by geography (Group, 30 Jun 2020, EURm)



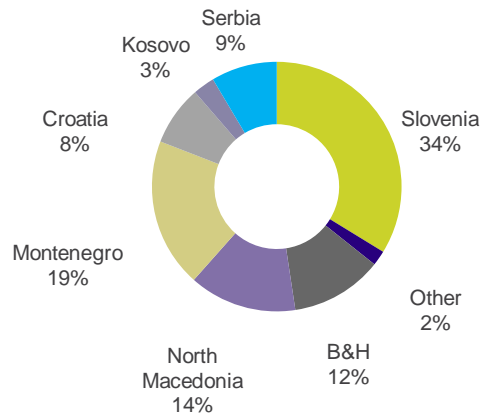
Source: Company information

Note: (1) Credit portfolio also includes advances to banks and central banks; (2) State includes exposures to central banks; (3) The largest part represent EU members.

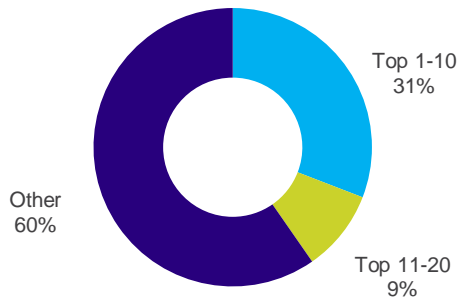
Asset quality – NLB Group

NPLs fully covered by provisions and collateral

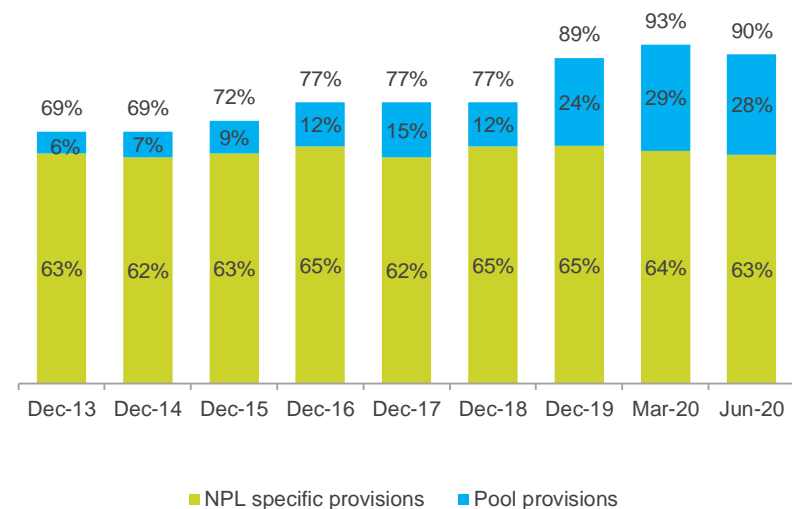
NPL by geography (Group, 30 Jun 2020)



Top 20 NPLs (Group, 30 Jun 2020)



NPL cash coverage⁽¹⁾ (Group, %)



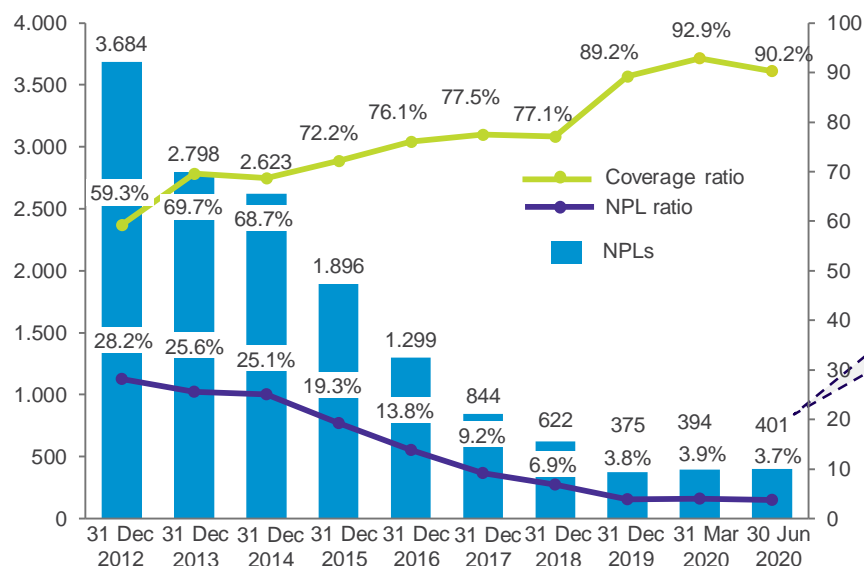
An important Group strength is the NPL cash coverage (CR1), which remains high at 90%. Further, the Group's NPL coverage ratio 2 stands at 63%, which is well above the EU average as published by the EBA.

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

Asset quality – NLB Group

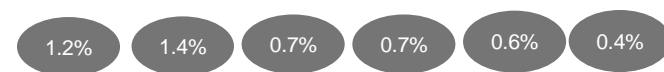
New NPL formation very low, successful legacy resolution

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



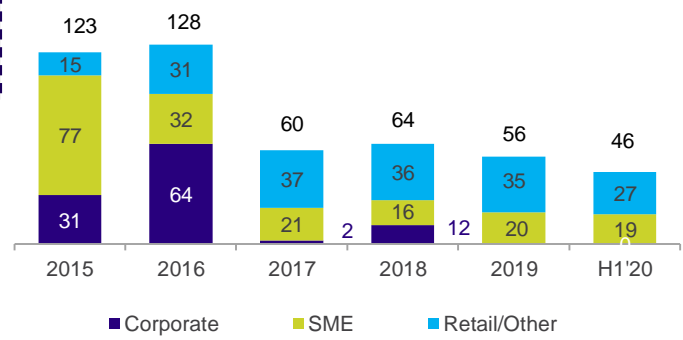
Gross NPL formation has been low since 2015
(Group, EURm)

Formation / gross loans (stock)



Limited formation at front book⁽¹⁾ in 2015 to H1 2020: EUR 73.3 m, o/w EUR 21.0 m in 2020

o/w EUR 142m have **no delays** (0 days delay)



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 %.

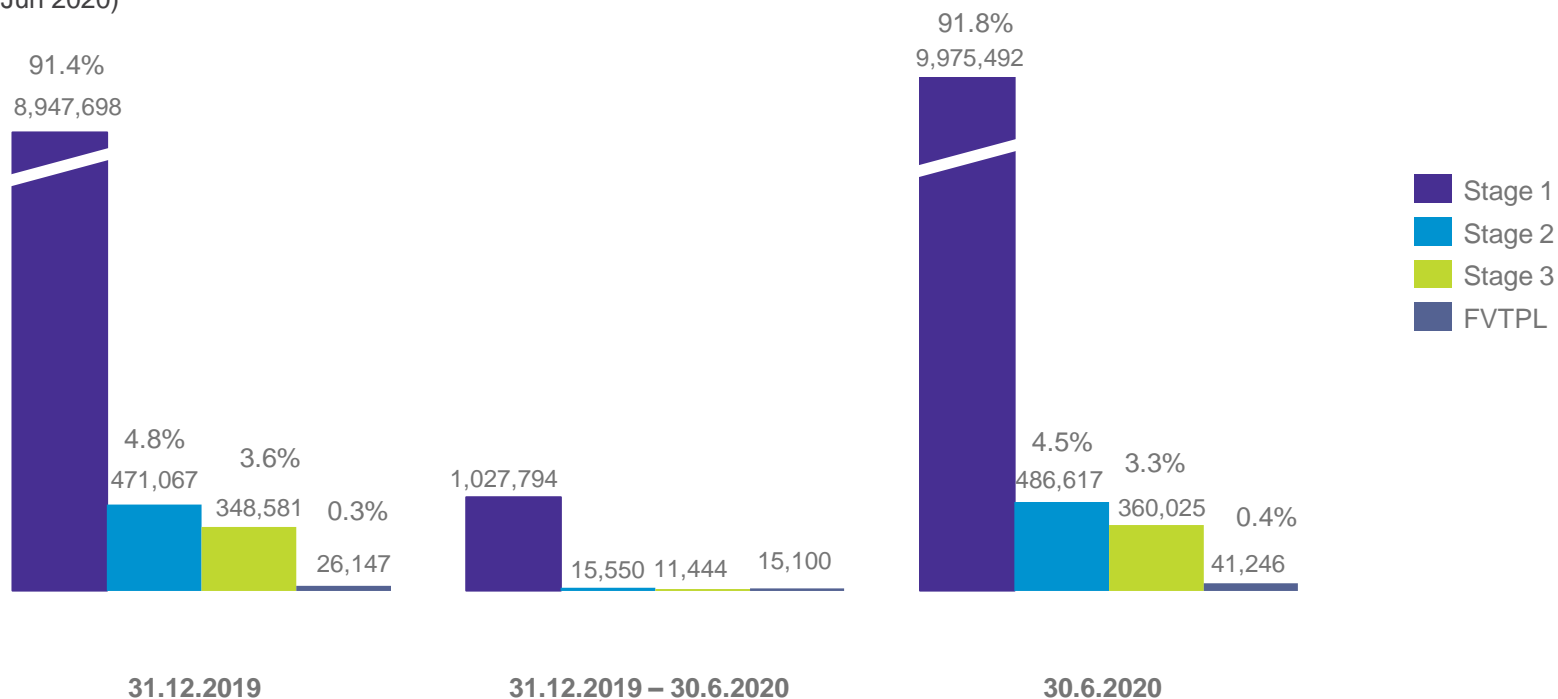
Top 10 NPL represent 31% of the entire NPL volume; the coverage with provisions remains high, limiting the potential losses.

NPL ratio decreased from 3.8% to 3.7% YtD, while **NPE ratio** also reduced by 0.1 p.p. YtD to 2.6%.

Asset quality – NLB Group

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

Loan portfolio by stages
(Group, 30 Jun 2020)



Stage 1 loans represent 92% of loan portfolio valued at amortized cost and fair value through P&L. Due to portfolio growth as well as NPL reduction Strategy the share of **Stage 3** loans is decreasing. Limited volume of **Stage 2** loans.



Strategy & IT

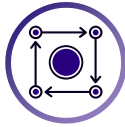
NLB went through difficult times – A new period is about to start

Historical development and key milestones



We are a successful, geographical niche player with strong foundations to build on

Foundations to benefit from



Strong market positions

Above 10% market share in 5/6 countries with high entry barriers. Wide coverage and accessibility



Regional roots

The only cross-regional player with local HQ: market knowledge and image



Positive brand perception at subsidiaries

High brand equity (except for Slovenia, due to the turbulences in the past years)



Recent successes, local innovation

Good recent performance, acknowledged innovations (digital) in Slovenia



Untapped opportunities

Plentiful untapped potential to be exploited in various market segments and in operations

Track record of innovation

The pioneer of banking innovation in Slovenia



First Slovenian bank enabling **24/7 opening of personal account**



First Slovenian bank sending cards' **PIN via SMS**



First Slovenian bank to launch **chat and video call functionalities** and the only bank with **multichannel 24/7 support**



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



First Slovenian bank to offer **card management functionalities in mobile wallet**



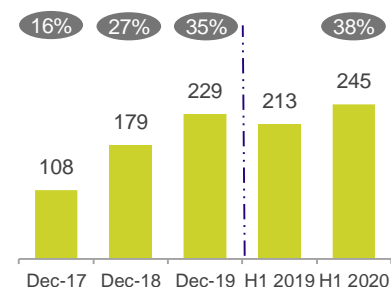
Top-ranked financial apps on Google Play



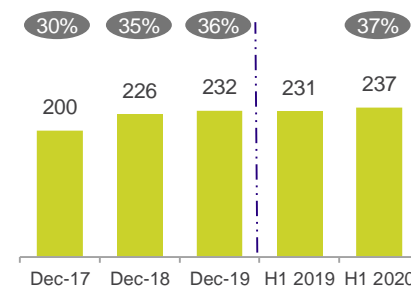
Note: All figures are for Slovenia
(1) Individual users (Klikin and NLB Klik); (2) In 2017 ~30,000 inactive NLB Klik users systematically removed.

Demonstrated success in moving to digital

Mobile bank users⁽¹⁾ ('000s)

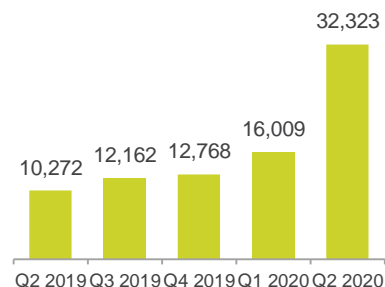


Online bank users⁽¹⁾ ('000s)

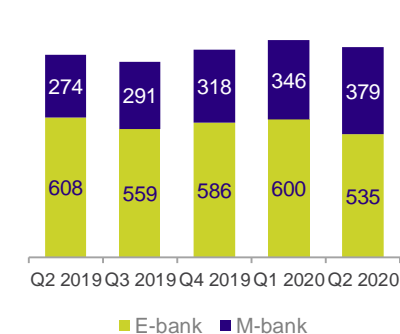


% Penetration of client base

Use of video call functionality (# of contacts)



E- and M-bank transactions (in EURm)



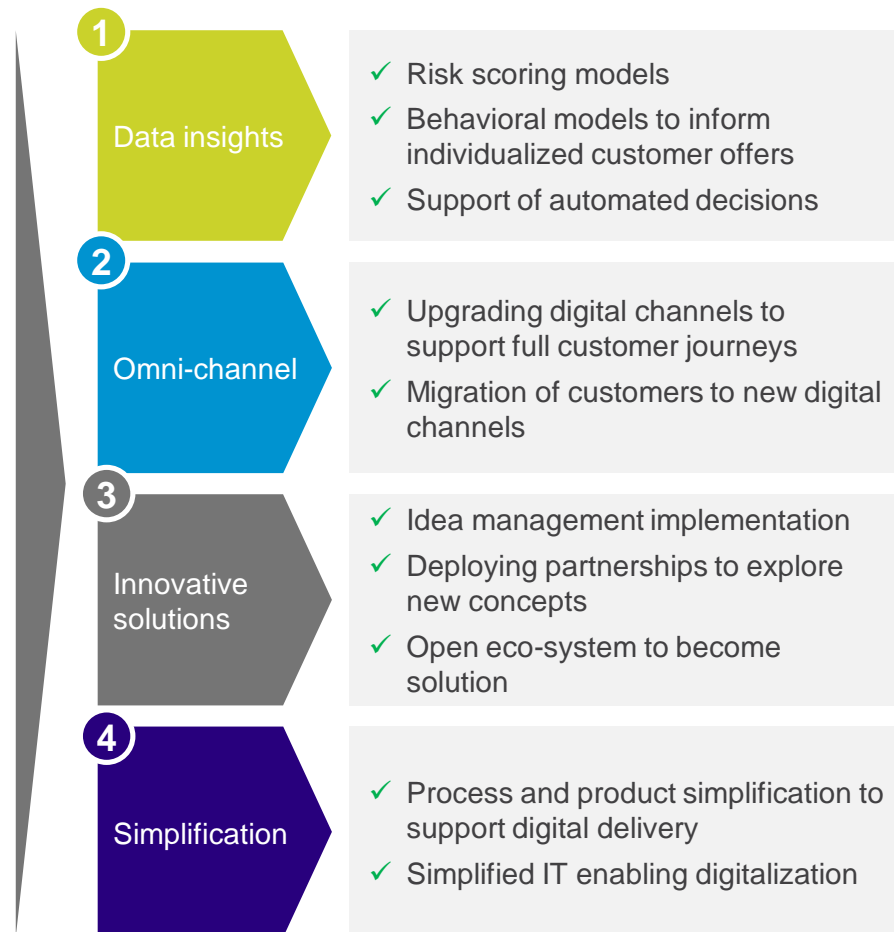
Medium-term objectives in IT and Digital

Leverage digital and data to enhance our business model

Strategic objectives

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

Strategic initiatives



NLB Group synergy opportunities

Scope of Group synergies that are being addressed is expanding

IT competence center

- Third expansion was recently approved
- Additional resources will be hired to work on IT infrastructure (cyber security, optimization and unification, strengthening network systems expertise), integration (development and maintenance) and DBP¹ (implementation of new platform and maintenance)

Process (System) competences

- Standard approach to IT security is in progress
- Standards in IT infrastructure are being established

IT regionalisation activities

- Application landscape strategy including unification / standardization (integration, BP² tool, DBP¹) is underway
- With implementation of the data management platform this functionality is increasingly being standardized through centralization
- Unification / Standardization in IT infrastructure:
 - Potential in local data centre unification is being evaluated
 - Networking systems in progress
 - Storage systems concluded

Procurement

- Unified vendor relationship management with major IT vendors is in place
- Cost optimization across the region is in progress

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



Outlook

Covid-19: Macro & business outlook

Macro outlook & risk factors affecting the business outlook

- We expect that the Euro area, with an already weak economic growth in 2019, could contract by around 7.5% this year, while Slovenia can experience a contraction of 5.7%. The economic growth in the Group's region could drop to around -4.9% this year.
- Economic momentum in the region has worsened due to COVID-19 pandemic (since end of Q1 2020). Countries in the region implemented different mitigation measures, with the aim of mitigating adverse negative impacts of the pandemic. Substantial drop in the economic activity, lower industrial production and consumer spending is expected to cause an economic slowdown and increased unemployment in the region.
- Based on the measures taken by the governments in Slovenia and other countries, the Group is granting an option of moratoriums on payment of obligations to all eligible borrowers due to COVID-19, which will not be treated as a trigger for significant increase of the credit risk. Nevertheless, all clients requiring the moratorium will be closely monitored as their financial situation and identification of credit deterioration will lead to downgrade and impact the IFRS 9 staging.
- Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the Euro area or globally, credit spreads widening, potential liquidity outflows, worsened interest rate outlook, regulatory and tax measures impacting the banks, and other geopolitical uncertainties.

Business outlook

- The overall slow-down of the economy is expected to have a **negative impact on new loan generation** and consequently **lower net interest income** than previously expected. **Margins** are expected to be **under further pressure**. Additional pressure on interest income in retail market in Slovenia is expected due to regulatory restrictions for consumer lending put in place by the end of 2019. A negative effect is expected also on **fees and commissions** because of lower volumes of payment and card operations and bancassurance products.
- Due to slower business operations linked to moratoriums and the crisis, some of the activities of the Group are expected to be cancelled or postponed which is expected to result in lower **costs**. On the other hand, costs related to protection of health - hygiene, safety products and transportation, resulting from the current situation are expected to increase.
- Due to the impact of worsened macroeconomic environment in H1 2020, the Group made one-off adjustment of expected credit losses in accordance with new macro forecasts, consequently resulting in an increase of cost of risk. The **cost of risk for 2020** is under current knowledge and anticipated consequences expected to be **in a range up to 150 bps**, although this will depend on the length and severity of disruption in corporate operations and consumer spending.
- Due to recent ECB measures taken, NLB Group is expecting to benefit from the lower capital requirements, while due to ECB recommendation on dividend distributions during the COVID-19 pandemic towards European banks, the **dividend distributions** by the Bank **are not envisaged in 2020**.

Appendixes

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Appendix 3: Financial statements	78



Appendix 1

Segment Analysis

NLB Group business segments

	Retail banking in Slovenia ⁽¹⁾	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	Retail Micro NLB Skladi Bankart⁽²⁾	Key corporates SME corporates Investment banking and custody Restructuring&workout Lease&Go (corporate clients)	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
(Jun 2020, in EUR million)					
Profit b.t.	25.4	8.9	32.7	23.1	-4.0
Total assets	2,453	2,042	4,912	5,069	150
% of total assets ⁽³⁾	16%	14%	33%	34%	1%
CIR	64.7%	53.0%	51.4%	13.5%	244.7%
Cost of risk (bp)	48	87	116	/	18

Notes: (1) Retail Banking in Slovenia, which includes banking with individuals and asset management (NLB Skladi), as well as the contribution to the result of the associated company Bankart (in H1 2019 also of the joint venture NLB Vita and in H1 2020 realised gain on sale of the investment).; (2) 39% minority stake; (3) Other activities 2%.

NLB d.d., Ljubljana

"on stand alone basis"

Key financial indicators

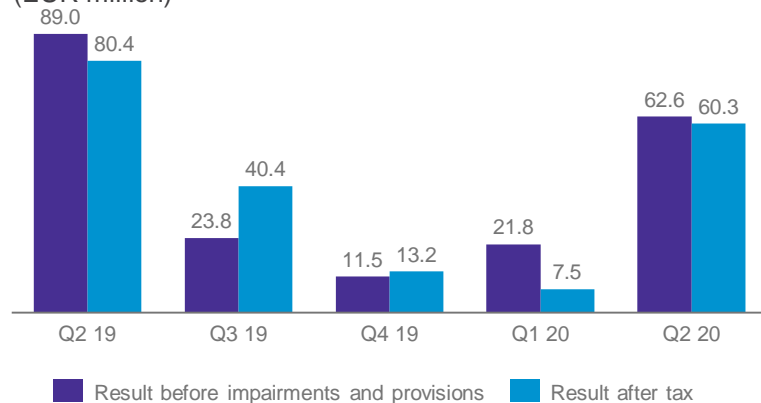
	1-6 2020		1-6 2019		Change	
					YoY	
ROE a.t.	10.1%	18.4%			-8.3 p.p.	
Interest margin	1.54%	1.91%			-0.4 p.p.	
CIR	51.6%	40.5%			11.0 p.p.	
Cost of risk net (bps)*	65	-5			69	
LTD net	54.8%	61.9%			-0.1	

Income statement

in 000 EUR	1-6 2020		1-6 2019		Change	
					YoY	
Total net operating income	174,238	215,597			-41,359	-19.2%
Net interest income	70,792	79,608			-8,816	-11.1%
Net non-interest income	103,446	135,989			-32,543	-23.9%
o/w net fees and commissions	50,268	51,107			-839	-1.6%
Total costs	-89,826	-87,415			-2,411	-2.8%
Employee costs	-52,070	-51,165			-905	-1.8%
Other general and administrative expenses	-28,597	-27,512			-1,085	-3.9%
Depreciation and amortization	-9,159	-8,738			-421	-4.8%
Result before impairments and provisions	84,412	128,182			-43,770	-34.1%
Impairments and provisions	-15,291	4,265			-19,556	-
Result after tax	67,809	122,569			-54,760	-44.7%
Number of employees	2,633	2,659			-26	-1.0%

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

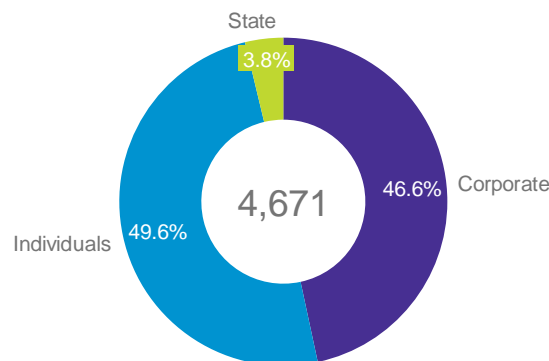
Result after tax and before impairments and provisions (EUR million)



Balance sheet

in 000 EUR	30 Jun 2020	31 Dec 2019	Change	
			YtD	
Total assets	10,448,545	9,801,557	646,988	6.6%
Loans to customers (net)	4,526,160	4,589,170	-63,010	-1.4%
Loans to customers (gross)	4,671,417	4,718,049	-46,632	-1.0%
Gross loans to corporate	2,178,320	2,154,467	23,853	1.1%
Gross loans to individuals	2,317,589	2,376,792	-59,203	-2.5%
Gross loans to state	175,508	186,790	-11,282	-6.0%
Financial assets	2,847,590	3,168,624	-321,034	-10.1%
Deposits from customers	8,266,293	7,760,737	505,556	6.5%
Deposits from corporate	1,640,675	1,674,873	-34,198	-2.0%
Deposits from individuals	6,516,461	5,984,982	531,479	8.9%
Deposits from state	109,157	100,882	8,275	8.2%
NPL volume	179,014	169,451	9,563	5.6%
NPL ratio (internal def.)	2.6%	2.8%		-0.3 p.p.
Capital (according to local legislation)				
Total capital ratio	29.7%	22.6%		7.0 p.p.

Gross loans to customers split (30 Jun 2020, % and EUR million)



Retail Banking in Slovenia

in EUR million
consolidated

Retail Banking in Slovenia

	1-6 2020	1-6 2019	Change YoY		Q2 2020	Q1 2020	Q2 2019	Change QoQ
Net interest income	41.7	44.1	-2.5	-6%	20.4	21.3	21.2	-4%
Net non-interest income	45.1	35.2	9.9	28%	26.5	18.6	15.2	42%
o/w Net fee and commission income	39.7	39.9	-0.2	0%	20.4	19.3	20.4	6%
Total net operating income	86.8	79.4	7.4	9%	46.8	39.9	36.3	17%
Total costs	-56.1	-55.2	-1.0	-2%	-27.6	-28.6	-28.4	4%
Result before impairments and provisions	30.6	24.2	6.5	27%	19.3	11.4	7.9	70%
Impairments and provisions	-5.6	-1.8	-3.9	-	-1.1	-4.6	-0.7	76%
Net gains from investments in subsidiaries, associates, and JVs ¹⁾	0.4	2.5	-2.1	-83%	0.2	0.2	1.4	-5%
Result before tax	25.4	24.9	0.5	2%	18.4	7.0	8.6	162%

	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	Change YTD	Change YoY	Change QoQ	
Net loans to customers	2,322.0	2,357.4	2,385.1	2,296.6	-63.1	-3%	25.4	1%
Gross loans to customers	2,350.5	2,387.5	2,410.2	2,323.2	-59.7	-2%	27.3	1%
Housing loans	1,450.7	1,435.4	1,425.0	1,390.2	25.6	2%	60.5	4%
Interest rate on housing loans	2.52%	2.51%	2.54%	2.54%	-0.02 p.p.		-0.02 p.p.	0.01 p.p.
Consumer loans	661.5	679.6	688.3	656.5	-26.8	-4%	5.0	1%
Interest rate on consumer loans	6.32%	6.35%	6.33%	6.29%	-0.01 p.p.		0.03 p.p.	-0.03 p.p.
Other	238.3	272.5	296.9	276.6	-58.6	-20%	-38.3	-14%
Deposits from customers	7,005.8	6,618.3	6,456.2	6,209.6	549.6	9%	796.2	13%
Interest rate on deposits	0.05%	0.05%	0.05%	0.06%	0.00 p.p.		-0.01 p.p.	0.00 p.p.
Non-performing loans (gross)	43.0	43.0	40.8	43.0	2.2	5%	0.0	0%

	1-6 2020	1-6 2019	Change YoY
Cost of risk (in bps) ¹⁾	48	16	32
CIR	64.7%	69.5%	-4.8 p.p.
Interest margin	1.85%	2.12%	-0.27 p.p.

¹⁾ Cost of risk for 2019 is adjusted to new methodology.

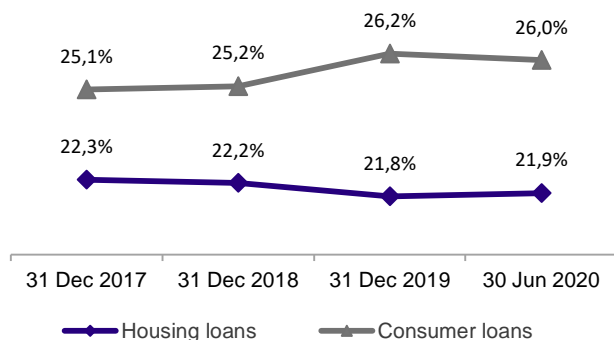
- The segment's **profit before tax** amounted to EUR 25.4 million, a 2% increase YoY; increase mostly related to the sale of NLB Vita (EUR 11.0 million), while the decrease is due to credit impairments and provisions built as a result of the changed risk parameters that incorporate estimated impacts of COVID-19 outbreak, lower net interest income, lower revenues from payments and card operations, and lower contribution from NLB Skladi and NLB Vita⁽¹⁾.
- Net interest income** was 6% lower YoY. Due to over liquidity of the Bank, the policy to de-stimulate the deposit collection triggered the retail deposits margin after transfer price (FTP) reduction, which resulted in EUR 4.7 million YoY lower interest income from deposits. Interest income from loans to individuals was EUR 2.2 million higher YoY due to higher volume and higher interest margin. In H1 2020 COVID-19 outbreak negatively affected new production of loans to individuals, as well as change of legislation that tightened the measures in consumer lending (at the end of 2019). The production of new consumer loans in H1 2020 was therefore lower than in the same period of the previous year and amounted to EUR 86.3 million (EUR 198.8 million in H1 2019). The YtD decline in balance of consumer loans (EUR 26.8 million) is largely due to lower production of new consumer loans, especially in March and April, while the last two months have seen a recovery. Larger decrease was recorded also in the portfolio of overdrafts and cards (EUR 52 million YtD); the EUR 25.2 million decline in June is partially related to social transfers (COVID-19 measures) and payment holiday. Housing loans recorded an increase in the portfolio (EUR 25.6 million and EUR 60.5 million YoY), of which EUR 15.2 million in Q2, also as a result of a more attractive offer for clients.
- The segment recorded EUR 45.1 million of **net non-interest income**, EUR 9.9 million (28%) increase YoY, due to the sale of NLB Vita.
- Total costs** were EUR 1.0 million (2%) higher YoY.
- Net impairments and provisions** were established in the amount of EUR 5.6 million related mostly to additional credit impairments and provisions, due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.
- Deposits** from customers increased by EUR 796.2 million or 13% YoY (EUR 549.6 million or 9% YtD).
- Exposures subject to moratorium amounted to EUR 110.6 million (4.6% of total retail exposure).

(1) Retail Banking in Slovenia, which includes banking with individuals and asset management (NLB Skladi), as well as the contribution to the result of the associated company Bankart (in H1 2019 also of the joint venture NLB Vita and in H1 2020 realised gain on sale of the investment).

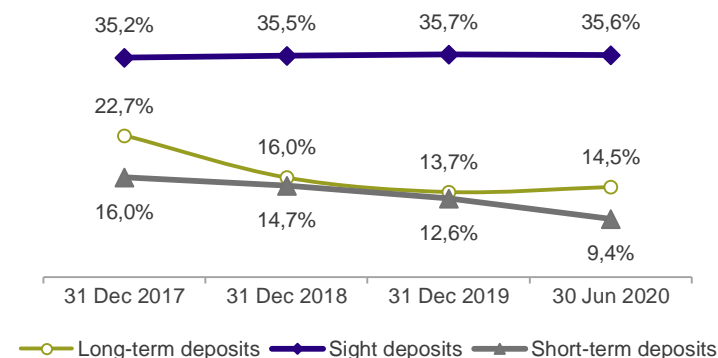
Retail banking in Slovenia

High and stable market shares across products

Market share of net loans to individuals in Slovenia

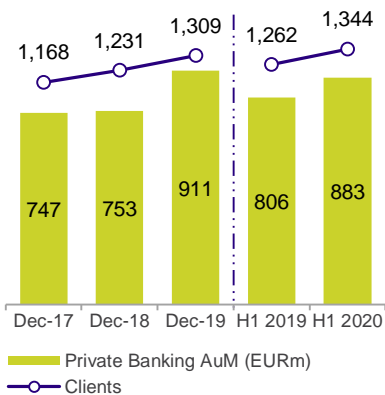


Market share of deposits from individuals in Slovenia

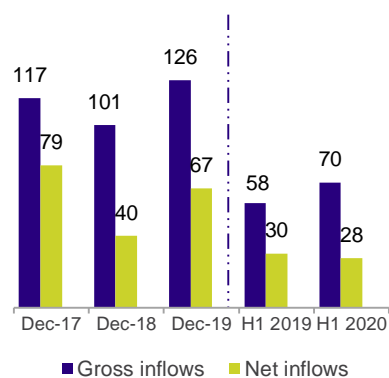


Upside from fee generating products

NLB Private banking offering



NLB Skladi inflows (EURm)



- Further extending set of products and services offered to clients using digital channels. As the only bank in Slovenia enabling 24/7 opening of personal account with video call to NLB Contact Centre.
- #1 player in Private Banking⁽¹⁾
 - Limited competition and strong cross-selling capabilities with Bankassurance and asset management
- # 1 player in Slovenian asset management⁽²⁾; market share of NLB Skladi at mutual funds in Slovenia equals 34.0% as of 30 June 2020
 - AuM of 1,448.3 EURm as of 30 June 2020 including investments in mutual funds and discretionary portfolios
- Bankassurance business
 - Life: selling Vita insurance products
 - Non-life: beside Vita insurance products also partnership with #2 non-life company Generali



Source: Bank of Slovenia (retail loans and deposits), Company information, Slovenian Fund Management Association
 Note: (1) Company information; (2) By AuM (Slovenian Fund Management Association).

Corporate and Investment banking in Slovenia

in EUR million
consolidated

Corporate and Investment Banking in Slovenia

	1-6 2020	1-6 2019	Change YoY	Q2 2020	Q1 2020	Q2 2019	Change QoQ	
Net interest income	17.9	19.7	-1.8	-9%	8.5	9.4	8.9	-9%
Net non-interest income	20.7	24.5	-3.8	-15%	9.8	10.9	9.0	-9%
o/w Net fee and commission income	16.1	16.1	0.0	0%	7.4	8.7	7.9	-15%
Total net operating income	38.6	44.2	-5.6	-13%	18.4	20.2	17.9	-9%
Total costs	-20.5	-20.9	0.4	2%	-10.0	-10.5	-10.7	5%
Result before impairments and provisions	18.1	23.3	-5.2	-22%	8.4	9.7	7.2	-14%
Impairments and provisions	-9.3	2.9	-12.2	-	0.4	-9.7	-0.4	-
Result before tax	8.9	26.2	-17.4	-66%	8.8	0.0	6.8	-

	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	Change YtD	Change YoY	Change QoQ		
Net loans to customers	2,053.8	2,168.8	2,049.6	1,947.9	4.2	0%	105.9	5%	-5%
Gross loans to customers	2,168.2	2,287.5	2,150.9	2,110.0	17.3	1%	58.2	3%	-5%
Corporate	2,005.3	2,124.0	1,976.8	1,922.1	28.4	1%	83.2	4%	-6%
Key/SME Corporates	1,842.0	1,962.4	1,819.3	1,666.4	22.7	1%	175.6	11%	-6%
Interest rate on Key/SME Corporates loans	1.81%	1.82%	1.82%	1.85%	-0.01 p.p.	-	-0.04 p.p.	-	-0.01 p.p.
Investment banking*	0.2	0.2	0.1	0.1	0.1	57%	0.1	57%	-
Restructuring and Workout	162.2	161.4	157.4	255.6	4.8	3%	-93.3	-37%	1%
NLB Lease&Go, Ljubljana	0.8	-	-	0.8	-	-	-	-	-
State	162.5	163.1	173.6	187.6	-11.1	-6%	-25.0	-13%	0%
Interest rate on State loans	2.45%	3.24%	1.88%	2.19%	0.57 p.p.	-	0.26 p.p.	-	-0.79 p.p.
Deposits from customers	1,248.5	1,203.5	1,299.1	992.3	-50.6	-4%	256.2	26%	4%
Interest rate on deposits	0.06%	0.07%	0.07%	0.07%	-0.01 p.p.	-	-0.01 p.p.	-	-0.01 p.p.
Non-performing loans (gross)	136.0	145.5	128.7	231.4	7.3	6%	-95.4	-41%	-7%

	1-6 2020	1-6 2019	Change YoY
Cost of risk (in bps) ⁽¹⁾	87	-24	112
CIR	53.0%	47.2%	5.8 p.p.
Interest margin	2.05%	2.32%	-0.27 p.p.

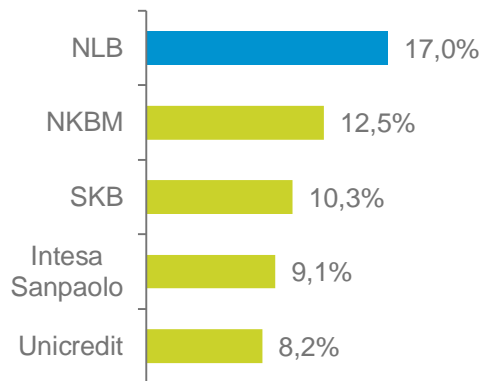
⁽¹⁾ Cost of risk for 2019 is adjusted to new methodology.

- The segment's **profit before tax** amounted to EUR 8.9 million, EUR 17.4 million decrease YoY. The decrease is mostly due to establishment of credit impairments and provisions related to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak and lower non-interest income due to a positive one-off effect of partial repayment of a larger exposure measured at fair value through profit and loss in Q1 2019.
- Net interest income** decreased EUR 1.8 million YoY, due to lower interest rates on loans, despite the EUR 58.2 million increase in gross loans to customers YoY (EUR 17.3 million YtD). Key and SME clients recorded a growth in gross loans (EUR 175.6 million), while gross loans in Restructuring and Workout and gross loans to state recorded a decrease YoY (EUR 93.3 million and EUR 25.0 million, respectively). YtD increase in corporate loans is partially linked to the COVID-19 situation (additional demand for the daily liquidity in the beginning of the outbreak, which was already partially reversed in Q2 2020). New COVID-19 related financing to companies was recorded in the amount of EUR 30.8 million (without public guarantee schemes, as legislation is still in the finalization phase).
- Net fee and commission income** stayed on the same level YoY.
- Total costs** decreased EUR 0.4 million (2%) YoY.
- Net **impairments and provisions** were established in the amount of EUR 9.3 million related mostly to additional credit impairments and provisions, due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.
- The **Investment Banking and Custody** recorded non-interest income in the amount of EUR 2.1 million, an increased of EUR 0.4 million YoY. Total income growth is the result of a larger volume of transactions and tariff adjustments. The total value of assets under custody increased to EUR 15.5 billion (2019 YE: EUR 14.8 billion).
- Exposures subject to moratorium amounted to EUR 306.8 million (17.0% of total corporate exposure)

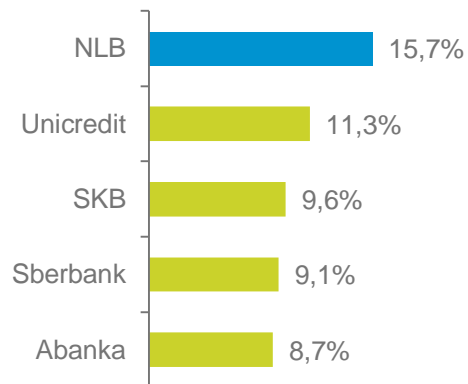
Corporate banking in Slovenia

High market shares across products⁽¹⁾

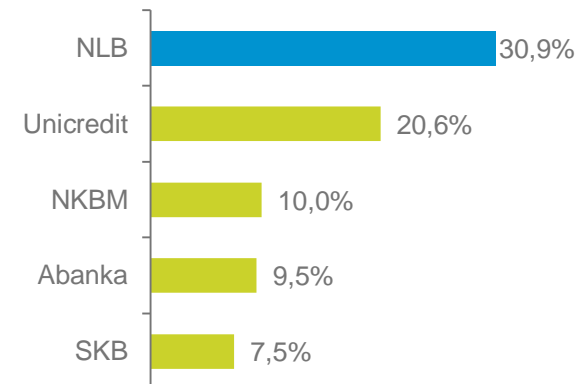
#1 in corporate and state loans



#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 serving over 9,000 corporate clients as of 30 June 2020.
- Supporting the largest infrastructure project in Slovenia.
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises.
- Investment Banking being successful organizer of syndicated loans, and organizer of issuance of instruments on debt capital markets.

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

13.4 k⁽²⁾

POS terminals

36.5% market share⁽²⁾

in merchant acquiring

EUR 15.5 bn

assets under custody

Source: Bank of Slovenia, Company information

Note: (1) Data as per 31 Dec 2019 (latest available); (2) As of 30 June 2020;

Strategic foreign markets

in EUR million
consolidated

Strategic Foreign Markets

	1-6 2020	1-6 2019	Change YoY		Q2 2020	Q1 2020	Q2 2019	Change QoQ	
Net interest income	78.6	77.9	0.7	1%	38.7	39.8	39.2	-3%	
Net non-interest income	25.2	24.6	0.7	3%	12.2	13.0	12.1	-6%	
o/w Net fee and commission income	25.6	25.8	-0.2	-1%	12.3	13.3	13.5	-8%	
Total net operating income	103.8	102.4	1.4	1%	50.9	52.8	51.3	-4%	
Total costs	-53.3	-51.9	-1.5	-3%	-25.8	-27.6	-26.1	6%	
Result before impairments and provisions	50.5	50.6	-0.1	0%	25.2	25.3	25.2	0%	
Impairments and provisions	-17.8	-7.1	-10.7	-150%	-3.8	-13.9	-3.9	72%	
Result before tax	32.7	43.4	-10.8	-25%	21.3	11.3	21.3	88%	
o/w Result of minority shareholders	3.2	3.8	-0.6	-16%	2.0	1.2	1.8	74%	

	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	Change YtD		Change YoY		Change QoQ
Net loans to customers	3,165.3	3,086.7	3,024.6	2,835.6	140.6	5%	329.6	12%	3%
Gross loans to customers	3,314.4	3,232.9	3,162.1	2,998.7	152.3	5%	315.7	11%	3%
Individuals	1,658.2	1,632.3	1,603.8	1,514.6	54.4	3%	143.6	9%	2%
Interest rate on retail loans	6.39%	6.48%	6.71%	6.78%	-0.32 p.p.		-0.39 p.p.		-0.09 p.p.
Corporate	1,540.6	1,494.8	1,470.3	1,400.0	70.3	5%	140.6	10%	3%
Interest rate on corporate loans	4.21%	4.29%	4.49%	4.62%	-0.28 p.p.		-0.41 p.p.		-0.08 p.p.
State	115.6	105.9	88.0	84.1	27.6	31%	31.5	37%	9%
Interest rate on state loans	3.12%	3.34%	4.00%	4.21%	-0.88 p.p.		-1.08 p.p.		-0.22 p.p.
Deposits from customers	3,935.0	3,825.7	3,856.7	3,547.6	78.3	2%	387.4	11%	3%
Interest rate on deposits	0.46%	0.48%	0.53%	0.55%	-0.07 p.p.		-0.08 p.p.		-0.02 p.p.
Non-performing loans (gross)	126.3	111.5	111.6	147.0	14.7	13%	-20.7	-14%	13%







	1-6 2020	1-6 2019	Change YoY
Cost of risk (in bps) ⁰	116	20	96
CIR	51.4%	50.6%	0.7 p.p.
Interest margin	3.37%	3.67%	-0.30 p.p.

⁰ Cost of risk for 2019 is adjusted to new methodology.

- The segment's **profit before tax** amounted to EUR 32.7 million, 25% decrease YoY, related mostly to additional credit impairments and provisions, due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.
- Increase of **net interest income** by EUR 0.7 million (1%) YoY was recorded due to higher loan volumes (increase of gross loans to customers by 11% YoY), despite the decreasing trend of interest margins.
- Net non-interest income** increased by EUR 0.7 million or 3% YoY while net fee and commission income decreased slightly by EUR 0.2 million or 1% YoY, mostly related to COVID-19 outbreak and its negative impact on payment transactions and card operations (lower consumption by clients).
- Total costs** increased by EUR 1.5 million or 3% YoY, mostly due to the increase in employee costs (EUR 0.7 million YoY).
- Net **impairments and provisions** established in the amount of EUR 17.8 million, related mostly to additional credit impairments and provisions, due to changed risk parameters that incorporate estimated impacts of COVID-19 outbreak.
- Gross loans to customers** increased by EUR 152.3 million (5%) YtD due to the increase in gross loans in all subsidiary banks; the largest YtD increases were recorded in NLB Banka, Beograd (EUR 51.8 million - from which EUR 31.2 million under state COVID-19 scheme, which is providing EUR 9.5 million of state guarantee), NLB Banka, Podgorica (EUR 32.2 million), and NLB Banka, Skopje (EUR 31.7 million).
- In Strategic Foreign Markets different moratorium schemes were implemented (opt-in, opt-out), the total amount of moratorium outstanding was EUR 1,029.7 million. Moratorium maturity is 3-6 months.

SEE banks continuing solid performance

- ✓ 1% growth of net interest income YoY, despite the decreasing trend of interest margins
- ✓ 3% growth of net non-interest income YoY, despite slight decrease of net fee and commission income (negative impact of COVID-19 on consumption)
- ✓ Growing credit portfolio in all markets, with aggregate deposits balance slight increase 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)	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	Δ
Total assets	1.522	1.462	781	773	625	638	825	801	545	548	687	614	4.986	4.837	3%
Net loans to customers	941	915	419	412	402	399	563	540	377	346	463	412	3.165	3.025	5%
Deposits from customers	1.231	1.176	619	618	498	515	701	685	411	437	486	437	3.946	3.868	2%
P&L (EURm)	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	Δ
NII ⁽²⁾	24,0	24,5	8,9	9,4	9,1	8,9	16,1	15,1	10,2	9,9	10,2	10,1	78,6	77,9	1%
NNII ⁽²⁾	7,8	7,6	5,5	5,6	4,4	4,6	3,0	3,0	1,8	2,8	2,6	0,9	25,2	24,6	3%
OpEx	-13,1	-13,4	-6,8	-6,5	-7,3	-7,1	-6,0	-6,1	-6,7	-6,5	-9,6	-9,5	-49,5	-49,1	1%
PPI	18,8	18,8	7,7	8,5	6,2	6,4	13,1	12,0	5,3	6,2	3,2	1,5	54,3	53,4	2%
Result a.t.	11,7	14,0	4,6	9,6	3,2	5,1	8,3	9,5	0,8	2,7	2,0	1,0	30,7	41,9	-27%
Ratios	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019	1-6 2020	1-6 2019			
RoE a.t.	10,9%	13,7%	10,3%	21,9%	7,8%	12,5%	18,7%	25,2%	2,5%	8,0%	5,5%	2,9%			
Net interest margin ⁽³⁾	3,40%	3,74%	2,40%	2,60%	3,02%	3,02%	4,05%	4,45%	4,10%	4,28%	3,33%	4,21%			
CIR	41,1%	41,5%	47,0%	43,5%	54,2%	52,5%	31,4%	33,7%	55,9%	51,1%	74,8%	86,7%			
LTD net	76,4%	77,7%	67,7%	65,1%	80,8%	80,0%	80,3%	85,5%	91,6%	80,9%	95,2%	98,3%			



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

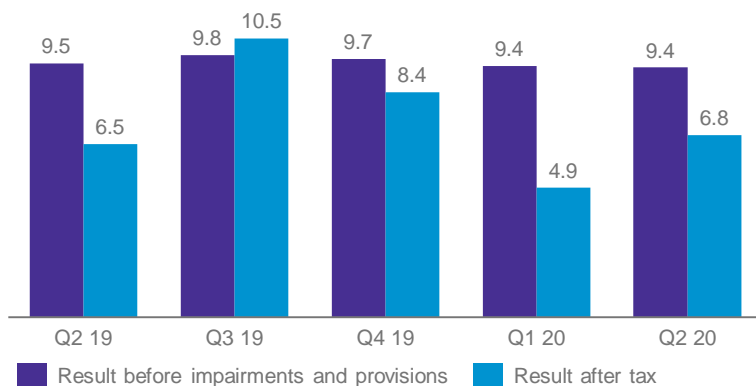
	1-6 2020	1-6 2019	Change YoY	
ROE a.t.	10.9%	13.7%	-2.8 p.p.	
Interest margin	3.40%	3.74%	-0.3 p.p.	
CIR	41.1%	41.5%	-0.5 p.p.	
Cost of risk net (bps)*	124	71	53	
LTD net	76.4%	77.7%	-1.3 p.p.	
Income statement				
in 000 EUR				
	1-6 2020	1-6 2019	Change YoY	
Total net operating income	31,863	32,167	-304	-0.9%
Net interest income	24,044	24,545	-501	-2.0%
Net non-interest income	7,819	7,622	197	2.6%
o/w net fees and commissions	6,824	7,115	-291	-4.1%
Total costs	-13,084	-13,362	278	2.1%
Employee costs	-6,971	-6,820	-151	-2.2%
Other general and administrative expenses	-4,052	-4,550	498	10.9%
Depreciation and amortization	-2,061	-1,992	-69	-3.5%
Result before impairments and provisions	18,779	18,805	-26	-0.1%
Impairments and provisions	-5,790	-3,256	-2,534	-77.8%
Result after tax	11,686	13,991	-2,305	-16.5%
Number of employees	877	876	1	0.1%

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

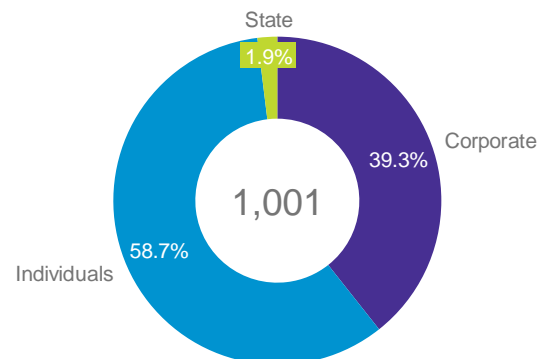
Balance sheet

	30 Jun 2020	31 Dec 2019	Change YtD	
in 000 EUR				
Total assets	1,522,032	1,462,306	59,726	4.1%
Loans to customers (net)	941,132	915,149	25,983	2.8%
Loans to customers (gross)	1,000,874	969,213	31,661	3.3%
Gross loans to corporate	393,802	393,137	665	0.2%
Gross loans to individuals	587,608	573,826	13,782	2.4%
Gross loans to state	19,464	2,250	17,214	-
Financial assets	265,103	242,360	22,743	9.4%
Deposits from customers	1,231,138	1,175,612	55,526	4.7%
Deposits from corporate	337,301	314,598	22,703	7.2%
Deposits from individuals	887,334	854,135	33,199	3.9%
Deposits from state	6,503	6,879	-376	-5.5%
NPL volume	55,975	48,311	7,664	15.9%
NPL ratio (internal def.)	4.7%	4.2%	0.5 p.p.	
Capital (according to local legislation)				
Total capital ratio	16.5%	16.4%	0.1 p.p.	
Overall capital requirement	15.0%			

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



Gross loans to customers split (30 Jun 2020, % and EUR million)



NLB Banka, Banja Luka

NLB Banka A.D., Banja Luka

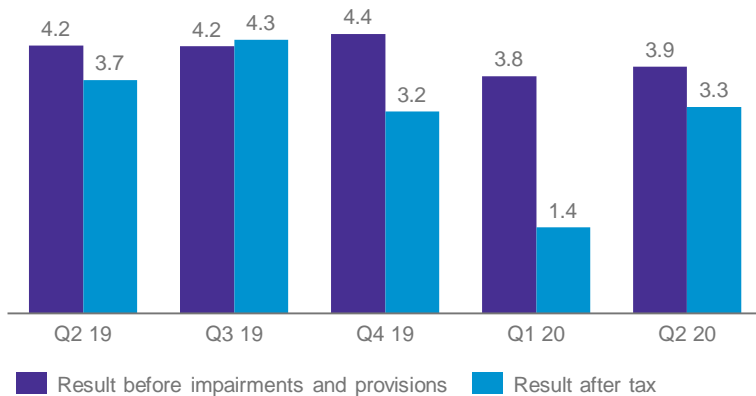
"on stand alone basis"

Key financial indicators

	1-6 2020		1-6 2019		Change YoY	
ROE a.t.	10.3%	21.9%	-11.6 p.p.			
Interest margin	2.40%	2.60%	-0.2 p.p.			
CIR	47.0%	43.5%	3.5 p.p.			
Cost of risk net (bps)*	120	-103	223			
LTD net	67.7%	65.1%	2.6 p.p.			
Income statement						
in 000 EUR						
		1-6 2020	1-6 2019	Change YoY		
Total net operating income		14,480	14,997	-517	-3.4%	
Net interest income		8,938	9,388	-450	-4.8%	
Net non-interest income		5,542	5,609	-67	-1.2%	
o/w net fees and commissions		5,577	5,306	271	5.1%	
Total costs		-6,804	-6,522	-282	-4.3%	
Employee costs		-4,326	-4,030	-296	-7.3%	
Other general and administrative expenses		-1,798	-1,821	23	1.3%	
Depreciation and amortization		-680	-671	-9	-1.3%	
Result before impairments and provisions		7,676	8,475	-799	-9.4%	
Impairments and provisions		-2,401	1,765	-4,166	-	
Result after tax		4,637	9,566	-4,929	-51.5%	
Number of employees		483	478	5	1.0%	

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

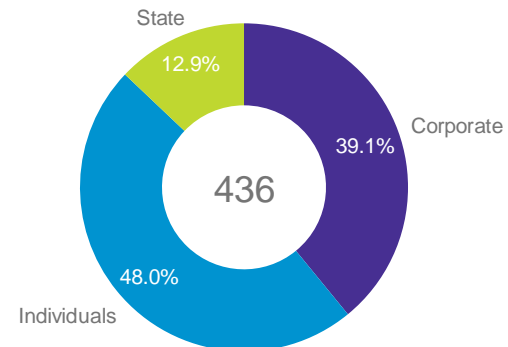
Result after tax and before impairments and provisions (EUR million)



Balance sheet

in 000 EUR	30 Jun 2020		31 Dec 2019		Change YtD	
Total assets	781,193	773,410	7,783	1.0%		
Loans to customers (net)	419,055	411,739	7,316	1.8%		
Loans to customers (gross)	436,414	426,844	9,570	2.2%		
Gross loans to corporate	170,560	173,476	-2,916	-1.7%		
Gross loans to individuals	209,452	200,454	8,998	4.5%		
Gross loans to state	56,402	52,914	3,488	6.6%		
Financial assets	175,487	148,104	27,383	18.5%		
Deposits from customers	618,703	618,095	608	0.1%		
Deposits from corporate	138,377	145,915	-7,538	-5.2%		
Deposits from individuals	436,911	435,123	1,788	0.4%		
Deposits from state	43,415	37,057	6,358	17.2%		
NPL volume	10,451	7,620	2,831	37.2%		
NPL ratio (internal def.)	1.8%	1.3%	0.5 p.p.			
Capital (according to local legislation)						
Total capital ratio	18.0%	15.9%	2.1 p.p.			
Overall capital requirement	14.5%					

Gross loans to customers split (30 Jun 2020, % and EUR million)



NLB Banka, Sarajevo

NLB Banka d.d., Sarajevo

"on stand alone basis"

Key financial indicators

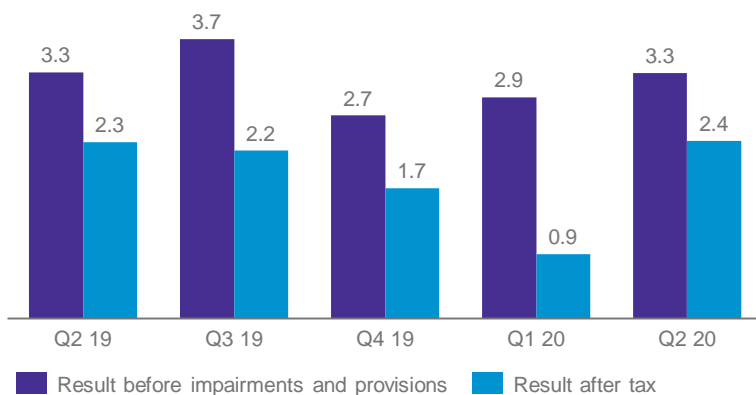
	1-6 2020		1-6 2019		Change YoY	
ROE a.t.	7.8%	12.5%	-4.7 p.p.			
Interest margin	3.02%	3.02%	0.0 p.p.			
CIR	54.2%	52.5%	1.7 p.p.			
Cost of risk net (bps)*	132	28	105			
LTD net	80.8%	80.0%	0.8 p.p.			
Income statement						
in 000 EUR						
	1-6 2020		1-6 2019		Change YoY	
Total net operating income	13,522	13,502	20	0.1%		
Net interest income	9,122	8,877	245	2.8%		
Net non-interest income	4,400	4,625	-225	-4.9%		
o/w net fees and commissions	4,219	4,207	12	0.3%		
Total costs	-7,323	-7,089	-234	-3.3%		
Employee costs	-4,011	-4,103	92	2.2%		
Other general and administrative expenses	-2,423	-2,284	-139	-6.1%		
Depreciation and amortization	-889	-702	-187	-26.6%		
Result before impairments and provisions	6,199	6,413	-214	-3.3%		
Impairments and provisions	-2,615	-593	-2,022	-		
Result after tax	3,216	5,090	-1,874	-36.8%		
Number of employees	444	446	-2	-0.4%		

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

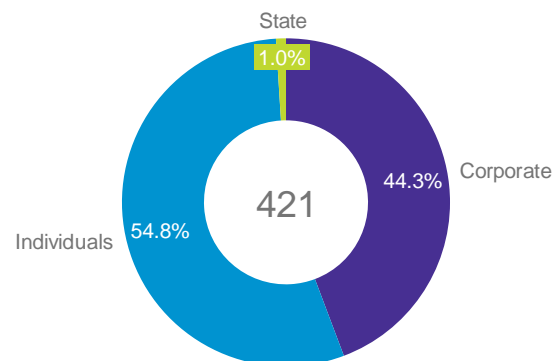
Balance sheet

	30 Jun 2020		31 Dec 2019		Change YtD	
in 000 EUR						
Total assets	625,192	637,739	-12,547	-2.0%		
Loans to customers (net)	402,139	399,299	2,840	0.7%		
Loans to customers (gross)	420,821	420,236	585	0.1%		
Gross loans to corporate	186,253	189,476	-3,223	-1.7%		
Gross loans to individuals	230,438	226,355	4,083	1.8%		
Gross loans to state	4,130	4,405	-275	-6.2%		
Financial assets	56,522	50,054	6,468	12.9%		
Deposits from customers	497,994	515,230	-17,236	-3.3%		
Deposits from corporate	132,631	134,566	-1,935	-1.4%		
Deposits from individuals	295,683	300,051	-4,368	-1.5%		
Deposits from state	69,680	80,613	-10,933	-13.6%		
NPL volume	19,144	18,582	562	3.0%		
NPL ratio (internal def.)	3.6%	3.3%	0.3 p.p.			
Capital (according to local legislation)						
Total capital ratio	16.4%	16.0%	0.4 p.p.			
Overall capital requirement	14.5%					

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



Gross loans to customers split (30 Jun 2020, % and EUR million)



NLB Banka, Prishtina

NLB Banka sh.a., Prishtine

"on stand alone basis"

Key financial indicators

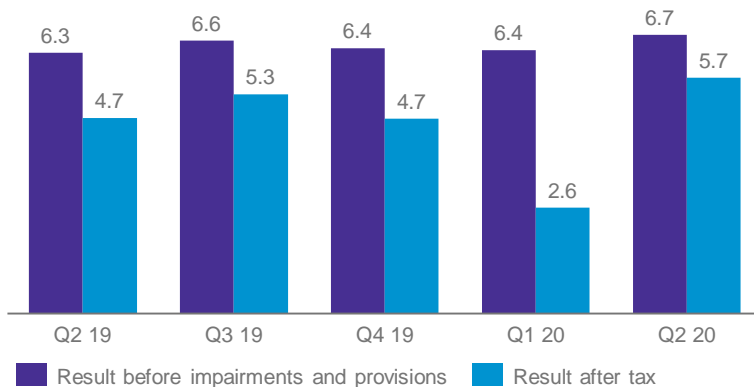
	1-6 2020	1-6 2019	Change YoY	
ROE a.t.	18.7%	25.2%	-6.5 p.p.	
Interest margin	4.05%	4.45%	-0.4 p.p.	
CIR	31.4%	33.7%	-2.4 p.p.	
Cost of risk net (bps)*	136	27	109	
LTD net	80.3%	85.5%	-5.2 p.p.	
Income statement				
in 000 EUR	1-6 2020	1-6 2019	Change YoY	
Total net operating income	19,112	18,144	968	5.3%
Net interest income	16,094	15,121	973	6.4%
Net non-interest income	3,018	3,023	-5	-0.2%
o/w net fees and commissions	3,647	3,511	136	3.9%
Total costs	-5,994	-6,121	127	2.1%
Employee costs	-3,192	-3,095	-97	-3.1%
Other general and administrative expenses	-1,825	-2,135	310	14.5%
Depreciation and amortization	-977	-891	-86	-9.7%
Result before impairments and provisions	13,118	12,023	1,095	9.1%
Impairments and provisions	-3,797	-1,450	-2,347	-161.9%
Result after tax	8,276	9,523	-1,247	-13.1%
Number of employees	467	473	-6	-1.3%

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

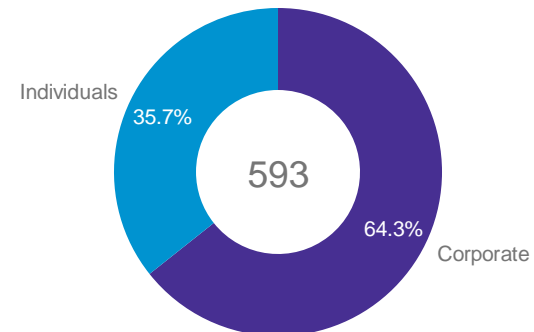
Balance sheet

in 000 EUR	30 Jun 2020	31 Dec 2019	Change YtD	
Total assets	825,368	801,085	24,283	3.0%
Loans to customers (net)	562,719	540,073	22,646	4.2%
Loans to customers (gross)	593,050	567,103	25,947	4.6%
Gross loans to corporate	381,457	359,414	22,043	6.1%
Gross loans to individuals	211,583	207,689	3,894	1.9%
Gross loans to state	10	0	10	-
Financial assets	68,165	77,977	-9,812	-12.6%
Deposits from customers	700,653	685,385	15,268	2.2%
Deposits from corporate	192,485	196,818	-4,333	-2.2%
Deposits from individuals	493,771	476,546	17,225	3.6%
Deposits from state	14,397	12,021	2,376	19.8%
NPL volume	11,292	10,939	353	3.2%
NPL ratio (internal def.)	1.5%	1.5%	0.0 p.p.	
Capital (according to local legislation)				
Total capital ratio	17.9%	16.4%	1.5 p.p.	
Overall capital requirement	12.0%			

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



Gross loans to customers split (30 Jun 2020, % and EUR million)



NLB Banka, Podgorica

NLB Banka a.d., Podgorica

"on stand alone basis"

Key financial indicators

	1-6 2020	1-6 2019	Change YoY	
ROE a.t.	2.5%	8.0%	-5.5 p.p.	
Interest margin	4.10%	4.28%	-0.2 p.p.	
CIR	55.9%	51.1%	4.8 p.p.	
Cost of risk net (bps)*	105	-22	127	
LTD net	91.6%	80.9%	10.7 p.p.	

Income statement

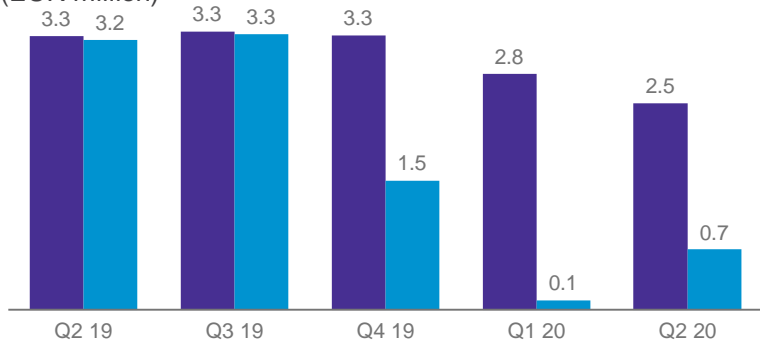
in 000 EUR	1-6 2020	1-6 2019	Change YoY	
Total net operating income	11,970	12,624	-654	-5.2%
Net interest income	10,155	9,854	301	3.1%
Net non-interest income	1,815	2,770	-955	-34.5%
o/w net fees and commissions	2,418	2,935	-517	-17.6%
Total costs	-6,692	-6,452	-240	-3.7%
Employee costs	-3,558	-3,616	58	1.6%
Other general and administrative expenses	-2,434	-2,061	-373	-18.1%
Depreciation and amortization	-700	-775	75	9.7%
Result before impairments and provisions	5,278	6,172	-894	-14.5%
Impairments and provisions	-4,156	-3,137	-1,019	-32.5%
Result after tax	838	2,734	-1,896	-69.3%
Number of employees	302	328	-26	-7.9%

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

Balance sheet

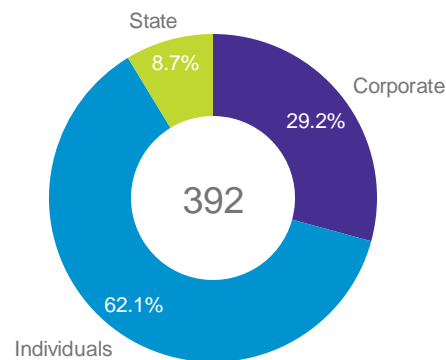
in 000 EUR	30 Jun 2020	31 Dec 2019	Change YtD	
Total assets	545,440	548,483	-3,043	-0.6%
Loans to customers (net)	376,869	346,299	30,570	8.8%
Loans to customers (gross)	391,885	359,180	32,705	9.1%
Gross loans to corporate	114,596	100,961	13,635	13.5%
Gross loans to individuals	243,258	231,506	11,752	5.1%
Gross loans to state	34,031	26,713	7,318	27.4%
Financial assets	21,958	57,339	-35,381	-61.7%
Deposits from customers	411,444	436,545	-25,101	-5.7%
Deposits from corporate	125,390	135,396	-10,006	-7.4%
Deposits from individuals	270,645	283,091	-12,446	-4.4%
Deposits from state	15,409	18,058	-2,649	-14.7%
NPL volume	21,672	18,129	3,543	19.5%
NPL ratio (internal def.)	4.6%	4.0%	0.6 p.p.	
Capital (according to local legislation)				
Total capital ratio	16.0%	15.0%	1.0 p.p.	
Overall capital requirement	10.0%			

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



■ Result before impairments and provisions ■ Result after tax

Gross loans to customers split (30 Jun 2020, % and EUR million)



NLB Banka, Beograd

NLB Banka a.d., Beograd

"on stand alone basis"

Key financial indicators

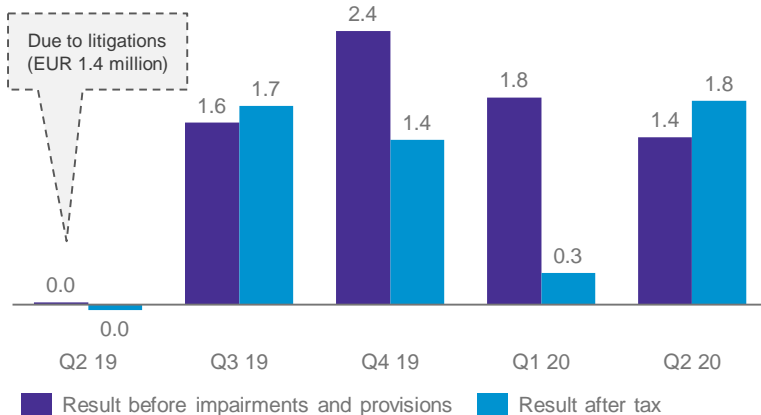
	1-6 2020		1-6 2019		Change YoY	
ROE a.t.	5.5%	2.9%			2.6 p.p.	
Interest margin	3.33%	4.21%			-0.9 p.p.	
CIR	74.8%	86.7%			-11.9 p.p.	
Cost of risk net (bps)*	57	19			38	
LTD net	95.2%	98.3%			-3.0 p.p.	
Income statement						
in 000 EUR						
	1-6 2020		1-6 2019		Change YoY	
Total net operating income	12,835	10,978			1,857	16.9%
Net interest income	10,199	10,070			129	1.3%
Net non-interest income	2,636	908			1,728	190.3%
o/w net fees and commissions	2,885	2,706			179	6.6%
Total costs	-9,600	-9,515			-85	-0.9%
Employee costs	-5,373	-5,022			-351	-7.0%
Other general and administrative expenses	-2,875	-3,171			296	9.3%
Depreciation and amortization	-1,352	-1,322			-30	-2.3%
Result before impairments and provisions	3,235	1,463			1,772	121.1%
Impairments and provisions	-1,161	-460			-701	-152.4%
Result after tax	2,074	1,003			1,071	107.1%
Number of employees	480	466			14	3.0%

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

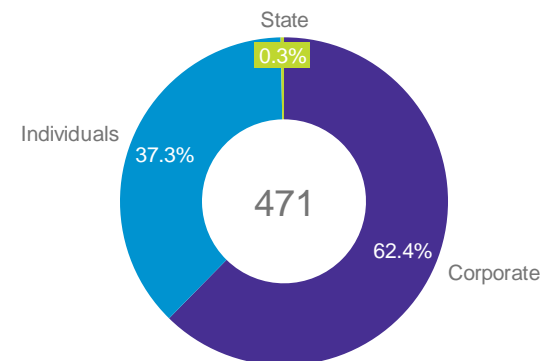
Balance sheet

	30 Jun 2020		31 Dec 2019		Change YtD	
in 000 EUR						
Total assets	686,665	614,268			72,397	11.8%
Loans to customers (net)	463,339	412,046			51,293	12.4%
Loans to customers (gross)	471,370	419,521			51,849	12.4%
Gross loans to corporate	293,926	253,842			40,084	15.8%
Gross loans to individuals	175,876	164,003			11,873	7.2%
Gross loans to state	1,568	1,676			-108	-6.4%
Financial assets	62,475	74,781			-12,306	-16.5%
Deposits from customers	486,492	437,268			49,224	11.3%
Deposits from corporate	236,235	186,376			49,859	26.8%
Deposits from individuals	246,143	249,021			-2,878	-1.2%
Deposits from state	4,114	1,871			2,243	119.9%
NPL volume	7,793	8,004			-211	-2.6%
NPL ratio (internal def.)	1.3%	1.6%			-0.3 p.p.	
Capital (according to local legislation)						
Total capital ratio	18.8%	19.5%			-0.7 p.p.	
Overall capital requirement	15.5%					

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



Gross loans to customers split (30 Jun 2020, % and EUR million)



Financial markets in Slovenia

in million EUR
consolidated

Financial Markets in Slovenia

	1-6 2020	1-6 2019	Change YoY		Q2 2020	Q1 2020	Q2 2019	Change QoQ	
Net interest income	11.3	15.9	-4.6	-29%	4.7	6.5	9.9	-27%	
Net non-interest income	15.4	1.5	13.9	-	14.3	1.2	-0.6	-	
Total net operating income	26.7	17.4	9.3	54%	19.0	7.7	9.3	147%	
Total costs	-3.6	-3.6	0.0	-1%	-1.7	-1.9	-1.9	8%	
Result before impairments and provisions	23.1	13.8	9.3	67%	17.3	5.8	7.4	197%	
Impairments and provisions	0.0	-0.5	0.4	96%	0.0	0.0	-0.1	89%	
Result before tax	23.1	13.4	9.7	73%	17.3	5.8	7.3	198%	

	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	Change YtD		Change YoY		Change QoQ
Balances with Central banks	1,991.0	1,082.0	1,044.1	520.2	946.8	91%	1,470.7	-	84%
Banking book securities	2,774.0	2,977.5	3,093.6	2,983.4	-319.6	-10%	-209.4	-7%	-7%
<i>Interest rate on banking book securities</i>	<i>0.78%</i>	<i>0.80%</i>	<i>1.03%</i>	<i>1.07%</i>	<i>-0.25 p.p.</i>		<i>-0.29 p.p.</i>		<i>-0.02 p.p.</i>
Wholesale funding ⁽¹⁾	152.5	161.5	161.6	235.3	-9.1	-6%	-82.8	-35%	-6%
<i>Interest rate on wholesale funding⁽¹⁾</i>	<i>0.56%</i>	<i>0.57%</i>	<i>0.50%</i>	<i>0.49%</i>	<i>0.06 p.p.</i>		<i>0.07 p.p.</i>		<i>-0.01 p.p.</i>
Subordinated liabilities	287.4	286.6	210.6	44.9	76.8	36%	242.5	-	0.0
<i>Interest rate on subordinated liabilities</i>	<i>3.56%</i>	<i>3.41%</i>	<i>4.03%</i>	<i>4.20%</i>	<i>-0.47 p.p.</i>		<i>-0.64 p.p.</i>		<i>0.15 p.p.</i>

⁽¹⁾ Item includes only borrowings, till 30 June 2019 it included also deposits from banks.

- **Net interest income** was EUR 4.6 million (29%) lower YoY, due to the maturities and sale of high yielding securities which also resulted in lower balance of the banking book securities portfolio (around EUR 200 million YoY). The sale of securities was a consequence of perceived higher risk during the COVID-19 pandemic.
- Higher **net non-interest income**, EUR 13.9 million YoY, mainly due to the sale of high yielding securities in order to lower the high exposure toward some issuers or reduce the high risk exposures. Total P&L effect from securities sold amounted to EUR 17.2 million (EUR 4.5 million EUR from FV OCI and EUR 12.7 million from AC portfolio). At the time of sale, the book value of divested securities from FV OCI and AC portfolios was EUR 209.1 million and EUR 120.1 million, respectively.
- In H1 2020, the revaluation of FV OCI securities portfolio decreased by EUR 14.3 million.
- Increase in **balances with central banks** (EUR 1,470.7 million YoY and EUR 946.8 million YtD), while **Banking book securities** decreased substantially YtD (EUR 319.6 million). Change in the position reflects the growth of deposits from individuals as the consequence of the COVID-19 outbreak (around EUR 500 million YtD) and the proceeds of the securities' sale in 2020 were placed with the ECB (around EUR 300 million).

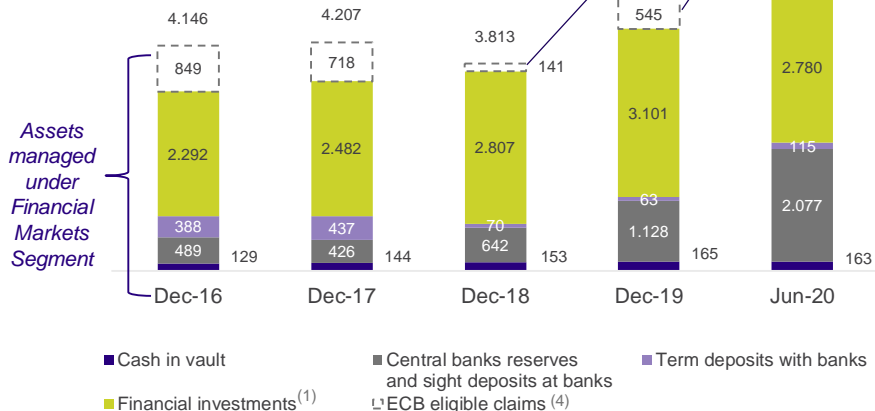
Financial markets in Slovenia

Strong liquidity position

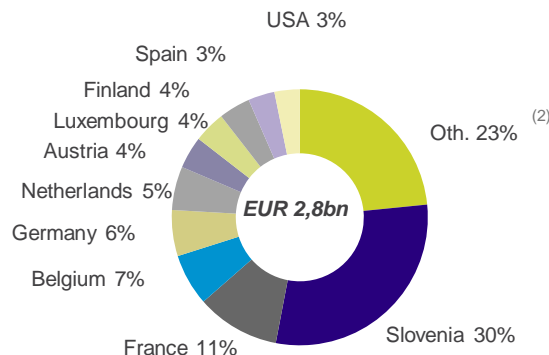
Liquid assets evolution (EURm)

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

The volume of ECB eligible credit claims increased due to the modification in ECB eligibility criterion adopted on 10 May 2019 in ECB Guideline (EU) 2019/1032.



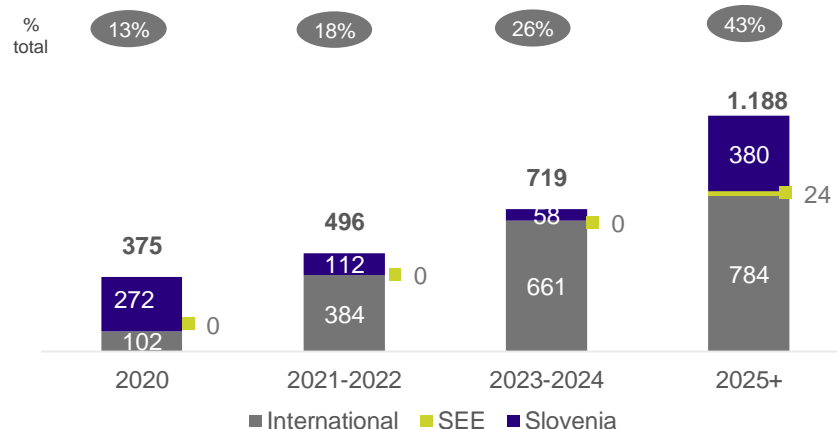
Well diversified banking book by geography (30 Jul 2020)



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 minimize concentration risk, and is invested predominantly in high quality issuers on prudent tenors
- Liquidity ratios (as of 30 Jun 2020): LCR 351% (NLB d.d.) and 297% (NLB Group); NSFR (preliminary) 173% (NLB d.d.) and 167% (NLB Group)

Maturity profile of banking book securities⁽³⁾ (30 Jun 2020, EURm)



Note: Numbers refer to NLB d.d. only; (1) Incl. trading and banking book securities; (2) Includes other European countries 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

	1-6 2020	1-6 2019	Change YoY		Q2 2020	Q1 2020	Q2 2019	Change QoQ
Net interest income	0.7	1.6	-0.8	-54%	0.3	0.4	0.6	-11%
Net non-interest income	1.9	4.6	-2.7	-58%	0.9	1.0	1.7	-12%
Total net operating income	2.6	6.2	-3.5	-57%	1.2	1.4	2.3	-12%
Total costs	-6.5	-6.8	0.3	4%	-3.1	-3.4	-3.6	11%
Result before impairments and provisions	-3.8	-0.6	-3.2	-	-1.8	-2.0	-1.3	10%
Impairments and provisions	-0.1	1.0	-1.1	-	0.1	-0.2	0.3	-
Result before tax	-4.0	0.4	-4.4	-	-1.7	-2.2	-1.0	23%

	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	Change Ytd		Change YoY		Change QoQ
Segment assets	150.5	158.7	169.5	205.8	-19.0	-11%	-55.3	-27%	-5%
Net loans to customers	58.4	60.2	67.4	93.3	-9.0	-13%	-34.8	-37%	-3%
Gross loans to customers	128.5	130.9	137.2	181.6	-8.7	-6%	-53.1	-29%	-2%
Investment property and property & equipment received for repayment of loans	74.5	74.5	75.6	84.4	-1.1	-1%	-10.0	-12%	0%
Other assets	17.6	24.0	26.5	28.1	-8.9	-34%	-10.5	-37%	-27%
Non-performing loans (gross)	95.9	93.4	93.6	121.1	2.3	2%	-25.1	-21%	3%

	1-6 2020	1-6 2019	Change YoY
Cost of risk (in bps) ⁽¹⁾	18	-264	283
CIR	244.7%	109.8%	134.9 p.p.

⁽¹⁾ Cost of risk for 2019 is adjusted to new methodology.

- A substantial decrease in **total assets** of the segment YoY (EUR 55.3 million) which is in line with the divestment strategy of the non-core segment, hence EUR 2.5 million YoY decrease of net operating income.
- The segment recorded EUR 4.0 million of **loss before tax**.
- Lower **net non-interest income**, mostly due to the effect of contractual penalty (EUR 1.3 million) positively influencing financials in Q1 2019.

Other

in EUR million
consolidated

		Other							
	1-6 2020	1-6 2019	Change YoY		Q2 2020	Q1 2020	Q2 2019	Change QoQ	
Total net operating income	2.5	10.3	-7.8	-75%	0.4	2.2	7.9	-84%	
Total costs	-5.9	-5.6	-0.3	-5%	-2.7	-3.2	-3.1	17%	
Result before impairments and provisions	-3.3	4.7	-8.1	-	-2.3	-1.0	4.8	-127%	
Impairments and provisions	-0.4	0.0	-0.3	-	-0.5	0.1	0.0	-	
Result before tax	-3.7	4.7	-8.4	-	-2.8	-0.9	4.8	-	


- The segment Other recorded EUR 3.7 million of **loss before tax**, EUR 7.8 million decrease YoY, due to revaluation of a non-core equity stake in H1 2019 (EUR 6.3 million).
- EUR 5.9 million of **total costs**, related mostly to IT, cash transport, external realization, restructuring costs and empty business premises.




Appendix 2: Macro Overview

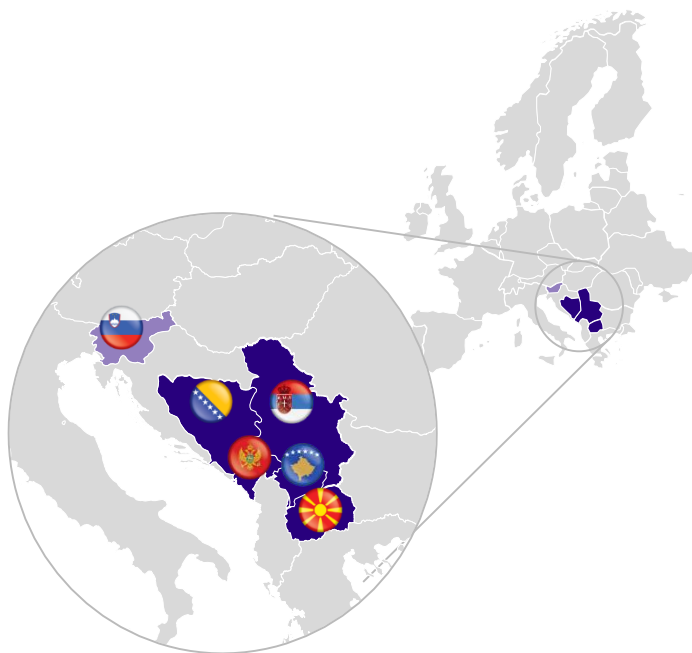
NLB Group – Macro overview

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

Slovenia 	EUR
GDP (EURbn)	48.0
Real GDP growth (%)	1.1
Population (m)	2.1
Household indebtedness ⁽¹⁾	22.3%
Credit ratings (S&P / Moody's / Fitch)	AA- / Baa1 / A


Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	18.0
Real GDP growth (%)	2.4
Population (m)	3.5
Household indebtedness ⁽¹⁾	28.0%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.9
Real GDP growth (%)	6.5
Population (m)	0.6
Household indebtedness ⁽¹⁾	27.7%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	52.6
Real GDP growth (%)	4.8
Population (m)	7.0
Household indebtedness ⁽¹⁾	20.4%
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba3 / BB+

Kosovo 	EUR
GDP (EURbn)	7.1
Real GDP growth (%)	6.1
Population (m)	1.8
Household indebtedness ⁽¹⁾	15.5%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	11.3
Real GDP growth (%)	2.7
Population (m)	2.1
Household indebtedness ⁽¹⁾	24.9%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+



Source: Central banks, National Statistics Offices, FocusEconomics, NLB

Note: GDP volume and growth for Q1 2020, annualized; (1) Includes households loans as % of GDP, Q1 2020, annualized; (2) Bosnia and Herzegovina is comprised of 2 entities, The Federation of Bosnia and Herzegovina and Republika Srpska; (3) Official currency is BAM – Bosnia-Herzegovina Convertible Mark, pegged to EUR.

Macro Overview

Economic data

- The COVID-19 outbreak is weighing heavily on economies.
- The economic growth in the Group's region could contract by around 4.9% this year due to the COVID-19 outbreak.
- Economic growth outlook depends on the ability of countries to deal with the recurrences of major COVID-19 outbreaks.

Fiscal data

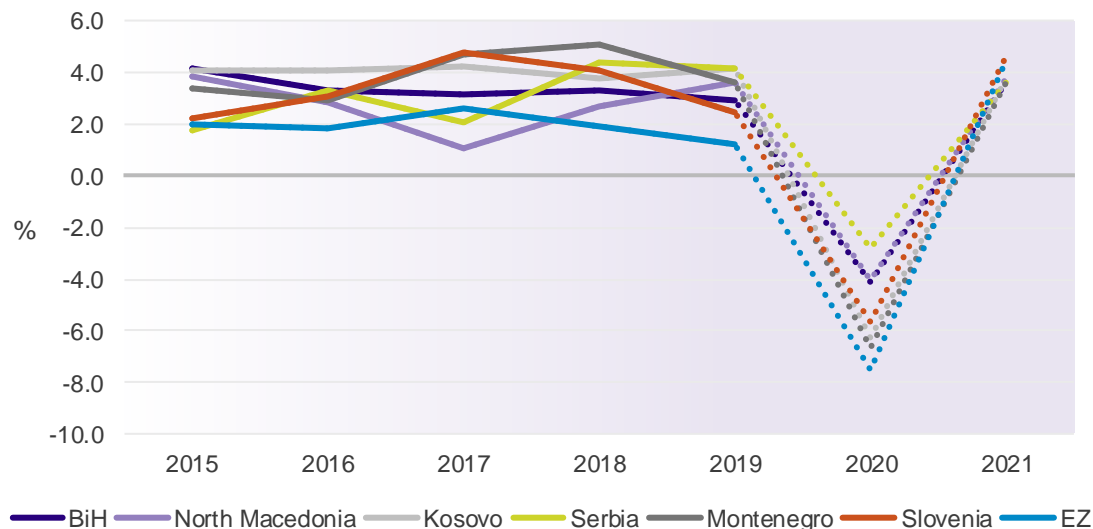
- Large fiscal responses could complicate fiscal sustainability in fiscally less prudent countries, although they are meant to cushion the overall impact of the COVID-19.
- Fiscal measures mostly financed by governments budget forces them into borrowing, increasing their public debts.

Monetary data

- Policymakers resorted to liquidity and monetary stimulus measures, aimed at supporting financial sector resilience and lending, addressing liquidity strains in key funding markets.
- Authorities took capital, liquidity and borrower-based macroprudential measures to support banks facilitating the real economy.

Macro Overview – Economic data

Real GDP growth, %



KEY FINDINGS:

Highest contraction of economic growth in 2020 is expected in **Montenegro** (-6.7%) due to highly affected tourism sector, followed by **Kosovo** (-6.3%) and **Slovenia** (-5.7%).

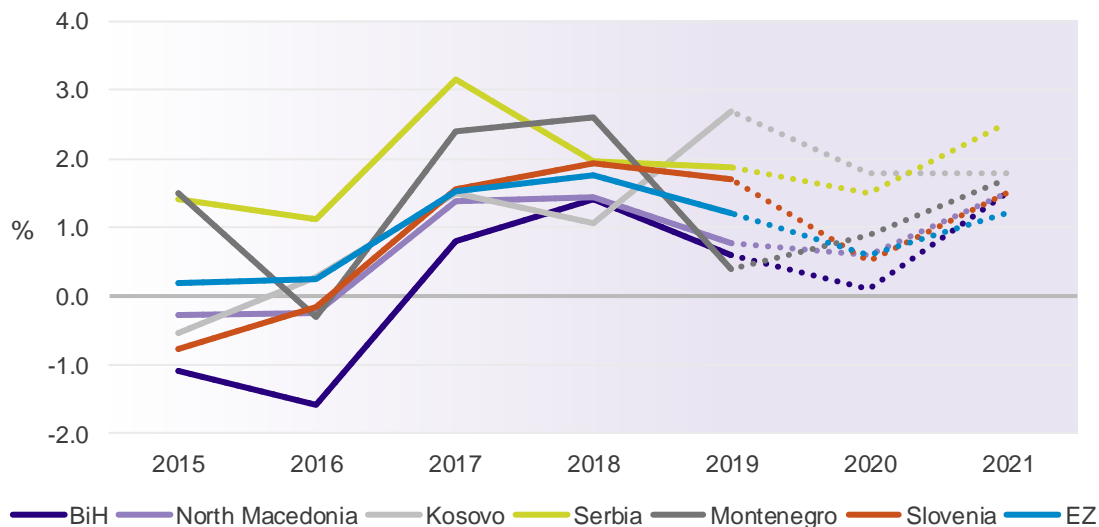
The economic growth in the **Group's region** could contract by around -4.9% due to the COVID-19 outbreak. Key downside risks to the outlook are recurrences of major COVID-19 outbreaks and potential reinstatement of rigorous containment measures.

Real GDP growth, YoY, %	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	4.1	3.4	3.2	3.3	2.9	-4.1	3.6
North Macedonia	3.9	2.8	1.1	2.7	3.6	-4.0	3.8
Kosovo	4.1	4.1	4.2	3.8	4.2	-6.3	3.8
Serbia	1.8	3.3	2.0	4.4	4.2	-2.8	3.6
Montenegro	3.4	2.9	4.7	5.1	3.6	-6.7	3.6
Slovenia	2.2	3.1	4.8	4.1	2.4	-5.7	4.6
Eurozone	2.0	1.9	2.7	1.9	1.2	-7.5	4.5

Sources: FocusEconomics, NLB Forecasts for 2020 and 2021

Macro Overview – Economic data

Average inflation rate, %



KEY FINDINGS:

In 2020, **low inflationary environment** is expected due to shocks on supply and demand side.

The COVID-19 outbreak affects consumer spending, resulting in downward pressure on prices. Rising unemployment, a distressed economy and low energy prices ensure further downward pressures on inflation.

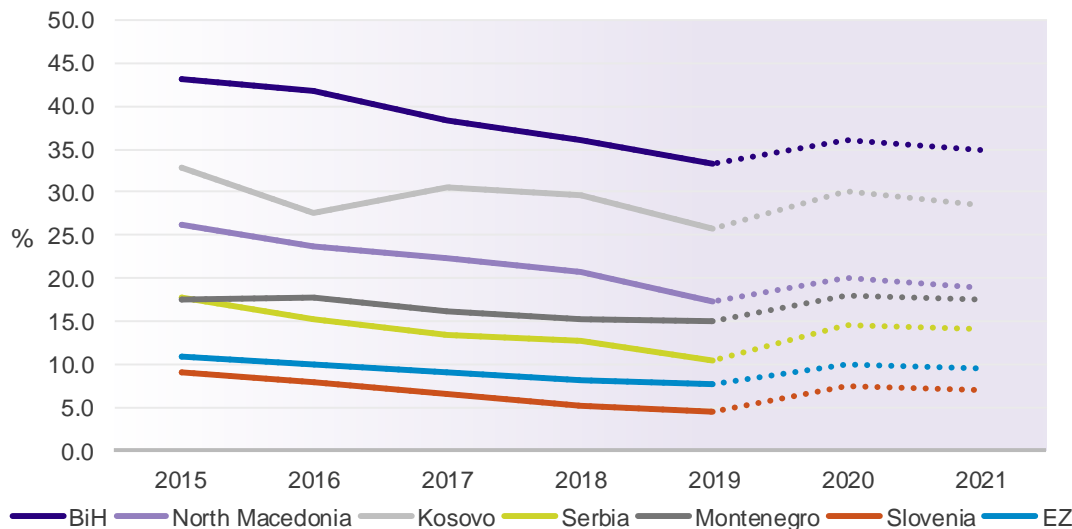
Average inflation rate, %	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	-1.1	-1.6	0.8	1.4	0.6	0.1	1.5
North Macedonia	-0.3	-0.2	1.4	1.4	0.8	0.6	1.5
Kosovo	-0.5	0.3	1.5	1.1	2.7	1.8	1.8
Serbia	1.4	1.1	3.2	2.0	1.9	1.5	2.5
Montenegro	1.5	-0.3	2.4	2.6	0.4	0.9	1.7
Slovenia	-0.8	-0.2	1.6	1.9	1.7	0.5	1.5
Eurozone	0.2	0.2	1.5	1.8	1.2	0.6	1.2

Sources: FocusEconomics, NLB Forecasts for 2020 and 2021

Note: HICP for Slovenia, Kosovo and Eurozone, other CPI

Macro Overview – Economic data

Unemployment rate, %



KEY FINDINGS:

Due to the COVID-19 shock, the **unemployment is expected to increase** all around the world, with no exemptions regarding the Group's region.

If countries are successful in dealing with the recurrences of COVID-19 outbreaks and alleviate the economic damage, unemployment rate could start to diminish gradually in 2021, with the projected rebound in economic growth. Measures focused on jobs retention bode well for labour market.

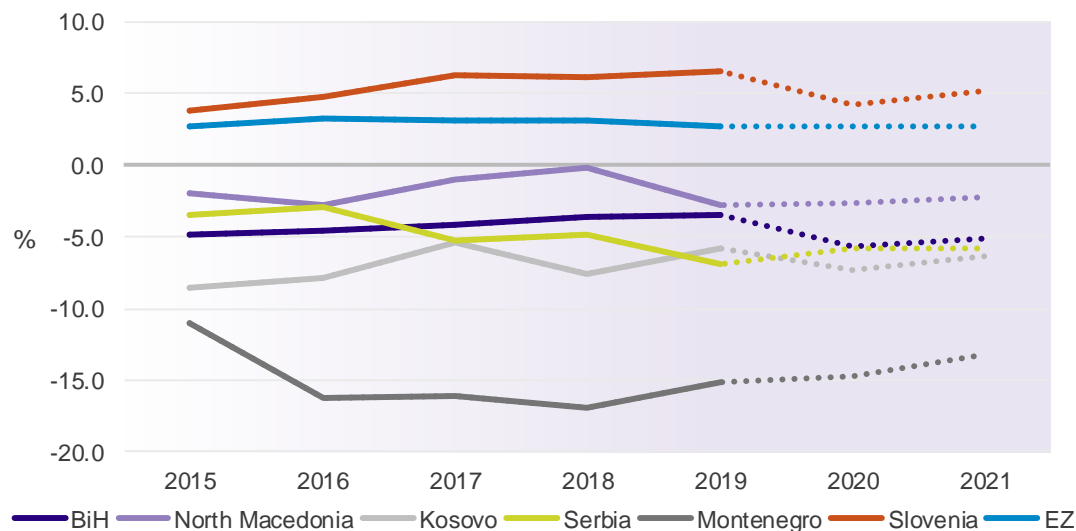
Unemployment rate, %	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	43.2	41.7	38.4	36.0	33.3	36.0	35.0
North Macedonia	26.1	23.7	22.4	20.7	17.3	20.0	19.0
Kosovo	32.9	27.5	30.5	29.6	25.7	30.0	28.5
Serbia	17.7	15.3	13.5	12.7	10.4	14.5	14.0
Montenegro	17.6	17.7	16.1	15.2	15.1	18.0	17.5
Slovenia	9.0	8.0	6.6	5.1	4.5	7.5	7.0
Eurozone	10.9	10.0	9.1	8.2	7.6	10.0	9.5

Sources: FocusEconomics, NLB Forecasts for 2020 and 2021

Note: Registered unemployment data used for BiH

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

Current accounts are set to deteriorate in the Group's region in 2020.

The COVID-19 shock affects external trade in the Group's region amid depressed activity in key markets. Potential weak recovery in external and domestic demand is poised to affect deficits and surpluses.

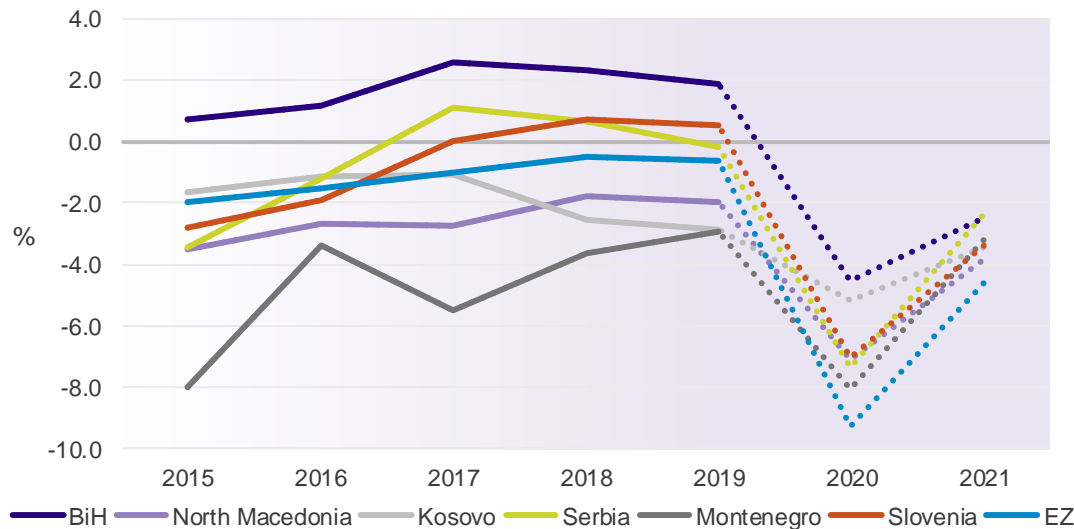
Current Account, % GDP	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	-4.9	-4.5	-4.2	-3.6	-3.5	-5.6	-5.1
North Macedonia	-2.0	-2.9	-1.0	-0.1	-2.8	-2.7	-2.2
Kosovo	-8.6	-7.9	-5.4	-7.6	-5.8	-7.3	-6.3
Serbia	-3.5	-2.9	-5.2	-4.8	-6.9	-5.8	-5.9
Montenegro	-11.0	-16.2	-16.1	-17.0	-15.2	-14.7	-13.3
Slovenia	3.8	4.8	6.3	6.1	6.6	4.3	5.2
Eurozone	2.8	3.3	3.1	3.1	2.7	2.7	2.7

Sources: FocusEconomics

Note: Consensus Forecasts for 2020 and 2021

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

Fiscal measures, aimed at dealing with the COVID-19 outbreak overall implications, are financed mostly by **government budgets**. The latter forces governments into borrowing, increasing their public debts and deficits.

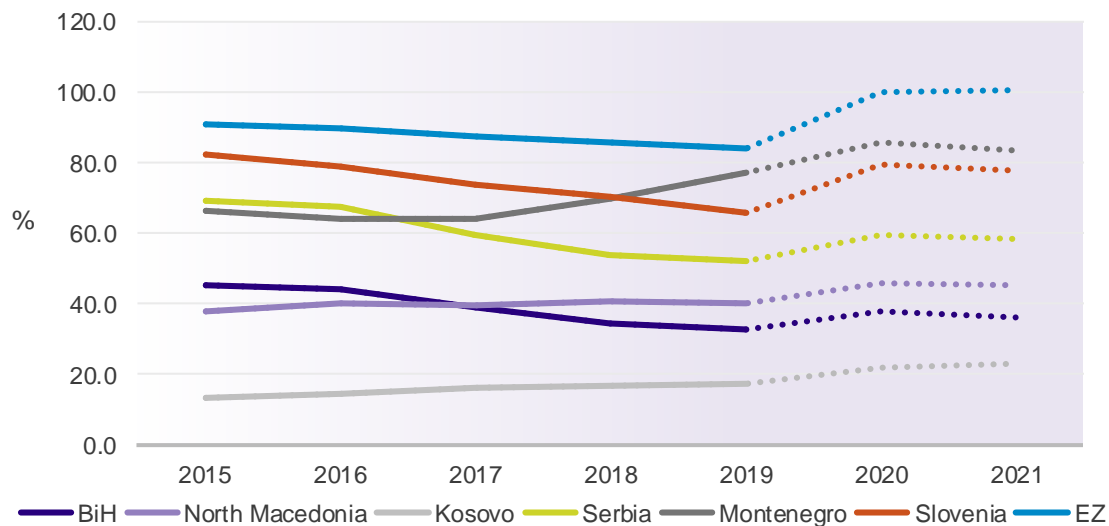
Fiscal balance, % GDP	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	0.7	1.2	2.6	2.3	1.9	-4.5	-2.5
North Macedonia	-3.5	-2.7	-2.7	-1.8	-2.0	-7.1	-3.9
Kosovo	-1.6	-1.1	-1.1	-2.6	-2.9	-5.2	-3.4
Serbia	-3.5	-1.2	1.1	0.6	-0.2	-7.4	-2.3
Montenegro	-8.0	-3.4	-5.5	-3.6	-2.9	-8.1	-3.2
Slovenia	-2.8	-1.9	0.0	0.7	0.5	-7.0	-3.4
Eurozone	-2.0	-1.5	-1.0	-0.5	-0.6	-9.3	-4.6

Sources: FocusEconomics

Note: Consensus Forecasts for 2020 and 2021

Macro Overview – Fiscal data

Public Debt, % GDP



KEY FINDINGS:

Public debts are set to increase in the entire Group's region, as measures for countervailing the effect of COVID-19 are financed by the governments budgets and borrowing.

Countries in the Group's region differ substantially regarding the public debt, spanning in 2019 from 17.5% in Kosovo to 75.1% in Montenegro. The latter puts them in different positions regarding the free fiscal space for borrowing.

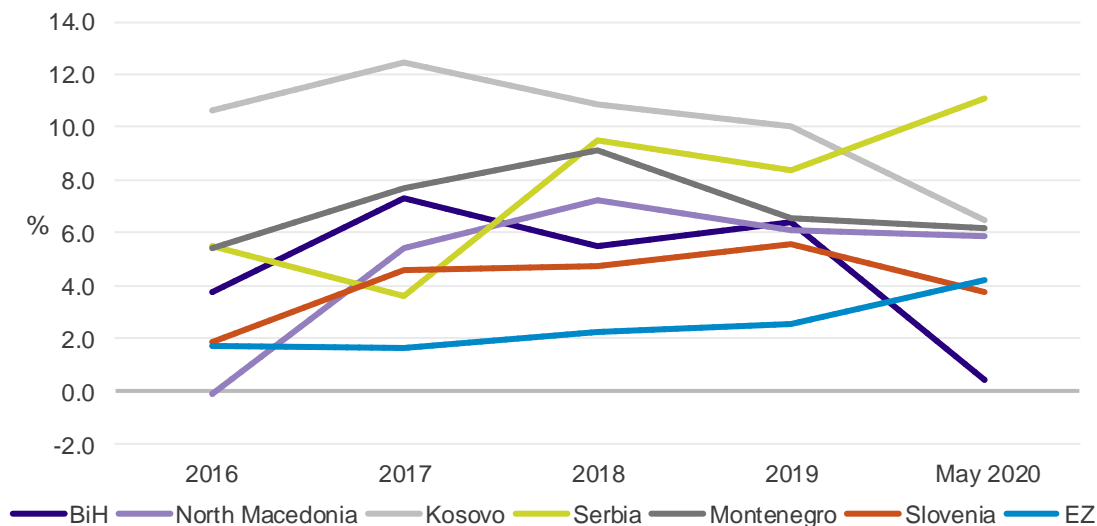
Public debt, % GDP	2015	2016	2017	2018	2019	2020	2021
Bosnia and Herzegovina	45.5	44.1	39.2	34.3	32.7	37.5	36.2
North Macedonia	38.1	39.9	39.4	40.6	40.2	45.9	45.4
Kosovo	13.1	14.4	16.2	16.9	17.5	21.6	23.0
Serbia	69.5	67.6	59.3	53.7	52.0	59.7	58.3
Montenegro	66.2	64.4	64.2	70.1	77.2	85.6	83.3
Slovenia	82.6	78.7	74.1	70.4	66.1	79.6	77.7
Eurozone	90.9	90.0	87.8	85.8	84.1	100.4	100.5

Sources: FocusEconomics

Note: Consensus Forecasts for 2020 and 2021

Macro Overview – Monetary data

Loans growth (NFC + Households), %



KEY FINDINGS:

In May 2020, the levels of **credit growth** were **affected by the COVID-19 outbreak**, although there are significant differences between countries.

BiH (0.4%) experienced the most severe drop in credit growth while **Serbia** (11.1%) recorded an increase. Credit growth in **Slovenia** and **BiH** was below the Eurozone in May 2020.

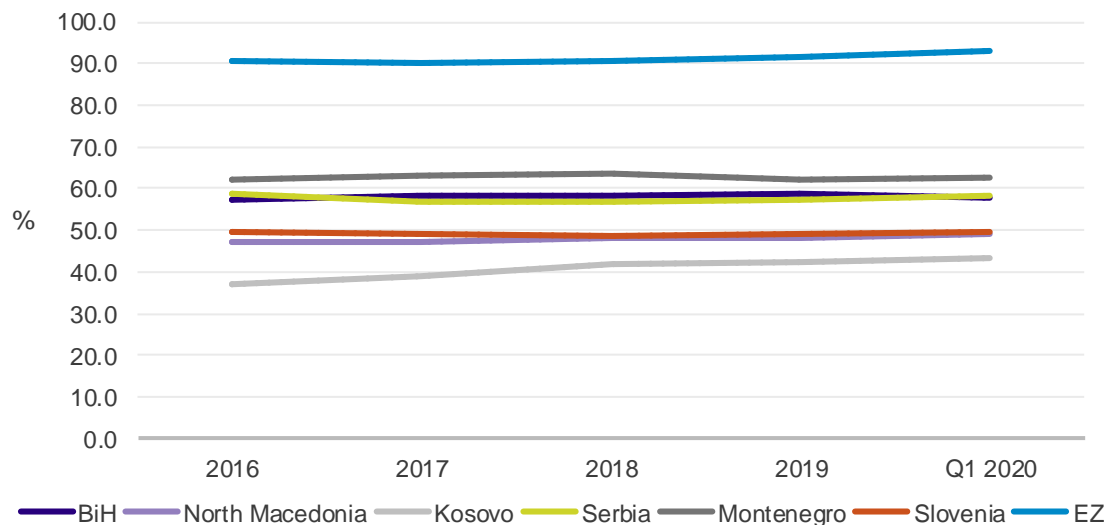
Loan growth (NFC + Households), YoY, %

	2015	2016	2017	2018	2019	May 2020
Bosnia and Herzegovina	2.4	3.8	7.3	5.5	6.4	0.4
North Macedonia	9.6	-0.1	5.4	7.2	6.1	5.9
Kosovo	7.3	10.6	12.4	10.9	10.0	6.5
Serbia	3.3	5.5	3.6	9.5	8.4	11.1
Montenegro	2.5	5.4	7.7	9.1	6.6	6.2
Slovenia	-5.1	1.8	4.6	4.7	5.6	3.7
Eurozone	0.8	1.7	1.7	2.3	2.5	4.2

Sources: National Central Banks, ECB, Own calculations

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

Entire region below Eurozone average, boding well for growth potential.

Decrease in loan to GDP ratio in Q1 2020 in **BiH**, while in other Group countries loan to GDP ratio slightly increased.

In **Slovenia**, the negative trend stabilization continued in Q1 2020. In **Kosovo**, the share of loans in GDP is steadily increasing, but it is still the lowest among peers.

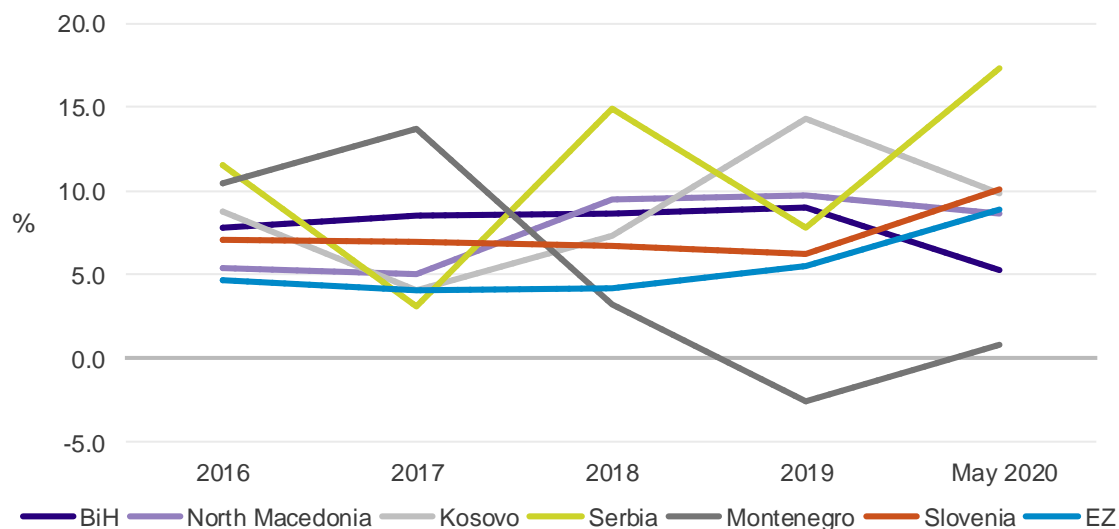
Total Loans as % of GDP	2015	2016	2017	2018	2019	Q1 2020
Bosnia and Herzegovina	58.9	57.3	58.3	58.2	58.9	57.9
North Macedonia	49.8	47.0	47.4	48.1	48.2	49.0
Kosovo	34.9	37.1	39.2	41.9	42.5	43.1
Serbia	57.5	58.7	56.8	57.0	57.5	58.2
Montenegro	67.8	62.1	63.2	63.6	62.1	62.8
Slovenia	52.3	49.5	49.3	48.6	49.0	49.8
Eurozone	91.4	90.9	90.1	90.5	91.6	93.0

Sources: National Central Banks, ECB, Own calculations

Note: Eurozone Total loans includes only NFC + Households loans

Macro Overview – Monetary data

Deposits growth (NFC + Households), %



KEY FINDINGS:

There are substantial differences in deposit growth between countries in the region due to the COVID-19 outbreak. **Serbia** (17.4%) leads the deposit growth in May 2020, while **BiH** (5.3%), **North Macedonia** (8.6) and **Kosovo** (9.9) experienced a decrease in deposit growth. The growth is still strong, however.

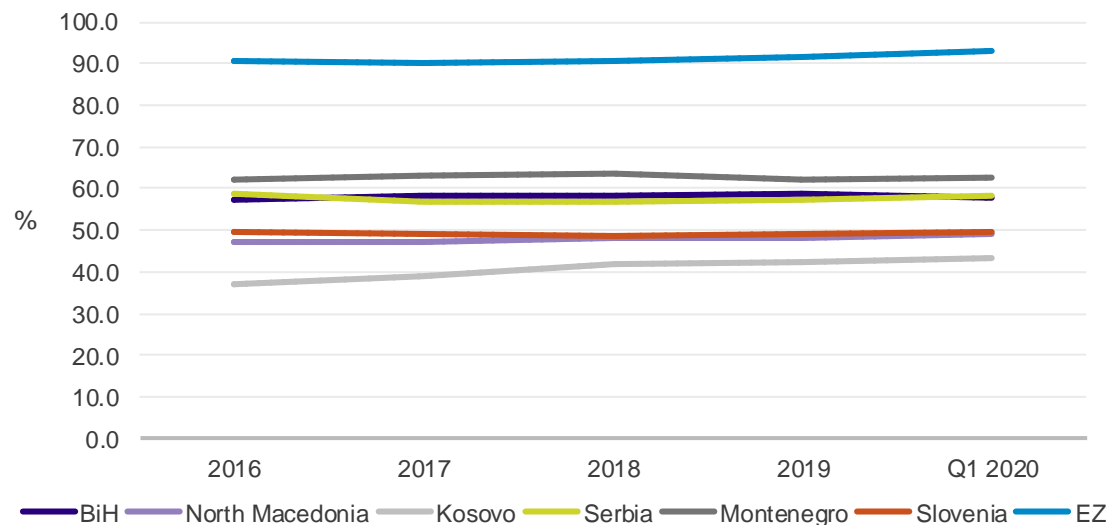
In **Montenegro**, with growth substantially below the Eurozone level, the deposit growth was influenced by the exclusion of deposits from Invest Bank and Atlas Bank due to their bankruptcy proceedings.

Deposit growth (NFC + Households), YoY, %	2015	2016	2017	2018	2019	May 2020
Bosnia and Herzegovina	8.2	7.8	8.6	8.7	9.0	5.3
North Macedonia	6.4	5.4	5.0	9.5	9.8	8.6
Kosovo	7.4	8.7	4.1	7.3	14.3	9.9
Serbia	7.1	11.5	3.1	14.9	7.8	17.4
Montenegro	11.8	10.5	13.7	3.2	-2.5	0.8
Slovenia	5.6	7.1	6.9	6.8	6.3	10.1
Eurozone	3.0	4.6	4.1	4.2	5.5	8.9

Sources: National Central Banks, ECB, Own calculations

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

In Q1 2020, deposits to GDP ratio grew in the whole region with the exception of **Montenegro**, with the ratio nevertheless above its peers in the region.

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

Total Deposits as % of GDP	2015	2016	2017	2018	2019	Q1 2020
Bosnia and Herzegovina	57.5	59.0	62.6	64.5	67.6	67.4
North Macedonia	53.4	52.5	53.2	55.7	57.5	58.2
Kosovo	46.1	47.5	47.8	50.6	54.0	55.0
Serbia	42.7	45.1	44.3	46.1	48.3	48.5
Montenegro	72.4	72.2	74.8	74.1	71.4	69.3
Slovenia	65.5	63.8	63.4	62.7	63.8	65.2
Eurozone	82.1	84.0	85.3	87.1	91.1	92.7

Sources: National Central Banks, ECB, Own calculations

Note: Eurozone Total deposits includes only NFC + Households deposits; For Montenegro, deposits data excludes deposits with Invest Bank and Atlas Bank, according to CBCG



Appendix 3

Financial statements

NLB Group Income Statement

(EURm)	1-6 2020	1-6 2019	YoY	Q2 2020	Q1 2020	Q2 2019	QoQ
Interest and similar income	177.2	181.3	-2%	86.7	90.6	90.9	-4%
Interest and similar expense	-27.2	-22.3	-22%	-14.0	-13.2	-11.2	-6%
Net interest income	150.1	159.0	-6%	72.7	77.4	79.7	-6%
Fee and commission income	111.1	111.8	-1%	53.3	57.8	58.0	-8%
Fee and commission expense	-29.6	-29.6	0%	-14.2	-15.4	-15.8	7%
Net fee and commission income	81.5	82.2	-1%	39.0	42.4	42.1	-8%
Dividend income	0.1	0.2	-50%	0.1	0.0	0.1	-
Net income from financial transactions	24.3	23.0	6%	20.5	3.8	10.7	-
Other operating income	4.1	-5.3	-	3.9	0.2	-8.0	-
Total net operating income	260.0	259.0	0%	136.2	123.8	124.5	10%
Employee costs	-82.7	-81.4	-2%	-39.8	-42.9	-41.4	7%
Other general and administrative expenses	-46.2	-46.3	0%	-22.5	-23.7	-24.3	5%
Depreciation and amortisation	-15.9	-15.4	-3%	-7.9	-8.1	-7.7	2%
Total costs	-144.8	-143.1	-1%	-70.2	-74.6	-73.4	6%
Result before impairments and provisions	115.2	116.0	-1%	66.0	49.2	51.2	34%
Impairments and provisions for credit risk	-32.8	-0.7	-	-4.6	-28.2	-4.0	84%
Other impairments and provisions	-0.4	-4.8	91%	-0.3	-0.2	-0.8	-47%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	0.4	2.5	-83%	0.2	0.2	1.4	-5%
Result before Tax	82.4	113.0	-27%	61.3	21.0	47.7	-191%
Income tax expense	-5.5	-14.9	63%	-3.9	-1.6	-9.5	-150%
Non Controlling Interests	3.2	3.8	-16%	2.0	1.2	1.8	74%
Net Profit / (Loss) Attributable to Shareholders	73.7	94.3	-22%	55.4	18.3	36.4	-

NLB Group Statement of Financial Position

(EURm)	30 Jun 2020	31 Dec 2019	YtD
ASSETS			
Cash and balances with Central Banks and other demand deposits at banks	3,084.6	2,101.3	47%
Financial instruments	3,504.8	3,829.7	-8%
<i>o/w Trading Book</i>	22.6	24.0	-6%
<i>o/w Non-trading Book</i>	3,482.2	3,805.7	-9%
Loans and advances to banks (net)	94.9	93.4	2%
<i>o/w gross loans</i>	95.0	93.5	2%
<i>o/w impairments</i>	-0.1	-0.1	-6%
Loans and advances to customers	7,686.7	7,604.7	1%
<i>o/w gross loans</i>	8,048.9	7,938.3	1%
- Corporates	3,751.7	3,646.3	3%
- State	294.7	278.6	6%
- Individuals	4,002.6	4,013.5	0%
<i>o/w impairments and valuation</i>	-362.2	-333.6	-9%
Investments in associates and JV	7.9	7.5	6%
Goodwill	3.5	3.5	0%
Other intangible assets	34.0	36.0	-6%
Property, plant and equipment	190.5	195.6	-3%
Investment property	53.1	52.3	2%
Other assets	231.7	250.0	-7%
Total Assets	14,891.9	14,174.1	5%
LIABILITIES & EQUITY			
Deposits from banks and central banks	54.3	42.8	27%
Deposits from customers	12,190.8	11,612.3	5%
- Corporates	2,781.2	2,772.0	0%
- State	262.7	257.4	2%
- Individuals	9,146.9	8,582.9	7%
Borrowings	220.9	234.8	-6%
Subordinated liabilities	287.4	210.6	36%
Other liabilities	360.1	342.6	5%
Total Liabilities	13,113.5	12,443.2	5%
Shareholders' Equity	1,730.6	1,685.9	3%
Non Controlling Interests	47.7	45.0	6%
Total Equity	1,778.3	1,730.9	3%
Total Liabilities & Equity	14,891.9	14,174.1	5%