



NLB Group Presentation

3Q 2019 Results



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NLB Group Highlights

Key developments

- **New Board member** Mr. Petr Brunclík appointed as COO
- **Total Tier2 issuance EUR 210m**
 - ✓ In November 2019, NLB successfully completed the issuance of subordinated Tier 2 notes for inclusion in additional capital in the amount of **EUR 120m** on the international capital markets, with the interest rate of 3.65% p.a.
 - ✓ September 2019, **EUR 45m**, bilateral Tier2 transaction
 - ✓ May 2019, **EUR 45m**, subordinated Tier2 notes
- **Regulatory changes**
 - consumer lending in Slovenia, tax on dividends increased from 25 to 27,5%
 - new SREP requirement – P2R reduced from 3.25% to 2.75%
- Socially responsible: supporting youth in sport, sponsoring alpine skiing championship in Maribor for the FIS Ski World Cup
- Currently in a joint process with KBC to **divest shareholdings in NLB Vita**.
- **NLB Pay** wallet fully activated in 4 Group members (others pending).
- In Slovenia **9% of consumer loans** already underwritten E2E digitally **through M-bank app Klikin**.

Key performance indicators of NLB Group

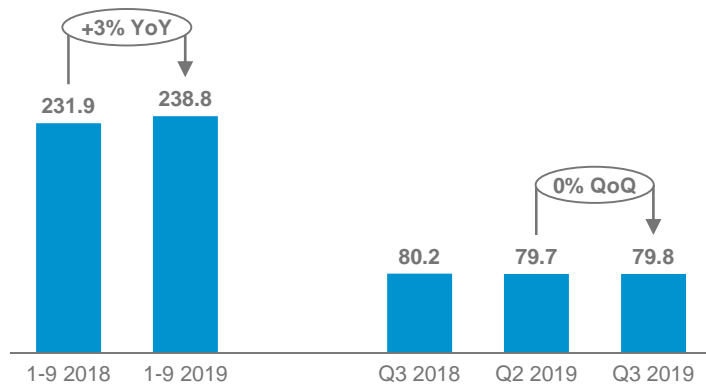
	Medium-term targets set in 2018 ⁽¹⁾			
	YE 17	YE 18	1-9 19	Medium term
Net interest margin ⁽²⁾	2.57%	2.56%	2.51%	>2.7%
Loans to deposits ratio	70.8%	68.3%	67.9%	<95%
Total capital ratio	15.9%	16.7%	16.1%	16.25% ⁽⁸⁾
Cost-income ratio	58.4%	58.5%	55.7%	~50%
Cost of risk ⁽³⁾	-62 bps	-43 bps	-31 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	14.4%	11.8%	13.1%	>12.0%
Dividend payout	84% ⁽⁵⁾	70%	/	~70% ⁽⁷⁾
NPE ratio ⁽⁴⁾	6.7%	4.7%	3.5%	<4.0%

Source: Company information

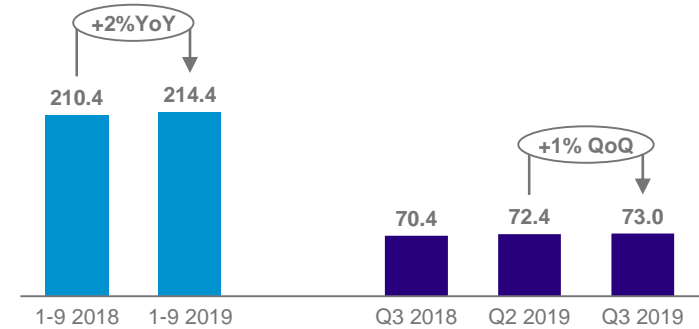
Note: (1) Target set by NLB management as a part of their financial projections for 2019-2023; (2) Calculated on the basis of interest bearing assets; interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period). (3) Calculated as credit impairments and provisions over average net loans to customers; (4) Based on EBA definition. (5) Payout calculated based on 2017 profit. Total dividend paid for 2017 amounted to EUR 270.6 million (EUR 189.1 million of profit for 2017 and EUR 81.5 million of retained profit from previous years) i.e. dividend payout 120%. (6) CoR < 90bps should be read as NLB Group's limit that should not be exceeded even in deteriorated economic conditions. (7) The payment of dividends by NLB, will depend on NLB's capital structure, risk appetite, profits, financial condition, regulatory requirements, general economic and business conditions, and future prospects. (8) Target total capital ratio is regularly revised by the competent bodies to reflect each time the applicable capital requirements.

Revenues and Cost Dynamics

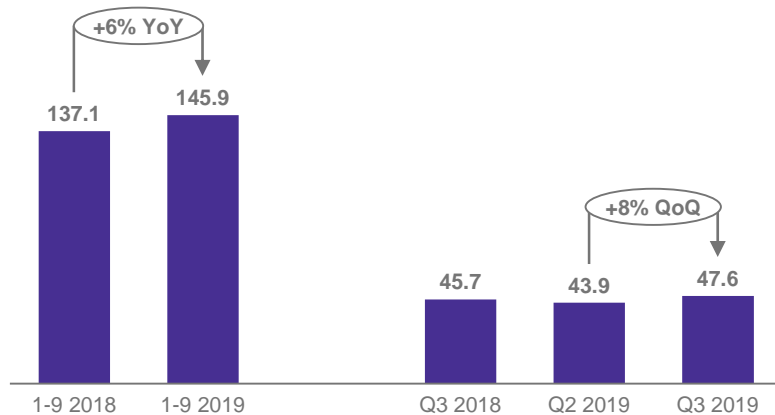
Net interest income (Group, EURm)



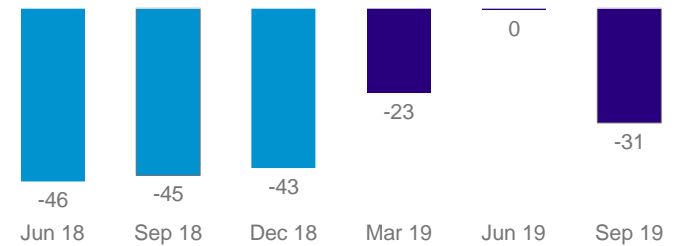
Costs (Group, EURm)



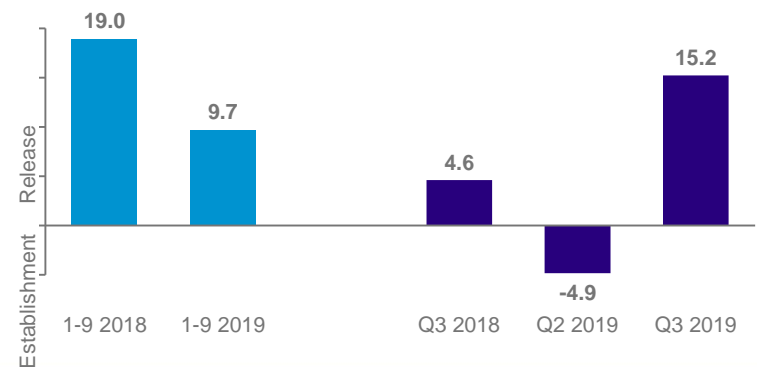
Net non-interest income (Group, EURm)



Cost of risk (Group, bps)



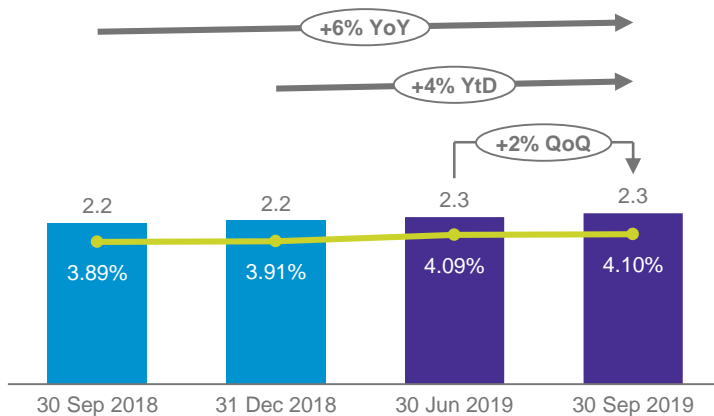
Net impairments and provisions (Group, EUR m)



Loan dynamics

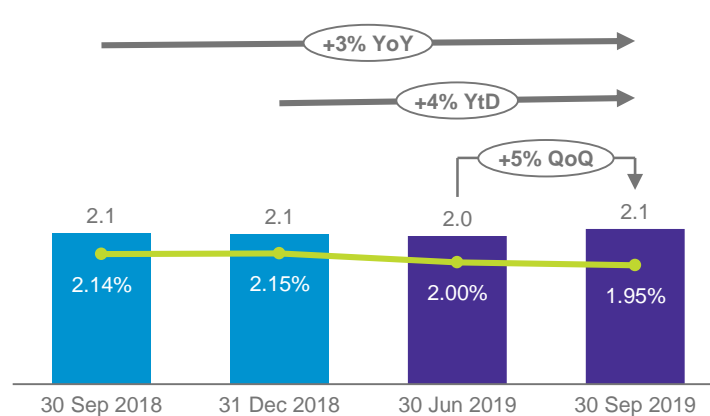
NLB d.d.⁽¹⁾

Gross loans to individuals



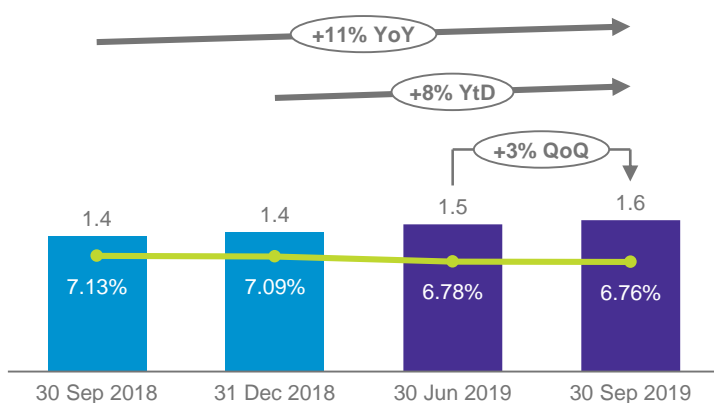
■ Gross loans to individuals (in EUR billion)
● Yields - loans to individuals

Gross loans to corporate

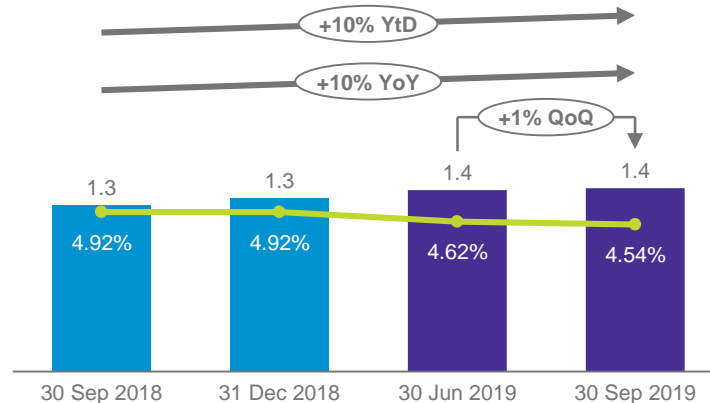


■ Gross loans to corporate (in EUR billion)
● Yields - loans to corporate

Strategic foreign markets⁽²⁾



■ Gross loans to individuals (in EUR billion)
● Yields - loans to individuals

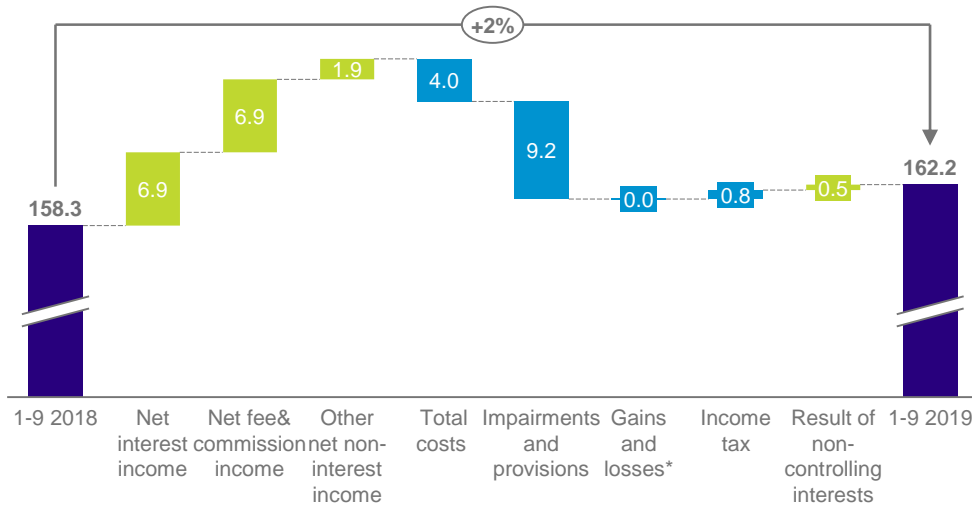


■ Gross loans to corporate (in EUR billion)
● Yields - loans to corporate

Note: (1) Without funding of subsidiaries; (2) Only banks also before new segmentation from 2019 on; consolidated data for volumes.

Income Statement

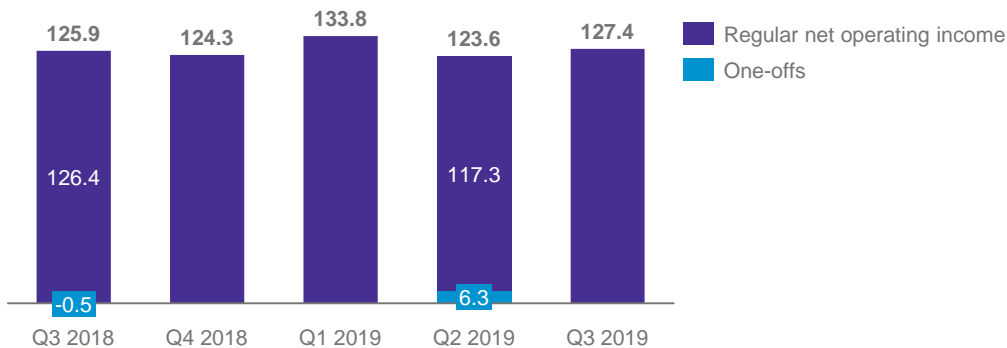
Result after tax of NLB Group – evolution YoY (EURm)



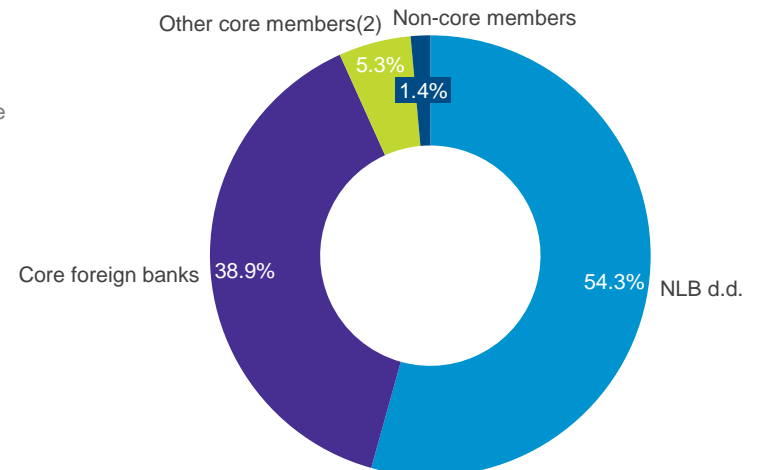
In first nine months of 2019, NLB Group generated **EUR 162.2 million of profit after tax:**

- Higher net interest income, mainly due to loan volume growth and lower interest expenses;
- Higher net fee and commission income;
- Net released provisions and impairments were EUR 9.7 million, while EUR 19.0 million net impairments and provisions in the same period of previous year.

Net operating income (Group, EURm)



Contribution to the NLB Group consolidated result a.t.

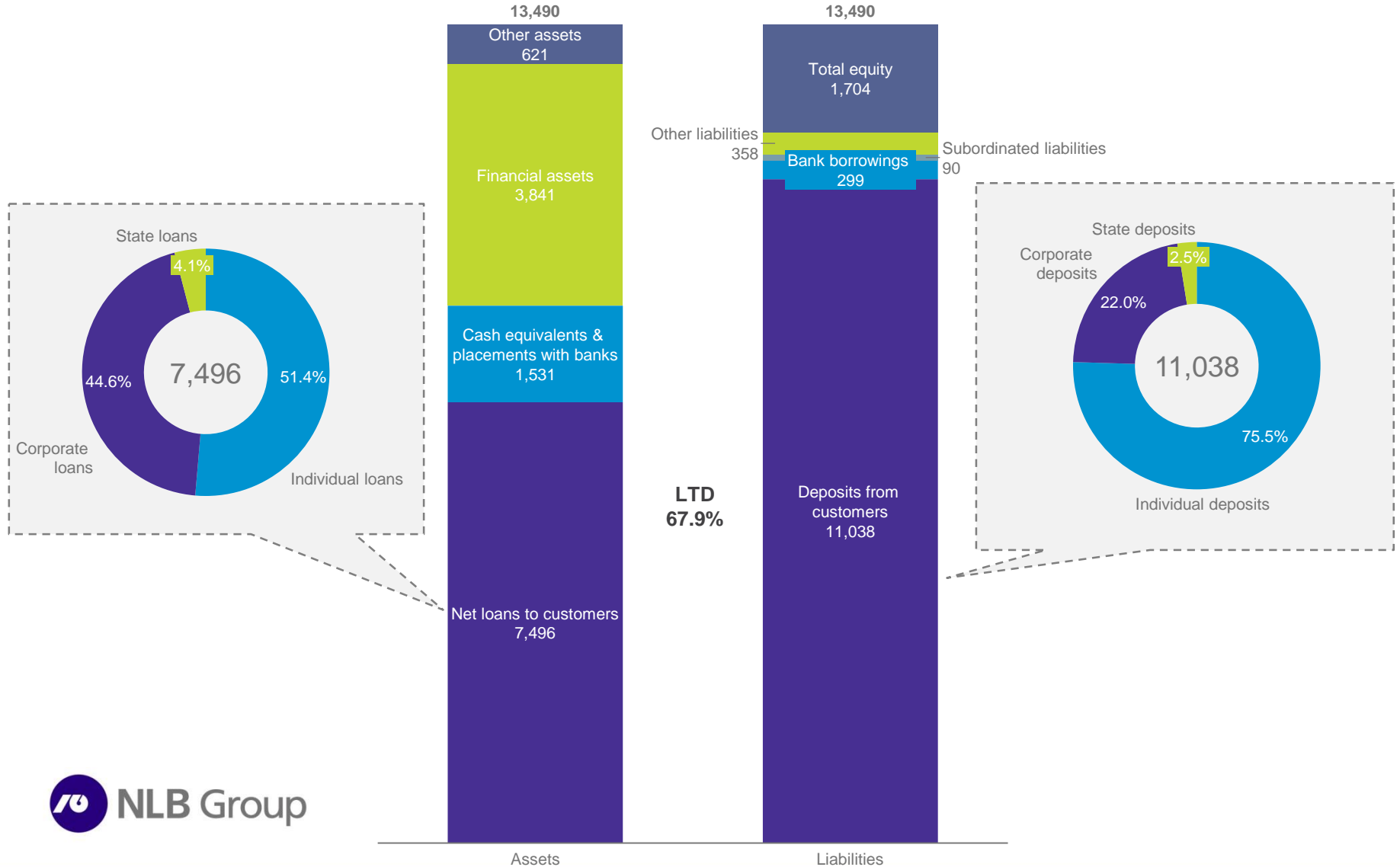


Notes: (1) Gains less losses from capital investments in subsidiaries, associates, and joint ventures. (2) NLB Skladi, NLB Vita and Bankart.

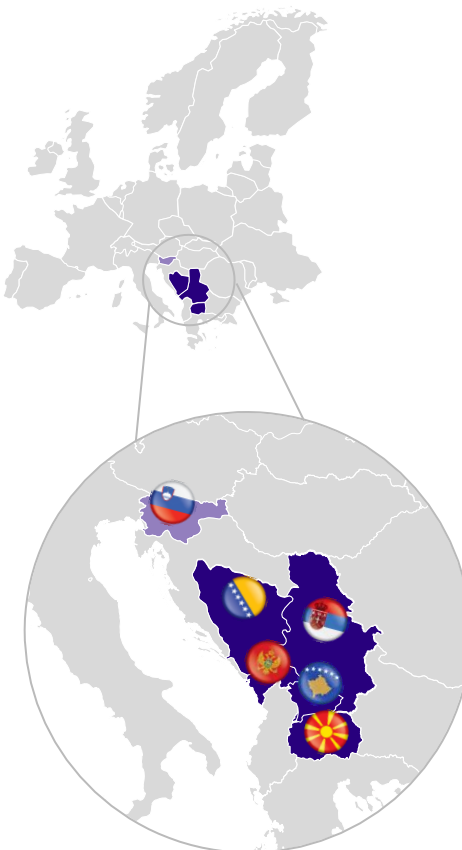
Balance sheet structure – NLB Group

Simple client business driven balance sheet

(30 Sep 2019, 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)	163.0	24.4	13.9	7.3	14.8	6.0	2.7	162.2
Total assets (EURm)	9,289	1,392	774	641	760	540	568	13,490
RoE a.t.	16.4%	16.2%	21.6%	12.1%	25.9%	11.9%	5.3%	13.1%
Net interest margin⁽¹⁾	1.88%	3.69%	2.56%	2.99%	4.41%	4.27%	4.11%	2.51%
Cost/income	46.6%	40.7%	42.8%	50.9%	33.5%	49.8%	82.6%	55.7%
Loans/Deposits % (net)	62.7	76.7	66.3	76.8	81.8	73.5	105.5	67.9
NPL ratio	4.2%	4.5%	2.3%	5.1%	2.0%	4.1%	1.6%	5.2%
NLB ownership (%)	/	87.0%	99.8%	97.3%	81.2%	99.8%	99.9%	/
No. of branches (#)	93	52	53	38	35	18	28	317
Market⁽²⁾ share %	22.9%	16.0%	18.8% ^(3,4)	5.2% ^(5,4)	17.4%	11.7%	1.6% ⁽⁴⁾	/

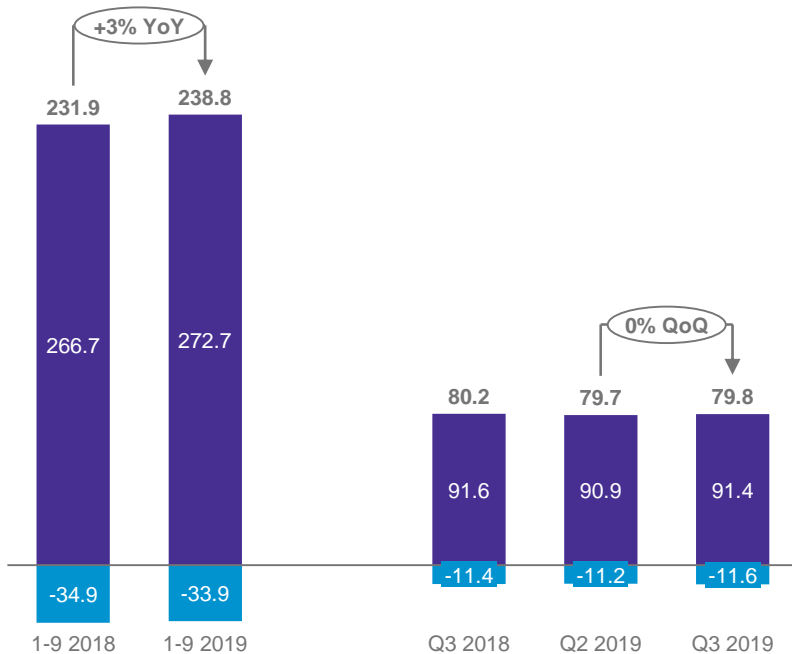


Business Performance

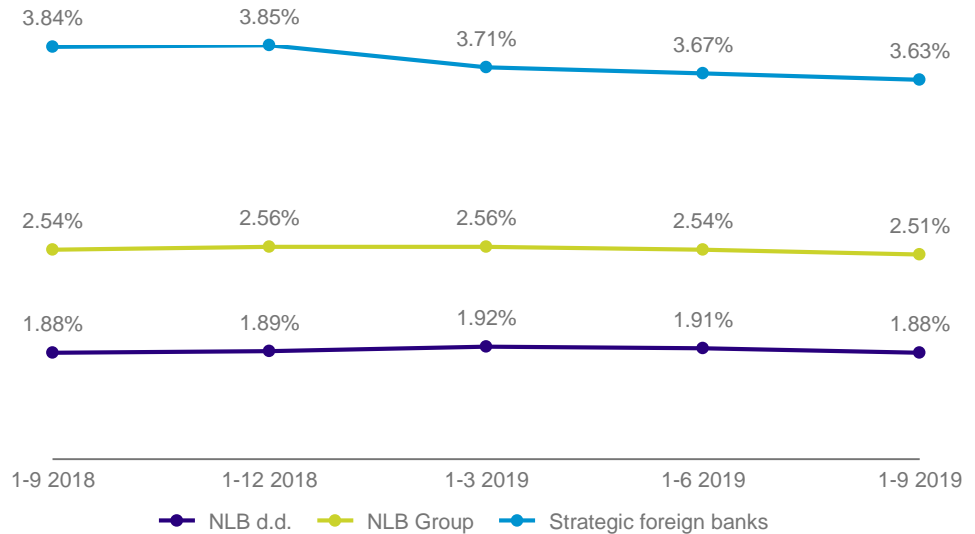
Net interest income & net interest margin

Net interest income increased YoY but remains under pressure

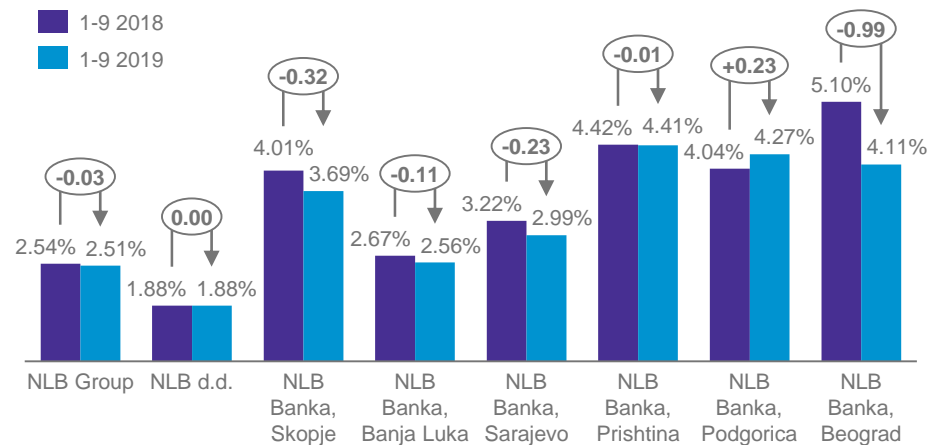
Solid interest income growth YoY (Group, EURm)



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



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



Source: Company information

Note: (1) Calculated on the basis of interest bearing assets; Interest margins for the Group and Strategic foreign banks for 2018 are adjusted to the new methodology valid from May 2019 (calculation daily averages).

Net interest income drivers – NLB d.d.

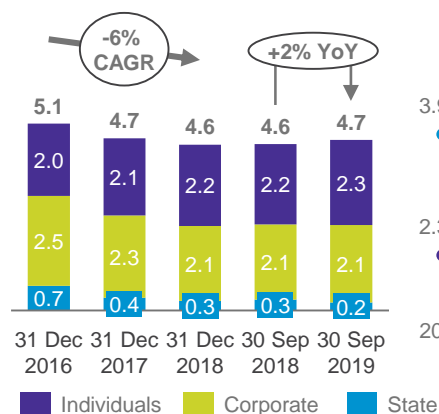
Interest income⁽¹⁾

- NLB d.d.'s loan book volume is stabilizing.
- The structure is changing in favour of retail loans with higher interest rates which is reflected in higher interest income in 2019 compared to the same period of 2018.

Drivers

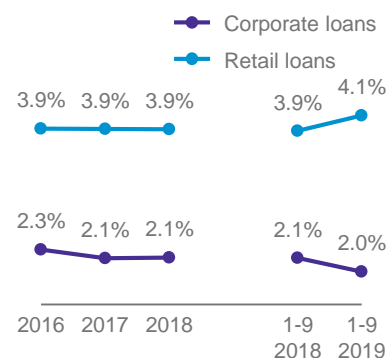
Volume (in EUR billion)

Gross loans



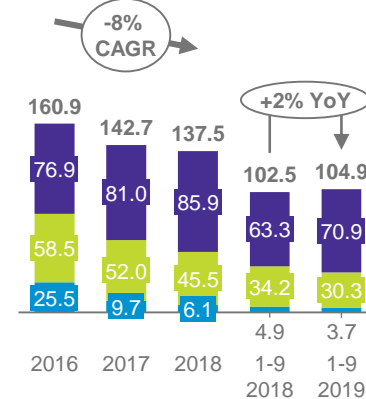
Yields and rates

Loan yields



Interest income / expense (in EUR million)

Interest income from loans



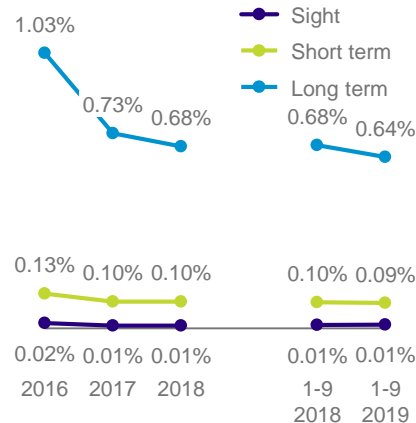
Interest expense

- Inflow of deposits in light of negative interest rate environment.
- Deposit structure is changing from maturity point of view, with cheaper sight deposit prevailing in the structure.
- Decrease in interest expenses due to decrease in average deposit rate and shorter average maturity of deposits.

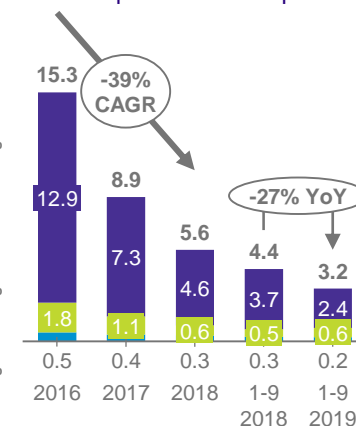
Deposits



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.

	2016	2017	2018	1-9 2018	1-9 2019
Net interest income ⁽²⁾	175	159	158	118	119
NIM ⁽³⁾	2.0%	1.9%	1.9%	1.9%	1.9%

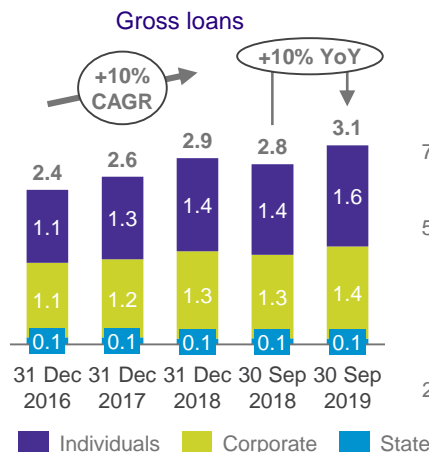
Net interest income drivers – Strategic foreign markets⁽¹⁾

Interest income

- Expected macro-economic growth to provide further upside.
- Increasing interest income due to increase of loan volume and despite decreasing loan yields.

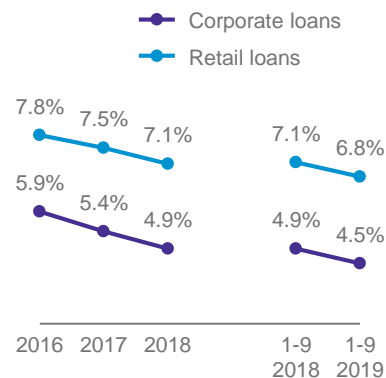
Drivers

Volume⁽²⁾ (in EUR billion)



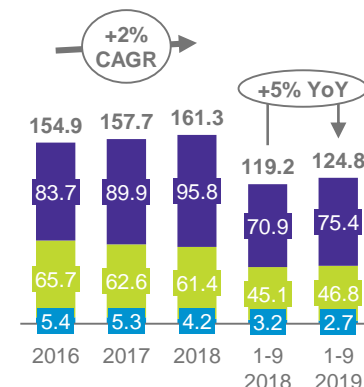
Yields and rates

Loan yields



Interest income / expense (in EUR million)

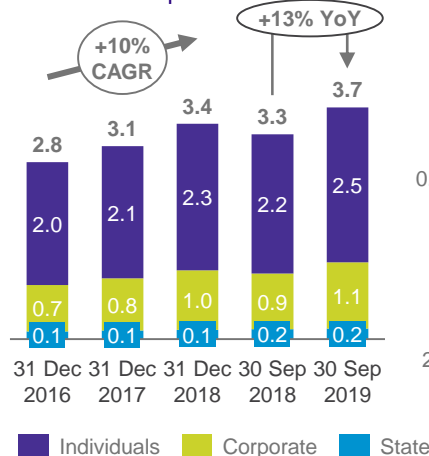
Interest income from loans



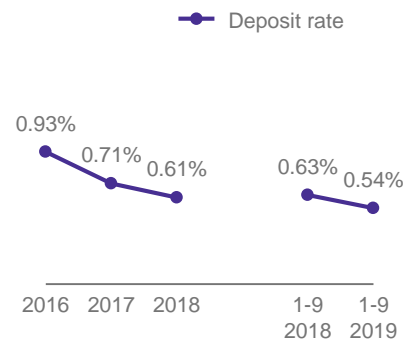
Interest expense

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

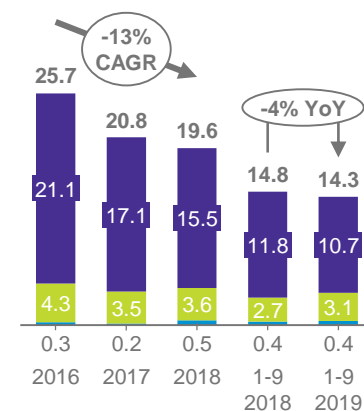
Deposits



Deposit rates



Interest expenses from deposits



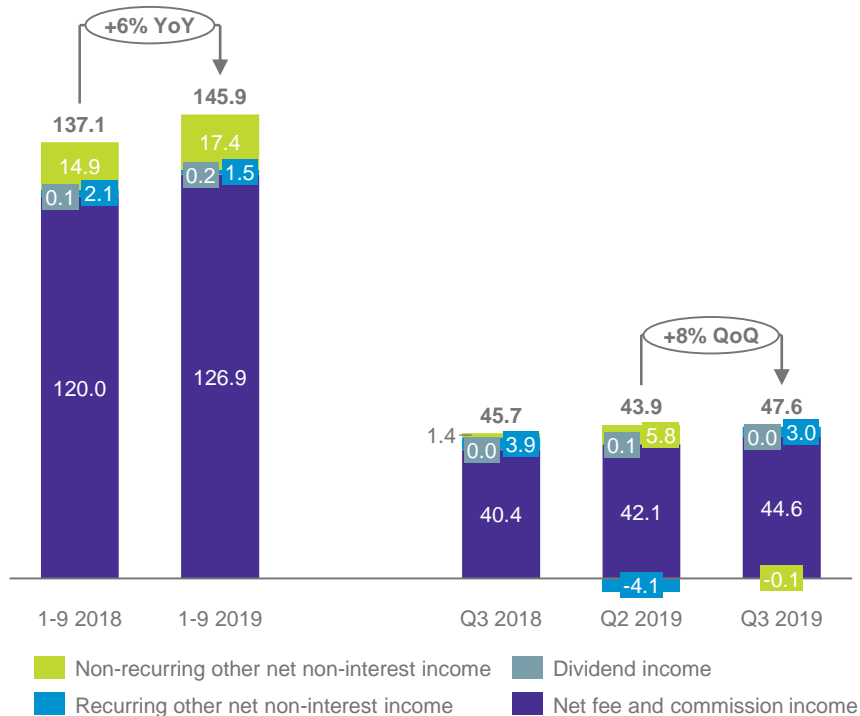
Note: (1) Only banks also before new segmentation from 2019 on; (2) On consolidated basis; (3) Includes also other items from presented interest income from loans and interest expense from deposits; (4) Calculated on the basis of interest bearing assets.

	2016	2017	2018	1-9 2018	1-9 2019
Net interest income ⁽³⁾	137	145	151	111	118
NIM ⁽⁴⁾	4.0%	4.0%	3.8%	3.8%	3.6%

Net non-interest income – NLB Group

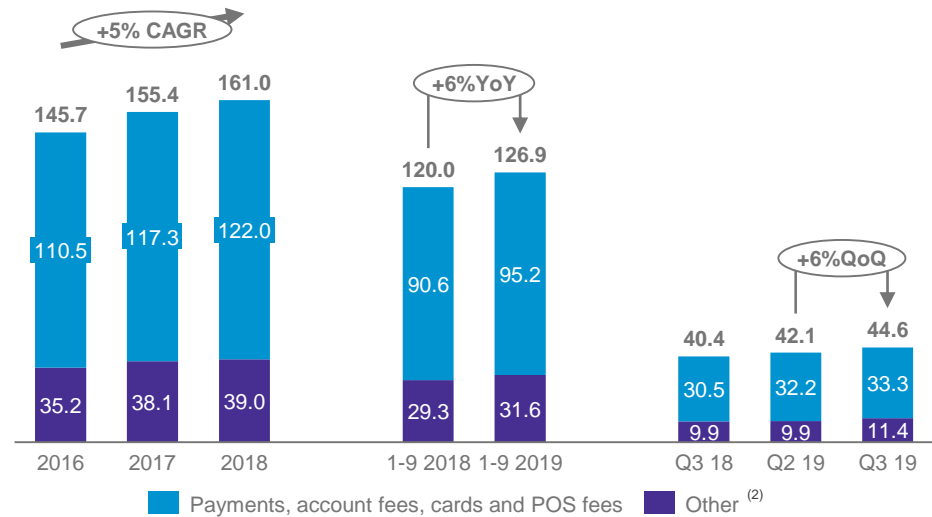
Good performance in Fees and Commissions

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



in EUR million	1-9 2019	1-9 2018	Change	YoY
Recurring other net non-interest income	1.5	2.1	-0.7	-32%
Net income from financial transactions (Fees from Exchange differences)	8.4	7.7	0.7	10%
Net other income	-7.0	-5.5	-1.4	-26%
- external realization (IT, cash logistics)	2.7	3.0	-0.3	-10%
- rents	4.1	5.7	-1.6	-28%
- regulatory charges (SRF, DGS)	-13.8	-14.2	0.4	3%

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



Net non-interest income totaling EUR 145.9 million increased by EUR 8.8 million or 6% YoY, due to the following factors:

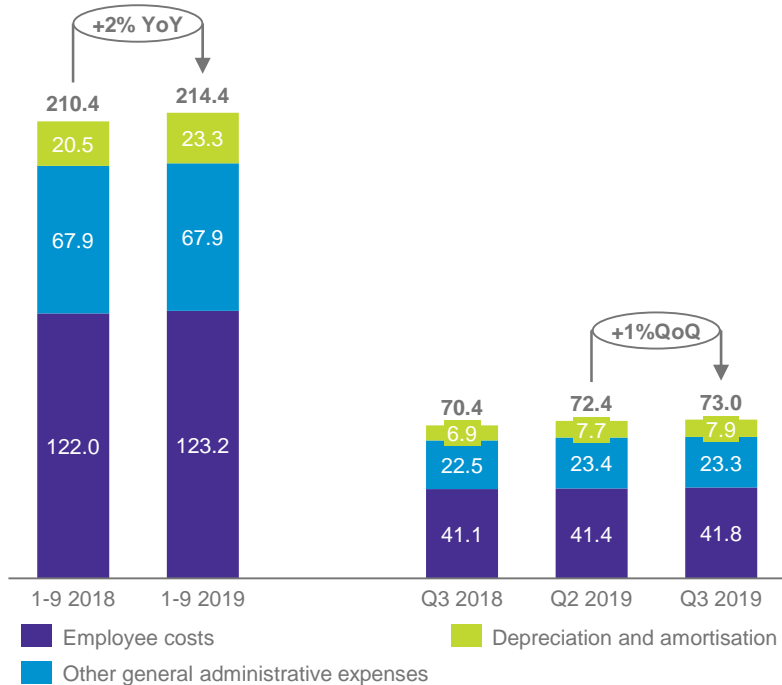
- Higher net fee and commission income by EUR 6.9 million or 6% YoY mostly as a result of increased fee and commission income in Retail segment in Slovenia and Strategic foreign markets.
- In 1-9 2019 positive one-off effects from revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million; whereas in the same period of 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziskifond, Skopje in the amount of EUR 12.2 million, and negatively impacted by the sale of 28.13% minority stake in Skupna pokojninska družba in the amount of EUR 0.5 million.
- In first nine months of 2019, the net non-interest income was positive impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million, and active management of banking book securities in the amount of EUR 3.4 million.
- Regular net other income was affected by the regulatory costs (SRF & DGS) in the total amount of EUR 13.8 million, which were by EUR 0.4 million or 3% lower YoY.

Note: (1) From June 2019 on different presentation of non-recurring items is in use. (2) Includes investment funds, guarantees, investment banking, insurance products and other services.

Costs – NLB Group

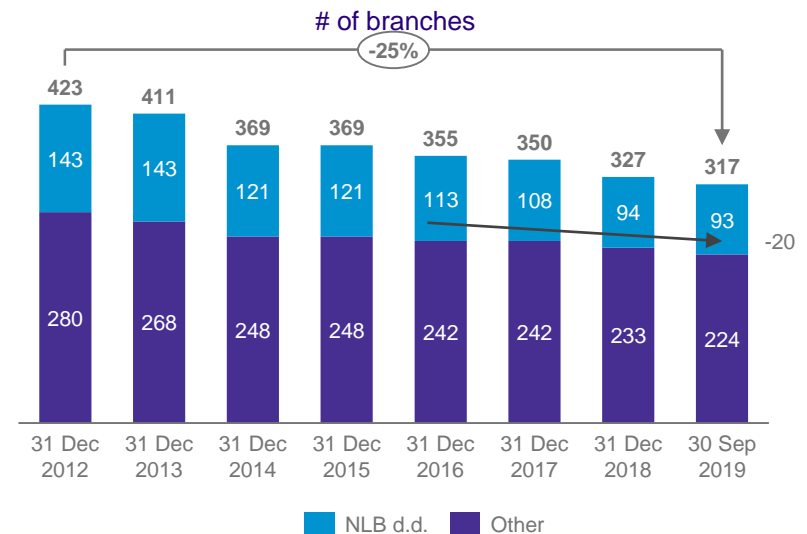
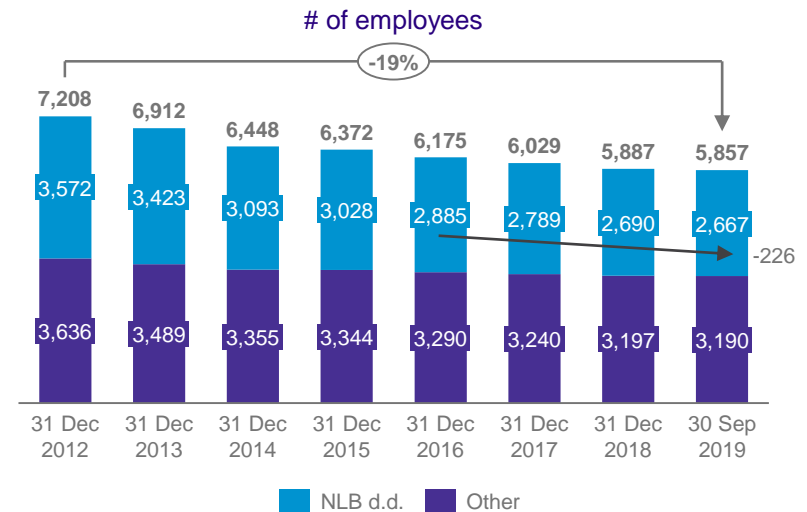
Cost higher by 2% YoY

Operating expenses (Group, EURm)



- EUR 4.0 million increase in total costs mostly due to higher employee and technology costs (EUR 3.5 million).
- CIR stood at 55.7%.
- Headcount dropped by 19% over 2012-30 September 2019 driven primarily by Slovenia core & non-core members.
- Ongoing closures of unprofitable branches.

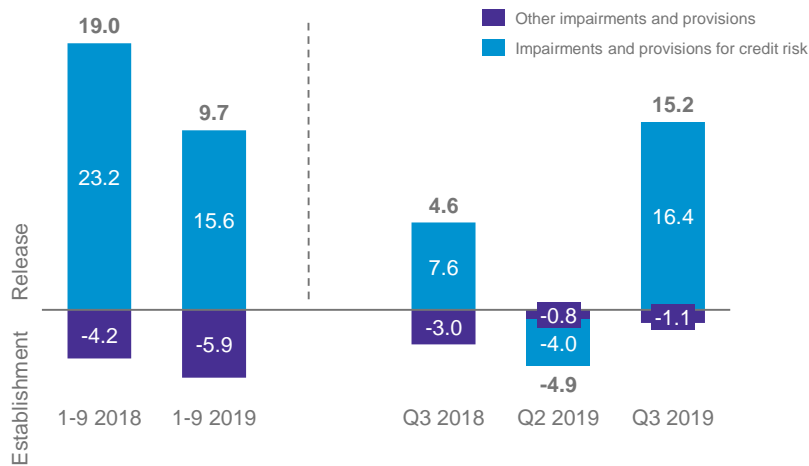
Employees and branches evolution – stronger rationalisation in tougher Slovenia market (#)



Impairments and provisions & cost of risk

Cost of risk negative

Impairments and provisions (Group, EUR m)

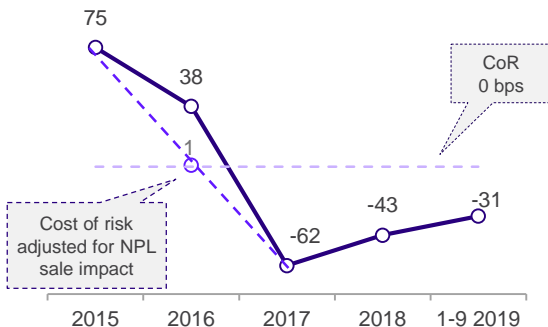


In nine months of 2019, the Group released EUR 9.7 million of **net impairments and provisions** while in the same period of previous year the Group released EUR 19.0 million net impairments and provisions.

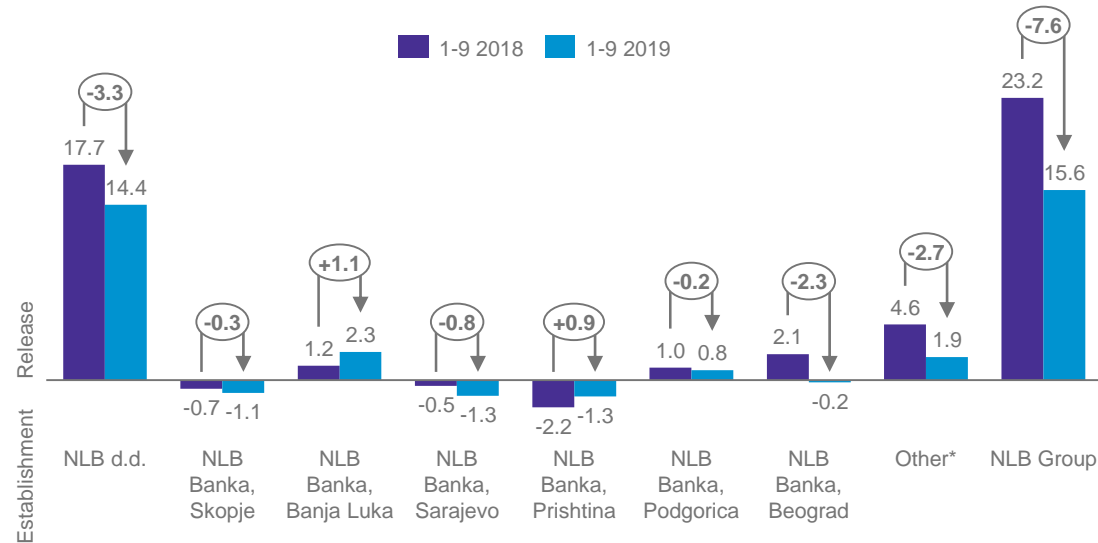
Impairments and provisions for credit risk were net released in the amount of EUR 15.6 million and the cost of risk in the period was negative, -31 bps.

Other impairments and provisions were established in the net amount of EUR 5.9 million of which EUR 2.7 million due to established provisions for pending legal disputes in NLB Banka, Podgorica.

Cost of risk (Group, bps)



Impairments and provisions for credit risk – contribution (EURm)



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

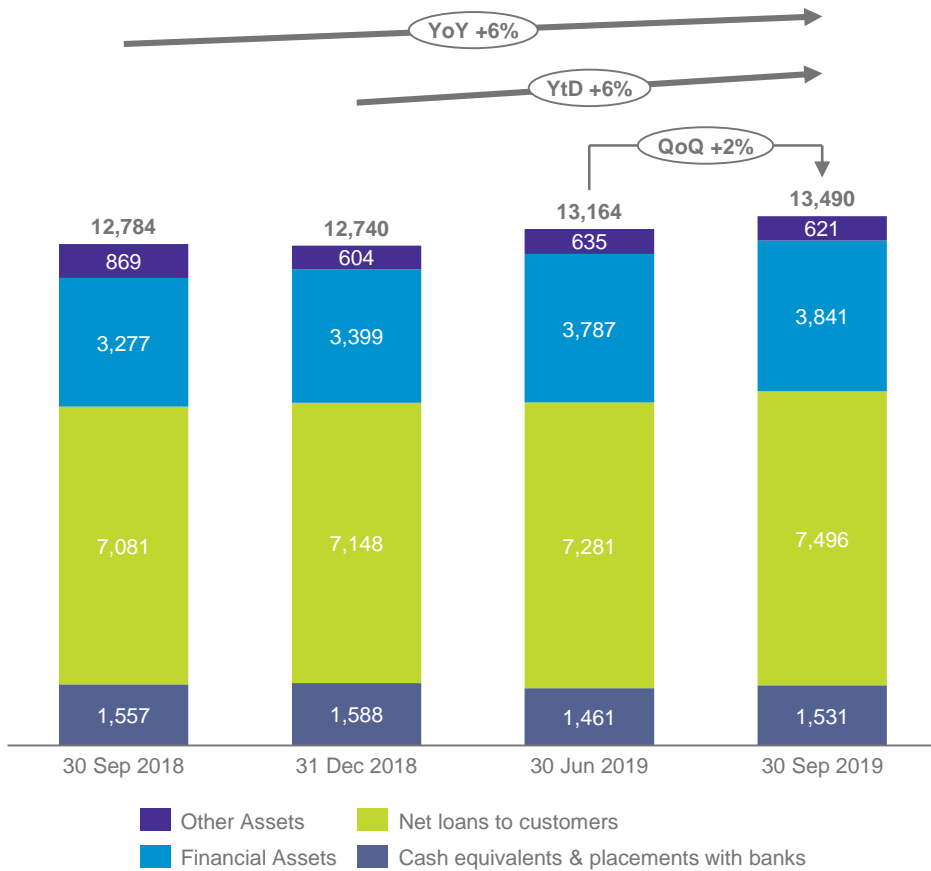


Assets and Liabilities

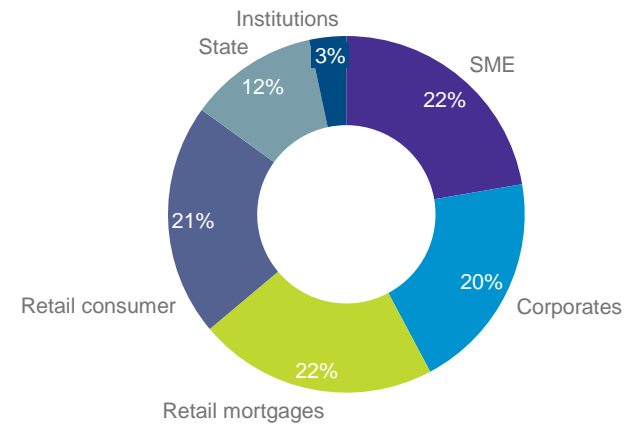
NLB Group Assets

Well diversified loan book, strong liquidity position

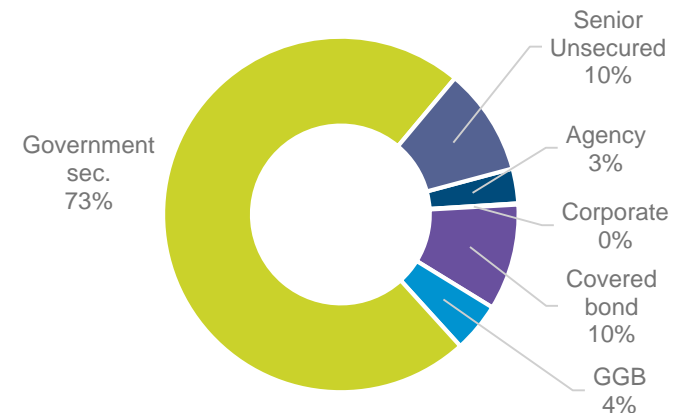
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment (Group, 30 Sep 2019)



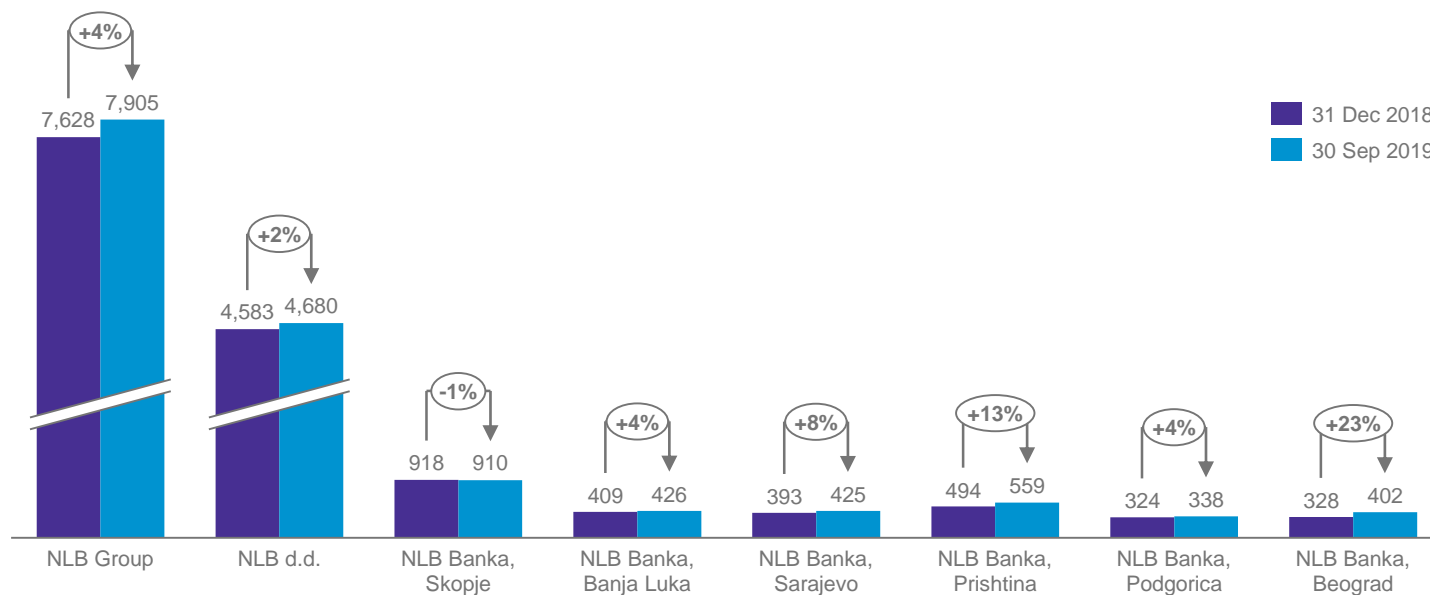
Banking book portfolio by asset class (Group, 30 Sep 2019)



NLB Group Assets – Loan portfolio

Balanced loan portfolio with loan growth in most of banks

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



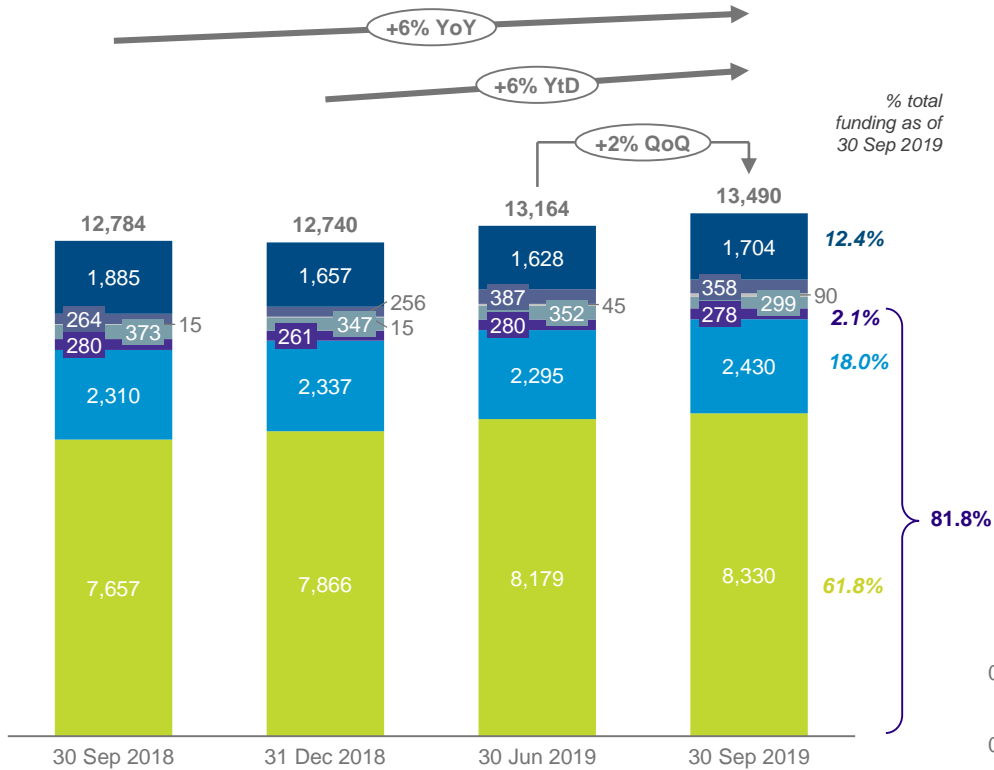
Gross loan growth in most subsidiary banks, especially in NLB Banka, Prishtina, NLB Banka, Beograd and NLB Banka, Sarajevo. Slight drop of 1% was recorded only in NLB Banka, Skopje.

Gross loans to individuals in subsidiary banks grew by 6% and to corporate by 4.2% YtD.

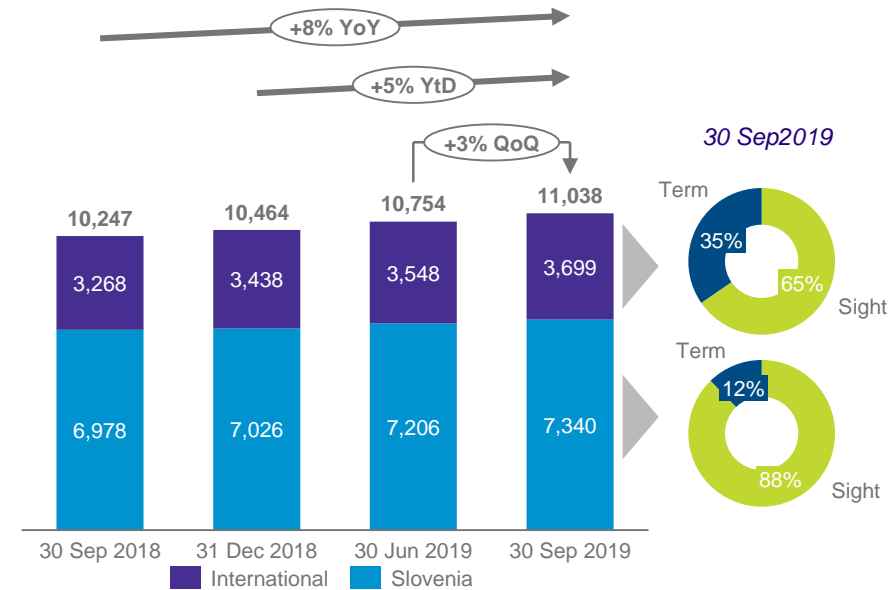
NLB Group Liabilities and Equity

Funding structure driven by stable and price insensitive deposit base

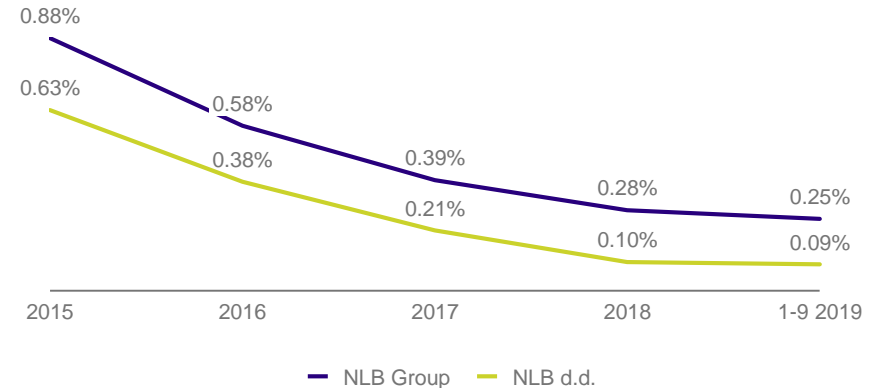
Deposits accounting for 82% of funding (Group, EURm)



Deposit split (Group, EURm)



Decreasing average cost of funding (%)

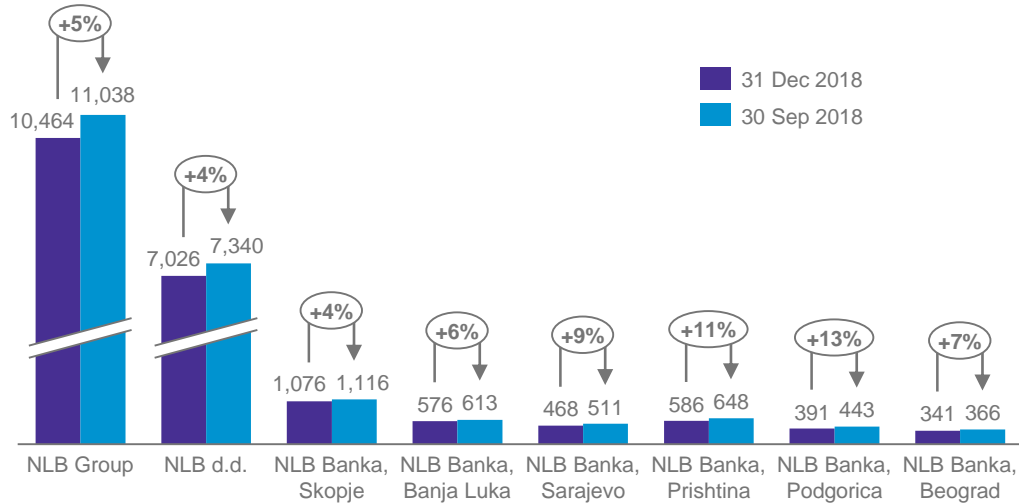


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing

NLB Group Liabilities

Deposit growth; interest rates decreasing

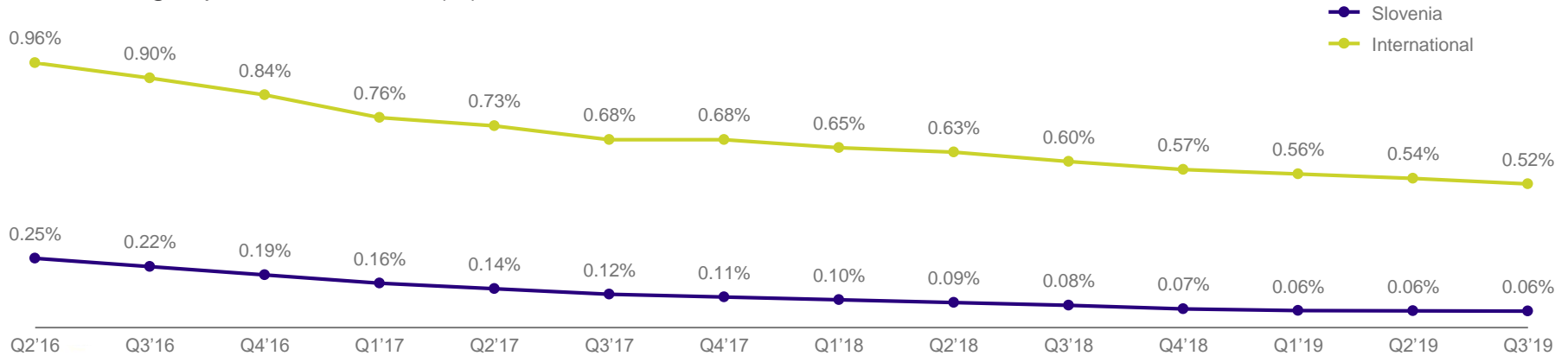
Deposits from customers by strategic member – contribution (EURm)



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

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 (%)*

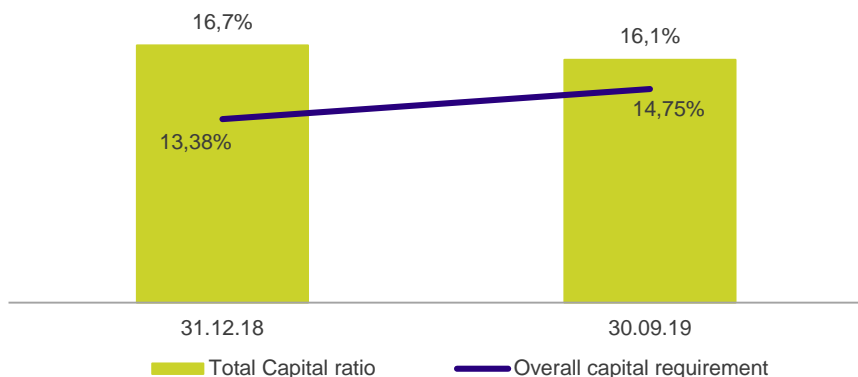


*Quarterly data for the stock of deposits from customers

Capital - NLB Group

Strong capital position

NLB Group capital ratios (%)



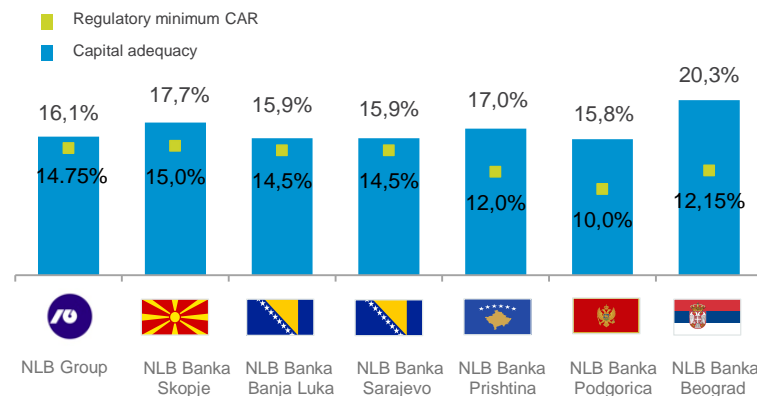
- At the end of September 2019, the **Total capital ratio** for NLB Group stood at 16.1% (or 0.6 p.p. lower YtD), and for NLB at 22.3% (1.8 p.p. lower YtD).
- In June 2019, NLB paid out dividends in total amount of EUR 142.6 million, which represents EUR 7.13 gross per share. This decreased capital for EUR -43.2 million, nevertheless, the Total capital in 2019 increased by EUR 15.2 million, mainly due to new Tier 2 instrument (EUR 44.6 million) and higher Other Comprehensive Income (EUR 14.6 million).

Capital structure and ratios

(in EUR million)

	30.9.2019	31.12.2018	Change YtD	
Common Equity Tier 1 capital	1,424.0	1,453.4	-29.4	-2.0%
Additional Tier 1 capital	0.0	0.0	0.0	
Tier 1 capital	1,424.0	1,453.4	-29.4	-2.0%
Tier 2 capital	44.6	0.0	44.6	
Total capital	1,468.6	1,453.4	15.2	1.0%
Total risk exposure amount (RWA)	9,126.1	8,677.6	448.5	5.2%
RWA for credit risk	7,627.0	7,179.7	447.3	
RWA for market risks + CVA	557.6	544.5	13.1	
RWA for operational risk	941.6	953.5	-11.9	
Common Equity Tier 1 Ratio	15.6%	16.7%	-1,1 p.p.	
Tier 1 Ratio	15.6%	16.7%	-1,1 p.p.	
Total Capital Ratio	16.1%	16.7%	-0,6 p.p.	

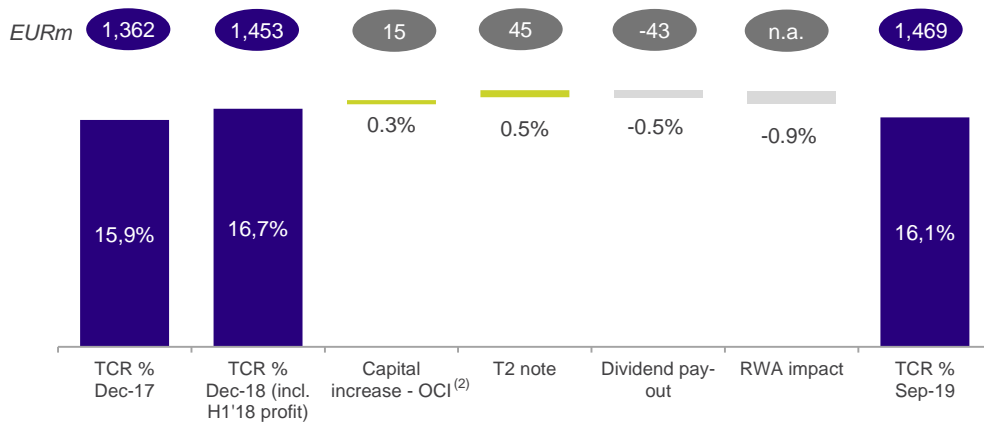
Capital adequacy and local requirements (30 Sep 2019, %)



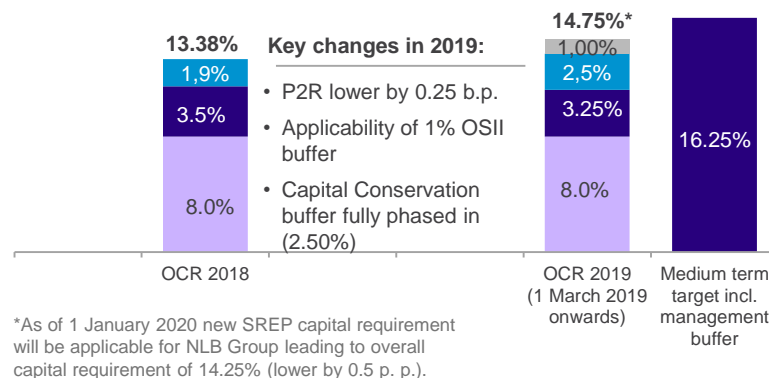
Capital evolution and requirements

Strong capital position

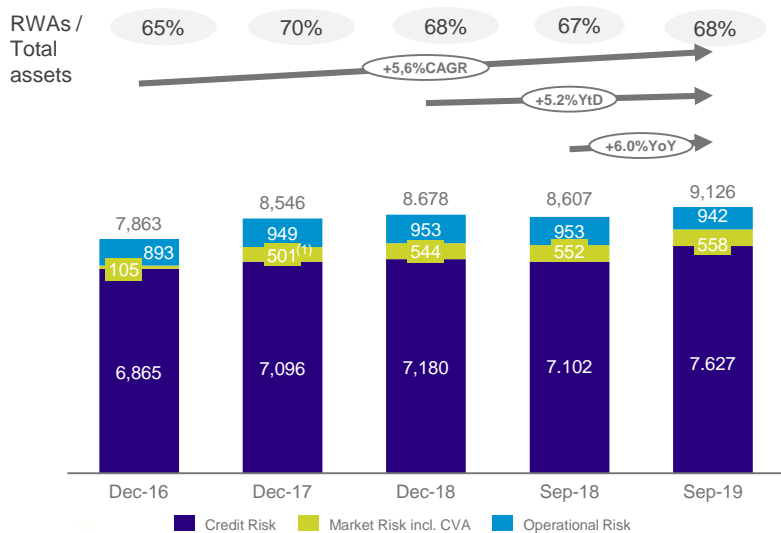
Capital position (Group, EURm)



Structure of the Overall Capital Requirement (OCR)



RWA structure (EURm)



- Total capital ratio** reaching 16.1% on Group level in Sep-19.
- As from 1 March 2019, **Pillar 2 Requirement (P2R) is lowered by 0.25 p.p.** (to 3.25%) as a result of better overall SREP assessment. **Comfortable buffers** against 2019 regulatory requirements of 14.75% OCR.
- NLB medium term target set at 16.25% total capital ratio; to be regularly revised by competent bodies to reflect each time applicable capital requirements.
- NLB issued **Tier 2 instruments** in total amount of **EUR 90 million**, thereby also exerting its capital optimisation potential. The loan raised on 20 September 2019 in the amount of EUR 45 million is subject to BS/ECB approval process and has therefore not yet been included in the capital.

Note: (1) Increase of RWA for market risk since December 2016 is a result of inclusion of FX structural position of SEE subsidiaries; (2) OCI – Other Comprehensive Income

Solid dividend distribution

	(NLB d.d., EURm)			
	2015	2016	2017	2018
NLB d.d. profit	44	64	189	165
o/w dividends from subsidiaries, associates and joint ventures to NLB d.d.	14	29	58	50
NLB Group profit after tax	92	110	225	204
NLB Group dividend to shareholder (paid in year after)	44	64	271	142.6
Implied payout ratio (%)	48%	58%	84%⁽¹⁾	70%

- The payment of dividends by NLB, will depend on a number of factors, including NLB's capital structure, risk appetite, profits, financial condition, regulatory requirements, general economic and business conditions, and future prospects.
- The Bank targets the payment of dividend in the amount of approximately **70%** of its consolidated profit, subject to the decision by the Bank's General Assembly.

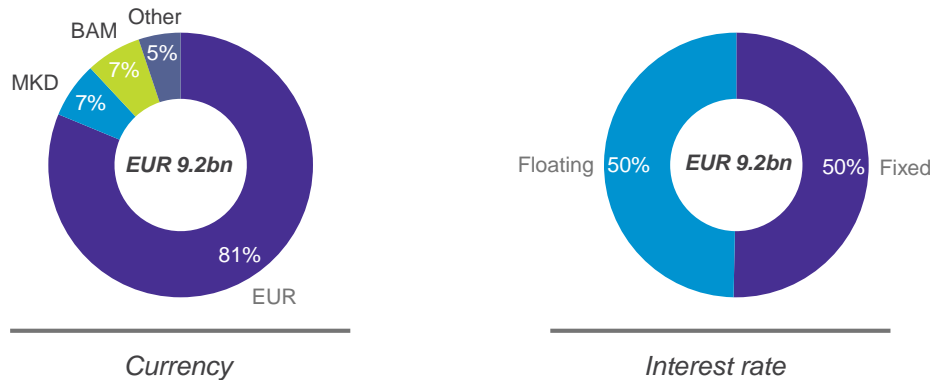


Asset Quality

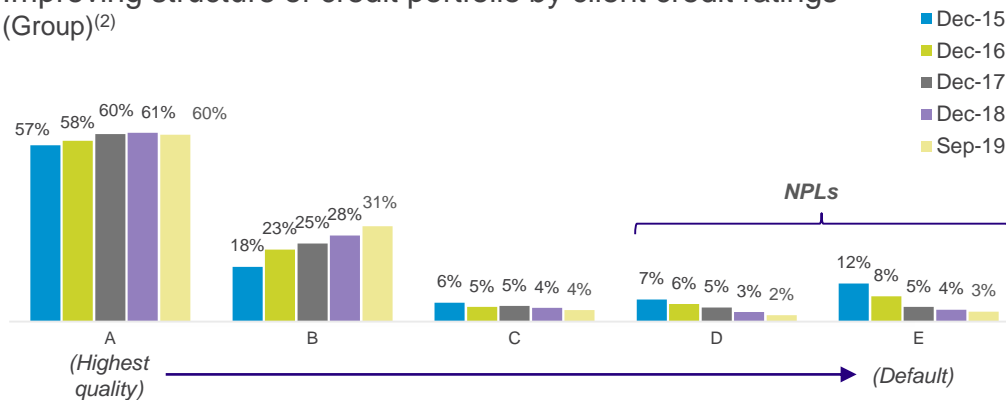
Asset quality – NLB Group

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

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



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

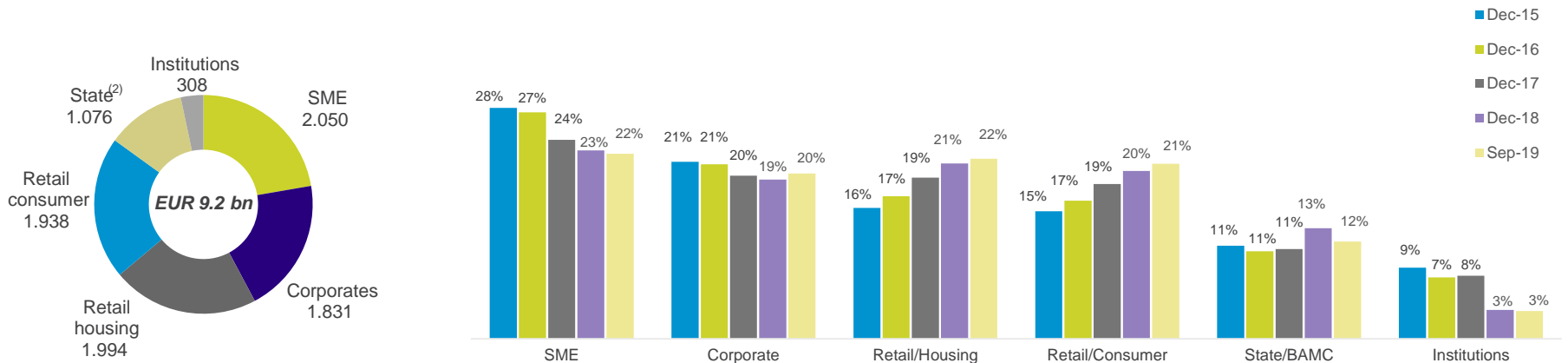


- **No large concentration** in any specific industry or client segment
- **Lending strategy** focuses primarily on its core markets of retail, SME and selected corporate business activities
- Great emphasis is also placed on **further improvement of credit portfolio**
 - Intensive and proactive handling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

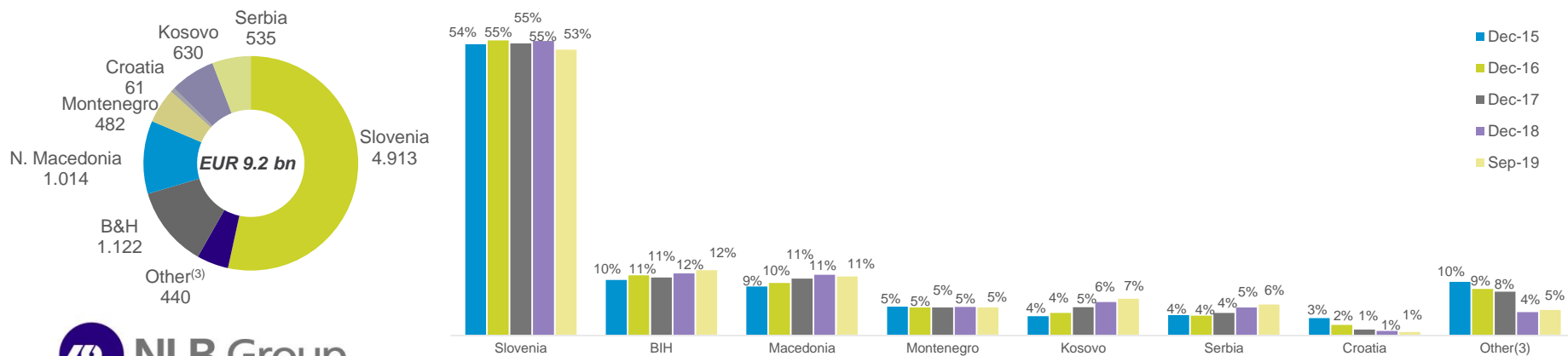
Asset quality – NLB Group

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

Credit portfolio⁽¹⁾ by segment (Group, Sep 2019, EURm)



Credit portfolio⁽¹⁾ by geography (Group, Sep 2019, EURm)



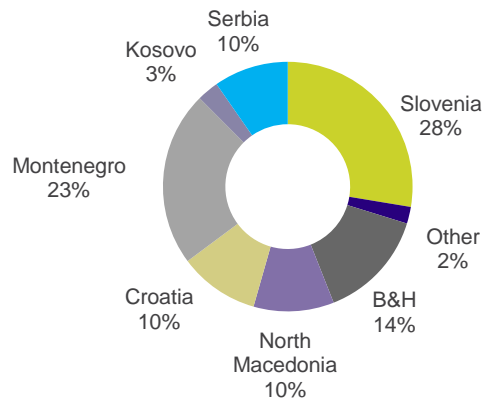
Source: Company information

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.

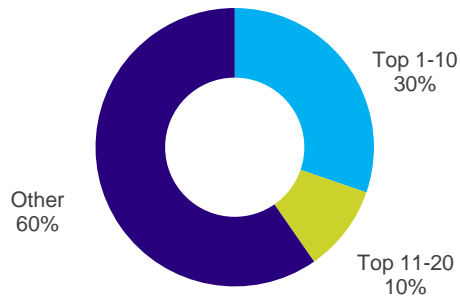
Asset quality – NLB Group

NPLs fully covered by provisions and collateral

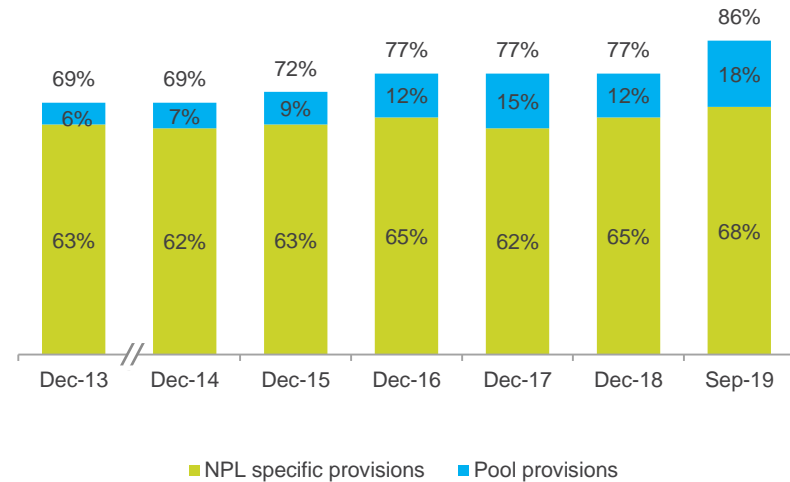
NPL by geography (Group, Sep 2019)



Top 20 NPLs (Group, Sep 2019)



NPL cash coverage⁽¹⁾ (Group, %)



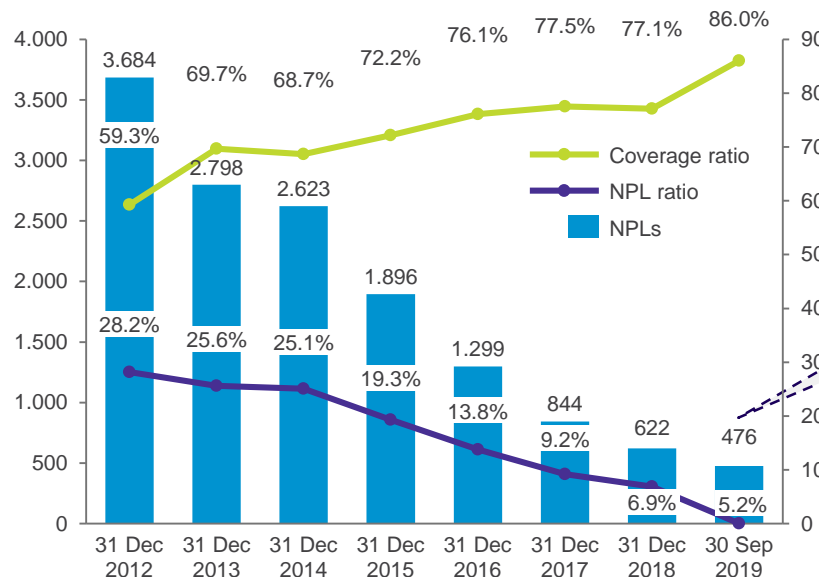
An important Group strength is the NPL cash coverage (CR1), which remains high at 86%. Further, the Group's NPL coverage ratio 2 stands at 68%, which is well above the EU average as published by the EBA.

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)



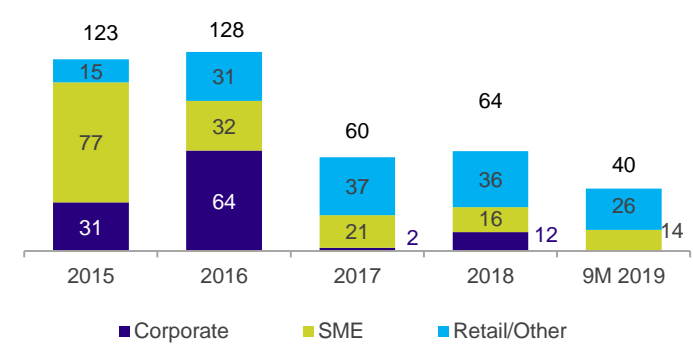
Gross NPL formation has been low since 2015
(Group, EURm)

Formation /
gross loans
(stock)



Limited formation at front book⁽¹⁾ in 2015 to Q3 2019: EUR 51m, o/w EUR 3.9m in 9M 2019

o/w EUR 151m 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 %.

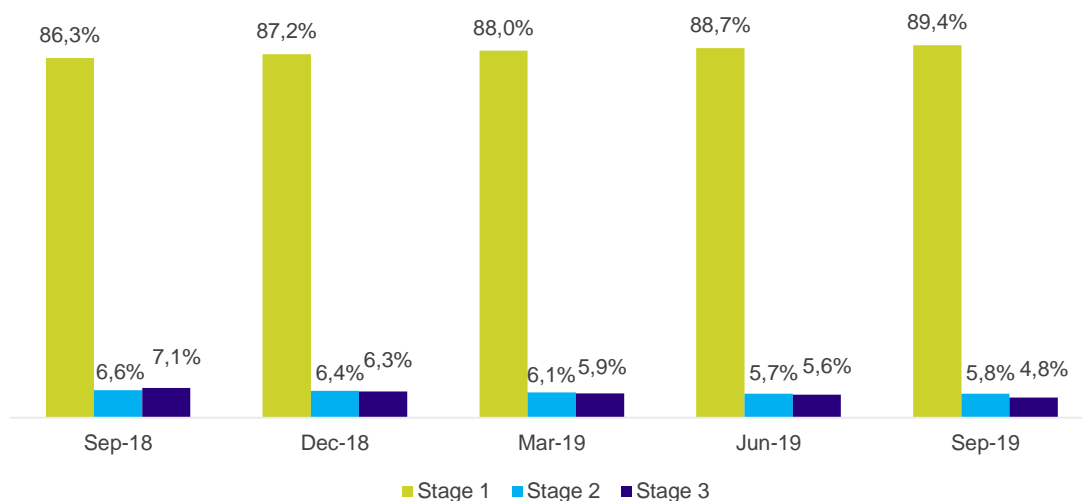
Top 10 NPL represent 30% of the entire NPL volume; the coverage with provisions remains high, limiting the potential losses.

NPL ratio decreased from 6.9% to 5.2% YtD, while **NPE ratio** reduced by 1.2 p.p. YtD to 3.5%.

Asset quality – NLB Group

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

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



Stage 1 loans represent 89% of loan portfolio valued at amortized cost.

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

Limited volume of **Stage 2** loans.



Strategy & IT

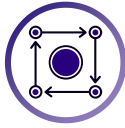
NLB went through difficult times – A new period is about to start

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 to launch **contactless ATMs**



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



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



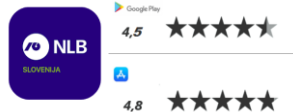
Only bank with **fully mobile express loan capabilities** (Consumer & SME)



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



Top-ranked financial apps on App Store and Google Play

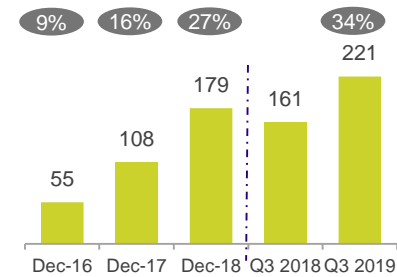


Note: All figures are for Slovenia

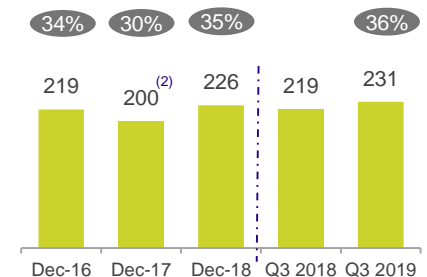
(1) Individual users (Klikin and NLB Klik); (2) In 2017 ~30,000 inactive NLB Klik users systematically removed.

Demonstrated success in moving to digital

Mobile bank users⁽¹⁾ ('000s)

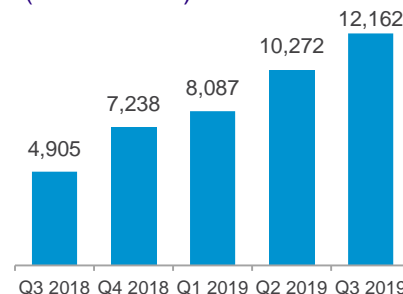


Online bank users⁽¹⁾ ('000s)

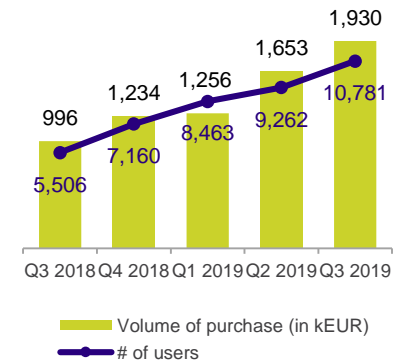


% Penetration of client base

Use of video call functionality (# of contacts)



Mobile wallet users & transactions



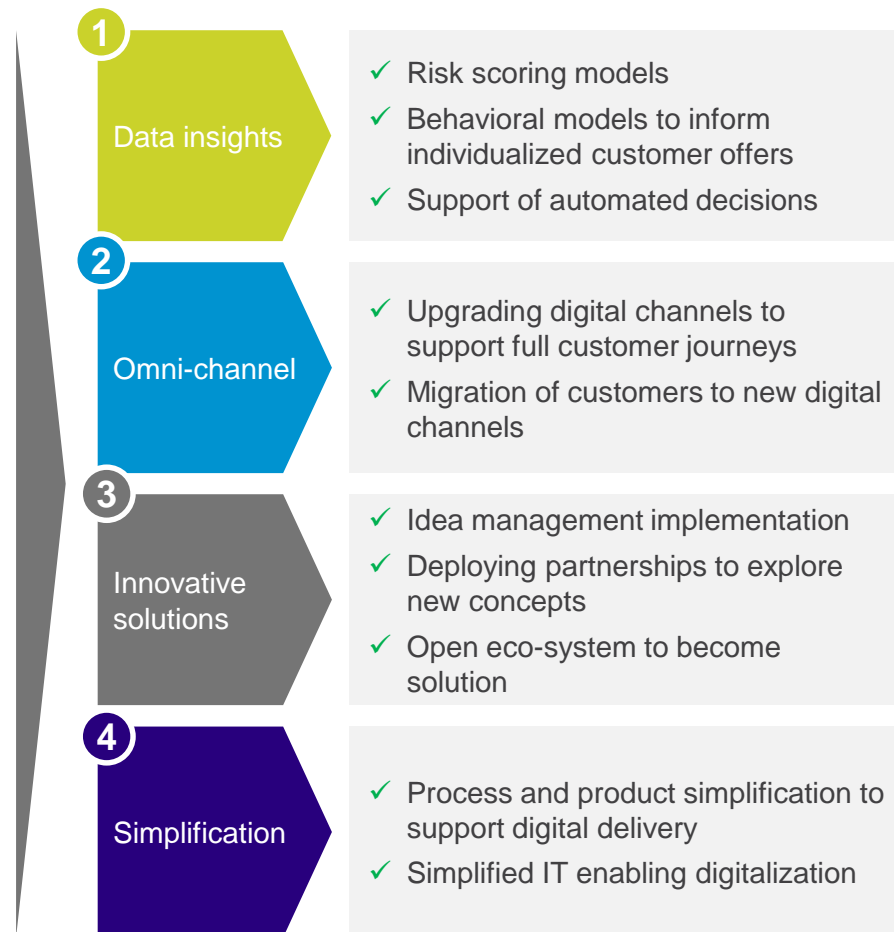
Medium-term objectives in IT and Digital

Leverage digital and data to enhance our business model

Strategic objectives

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

Strategic initiatives



NLB Group synergy opportunities

Group synergies are being addressed in all functional areas

IT competence center

- Established predominantly for subsidiary banks, but will increasingly service also the parent company
- Core banking maintenance and development operating since the beginning of 2018
- Expansion in 2019 to provide additional support:
 - ESB roll-out in
 - Solution for loan origination and approval process roll-out
 - Digital Banking Platform roll-out
 - ETL's and data modelling in EDWH

Process (System) competences

- Standardization of the loan origination and approval process and unification of the platform for all 6 subsidiary banks. An RFP to purchase a platform has been launched
- Synergy potential analysis in SWIFT is under way
- Introduction of RPA in 2 banks in the Group with preparation of roll out to other banks in the Group

IT regionalisation activities

- Regional SIEM⁽¹⁾ and SOC⁽²⁾ successfully set up by the parent bank in Ljubljana
- Implementation of the Digital Banking Platform is progressing according to the project plan
- Regional synergies in all major areas of IT infrastructure have been addressed

Procurement

- Regional standards in procurement that provide the framework for optimizations in local and regional procurement are defined
- Non-FTE cost optimisation project overachieved targeted savings before its conclusion
- Central sourcing in strategic sourcing categories is in place

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



Outlook

Outlook 2019

Macro outlook & risk factors affecting the business outlook

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

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

ASSUMPTIONS:

- Single digit increase of revenues and pre-provision income
- Continued net loan growth in line with GDP dynamics and **stable NIM**
- **Increase** of cost of risk, however remaining at low levels
- Costs are expected to moderately increase in short-term period. However, the commitment to cost containment remains strong and the Bank continues to pursue a strong cost agenda

Business outlook

Appendixes

Appendix 1: Segment Analysis	40
Appendix 2: Macro Overview	60
Appendix 3: Financial statements	74



Appendix 1

Segment Analysis



NLB Group business segments

	Retail banking in Slovenia	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	Retail NLB Skladi NLB Vita⁽¹⁾ Bankart⁽²⁾	Key corporates SME corporates Investment banking and custody Restructuring and workout	NLB Banka, Skopje NLB Banka, Banja Luka NLB Banka, Sarajevo NLB Banka, Prishtina NLB Banka, Podgorica NLB Banka, Beograd	Treasury activities Trading in financial instruments Asset and liabilities management (ALM)	Non-core members according to EC commitments REAM entities NLB Srbija NLB Crna Gora
	<ul style="list-style-type: none"> Largest retail banking group in Slovenia by loans, deposits and number of branches #1 in private banking and asset management Focused on upgrading customer digital experience and satisfaction 	<ul style="list-style-type: none"> Market leader in corporate banking with focus on advisory and long-term strategic partnerships Market leader in Investment Banking and Custody services Regional know-how and experience in Corporate Finance and #1 lead organiser for syndicated loans in Slovenia Strong trade finance operations and other fee-based business Market leader at FX and interest rate hedges 	<ul style="list-style-type: none"> Leading SEE franchise with 6 independent, well capitalised and largely self-funded subsidiaries The only international banking group with exclusive focus on the SEE region 	<ul style="list-style-type: none"> Maintaining stable funding base Management of well diversified liquidity reserves Managing interest rate positions with responsive pricing policy 	<ul style="list-style-type: none"> Assets booked non-core subsidiaries funded via NLB d.d. Controlled wind-down of remaining assets, including collection of claims, liquidation of subsidiaries and sale of assets
(Sep 2019, in EUR million)					
Profit b.t.	39.6	47.9	72.0	21.3	0.1
Total assets	2,522	2,029	4,579	3,911	193
% of total assets ⁽³⁾	19%	15%	34%	29%	1%
CIR	68.7%	51.2%	49.9%	19.2%	114.4%
Cost of risk (bp)	12	-87	3	/	-173

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

Estimated effects of segments methodology changes

From 2019, some shifts in reporting of business segments have been applied, following the completion of the restructuring process imposed by the EC and also reflecting strategic streamlining of business operations within the corporate segment as follows:

- Results from Investment Banking and Custody Services have been transferred from Financial Markets in Slovenia to an enlarged Corporate and Investment Banking in Slovenia.
- Micro clients in Slovenia have been transferred from Corporate and Investment Banking in Slovenia to Retail Banking in Slovenia.
- Corporate exposures previously reported in Non-Core Markets and Activities have been transferred to Corporate and Investment Banking in Slovenia given that special reporting requirements from EC commitments have ceased to apply. The remaining segment has been renamed Non-Core Members and contains non-core subsidiaries mostly in liquidation.
- Further, the SPVs established for NPLs from banks in Serbia and Montenegro, NLB Srbija and NLB Crna Gora, have been transferred from the Strategic Foreign Markets to Non-Core Members.

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

Estimated effects of segments methodology changes for 2018⁽¹⁾

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

*negative value=increase, positive value=decrease

NLB d.d., Ljubljana

"on stand alone basis"

Key financial indicators

	1-9 2019		1-9 2018		Change YoY	
ROE a.t.	16.4%	12.2%	4.2 p.p.			
Interest margin	1.88%	1.88%	0.0 p.p.			
CIR	46.6%	50.7%	-4.1 p.p.			
Cost of risk net (bps)*	-45	-54	9			
LTD net (%)	62.7	64.6	-1.9			
Income statement						
in 000 EUR						
	1-9 2019		1-9 2018		Change YoY	
Total net operating income	284,593	255,063	29,530	11.6%		
Net interest income	118,987	117,579	1,408	1.2%		
Net non-interest income	165,606	137,484	28,122	20.5%		
o/w net fees and commissions	78,066	75,399	2,667	3.5%		
Total costs	-132,563	-129,213	-3,350	-2.6%		
Employee costs	-77,416	-76,218	-1,198	-1.6%		
Other general and administrative expenses	-41,737	-39,911	-1,826	-4.6%		
Depreciation and amortization	-13,410	-13,084	-326	-2.5%		
Result before impairments and provisions	152,030	125,850	26,180	20.8%		
Impairments and provisions	18,271	18,221	50	0.3%		
Result after tax	162,980	134,574	28,406	21.1%		
Number of employees	2,667	2,740	-73	-2.7%		

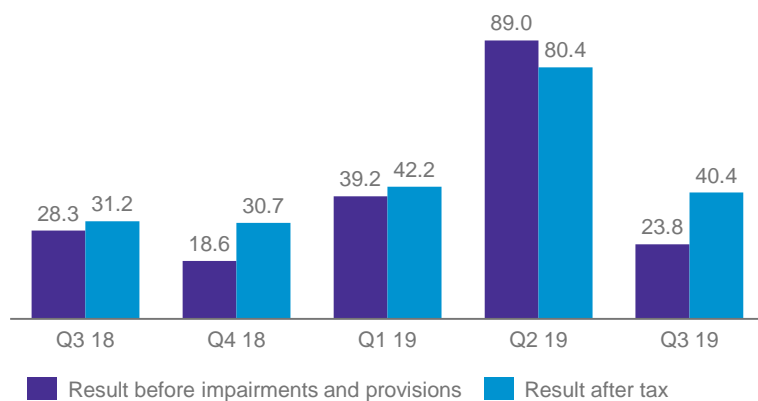
*Calculated as credit impairments and provisions over average net loans to customers.

Balance sheet

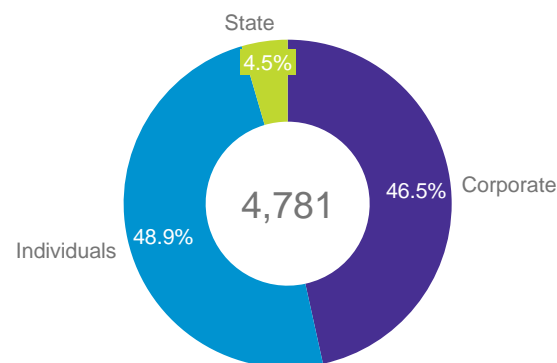
in 000 EUR

	30 Sep 2019		31 Dec 2018		Change YtD	
Total assets	9,289,364	8,811,047	478,317	5.4%		
Loans to customers (net)	4,602,652	4,478,071	124,581	2.8%		
Loans to customers (gross)	4,781,439	4,703,671	77,768	1.7%		
Gross loans to corporate	2,225,389	2,190,299	35,090	1.6%		
Gross loans to individuals	2,339,655	2,241,624	98,031	4.4%		
Gross loans to state	216,395	271,748	-55,353	-20.4%		
Financial assets	3,198,525	2,869,450	329,075	11.5%		
Deposits from customers	7,344,022	7,033,409	310,613	4.4%		
Deposits from corporate	1,379,414	1,392,171	-12,757	-0.9%		
Deposits from individuals	5,854,493	5,522,142	332,351	6.0%		
Deposits from state	110,115	119,096	-8,981	-7.5%		
NPL gross	231,465	342,900	-111,435	-32.5%		
% NPL	4.2%	6.3%	-2.1 p.p.			
Capital (according to local legislation)						
Capital adequacy ratio	22.3%	24.1%	-1.7 p.p.			

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



Gross loans to customers split (30 Sep 2019, %)



Retail banking in Slovenia

in EUR million
consolidated

Retail banking in Slovenia

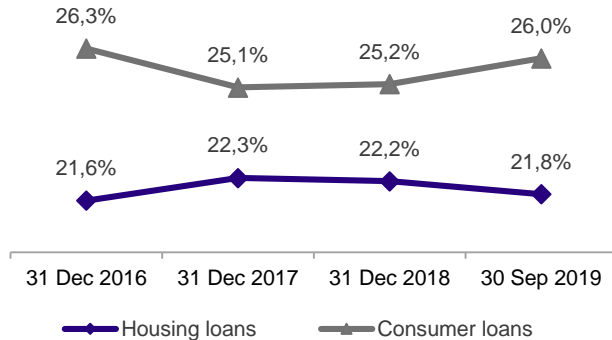
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	65.6	56.8	8.8	15%	21.4	21.2	1%		
Net non-interest income	56.9	49.4	7.5	15%	21.7	15.1	43%		
o/w Net fee and commission income	61.1	55.2	5.9	11%	21.2	20.4	4%		
Total net operating income	122.5	106.2	16.3	15%	43.1	36.3	19%		
Total costs	-84.1	-77.9	-6.2	-8%	-28.9	-28.4	-2%		
Result before impairments and provisions	38.3	28.3	10.1	36%	14.2	7.9	79%		
Impairments and provisions	-2.9	-3.0	0.1	5%	-1.1	-0.7	-48%		
Net gains from investments in subsidiaries, associates, and JVs ¹	4.2	4.1	0.0	1%	1.6	1.4	18%		
Result before tax	39.6	29.4	10.3	35%	14.8	8.6	72%		
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,347.5	2,296.6	2,277.1	2,184.8	70.3	3%	162.7	7%	2%
Gross loans to customers	2,375.3	2,323.2	2,305.0	2,211.9	70.3	3%	163.4	7%	2%
Housing loans	1,401.9	1,390.2	1,376.8	1,370.7	25.1	2%	31.2	2%	1%
Interest rate on housing loans	2.55%	2.54%	2.54%	2.50%	0.01 p.p.		0.05 p.p.		0.01 p.p.
Consumer loans	682.2	656.5	628.4	578.7	53.8	9%	103.6	18%	4%
Interest rate on consumer loans	6.32%	6.29%	6.28%	5.81%	0.04 p.p.		0.51 p.p.		0.03 p.p.
Other	291.1	276.6	299.7	262.5	-8.6	-3%	28.6	11%	5%
Deposits from customers	6,320.0	6,209.6	6,095.4	5,731.6	224.6	4%	588.4	10%	2%
Interest rate on deposits	0.05%	0.06%	0.06%	0.09%	-0.01 p.p.		-0.04 p.p.		-0.01 p.p.
Non-performing loans (gross)	43.3	43.0	43.9	42.8	-0.6	-1%	0.4	1%	1%
	1-9 2019	1-9 2018	Change YoY						
Cost of risk (in bps)	12	11	1						
CIR	68.7%	73.4%	-4.7 p.p.						
Interest margin	2.07%	1.95%	0.12 p.p.						

- **Profit before tax** amounted to EUR 39.6 million, 35% increase YoY, mostly due to higher net interest and net non-interest income.
- **Net interest income** was higher YoY due to higher interest rates and growth in volume of gross loans in the amount of EUR 163.4 million YoY (EUR 70.3 million YtD), of which EUR 38.1 million increase relates to the transfer of micro clients from the Corporate segment. The production of new consumer loans in the first nine months amounted to EUR 96.0 million (EUR 77.9 million in the same period of 2018), which led to an increase of balance by EUR 103.6 million YoY (53.8 million YtD). The balance of housing loans increased by EUR 31.2 million YoY (EUR 25.1 million YtD), despite a lower production of new housing loans YoY (EUR 57.6 million vs EUR 62.3 million in first nine months of 2018). The share of consumer loans in all gross loans increased to 29% (from 26% at the end of September 2018).
- The segment recorded EUR 56.9 million of **net non-interest income**. The comparison shows EUR 7.5 million increase YoY, of which EUR 5.9 million due to increase in **net fee and commission income**, most increase (EUR 3.6 million) is assessed as the effect of the transfer of micro clients from Corporate to Retail. In Q3, the segment recorded EUR 21.7 million of net non-interest income, higher by EUR 6.6 million or 43% QoQ, mostly due to DGS and SRF expenses (EUR 5.8 million).
- Considering the effect of the change in segment presentation (approximately EUR 4.5 million), the total costs were EUR 1.7 million higher YoY.
- The presentation of the increase in deposits from customers YtD (EUR 224.6 million) is mostly due to the transfer of micro clients from the corporate segment (EUR 188.1 million) and an increase in demand deposits from retail clients.

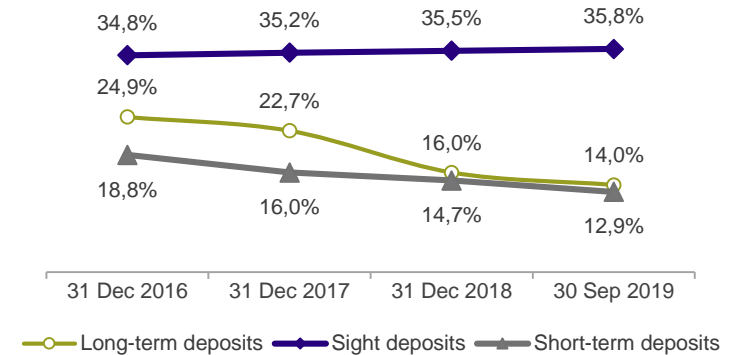
Retail banking in Slovenia

High and stable market shares across products

Market share of net loans to individuals in Slovenia

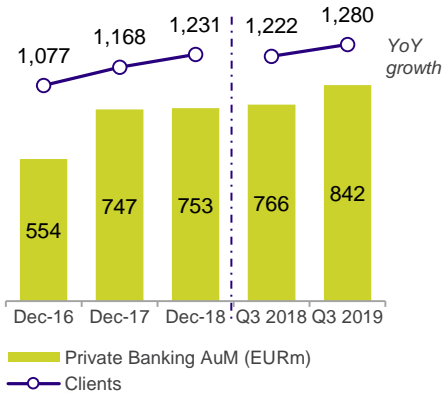


Market share of deposits from individuals in Slovenia

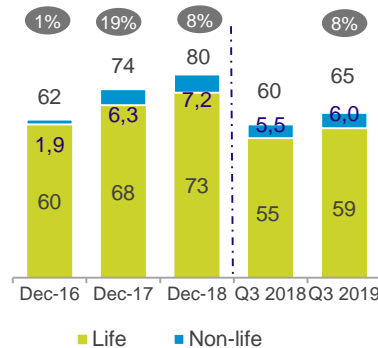


Upside from fee generating products

NLB Private banking offering



NLB Bankassurance GWP (EURm)



- Improving macro and low household indebtedness (21% GDP) driving retail banking growth
- More than 65% of the clients already have one of the package from the offer, presenting over 20% of the Slovenian population
- #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 33.3% as of 30 September 2019
 - AuM of 1,436 EURm as of 30 September 2019 including investments in mutual funds and discretionary portfolios
- Bankassurance business
 - Life: NLB Vita has reached 15.7% market share by GWP, being #3 largest player in the Slovenian market as of 30 September 2019
 - Non-life: Solid growth, in partnership with #3 non-life company (Generali)



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

	1-9 2019	1-9 2018	Change YoY	Q3 2019	Q2 2019	Change QoQ	
Net interest income	28.4	31.8	-3.4	-11%	8.7	8.9	-2%
Net non-interest income	33.4	24.7	8.7	35%	8.9	9.0	-1%
o/w Net fee and commission income	24.6	21.9	2.7	12%	8.5	7.9	7%
Total net operating income	61.7	56.5	5.3	9%	17.6	17.9	-2%
Total costs	-31.6	-31.9	0.3	1%	-10.8	-10.7	-1%
Result before impairments and provisions	30.1	24.6	5.6	23%	6.8	7.2	-6%
Impairments and provisions	17.8	15.8	2.0	13%	14.9	-0.4	-
Result before tax	47.9	40.4	7.6	19%	21.7	6.8	-

	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD	Change YoY	Change QoQ	
Net loans to customers	2,031.2	1,947.9	1,950.4	1,959.7	80.8	4%	71.5	4%
Gross loans to customers	2,179.5	2,110.0	2,061.0	2,082.9	118.5	6%	96.6	5%
Corporate	1,998.8	1,922.1	1,854.4	1,869.1	144.4	8%	129.7	7%
Key/SME Corporates	1,779.0	1,666.4	1,697.2	1,654.6	81.8	5%	124.4	8%
Interest rate on Key/SME Corporates loans	1.83%	1.85%	1.87%	1.93%	-0.04 p.p.		-0.10 p.p.	-0.02 p.p.
Investment banking*	0.1	0.1	0.1	-	-		-	-
Restructuring and Workout	219.7	255.6	290.4	214.5	-70.7	-24%	5.2	2%
State	180.3	187.6	206.1	213.3	-25.8	-13%	-33.0	-15%
Interest rate on State loans	1.98%	2.19%	2.84%	1.76%	-0.86 p.p.		0.22 p.p.	-0.21 p.p.
Deposits from customers	1,014.5	992.3	1,120.8	1,116.3	-106.3	-9%	-101.8	-9%
Interest rate on deposits	0.07%	0.07%	0.07%	0.07%	0.00 p.p.		0.00 p.p.	0.00 p.p.
Non-performing loans (gross)	188.2	231.4	262.8	194.3	-74.6	-28%	-6.1	-3%

	1-9 2019	1-9 2018	Change YoY
Cost of risk (in bps)	-87	-63	-24
CIR	51.2%	56.5%	-5.3 p.p.
Interest margin	2.25%	2.48%	-0.23 p.p.

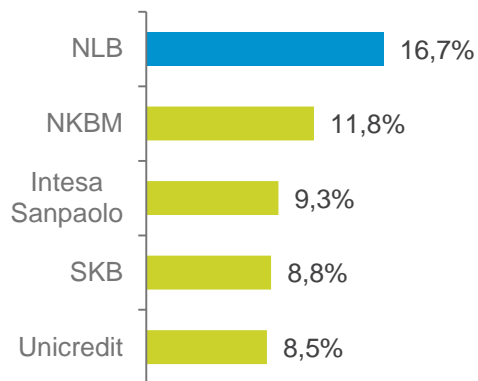
*Investment banking was shown as separate part of this segment before 2019. Profit before tax of Investment banking 1-6 2018 in amount EUR 1.3 million.

- **Profit before tax** amounted to EUR 47.9 million, 19% increase YoY, of which EUR 4.3 million due to change in the segment presentation.
- **Net interest income** decreased by EUR 3.4 million YoY, despite EUR 1.6 million increase due to change in the segment presentation. The segment of **gross loans to customers** was affected by the change in the segment presentation in the net amount of EUR 111.8 million (EUR +149.8 million due to transfer from NLB Non-Core and EUR -38.1 million due to the transfer of micro clients to Retail). Key and SME clients recorded the growth in gross loans mostly due to production of new long-term loans, especially in Q3. The gross loans to the state recorded a decrease of EUR 33.0 million YoY (EUR 25.8 million YtD).
- **Net fee and commission income** increased EUR 2.7 million YoY of which most represents the effect of the change in segment presentation (positive effects of EUR 5.0 million and EUR 0.6 million due to inclusion of Investment banking and previously Non-Core Corporate exposures in the segment, respectively, and negative effect of EUR -3.6 million due to the transfer of micro clients to Retail).
- **Total costs** stayed on the same level (EUR 0.3 million YoY decrease), despite higher costs due to the change in the segment presentation.
- **Impairments and provisions** were released in the amount of EUR 17.8 million as a result of successful restructuring and sale of pledged real estate.
- The Investment Banking and Custody recorded **non-interest income** in the amount of EUR 7.1 million and has increased by EUR 0.7 million YoY. Total income growth is the result of a larger volume of transactions and tariff adjustments. The total value of assets under custody decreased to EUR 14.4 billion (EUR 15.8 billion in 3Q 2018).

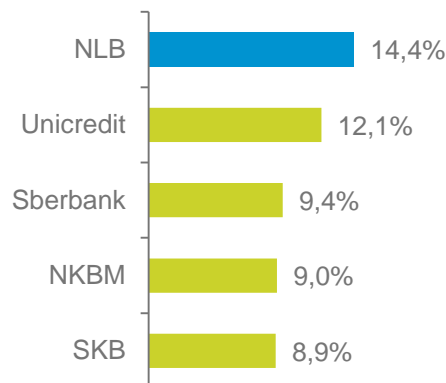
Corporate banking in Slovenia

High market shares across products⁽¹⁾

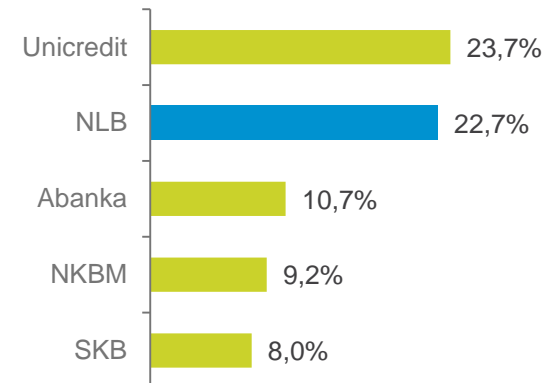
#1 in corporate and state loans



#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 September 2019.
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises.
- After several years of Large Corporate portfolio decline, mainly due to EC commitments, in Q3 2019 increase of the loan portfolio was recorded, based also on transactions in cross-border lending.

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

13.1k⁽²⁾

POS terminals

36.6% market share⁽²⁾

in merchant acquiring

EUR 14.4 bn

assets under custody

Source: Bank of Slovenia, Company information

Note: (1) Data as per 30 Jun 2019 (latest available); (2) As of 30 September 2019;

Strategic foreign markets

in EUR million
consolidated

Strategic foreign markets

	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ
Net interest income	117.6	110.6	7.0	6%	39.7	39.2	1%
Net non-interest income	37.8	50.3	-12.5	-25%	14.1	11.7	21%
o/w Net fee and commission income	40.5	36.9	3.6	10%	14.7	13.5	9%
Total net operating income	155.4	160.9	-5.4	-3%	53.8	50.9	6%
Total costs	-77.5	-73.8	-3.7	-5%	-26.4	-25.7	-3%
Result before impairments and provisions	77.9	87.0	-9.1	-10%	27.4	25.2	9%
Impairments and provisions	-6.0	-3.4	-2.6	-78%	1.1	-3.9	-
Result before tax	72.0	83.7	-11.7	-14%	28.5	21.3	34%
o/w Result of minority shareholders	6.2	6.7	-0.5	-8%	2.4	1.8	32%







	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,907.9	2,835.6	2,718.0	2,624.1	189.9	7%	283.8	11%	3%
Gross loans to customers	3,059.9	2,998.7	2,932.7	2,851.5	127.1	4%	208.4	7%	2%
Individuals	1,555.2	1,514.6	1,438.1	1,400.0	117.1	8%	155.2	11%	3%
<i>Interest rate on retail loans</i>	6.76%	6.78%	6.80%	7.13%	-0.04 p.p.		-0.37 p.p.		-0.02 p.p.
Corporate	1,414.7	1,400.0	1,405.0	1,359.1	9.8	1%	55.6	4%	1%
<i>Interest rate on corporate loans</i>	4.54%	4.62%	4.71%	4.92%	-0.16 p.p.		-0.38 p.p.		-0.08 p.p.
State	90.0	84.1	89.6	92.4	0.3	0%	-2.5	-3%	7%
<i>Interest rate on state loans</i>	4.12%	4.21%	4.23%	4.32%	-0.11 p.p.		-0.20 p.p.		-0.09 p.p.
Deposits from customers	3,698.6	3,547.6	3,438.1	3,268.5	260.5	8%	430.2	13%	4%
<i>Interest rate on deposits</i>	0.54%	0.55%	0.56%	0.63%	-0.02 p.p.		-0.09 p.p.		-0.01 p.p.
Non-performing loans (gross)	132.6	147.0	146.2	234.9	-13.6	-9%	-102.3	-44%	-10%

	1-9 2019	1-9 2018	Change YoY
Cost of risk (in bps)	3	2	0
CIR	49.9%	45.9%	4.0 p.p.
Interest margin	3.63%	3.84%	-0.21 p.p.

- **Profit before tax** amounted to EUR 72.0 million, 14% decrease YoY, due to one-off effect of the sale of NLB Nov penziski fond in Q1 2018.
- Increase of **net interest income** by EUR 7.0 million YoY was recorded on behalf of higher volumes (EUR 208.4 million increase of gross loans to customers YoY), despite the falling trend of interest margins.
- **Net non-interest income** decreased by EUR 12.5 million YoY, despite EUR 3.6 million increase in net fee and commission income, mostly due to one-off effect of the sale of NLB Nov penziski fond in Q1 2018.
- **Total costs** increased by EUR 3.7 million YoY, of which EUR 1.1 million due to change in segment presentation.
- **Impairments and provisions** net established in the amount of EUR 6.0 million in nine months (of which EUR 2.7 million due to established provisions for pending legal disputes in NLB Banka, Podgorica), while in the same period of 2018 EUR 3.4 million.
- **Gross loans to customers** increased by EUR 127.1 million YtD due to increase in gross loans in most subsidiary banks, the largest increases were recorded in NLB Banka, Beograd (EUR 48.9 million) and NLB Banka, Prishtina (EUR 41.6 million). This increase was partly reduced by the change in segment presentation (EUR -69.0 million).

SEE banks continuing solid performance

- ✓ 6% growth of net interest income YoY
- ✓ Net non-interest income higher YoY, if non-recurring income from the sale of NLB Nov Penziski Fond, Skopje in Q1 2018 is excluded
- ✓ Growing credit portfolio in most markets, with aggregate deposits balance up YtD

	NLB Banka Skopje		NLB Banka Banja Luka		NLB Banka Sarajevo		NLB Banka Prishtina		NLB Banka Podgorica		NLB Banka Beograd		Total core banks ⁽¹⁾		
															
B/S (EURm)	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	Δ
Total assets	1,392	1,350	774	721	641	592	760	668	540	489	568	484	4,676	4,305	9%
Net loans to customers	857	859	406	385	393	359	530	467	327	311	395	319	2,908	2,699	8%
Deposits from customers	1,116	1,076	613	576	512	472	648	586	444	392	375	353	3,708	3,455	7%
P&L (EURm)	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	Δ
NII ⁽²⁾	36.8	36.3	14.1	13.5	13.5	13.1	23.0	20.1	14.9	13.2	15.3	14.8	117.6	110.9	6%
NNII ⁽²⁾	11.5	20.0	8.2	8.0	7.1	6.1	5.0	3.8	4.0	4.3	2.1	2.8	37.9	44.9	-16% ⁽⁴⁾
OpEx	-19.6	-18.5	-9.5	-9.7	-10.5	-10.5	-9.4	-8.7	-9.4	-9.0	-14.4	-13.1	-72.8	-69.6	5%
PPI	28.6	37.7	12.7	11.8	10.1	8.6	18.6	15.2	9.5	8.4	3.0	4.5	82.6	86.3	-4%
Result a.t.	24.4	33.3	13.9	11.7	7.3	7.4	14.8	11.2	6.0	7.7	2.7	6.4	69.2	77.8	-11%
Ratios	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018	1-9 2019	1-9 2018			
RoE a.t.	16.2%	24.3%	21.6%	18.0%	12.1%	13.3%	25.9%	21.9%	11.9%	15.3%	5.3%	13.2%			
Net interest margin ⁽³⁾	3.69%	4.01%	2.56%	2.67%	2.99%	3.22%	4.41%	4.42%	4.27%	4.04%	4.11%	5.10%			
CIR	40.7%	32.9%	42.8%	45.0%	50.9%	54.9%	33.5%	36.5%	49.8%	51.8%	82.6%	74.5%			
LTD net	76.7%	81.0%	66.3%	66.8%	76.8%	76.2%	81.8%	82.1%	73.5%	75.9%	105.5%	101.2%			



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; interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period). (4) In Q1 2018 one-off effect from the sale of Nov Penziski Fond, Skopje (EUR 8.5 million effect on NLB banka Skopje level).

NLB Banka Skopje

NLB Banka AD Skopje

"on stand alone basis"

Key financial indicators

	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	16.2%	24.3%	-8.2 p.p.	
Interest margin*	3.69%	4.01%	-0.3 p.p.	
CIR	40.7%	32.9%	7.8 p.p.	
Cost of risk net (bps)**	11	11	1	
LTD net (%)	76.7	81.0	-4.3	
Income statement				
in 000 EUR				
	1-9 2019	1-9 2018	Change YoY	
Total net operating income	48,261	56,299	-8,038	-14.3%
Net interest income	36,767	36,288	479	1.3%
Net non-interest income	11,494	20,011	-8,517	-42.6%
o/w net fees and commissions	10,973	10,648	325	3.1%
Total costs	-19,628	-18,512	-1,116	-6.0%
Employee costs	-10,296	-9,787	-509	-5.2%
Other general and administrative expenses	-6,481	-6,373	-108	-1.7%
Depreciation and amortization	-2,851	-2,352	-499	-21.2%
Result before impairments and provisions	28,633	37,729	-9,096	-24.1%
Impairments and provisions	-1,462	-669	-793	-118.5%
Result after tax	24,447	33,317	-8,870	-26.6%
Number of employees	878	864	14	1.6%

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

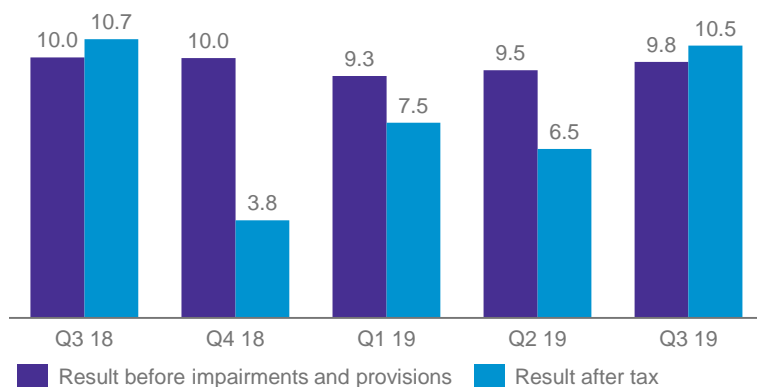
** Calculated as credit impairments and provisions over average net loans to customers.

Balance sheet

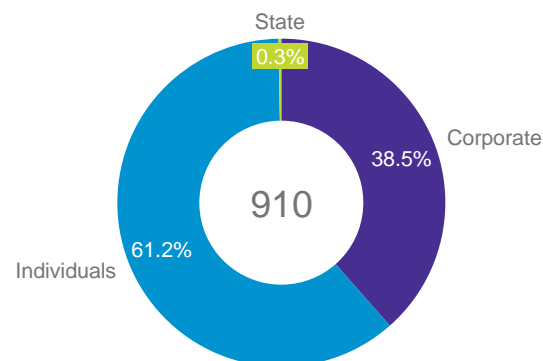
in 000 EUR

	30 Sep 2019	31 Dec 2018	Change YtD	
Total assets	1,392,381	1,350,054	42,327	3.1%
Loans to customers (net)	856,600	858,592	-1,992	-0.2%
Loans to customers (gross)	909,819	918,140	-8,321	-0.9%
Gross loans to corporate	350,237	383,212	-32,975	-8.6%
Gross loans to individuals	557,008	531,406	25,602	4.8%
Gross loans to state	2,574	3,522	-948	-26.9%
Financial assets	247,681	196,112	51,569	26.3%
Deposits from customers	1,116,399	1,076,154	40,245	3.7%
Deposits from corporate	303,461	272,060	31,401	11.5%
Deposits from individuals	807,300	800,372	6,928	0.9%
Deposits from state	5,638	3,722	1,916	51.5%
NPL gross	49,611	56,050	-6,439	-11.5%
% NPL	4.5%	5.1%	-0.6 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	17.7%	16.7%	1.0 p.p.	

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



Gross loans to customers split (30 Sep 2019, %)



NLB Banka Banja Luka

NLB Banka A.D., Banja Luka

"on stand alone basis"

Key financial indicators

	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	21.6%	18.0%	3.6 p.p.	
Interest margin*	2.56%	2.67%	-0.1 p.p.	
CIR	42.8%	45.0%	-2.1 p.p.	
Cost of risk net (bps)**	-87	-46	-41	
LTD net (%)	66.3	66.8	-0.5	
Income statement				
in 000 EUR	1-9 2019	1-9 2018	Change YoY	
Total net operating income	22,235	21,493	742	3.5%
Net interest income	14,072	13,518	554	4.1%
Net non-interest income	8,163	7,975	188	2.4%
o/w net fees and commissions	8,116	8,030	86	1.1%
Total costs	-9,526	-9,661	135	1.4%
Employee costs	-6,179	-6,246	67	1.1%
Other general and administrative expenses	-2,332	-2,554	222	8.7%
Depreciation and amortization	-1,015	-861	-154	-17.9%
Result before impairments and provisions	12,709	11,832	877	7.4%
Impairments and provisions	2,354	1,189	1,165	98.0%
Result after tax	13,903	11,726	2,177	18.6%
Number of employees	488	486	2	0.4%

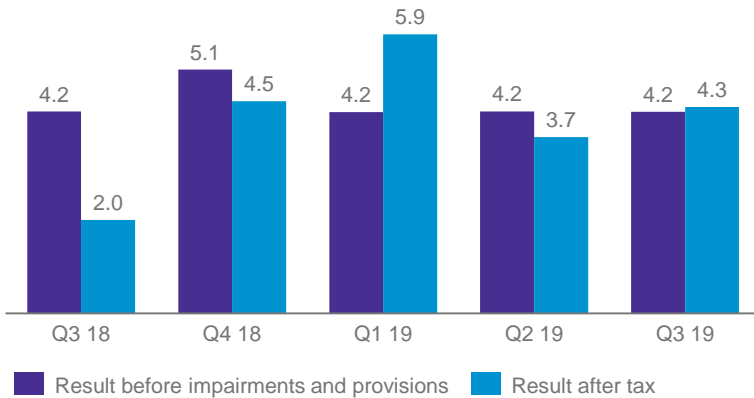
* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

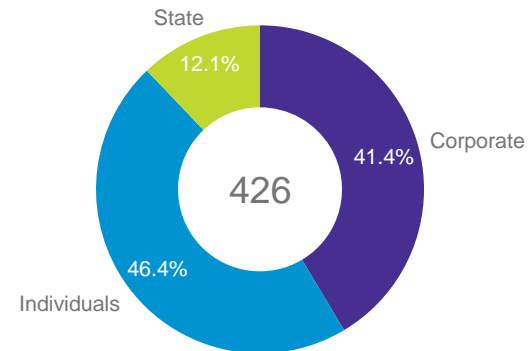
Balance sheet

	30 Sep 2019	31 Dec 2018	Change YtD	
in 000 EUR				
Total assets	774,151	720,509	53,642	7.4%
Loans to customers (net)	406,417	384,806	21,611	5.6%
Loans to customers (gross)	426,424	408,312	18,112	4.4%
Gross loans to corporate	176,693	176,353	340	0.2%
Gross loans to individuals	198,062	180,933	17,129	9.5%
Gross loans to state	51,669	51,026	643	1.3%
Financial assets	145,914	107,316	38,598	36.0%
Deposits from customers	613,112	575,775	37,337	6.5%
Deposits from corporate	149,224	135,670	13,554	10.0%
Deposits from individuals	426,347	402,203	24,144	6.0%
Deposits from state	37,541	37,902	-361	-1.0%
NPL gross	14,025	19,199	-5,174	-26.9%
% NPL	2.3%	3.2%	-0.9 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.9%	15.6%	0.3 p.p.	

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



Gross loans to customers split (30 Sep 2019, %)



NLB Banka Sarajevo

NLB Banka d.d., Sarajevo

"on stand alone basis"

Key financial indicators

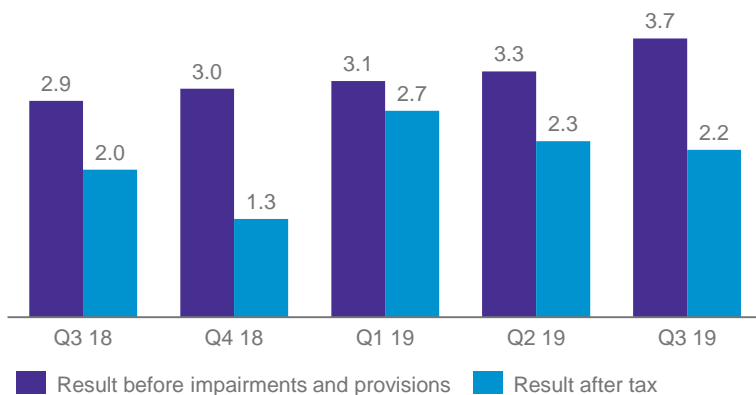
	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	12.1%	13.3%	-1.2 p.p.	
Interest margin*	2.99%	3.22%	-0.2 p.p.	
CIR	50.9%	54.9%	-4.0 p.p.	
Cost of risk net (bps)**	42	27	15	
LTD net (%)	76.8	76.2	0.6	

	1-9 2019	1-9 2018	Change YoY	
Total net operating income	20,605	19,169	1,436	7.5%
Net interest income	13,488	13,084	404	3.1%
Net non-interest income	7,117	6,085	1,032	17.0%
o/w net fees and commissions	6,481	5,344	1,137	21.3%
Total costs	-10,481	-10,523	42	0.4%
Employee costs	-6,172	-6,355	183	2.9%
Other general and administrative expenses	-3,266	-3,574	308	8.6%
Depreciation and amortization	-1,043	-594	-449	-75.6%
Result before impairments and provisions	10,124	8,646	1,478	17.1%
Impairments and provisions	-1,676	-425	-1,251	-
Result after tax	7,318	7,448	-130	-1.7%
Number of employees	449	459	-10	-2.2%

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

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

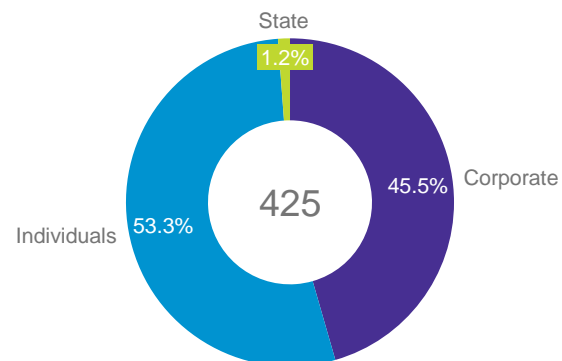
Result after tax and before impairments and provisions (EUR million)



Balance sheet

	30 Sep 2019	31 Dec 2018	Change YtD	
in 000 EUR				
Total assets	641,469	592,166	49,303	8.3%
Loans to customers (net)	392,942	359,499	33,443	9.3%
Loans to customers (gross)	424,843	391,567	33,276	8.5%
Gross loans to corporate	193,468	176,368	17,100	9.7%
Gross loans to individuals	226,420	211,972	14,448	6.8%
Gross loans to state	4,955	3,227	1,728	53.5%
Financial assets	44,733	39,337	5,396	13.7%
Deposits from customers	511,655	472,297	39,358	8.3%
Deposits from corporate	139,285	127,175	12,110	9.5%
Deposits from individuals	292,254	280,207	12,047	4.3%
Deposits from state	80,116	64,915	15,201	23.4%
NPL gross	29,638	30,805	-1,167	-3.8%
% NPL	5.1%	5.7%	-0.6 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.9%	16.4%	-0.5 p.p.	

Gross loans to customers split (30 Sep 2019, %)



NLB Banka Prishtina

NLB Banka sh.a., Prishtine

"on stand alone basis"

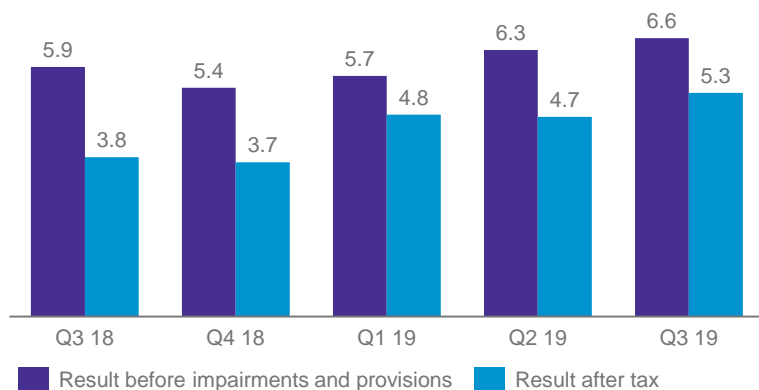
Key financial indicators

	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	25.9%	21.9%	4.0 p.p.	
Interest margin*	4.41%	4.42%	0.0 p.p.	
CIR	33.5%	36.5%	-2.9 p.p.	
Cost of risk net (bps)**	28	62	-34	
LTD net (%)	81.8	82.1	-0.3	
Income statement				
in 000 EUR				
	1-9 2019	1-9 2018	Change YoY	
Total net operating income	28,024	23,894	4,130	17.3%
Net interest income	23,034	20,085	2,949	14.7%
Net non-interest income	4,990	3,809	1,181	31.0%
o/w net fees and commissions	5,913	4,505	1,408	31.3%
Total costs	-9,396	-8,714	-682	-7.8%
Employee costs	-4,685	-4,407	-278	-6.3%
Other general and administrative expenses	-3,369	-3,413	44	1.3%
Depreciation and amortization	-1,342	-894	-448	-50.1%
Result before impairments and provisions	18,628	15,180	3,448	22.7%
Impairments and provisions	-2,049	-2,810	761	27.1%
Result after tax	14,830	11,175	3,655	32.7%
Number of employees	472	477	-5	-1.0%

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

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

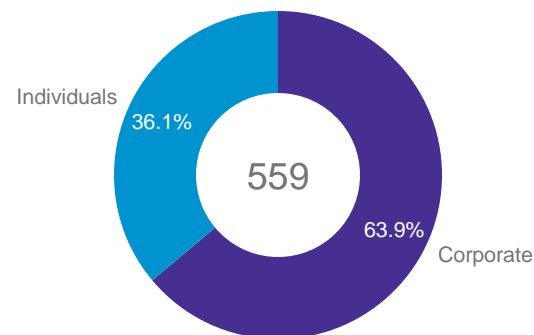
Result after tax and before impairments and provisions (EUR million)



Balance sheet

	30 Sep 2019	31 Dec 2018	Change YtD	
in 000 EUR				
Total assets	760,208	668,127	92,081	13.8%
Loans to customers (net)	530,192	466,854	63,338	13.6%
Loans to customers (gross)	558,700	493,950	64,750	13.1%
Gross loans to corporate	357,021	315,408	41,613	13.2%
Gross loans to individuals	201,679	178,542	23,137	13.0%
Gross loans to state	0	0	0	-
Financial assets	79,391	64,733	14,658	22.6%
Deposits from customers	648,387	585,851	62,536	10.7%
Deposits from corporate	175,136	154,828	20,308	13.1%
Deposits from individuals	459,890	421,003	38,887	9.2%
Deposits from state	13,361	10,020	3,341	33.3%
NPL gross	13,363	14,361	-998	-6.9%
% NPL	2.0%	2.4%	-0.4 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	17.0%	14.6%	2.4 p.p.	

Gross loans to customers split (30 Sep 2019, %)



NLB Banka Podgorica

NLB Banka a.d., Podgorica

"on stand alone basis"

Key financial indicators

	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	11.9%	15.3%	-3.4 p.p.	
Interest margin*	4.27%	4.04%	0.2 p.p.	
CIR	49.8%	51.8%	-2.0 p.p.	
Cost of risk net (bps)**	-29	-47	17	
LTD net (%)	73.5	75.9	-2.4	

Income statement

in 000 EUR	1-9 2019	1-9 2018	Change YoY	
Total net operating income	18,916	17,450	1,466	8.4%
Net interest income	14,932	13,158	1,774	13.5%
Net non-interest income	3,984	4,292	-308	-7.2%
o/w net fees and commissions	4,756	4,380	376	8.6%
Total costs	-9,421	-9,037	-384	-4.2%
Employee costs	-5,443	-5,324	-119	-2.2%
Other general and administrative expenses	-2,829	-3,055	226	7.4%
Depreciation and amortization	-1,149	-658	-491	-74.6%
Result before impairments and provisions	9,495	8,413	1,082	12.9%
Impairments and provisions	-2,864	-710	-2,154	-
Result after tax	6,021	7,674	-1,653	-21.5%
Number of employees	296	308	-12	-3.9%

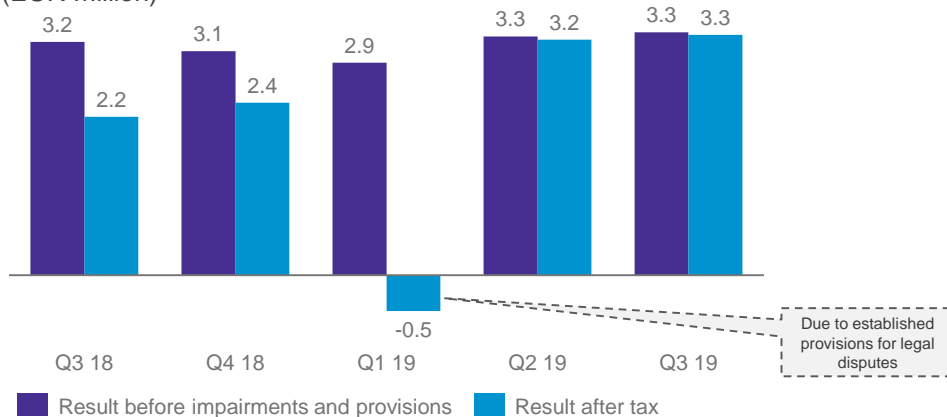
* Interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period).

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

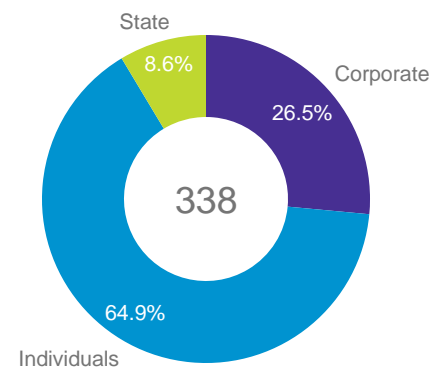
Balance sheet

in 000 EUR	30 Sep 2019	31 Dec 2018	Change YtD	
Total assets	539,592	489,283	50,309	10.3%
Loans to customers (net)	326,634	310,692	15,942	5.1%
Loans to customers (gross)	338,317	323,914	14,403	4.4%
Gross loans to corporate	89,586	90,223	-637	-0.7%
Gross loans to individuals	219,641	203,207	16,434	8.1%
Gross loans to state	29,090	30,484	-1,394	-4.6%
Financial assets	46,635	54,781	-8,146	-14.9%
Deposits from customers	444,226	391,750	52,476	13.4%
Deposits from corporate	141,952	116,364	25,588	22.0%
Deposits from individuals	281,680	256,975	24,705	9.6%
Deposits from state	20,594	18,411	2,183	11.9%
NPL gross	18,204	20,627	-2,423	-11.7%
% NPL	4.1%	5.2%	-1.1 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.8%	16.2%	-0.5 p.p.	

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



Gross loans to customers split (30 Sep 2019, %)



NLB Banka Beograd

NLB Banka a.d., Beograd

"on stand alone basis"

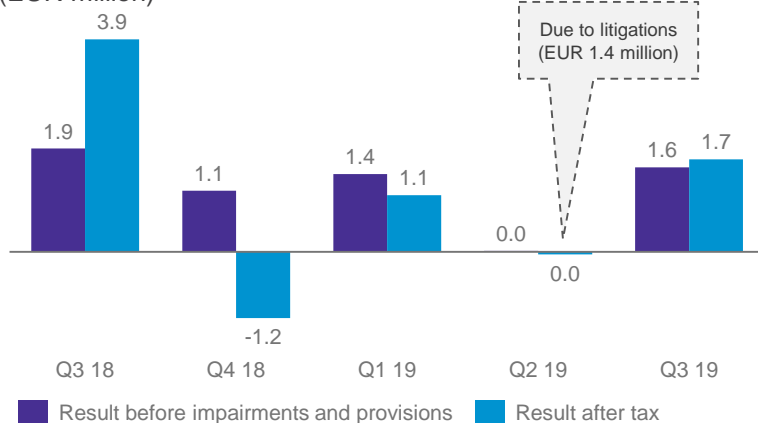
Key financial indicators

	1-9 2019	1-9 2018	Change YoY	
ROE a.t.	5.3%	13.2%	-8.0 p.p.	
Interest margin*	4.11%	5.10%	-1.0 p.p.	
CIR	82.6%	74.5%	8.0 p.p.	
Cost of risk net (bps)**	6	-104	110	
LTD net (%)	105.5	101.2	4.3	
Income statement				
in 000 EUR				
	1-9 2019	1-9 2018	Change YoY	
Total net operating income	17,401	17,599	-198	-1.1%
Net interest income	15,290	14,795	495	3.3%
Net non-interest income	2,111	2,804	-693	-24.7%
o/w net fees and commissions	4,267	3,573	694	19.4%
Total costs	-14,369	-13,117	-1,252	-9.5%
Employee costs	-7,671	-6,916	-755	-10.9%
Other general and administrative expenses	-4,605	-5,118	513	10.0%
Depreciation and amortization	-2,093	-1,083	-1,010	-93.3%
Result before impairments and provisions	3,032	4,482	-1,450	-32.4%
Impairments and provisions	-313	1,978	-2,291	-
Result after tax	2,719	6,434	-3,715	-57.7%
Number of employees	476	451	25	5.5%

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

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

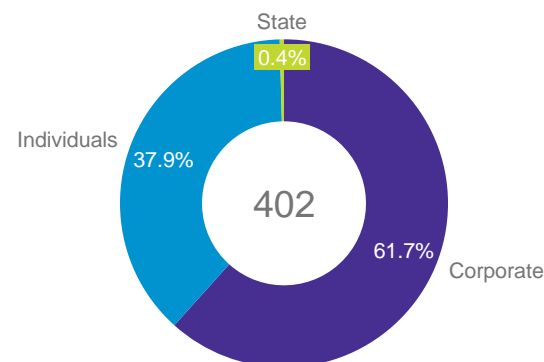
Result after tax and before impairments and provisions (EUR million)



Balance sheet

	30 Sep 2019	31 Dec 2018	Change YtD	
in 000 EUR				
Total assets	567,886	484,492	83,394	17.2%
Loans to customers (net)	395,070	318,792	76,278	23.9%
Loans to customers (gross)	401,784	327,847	73,937	22.6%
Gross loans to corporate	247,720	198,833	48,887	24.6%
Gross loans to individuals	152,386	127,629	24,757	19.4%
Gross loans to state	1,678	1,385	293	21.2%
Financial assets	69,483	58,285	11,198	19.2%
Deposits from customers	374,576	352,940	21,636	6.1%
Deposits from corporate	155,657	160,683	-5,026	-3.1%
Deposits from individuals	208,237	182,702	25,535	14.0%
Deposits from state	10,682	9,555	1,127	11.8%
NPL gross	7,791	9,957	-2,166	-21.8%
% NPL	1.6%	2.4%	-0.8 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	20.3%	16.7%	3.7 p.p.	

Gross loans to customers split (30 Sep 2019, %)



Financial markets in Slovenia⁽¹⁾

in million EUR
consolidated

Financial markets in Slovenia

	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ	
Net interest income	25.2	25.2	0.0	0%	9.3	9.9	-6%	
Net non-interest income	1.8	0.2	1.6	-	0.2	-0.6	-	
Total net operating income	26.9	25.3	1.6	6%	9.5	9.3	3%	
Total costs	-5.2	-4.9	-0.2	-5%	-1.6	-1.8	12%	
Result before impairments and provisions	21.8	20.4	1.4	7%	7.9	7.4	7%	
Impairments and provisions	-0.5	0.1	-0.6	-	0.0	-0.1	80%	
Result before tax	21.3	20.5	0.7	4%	7.9	7.3	9%	

	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YtD		Change QoQ	
Balances with Central banks	468.8	520.2	666.3	627.1	-197.6	-30%	-158.3	-25%	-10%	
Banking book securities	3,053.1	2,983.4	2,924.1	2,663.5	129.0	4%	389.6	15%	2%	
<i>Interest rate on banking book securities</i>	<i>1.04%</i>	<i>1.07%</i>	<i>1.10%</i>	<i>1.25%</i>	<i>-0.06 p.p.</i>		<i>-0.21 p.p.</i>		<i>-0.03 p.p.</i>	
Wholesale funding*	170.6	235.3	244.0	252.4	-73.4	-30%	325.8	129%	-27%	
<i>Interest rate on wholesale funding*</i>	<i>0.48%</i>	<i>0.49%</i>	<i>0.51%</i>	<i>0.49%</i>	<i>-0.03 p.p.</i>		<i>-0.01 p.p.</i>		<i>-0.01 p.p.</i>	
Subordinated liabilities	90.3	44.9	-	-	-	-	-	-	-	
<i>Interest rate on subordinated liabilities</i>	<i>4.22%</i>	<i>4.20%</i>	-	-	-	-	-	-	-	

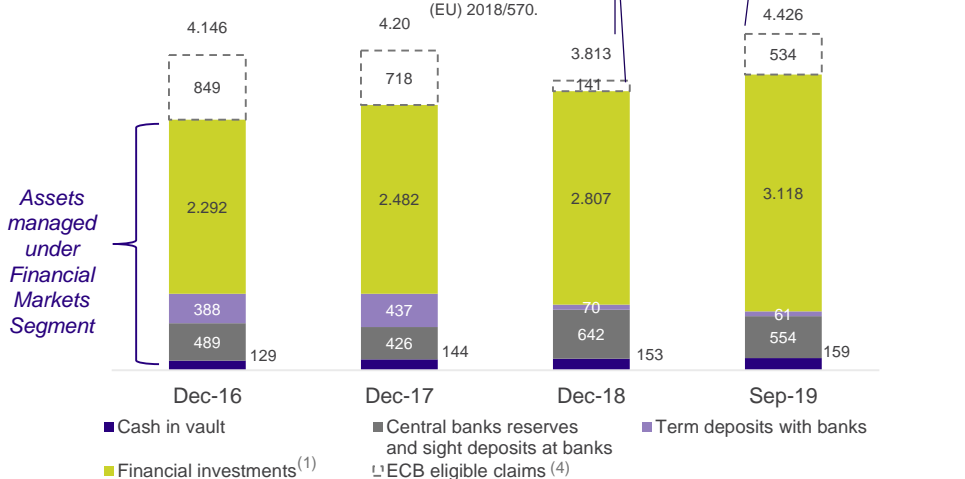
* Item includes only borrowings, till 30 June 2019 it included also deposits from banks.

- **Net interest income** on the same level YoY, mostly due to higher volumes, since the yields on securities decreased YoY.
- Higher **net non-interest income**, EUR 1.6 million YoY, mostly due to active management of banking book securities, which positively affected the net income from financial transactions mostly in Q1 2019.
- Continuation of prudent liquidity reserves management.
- Decrease in **balances with central bank** (EUR 197.6 million YtD) and increase in banking book securities (EUR 129.0 million YtD).
- In nine months of 2019 **two Tier 2 subordinated transactions** were completed in the total amount of EUR 90 million.

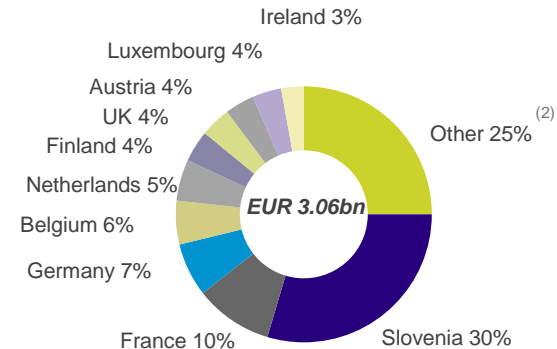
Financial markets in Slovenia

Strong liquidity position

Liquid assets evolution (EURm)



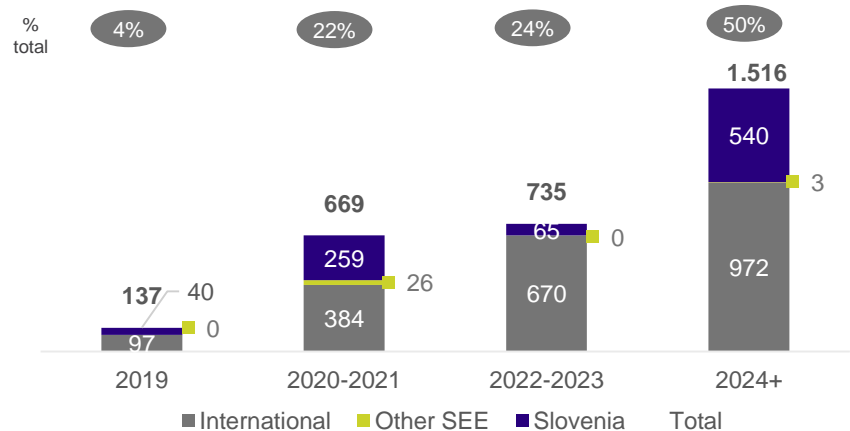
Well diversified banking book by geography (30 Sep 2019)



Well positioned and funded division

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

Maturity profile of banking book securities⁽³⁾ (30 Sep 2019, EURm)



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

	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ	
Net interest income	2.2	7.5	-5.3	-71%	0.6	0.6	7%	
Net non-interest income	6.5	5.9	0.6	9%	2.2	1.5	46%	
Total net operating income	8.7	13.4	-4.7	-35%	2.8	2.1	35%	
Total costs	-9.9	-13.8	3.9	28%	-3.4	-3.4	-1%	
Result before impairments and provisions	-1.3	-0.4	-0.8	-183%	-0.6	-1.3	52%	
Impairments and provisions	1.3	9.3	-8.0	-86%	0.3	0.3	2%	
Result before tax	0.1	8.8	-8.8	-99%	-0.3	-1.0	69%	

	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YoY		Change QoQ
Segment assets	192.9	205.8	263.7	310.6	-70.8	-27%	-117.8	-38%	-6%
Net loans to customers	83.8	93.3	160.9	200.0	-77.1	-48%	-116.2	-58%	-10%
Gross loans to customers	164.7	181.6	288.6	360.0	-123.9	-43%	-195.3	-54%	-9%
Investment property and property & equipment received for repayment of loans	81.1	84.4	68.5	74.6	12.6	18%	6.5	9%	-4%
Other assets	27.9	28.1	34.3	36.0	-6.4	-19%	-8.1	-22%	-1%
Deposits from customers	0.0	0.0	9.6	9.8	-9.6	-	-9.8	-	-
Non-performing loans (gross)	112.2	121.1	126.3	233.6	-14.2	-11%	-121.4	-52%	-7%

	1-9 2019	1-9 2018	Change YoY
Cost of risk (in bps)	-173	-357	185
CIR	114.4%	103.3%	31.4 p.p.

- The segment recorded EUR 4.7 million decrease of **net operating income**, and was effected by transfer of NLB Non-core part to Corporate (approximately EUR -3.7 million) and transfer of NLB Srbija and NLB Črna Gora from Strategic foreign markets (EUR +0.8 million); effect on **net non-interest income** from contractual penalty (EUR 1.3 million) in Q1 2019.
- Decrease in **total costs**, EUR 3.9 million YoY, due to divestment of non-strategic Group members and transfer of NLB Non-core part to Corporate (approximately EUR -3.3 million) and transfer of NLB Srbija and NLB Črna Gora from Strategic foreign markets (EUR +1.1 million).
- A substantial decrease in **total assets** of the segment YoY (EUR 117.8 million, of which EUR 32.1 million due to change in segment presentation), which is in line with the divestment strategy of the non-core segment.

Other⁽¹⁾

in EUR million
consolidated

Other

	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ
Total net operating income	10.9	1.6	9.4	-	1.2	7.6	-84%
Total costs	-7.5	-5.0	-2.5	-51%	-2.5	-2.8	10%
Result before impairments and provisions	3.4	-3.4	6.8	-	-1.3	4.8	-
Impairments and provisions	-0.1	0.1	-0.2	-	0.0	0.0	33%
Result before tax	3.4	-3.3	6.6	-	-1.3	4.8	

- The segment Other recorded EUR 3.4 million of **profit before tax**, EUR 6.6 million increase YoY. EUR 10.9 million **net operating income** was influenced by positive effect from equity share EUR 6.3 million and EUR 0.2 million from contractual penalty. EUR 7.5 million of **total costs**, related mostly to IT, cash transport, external realization, restructuring costs and empty business premises.



Appendix 2:


Macro Overview

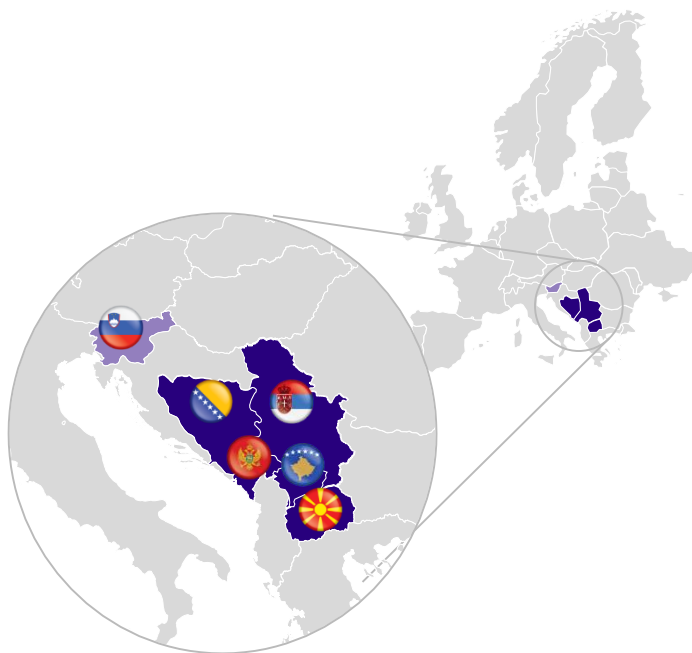
NLB Group – Macro overview


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

Slovenia 	EUR
GDP (EURbn)	45.8
Real GDP growth (%)	3.0
Population (m)	2.1
Household indebtedness ⁽¹⁾	22.0%
Credit ratings (S&P / Moody's / Fitch)	AA- / Baa1 / A

Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	17.1
Real GDP growth (%)	2.7
Population (m)	3.5
Household indebtedness ⁽¹⁾	28.2%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.6
Real GDP growth (%)	3.1
Population (m)	0.6
Household indebtedness ⁽¹⁾	27.6%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	42.8
Real GDP growth (%)	3.1
Population (m)	7.0
Household indebtedness ⁽¹⁾	20.3%
Credit ratings (S&P / Moody's / Fitch)	BB / Ba3 / BB+

Kosovo 	EUR
GDP (EURbn)	6.5
Real GDP growth (%)	4.0
Population (m)	1.8
Household indebtedness ⁽¹⁾	15.6%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	10.7
Real GDP growth (%)	3.2
Population (m)	2.1
Household indebtedness ⁽¹⁾	24.4%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+

Macro Overview

Economic data

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

Fiscal data

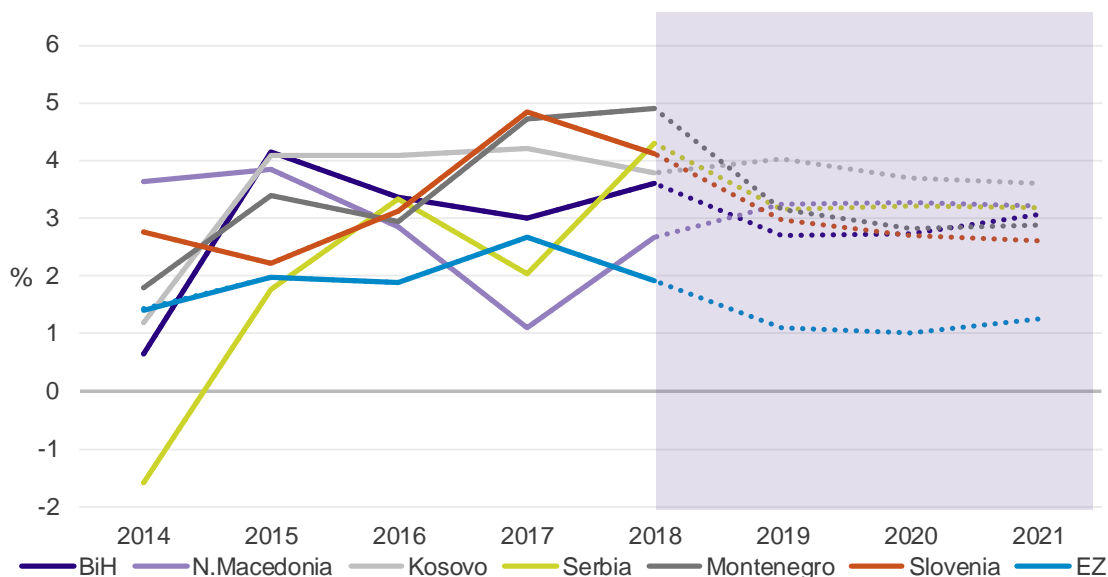
- Environment for necessary reforms seen slightly improved.
- Fiscal imbalances should not aggravate general government borrowing position and public debt seems manageable, nevertheless caution still recommended.
- Large current account deficits and geographical contagion are important drivers to capital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

Monetary data

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

Macro Overview – Economic data

Real GDP growth, %



KEY FINDINGS:

Highest YoY increase of economic growth was registered by **Serbia** (from 2% to 4.3% in 2018), followed by **North Macedonia**, growing (from 1.1% to 2.7% in 2018).

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

Growth is decelerating slightly in 2019, but, overall, real GDP growth in the region will remain strong, well above the Eurozone.

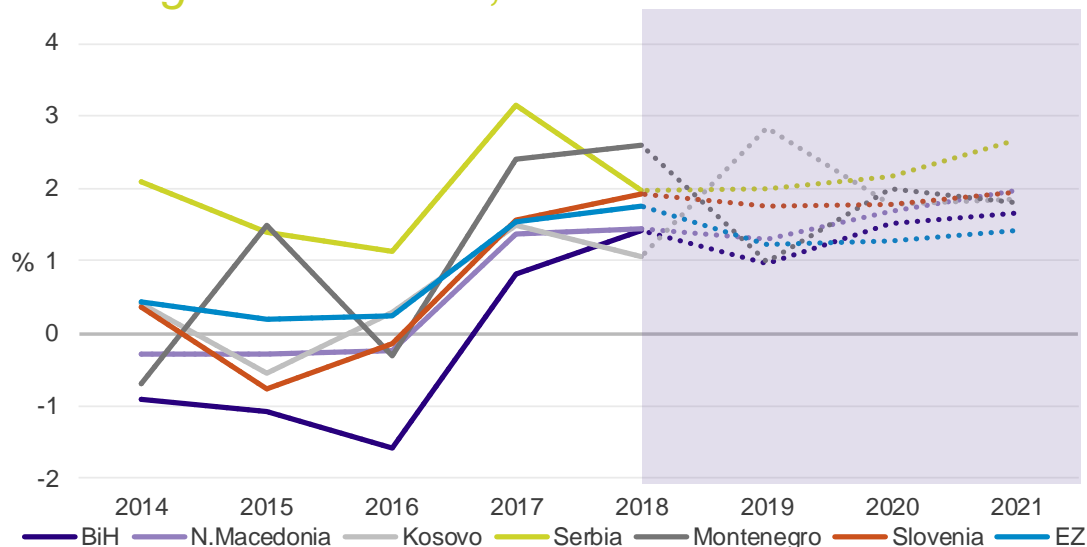
Real GDP growth, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	0.7	4.1	3.4	3.0	3.6	2.7	2.7	3.1
North Macedonia	3.6	3.9	2.8	1.1	2.7	3.2	3.3	3.2
Kosovo	1.2	4.1	4.1	4.2	3.8	4.0	3.7	3.6
Serbia	-1.6	1.8	3.3	2.0	4.3	3.1	3.2	3.2
Montenegro	1.8	3.4	2.9	4.7	4.9	3.1	2.8	2.9
Slovenia	2.8	2.2	3.1	4.8	4.1	3.0	2.7	2.6
Eurozone	1.4	2.0	1.9	2.7	1.9	1.1	1.0	1.3

Sources: FocusEconomics

Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Average inflation rate, %



KEY FINDINGS:

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

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

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

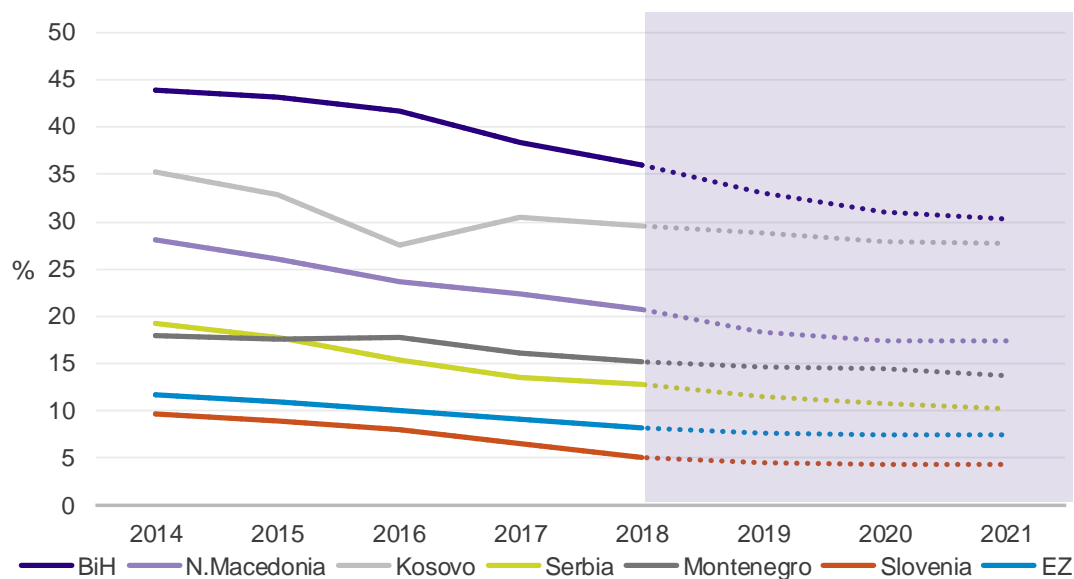
Average inflation rate, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-0.9	-1.1	-1.6	0.8	1.4	1.0	1.5	1.7
North Macedonia	-0.3	-0.3	-0.2	1.4	1.4	1.3	1.7	2.0
Kosovo	0.4	-0.5	0.3	1.5	1.1	2.8	1.8	1.9
Serbia	2.1	1.4	1.1	3.2	2.0	2.0	2.2	2.7
Montenegro	-0.7	1.5	-0.3	2.4	2.6	1.0	2.0	1.8
Slovenia	0.4	-0.8	-0.2	1.6	1.9	1.7	1.8	1.9
Eurozone	0.4	0.2	0.2	1.5	1.8	1.2	1.3	1.4

Sources: FocusEconomics

Note: HICP for Slovenia, Kosovo and Eurozone, other CPI; Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Unemployment rate, %



KEY FINDINGS:

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

In 2018, the biggest improvement was recorded by **BiH, North Macedonia, Slovenia**. Future rates of unemployment are expected to continue to improve or stay at same levels.

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

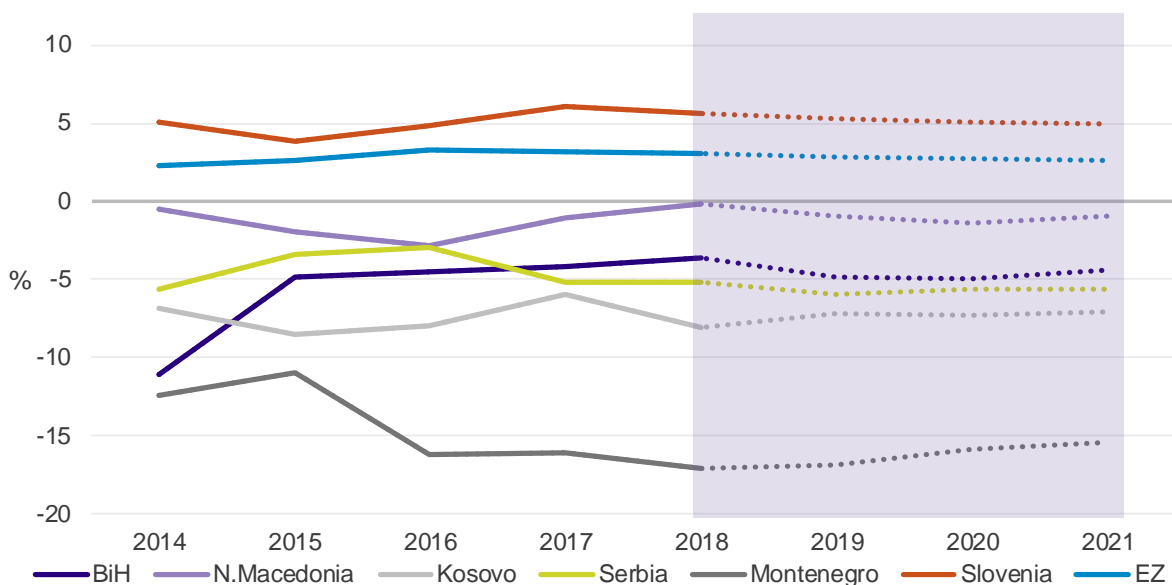
Unemployment rate, %	2014	2015	2016	2017	2018	2019	2020	2021
BiH	43.9	43.2	41.7	38.4	36.0	33.0	31.0	30.2
North Macedonia	28.0	26.1	23.7	22.4	20.7	18.4	17.4	17.4
Kosovo	35.3	32.9	27.5	30.5	29.6	28.8	28.0	27.6
Serbia	19.2	17.7	15.3	13.5	12.7	11.4	10.7	10.2
Montenegro	18.0	17.6	17.7	16.1	15.2	14.6	14.4	13.8
Slovenia	9.7	9.0	8.0	6.6	5.1	4.4	4.4	4.4
Eurozone	11.6	10.9	10.0	9.1	8.2	7.6	7.5	7.5

Source: FocusEconomics

Note: BiH data for registered unemployment rate; Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

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

Montenegro continues to underperform heavily in the region.

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

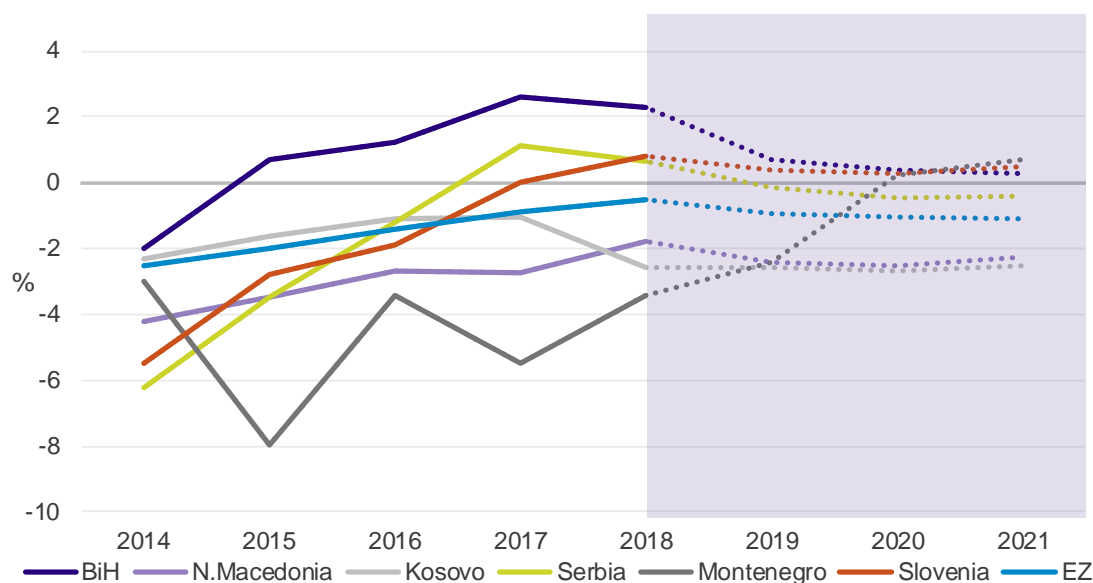
Current Account, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-11.0	-4.9	-4.5	-4.2	-3.6	-4.9	-5.0	-4.4
North Macedonia	-0.5	-1.9	-2.9	-1.0	-0.1	-1.0	-1.4	-1.0
Kosovo	-6.9	-8.6	-7.9	-6.0	-8.0	-7.2	-7.3	-7.1
Serbia	-5.6	-3.5	-2.9	-5.2	-5.2	-5.9	-5.6	-5.6
Montenegro	-12.4	-11.0	-16.2	-16.1	-17.2	-16.9	-15.9	-15.4
Slovenia	5.1	3.8	4.8	6.1	5.7	5.3	5.1	4.9
Eurozone	2.3	2.6	3.3	3.1	3.1	2.8	2.7	2.6

Source: FocusEconomics

Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

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

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

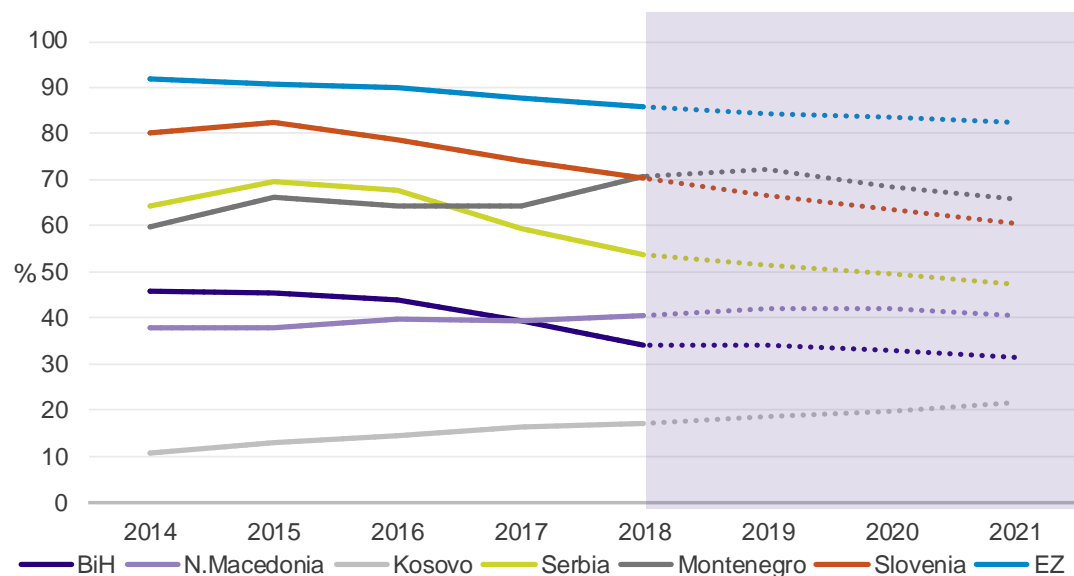
Fiscal balance, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	-2.0	0.7	1.2	2.6	2.3	0.7	0.4	0.3
North Macedonia	-4.2	-3.5	-2.7	-2.7	-1.8	-2.4	-2.5	-2.2
Kosovo	-2.3	-1.6	-1.1	-1.1	-2.6	-2.6	-2.7	-2.5
Serbia	-6.2	-3.5	-1.2	1.1	0.6	-0.2	-0.5	-0.4
Montenegro	-3.0	-8.0	-3.4	-5.5	-3.4	-2.4	0.2	0.7
Slovenia	-5.5	-2.8	-1.9	0.0	0.8	0.4	0.3	0.5
Eurozone	-2.5	-2.0	-1.4	-0.9	-0.5	-0.9	-1.0	-1.1

Source: FocusEconomics

Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Fiscal data

Public Debt, % GDP



KEY FINDINGS:

Public debt varies intensively between the countries. Nevertheless, slow convergence of public indebtedness is projected.

In 2019, a reduction of public debt is expected in **Serbia**, and **Slovenia**, while an increase is forecasted for **Kosovo**, **Montenegro** and **N. Macedonia**.

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

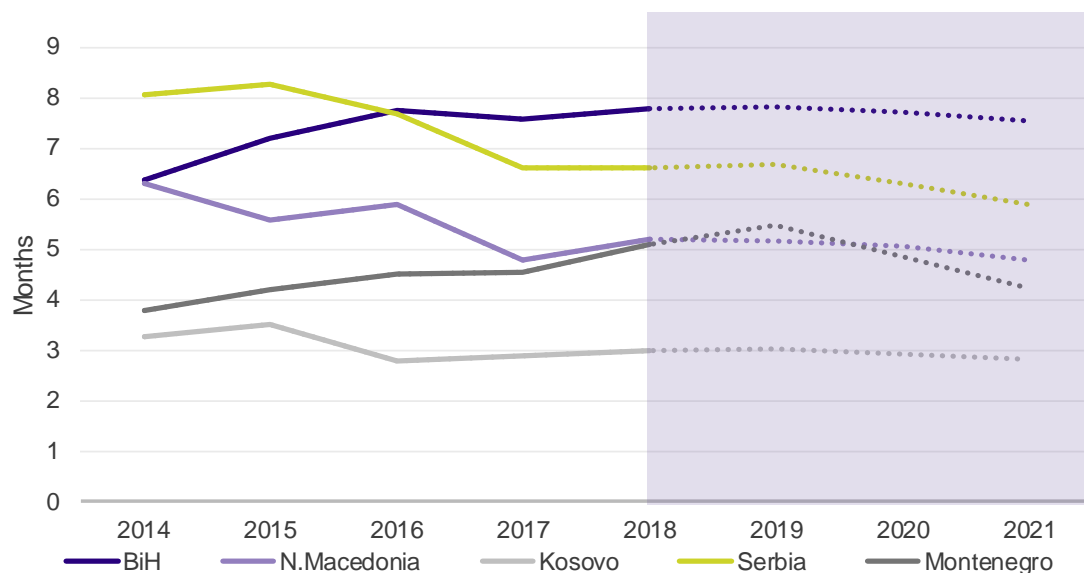
Public debt, % GDP	2014	2015	2016	2017	2018	2019	2020	2021
BiH	45.9	45.5	44.1	39.2	34.3	34.3	33.1	31.5
North Macedonia	38.1	38.1	39.9	39.4	40.6	41.9	42.0	40.4
Kosovo	10.7	13.1	14.4	16.2	17.1	18.6	19.8	21.6
Serbia	64.2	69.5	67.6	59.3	53.8	51.6	49.7	47.2
Montenegro	59.9	66.2	64.4	64.2	70.8	72.3	68.4	65.8
Slovenia	80.3	82.6	78.7	74.1	70.4	66.6	63.4	60.6
Eurozone	92.0	90.8	90.0	87.8	85.9	84.5	83.4	82.3

Source: FocusEconomics

Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Economic data

Int. reserves, import coverage in months



KEY FINDINGS:

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

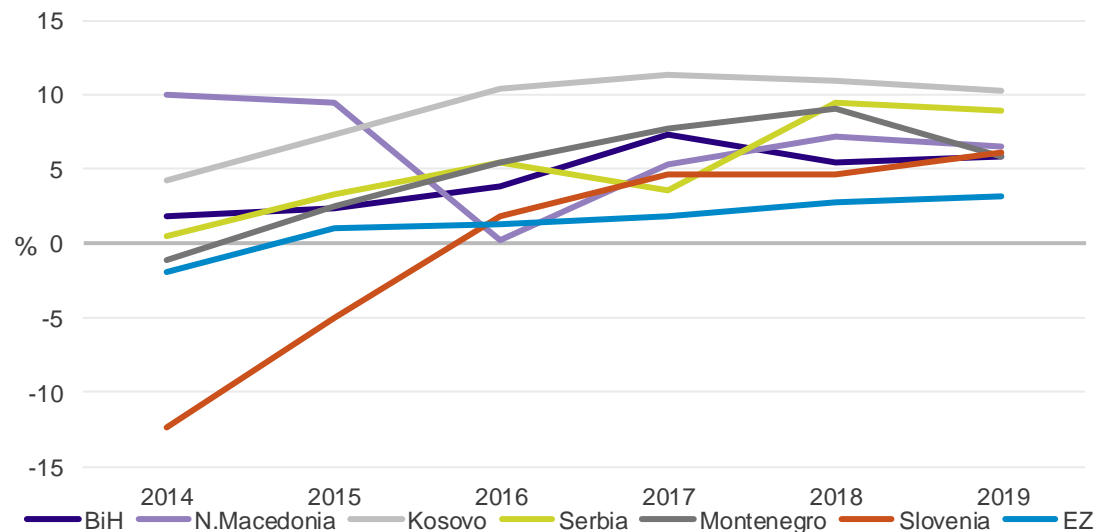
Favourable trendline adds to the stability of foreign exchange rate in **Serbia, North Macedonia** and **BiH**. Unless major geopolitical tensions realize, stable currency regimes remain our baseline scenario.

Int. Reserves (months of imports)	2014	2015	2016	2017	2018	2019	2020	2021
BiH	6.4	7.2	7.7	7.6	7.8	7.8	7.7	7.5
North Macedonia	6.3	5.6	5.9	4.8	5.2	5.1	5.1	4.8
Kosovo	3.3	3.5	2.8	2.9	3.0	3.0	2.9	2.8
Serbia	8.1	8.2	7.7	6.6	6.6	6.7	6.3	5.9
Montenegro	3.8	4.2	4.5	4.5	5.1	5.5	4.8	4.2

Source: FocusEconomics
Note: Consensus Forecasts for 2019, 2020 and 2021

Macro Overview – Monetary data

Loans growth (NFC + Households), %



KEY FINDINGS:

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

Kosovo (10.9%), **Serbia** (9.5%) and **Montenegro** (9.1%) leading the credit growth in the region in 2018.

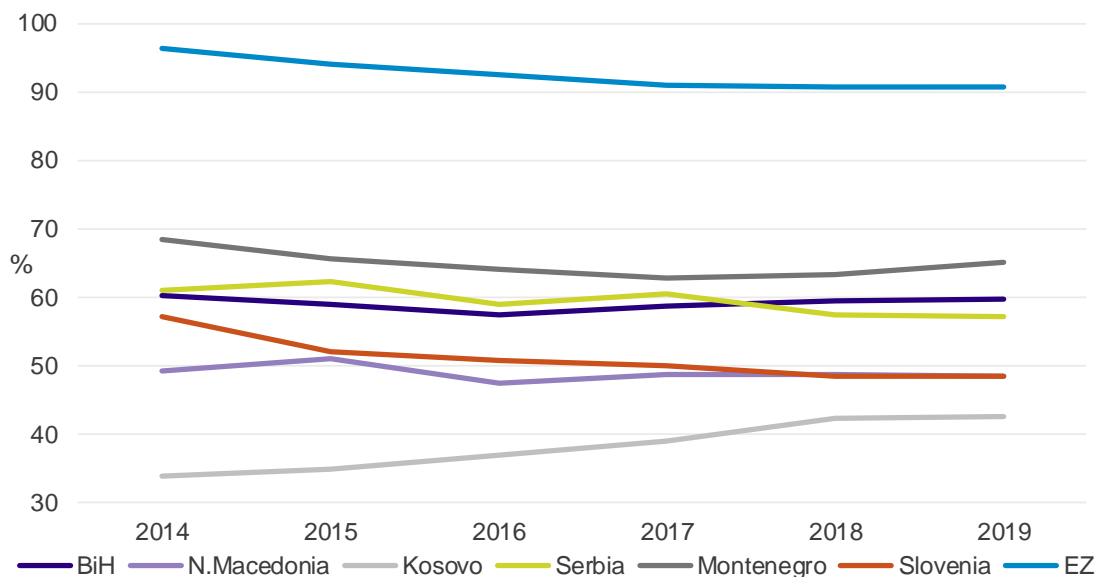
In **Serbia** and **Montenegro** healthy loan dynamics driven by rising consumption and fixed investments.

Loan growth (NFC + Households), %	2014	2015	2016	2017	2018	2019*
BiH	1.8	2.4	3.8	7.3	5.5	5.9
North Macedonia	10.0	9.5	0.2	5.3	7.2	6.5
Kosovo	4.2	7.3	10.4	11.4	10.9	10.3
Serbia	0.5	3.3	5.5	3.6	9.5	9.0
Montenegro	-1.1	2.5	5.4	7.7	9.1	5.8
Slovenia	-12.4	-5.1	1.8	4.6	4.7	6.1
Eurozone	-1.9	1.0	1.3	1.9	2.8	3.1

Sources: National Central banks, ECB, Own calculations
Note: August 2019 YoY growth

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

Entire region below Eurozone average with an excellent growth potential.

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

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

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

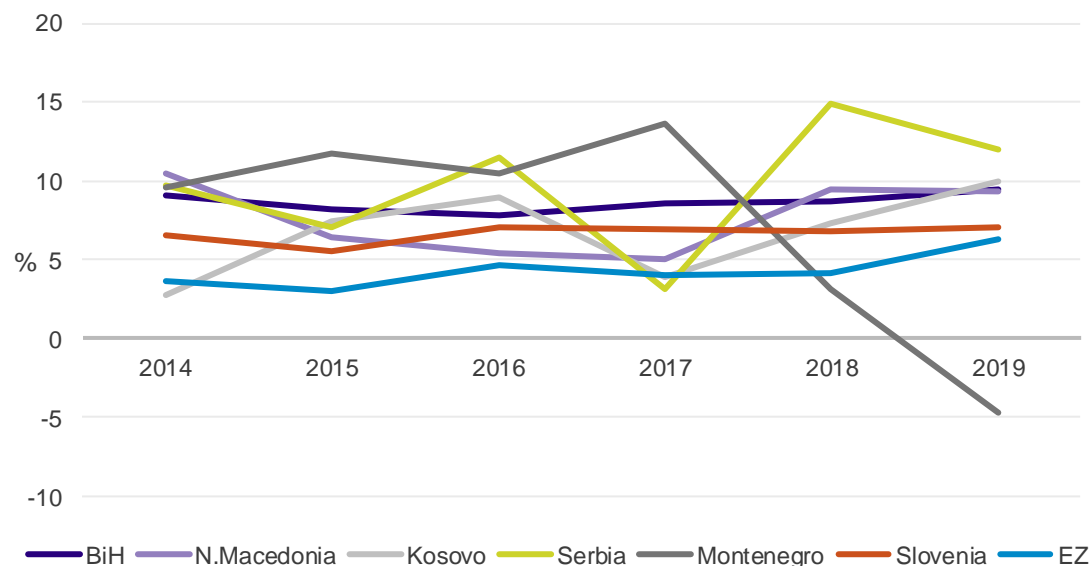
Total loans, % GDP	2014	2015	2016	2017	2018	2019*
BiH	60.2	59.0	57.5	58.7	59.5	58.9
North Macedonia	49.3	51.0	47.6	48.7	48.8	49.1
Kosovo	33.8	34.9	36.9	38.9	42.4	43.2
Serbia	61.0	62.3	59.1	60.5	57.5	57.2
Montenegro	68.5	65.8	64.0	62.8	63.4	62.8
Slovenia	57.2	52.2	50.9	50.1	48.6	49.1
Eurozone	96.4	94.0	92.6	91.1	90.7	94.7

Sources: National Central banks, ECB, Own calculations

Note: Eurozone Total loans includes only NFC + Households loans; For 2019 Q2 data on loans and GDP;

Macro Overview – Monetary data

Deposits growth (NFC + Households), %



KEY FINDINGS:

There are substantial differences in deposit growth numbers.

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

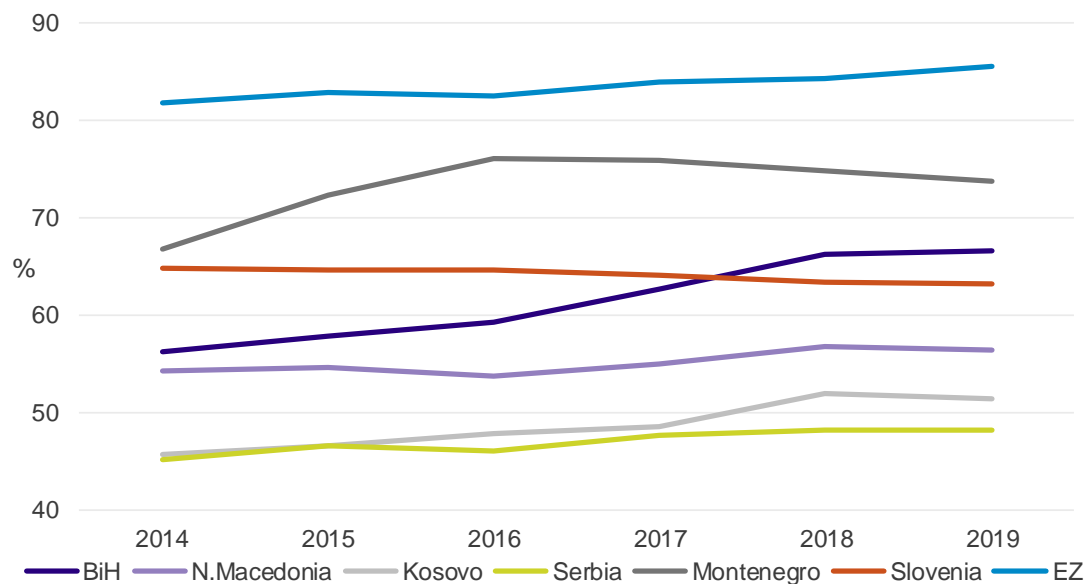
An exception is **Montenegro**, which is the only country with growth in 2018 under the Eurozone level. Its growth in 2019 was influenced by the exclusion of deposits from Invest Bank and Atlas Bank due to their bankruptcy proceedings.

Deposit growth (NFC + Households), %	2014	2015	2016	2017	2018	2019*
BiH	9.1	8.2	7.8	8.6	8.7	9.4
North Macedonia	10.5	6.4	5.4	5.0	9.5	9.4
Kosovo	2.8	7.4	8.9	3.9	7.3	10.0
Serbia	9.7	7.1	11.5	3.1	14.9	12.0
Montenegro	9.6	11.8	10.5	13.7	3.2	-4.6
Slovenia	6.5	5.6	7.1	6.9	6.8	7.0
Eurozone	3.7	3.0	4.6	4.1	4.2	6.2

Sources: National Central banks, ECB, Own calculations
Note: August 2019 YoY growth.

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

Before 2019, slightly falling, but stable deposit to GDP ratio in **Montenegro** and **Slovenia**. Growing trend in the rest of the region with the highest increase in **BiH** and **Kosovo**.

In 2019, a drop in all countries except **North Macedonia**.

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

Total deposits, % GDP	2014	2015	2016	2017	2018	2019*
BiH	56.2	57.8	59.4	62.7	66.4	65.6
North Macedonia	54.2	54.6	53.7	55.0	56.8	57.3
Kosovo	45.6	46.6	47.9	48.5	52.0	50.7
Serbia	45.2	46.6	46.1	47.6	48.2	47.8
Montenegro	66.7	72.4	76.1	76.0	74.9	69.4
Slovenia	64.9	64.7	64.7	64.0	63.3	63.2
Eurozone	82.9	82.5	84.0	84.4	85.1	89.9

Sources: National Central banks, ECB, Own calculations

Note: Eurozone Total deposits includes only NFC + Households deposits; For 2019 Q2 data on deposits and GDP; For Montenegro, 2019 Q2 deposits data excludes deposits with Invest Bank and Atlas Bank, according to CBCG



Appendix 3:

Financial statements

NLB Group Income Statement

(EURm)	1-9 2019	1-9 2018	YoY	Q3 2019	Q2 2019	Q3 2018	QoQ
Interest and similar income	272.7	266.7	2%	91.4	90.9	91.6	1%
Interest and similar expense	-33.9	-34.9	3%	-11.6	-11.2	-11.4	-4%
Net interest income	238.8	231.9	3%	79.8	79.7	80.2	0%
Fee and commission income	173.7	162.0	7%	61.9	58.0	56.0	7%
Fee and commission expense	-46.9	-42.1	-11%	-17.3	-15.8	-15.6	-9%
Net fee and commission income	126.9	120.0	6%	44.6	42.1	40.4	6%
Dividend income	0.2	0.1	75%	0.0	0.1	0.0	-89%
Net income from financial transactions	28.0	11.7	141%	5.1	10.7	5.0	-52%
Other operating income	-9.2	5.4	-	-2.1	-9.0	0.3	76%
Total net operating income	384.7	369.0	4%	127.4	123.6	125.9	3%
Employee costs	-123.2	-122.0	-1%	-41.8	-41.4	-41.1	-1%
Other general and administrative expenses	-67.9	-67.9	0%	-23.3	-23.4	-22.5	0%
Depreciation and amortisation	-23.3	-20.5	-14%	-7.9	-7.7	-6.9	-3%
Total costs	-214.4	-210.4	-2%	-73.0	-72.4	-70.4	-1%
Result before impairments and provisions	170.3	158.6	7%	54.4	51.2	55.5	6%
Impairments and provisions for credit risk	15.6	23.2	-33%	16.4	-4.0	7.6	-
Other impairments and provisions	-5.9	-4.2	-39%	-1.1	-0.8	-3.0	-34%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4.2	4.1	1%	1.6	1.4	1.6	18%
Result before Tax	184.2	181.7	1%	71.2	47.7	61.7	49%
Income tax expense	-15.8	-16.6	5%	-0.9	-9.5	-6.0	90%
Non Controlling Interests	6.2	6.7	-8%	2.4	1.8	2.2	32%
Net Profit / (Loss) Attributable to Shareholders	162.2	158.3	2%	67.9	36.4	53.5	86%

NLB Group Statement of Financial Position

(EURm)	30 Sep 2019	31 Dec 2018	YtD
ASSETS			
Cash and balances with Central Banks and other demand deposits at banks	1,531.4	1,588.3	-4%
Financial instruments	3,841.4	3,399.2	13%
<i>o/w Trading Book</i>	87.6	63.6	38%
<i>o/w Non-trading Book</i>	3,753.9	3,335.6	13%
Loans and advances to banks (net)	90.3	118.7	-24%
<i>o/w gross loans</i>	90.4	118.8	-24%
<i>o/w impairments</i>	-0.1	-0.1	29%
Loans and advances to customers	7,496.0	7,148.4	5%
<i>o/w gross loans</i>	7,905.1	7,627.5	4%
- Corporates	3,661.5	3,540.4	3%
- State	312.1	360.5	-13%
- Individuals	3,931.5	3,726.5	6%
<i>o/w impairments and valuation</i>	-409.0	-479.0	15%
Investments in associates and JV	7.5	37.1	-80%
Goodwill	3.5	3.5	0%
Other intangible assets	32.1	31.4	2%
Property, plant and equipment	191.0	177.4	8%
Investment property	56.4	58.6	-4%
Other assets	239.8	177.1	35%
Total Assets	13,489.5	12,740.0	6%
LIABILITIES & EQUITY			
Deposits from banks and central banks	56.3	26.8	110%
Deposits from customers	11,038.2	10,464.0	5%
- Corporates	2,429.9	2,337.3	4%
- State	278.0	261.1	6%
- Individuals	8,330.2	7,865.6	6%
Borrowings	242.7	320.3	-24%
Subordinated liabilities	90.3	15.1	-
Other liabilities	357.6	256.5	39%
Total Liabilities	11,785.1	11,082.6	6%
Shareholders' Equity	1,661.5	1,616.2	3%
Non Controlling Interests	42.9	41.2	4%
Total Equity	1,704.4	1,657.4	3%
Total Liabilities & Equity	13,489.5	12,740.0	6%