



NLB Group Presentation

FY2019 Unaudited Results



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NLB Group Highlights

Key developments

- **Total Tier2 issuance EUR 285m**
 - ✓ In February 2020, 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 3.40% p.a.
 - ✓ November 2019, **EUR 120m**, subordinated Tier2 notes
 - ✓ May 2019, **EUR 45m**, subordinated Tier2 notes
- **Regulatory changes**
 - BoS restrictions on consumer lending in Slovenia
- **Divestment** of shareholdings in **NLB Vita in December 2019**
- New online application **NLB Odkup terjatev** for the purchase of receivables

Key performance indicators of NLB Group

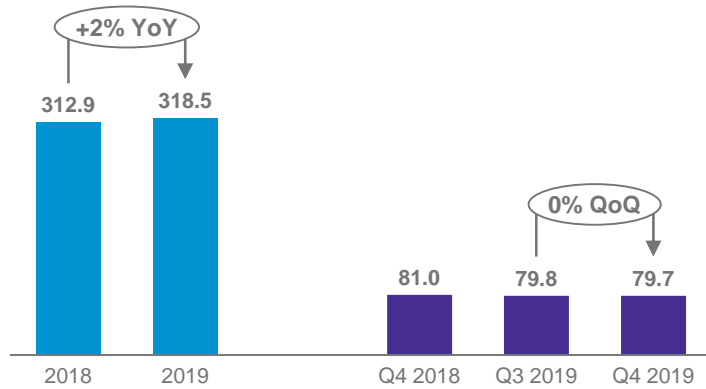
	Medium-term targets set in 2018 ⁽¹⁾			
	YE 17	YE 18	YE19	Medium term
Net interest margin ⁽²⁾	2.57%	2.56%	2.48%	>2.7%
Loans to deposits ratio	70.8%	68.3%	65.5%	<95%
Total capital ratio	15.9%	16.7%	16.3%	16.25% ⁽⁸⁾
Cost-income ratio	58.4%	58.5%	58.7%	~50%
Cost of risk ⁽³⁾	-62 bps	-43 bps	-20 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	14.4%	11.8%	11.7%	~12.0%
Dividend payout	84% ⁽⁵⁾	70%	70%	~70% ⁽⁷⁾
NPE ratio ⁽⁴⁾	6.7%	4.7%	2.7%	<4.0%

Source: Company information

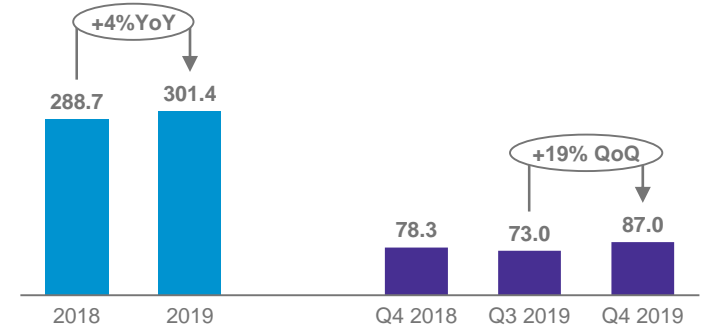
Note: (1) Target set by NLB management as a part of their financial projections for 2019-2023; (2) Calculated on the basis of interest bearing assets; interest margin data for 2018 are adjusted to new methodology (calculation based on the number of days for the period). (3) Calculated as credit impairments 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

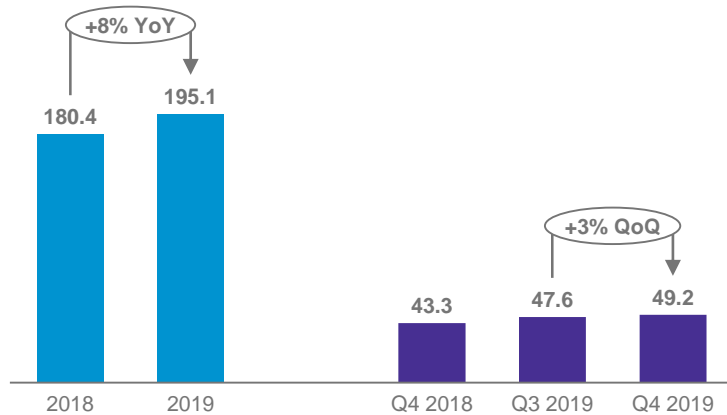
Net interest income (Group, EURm)



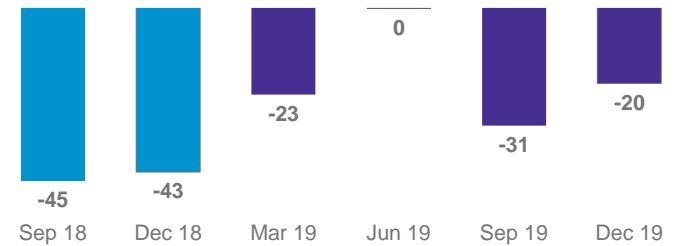
Costs (Group, EURm)



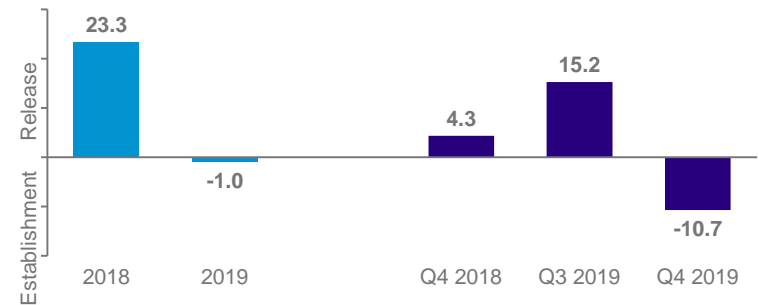
Net non-interest income (Group, EURm)



Cost of risk (Group, bps)



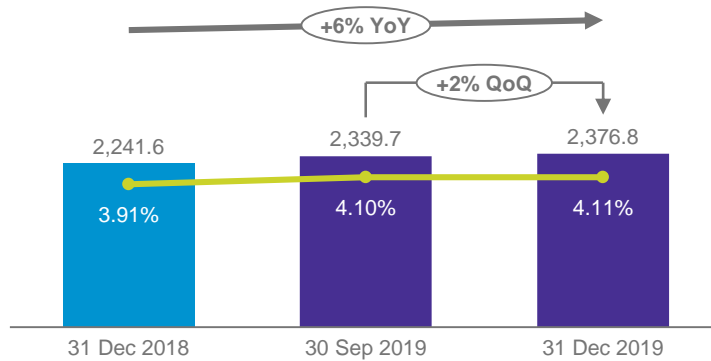
Net impairments and provisions (Group, EUR m)



Loan dynamics

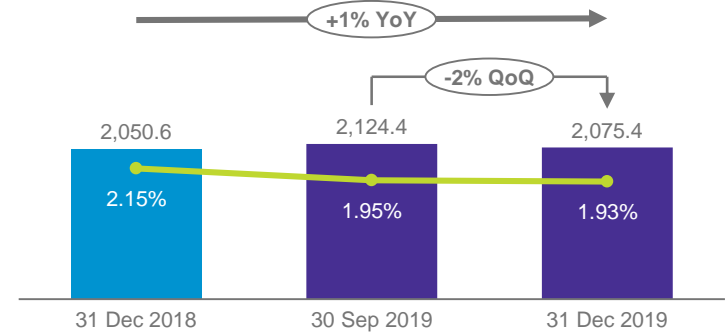
NLB d.d.⁽¹⁾

Gross loans to individuals



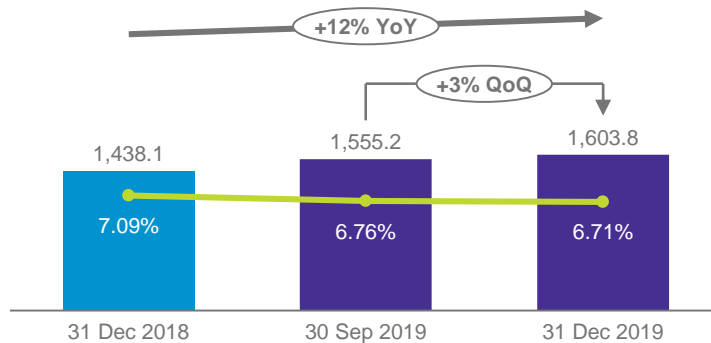
Gross loans to individuals (in EUR million)
Yields - loans to individuals

Gross loans to corporate

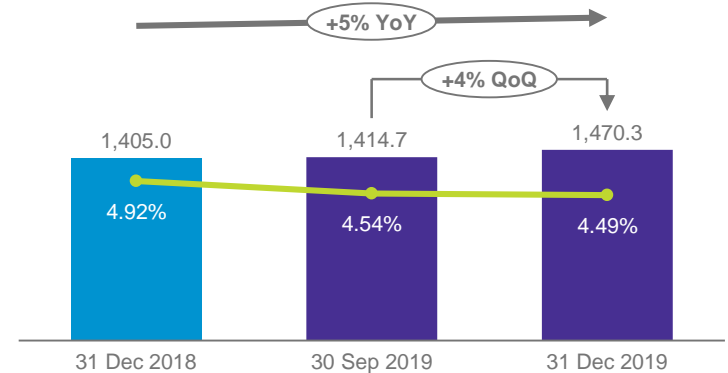


Gross loans to corporate (in EUR million)
Yields - loans to corporate

Strategic foreign markets⁽²⁾



Gross loans to individuals (in EUR million)
Yields - loans to individuals

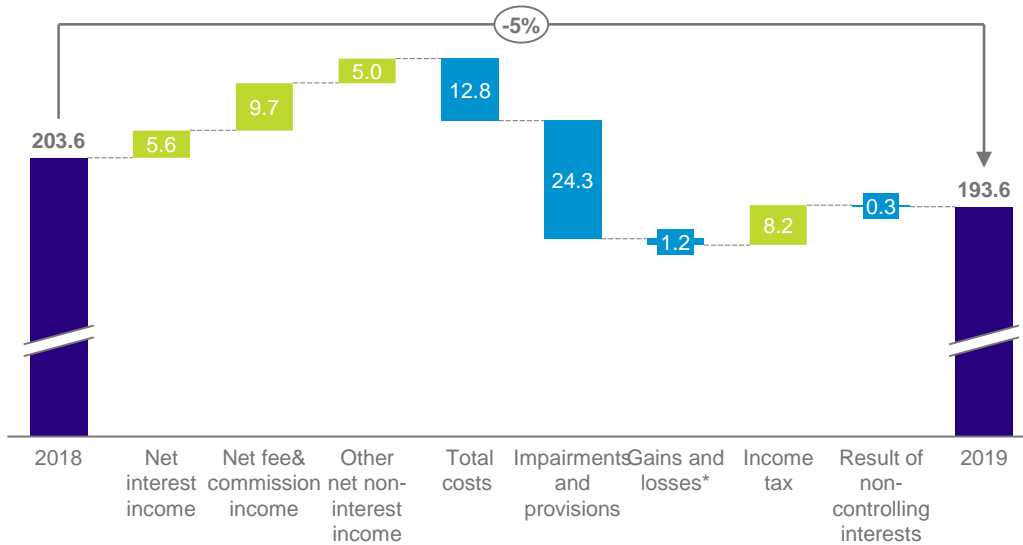


Gross loans to corporate (in EUR million)
Yields - loans to corporate

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

Income Statement

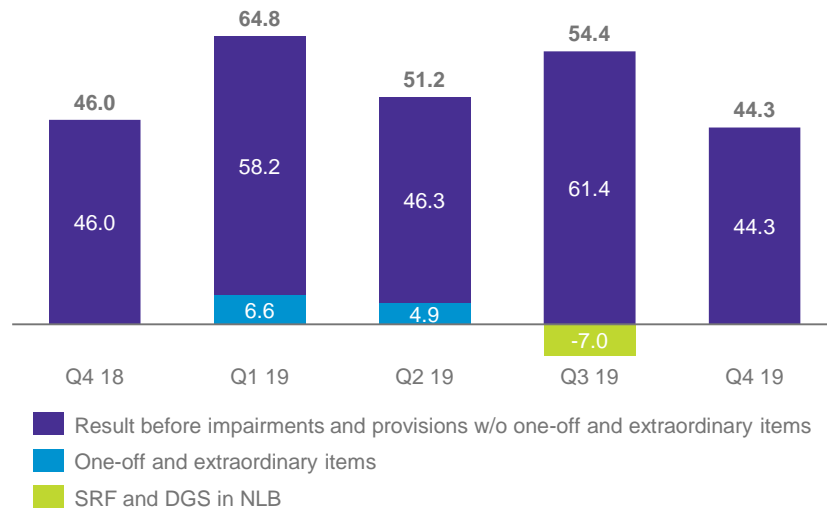
Result after tax of NLB Group – evolution YoY (EURm)



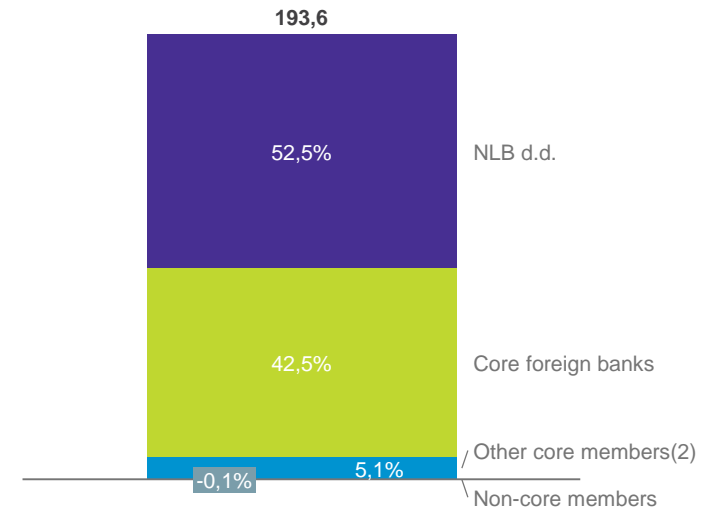
In 2019, NLB Group generated **EUR 193.6 million of profit after tax:**

- Higher net interest income, due to an increase of interest income in most of the banks of the Group, supported by loan book growth.
- Higher net fee and commission income, mainly from the retail segment in the Bank and in the banking subsidiaries in SEE. Most of the foreign banks recorded an increase in number of customers.
- Increase in total costs mostly due to higher employee (adjustments on management board and senior management post-privatization compensation) and general and administrative costs (licences, consulting and supervision).
- EUR 1.0 million of net provisions and impairments were established in 2019, while EUR 23.3 million were released in 2018.
- Income tax was EUR 8.2 million lower, mainly due to an increase of recognized deferred tax assets (DTA) (based on stable results and profit projection in the Bank, estimated 5 years DTA utilization increased).

Result before impairments and provisions (Group, EURm)



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

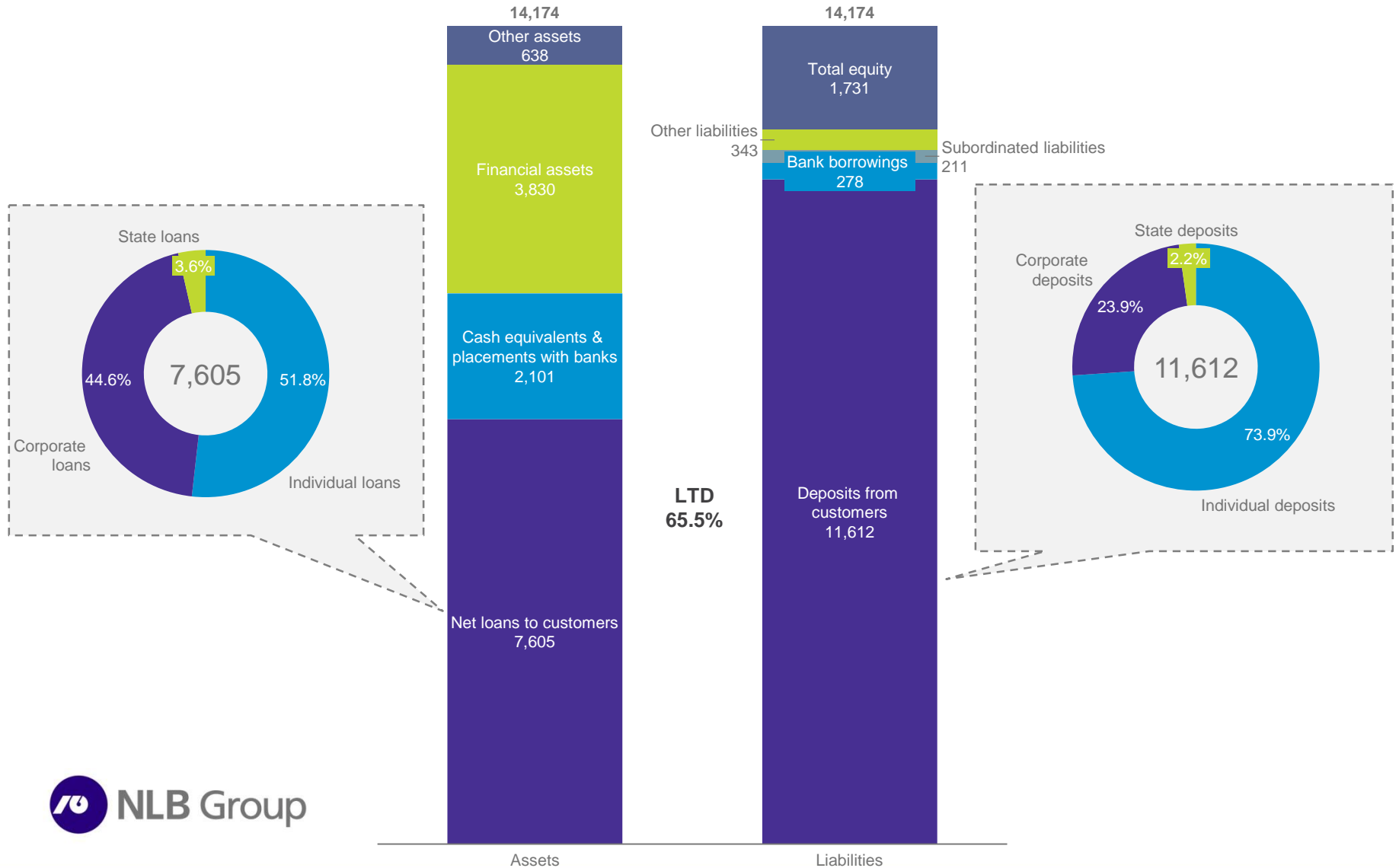


Notes: (1) Gains less losses from capital investments in subsidiaries, associates, and joint ventures. (2) NLB Skladi, NLB Vita and Bankart.

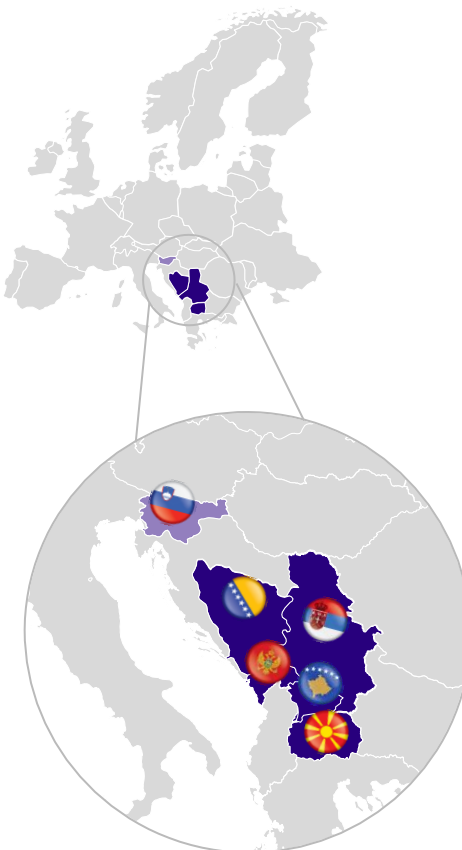
Balance sheet structure – NLB Group








Simple client business driven balance sheet

(31 Dec 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)	176.1	32.9	17.1	9.0	19.5	7.6	4.1	193.6
Total assets (EURm)	9,802	1,462	773	638	801	548	614	14,174
RoE a.t.	11.6%	16.2%	19.9%	11.2%	25.1%	11.2%	5.9%	11.7%
Net interest margin⁽¹⁾	1.85%	3.66%	2.51%	2.95%	4.33%	4.27%	4.03%	2.48%
Cost/income	53.7%	41.0%	43.2%	53.3%	31.9%	51.4%	78.3%	58.7%
Loans/Deposits % (net)	59.1%	77.8%	66.6%	77.5%	78.8%	79.3%	94.2%	65.5%
NPL ratio	2.8%	4.2%	1.3%	3.3%	1.5%	4.0%	1.6%	3.8%
NLB ownership (%)	/	86.97%	99.85%	97.35%	81.21%	99.83%	99.997%	/
No. of branches (#)	93	52	53	38	35	19	28	318
Market⁽²⁾ share %	23.8%	16.0% ⁽³⁾	18.8% ^(3, 4)	5.3% ^(3, 5)	17.6%	11.9%	1.7% ⁽⁶⁾	/

Note: Financial data as of December 2019

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

(1) Calculated on the basis of interest bearing assets; (2) Market share based on total assets; (3) Data for market share as of 30 Sep 2019; (4) Market share in the Republika Srpska; (5) Market share in the Federation of BiH; (6) Data for market share as of 30 Jun 2019;

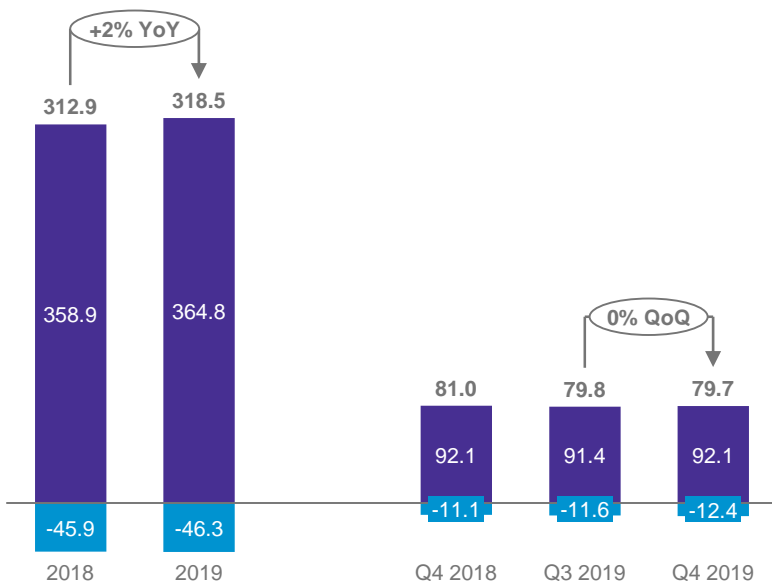


Business Performance

Net interest income & net interest margin

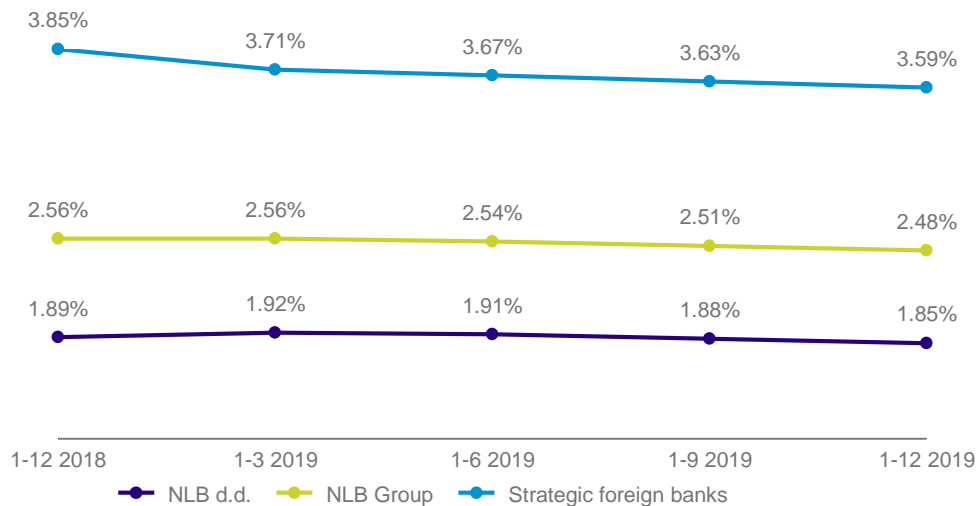
Net interest income increased YoY but remains under pressure

Solid interest income growth YoY (Group, EURm)

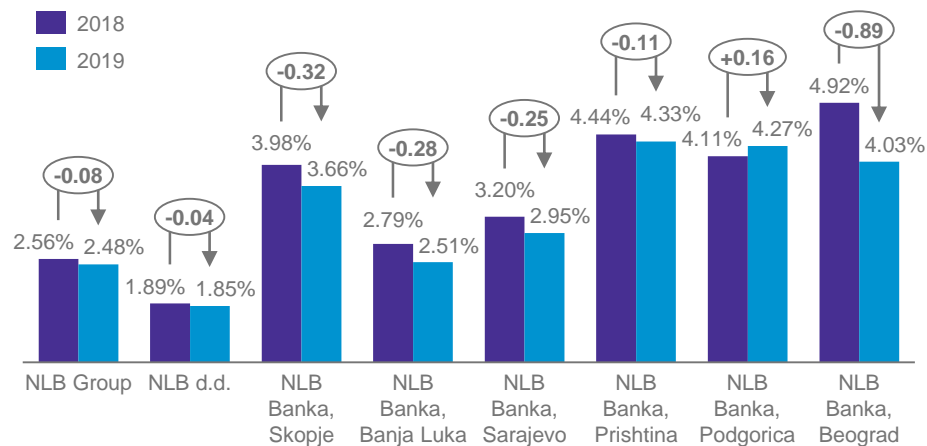


Interest expenses Interest income

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⁾

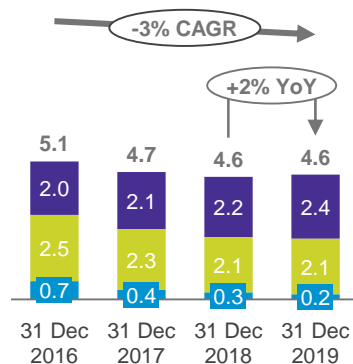
- NLB d.d.'s loan book volume is stabilizing.
- The structure is changing in favour of retail loans with higher interest rates which is reflected in higher interest income in 2019 compared to the same period of 2018.

■ Individuals ■ Corporate ■ State

Drivers

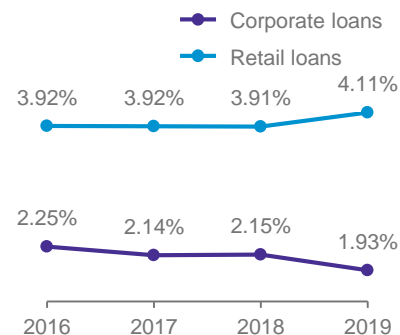
Volume (in EUR billion)

Gross loans



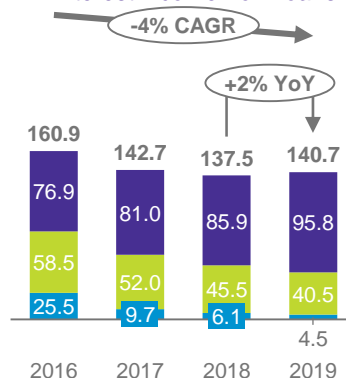
Yields and rates

Loan yields



Interest income / expense (in EUR million)

Interest income from loans

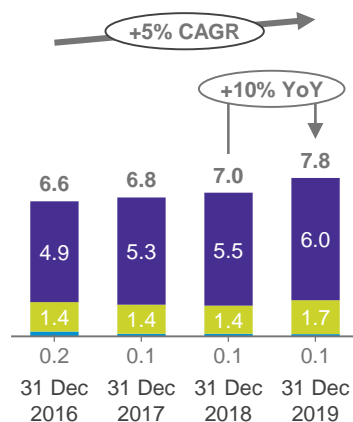


Interest expense

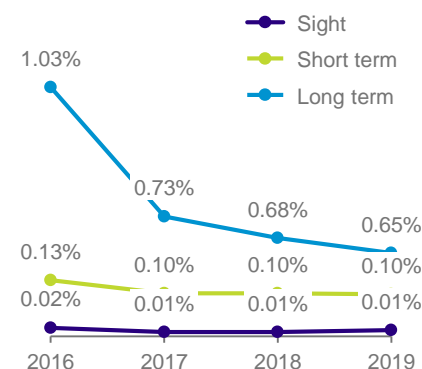
- Inflow of deposits in light of negative interest rate environment.
- Deposit structure is changing from maturity point of view, with cheaper sight deposit prevailing in the structure.
- Decrease in interest expenses due to decrease in average deposit rate and shorter average maturity of deposits.

■ Individuals ■ Corporate ■ State

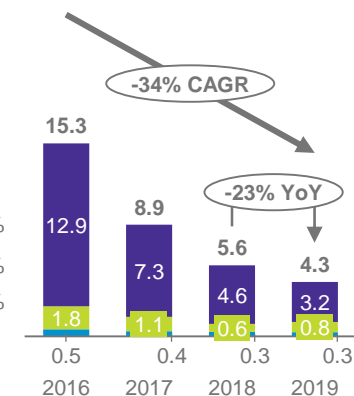
Deposits



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	2019
Net interest income ⁽²⁾	175	159	158	158
NIM ⁽³⁾	2.0%	1.9%	1.9%	1.9%

Net interest income drivers – Strategic foreign markets⁽¹⁾

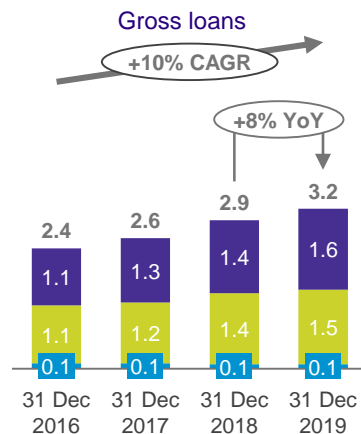
Interest income

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

■ Individuals ■ Corporate ■ State

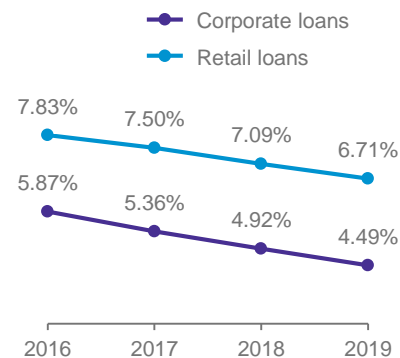
Drivers

Volume⁽²⁾ (in EUR billion)



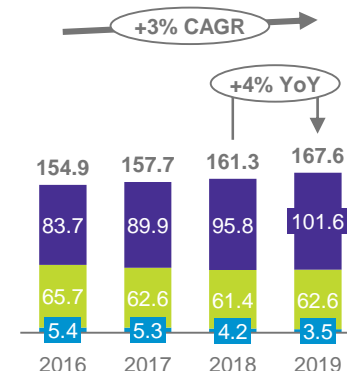
Yields and rates

Loan yields



Interest income / expense (in EUR million)

Interest income from loans

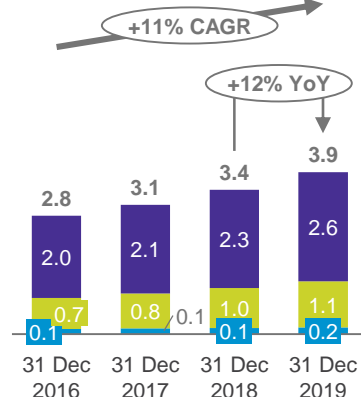


Interest expense

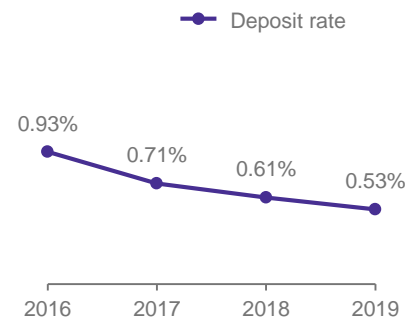
- Deposit structure is slightly shifting from term towards sight deposits with lower interest rates.
- Decrease in interest expenses due to decrease in deposit rates.

■ Individuals ■ Corporate ■ State

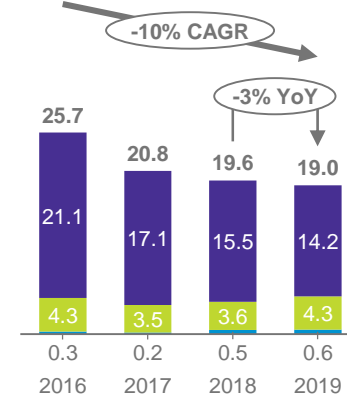
Deposits



Deposit rates



Interest expenses from deposits



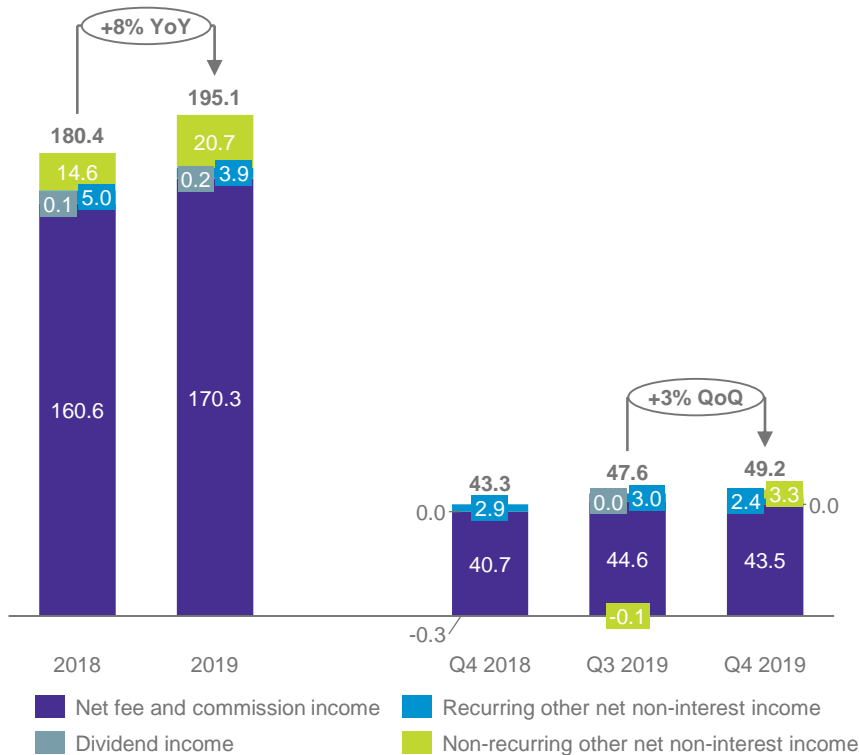
Note: (1) Only banks also before new segmentation from 2019 on; (2) On consolidated basis; (3) Includes also other items from presented interest income from loans and interest expense from deposits; (4) Calculated on the basis of interest bearing assets.

	2016	2017	2018	2019
Net interest income ⁽²⁾	137	145	151	158
NIM ⁽³⁾	4.0%	4.0%	3.8%	3.6%

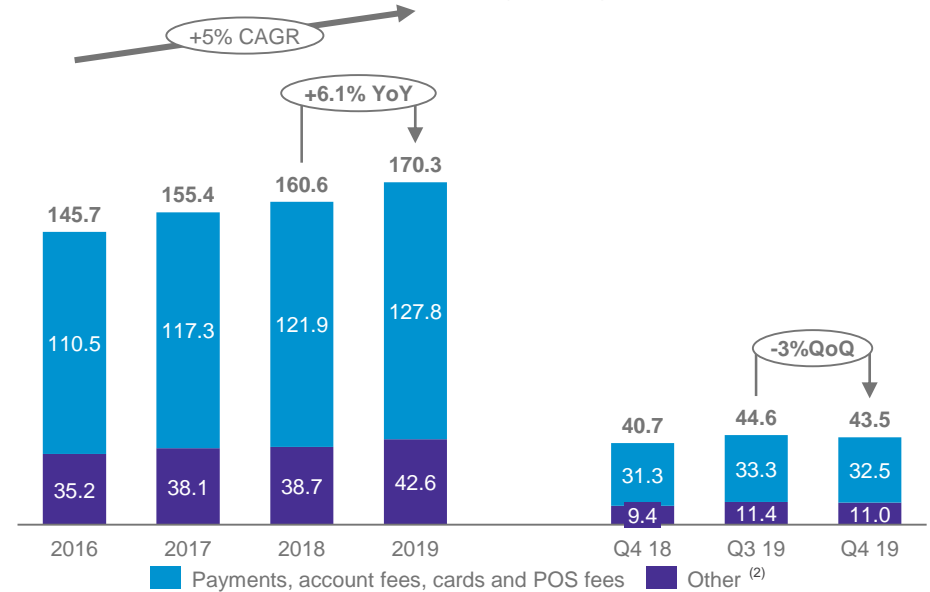
Net non-interest income – NLB Group

Good performance in Fees and Commissions

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



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



Net non-interest income totaling EUR 195.1 million increased by EUR 14.8 million or 8% YoY, due to the following factors:

- Higher net fee and commission income by EUR 9.7 million or 6%, mainly from the retail segment in the Bank and in the banking subsidiaries in SEE. Most of the foreign banks recorded an increase in number of customers.
- Recurring other net non-interest income amounted to EUR 3.9 million (EUR -1.2 million YoY) and was affected mainly by the regulatory costs (SRF and DGS) in the total amount of EUR 16.2 million and higher net gains from FX trading.
- Net non-interest income was positively impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss and active management of banking book securities in the amount of EUR 4.5 million
- In 2019, a positive one-off effect from revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million in Q2; whereas in the same period of 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziski fond, 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.

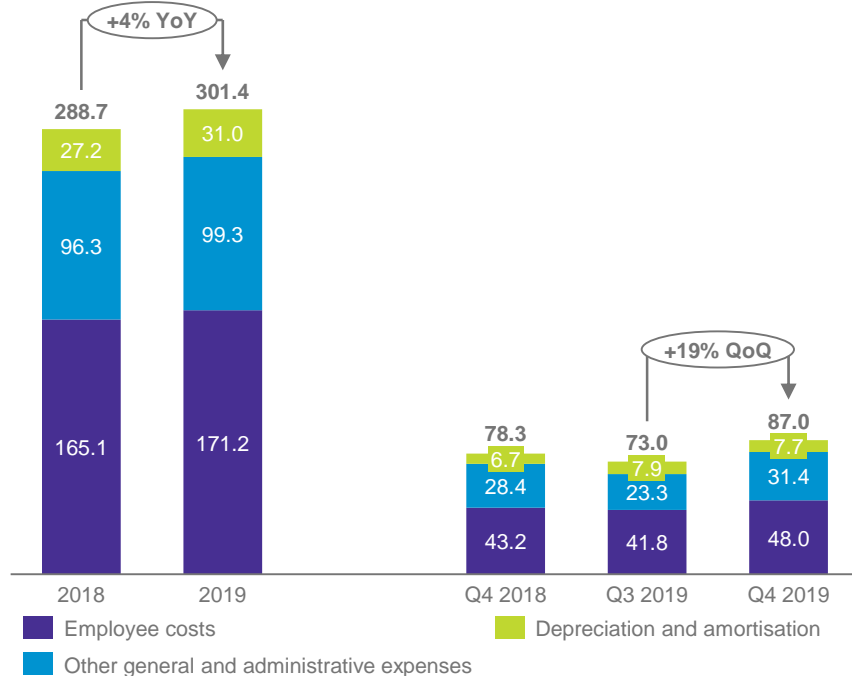
in EUR million	2019	2018	Change YoY
Recurring other net non-interest income	3.9	5.0	-1.2 -23%
Net income from financial transactions (Fees from Exchange differences)	11.5	10.5	1.0 10%
Net other income	-7.7	-5.5	-2.2 -39%
- external realization (IT, cash logistics)	3.4	3.9	-0.5 -12%
- rents	5.1	6.9	-1.8 -26%
- regulatory charges (SRF, DGS)	-16.2	-16.3	0.1 1%

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

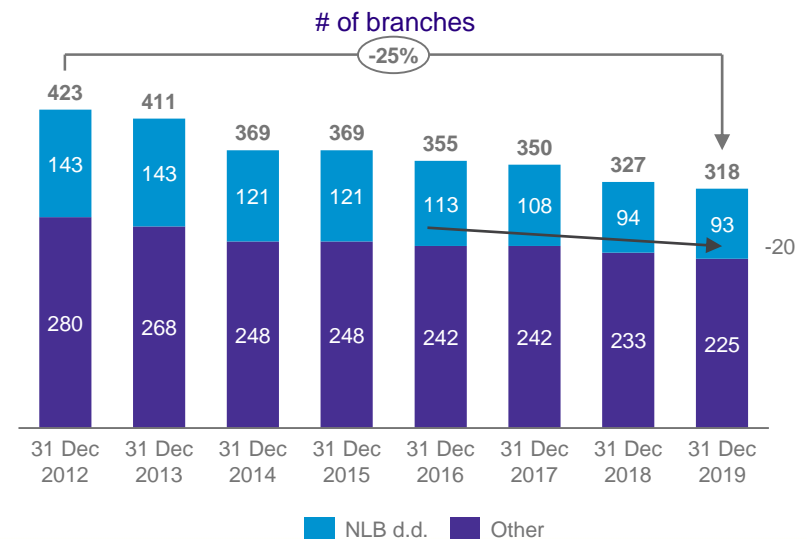
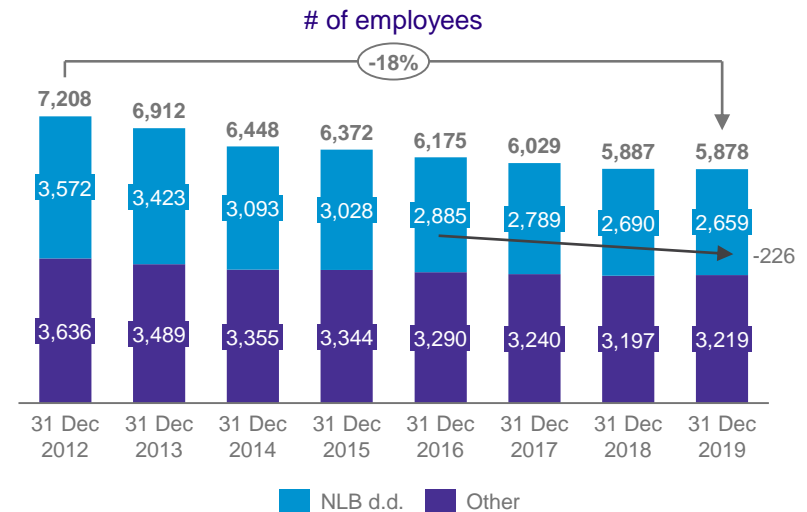
Cost higher by 4% YoY

Operating expenses (Group, EURm)



- EUR 12.8 million increase in total costs mostly due to higher employee (adjustments on management board and senior management post-privatization compensation) and general and administrative costs (licences, consulting and supervision).
- EUR 1.6 million related to restructuring and EUR 3.0 million of performance rewards paid in December.
- CIR stood at 58.7%.
- Headcount dropped by 18% over 2012-2019 driven primarily by Slovenia core & non-core members.
- Ongoing closures of unprofitable branches.

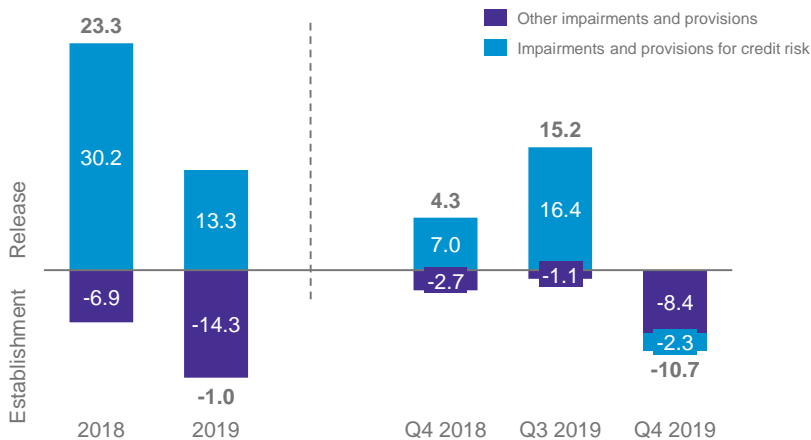
Employees and branches evolution – stronger rationalisation in tougher Slovenia market (#)



Impairments and provisions & cost of risk

Cost of risk negative

Impairments and provisions (Group, EUR m)

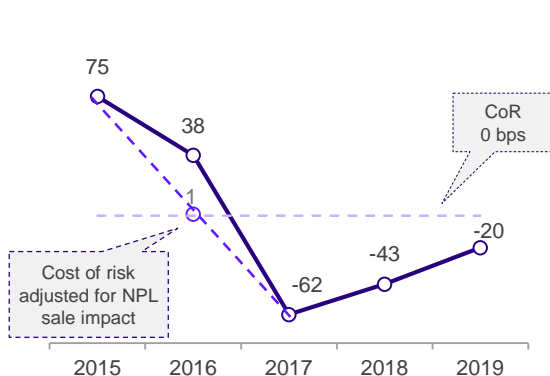


In 2019, the Group established EUR 1.0 million of **net impairments and provisions** while in the same period of previous year EUR 23.3 million were released.

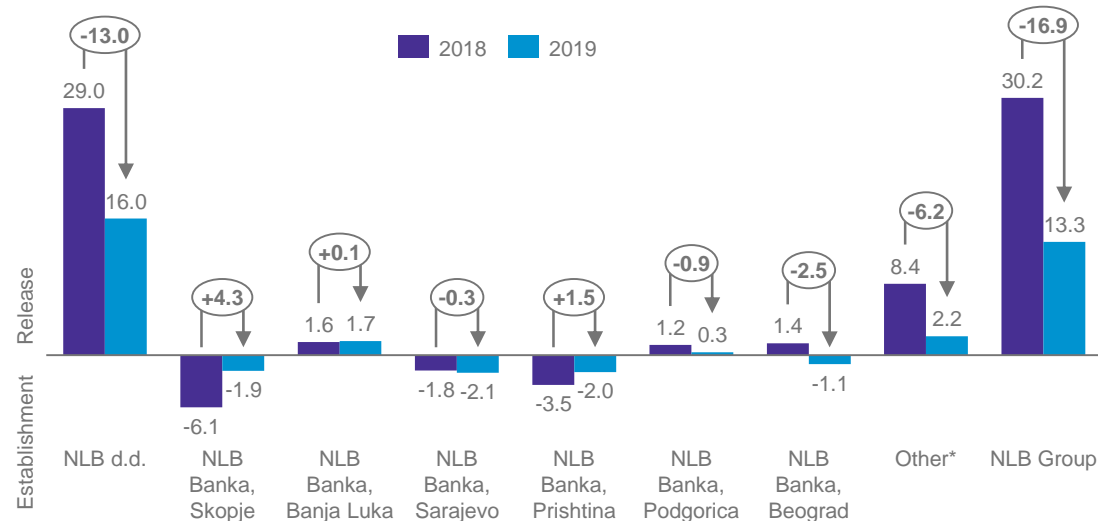
Impairments and provisions for credit risk were net released in the amount of EUR 13.3 million and thus the cost of risk was negative, -20 bps.

Other impairments and provisions in 2019 were net established in the amount of EUR 14.3 million (of which established HR provisions for reorganization in the Bank in the amount of EUR 5.5 million, pending legal disputes in the amount of EUR 5.7 million, and impairments of non-financial assets in the amount of EUR 3.2 million), while in 2018 were net established in the amount of EUR 6.9 million.

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

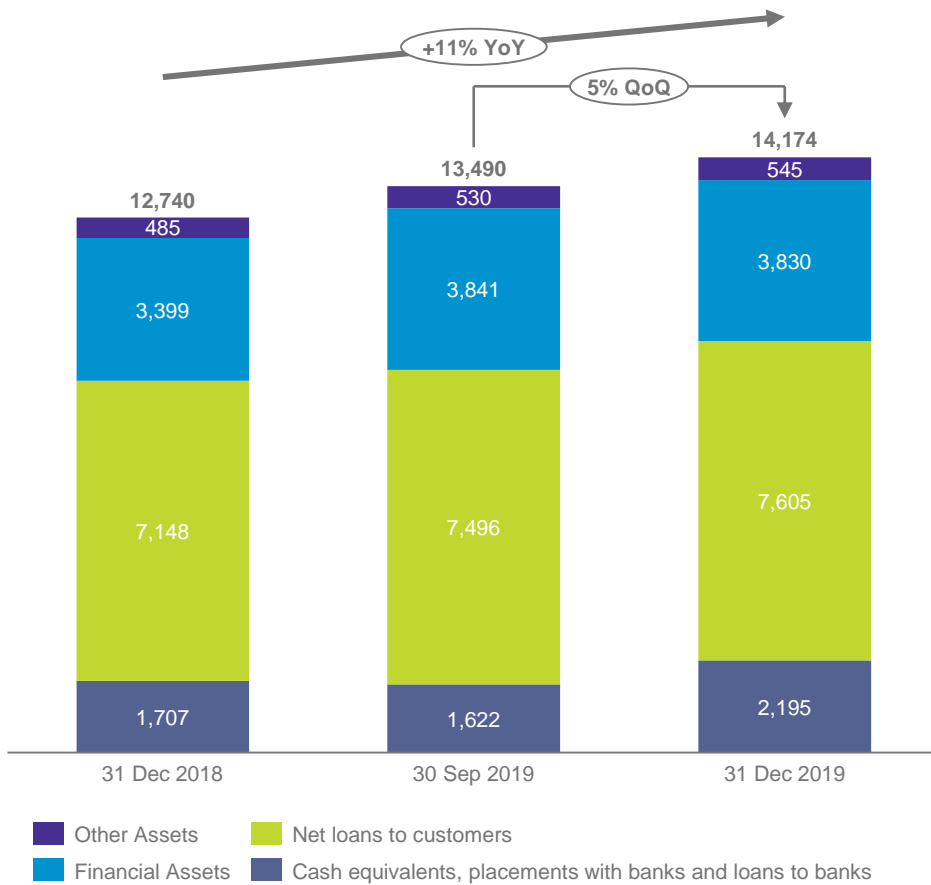


Assets and Liabilities

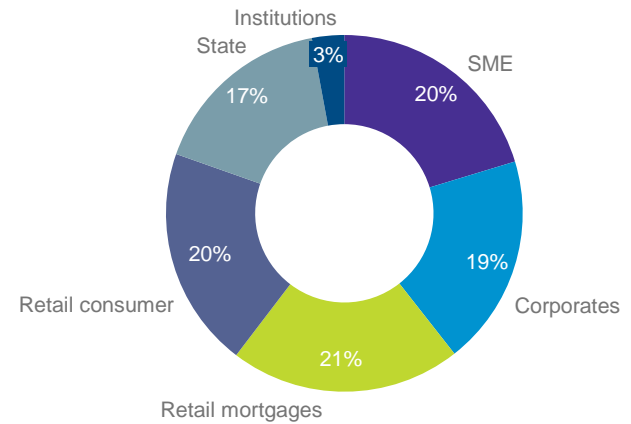
NLB Group Assets

Well diversified loan book, strong liquidity position

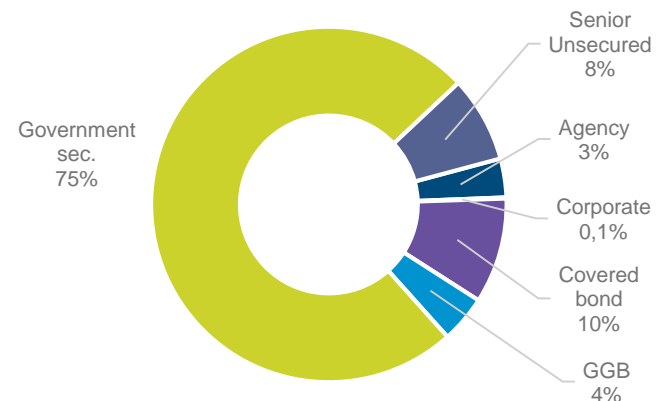
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment (Group, 31 Dec 2019)



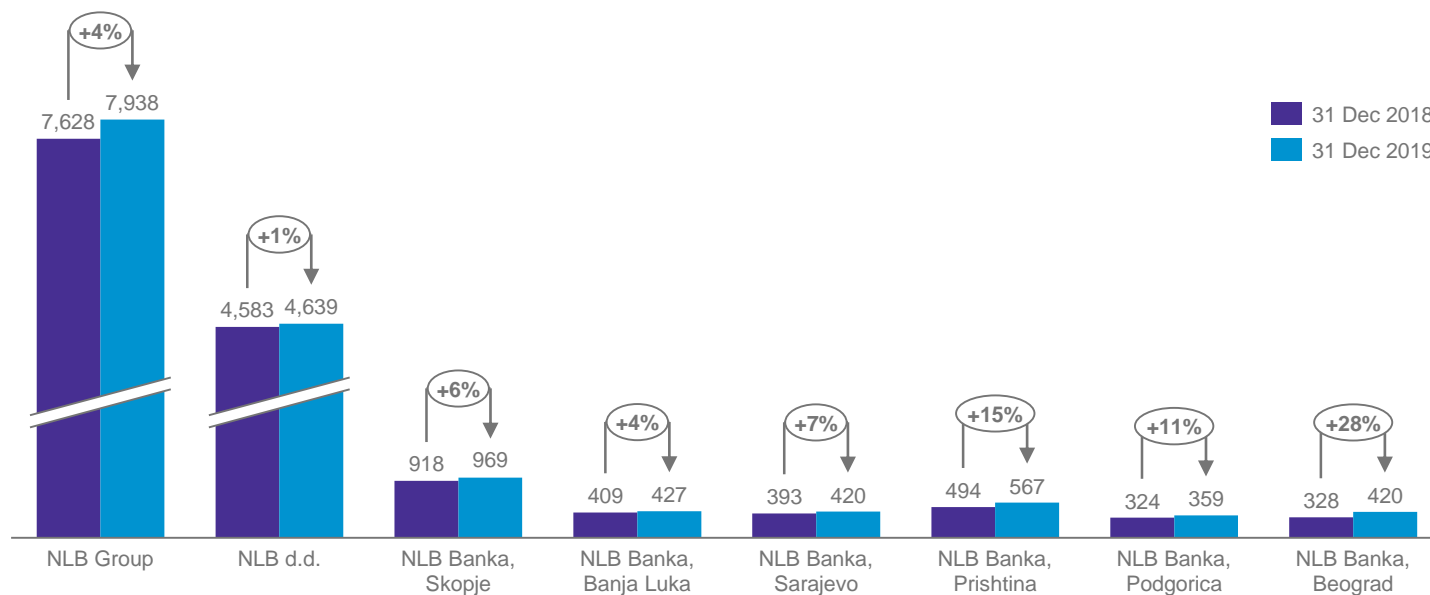
Banking book portfolio by asset class (Group, 31 Dec 2019)



NLB Group Assets – Loan portfolio

Balanced loan portfolio with loan growth in most of banks

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



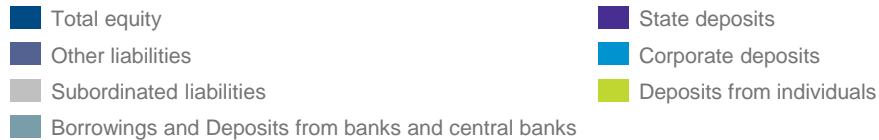
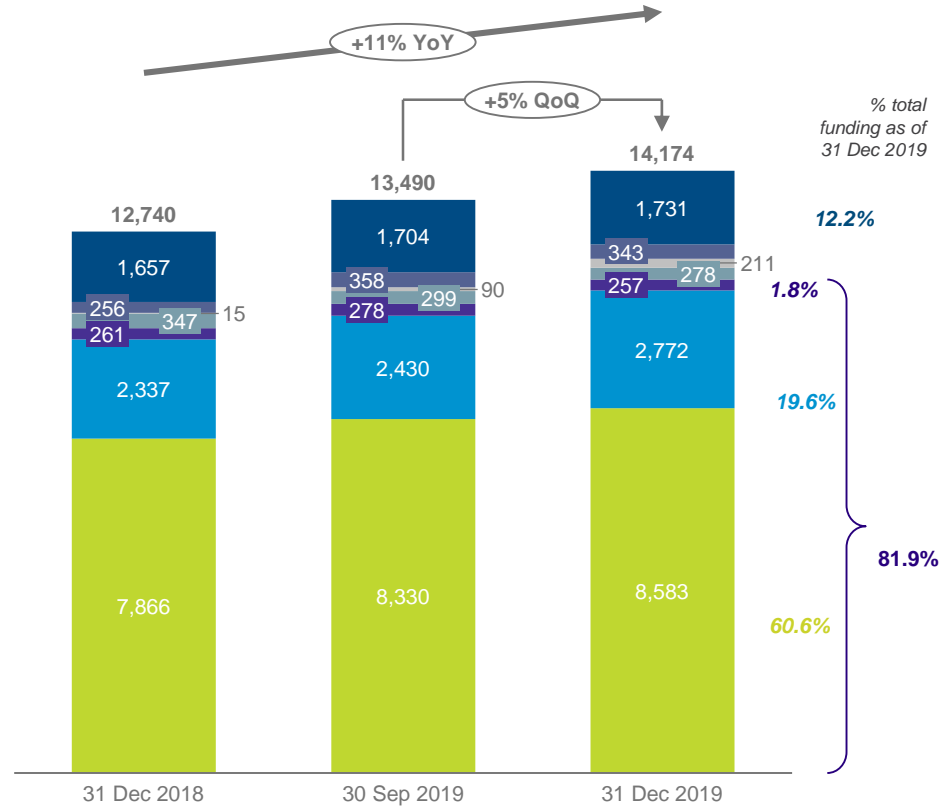
Gross loan growth in all subsidiaries banks, especially in NLB Banka, Beograd and NLB Banka, Prishtina.

Gross loans to individuals in subsidiary banks grew by 12% and to corporate by 9% YoY.

NLB Group Liabilities and Equity

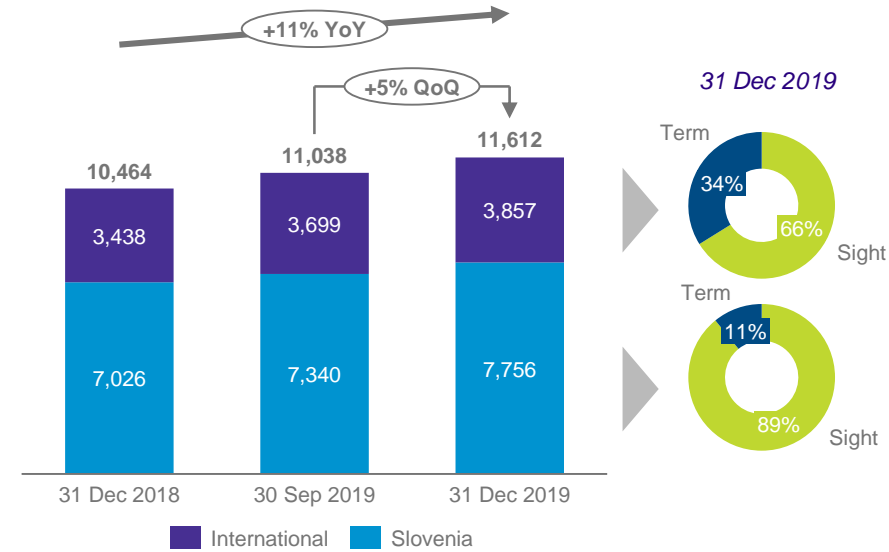
Funding structure driven by stable and price insensitive deposit base

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

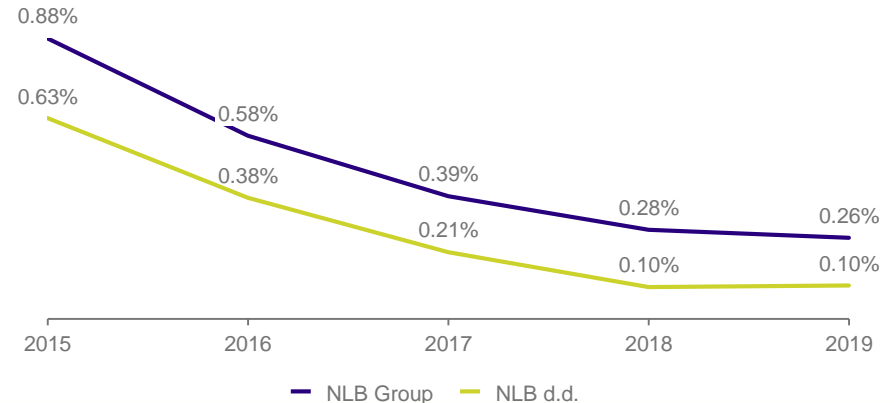


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing

Deposit split (Group, EURm)



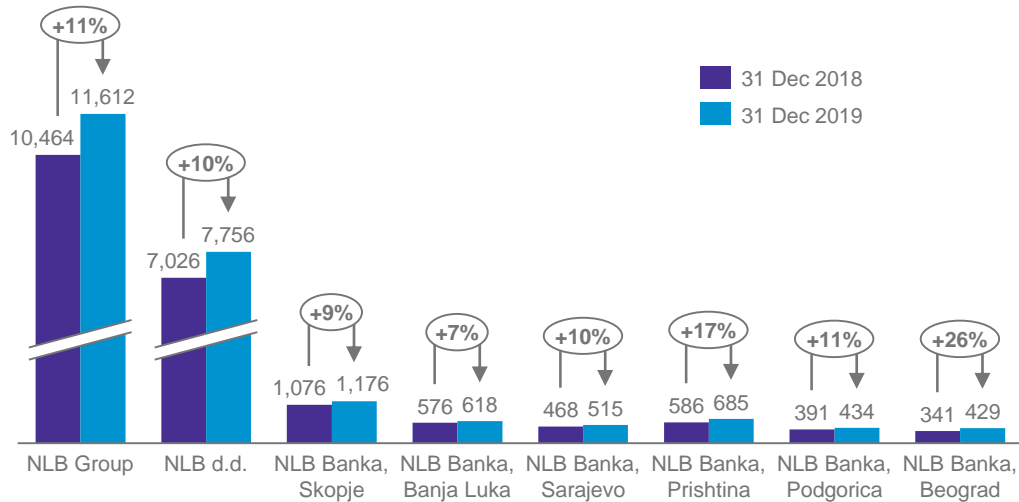
Decreasing average cost of funding (%)



NLB Group Liabilities

Deposit growth; interest rates decreasing

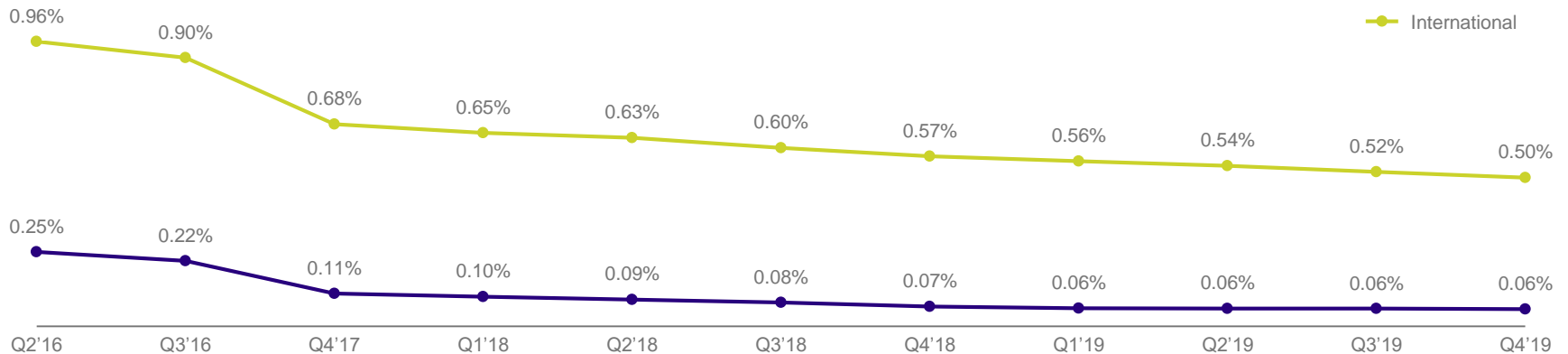
Deposits from customers by strategic member – contribution (EURm)



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 (%)*

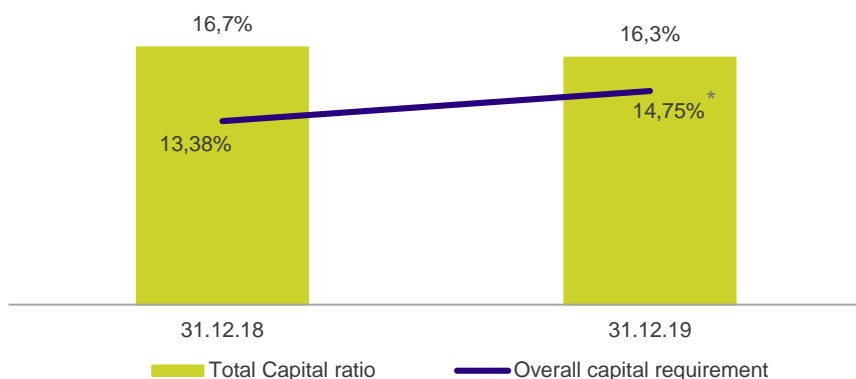


*Quarterly data for the stock of deposits from customers

Capital - NLB Group

Strong capital position

NLB Group capital ratios (%)

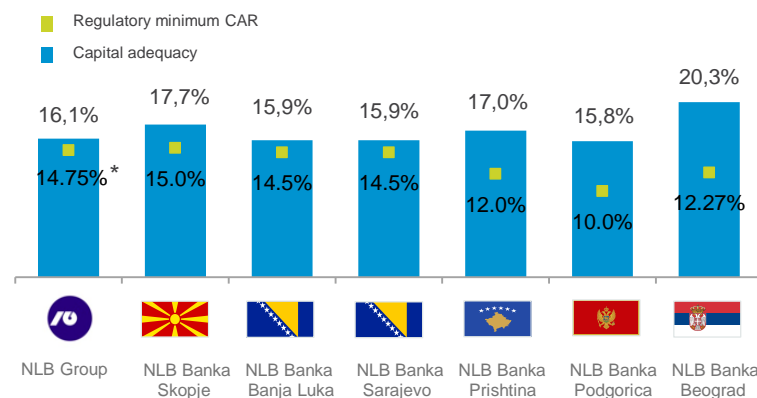


- At the end of December 2019, the **Total capital ratio** for NLB Group stood at 16.3% (or 0.5 p.p. lower YtD), and for NLB at 22.6% (1.4 p.p. lower YtD).
- In June 2019, NLB paid out dividends in total amount of EUR 142.6 million, which represents EUR 7.13 gross per share. This decreased capital for EUR -43.2 million, nevertheless, the Total capital in 2019 increased by EUR 42.4 million, mainly due to new Tier 2 instrument issued in May (EUR 44.6 million), partial inclusion of 2019 net profit (EUR 35.0 million) and higher Other Comprehensive Income (EUR 10.6 million).

Capital structure and ratios

(in EUR million)	31.12.2019	31.12.2018	Change YtD	
Common Equity Tier 1 capital	1,451.2	1,453.4	-2.2	-0.2%
Additional Tier 1 capital	0.0	0.0	0.0	
Tier 1 capital	1,451.2	1,453.4	-2.2	-0.2%
Tier 2 capital	44.6	0.0	44.6	
Total capital	1,495.8	1,453.4	42.4	2.9%
Total risk exposure amount (RWA)	9,185.5	8,677.6	507.9	5.9%
RWA for credit risk	7,720.2	7,179.7	540.6	
RWA for market risks + CVA	523.7	544.5	-20.8	
RWA for operational risk	941.6	953.5	-11.9	
Common Equity Tier 1 Ratio	15.8%	16.7%	-1.0 p.p.	
Tier 1 Ratio	15.8%	16.7%	-1.0 p.p.	
Total Capital Ratio	16.3%	16.7%	-0.5 p.p.	

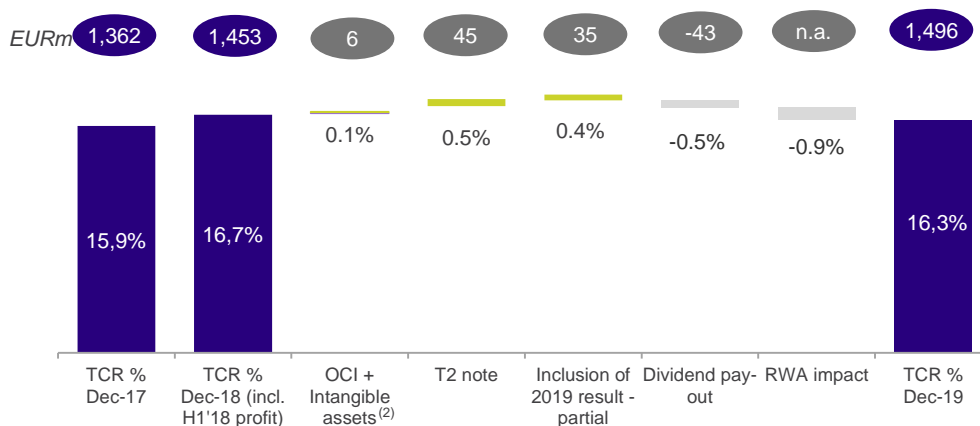
Capital adequacy and local requirements (31 Dec 2019, %)



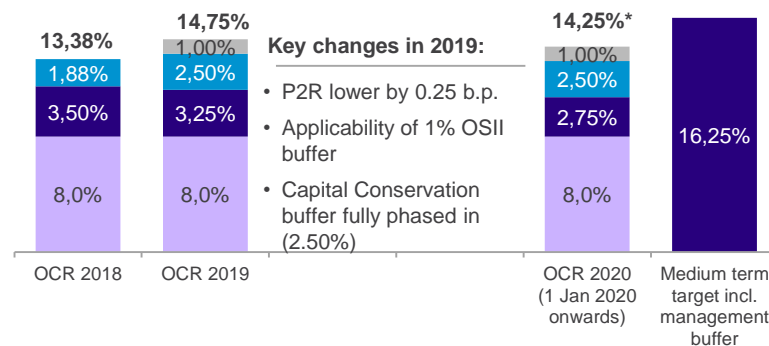
Capital evolution and requirements

Strong capital position

Capital position (Group, EURm)



Structure of the Overall Capital Requirement (OCR)



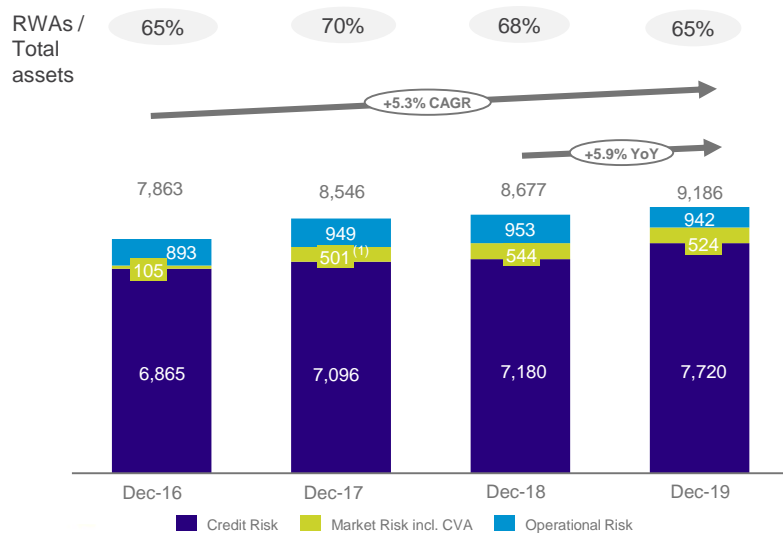
Key changes in 2019:

- P2R lower by 0.25 b.p.
- Applicability of 1% OSII buffer
- Capital Conservation buffer fully phased in (2.50%)

*As of 1 January 2020 new SREP capital requirement applicable for NLB Group leading to overall capital requirement of 14.25% (lower by 0.5 p. p.).

Legend: Pillar 1 req. (purple), Pillar 2 req. (dark blue), Capital Conservation buffer (light blue), O-SII buffer (grey)

RWA structure (EURm)

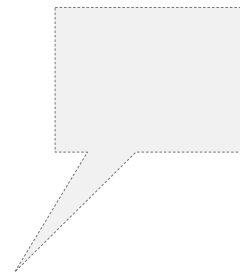


- **Total capital ratio** reaching 16.3% on Group level in Dec-19.
- As from 1 March 2019, **Pillar 2 Requirement (P2R) is lowered by 0.25 p.p.** (to 3.25%) as a result of better overall SREP assessment. **Comfortable buffers** against 2019 regulatory requirements of 14.75% OCR.
- NLB medium term target 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 285 million**. The bonds issued on 19 November 2019 and on 5 February 2020, each in the amount of EUR 120 million, are subject to BS/ECB approval process and have 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, Intangible assets are deduction item

Solid dividend distribution

	(EURm)			
	2016	2017	2018	2019
NLB d.d. profit	64	189	165	176
o/w dividends from subsidiaries, associates and joint ventures to NLB d.d.	29	58	50	71
NLB Group profit after tax	110	225	204	194
NLB Group dividend to shareholder (paid in year after)	64	271	142.6	
Implied payout ratio (%)	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.

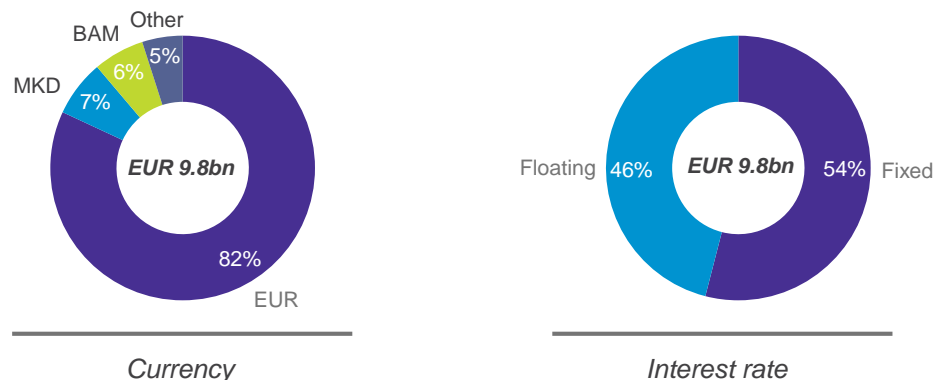


Asset Quality

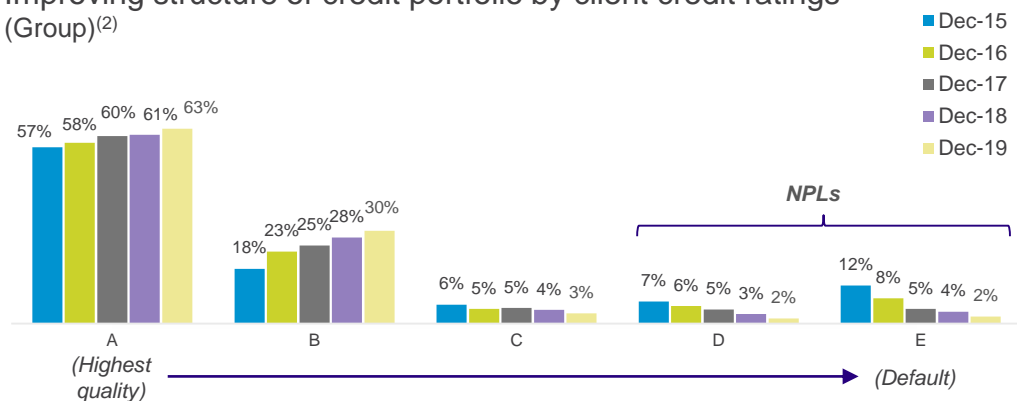
Asset quality – NLB Group

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

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



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

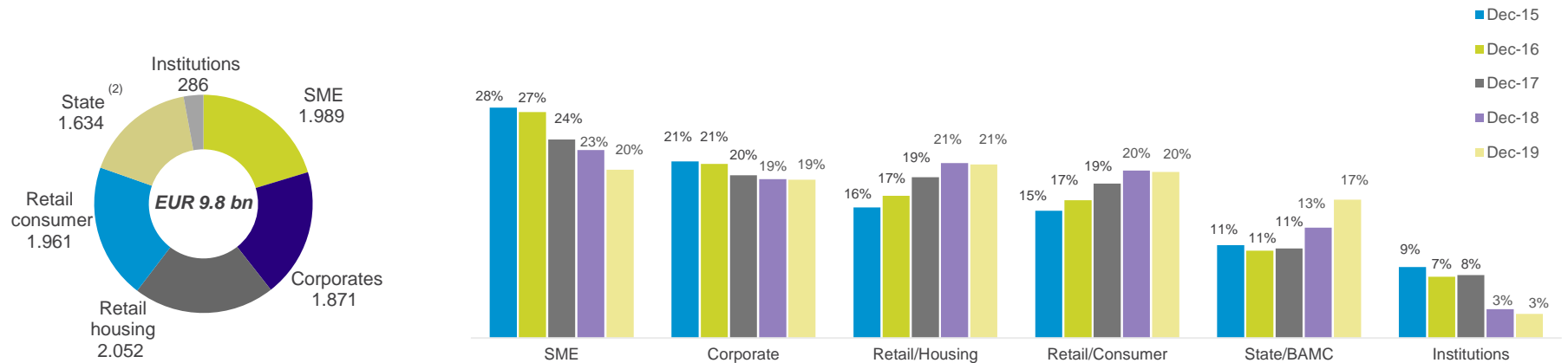


- **No large concentration** in any specific industry or client segment
- **Lending strategy** focuses primarily on its core markets of retail, SME and selected corporate business activities
- Great emphasis is also placed on **further improvement of credit portfolio**
 - Intensive and proactive handling 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.

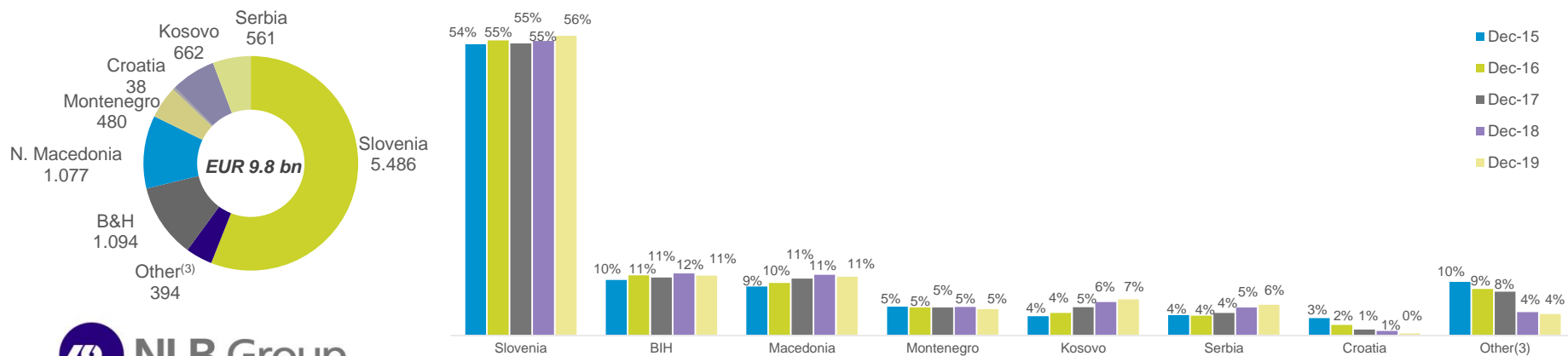
Asset quality – NLB Group

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

Credit portfolio⁽¹⁾ by segment (Group, 31 Dec 2019, EURm)



Credit portfolio⁽¹⁾ by geography (Group, 31 Dec 2019, EURm)



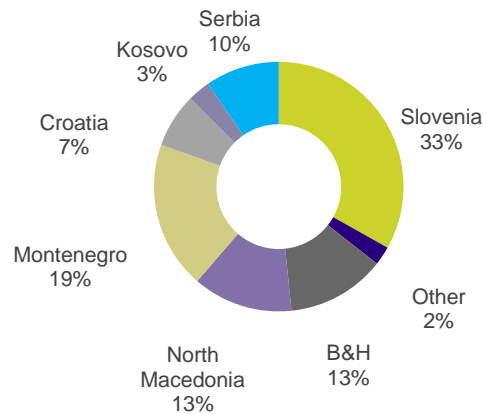
Source: Company information

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.

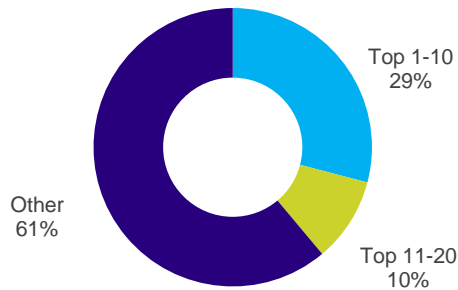
Asset quality – NLB Group

NPLs fully covered by provisions and collateral

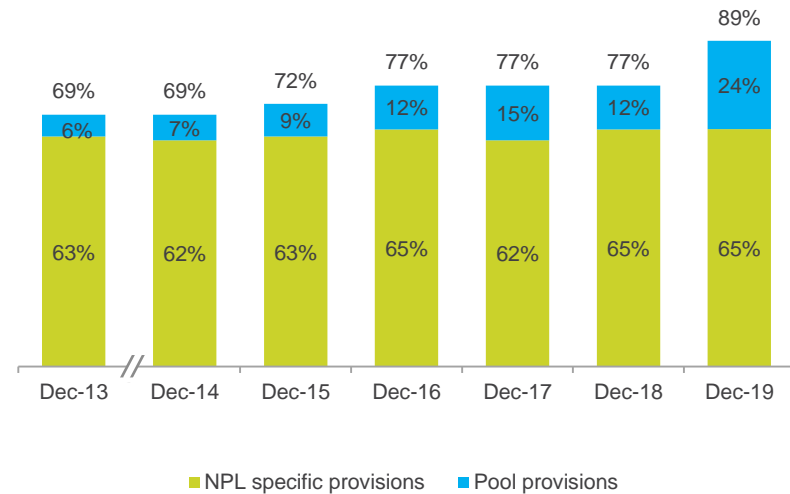
NPL by geography (Group, 31 Dec 2019)



Top 20 NPLs (Group, 31 Dec 2019)



NPL cash coverage⁽¹⁾ (Group, %)



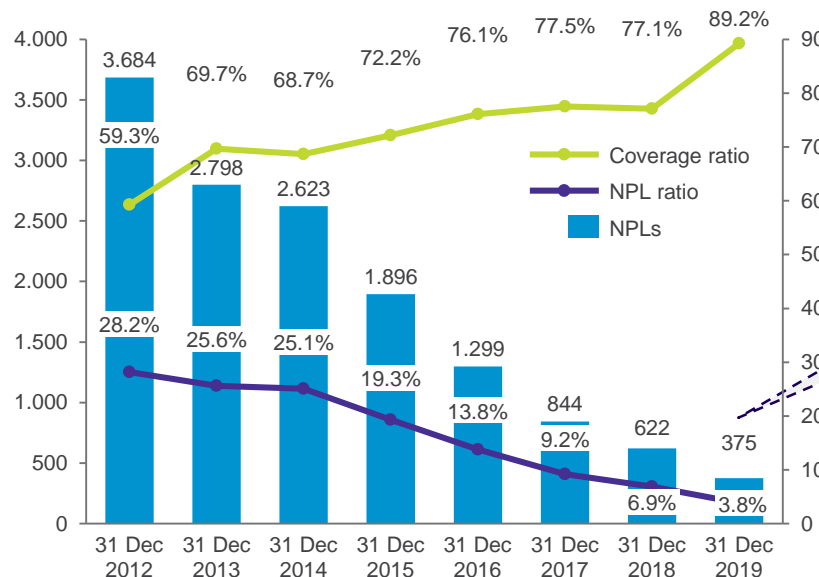
An important Group strength is the NPL cash coverage (CR1), which remains high at 89%. Further, the Group's NPL coverage ratio 2 stands at 65 %, which is well above the EU average as published by the EBA.

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

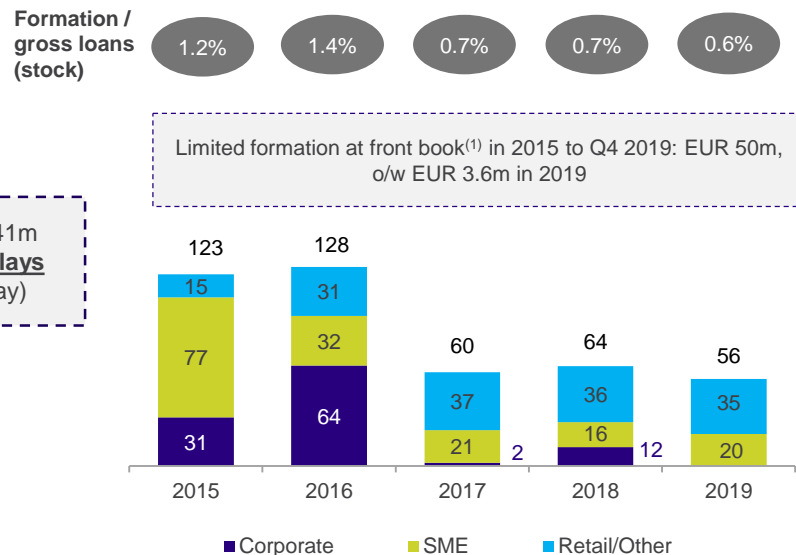
Asset quality – NLB Group

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)



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 %.

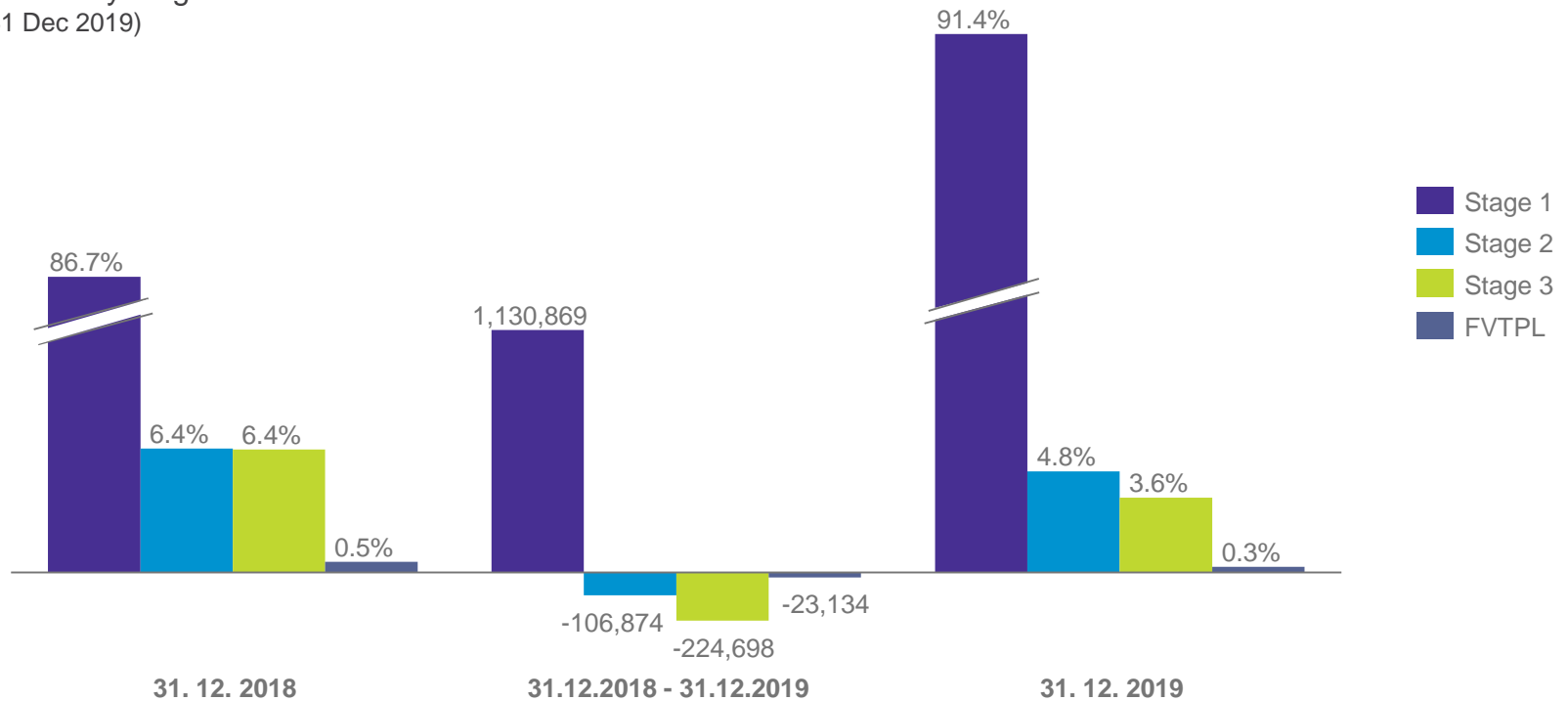
Top 10 NPL represent 29% of the entire NPL volume; the coverage with provisions remains high, limiting the potential losses.

NPL ratio decreased from 6.9% to 3.8% YtD, while **NPE ratio** reduced by 2.1 p.p. YtD to 2.7%.

Asset quality – NLB Group

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

Loan portfolio by stages
(Group, 31 Dec 2019)



Stage 1 loans represent 91% of loan portfolio valued at amortized cost and fair value through P&L.

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

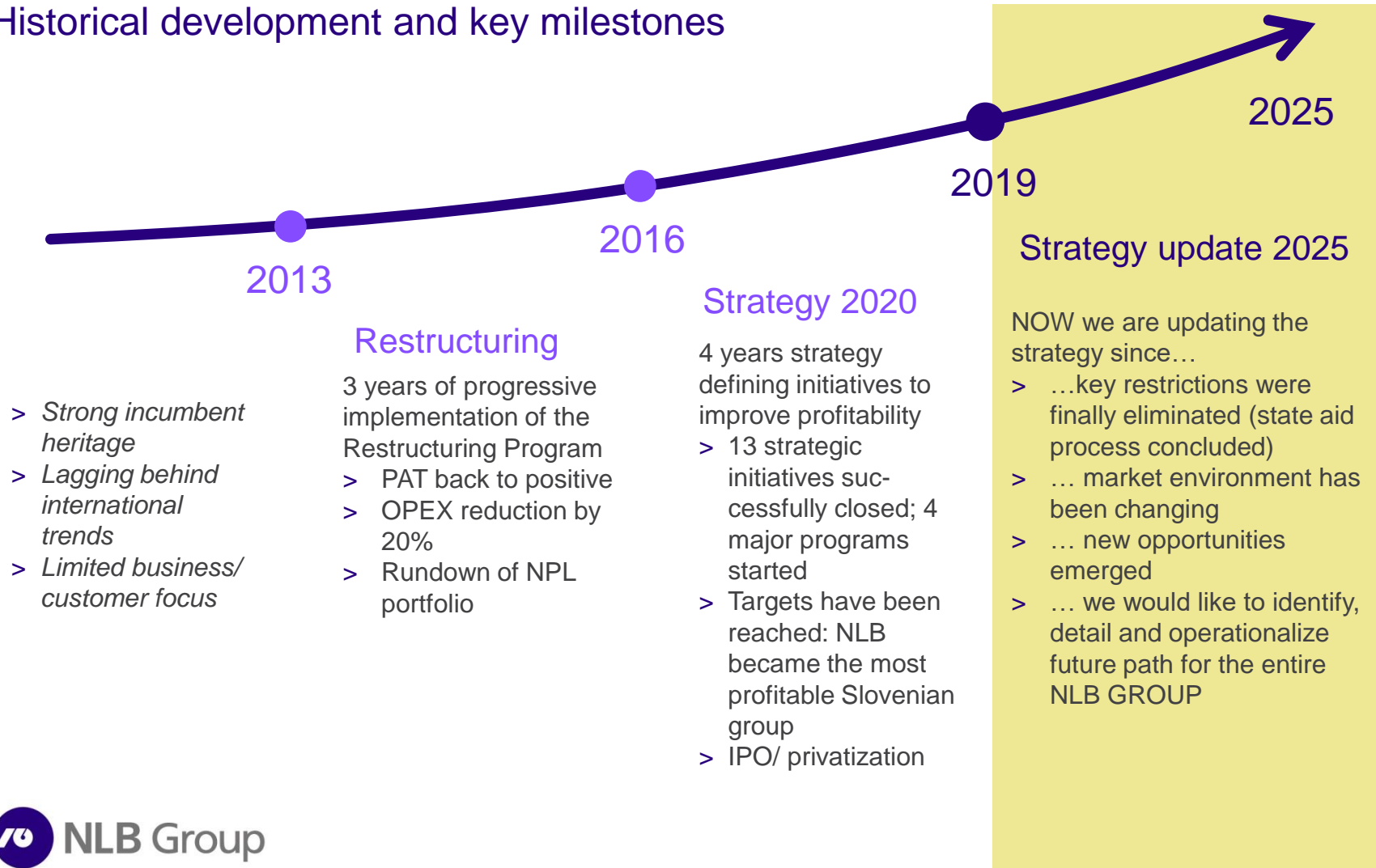
Limited volume of **Stage 2** loans.



Strategy & IT

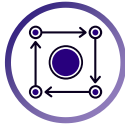
NLB went through difficult times – A new period is about to start

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 and the only bank with **multichannel 24/7 support**



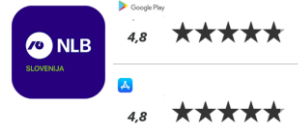
Only bank with **fully mobile express loan capabilities** (Consumer & SME)



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

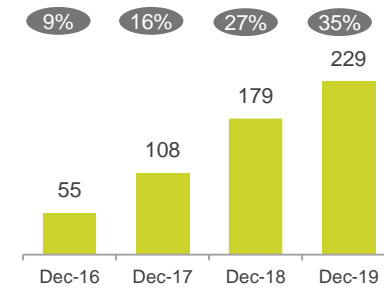


Top-ranked financial apps on App Store and Google Play

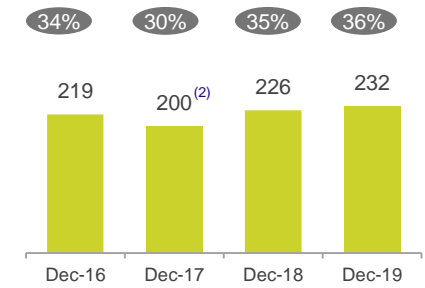


Demonstrated success in moving to digital

Mobile bank users⁽¹⁾ ('000s)

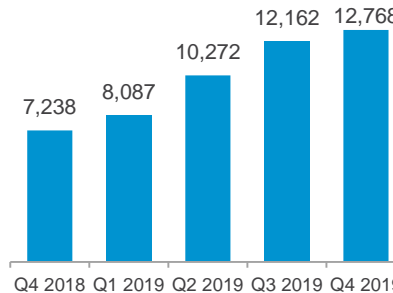


Online bank users⁽¹⁾ ('000s)

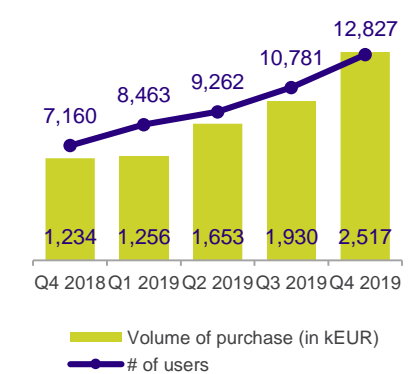


% Penetration of client base

Use of video call functionality (# of contacts)



Mobile wallet users & transactions



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

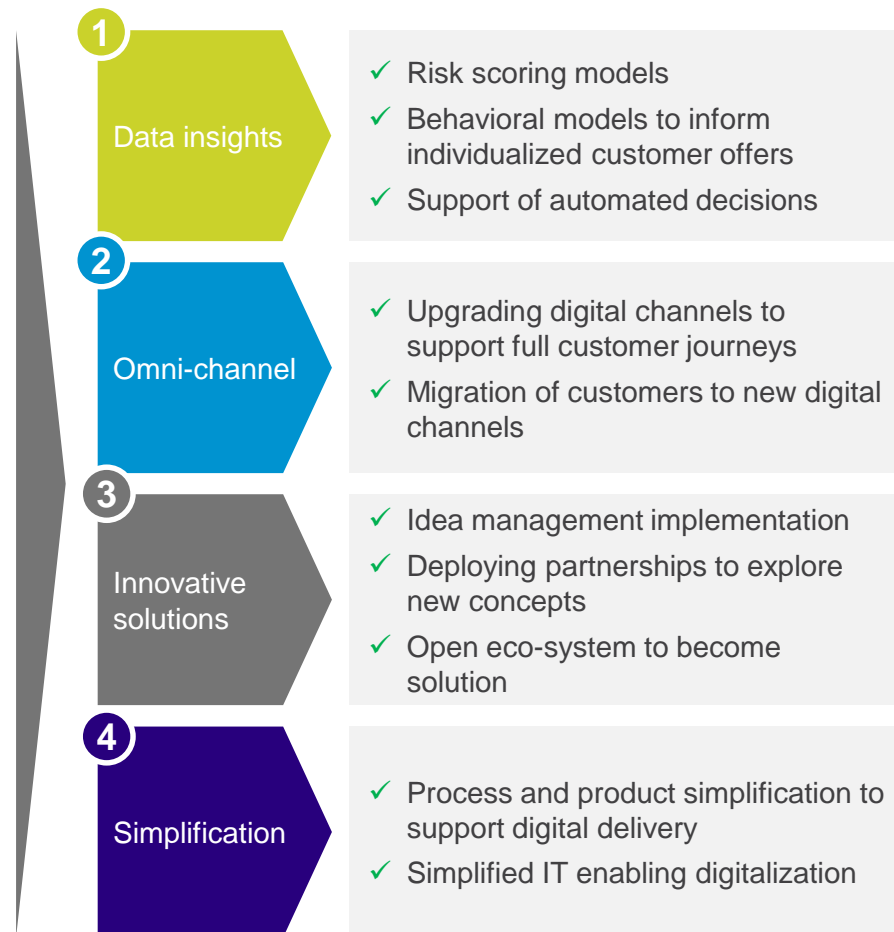
Medium-term objectives in IT and Digital

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 provided additional support:
 - ESB roll-out
 - Solution for loan origination and approval process 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 is being concluded
- Introduction of RPA in 2 banks in the Group

IT regionalisation activities

- Regional SIEM⁽¹⁾ and SOC⁽²⁾ successfully set up by the parent bank in Ljubljana
- 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
- 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 2020

Macro outlook & risk factors affecting the business outlook

- The macro outlook suggests that the countries where the Group operates are likely to experience growth at around three percent, if supported by loose monetary conditions, fiscal easing and solid domestic demand. The public debt in all those markets is below the EU average, accompanied by low household indebtedness and solid savings performance.

Business outlook

- Considering these circumstances, we expect continued **loan growth** in all geographies, safe for the retail market in Slovenia where new lending restrictions have been put in place by end 2019. **Margins** are expected to be under further pressure as observed in 2019, with business in retail lending being more resilient compared to corporate lending. NLB group continues to strive for increasing margins over time by emphasizing higher margin activities and pursuing new opportunities such as leasing. Partially losses in rate revenues will be mitigated by further emphasis on **fee income**.
- While it is too early to conclude we expect more challenges to grow **revenues** in retail business in Slovenia given the new imposed lending restrictions. Strategic foreign markets should grow on similar pace as in 2019. We emphasize that **net non-interest income** has included non-recurring components in the past years which by nature are unpredictable in nature.
- **Costs** are expected to continue growing with the same magnitude as in 2019 but are expected to plateau after that. Increased spending on IT upgrades, strategy implementation and labor cost inflation should result in similar relative increases in employee costs and other general administrative costs.
- We expect **cost of risk** to continue to normalize, but should stay at a reasonably low level in 2020. **Asset quality** is stable, and we do not foresee any material deterioration.
- NLB is currently in the process of a **potential acquisition** of Komercijalna banka in Serbia. As the outcome of the transaction is not clear, any potential effects are not included in the outlook.

Appendixes

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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
<i>(Dec 2019, in EUR million)</i>					
Profit b.t.	47.5	56.8	92.9	27.6	-3.1
Total assets	2,559	2,042	4,731	4,413	169
% of total assets ⁽³⁾	18%	14%	33%	31%	1%
CIR	71.2%	55.4%	50.5%	21.0%	127.2%
Cost of risk (bp)	19	-103	17	/	-218

Notes: (1) 50% equity stake, under equity consolidation; Divestment of 50% equity stake in December 2019; (2) 39% minority stake; (3) Other activities 2%.

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

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	13.3%	11.6%	1.7 p.p.	
Interest margin	1.85%	1.89%	0.0 p.p.	
CIR	53.7%	55.3%	-1.6 p.p.	
Cost of risk net (bps)*	-38	-66	28	
LTD net	59.1%	63.7%	0.0	
Income statement				
in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	353,303	323,401	29,902	9.2%
Net interest income	158,126	158,032	94	0.1%
Net non-interest income	195,177	165,369	29,808	18.0%
o/w net fees and commissions	103,955	100,163	3,792	3.8%
Total costs	-189,795	-178,970	-10,825	-6.0%
Employee costs	-108,569	-103,844	-4,725	-4.6%
Other general and administrative expenses	-63,180	-57,595	-5,585	-9.7%
Depreciation and amortization	-18,046	-17,531	-515	-2.9%
Result before impairments and provisions	163,508	144,431	19,077	13.2%
Impairments and provisions	14,238	33,055	-18,817	-56.9%
Result after tax	176,149	165,299	10,850	6.6%
Number of employees	2,659	2,690	-31	-1.2%

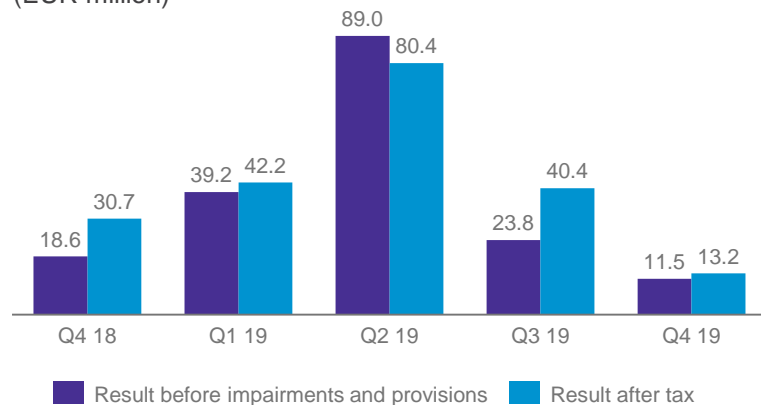
*Calculated as credit impairments and provisions over average net loans to customers.

Balance sheet

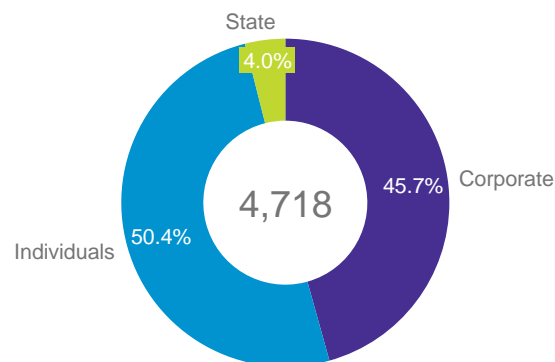
in 000 EUR

	31 Dec 2019	31 Dec 2018	Change YtD	
Total assets	9,801,557	8,811,047	990,510	11.2%
Loans to customers (net)	4,589,170	4,478,071	111,099	2.5%
Loans to customers (gross)	4,718,049	4,703,671	14,378	0.3%
Gross loans to corporate	2,154,467	2,190,299	-35,832	-1.6%
Gross loans to individuals	2,376,792	2,241,624	135,168	6.0%
Gross loans to state	186,790	271,748	-84,958	-31.3%
Financial assets	3,168,624	2,869,450	299,174	10.4%
Deposits from customers	7,760,737	7,033,409	727,328	10.3%
Deposits from corporate	1,674,873	1,392,171	282,702	20.3%
Deposits from individuals	5,984,982	5,522,142	462,840	8.4%
Deposits from state	100,882	119,096	-18,214	-15.3%
NPL gross	169,451	342,900	-173,449	-50.6%
% NPL	2.8%	6.3%	-3.5 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	22.6%	24.1%	-1.4 p.p.	

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



Gross loans to customers split (31 Dec 2019, % and EUR million)



Retail banking in Slovenia

in EUR million
consolidated

Retail banking in Slovenia

	2019	2018	Change YoY	Q4 2019	Q3 2019	Change QoQ	
Net interest income	87.4	79.3	8.1	10%	21.8	21.4	2%
Net non-interest income	78.2	67.1	11.1	17%	21.4	21.7	-2%
o/w Net fee and commission income	81.9	73.2	8.8	12%	20.9	21.2	-2%
Total net operating income	165.6	146.4	19.2	13%	43.2	43.1	0%
Total costs	-117.9	-107.3	-10.6	-10%	-33.8	-28.9	-17%
Result before impairments and provisions	47.7	39.1	8.6	22%	9.3	14.2	-34%
Impairments and provisions	-4.4	-3.7	-0.7	-19%	-1.5	-1.1	-44%
Net gains from investments in subsidiaries, associates, and JVs'	4.2	5.4	-1.2	-23%	0.0	1.6	-97%
Result before tax	47.5	40.9	6.6	16%	7.9	14.8	-47%

	31 Dec 2019	30 Sep 2019	31 Dec 2018	Change YoY	Change QoQ	
Net loans to customers	2,385.1	2,347.5	2,217.4	167.7	8%	2%
Gross loans to customers	2,410.2	2,375.3	2,243.4	166.8	7%	1%
Housing loans	1,425.0	1,401.9	1,374.6	50.5	4%	2%
Interest rate on housing loans	2.54%	2.55%	2.50%	0.04 p.p.	-0.01 p.p.	
Consumer loans	688.3	682.2	599.0	89.3	15%	1%
Interest rate on consumer loans	6.33%	6.32%	5.88%	0.45 p.p.	0.01 p.p.	
Other	296.9	291.1	269.9	27.0	10%	2%
Deposits from customers	6,456.2	6,320.0	5,814.5	641.7	11%	2%
Interest rate on deposits	0.05%	0.05%	0.08%	-0.03 p.p.	0.00 p.p.	
Non-performing loans (gross)	40.8	43.3	43.0	-2.2	-5%	-6%

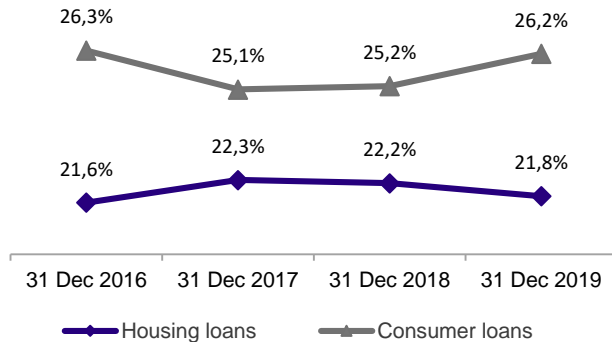
	2019	2018	Change YoY
Cost of risk (in bps)	19	17	2
CIR	71.2%	73.3%	-2.1 p.p.
Interest margin	2.04%	2.02%	0.02 p.p.

- **Profit before tax** amounted to EUR 47.5 million, 16% increase YoY, mostly due to higher net interest and net non-interest income.
- **Net interest income** was 10% higher YoY due to higher interest rates and growth in volume of gross loans in the amount of EUR 166.8 million YoY, of which EUR 38.1 million increase relates to the transfer of micro clients from the Corporate segment. The production of new consumer loans amounted to EUR 368.6 million (EUR 336.2 million in 2018), which led to an increase of balance of EUR 89.3 million YoY. Housing loans increased by EUR 50.5 million YoY. The share of consumer loans in all gross loans increased to 29% (from 27% at the end 2018).
- The segment recorded EUR 78.2 million of **net non-interest income**. The comparison shows EUR 11.1 million (17%) increase YoY, EUR 8.8 million due to an increase in net fee and commission income, of which EUR 0.5 million increase is related to NLB Skladi and EUR 0.6 million to bancassurance business. The effect of the transfer of micro clients from Corporate to Retail segment is assessed to amount to EUR 4.6 million.
- Considering the effect of the change in segment presentation (approximately EUR 6.1 million) the **total costs** were EUR 10.6 million higher YoY.
- The presentation of the increase in **deposits from customers** YoY (EUR 641.7 million) is mostly due to an increase in demand deposits from retail clients and transfer of micro clients from Corporate segment (EUR 188.1 million).

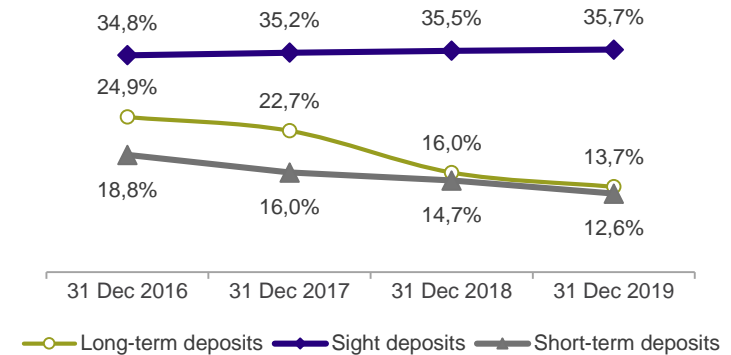
Retail banking in Slovenia

High and stable market shares across products

Market share of net loans to individuals in Slovenia

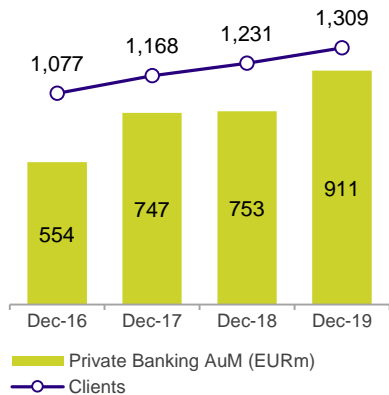


Market share of deposits from individuals in Slovenia

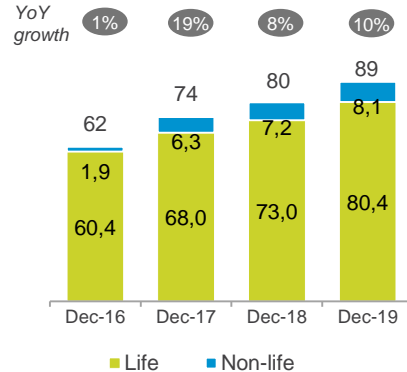


Upside from fee generating products

NLB Private banking offering



NLB Bankassurance GWP (EURm)



- Improving macro and low household indebtedness (21% GDP) driving retail banking growth
- #1 player in Private Banking⁽¹⁾
 - Limited competition and strong cross-selling capabilities with Bankassurance and asset management
- #1 player in Slovenian asset management⁽²⁾; market share of NLB Skladi at mutual funds in Slovenia equals 34.02% as of 31 December 2019
 - AuM of 1,513.8 EURm as of 31 December 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 31 December 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

	2019	2018	Change YoY		Q4 2019	Q3 2019	Change QoQ
Net interest income	37.3	42.5	-5.3	-12%	8.9	8.7	2%
Net non-interest income	43.0	34.1	8.8	26%	9.6	8.9	8%
o/w Net fee and commission income	32.4	29.9	2.5	8%	7.7	8.5	-9%
Total net operating income	80.2	76.7	3.6	5%	18.5	17.6	5%
Total costs	-44.4	-43.0	-1.5	-3%	-12.8	-10.8	-19%
Result before impairments and provisions	35.8	33.7	2.1	6%	5.7	6.8	-17%
Impairments and provisions	21.0	26.6	-5.6	-21%	3.2	14.9	-78%
Result before tax	56.8	60.4	-3.5	-6%	8.9	21.7	-59%

	31 Dec 2019	30 Sep 2019	31 Dec 2018	Change YoY		Change QoQ
Net loans to customers	2,049.6	2,031.2	1,950.4	99.2	5%	1%
Gross loans to customers	2,150.9	2,179.5	2,061.0	89.9	4%	-1%
Corporate	1,976.8	1,998.8	1,854.4	122.4	7%	-1%
Key/SME Corporates	1,819.3	1,779.0	1,643.2	176.1	11%	2%
Interest rate on Key/SME Corporates loans	1.82%	1.83%	1.88%	-0.06 p.p.		-0.01 p.p.
Investment banking*	0.1	0.1	0.1	-		-
Restructuring and Workout	157.4	219.7	211.2	-53.8	-25%	-28%
State	173.6	180.3	206.1	-32.5	-16%	-4%
Interest rate on State loans	1.88%	1.98%	1.69%	0.19 p.p.		-0.10 p.p.
Deposits from customers	1,299.1	1,014.5	1,120.8	178.3	16%	28%
Interest rate on deposits	0.07%	0.07%	0.07%	0.00 p.p.		0.00 p.p.
Non-performing loans (gross)	128.7	188.2	179.7	-51.1	-28%	-32%

	2019	2018	Change YoY
Cost of risk (in bps)	-103	-135	32
CIR	55.4%	56.0%	-0.6 p.p.
Interest margin	2.20%	2.61%	-0.41 p.p.

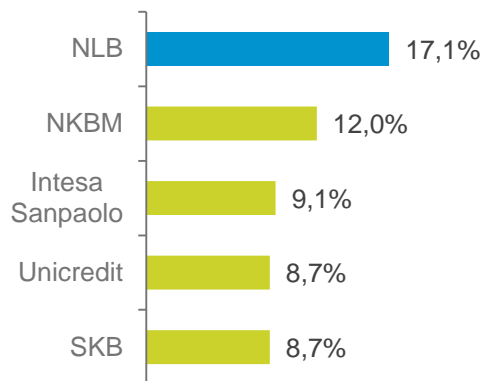
*Investment banking was shown as separate part of this segment before 2019. Profit before tax of Investment banking for year 2018 in amount EUR 2.4 million.

- **Profit before tax** amounted to EUR 56.8 million, 6% decrease YoY, of which a positive effect of EUR 6.3 million was recorded due to the change in segment presentation.
- **Net interest income** decreased EUR 5.3 million YoY, mostly due to decrease in balances in restructuring and workout loans and partly because of lower interest margins. EUR 89.9 million increase of gross loans to customers was affected by the change in segment presentation in net amount of EUR 111.8 million (EUR 149.8 million due to transfer from NLB Non-Core and EUR -38.1 million from transfer of micro clients to Retail). Key and SME clients recorded the growth in gross loans mostly due to production of new long-term loans, especially in H2 2019. The gross loans to state recorded a decrease of EUR 32.5 million YoY.
- **Net fee and commission income** increased EUR 2.5 million YoY, of which most represents the effect of the change in segment presentation (positive effects of EUR 6.2 million and EUR 0.8 million due to inclusion of Investment Banking and previously Non-Core Corporate exposures in the segment, respectively, and negative effect of EUR -4.8 million due to the transfer of micro clients to Retail).
- **Total costs** increased EUR 1.5 million YoY, mostly due to the change in segment presentation (EUR 4.4 million).
- **Impairments and provisions** were released in the amount of EUR 21.0 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 9.0 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 14.8 billion (EUR 15.9 billion at the end of 2018).

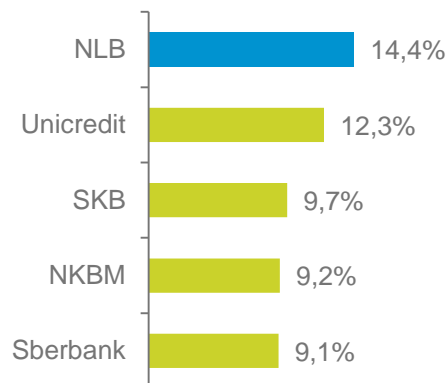
Corporate banking in Slovenia

High market shares across products⁽¹⁾

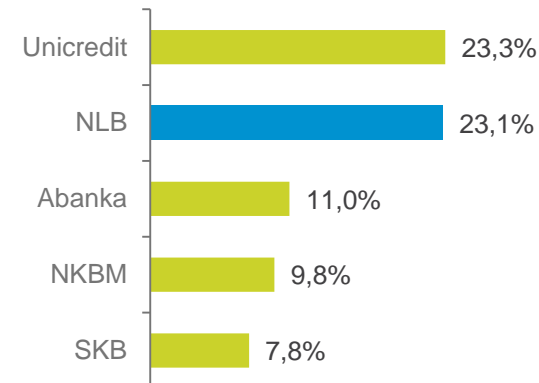
#1 in corporate and state loans



#1 in corporate and state deposits



#2 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 31 December 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 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

13.2 k⁽²⁾

POS terminals

36.6% market share⁽²⁾

in merchant acquiring

EUR 14.8 bn

assets under custody

Source: Bank of Slovenia, Company information

Note: (1) Data as per 30 Sep 2019 (latest available); (2) As of 31 December 2019;

Strategic foreign markets

in EUR million
consolidated

Strategic foreign markets

	2019	2018	Change YoY		Q4 2019	Q3 2019	Change QoQ
Net interest income	157.5	150.1	7.4	5%	40.0	39.7	1%
Net non-interest income	52.9	63.9	-11.0	-17%	15.0	14.1	7%
o/w Net fee and commission income	55.0	50.1	4.9	10%	14.5	14.7	-2%
Total net operating income	210.4	214.0	-3.6	-2%	55.0	53.8	2%
Total costs	-106.2	-100.0	-6.2	-6%	-28.7	-26.4	-9%
Result before impairments and provisions	104.2	114.0	-9.8	-9%	26.3	27.4	-4%
Impairments and provisions	-11.3	-14.3	3.0	21%	-5.3	1.1	-
Result before tax	92.9	99.7	-6.8	-7%	21.0	28.5	-26%
o/w Result of minority shareholders	8.2	7.9	0.3	4%	2.0	2.4	-15%







	31 Dec 2019	30 Sep 2019	31 Dec 2018	Change YoY		Change QoQ
Net loans to customers	3,024.6	2,907.9	2,718.0	306.6	11%	4%
Gross loans to customers	3,162.1	3,059.9	2,932.7	229.4	8%	3%
Individuals	1,603.8	1,555.2	1,438.1	165.7	12%	3%
<i>Interest rate on retail loans</i>	6.71%	6.76%	7.09%	-0.38 p.p.		-0.05 p.p.
Corporate	1,470.3	1,414.7	1,405.0	65.3	5%	4%
<i>Interest rate on corporate loans</i>	4.49%	4.54%	4.92%	-0.43 p.p.		-0.05 p.p.
State	88.0	90.0	89.6	-1.7	-2%	-2%
<i>Interest rate on state loans</i>	4.00%	4.12%	4.33%	-0.32 p.p.		-0.12 p.p.
Deposits from customers	3,856.7	3,698.6	3,438.1	418.6	12%	4%
<i>Interest rate on deposits</i>	0.53%	0.54%	0.61%	-0.09 p.p.		-0.01 p.p.
Non-performing loans (gross)	111.6	132.6	219.9	-108.3	-49%	-16%

	2019	2018	Change YoY
Cost of risk (in bps)	17	35	-18
CIR	50.5%	46.7%	3.7 p.p.
Interest margin	3.59%	3.85%	-0.26 p.p.

- **Profit before tax** amounted to EUR 92.9 million, 7% 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 7.4 million YoY was recorded on behalf of higher volume (EUR 229.4 million increase of gross loans to customers YoY), despite the decreasing trend of interest margins.
- Regular part of **net non-interest income**— net fee and commission income increased by EUR 4.9 million or 10%. Nevertheless, total net non-interest income decreased EUR 11.0 million YoY, due to one-off positive effect of the sale of NLB Nov penziski fond in Q1 2018.
- **Total costs** increased by EUR 6.2 million YoY, despite EUR 1.4 million decrease due to the change in segment presentation.
- **Net impairments and provisions** were established in the amount of EUR 11.3 million in 2019 (of which EUR 3.1 million due to established provisions for pending legal disputes in NLB Banka, Podgorica), while in 2018 in the amount of EUR 14.3 million.
- **Gross loans to customers** increased by EUR 229.4 million YoY due to an increase in gross loans in most subsidiary banks, whereas the largest increases were recorded in NLB Banka, Beograd (EUR 91.7 million) and NLB Banka, Prishtina (EUR 73.2 million). High increase was negatively affected by the change in segment presentation (EUR -69.0 million).

SEE banks continuing solid performance

- ✓ 5% 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 all markets, with aggregate deposits balance up YoY

	NLB Banka Skopje		NLB Banka Banja Luka		NLB Banka Sarajevo		NLB Banka Prishtina		NLB Banka Podgorica		NLB Banka Beograd		Total core banks ⁽¹⁾		
															
B/S (EURm)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	Δ
Total assets	1,462	1,350	773	721	638	592	801	668	548	489	614	484	4,837	4,305	12%
Net loans to customers	915	859	412	385	399	359	540	467	346	311	412	319	3,025	2,699	12%
Deposits from customers	1,176	1,076	618	576	515	472	685	586	437	392	437	353	3,868	3,455	12%
P&L (EURm)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	Δ
NII ⁽²⁾	49.0	48.8	18.5	19.1	18.0	17.6	31.0	27.4	20.3	18.0	20.7	19.8	157.5	150.6	5%
NNII ⁽²⁾	15.9	24.0	11.6	10.9	9.5	8.3	5.8	5.0	6.0	5.8	4.1	3.8	52.9	57.8	-9% ⁽⁴⁾
OpEx	-26.6	-25.0	-13.0	-13.0	-14.7	-14.2	-11.7	-11.8	-13.5	-12.3	-19.5	-18.0	-98.9	-94.4	5%
PPI	38.3	47.7	17.1	17.0	12.8	11.7	25.1	20.6	12.8	11.5	5.4	5.6	111.5	114.0	-2%
Result a.t.	32.9	37.1	17.1	16.2	9.0	8.8	19.5	14.8	7.6	10.0	4.1	5.2	90.3	92.1	-2%
Ratios	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018			
RoE a.t.	16.2%	19.9%	19.9%	18.7%	11.2%	11.6%	25.1%	21.6%	11.2%	14.9%	5.9%	7.9%			
Net interest margin ⁽³⁾	3.66%	3.98%	2.51%	2.79%	2.95%	3.20%	4.33%	4.44%	4.27%	4.11%	4.03%	4.92%			
CIR	41.0%	34.4%	43.2%	43.5%	53.3%	54.8%	31.9%	36.4%	51.4%	51.8%	78.3%	76.2%			
LTD net	77.8%	79.8%	66.6%	66.8%	77.5%	76.1%	78.8%	79.7%	79.3%	79.3%	94.2%	90.3%			

NLB Banka Skopje

NLB Banka AD Skopje

"on stand alone basis"

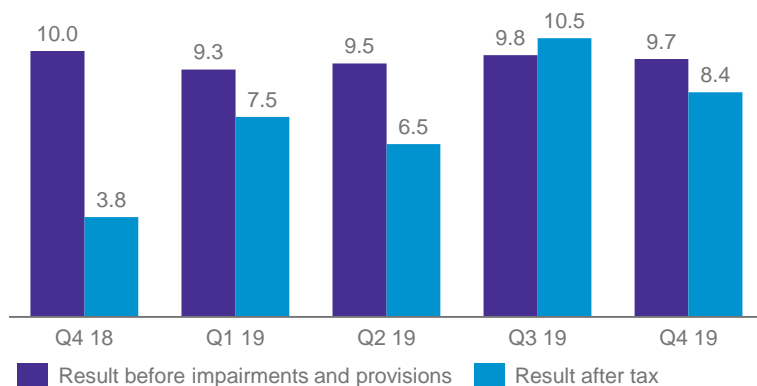
Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	16.2%	19.9%	-3.7 p.p.	
Interest margin*	3.66%	3.98%	-0.3 p.p.	
CIR	41.0%	34.4%	6.5 p.p.	
Cost of risk net (bps)**	17	74	-56	
LTD net	77.8%	79.8%	-1.9 p.p.	
Income statement				
in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	64,890	72,753	-7,863	-10.8%
Net interest income	49,022	48,781	241	0.5%
Net non-interest income	15,868	23,972	-8,104	-33.8%
o/w net fees and commissions	14,966	14,334	632	4.4%
Total costs	-26,578	-25,049	-1,529	-6.1%
Employee costs	-13,765	-12,975	-790	-6.1%
Other general and administrative expenses	-9,068	-8,878	-190	-2.1%
Depreciation and amortization	-3,745	-3,196	-549	-17.2%
Result before impairments and provisions	38,312	47,704	-9,392	-19.7%
Impairments and provisions	-2,224	-6,796	4,572	67.3%
Result after tax	32,877	37,068	-4,191	-11.3%
Number of employees	903	893	10	1.1%

* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

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

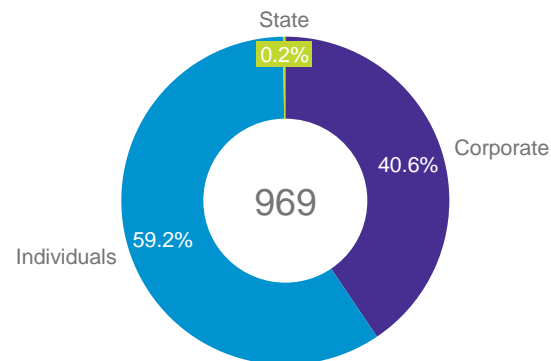


Balance sheet

in 000 EUR

	31 Dec 2019	31 Dec 2018	Change YoY	
Total assets	1,462,306	1,350,054	112,252	8.3%
Loans to customers (net)	915,149	858,592	56,557	6.6%
Loans to customers (gross)	969,213	918,140	51,073	5.6%
Gross loans to corporate	393,137	383,212	9,925	2.6%
Gross loans to individuals	573,826	531,406	42,420	8.0%
Gross loans to state	2,250	3,522	-1,272	-36.1%
Financial assets	242,360	196,112	46,248	23.6%
Deposits from customers	1,175,612	1,076,154	99,458	9.2%
Deposits from corporate	314,598	272,060	42,538	15.6%
Deposits from individuals	854,135	800,372	53,763	6.7%
Deposits from state	6,879	3,722	3,157	84.8%
NPL gross	48,311	56,050	-7,739	-13.8%
% NPL	4.2%	5.1%	-0.9 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.4%	16.7%	-0.3 p.p.	

Gross loans to customers split (31 Dec 2019, % and EUR million)



NLB Banka Banja Luka

NLB Banka A.D., Banja Luka

"on stand alone basis"

Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	19.9%	18.7%	1.2 p.p.	
Interest margin*	2.51%	2.79%	-0.3 p.p.	
CIR	43.2%	43.5%	-0.3 p.p.	
Cost of risk net (bps)**	-48	-45	-2	
LTD net	66.6%	66.8%	-0.2 p.p.	
Income statement				
in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	30,153	29,996	157	0.5%
Net interest income	18,547	19,057	-510	-2.7%
Net non-interest income	11,606	10,939	667	6.1%
o/w net fees and commissions	11,486	10,911	575	5.3%
Total costs	-13,018	-13,046	28	0.2%
Employee costs	-8,396	-8,350	-46	-0.6%
Other general and administrative expenses	-3,256	-3,521	265	7.5%
Depreciation and amortization	-1,366	-1,175	-191	-16.3%
Result before impairments and provisions	17,135	16,950	185	1.1%
Impairments and provisions	1,535	1,387	148	10.7%
Result after tax	17,101	16,184	917	5.7%
Number of employees	480	476	4	0.8%

* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

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

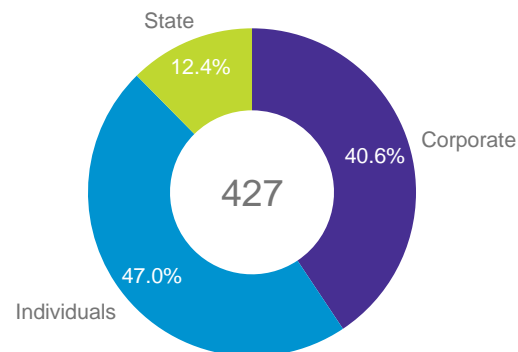


Balance sheet

in 000 EUR

	31 Dec 2019	31 Dec 2018	Change YoY	
Total assets	773,410	720,509	52,901	7.3%
Loans to customers (net)	411,739	384,806	26,933	7.0%
Loans to customers (gross)	426,844	408,312	18,532	4.5%
Gross loans to corporate	173,476	176,353	-2,877	-1.6%
Gross loans to individuals	200,454	180,933	19,521	10.8%
Gross loans to state	52,914	51,026	1,888	3.7%
Financial assets	148,104	107,316	40,788	38.0%
Deposits from customers	618,095	575,775	42,320	7.4%
Deposits from corporate	145,915	135,670	10,245	7.6%
Deposits from individuals	435,123	402,203	32,920	8.2%
Deposits from state	37,057	37,902	-845	-2.2%
NPL gross	7,620	19,199	-11,579	-60.3%
% NPL	1.3%	3.2%	-1.9 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.9%	15.6%	0.4 p.p.	

Gross loans to customers split (31 Dec 2019, % and EUR million)



NLB Banka Sarajevo

NLB Banka d.d., Sarajevo

"on stand alone basis"

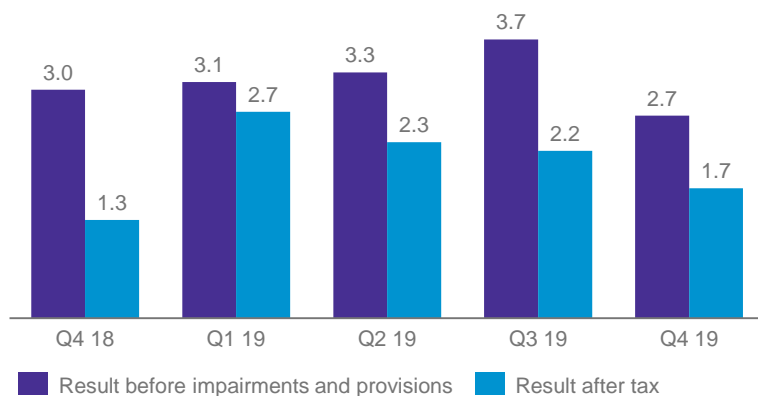
Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	11.2%	11.6%	-0.3 p.p.	
Interest margin*	2.95%	3.20%	-0.2 p.p.	
CIR	53.3%	54.8%	-1.5 p.p.	
Cost of risk net (bps)**	51	55	-4	
LTD net	77.5%	76.1%	1.4 p.p.	
Income statement				
in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	27,475	25,857	1,618	6.3%
Net interest income	17,962	17,586	376	2.1%
Net non-interest income	9,513	8,271	1,242	15.0%
o/w net fees and commissions	8,760	7,405	1,355	18.3%
Total costs	-14,654	-14,170	-484	-3.4%
Employee costs	-8,379	-8,453	74	0.9%
Other general and administrative expenses	-4,859	-4,910	51	1.0%
Depreciation and amortization	-1,416	-807	-609	-75.5%
Result before impairments and provisions	12,821	11,687	1,134	9.7%
Impairments and provisions	-2,486	-1,965	-521	-26.5%
Result after tax	9,047	8,757	290	3.3%
Number of employees	450	455	-5	-1.1%

* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

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

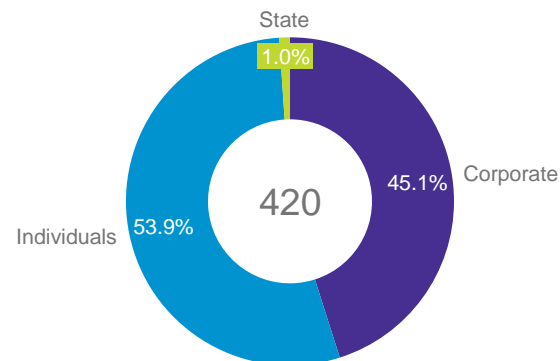


Balance sheet

in 000 EUR

	31 Dec 2019	31 Dec 2018	Change YoY	
Total assets	637,739	592,166	45,573	7.7%
Loans to customers (net)	399,299	359,499	39,800	11.1%
Loans to customers (gross)	420,236	391,567	28,669	7.3%
Gross loans to corporate	189,476	176,368	13,108	7.4%
Gross loans to individuals	226,355	211,972	14,383	6.8%
Gross loans to state	4,405	3,227	1,178	36.5%
Financial assets	50,054	39,337	10,717	27.2%
Deposits from customers	515,230	472,297	42,933	9.1%
Deposits from corporate	134,566	127,175	7,391	5.8%
Deposits from individuals	300,051	280,207	19,844	7.1%
Deposits from state	80,613	64,915	15,698	24.2%
NPL gross	18,582	30,805	-12,223	-39.7%
% NPL	3.3%	5.7%	-2.4 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.0%	16.4%	-0.4 p.p.	

Gross loans to customers split (31 Dec 2019, % and EUR million)



NLB Banka Prishtina

NLB Banka sh.a., Prishtine

"on stand alone basis"

Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	25.1%	21.6%	3.5 p.p.	
Interest margin*	4.33%	4.44%	-0.1 p.p.	
CIR	31.9%	36.4%	-4.5 p.p.	
Cost of risk net (bps)**	33	89	-56	
LTD net	78.8%	79.7%	-0.9 p.p.	
Income statement				
in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	36,788	32,406	4,382	13.5%
Net interest income	31,014	27,372	3,642	13.3%
Net non-interest income	5,774	5,034	740	14.7%
o/w net fees and commissions	7,373	6,131	1,242	20.3%
Total costs	-11,731	-11,801	70	0.6%
Employee costs	-6,210	-5,961	-249	-4.2%
Other general and administrative expenses	-3,740	-4,662	922	19.8%
Depreciation and amortization	-1,781	-1,178	-603	-51.2%
Result before impairments and provisions	25,057	20,605	4,452	21.6%
Impairments and provisions	-3,069	-3,792	723	19.1%
Result after tax	19,545	14,836	4,709	31.7%
Number of employees	474	476	-2	-0.4%

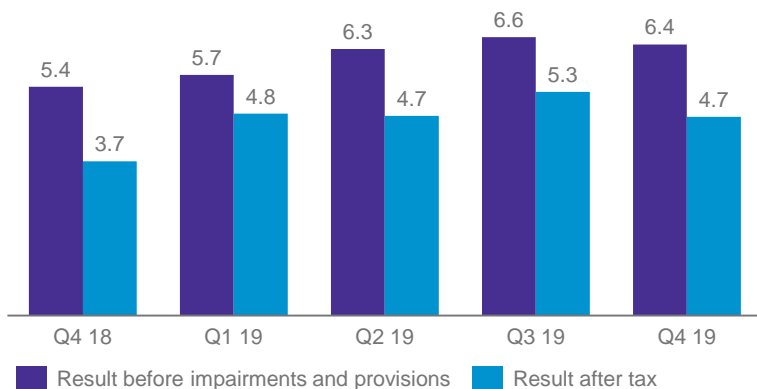
* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

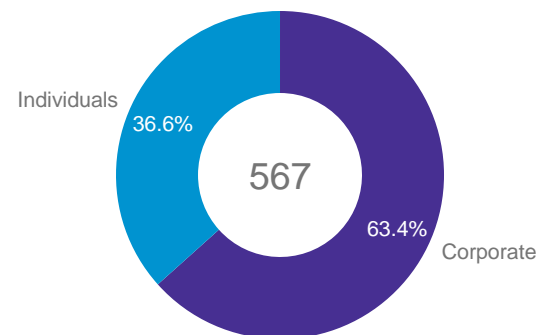
Balance sheet

	31 Dec 2019	31 Dec 2018	Change YoY	
in 000 EUR				
Total assets	801,085	668,127	132,958	19.9%
Loans to customers (net)	540,073	466,854	73,219	15.7%
Loans to customers (gross)	567,103	493,950	73,153	14.8%
Gross loans to corporate	359,414	315,408	44,006	14.0%
Gross loans to individuals	207,689	178,542	29,147	16.3%
Gross loans to state	0	0	0	-
Financial assets	77,977	64,733	13,244	20.5%
Deposits from customers	685,385	585,851	99,534	17.0%
Deposits from corporate	196,818	154,828	41,990	27.1%
Deposits from individuals	476,546	421,003	55,543	13.2%
Deposits from state	12,021	10,020	2,001	20.0%
NPL gross	10,939	14,361	-3,422	-23.8%
% NPL	1.5%	2.4%	-0.9 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	16.4%	14.6%	1.8 p.p.	

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



Gross loans to customers split (31 Dec 2019, % and EUR million)



NLB Banka Podgorica

NLB Banka a.d., Podgorica

"on stand alone basis"

Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	11.2%	14.9%	-3.7 p.p.	
Interest margin*	4.27%	4.11%	0.2 p.p.	
CIR	51.4%	51.8%	-0.4 p.p.	
Cost of risk net (bps)**	-8	-41	33	
LTD net	79.3%	79.3%	0.0 p.p.	

Income statement

in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	26,261	23,818	2,443	10.3%
Net interest income	20,276	18,047	2,229	12.4%
Net non-interest income	5,985	5,771	214	3.7%
o/w net fees and commissions	6,445	5,926	519	8.8%
Total costs	-13,489	-12,340	-1,149	-9.3%
Employee costs	-7,656	-7,180	-476	-6.6%
Other general and administrative expenses	-4,300	-4,301	1	0.0%
Depreciation and amortization	-1,533	-859	-674	-78.5%
Result before impairments and provisions	12,772	11,478	1,294	11.3%
Impairments and provisions	-3,808	-1,267	-2,541	-
Result after tax	7,565	10,033	-2,468	-24.6%
Number of employees	303	318	-15	-4.7%

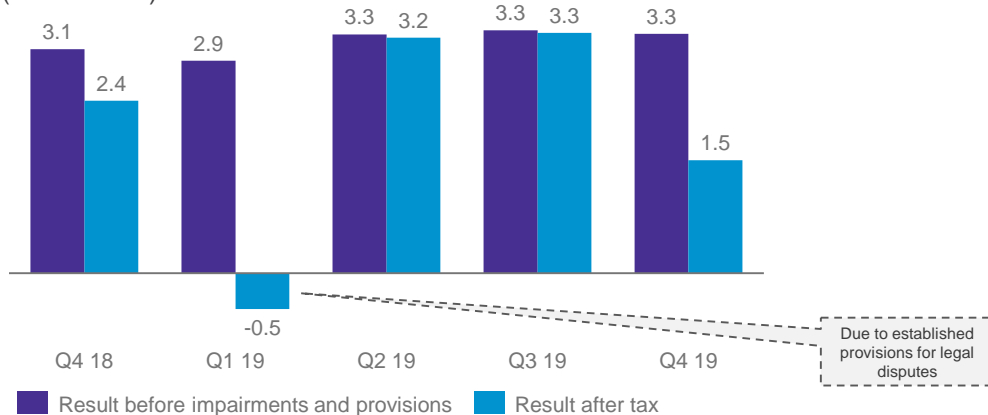
* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

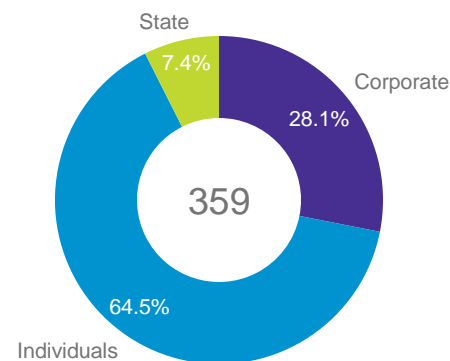
Balance sheet

in 000 EUR	31 Dec 2019	31 Dec 2018	Change YoY	
Total assets	548,483	489,283	59,200	12.1%
Loans to customers (net)	346,299	310,692	35,607	11.5%
Loans to customers (gross)	359,180	323,914	35,266	10.9%
Gross loans to corporate	100,961	90,223	10,738	11.9%
Gross loans to individuals	231,506	203,207	28,299	13.9%
Gross loans to state	26,713	30,484	-3,771	-12.4%
Financial assets	57,339	54,781	2,558	4.7%
Deposits from customers	436,545	391,750	44,795	11.4%
Deposits from corporate	135,396	116,364	19,032	16.4%
Deposits from individuals	283,091	256,975	26,116	10.2%
Deposits from state	18,058	18,411	-353	-1.9%
NPL gross	18,129	20,627	-2,498	-12.1%
% NPL	4.0%	5.2%	-1.2 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	15.0%	16.2%	-1.3 p.p.	

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



Gross loans to customers split (31 Dec 2019, % and EUR million)



NLB Banka Beograd

NLB Banka a.d., Beograd

"on stand alone basis"

Key financial indicators

	1-12 2019	1-12 2018	Change YoY	
ROE a.t.	5.9%	7.9%	-2.0 p.p.	
Interest margin*	4.03%	4.92%	-0.9 p.p.	
CIR	78.3%	76.2%	2.1 p.p.	
Cost of risk net (bps)**	28	-51	79	
LTD net	94.2%	90.3%	3.9 p.p.	

Income statement

in 000 EUR	1-12 2019	1-12 2018	Change YoY	
Total net operating income	24,863	23,596	1,267	5.4%
Net interest income	20,722	19,764	958	4.8%
Net non-interest income	4,141	3,832	309	8.1%
o/w net fees and commissions	5,980	4,998	982	19.6%
Total costs	-19,471	-17,981	-1,490	-8.3%
Employee costs	-10,531	-9,498	-1,033	-10.9%
Other general and administrative expenses	-6,345	-7,270	925	12.7%
Depreciation and amortization	-2,595	-1,213	-1,382	-113.9%
Result before impairments and provisions	5,392	5,615	-223	-4.0%
Impairments and provisions	-1,254	-377	-877	-
Result after tax	4,142	5,202	-1,060	-20.4%
Number of employees	479	458	21	4.6%

* Interest margin data for 2018 are adjusted to new methodology valid from 2019 on (calculation based on the number of days for the period).

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

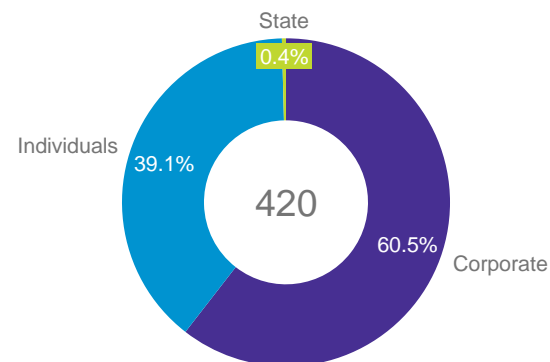
Balance sheet

in 000 EUR	31 Dec 2019	31 Dec 2018	Change YoY	
Total assets	614,268	484,492	129,776	26.8%
Loans to customers (net)	412,046	318,792	93,254	29.3%
Loans to customers (gross)	419,521	327,847	91,674	28.0%
Gross loans to corporate	253,842	198,833	55,009	27.7%
Gross loans to individuals	164,003	127,629	36,374	28.5%
Gross loans to state	1,676	1,385	291	21.0%
Financial assets	74,781	58,285	16,496	28.3%
Deposits from customers	437,268	352,940	84,328	23.9%
Deposits from corporate	186,376	160,683	25,693	16.0%
Deposits from individuals	249,021	182,702	66,319	36.3%
Deposits from state	1,871	9,555	-7,684	-80.4%
NPL gross	8,004	9,957	-1,953	-19.6%
% NPL	1.6%	2.4%	-0.9 p.p.	
Capital (according to local legislation)				
Capital adequacy ratio	19.5%	16.7%	2.8 p.p.	

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



Gross loans to customers split (31 Dec 2019, % and EUR million)



Financial markets in Slovenia⁽¹⁾

in million EUR
consolidated

Financial markets in Slovenia

	2019	2018	Change YoY		Q4 2019	Q3 2019	Change QoQ
Net interest income	33.6	31.4	2.1	7%	8.4	9.3	-10%
Net non-interest income	2.0	-1.1	3.1	-	0.3	0.2	3%
Total net operating income	35.6	30.3	5.3	17%	8.7	9.5	-9%
Total costs	-7.5	-6.5	-1.0	-15%	-2.3	-1.6	-44%
Result before impairments and provisions	28.1	23.8	4.3	18%	6.3	7.9	-20%
Impairments and provisions	-0.5	0.2	-0.7	-	0.0	0.0	-
Result before tax	27.6	24.0	3.6	15%	6.4	7.9	-20%

	31 Dec 2019	30 Sep 2019	31 Dec 2018	Change YoY		Change QoQ
Balances with Central banks	1,044.1	468.8	575.0	469.1	82%	123%
Banking book securities	3,093.6	3,053.1	2,755.2	338.3	12%	1%
<i>Interest rate on banking book securities</i>	<i>1.03%</i>	<i>1.04%</i>	<i>1.25%</i>	<i>-0.22 p.p.</i>		<i>-0.01 p.p.</i>
Wholesale funding*	161.6	170.6	244.1	-82.6	-34%	-5%
<i>Interest rate on wholesale funding*</i>	<i>0.50%</i>	<i>0.48%</i>	<i>0.50%</i>	<i>0.00 p.p.</i>		<i>0.02 p.p.</i>
Subordinated liabilities	210.6	90.3	-	-	-	-
<i>Interest rate on subordinated liabilities</i>	<i>4.03%</i>	<i>4.22%</i>				

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

- **Profit before tax** amounted to EUR 27.6 million, 15% increase YoY, despite negative effect of EUR -2.4 million recorded due to the change in segment presentation.
- **Net interest income** EUR 2.1 million higher YoY, mostly due to higher volumes, since the yields on securities decreased YoY.
- Higher **net non-interest income**, EUR 3.1 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.
- Increase in **balances with the central bank** (EUR 469.1 million YoY) due to high inflow of deposits (one-off item).
- Increase in **banking book securities** (EUR 338.3 million YoY) due to surplus in liquidity.

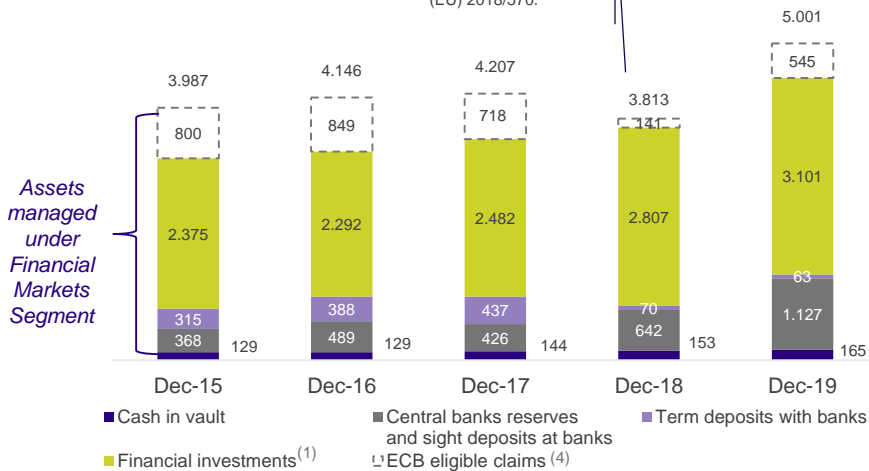
Financial markets in Slovenia

Strong liquidity position

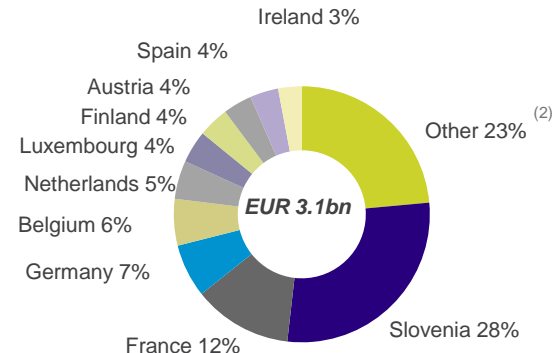
Liquid assets evolution (EURm)

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

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



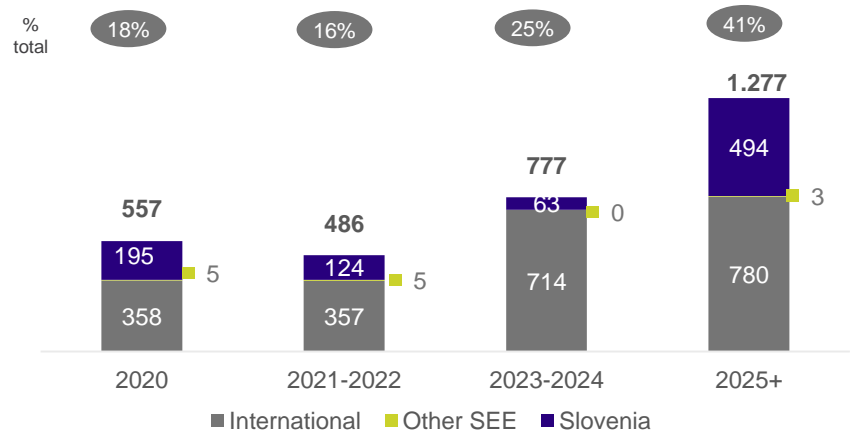
Well diversified banking book by geography (31 Dec 2019)



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 minimize concentration risk, and is invested predominantly in high quality issuers on prudent tenors
- Liquidity ratios (as of 31 Dec 2019): LCR 362% (NLB d.d.) and 325% (NLB Group); NSFR 159% (NLB d.d.) and 160% (NLB Group)

Maturity profile of banking book securities⁽³⁾ (31 Dec 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

	2019	2018	Change YoY		Q4 2019	Q3 2019	Change QoQ
Net interest income	2.7	9.3	-6.6	-71%	0.6	0.6	-10%
Net non-interest income	8.2	5.2	3.0	59%	1.7	2.2	-19%
Total net operating income	11.0	14.5	-3.5	-24%	2.3	2.8	-17%
Total costs	-14.0	-18.2	4.3	23%	-4.0	-3.4	-18%
Result before impairments and provisions	-3.0	-3.7	0.7	19%	-1.7	-0.6	-169%
Impairments and provisions	-0.1	11.9	-12.0	-	-1.4	0.3	-
Result before tax	-3.1	8.2	-11.3	-	-3.2	-0.3	-

	31 Dec 2019	30 Sep 2019	31 Dec 2018	Change YoY		Change QoQ
Segment assets	169.5	192.9	263.7	-94.2	-36%	-12%
Net loans to customers	67.4	83.8	160.9	-93.5	-58%	-20%
Gross loans to customers	137.2	164.7	288.6	-151.4	-52%	-17%
Investment property and property & equipment received for repayment of loans	75.6	81.1	68.5	7.0	10%	-7%
Other assets	26.5	27.9	34.3	-7.8	-23%	-5%
Deposits from customers	0.0	0.0	9.6	-9.6	-	-
Non-performing loans (gross)	93.6	112.2	179.7	-86.1	-48%	-17%

	2019	2018	Change YoY
Cost of risk (in bps)	-218	-705	487
CIR	127.2%	125.5%	1.7 p.p.

- The segment recorded EUR 3.5 million decrease of **net operating income**, which included a transfer of the NLB Non-Core part to Corporate and Investment Banking segment (approximately EUR -3.3 million) and a transfer of NLB Srbija and NLB Crna Gora from Strategic Foreign Markets (EUR 1.3 million); effect on net non-interest income from contractual penalty (EUR 1.3 million) in Q1 2019.
- Decrease in **total costs**, EUR 4.3 million YoY, due to positive effect of divestment of non-strategic Group members, transfer of NLB Non-Core part to Corporate (approximately EUR 4.4 million) and negative effect of transfer of NLB Srbija and NLB Crna Gora from Strategic Foreign Markets (EUR 1.4 million).
- A substantial decrease in **total assets** of the segment YoY (EUR 94.2 million, of which EUR 32.1 million due to the change in segment presentation), which is in line with the divestment strategy of the Non-Core segment..

Other⁽¹⁾

in EUR million
consolidated

Other

	2019	2018	Change YoY		Q4 2019	Q3 2019	Change QoQ
Total net operating income	12.7	4.8	7.9	163%	1.8	1.2	51%
Total costs	-13.4	-9.6	-3.7	-39%	-5.9	-2.5	-135%
Result before impairments and provisions	-0.6	-4.8	4.1	87%	-4.0	-1.3	-
Impairments and provisions	-5.8	2.4	-8.2	-	-5.7	0.0	-
Result before tax	-6.4	-2.3	-4.1	-173%	-9.7	-1.3	-

- The segment Other recorded EUR 6.4 million of **loss before tax**, EUR 4.1 million decrease YoY. EUR 12.7 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 13.4 million of **total costs**, related mostly to IT, cash transport, external realization, restructuring costs, empty business premises and consulting.
- Establishment of EUR 5.5 million of HR provisions for reorganization.



Appendix 2:


Macro Overview

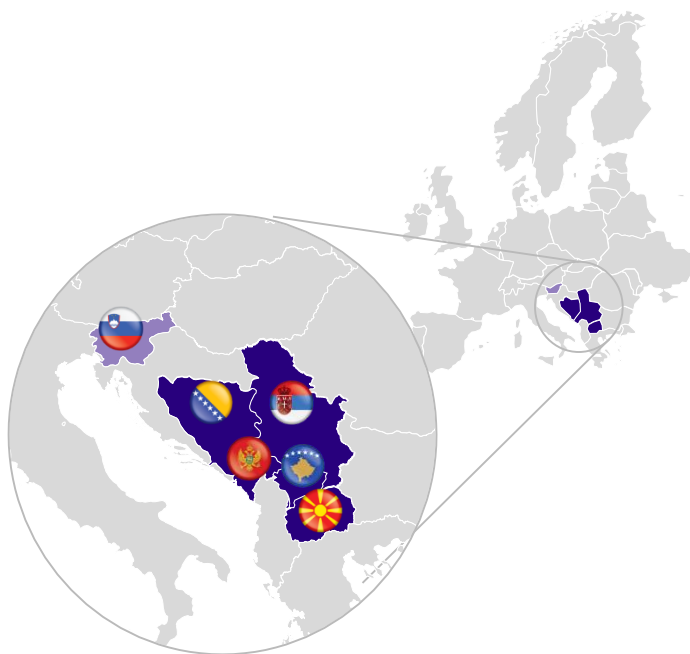
NLB Group – Macro overview


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

Slovenia 	EUR
GDP (EURbn)	47.5
Real GDP growth (%)	3.0
Population (m)	2.1
Household indebtedness ⁽¹⁾	22.2%
Credit ratings (S&P / Moody's / Fitch)	AA- / Baa1 / A


Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	17.7
Real GDP growth (%)	3.0
Population (m)	3.5
Household indebtedness ⁽¹⁾	28.2%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.8
Real GDP growth (%)	4.0
Population (m)	0.6
Household indebtedness ⁽¹⁾	27.0%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	50.7
Real GDP growth (%)	3.5
Population (m)	7.0
Household indebtedness ⁽¹⁾	20.3%
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba3 / BB+

Kosovo 	EUR
GDP (EURbn)	6.9
Real GDP growth (%)	4.1
Population (m)	1.8
Household indebtedness ⁽¹⁾	15.4%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	11.1
Real GDP growth (%)	4.0
Population (m)	2.1
Household indebtedness ⁽¹⁾	24.4%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+



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

Note: GDP volume and growth on Q3 2019, annualized; (1) Includes households loans as % of GDP, Q3 2019, annualized; (2) Bosnia and Herzegovina is comprised of 2 entities, The Federation of Bosnia and Herzegovina and Republika Srpska;

(3) Official currency is BAM – Bosnia-Herzegovina Convertible Mark, pegged to EUR.

Macro Overview

Economic data

- 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 trade conditions.

Fiscal data

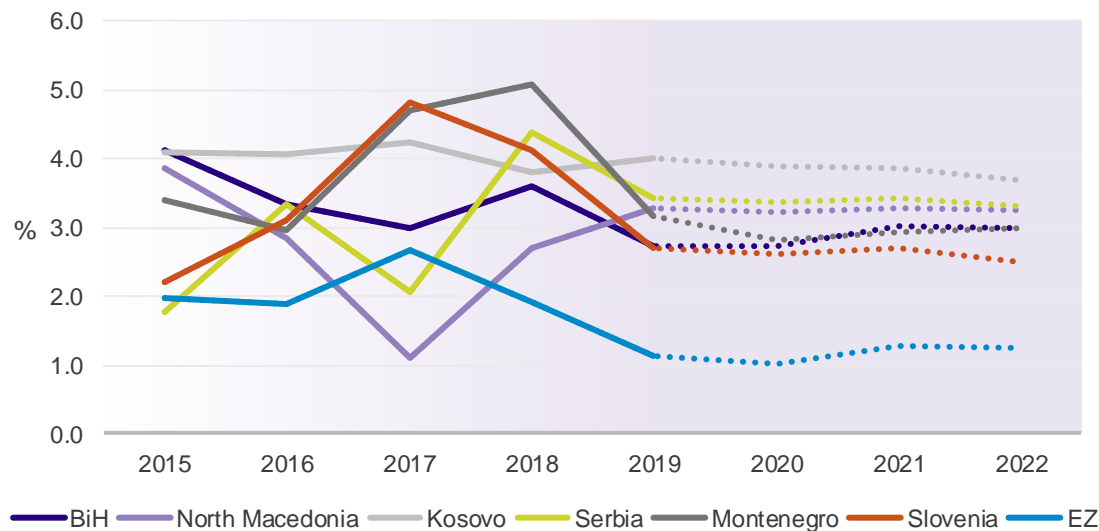
- Environment for necessary reforms is still seen favourable.
- Fiscal imbalances should not aggravate general government borrowing position and public debt seems manageable, nevertheless caution still recommended.
- Large current account deficits and geographical contagion are important drivers to capital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

Monetary data

- Loans potential for the credit financing remains solid.
- 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 in 2019 was registered by **Kosovo** (+4.0%), followed by **Serbia** (+3.4%).

Four countries with above 3% growth of GDP in 2019.

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

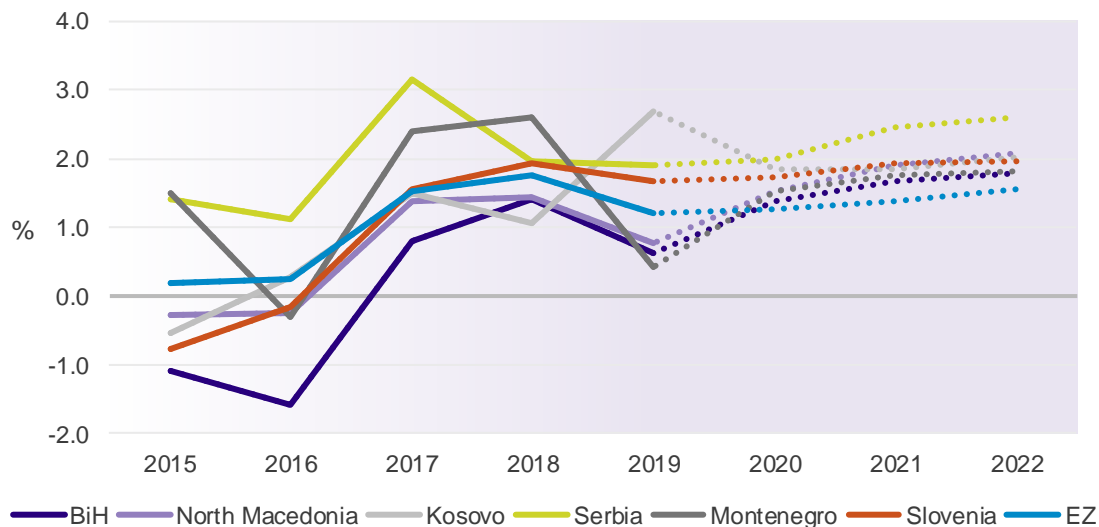
Real GDP growth, %	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	4.1	3.4	3.0	3.6	2.7	2.7	3.0	3.0
North Macedonia	3.9	2.8	1.1	2.7	3.3	3.2	3.3	3.2
Kosovo	4.1	4.1	4.2	3.8	4.0	3.9	3.9	3.7
Serbia	1.8	3.3	2.0	4.4	3.4	3.4	3.4	3.3
Montenegro	3.4	2.9	4.7	5.1	3.2	2.8	2.9	3.0
Slovenia	2.2	3.1	4.8	4.1	2.7	2.6	2.7	2.5
Eurozone	2.0	1.9	2.7	1.9	1.1	1.0	1.3	1.3

Sources: FocusEconomics

Note: Estimated for 2019; Consensus Forecasts for 2020, 2021 and 2022

Macro Overview – Economic data

Average inflation rate, %



KEY FINDINGS:

There seems to be a favourable inflation development in all countries.

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 %.

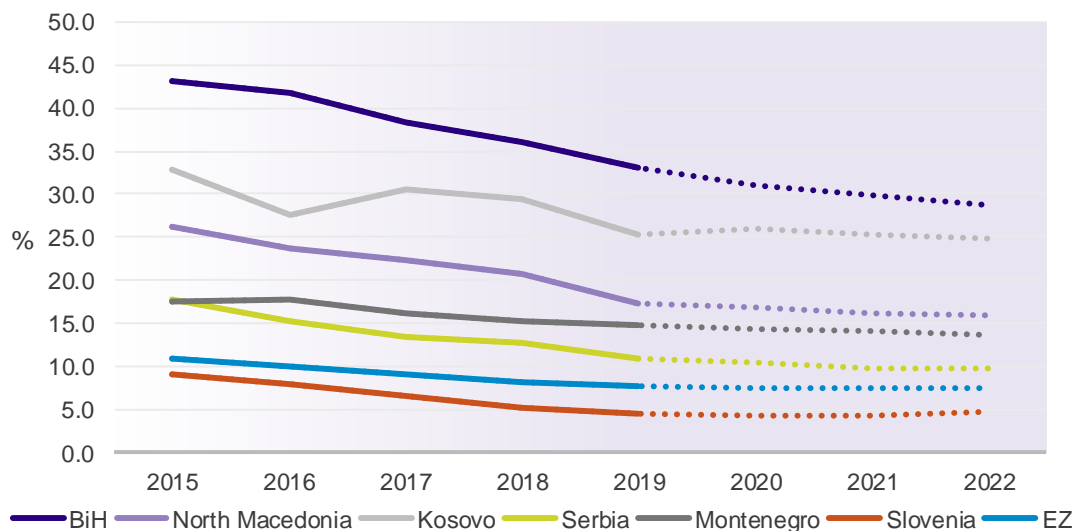
Average inflation rate, %	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-1.1	-1.6	0.8	1.4	0.6	1.4	1.7	1.8
North Macedonia	-0.3	-0.2	1.4	1.4	0.8	1.5	1.9	2.1
Kosovo	-0.5	0.3	1.5	1.1	2.7	1.8	1.9	2.0
Serbia	1.4	1.1	3.2	2.0	1.9	2.0	2.4	2.6
Montenegro	1.5	-0.3	2.4	2.6	0.4	1.5	1.7	1.8
Slovenia	-0.8	-0.2	1.6	1.9	1.7	1.7	1.9	2.0
Eurozone	0.2	0.2	1.5	1.8	1.2	1.2	1.4	1.6

Sources: FocusEconomics

Note: HICP for Slovenia, Kosovo and Eurozone, other CPI; Consensus Forecasts for 2020, 2021 and 2022

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 2019, all the countries showed the improvements. 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.

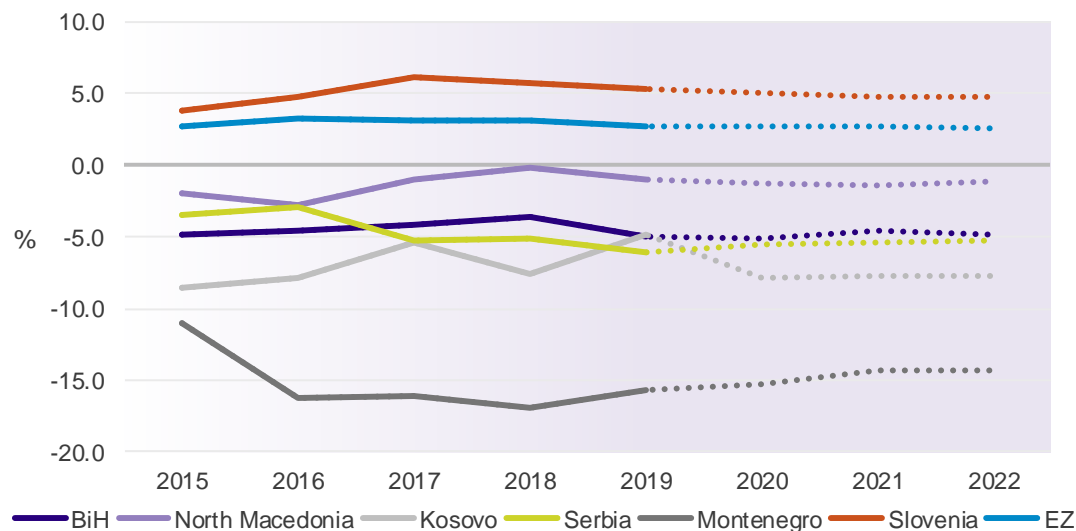
Unemployment rate, %	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	43.2	41.7	38.4	36.0	33.1	31.0	30.0	28.7
North Macedonia	26.1	23.7	22.4	20.7	17.3	16.8	16.0	16.0
Kosovo	32.9	27.5	30.5	29.5	25.3	26.0	25.3	24.9
Serbia	17.7	15.3	13.5	12.7	10.9	10.5	9.8	9.7
Montenegro	17.6	17.7	16.1	15.2	14.7	14.3	14.2	13.7
Slovenia	9.0	8.0	6.6	5.1	4.4	4.3	4.2	4.7
Eurozone	10.9	10.0	9.1	8.2	7.6	7.5	7.4	7.4

Sources: FocusEconomics

Note: BiH data for registered unemployment rate; Consensus Forecasts for 2020, 2021 and 2022

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 in the region.

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

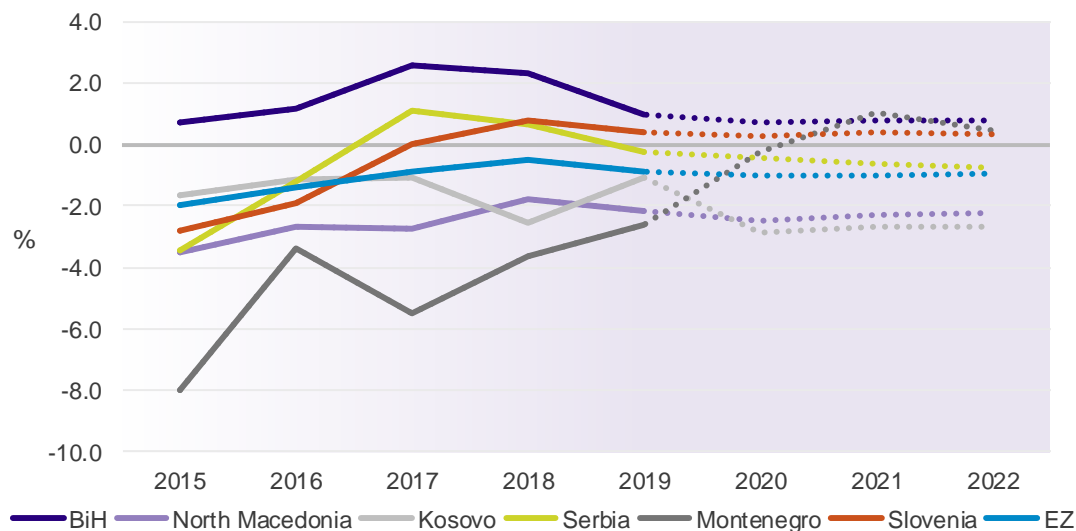
Current Account, % GDP	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-4.9	-4.5	-4.2	-3.6	-4.9	-5.1	-4.6	-4.9
North Macedonia	-1.9	-2.9	-1.0	-0.1	-1.0	-1.3	-1.4	-1.2
Kosovo	-8.6	-7.9	-5.4	-7.6	-4.8	-7.8	-7.8	-7.7
Serbia	-3.5	-2.9	-5.2	-5.2	-6.0	-5.6	-5.5	-5.3
Montenegro	-11.0	-16.2	-16.1	-17.0	-15.8	-15.3	-14.4	-14.3
Slovenia	3.8	4.8	6.1	5.7	5.4	5.0	4.7	4.7
Eurozone	2.6	3.3	3.1	3.1	2.7	2.8	2.8	2.6

Sources: FocusEconomics

Note: Estimated for 2019; Consensus Forecasts for 2020, 2021 and 2022

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

A slight deterioration in the fiscal performance is expected in **Kosovo**.

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

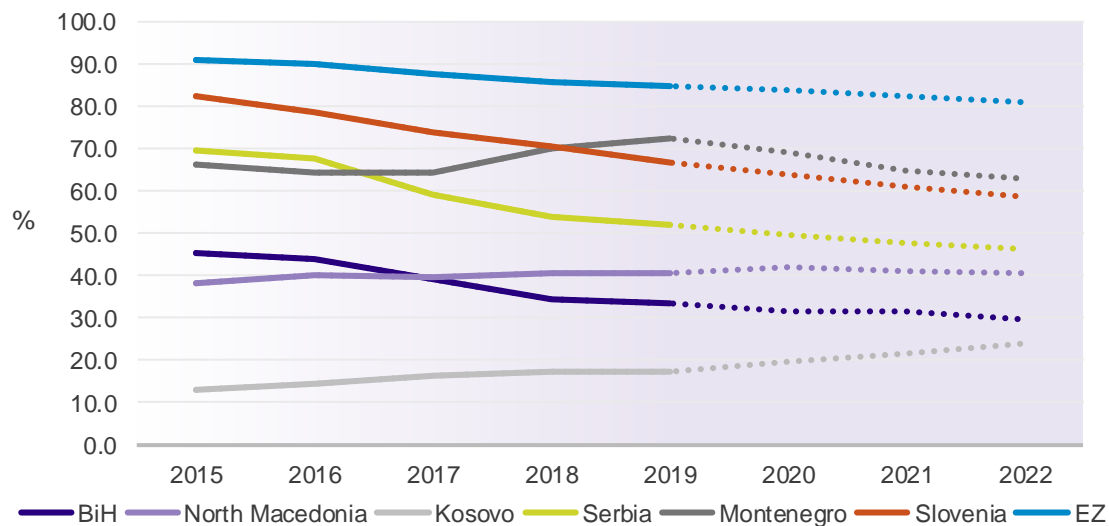
Fiscal balance, % GDP	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	0.7	1.2	2.6	2.3	1.0	0.7	0.8	0.8
North Macedonia	-3.5	-2.7	-2.7	-1.8	-2.1	-2.5	-2.3	-2.2
Kosovo	-1.6	-1.1	-1.1	-2.6	-1.1	-2.9	-2.7	-2.7
Serbia	-3.5	-1.2	1.1	0.6	-0.2	-0.5	-0.6	-0.8
Montenegro	-8.0	-3.4	-5.5	-3.6	-2.6	-0.2	1.0	0.5
Slovenia	-2.8	-1.9	0.0	0.8	0.4	0.3	0.4	0.3
Eurozone	-2.0	-1.4	-0.9	-0.5	-0.9	-1.0	-1.0	-1.0

Sources: FocusEconomics

Note: Estimated for 2019; Consensus Forecasts for 2020, 2021 and 2022

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 2020, a reduction of public debt is expected in **Serbia, Slovenia, BiH** and **Montenegro** while an increase is expected for **Kosovo**, and **N. Macedonia**.

Nonetheless, all the countries in the region are below the Eurozone level.

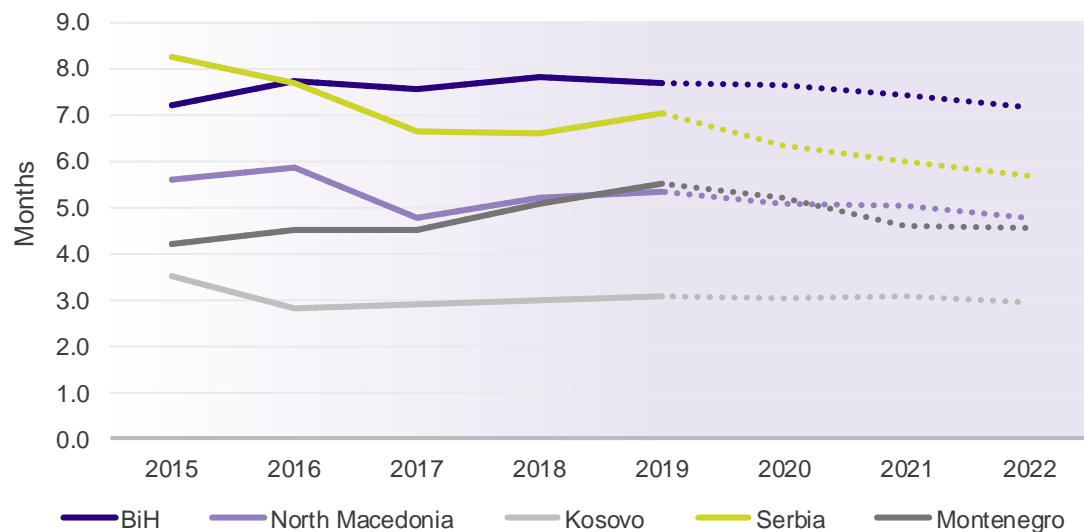
Public debt, % GDP	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	45.5	44.1	39.2	34.3	33.3	31.7	31.3	29.6
North Macedonia	38.1	39.9	39.4	40.6	40.5	41.8	41.2	40.3
Kosovo	13.1	14.4	16.2	17.1	17.3	19.7	21.6	23.8
Serbia	69.5	67.6	59.3	53.7	51.8	49.5	47.6	46.3
Montenegro	66.2	64.4	64.2	70.1	72.3	69.2	64.9	63.0
Slovenia	82.6	78.7	74.1	70.4	66.8	63.9	61.0	58.7
Eurozone	90.8	90.0	87.8	85.9	85.0	83.9	82.5	81.1

Sources: FocusEconomics

Note: Estimated for 2019; Consensus Forecasts for 2020, 2021 and 2022

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.

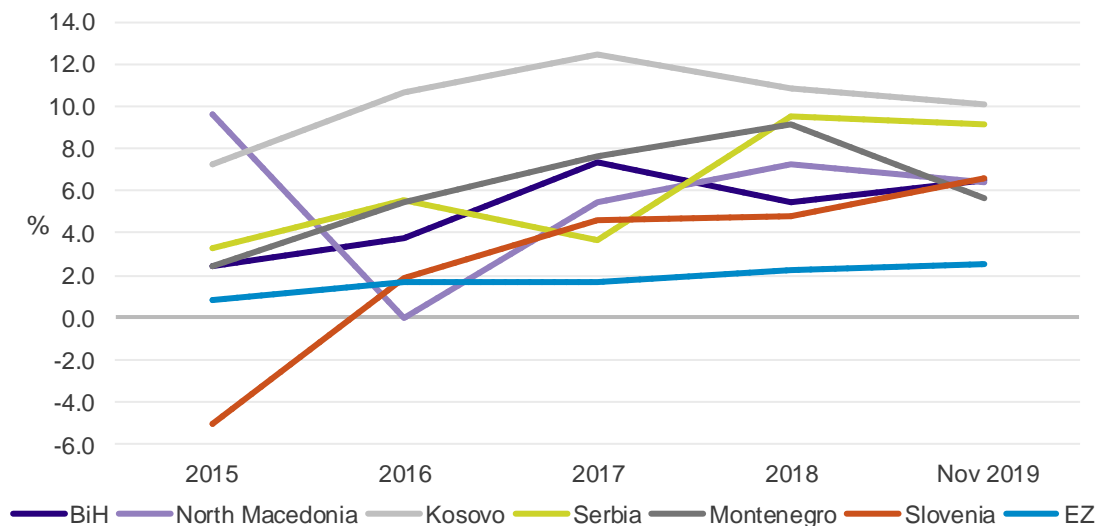
Total reserves, import coverage in months	2015	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	7.2	7.7	7.6	7.8	7.7	7.6	7.4	7.2
North Macedonia	5.6	5.9	4.8	5.2	5.3	5.1	5.0	4.8
Kosovo	3.5	2.8	2.9	3.0	3.1	3.0	3.1	2.9
Serbia	8.2	7.7	6.6	6.6	7.0	6.3	6.0	5.7
Montenegro	4.2	4.5	4.5	5.1	5.5	5.2	4.6	4.5

Sources: FocusEconomics

Note: Estimated for 2019; Consensus Forecasts for 2020, 2021 and 2022

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 (10.1%) and **Serbia** (9.1%) leading the credit growth in the region in 2019.

In the region healthy loan dynamics driven by rising consumption, tighter labour market, as well as rising fixed investments.

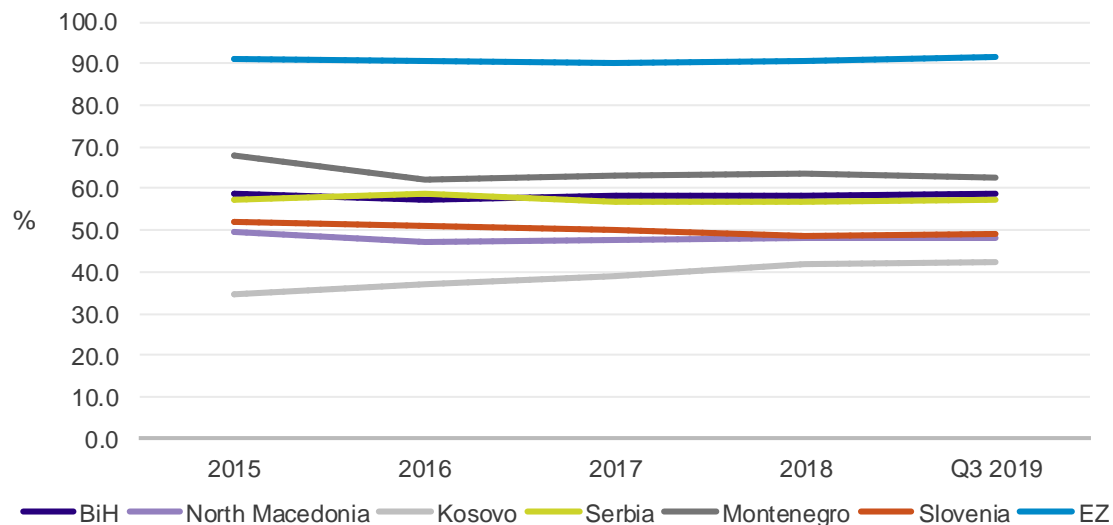
Loan growth (NFC + Households), %

	2014	2015	2016	2017	2018	Nov 2019
Bosnia and Herzegovina	1.8	2.4	3.8	7.3	5.5	6.5
North Macedonia	10.0	9.6	-0.1	5.4	7.2	6.4
Kosovo	6.2	7.3	10.6	12.4	10.9	10.1
Serbia	0.5	3.3	5.5	3.6	9.5	9.1
Montenegro	-1.1	2.5	5.4	7.7	9.1	5.6
Slovenia	-12.4	-5.1	1.8	4.6	4.7	6.5
Eurozone	-0.7	0.8	1.7	1.7	2.3	2.5

Sources: National Central Banks, ECB, NLB

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**, **North Macedonia** and **Serbia**.

In **Slovenia**, the negative trend stabilized in 2019. 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.

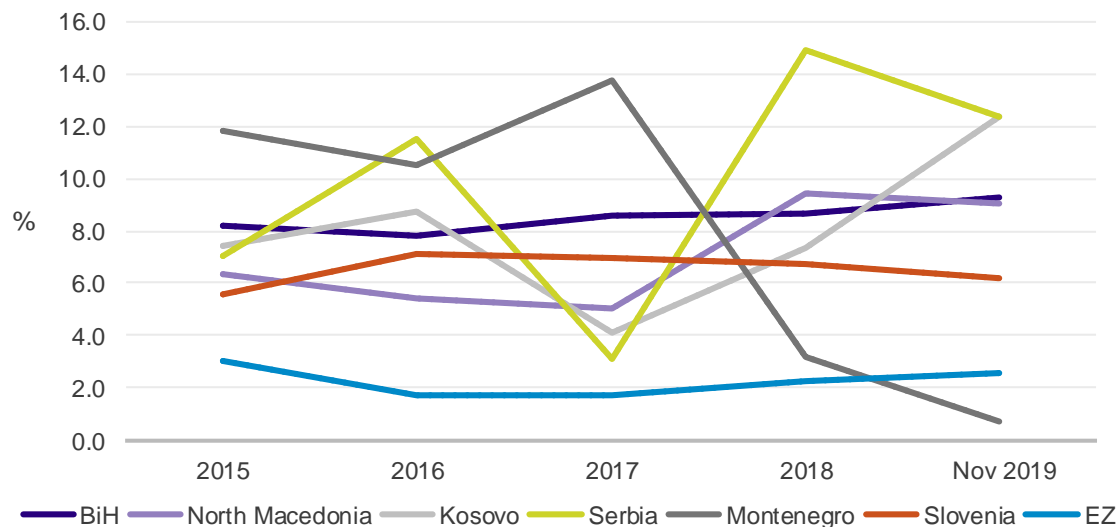
Total Loans as % of GDP	2014	2015	2016	2017	2018	Q3 2019
Bosnia and Herzegovina	60.1	58.9	57.3	58.3	58.3	58.5
North Macedonia	48.6	49.8	47.0	47.5	48.1	48.2
Kosovo	33.5	34.9	37.1	39.2	41.9	42.5
Serbia	56.7	57.5	58.7	56.8	57.0	57.2
Montenegro	69.6	67.8	62.1	63.2	63.6	62.4
Slovenia	57.2	52.2	50.9	50.1	48.6	49.3
Eurozone	92.0	91.4	90.8	90.1	90.5	91.5

Sources: National Central Banks, ECB, NLB

Note: Eurozone Total loans includes only NFC + Households loans

Macro Overview – Monetary data

Deposits growth (NFC + Households), %



KEY FINDINGS:

There are substantial differences in deposit growth numbers.

Serbia and **Kosovo** leading the deposit growth in the region in 2019, followed by strong growth of other countries in the region.

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

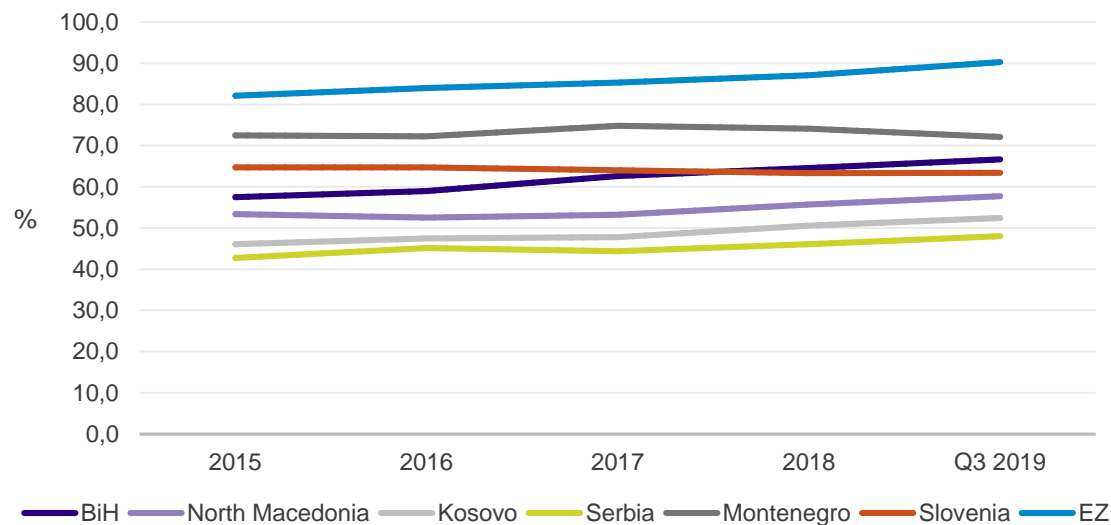
Deposit growth (NFC + Households), %

	2014	2015	2016	2017	2018	Nov 2019
Bosnia and Herzegovina	9.1	8.2	7.8	8.6	8.7	9.3
North Macedonia	10.5	6.4	5.4	5.0	9.5	9.1
Kosovo	2.9	7.4	8.7	4.1	7.3	12.4
Serbia	9.7	7.1	11.5	3.1	14.9	12.4
Montenegro	9.6	11.8	10.5	13.7	3.2	0.7
Slovenia	6.5	5.6	7.1	6.9	6.8	6.2
Eurozone	3.7	3.0	1.7	1.7	2.3	2.5

Sources: National Central Banks, ECB, NLB

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

In 2019, growing deposit to GDP ratio in the whole region with the exception of **Montenegro**, though in the latter the ratio is still above its peers in the region.

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

Total Deposits as % of GDP	2014	2015	2016	2017	2018	Q3 2019
Bosnia and Herzegovina	55.8	57.5	59.0	62.6	64.6	66.7
North Macedonia	53.1	53.4	52.5	53.4	55.7	57.7
Kosovo	45.3	46.1	47.5	47.8	50.6	52.4
Serbia	41.7	42.7	45.1	44.3	46.1	48.0
Montenegro	65.9	72.4	72.2	74.8	74.1	72.1
Slovenia	64.9	64.7	64.7	64.0	63.3	63.4
Eurozone	80.9	82.1	83.9	85.3	87.1	90.3

Sources: National Central Banks, ECB, NLB

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



Appendix 3:

Financial statements

NLB Group Income Statement

(EURm)	1-12 2019	1-12 2018	YoY	Q4 2019	Q3 2019	Q4 2018	QoQ
Interest and similar income	364.8	358.9	2%	92.1	91.4	92.1	1%
Interest and similar expense	-46.3	-45.9	-1%	-12.4	-11.6	-11.1	-6%
Net interest income	318.5	312.9	2%	79.7	79.8	81.0	0%
Fee and commission income	235.0	218.6	8%	61.3	61.9	56.5	-1%
Fee and commission expense	-64.6	-57.9	-12%	-17.8	-17.3	-15.9	-3%
Net fee and commission income	170.3	160.6	6%	43.5	44.6	40.7	-3%
Dividend income	0.2	0.1	76%	0.0	0.0	0.0	55%
Net income from financial transactions	33.8	14.7	130%	5.8	5.1	3.1	14%
Other operating income	-9.3	4.9	-	-0.1	-2.1	-0.5	94%
Total net operating income	513.6	493.3	4%	128.9	127.4	124.3	1%
Employee costs	-171.2	-165.1	-4%	-48.0	-41.8	-43.2	-15%
Other general and administrative expenses	-99.3	-96.3	-3%	-31.4	-23.3	-28.4	-35%
Depreciation and amortisation	-31.0	-27.2	-14%	-7.7	-7.9	-6.7	3%
Total costs	-301.4	-288.7	-4%	-87.0	-73.0	-78.3	-19%
Result before impairments and provisions	212.2	204.6	4%	41.9	54.4	46.0	-23%
Impairments and provisions for credit risk	13.3	30.2	-56%	-2.3	16.4	7.0	-
Other impairments and provisions	-14.3	-6.9	-107%	-8.4	-1.1	-2.7	-
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4.2	5.4	-23%	0.0	1.6	1.3	-97%
Result before Tax	215.4	233.3	-8%	31.2	71.2	51.7	-56%
Income tax expense	-13.6	-21.8	38%	2.2	-0.9	-5.1	-
Non Controlling Interests	8.2	7.9	4%	2.0	2.4	1.2	-15%
Net Profit / (Loss) Attributable to Shareholders	193.6	203.6	-5%	31.3	67.9	45.3	-54%

NLB Group Statement of Financial Position

(EURm)	31 Dec 2019	31 Dec 2018	YtD
ASSETS			
Cash and balances with Central Banks and other demand deposits at banks	2,101.3	1,588.3	32%
Financial instruments	3,829.7	3,399.2	13%
<i>o/w Trading Book</i>	24.0	63.6	-62%
<i>o/w Non-trading Book</i>	3,805.7	3,335.6	14%
Loans and advances to banks (net)	93.4	118.7	-21%
<i>o/w gross loans</i>	93.5	118.8	-21%
<i>o/w impairments</i>	-0.1	-0.1	25%
Loans and advances to customers	7,604.7	7,148.4	6%
<i>o/w gross loans</i>	7,938.3	7,627.5	4%
- Corporates	3,646.3	3,540.4	3%
- State	278.6	360.5	-23%
- Individuals	4,013.5	3,726.5	8%
<i>o/w impairments and valuation</i>	-333.6	-479.0	30%
Investments in associates and JV	7.5	37.1	-80%
Goodwill	3.5	3.5	0%
Other intangible assets	36.0	31.4	15%
Property, plant and equipment	195.6	177.4	10%
Investment property	52.3	58.6	-11%
Other assets	250.0	177.1	41%
Total Assets	14,174.1	12,740.0	11%
LIABILITIES & EQUITY			
Deposits from banks and central banks	42.8	26.8	60%
Deposits from customers	11,612.3	10,464.0	11%
- Corporates	2,772.0	2,337.3	19%
- State	257.4	261.1	-1%
- Individuals	8,582.9	7,865.6	9%
Borrowings	234.8	320.3	-27%
Subordinated liabilities	210.6	15.1	-
Other liabilities	342.6	256.5	34%
Total Liabilities	12,443.2	11,082.6	12%
Shareholders' Equity	1,685.9	1,616.2	4%
Non Controlling Interests	45.0	41.2	9%
Total Equity	1,730.9	1,657.4	4%
Total Liabilities & Equity	14,174.1	12,740.0	11%