NLB Group Presentation

3Q'16 Results

NLB

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NLB Group

Overview of NLB Group

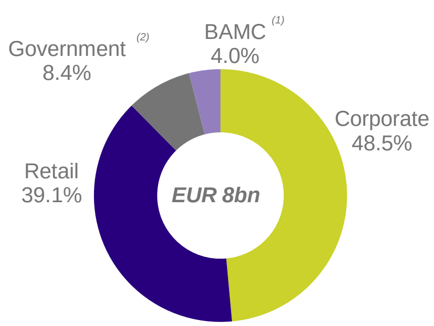
Key highlights

- ✓ **The largest banking and financial institution in Slovenia**
  - ✓ 100% owned by the Republic of Slovenia
  - ✓ Leading bank for retail and corporate clients in Slovenia, with ~700k active clients and ~24% market share by total assets
- ✓ **Active in 6 attractive markets in South-Eastern Europe**
  - ✓ 4 Top-3 banks and 1 Top-5 bank (by total assets)
- ✓ **Underwent substantial transformation since 2013, achieving turnaround in operational profitability and asset quality**
  - ✓ ~12% reduction in operating costs (Q3'13-Q3'16)
  - ✓ NPL ratio reduced from its peak 32.5% in Sep-2013 to 14.5% in Sep-16
  - ✓ 11 consecutive quarters of stable and positive performance
- ✓ **Extensive distribution network of 362 branches**
  - ✓ 113 branches in Slovenia (Sep-16)
- ✓ **Attractive dividend payout ratio**
  - ✓ In August 2016 NLB d.d paid out dividend to the shareholder in the amount of EUR 43.9m.

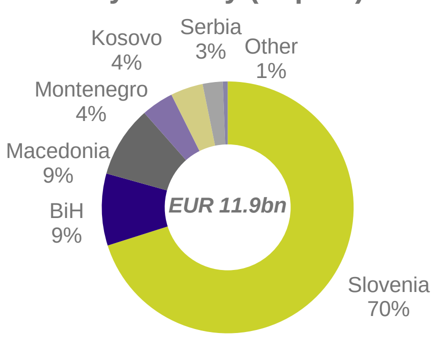
Key figures

Balance sheet (EURm)	Dec-14	Dec-15	Sept-16
Total assets	11,909	11,822	11,898
Loans to customers (gross)	9,053	8,351	7,994
Loans to customers (net)	7,415	7,088	6,998
Customer deposits	8,949	9,026	9,268
Attributable equity	1,343	1,423	1,487
P&L (EURm)	**FY'14**	**FY'15**	**9m16**
Net interest income	330	340	239
Pre provision income	208	186	144
Net income	62	92	92
Key ratios (%)	**Dec-14**	**Dec-15**	**Sept-16**
CET1 ratio	17.6%	16.2%	16.9%
NPL ratio	25.1%	19.3%	14.5%
NPE ratio (3)	18.8%	14.3%	10.8%
NPL coverage ratio	68.7%	72.2%	77.7%
RoE	4.8%	6.6%	8.2%

Gross loans by customer (Sep-16)



Total assets by country (Sep-16)



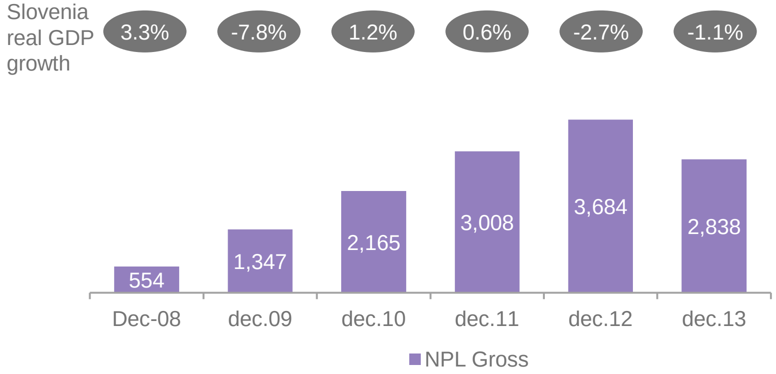
Source: Company information

Note: (1) Bank Asset Management Company; Bad Bank of the Republic of Slovenia
(2) Government departments, municipalities and agencies; (3) Based on EBA definition

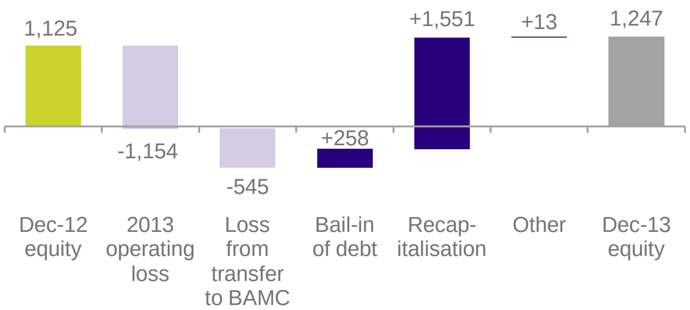
Background to 2013 recapitalisation

- Severe economic contraction in Slovenia during 2009 – 2013 drove NLB's NPLs to unprecedented levels
- An independent Asset Quality Review (AQR) and stress tests undertaken in 2013 by international consultants under the auspices of the Bank of Slovenia identified EUR1.7bn[(1)] capital shortfall
- To address that, a number of measures were taken for the recapitalisation of the bank

NLB Group's NPL stock vs real GDP growth (EURm)



Equity evolution (Dec-12 to Dec-13, EURm)



Recapitalisation measures

1. Outstanding EUR184m share capital of NLB was reduced to nil
2. Bail-in by way of termination of EUR250m outstanding subordinated debt instruments[(2)]
3. Transfer of EUR1,155m net assets to BAMC[(3)] resulting in a net loss of EUR545m
4. EUR1.55bn capital increase, covered entirely by the Republic of Slovenia

NLB Group

Source: Company information, Slovenian Statistical Office

Note: (1) EUR1,464m under baseline scenario and EUR1,668m under adverse scenario; (2) EUR258m including accrued interest; (3) Gross book value of assets: EUR2,169m; Transfer price: EUR610m;

Journey so far

Transformation into a sustainably profitable client-oriented group, focused on core markets

Key initiatives implemented

1. Focus on core businesses and markets and divestment of several non-core subsidiaries and participations
2. Balance sheet reduction
3. % annual cost reduction achieved
4. Improved risk management policy and corporate governance
5. Focus on improved business selection and pricing with clear minimum client RoE targets
6. Emphasis on NPL recovery and improving asset quality

			Overview	Going forward
Core	Core Slovenia	Retail banking	• Largest retail banking group by loans, deposits and number of branches • #1 in private banking and asset management business	✓Ongoing initiatives to transform operations ✓Capitalise on attractive growth prospects of fee-generating businesses ✓Implementation of differentiated risk-adjusted pricing
		Corporate banking	• Market leader in corporate banking with the largest client base in the country • Strong trade finance operations and other fee-based businesses	
		Financial markets(1)	• Largest brokerage network providing the best access to securities for clients • #1 lead organiser for syndicated loans in Slovenia	
	Core members	Foreign strategic markets	• Leading franchise in the SEE with 6 independent, well capitalised and self-funded subsidiaries • Only international banking group with exclusive focus on the SEE region	✓Increasing contribution to Group profits
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity Investments Real estate(2)	• Assets booked under NLB d.d. or non-core subsidiaries funded via NLB d.d. • Investments in listed and private Slovenian companies	✓Targeted exit by 2020 from selected ancillary businesses and lending to certain sectors
	Non-core members	Leasing, factoring and other(3)	• Various run-off businesses including leasing and factoring in the sale or liquidation processes • Real estate SPVs consolidating investments in SEE	

2013 recapitalisation → Journey so far

NLB Group

Source: Company information
Note: (1) Segment includes the income generated by the liquidity reserves, surplus from funds transfer pricing to other business segments in Slovenia and fees generated from investment banking and custody services; (2) GREAM; (3) NLB Leasing Ljubljana, NLB Interfinanz, Other Leasing, REAM and other Non-core members

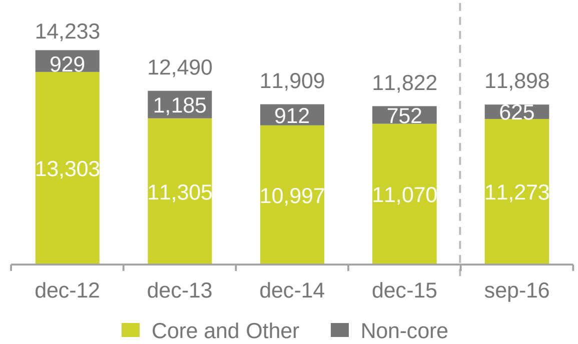
Journey so far (continued)

Transformation into a sustainably profitable client-oriented group, focused on core markets

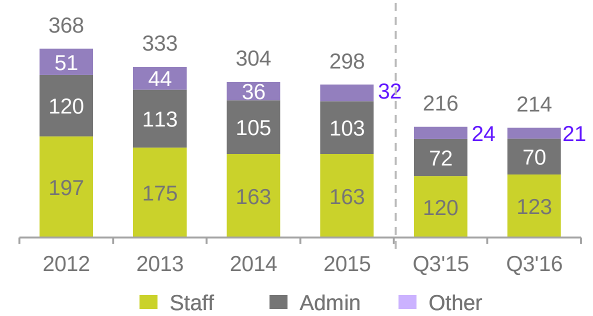
Key initiatives implemented

1. Focus on core businesses and markets and divestment of several non-core subsidiaries and participations
2. Balance sheet reduction
3. % annual cost reduction achieved
4. Improved risk management policy and corporate governance
5. Focus on improved business selection and pricing with clear minimum client RoE targets
6. Emphasis on NPL recovery and improving asset quality

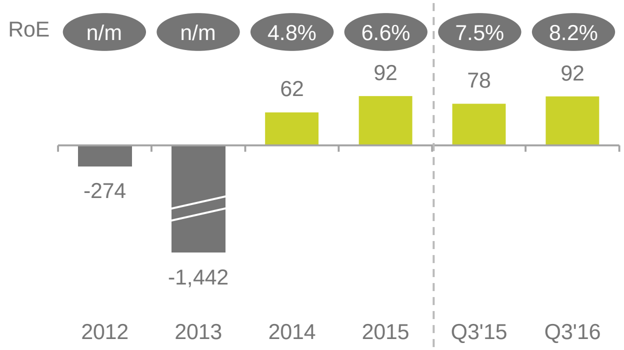
Smaller and stronger balance sheet (EURm)



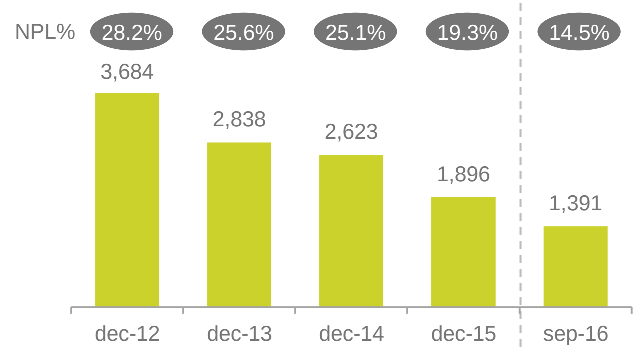
Over 40% cost reduction from 2012 (EURm)



Return to profitability (EURm)



Over 60% NPL reduction (NPL stock, EURm)



2013 recapitalisation

Journey so far

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Source: Company information

Slovenia macro and banking backdrop

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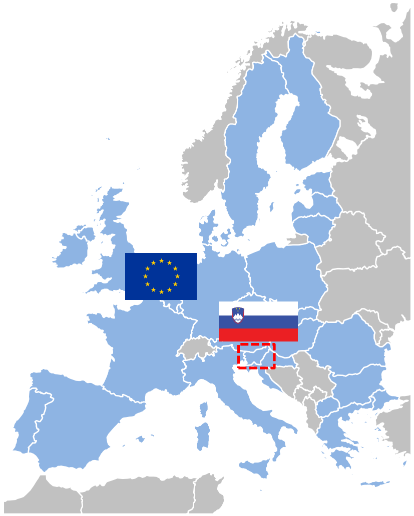
Slovenia: Fully integrated into European institutions

- ✓ Member of the EU and the Eurozone
- ✓ Export-driven economy with value-added export goods
- ✓ Well educated labour force
- ✓ Solid Parliamentary support for coalition Government (in place until Sep-18)



EUR 38.5bn
2015 nominal GDP

2.6%
9m2016 real GDP growth

EUR 19k
GDP/capita vs EUR 11k CEE average(1)

7.3%
3Q 2016 unemployment rate(2)

83.1%
2015 Govt debt/GDP

0.8% of GDP
primary surplus 2015

A/A-/Baa3
Sovereign rating (S&P/Fitch/Moody's)

Recent milestones

1991	Declaration of Independence
2004	Joined EU and NATO
2005	Chairmanship of the OSCE
2007	Joined EMU and Schengen Agreement
2008	Presidency of the Council of the European Union
2010	Joined OECD
2014	Banks joined Single Supervisory Mechanism

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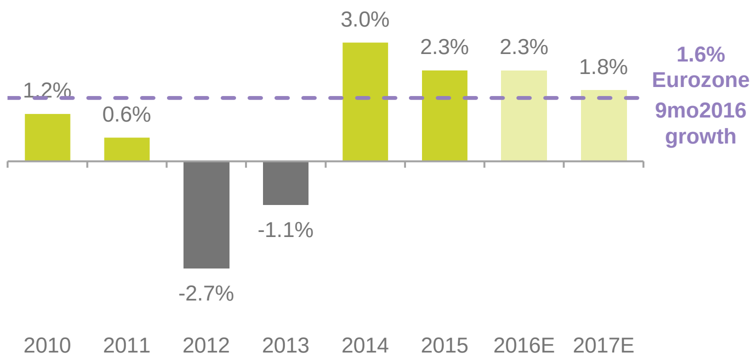
Source: Republic of Slovenia, IMF WEO as of Apr-16, Bloomberg as of 20-Jun-16, Statistical Office of the Republic of Slovenia
Note: All macroeconomic data refer to FYE 31-Dec-15
(1) 2015 GDP/capita, CEE countries include Poland, Romania, Czech Republic, Slovakia, Hungary; (2) Survey unemployment rate (3Q2016)

Slovenian economy growing at 2.6% compared to 1.6% Eurozone growth, driven by exports and private consumption

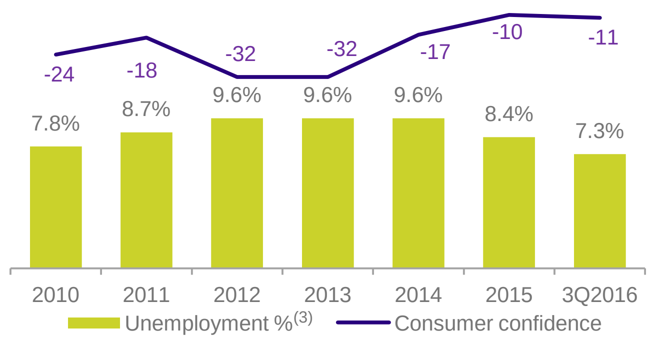
Real GDP growth



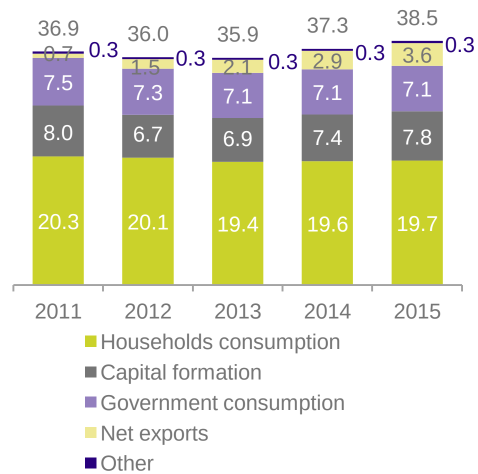
Macro update

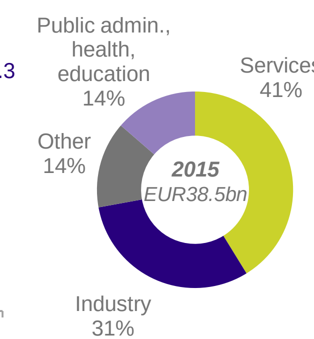
- Slovenian economy grew by 2.6% in 9m2016 – stronger than Eurozone average of 1.6%, in 9m2016
- Drivers included 6.4% exports growth and continued increase in private consumption
- Economic recovery drove unemployment rate down by 2.3% since 2013
- Consumer confidence increased by 29 points since its 2012(2) lows, driving household consumption growth
- Relatively low household indebtedness providing sufficient room for lending growth

Recovery driving lower unemployment and higher consumer confidence(1)



2015 GDP by source and activities (EURbn)





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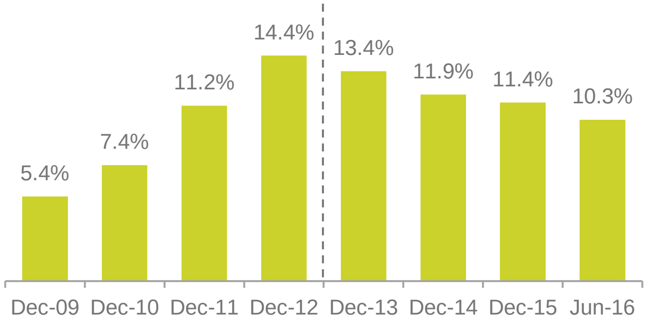
Source: Statistical Office of the Republic of Slovenia, IMF WEO October 2016, Global Insight, Press, OECD, National Bank of Slovenia

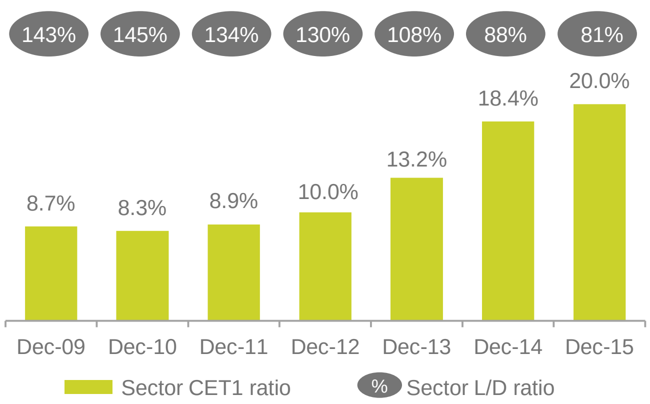
Note: (1) Consumer confidence indicator represents score average from surveys about expected household financial situation, general economic situation, unemployment, and savings over next 12 months; Scale of -100 to +100;; (2) Consumer confidence index reached -45 as of November 2012; (3) Survey unemployment rate

Slovenian banking sector turnaround with vastly improved funding, asset quality and capital position

Sector NPE ratio evolution(1)



Sector CET1 and L/D ratio evolution



Overview of 2013 extraordinary measures

- Significant contraction of economic activity since 2009 paired with high indebtedness of corporate sector drove NPEs to unprecedented levels
- 2013 Asset Quality Review (AQR) identified EUR3.3bn(2) capital shortfall at systemic banks
- Extraordinary measures included:
  - write-off of existing shareholders and holders of subordinated instruments
  - capital increase by RoS - 100% state ownership of banks (NLB, NKBM, Banka Celje and Abanka)
  - transfer of EUR 3.3bn non-performing claims(3) to State-owned BAMC(4) leading to substantial losses for local banks

Strengthened banking system

- Profitability of Slovenian banking sector returned to positive levels in 2015
- NPE ratio (according to the harmonized definition of EBA) decreased to 10.3%, as a consequence of active NPE management by local banks
- L/D ratio decreased by ~70% since 2010 to 77% (3Q2016) as a result of stricter loan policies, low demand for loans and “cash-rich” retail and corporate sectors

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Source: Bank of Slovenia, European Commission, Press, BAMC

Note: (1) EBA definition applied since Dec-15; (2) Adverse scenario assuming Core Tier 1 ratio of 6%; (3) EUR3.3bn exposure included equity claims and performing assets; (4) Bank Asset Management Company

Key highlights

NLB Group

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

1. The largest banking and financial group in Slovenia
2. Leading positioning in selected SEE markets with increasing contribution to group profit
3. Return to solid profitability after restructuring
4. Self funded, and well capitalised franchise, supporting attractive future dividend payout
5. Demonstrated progress with asset quality
6. Clear path going forward

NLB Group

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

1. **The largest banking and financial group in Slovenia**
   - ✓ 113 branches and 24% market share (by total assets)
   - ✓ Largest bank in Slovenia, leading provider of asset management, pensions and life insurance
2. **Leading positioning in selected SEE markets with increasing contribution to group profit**
   - ✓ SEE markets of ca 15.4m population[(1)], recording strong GDP growth above Eurozone average
   - ✓ Profitable and independent operations with mkt shares >10% in 4 of 6 markets, 249 branches and 1.1m active clients
3. **Return to solid profitability after restructuring**
4. **Self funded, and well capitalised franchise, supporting attractive future dividend payout**
5. **Demonstrated progress with asset quality**
6. **Clear path going forward**

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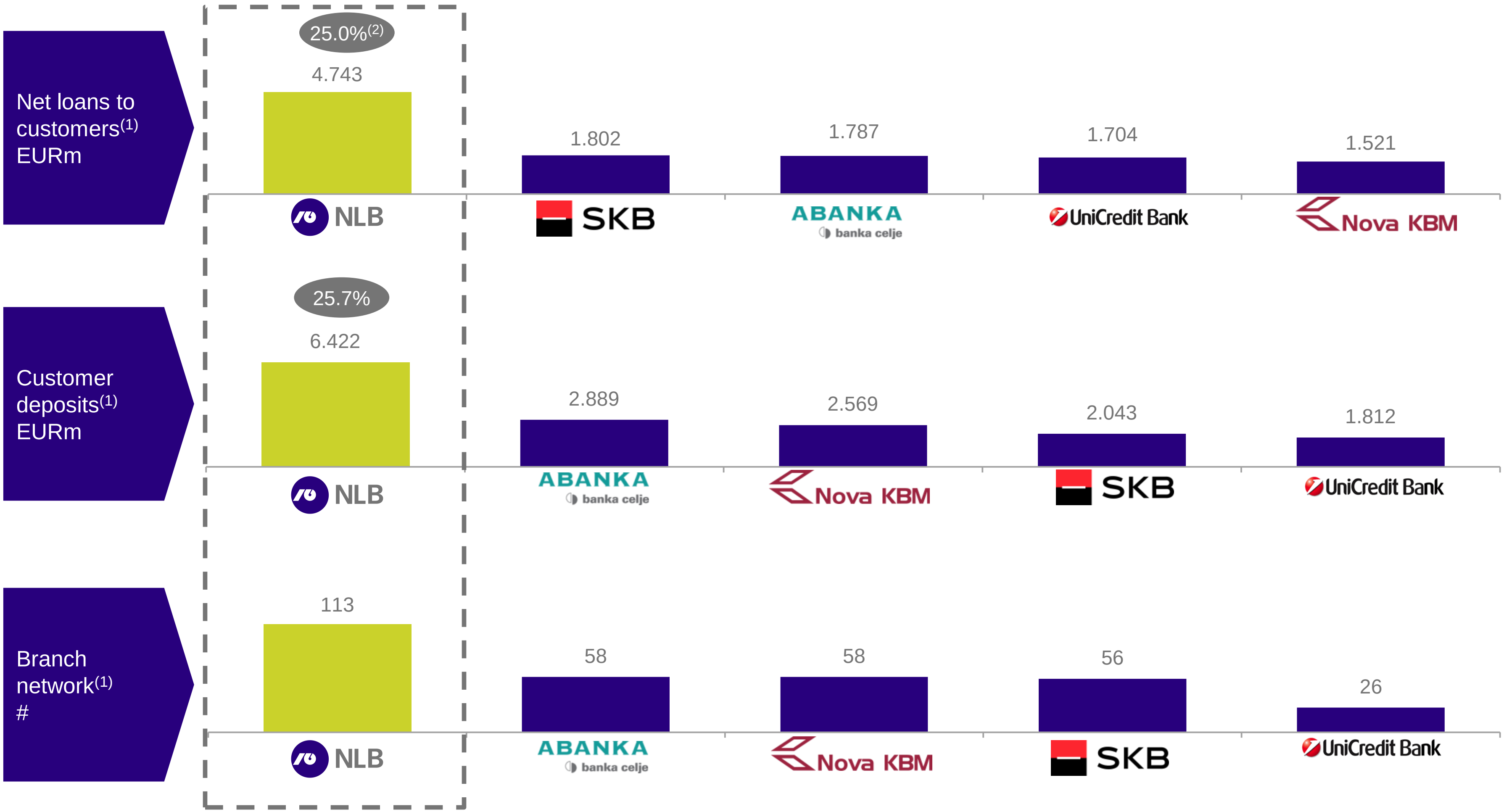
Note: (1) Excluding Slovenia

1 Dominant player in the Slovenian banking sector

Market leader across products in Slovenia



% Market share as of Sep-16

NLB Group

Source: ZBS, BS and Company information

Note: (1) Net loans to customers, Customer deposits and Branch network as of Jun-16

(2) Market share as of Sep-16

2 NLB's countries of presence outside Slovenia represent attractive markets, with significant growth potential

- ✓ **NLB's SEE footprint outside of Slovenia covers 5 countries with EUR65.6bn GDP and 15.4m population**
- ✓ **Attractive growth markets, with 2.8% real GDP growth, only EUR4k GDP/capita and 21% household indebtedness as % of GDP**

	Macedonia	Bosnia(1)	Montenegro	Kosovo	Serbia	Total / Average(4)	Slovenia
Population (Dec-15, m)	2.1	3.8	0.6	1.8	7.1	15.4	2.1
GDP(3) (2015, EURbn)	9.0	14.4	3.6	5.7	32.9	65.6	38.5
GDP/Capita(3) (2015, EURk)	4.3	3.8	5.8	3.1	4.6	4.3	18.7
Real GDP growth (1H2016)	2.1%	1.7%	1.9%	3.6%	2.8%	2.8%	2.6%
Inflation (2015)	-0.3%	-1.0%	1.4%	-0.5%	1.5%	0.2%	-0.5%
Government debt/GDP (2015)	39%	46%	66%	19%	77%	49%	83%
Household debt /GDP (2015)	23%	27%	27%	13%	19%	22%	28%(5)
Currency	MKD	EUR(2)	EUR	EUR	RSD	n/a	EUR
Credit rating (Moody's, S&P)	n/a / BB-	B3 / B	B1 / B+	n/a / n/a	B1 / BB-	n/a	Baa3 / A

NLB Group

Source: IMF, World Bank, Central banks data, Bloomberg

Note: (1) Bosnia and Herzegovina is comprised of 2 entities, The Federation of Bosnia and Herzegovina and Republika Srpska; (2) Official currency is BAM – Bosnia-Herzegovina Convertible Mark, pegged to EUR; (3) Converted at average FX rate for 2015; (4) Excluding Slovenia; (5) Household credit YE2015 from BoS

2 Top position in target SEE countries

Unified brand across 6 markets since 2015

- ✓ **Leading franchise in the region based on total assets and number of branches[1], with network of 249 branches and 1.1m active clients[2] in SEE**
- ✓ **The only international banking group with exclusive focus on the region**
- ✓ **Independent, well capitalised and self-funded subsidiaries**

	Macedonia	Bosnia		Montenegro	Kosovo	Serbia
	NLB Banka Skopje	*NLB Banka Banja Luka*	*NLB Banka Sarajevo*	*NLB Banka Podgorica*	*NLB Banka Prishtina*	*NLB Banka Beograd*
NLB ownership (%)	87%	100%	97%	99%	81%	100%
No. of branches (#)	51	63	38	18	45	34
Market share %	16.0%	18.9%[3]	5.4%[4]	13.3%[5]	14.4%	1.0%
Net interest margin %	4.7%	2.8%	3.4%	4.4%	5.4%	6.1%
Cost/ income %	37.8%	47.0%	55.5%	56%	39.5%	78.7%
Loans/ Deposits %	81.6%	63.1%	78.4%	66.3%	77.3%	78.9%
RoE	20.2%	20.4%	12.8%	15.2%	19.4%	9.3%
Total assets (EURm)	1,092	638	481	494	496	261

NLB Group

Source: Company disclosure
Note: Data for Marktet Share as of June-16, data for # of branches as of September-16; Banks market share based on total assets;
(1) Comparison to banks present in same countries; (2) Excluding NLB d.d.; (3) Market share in the Republika Srpska; (4) Market share in the Federation of BiH; (5) Data for August,-16

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

NLB Group

1 The largest banking and financial group in Slovenia

2 Leading positioning in selected SEE markets with increasing contribution to group profit

3 **Return to solid profitability after restructuring**
- ✓ 11 consecutive profitable quarters since 2014 on the back of a reduced balance sheet
- ✓ Profit growth driven by resilient NIM, successful cost-cutting and normalising cost of risk

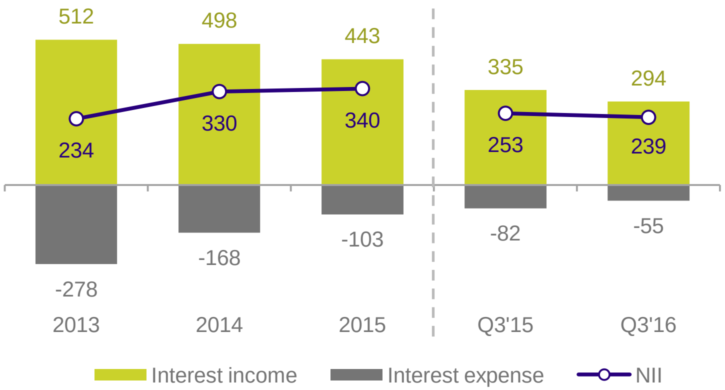
4 **Self funded, and well capitalised franchise, supporting attractive future dividend payout**
- ✓ Stable and diversified funding with loans/deposits of >70%
- ✓ 16.9% CET1 ratio and strong capital generation supporting growth in dividends

5 Demonstrated progress with asset quality

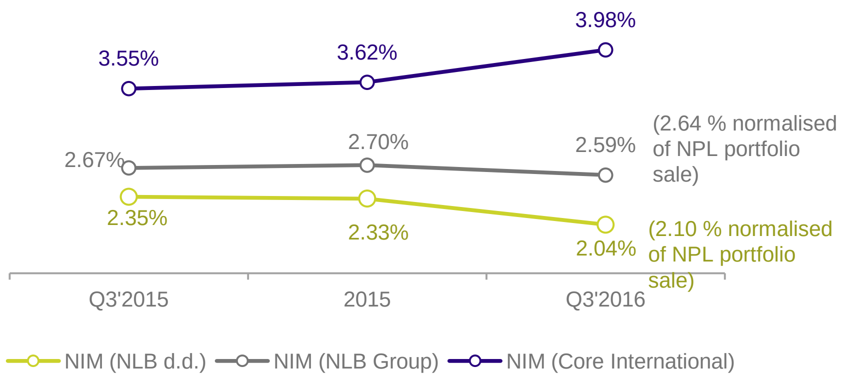
6 Clear path going forward

3 Strong revenue performance driven by stable NIM and resilient fee income

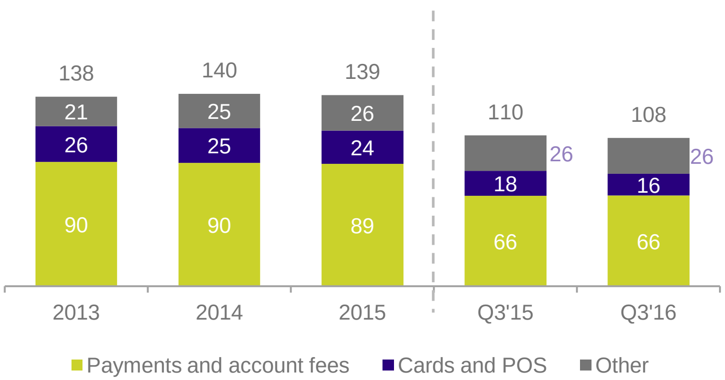
Net interest income returning to sustainable levels (Group, EURm)



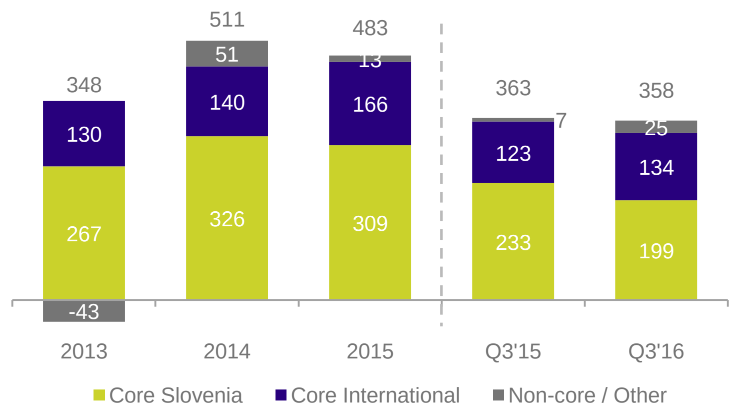
NIM remains stable despite monetary easing in Eurozone (Group, %)



Resilient fee income (Group, EURm)



International supporting revenue growth in the Core operations (Group, EURm)[1]



NLB Group

Source: Company information

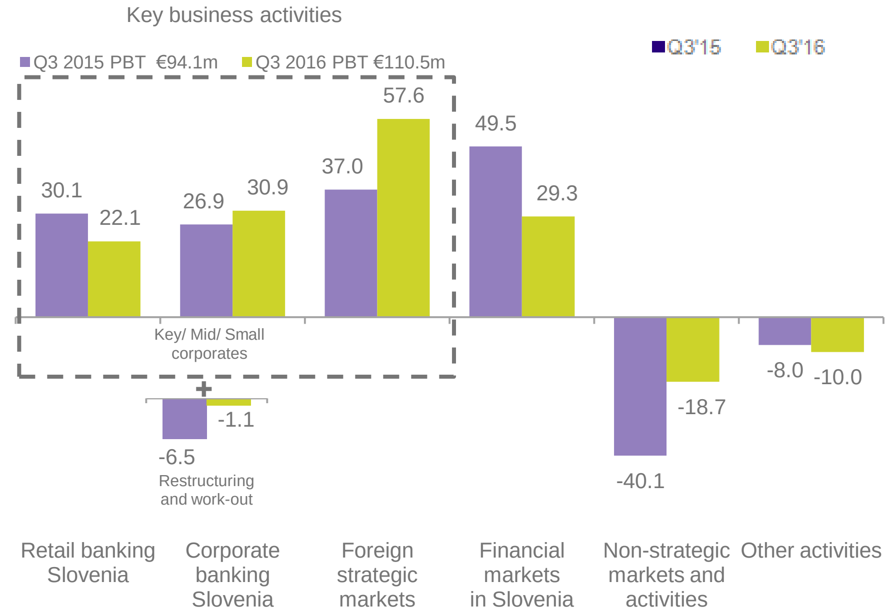
Note: (1) The sum of revenues /costs of segments is greater than consolidated under NLB Group; the difference is resulting from the activities between segments as those appear as revenue under one segment and as costs under other segment, and therefore are not netted on the segment level; Geographical analysis includes the division between geographical segments according to the country where it is located of each of the NLB Group

❸ Profitability improvement in all key business segments, with reduction of non-core losses

Profitable, client-oriented group, focused on core markets

		Key metrics (FYE Dec-15, EURm)	PBT	Assets	% of assets
Core	Core Slovenia	Retail banking	39	2,055	93%
		Corporate banking	52	2,160	
		Financial markets(1)	61	3,351	
	Core members	Foreign strategic markets	45	3,389	
Non-core	Non-core Slovenia (part of NLB d.d.)	Corporate lending Equity Investments Real estate(2)	(70)	344	6%
	Non-core members	Leasing, factoring and other(3)		408	
		Other adjustments	(19)(4)	114	~1%
		Group total	**107**	**11,822**	

Core segments consistently profitable, key activities increasingly profitable (EURm)



- Profit before tax of key business activities increased by €16.4m or +17% y-o-y vs Q3-15, attributable to increase in net interest income and loan volume growth. Including the restructuring and workout unit, profit before tax increased by €22.0m or +25% y-o-y
- Foreign strategic markets continued positive trend showing an €20.6m increase y-o-y vs Q3-15
- Non-strategic markets and other activities drag on profitability considerably lower y-o-y

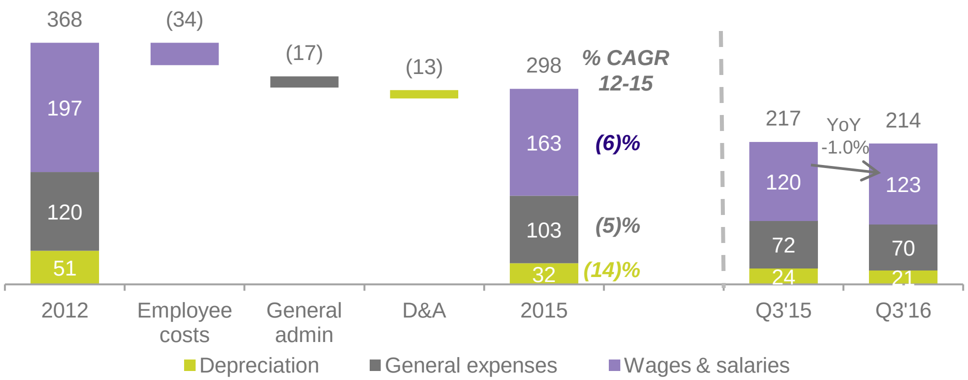
NLB Group

Source: Company information

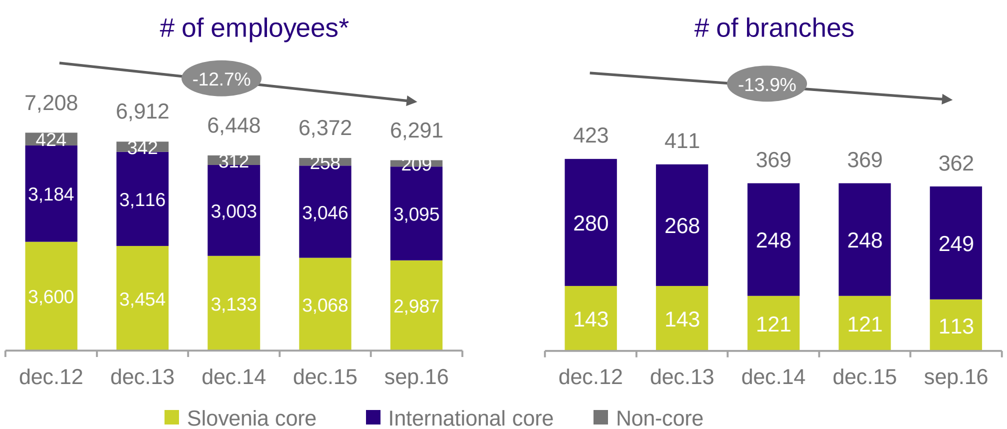
Note: (1) Segment includes the income generated by the liquidity reserves, surplus from funds transfer pricing to other business segments in Slovenia and fees generated from investment banking and custody services; (2) GREAM; (3) NLB Leasing Ljubljana, NLB Interfinanz, Other Leasing, REAM and other Non-core members; (4) Includes adjustment for inter-segmental activities

3 Cost reduction driven by network optimisation, HQ personnel and non-personnel reductions and non-core

Impressive cost reduction across the board (EURm)



Effective rationalisation of headcount and network (#)



- Strong management commitment to strict cost management and optimisation measures
- Headcount dropped by 12.7% over 2012 – Q3'16 driven primarily by Slovenia Core and Non-Core
- Closure of non-profitable branches already took place across NLB Group, with high retention rate by transferring clients' business to nearest branches

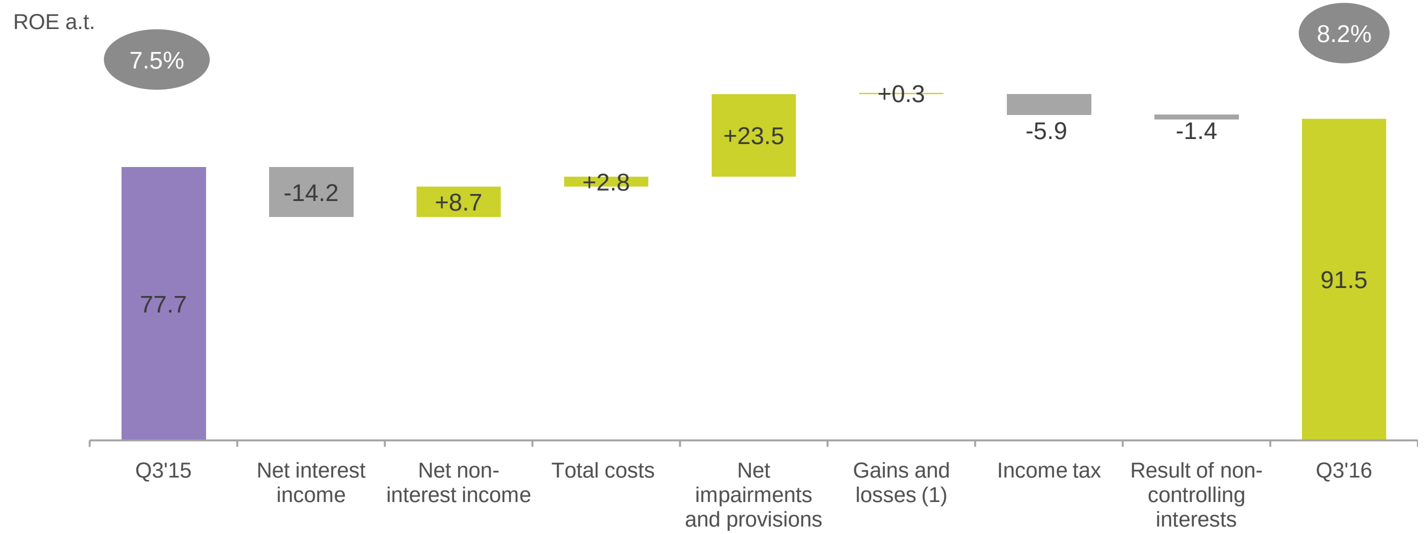
NLB Group

Source: Company information

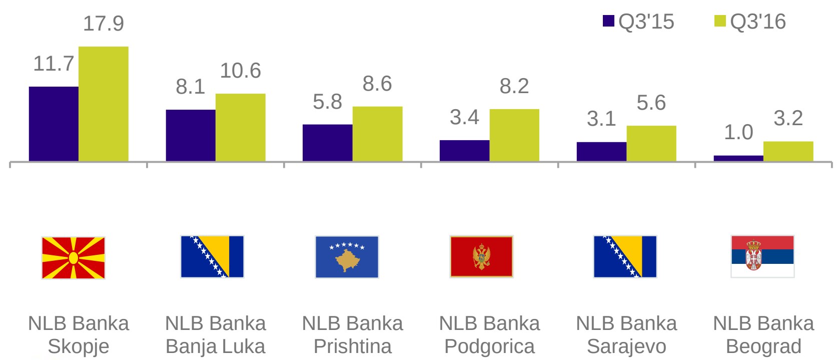
** No. of employees for sep.16 is estimation*

3 Successful business transformation results in sustainable profitability

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



All core banking subsidiaries profitable (EURm)



Positive performance continued in Q3'16

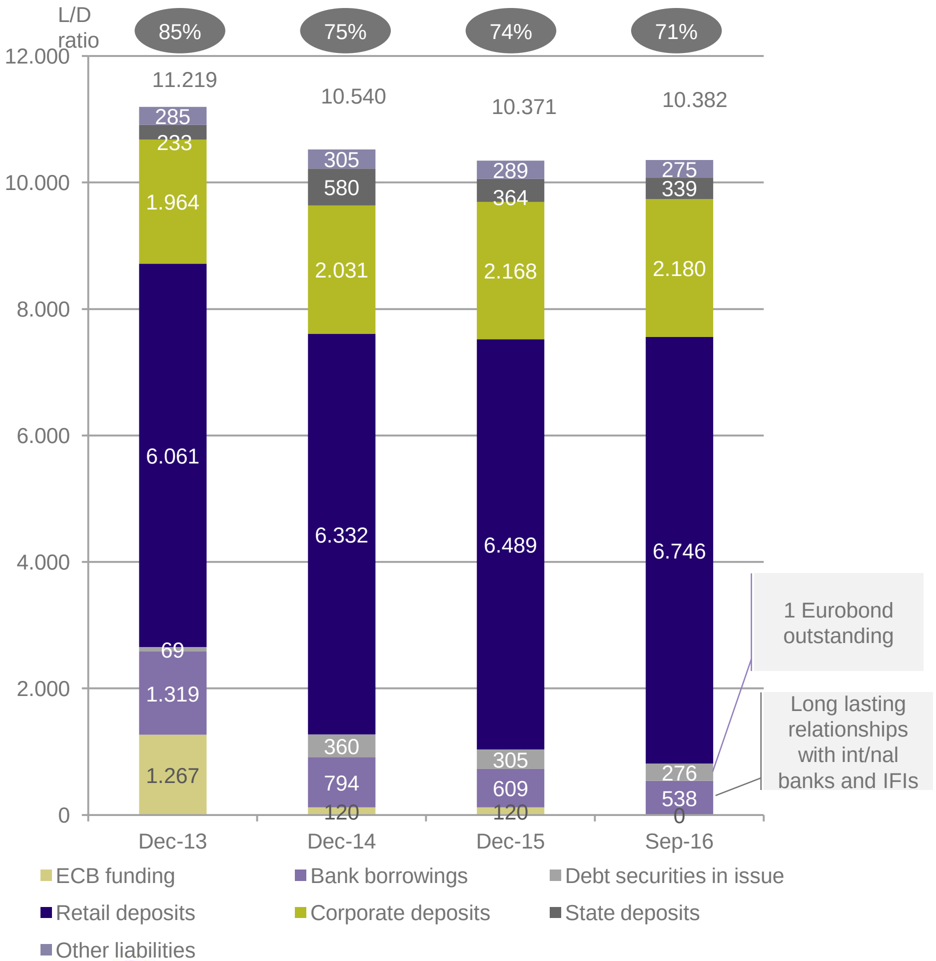
- Continued trend of stable and profitable Group operations
- In Q3'16, NLB Group generated **EUR 91.5m** of profit after tax **(18% increase YoY)**
- **All core bank subsidiaries** profitable in Q3'16 with significant increase YoY

NLB Group

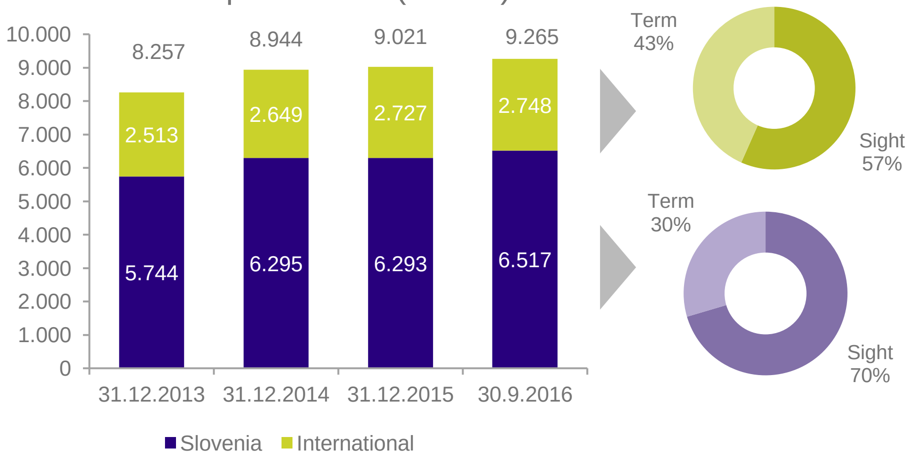
Source: Company information
Note: (1) Gains less losses from capital investments in associates and joint ventures

4 Funding structure driven by deposits and complemented by established wholesale markets access

Deposits accounting for 89% of liabilities (EURm)



Strong customer franchise provides stable and price insensitive deposits base (EURm)



- **Customer deposits** increased accounting for 78% of the total assets of NLB Group.
- **Main growth** was noted on retail deposits (YtD + EUR 257 m)
- **Share of sight deposits** is increasing due to lowering market interest rates

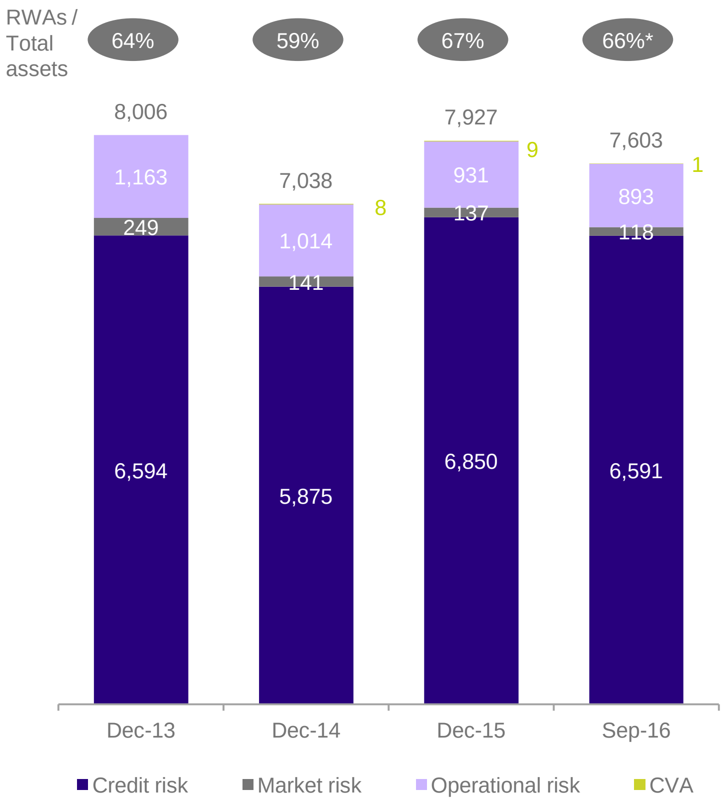
Source: Company information
Note: Geographical analysis includes the division between geographical segments according to the country where it is located of each of the NLB Group

4 Well capitalised franchise

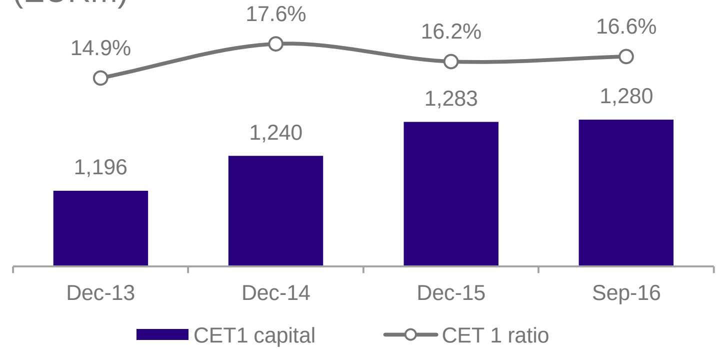
Solid capital position with large and stable deposit base

- ✓ **Highest quality capital (CET1 mostly) at Group and Bank level**
- ✓ **Immaterial dependency on on-balance sheet DTAs**

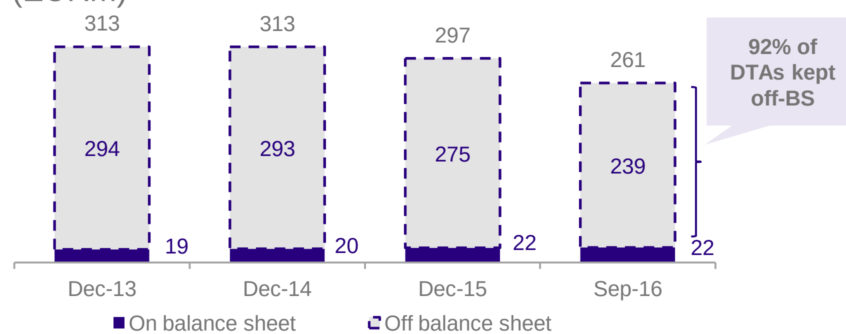
RWA expansion in 2015 driven by one-off increase in SEE sovereign risk weighting (EURm)



CET1 ratio comfortably above regulatory requirements[1] (EURm)



Upside from off-balance sheet DTAs[2] (EURm)



NLB Group

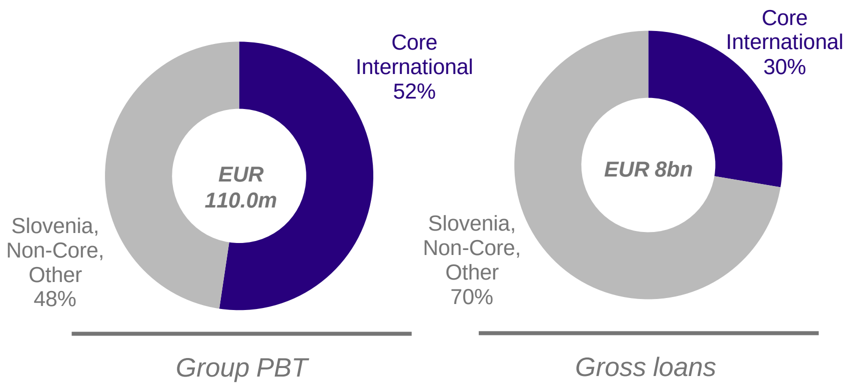
* Data for 1H2016

Source: Company information

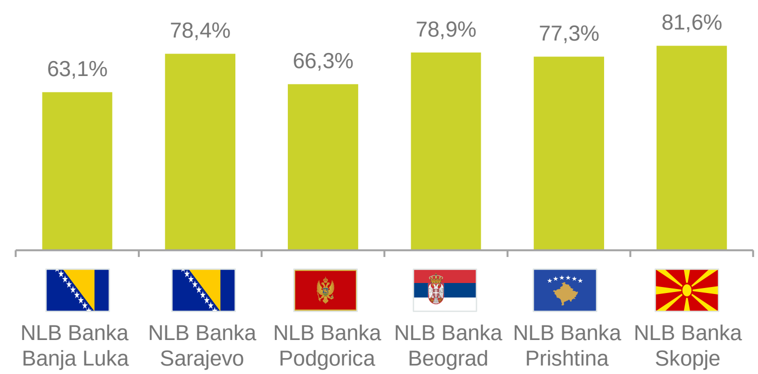
Note: (1) Dec-15 CET1 capital and CET1 ratio calculation reflects the result and dividends of 2015; Sep-16 CET1 capital and CET1 ratio do not reflect the 3Q'16 profits; (2) Off-balance sheet DTAs represent the reduction of total DTAs; NLB d.d. recognised DTAs accrued on the basis of temporary differences in an amount that is expected to be reversed in the foreseeable future (i.e. within five years based on future profit projections); Out of EUR261m Sep-16 deferred tax assets, EUR185m are generated from tax losses which can be used to reduce annual tax base of NLB by 50%

4 Core international banking subsidiaries represent a self-funded source of profits, with solid capital adequacy

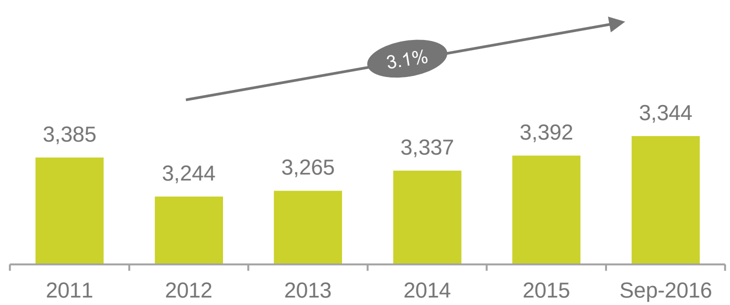
International contributes >50% of Group profit (Sep-16)



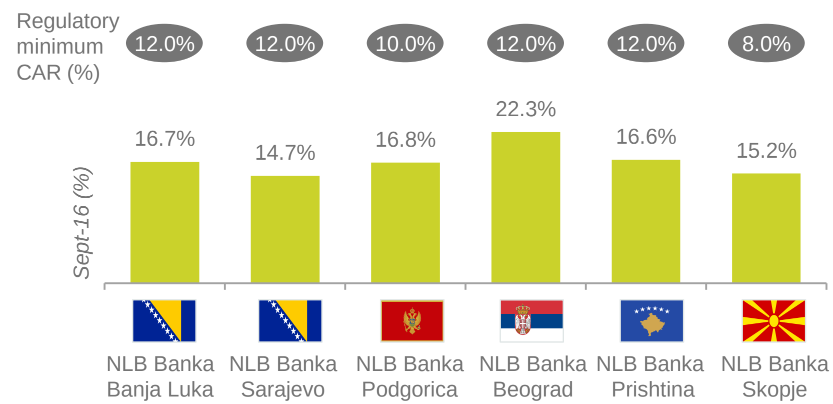
Loan / Deposit ratio(2) (Sep-16)



Attractive growth trajectory (Total assets(1), EURm)



Capital adequacy comfortably above local requirements



NLB Group

Source: Company information

Note: (1) Sum of total assets of 6 core international banking subsidiaries; (2) Calculation based on net loans
Geographical analysis includes the division between geographical segments according to the country where of each NLB Group member is located

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

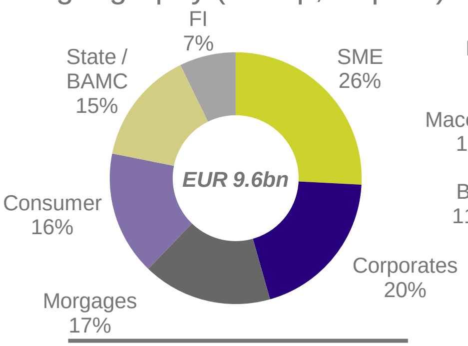
1. **The largest banking and financial group in Slovenia**
2. **Leading positioning in selected SEE markets with increasing contribution to group profit**
3. **Return to solid profitability after restructuring**
4. **Self funded, and well capitalised franchise, supporting attractive future dividend payout**
5. **Demonstrated progress with asset quality**
   - ✓ NPLs significantly reduced from 26% in 2013 to 14.5% in Sep-16 with coverage of 78%
   - ✓ Further clear organic and inorganic reduction strategy
6. **Clear path going forward**

NLB Group

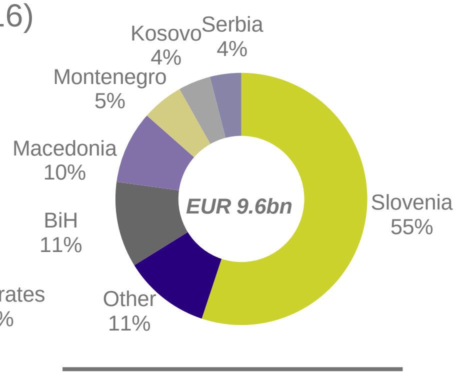
5 Diversified loan portfolio

Dominated by Slovenian assets, focused on core markets and cautious risk taking

Gross loans and advances by segment and geography (Group, Sep-16)

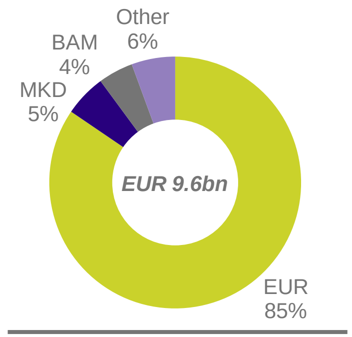


Segment

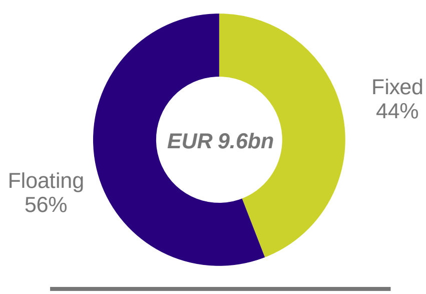


Geography

Gross loans and advances by currency and rate type (Group, Sep-16)



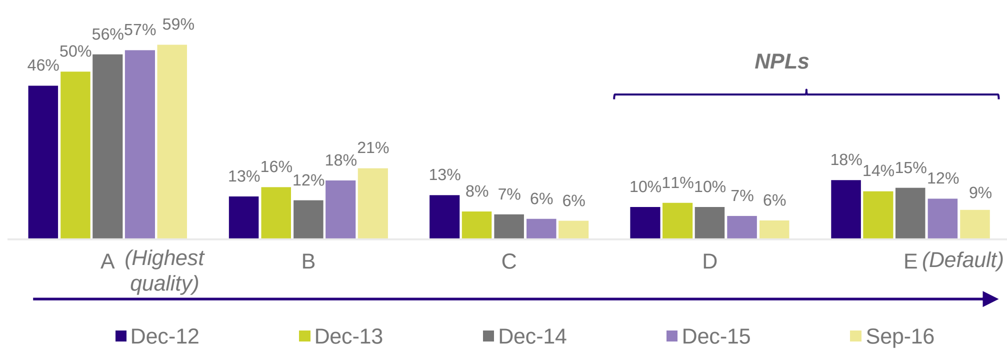
Currency



Interest rate

- **No large concentration** in any specific industry or client segment
- **NLB's lending strategy** focuses on its core markets of retail, SME and selected corporate business activities
- **Credit business** restricted for business sectors which are currently viewed as risk-bearing in an over-average extent (construction, transport and financial holdings)
- Great emphasis is also placed on **further improvement of credit portfolio**
  - Intensive and proactive handling of problematic customers
  - Changes in the credit process
  - Early warning system for detecting increased credit risk

Improving structure of credit portfolio (gross loans) by client credit ratings (Group)



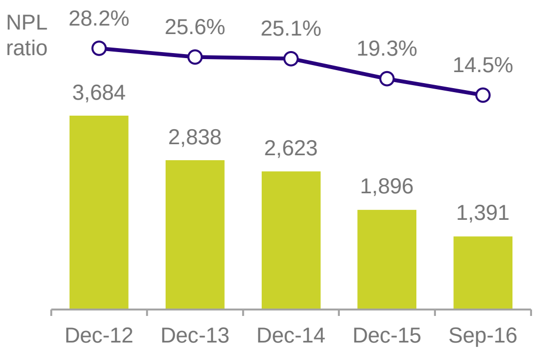
NLB Group

Source: Company information
Note: Gross loans and advances represents credit portfolio, including loans to banks and obligatory reserves at central banks

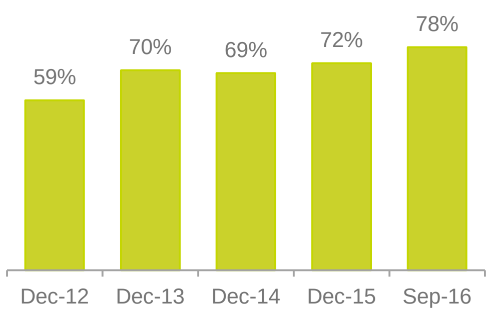
5 NLB has driven a turnaround in asset quality

Further improvements driven by active NPL management and economic recovery

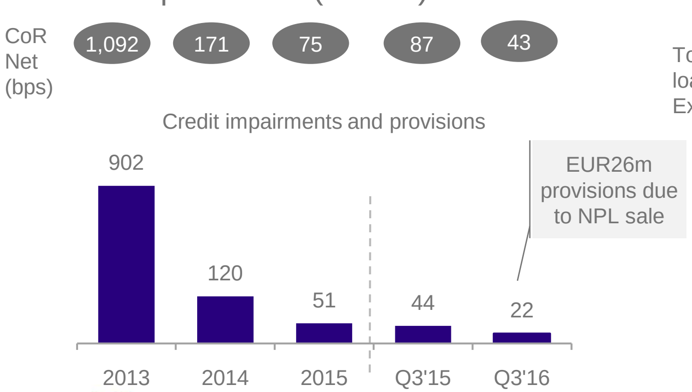
Active workout drove NPL ratio down despite falling loan volumes (Group, EURm)



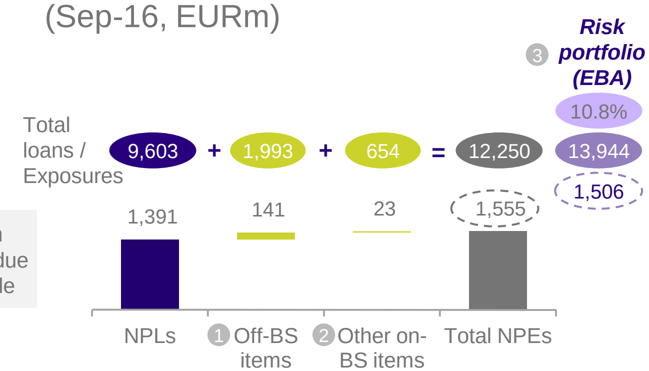
Increasing NPL provision coverage (Group, %)



Low NPL formation drove normalisation of loan provisions (EURm)(1)



Group NPL to NPE bridge (Sep-16, EURm)



1 Includes letters of credit, guarantees and other contingent liabilities

2 Includes HTM securities, accrued income and receivables and other assets

3 Includes AFS securities and other adjustments

Reduction of NPLs remains a key focus

- Gross NPLs at Group level reduced by EUR 504m in 9m2016
- Positive momentum expected through active portfolio management and macro recovery

NPLs are adequately covered

- Coverage ratio reached 78% in Sep-16 due to repayments, write-offs and cashed collateral.

Active approach to NPL management

- Strong emphasis on restructuring (over 63% of NPLs in restructuring process)
- Other NPL management tools include: debt collection, seizure of collateral, sale of claims, active marketing of pledged

NLB Group

Source: Company information

Note: NPL was defined until December 2014 as loan exposure to D and E clients/claims and delays over 90 days from loans to A, B and C classified clients. Since customers with loans (in arrears over) with 90 days past due should be classified in non-performing grade (D or E), NPL definition changed and from 31.12.2014 include only D and E exposures. Information on the NPL of NLBG is presented in accordance with the CRR IV consolidation, where exposure to companies of the Group Prvi faktor is taken into account under the principle of proportionate consolidation (i.e. 50%); (1) Represents credit impairments and provisions

5 Disposal of app. EUR500m of non-performing exposures

	Slovenia Corporate	Slovenia Retail
Perimeter	• Corporate NPL loans of gross book value of EUR396m	• Total consumer NPL loans of gross book value of EUR104m
Status	• Announced on 30 June 2016 • Closed in Q3'16	• Announced on 19 July 2016 • NLB d.d. Closed in Q3'16, NLB Leasing in Q4'16
Buyer	• International investor	• International investor
NPL reduction	• Gross NPLs reduced in Q3'16 by EUR233m (equal to 2 percentage points reduction in NPL ratio)	
NPL coverage	• Increase in NPL coverage in Q3'16 from loans transfer (from 76% in 1H'16 to 77.7%)	
Additional P&L impact	• Majority of P&L impact of EUR29m(1) already reflected in Q2'16 results	

NLB Group

Source: Company information

Note: (1) Represents EUR23m loss from sale and EUR4m reduction of interest income

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

NLB Group

1. **The largest banking and financial group in Slovenia**
2. **Leading positioning in selected SEE markets with increasing contribution to group profit**
3. **Return to solid profitability after restructuring**
4. **Self funded, and well capitalised franchise, supporting attractive future dividend payout**
5. **Demonstrated progress with asset quality**
6. **Clear path going forward**
   - ✓ Strategy to 2020 enhancing the bank’s commercial proposition, right-sizing costs and advancing digitalisation
   - ✓ Implementation expected to drive significant profitability improvement

NLB Group

6 We have a clear strategy to address current challenges

Key trends and challenges

Sector and regulation
- Regulatory interventions
- Further complexity through new regulations (TLAC, Basel IV, IFRS9)
- Market consolidation

Macro
- Low interest rate environment
- Heightening political and geopolitical risks
- Subdued credit demand

Social and consumer
- More demanding and knowledgeable clients
- Preference for digital channels

Products and technology
- Product competition from new, lower-cost entrants
- Enhanced customer insights through "Big-Data"
- Impact of social media

Key priorities

Focus on customer experience
- ✓ Omni-channel product distribution
- ✓ Partnership programmes
- ✓ End-to-end customer solutions

Optimised product offering
- ✓ Pricing optimisation
- ✓ Simplified product offering
- ✓ Further focus on fee-based products

Simplicity champion
- ✓ Operational optimisation
- ✓ Right sizing workforce
- ✓ IT transformation

Enhanced distribution
- ✓ Migration to digital channels
- ✓ Sales process optimisation
- ✓ Improved customer insight

Improved risk management
- ✓ Optimised risk processes
- ✓ Improved risk modelling
- ✓ Streamlined risk governance

NLB Group

6 Medium-Term Objectives

Delivering growth, sustainable returns and attractive payout to shareholders

Drivers

Improving macro environment	✓ Ongoing economic recovery in Slovenia and international markets ✓ Improved consumer confidence ✓ Rebound from low interest rate environment leading to recovery of sector profitability
Attractive industry sector outlook	✓ Growing retail business ✓ Rebound in corporate lending following sector wide balance sheet clean up ✓ Opportunities in fee business
Revenue initiatives	✓ Redefined pricing and sales approach ✓ Innovative product offering ✓ Focus on selective lending growth
Focus on costs	✓ Improved risk management ✓ Cost base reduction and increase in operating efficiency

Targets

	2015	*Medium term*
NIM	3%	>2.7%
Loans to deposits ratio	75%	<95%
CET1 ratio	16.2%	~16%
Cost-income ratio	62%	~50%
Cost of risk	74bps	~100bps
Return on equity (RoE)	7%	>10%
Dividend payout(2)	48%	>70%
NPE ratio(1)	14%	<6%

NLB Group

Source: Company information
Note: (1) Based on EBA definition
(2) % of consolidated group profit

Key highlights of NLB Group

Largest bank in Slovenia and a strong player in selected SEE markets

NLB Group

1. **The largest banking and financial group in Slovenia**
   - ✓ 113 branches and 24% market share (by total assets)
   - ✓ Largest bank in Slovenia, leading provider of asset management, pensions and life insurance
2. **Leading positioning in selected SEE markets with increasing contribution to group profit**
   - ✓ SEE markets of ca 15.4m population[(1)], recording strong GDP growth above Eurozone average
   - ✓ Profitable and independent operations with mkt shares >10% in 4 of 6 markets, 249 branches and 1.1m active clients
3. **Return to solid profitability after restructuring**
   - ✓ 11 consecutive profitable quarters since 2014 on the back of a reduced balance sheet
   - ✓ Profit growth driven by resilient NIM, successful cost-cutting and normalising cost of risk
4. **Self funded, and well capitalised franchise, supporting attractive future dividend payout**
   - ✓ Stable and diversified funding with loans/deposits of >70%
   - ✓ 16.9% CET1 ratio and strong capital generation supporting growth in dividends
5. **Demonstrated progress with asset quality**
   - ✓ NPLs significantly reduced from 26% in 2013 to 14.5% in Sep-16 with coverage of 78%
   - ✓ Further clear organic and inorganic reduction strategy
6. **Clear path going forward**
   - ✓ Strategy to 2020 enhancing the bank's commercial proposition, right-sizing costs and advancing digitalisation
   - ✓ Implementation expected to drive significant profitability improvement

NLB Group

Note:(1) Excluding Slovenia

Additional materials

NLB Group

Successfully managing EC restructuring plan commitments

✓ **Restructuring period to end on 31 December 2017, subject to successful completion of restructuring commitments**

	Commitment	Status
Restructuring	▪ Reduction of balance sheet	Ongoing
	▪ Reduction of operating expenses	✓
	▪ Divestment of several subsidiaries and participations	Ongoing
	▪ Reduction of credit business in several sectors	✓
	▪ Restrictions on business with foreign clients, risk management and credit policies	✓
Behavioural	▪ NLB must pay dividends at the lower of : ▪ 50% (until 2017) or 100% (in 2018) of the excess capital above the minimum capital requirement(1) plus a capital buffer of 100bps; or ▪ Net income for the relevant year	✓
	▪ Acquisition ban	✓
	▪ Republic of Slovenia to reduce stake in NLB to 25%+ 1 share until YE'17	Ongoing

NLB Group

Source: Company information

Note: (1) Applicable minimum capital requirement on the consolidated level (including Pillar 1 and 2)
All commitments are in force until end 2017 except dividend commitment (until 2018 payout) and reduction of RoS shareholding in NLB

Key financial data and performance
NLB Group (1/2)

EURm	FY'13	FY'14	FY'15	Q3'15	Q3'16
Net interest income	234	330	340	253	239
Net fee and commission income	138	140	139	110	108
Income from financial operations	(15)	38	4	2	18
Other Income	-8	3	1	(2)	(8)
Operating Income	**348**	**511**	**483**	**363**	**358**
Staff costs	(175)	(163)	(163)	(120)	(123)
General expenses	(113)	(105)	(103)	(72)	(70)
Depreciation and amortization expenses	(44)	(36)	(32)	(24)	(21)
Operating expenses	**(333)**	**(304)**	**(298)**	**(217)**	**(214)**
Pre Provision Income	**16**	**208**	**185**	**146**	**144**
Extraordinary measures	(288)	0	0	0	0
Impairment losses on credit risk	(902)	(120)	(51)	(44)	(22)
Other impairments	(169)	(22)	(32)	(17)	(16)
Gains/Losses on associates and JVs	(27)	3	4	4	4
Profit / (Loss) before income tax	**(1.369)**	**69**	**107**	**89**	**110**
Income Tax	(74)	(4)	(11)	(9)	(14)
Profit/ (Loss) after income tax	**(1.442)**	**65**	**95**	**80**	**96**
Profit / (Loss) attributable to shareholders	(1.442)	62	92	78	91

NLB Group

Source: Company information

Key financial data and performance
NLB Group (2/2)

EURm	Dec-13	Dec-14	Dec-15	Sep-16
ASSETS				
Cash and balances with Central Banks	1.251	1.128	1.162	1.295
Financial instruments	2.755	2.646	2.578	2.600
Loans and advances to banks	225	271	432	471
Loans and advances to customers (net)	7.744	7.415	7.088	6.998
Investments in associates and JV	28	38	40	45
Intangible assets	55	43	39	34
PP&E	239	215	301	284
Other assets	194	154	182	172
Total Assets	**12.490**	**11.909**	**11.822**	**11.898**
LIABILITIES & EQUITY				
Deposits from banks	37	62	58	52
Deposits from customers	8.261	8.949	9.026	9.268
Borrowings	1.282	731	671	487
ECB funding	1.267	120	120	0
Securities and other liabilities	372	678	589	548
Total Liabilities	**11.219**	**10.540**	**10.371**	10.382
Shareholders' funds	1.247	1.346	1.423	1.487
Non Controlling Interests	24	26	28	29
Total Equity	**1.271**	**1.369**	**1.450**	**1.516**
Total Liabilities & Equity	**12.490**	**11.909**	**11.822**	**11.898**

NLB Group

Source: Company information

Key financial data and performance
NLB d.d. (1/2)

EURm	FY'13	FY'14	FY'15	Q3'15	Q3'16
Net interest income	157	227	208	157	133
Net fee and commission income	101	101	98	73	71
Income from financial operations	7	34	9	8	14
Other Income	(6)	3	(2)	2	(2)
Operating Income	**260**	**364**	**313**	**241**	**217**
Staff costs	(111)	(102)	(102)	(76)	(78)
General expenses	(75)	(67)	(64)	(45)	(43)
Depreciation and amortization expenses	(27)	(24)	(21)	(16)	(14)
Operating expenses	**(212)**	**(193)**	**(187)**	**(138)**	**(135)**
Pre Provision Income	**47**	**171**	**126**	**104**	**82**
Extraordinary measures	(288)	0	0	0	0
Impairment losses on credit risk	(705)	(84)	(28)	(47)	(19)
Other impairments	(522)	(9)	(60)	(15)	(31)
Gains/Losses on associates and JVs	0	5	14	14	29
Profit / (Loss) before income tax	**(1.467)**	**83**	**52**	**56**	**61**
Income Tax	(74)	(1)	(8)	(6)	(7)
Profit/ (Loss) after income tax	**(1.540)**	**82**	**44**	**50**	**54**
Profit / (Loss) attributable to shareholders	(1.540)	82	44	50	54

NLB Group

Source: Company information

Key financial data and performance
NLB d.d. (2/2)

EURm	Dec-13	Dec-14	Dec-15	Sep-16
ASSETS				
Cash and balances with Central Banks	591	434	497	635
Financial instruments	2.177	2.091	2.087	2.145
Loans and advances to banks	161	159	345	404
Loans and advances to customers (net)	6.129	5.700	5.221	4.999
Investments in associates and JV	277	353	353	345
Intangible assets	45	34	30	24
PP&E	108	97	103	98
Other assets	20	17	72	71
Total Assets	**9.507**	**8.886**	**8.707**	**8.722**
LIABILITIES & EQUITY				
Deposits from banks	74	91	97	90
Deposits from customers	5.747	6.300	6.298	6.520
Borrowings	1.031	557	536	363
ECB funding	1.267	120	120	0
Securities and other liabilities	294	613	534	488
Total Liabilities	**8.414**	**7.681**	**7.465**	**7.461**
Shareholders' funds	1.093	1.205	1.242	1.260
Non Controlling Interests	0	0	0	0
Total Equity	**1.093**	**1.205**	**1.242**	**1.260**
Total Liabilities & Equity	**9.507**	**8.886**	**8.707**	**8.722**

NLB Group

Source: Company information