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For Immediate Release

Ljubljana, May 15, 2017

SDH and NLB announce intention to proceed with an initial public offering of ordinary shares on the Ljubljana Stock Exchange and global depositary receipts of NLB on the London Stock Exchange

The Republic of Slovenia (the "**Selling Shareholder**"), acting through its sovereign holding company Slovenski državni holding d.d. ("**SDH**") and NLB announced today their intention to proceed with a public offering of at least 50% of the Company's existing ordinary shares currently owned by the Selling Shareholder in (i) an institutional offering of ordinary shares (the "**Offer Shares**") to be listed on the Ljubljana Stock Exchange ("**LJSE**") and global depositary receipts (the "**GDRs**" and together with the Offer Shares, the "**Offer Securities**") representing Offer Shares to be listed on the London Stock Exchange ("**LSE**"), and (ii) a public offering of Offer Shares and GDRs in Slovenia (the "**Offering**").

The Company intends to apply to (1) the LJSE for admission of the Shares to trading on the Prime Market sub-segment of the LJSE; and (2) (i) the United Kingdom Financial Conduct Authority (the

"United Kingdom FCA"), for the GDRs to be admitted to listing on the official list of the United Kingdom FCA (the "Official List") and (ii) the London Stock Exchange plc (the "LSE"), for admission to trading of the GDRs on the LSE's main market for listed securities.

Overview of NLB Group

- The NLB Group is a financial and banking institution based in Slovenia, with a network of 356 branches as at 31 March 2017, of which 113 branches operate in Slovenia and 243 operate in the banking markets of Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia (together with Slovenia, "Southeastern Europe").
- Core markets and activities of the NLB Group include banking services (corporate and retail activities in Slovenia), asset management and bancassurance products, financial markets in Slovenia and core foreign markets (which includes six banks, a pension insurance company and two SPVs that manage NPLs held by core NLB Group members).
- Non-core markets and activities of the NLB Group consist of non-core NLB Group members (leasing, factoring/trade finance and real estate activities in Slovenia and abroad, mostly in Southeastern Europe) and the non-core part of NLB's portfolio (which includes operations with foreign clients and exposures to certain industries which are restricted according to the Restructuring Plan for the NLB Group (the "Restructuring Plan") and the commitments provided by the Republic of Slovenia to the European Commission on 13 December 2013 (the "Commitments")), as well as certain non-core equity investments to be divested according to the Restructuring Plan and the Commitments.
- As at 31 March 2017, the NLB Group had total assets of EUR 12,090 million, of which core markets and activities represent 96 per cent. and non-core markets and activities represent the remaining 4 per cent.
- The NLB Group had EUR 7,005 million of loans and advances to customers (net) (in accordance with IFRS), EUR 9,514 million in customer deposits and EUR 1,565 million in shareholders' equity as at 31 March 2017.
- For the twelve months ending 31 December 2016 and for the three months ending 31 March 2017, the NLB Group recorded a net profit attributable to shareholders equal to EUR 110.0 million and EUR 81.6 million, respectively. For the twelve months ending 31 December 2016 and the three months ending 31 March 2017, the NLB Group achieved a return on equity equal to 7.4% and 21.4%, respectively.
- NLB is the NLB Group's largest operating entity with total assets representing 67 per cent. of the total assets of the NLB Group, and is the leading bank in the Slovenian market with a market share of 23.7 per cent. by total assets (based on data from the Bank of Slovenia as at 31 December 2016) and, with the largest client base in Slovenia, consisting of more than 47 thousand corporate and over 751 thousand retail clients as at 31 March 2017. NLB had 2,873 employees as at 31 March 2017.
- NLB is the parent company of the subsidiaries of the NLB Group and as such is responsible for determining the NLB Group's strategic direction in addition to defining the objectives of individual subsidiaries, providing operational support and monitoring risks.
- The Republic of Slovenia currently holds 100 per cent. of the share capital of NLB.

Key Highlights of the Group

NLB believes it benefits from:

The largest banking and financial group in Slovenia

- NLB is the largest banking and financial group in Slovenia with a 23.9 per cent. market share in loans to the non-banking sector and 25.3 per cent. in deposits from the non-banking sector as at 31 December 2016.
- As at 31 March 2017, NLB in Slovenia had 113 branches, five business centres for small business clients, five regional centres for mid-sized companies and two centres for large and institutional clients. As such, NLB served over 695 thousand active clients across its retail and corporate banking operations in Slovenia.

Leading position in selected Southeastern European markets with increasing contribution to group profit

- The NLB Group is the largest banking and financial group in selected markets in Southeastern Europe with a focus on its core international markets of Macedonia, Bosnia and Herzegovina, Montenegro, Kosovo and Serbia.
- Favourable economic trends in the Southeastern Europe markets outside Slovenia that are strategic to NLB, with 3.1 per cent. weighted average real GDP growth expected by the IMF between 2016 and 2018, as compared to 1.6 per cent. in the Eurozone.
- Favourable demographic trends and a decreasing unemployment rate in core countries (Source: IMF World Economic Outlook Database, except Kosovo and Montenegro which data is derived from national statistical offices), with a 22.2 per cent. weighted average rate in 2016 as compared to 26.9 per cent. in 2011.
- Low weighted average household indebtedness of approximately 22 per cent. of GDP as at 31 December 2016 as compared to 58.7 per cent. in the Eurozone on 30 September 2016 (source: the last publicly available data from national statistical offices and central banks are used for the NLB Group's core international markets, while data from the Bank of International Settlements is used for the Eurozone; for the NLB Group's core international markets the latest available data is available as at December 2016, while for the Eurozone this is available as at September 2016).

Return to solid profitability following a successful business transformation

- The NLB Group has recorded more than three consecutive profitable years since the fourth quarter of 2013 while achieving a balance sheet deleveraging, with a decrease in total assets by EUR 400 million between 31 December 2013 and 31 March 2017, as well as an NPL reduction, with a decrease in NPL stock by over EUR 1.5 billion between 31 December 2013 and 31 March 2017
- The NLB Group's profit growth was driven by successful cost-cutting and a normalising cost of risk and a return to growth in core business areas. The NLB Group has achieved an approximately 21 per cent. reduction, or an average of 6 per cent. annually, in operating costs from 2012 to 2016

- The NLB Group's normalised cost-to-income ratio has decreased from 74.1 per cent. at year-end 2012 to 55.9 per cent. at 31 March 2017

Self-funded and well-capitalised business, supporting attractive future dividend payout

- Common Equity Tier 1 ("CET1") ratio of 16.7 per cent. as at 31 March 2017 (without taking into account the net profit during the three months ended 31 March 2017), providing a significant safety buffer above the minimum regulatory capital requirements set by the ECB that included a 12.75 per cent. minimum CET1 ratio as at 31 December 2016.
- The NLB Group banking members are self-funded, as their funding structure is primarily deposit-driven.

Demonstrated progress with asset quality

- Well diversified credit portfolio of EUR 9,592 million at 31 March 2017.
- Active approach to the management of its NPL stock with dedicated internal units focused on NPL restructurings, collections and workout. The NPL ratio as at 31 March 2017 decreased to 12.7 per cent. from a peak of 28.2 per cent. as at 31 December 2012, while the coverage ratio (gross non-performing loan portfolio divided by impairments on all loan portfolio) increased from 59.3 per cent. to 75.6 per cent. over the same period.
- Strong emphasis on restructuring with 65.3 per cent. of NPLs currently in the restructuring process and active NPL reduction, demonstrated in 2016 when the bank reduced NPLs by 31% or EUR 597 million – amongst other conventional measures, the Company successfully sold to international investors a portfolio comprised of Slovenian retail and corporate NPLs, with gross book values of EUR 104 million and EUR 396 million, respectively, which resulted in a one-off reduction in NPLs of EUR 233.3 million.
- High coverage ratio (the coverage of the gross non-performing loan portfolio with impairments on all loan portfolio) at 75.6 per cent. (as at 31 March 2017). Moreover, NPL coverage ratio (the coverage of gross non-performing loan portfolio with impairments on non-performing loan portfolio) stands at 65.1 per cent. (as at 31 March 2017), above the EU average published by EBA (44.6 per cent.), and which enables further reduction of NPLs without significant influence on cost of risk in the coming years.

Strategic Targets

The NLB Group's management has set the following medium-term financial targets as part of its five-year plan for the years 2017 to 2021, which was approved by the Supervisory Board in January 2017 and updated certain of the NLB Group's "Strategy 2020" targets approved by the Supervisory Board in August 2016:

- maintain a net interest margin above 2.7 per cent.;
- increase loans to deposits ratio from a level of 74 per cent. (as at 31 December 2016),, while maintaining a level below 95 per cent.;
- maintain a total capital ratio of approximately 16 per cent.;
- reduce cost-income ratio from a level of 60.9 per cent. (in the twelve months ending 31 December 2016), to approximately 50 per cent.;
- maintain a cost of risk of less than 100 bps;

- lower non-performing exposure ratio (as calculated in line with guidance published by the European Banking Authority ("EBA")) from a level of 10.0 per cent. as at 31 December 2016, to below 5 per cent.;
- increase return on equity from a level of 7.4 per cent. (in the twelve months ending 31 December 2016), to above 10 per cent.; and
- maintain a dividend payout (as a percentage of Group profits) above 70 per cent.

Leadership and governance

In accordance with applicable legislation, NLB employs a two-tier system of corporate governance, under which NLB is managed by the Management Board (*uprava*) and its operations are supervised by the Supervisory Board (*nadzorni svet*). The Management Board is responsible for the day-to-day operations and manages NLB's business operations. The Management Board of NLB comprises Mr Blaž Brodnjak (President & CEO, Slovenian), Mr. Archibald Kremser (CFO, Austrian), Mr. Andreas Burkhardt (CRO, German) and Mr László Pelle (COO, Hungarian).

The Supervisory Board is responsible, amongst others, for the overall supervision of NLB's operations and for the appointment of the President of the Management Board and other members of the Management Board. The Supervisory Board of NLB consists of Mr. Primož Karpe (Chairman), Mr. Andreas Klingen (Deputy Chairman), Mr. David Eric Simon, Mr. David Kastelic, Mr. Alexander Bayr and Mr. László Urbán.

Summary of the Offer

The Offering will comprise an offer by the Selling Shareholder of Securities representing at least 50% of the share capital of the Company. The Selling Shareholder will receive all the proceeds from the sale of the Offer Securities and will use the proceeds from the Offering in line with the Public Finance Act (*Zakon o javnih financah*) and the implementation of the Republic of Slovenia's Budget for 2017 and 2018 Act (*Zakon o izvrševanju proračunov Republike Slovenije za leti 2017 in 2018*).

Ten per cent. of the Offer Securities will be offered to retail investors in Slovenia (the "**Retail Tranche**") and 90 per cent. of the Offer Securities will be offered to institutional investors (the "**Institutional Tranche**"). The Selling Shareholder, in consultation with the Joint Bookrunners, may re-allocate Securities from either the Institutional Tranche to the Retail Tranche or from the Retail Tranche to the Institutional Tranche depending on the level of subscription of each tranche.

The Offering is expected to be completed by mid June 2017.

Deutsche Bank AG, London Branch ("Deutsche Bank") is acting as Sole Global Coordinator and together with J.P. Morgan Securities plc ("J.P. Morgan") and UBS Limited ("UBS") as Joint Bookrunners. Wood & Company Financial Services a.s. is acting as Co-Lead Manager and Nova Ljubljanska banka d.d., Ljubljana as Domestic Co-Lead Manager.

Lidia Glavina, President of the Management Board of SDH, said: "We are proud to have achieved this milestone in the State Asset Management Strategy of the Republic of Slovenia. NLB has demonstrated significant progress in its business performance, through return to sustainable profitability and improving asset quality. We believe that the Company is ready to enter a new period as a privatized company."

Blaž Brodnjak, President of the Management Board of NLB, said: "As the largest Slovenian banking and financial group with leading positions in selected Southeastern Europe markets, the entire

management board is very pleased to take NLB to the next stage as an international company. This announcement is an important step for the bank and on behalf of the management board I would like to thank everyone who supported us through the ongoing process. Over the last years we were able to achieve strong results and we are looking forward to a new phase after privatization where we continue to create value for all our stakeholders in the future."

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Important Notice

Forward-looking statements

Certain statements in this announcement are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). This announcement includes forward-looking statements, which include, without limitation, any statements preceded by, followed by or that include the words "may", "will", "would", "should", "expect", "intend", "estimate", "forecast", "anticipate", "project", "believe", "seek", "plan", "predict", "continue", "commit", "target" "undertaking" and similar expressions or their negatives. Such forward-looking statements involve inherent known and unknown risks, uncertainties and other important factors beyond the NLB Group's control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the NLB Group's present and future business strategies and the environment in which the NLB Group will operate in the future.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the NLB Group's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by any applicable regulatory regime.

Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, UBS Limited and Wood & Company Financial Services a.s. (the "**Managers**") are each acting exclusively for the Selling Shareholder and for no-one else in connection with any transaction mentioned in this announcement and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to any such transaction and will not be responsible to any other person for providing the protections afforded to their respective clients, or for advising any such person on the contents of this announcement or in connection with any transaction referred to in this announcement.

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Strategy targets

The strategy targets as described in this announcement are only targets and not profit forecasts. Investors should not place any reliance on the strategy targets in deciding whether to invest in NLB's shares. None of NLB's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the strategy targets, nor have they expressed any opinion or any other form of assurance on the strategy targets or their achievability. The targets set forth in this announcement are NLB's targets for the financial year 2017 and beyond. The strategy targets constitute forward looking-statements and are not guarantees of future financial performance. NLB's result of operations or financial conditions could differ materially from those expressed or implied by these forward-looking statements as a result of many factors. The existence of strategy targets should not be interpreted as an assurance or guarantee that such targets can or will be met by NLB. While presented with numerical specificity, these strategy targets are based upon a number of assumptions (including the success of NLB's business strategy), expectations of increases in property value and rental returns, estimates, regulatory, prerequisites, financial conditions, and projections regarding NLB's future business and the environment in which NLB expects to operate, including the SEE economy in general, which is inherently subject to significant business, operational, economic and other risks, many of which are outside NLB's control. The strategy targets reflect subjective judgements in many respects and thus are susceptible to multiple interpretations and periodic

revisions based on actual experience and business, economic, regulatory, financial and other developments. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events may materially or adversely affect NLB's actual results or operations and financial performance in future periods, whether or not NLB's assumptions relating to the financial year 2017 and future periods prove to be correct. As a result, the actual results may vary from what is targeted and the variations may be material. Achieving the strategy targets may depend of the ability of NLB to increase the income generated by its properties. Accordingly, the targets shall not be considered as neither a commitment by NLB nor a forecast of the future results or returns from investing in NLB's shares. None of the NLB, the supervisory board, the management board, the Managers and any of their respective affiliates, advisers, officers, directors and representatives can give any assurance that the strategy targets will be realised or that actual results will not vary significantly from strategy targets. Investors should decide for themselves whether or not the targets are reasonable or achievable and should carefully evaluate whether investing in NLB's shares is appropriate for them.