



**We believe in this  
region's potential**  
H1 2022 / Pillar 3 Disclosures

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# 1. Key highlights

(Article 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group

		30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
		a	b	c	d	e
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	2,043,477	1,901,470	1,959,601	1,891,439	1,879,419
2	Tier 1 capital	2,048,928	1,906,565	1,965,551	1,905,247	1,885,268
3	Total capital	2,336,205	2,193,990	2,252,490	2,200,649	2,172,353
<b>Risk-weighted exposure amounts</b>						
4	Total risk exposure amount (TREA)	14,172,549	13,843,373	12,667,408	12,824,373	12,755,591
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio	14.42%	13.74%	15.47%	14.75%	14.73%
6	Tier 1 ratio	14.46%	13.77%	15.52%	14.86%	14.78%
7	Total capital ratio	16.48%	15.85%	17.78%	17.16%	17.03%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	2.60%	2.60%	2.75%	2.75%	2.75%
EU 7b	of which: to be made up of CET1 capital	1.46%	1.46%	1.55%	1.55%	1.55%
EU 7c	of which: to be made up of Tier 1 capital	1.95%	1.95%	2.06%	2.06%	2.06%
EU 7d	Total SREP own funds requirements	10.60%	10.60%	10.75%	10.75%	10.75%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 10a	Other Systemically Important Institution buffer	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement	3.50%	3.50%	3.50%	3.50%	3.50%
EU 11a	Overall capital requirements	14.10%	14.10%	14.25%	14.25%	14.25%
12	CET1 available after meeting the total SREP own funds requirements	702,754	591,887	749,864	666,711	661,260
<b>Leverage ratio</b>						
13	Total exposure measure	23,711,555	20,854,558	19,229,497	19,145,896	21,767,392
14	Leverage ratio	8.64%	9.14%	10.22%	7.58%	7.82%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>						
EU 14c	Total SREP leverage ratio requirements	3.00%	3.14%	3.14%	3.14%	3.14%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
EU 14d	Leverage ratio buffer requirement	3.00%	3.14%	3.14%	3.14%	3.14%
EU 14e	Overall leverage ratio requirement	3.00%	3.14%	3.14%	3.14%	3.14%
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA)	5,445,021	5,336,395	5,174,269	5,063,883	4,912,483
EU 16a	Cash outflows - Total weighted value	2,737,213	2,623,971	2,551,704	2,420,081	2,259,409
EU 16b	Cash inflows - Total weighted value	545,620	577,103	590,383	550,236	478,443
16	Total net cash outflows	2,191,593	2,046,825	1,961,279	1,869,802	1,780,866
17	Liquidity coverage ratio	250.65%	261.43%	263.92%	271.86%	277.78%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	19,031,012	19,268,104	18,446,656	18,170,538	18,031,347
19	Total required stable funding	10,835,911	11,072,422	9,960,818	9,667,399	9,484,900
20	NSFR ratio	175.63%	174.02%	185.19%	187.96%	190.11%

Key ratios and figures are reflected throughout the Pillar 3 disclosures, while the summary is reflected in Table 1.

Figure 1: Total capital (in EUR millions) of NLB Group

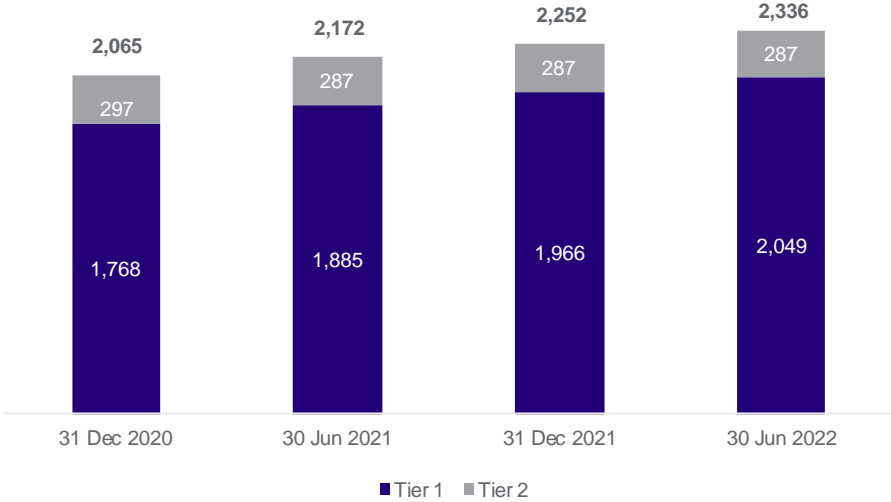


Figure 2: Total capital and capital ratio evolution YtD of NLB Group

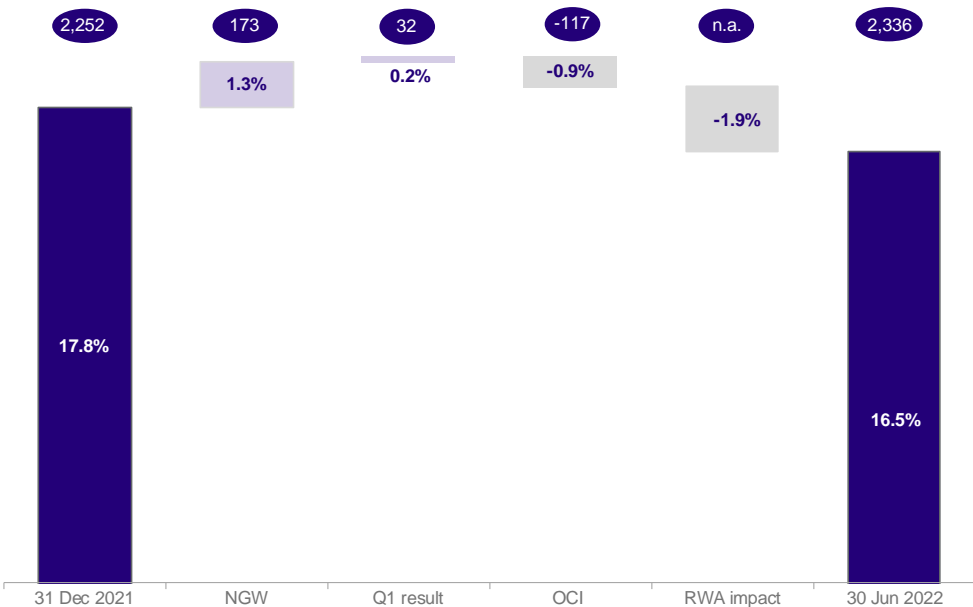
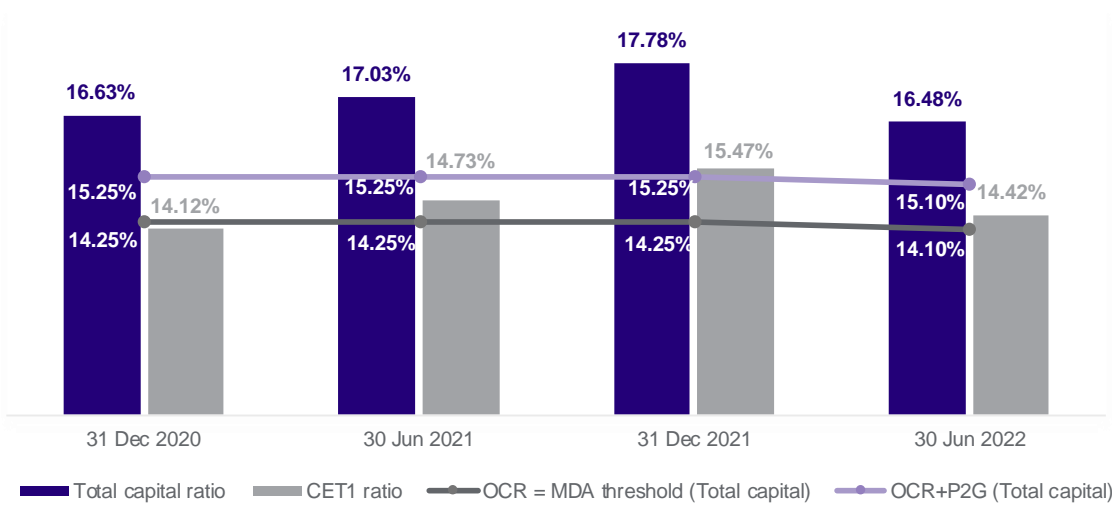


Figure 3: Capital ratios and regulatory thresholds (in %) of NLB Group



## 2. Introduction

The purpose of this Report is to provide disclosures as required by the global regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision (BCBS). On the European level, these are implemented in the disclosure requirements as laid down in Part Eight of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms' (Capital Requirements Regulation, or 'CRR') and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive, or 'CRD'). The CRR applies directly for EU member states, while the CRD was required to be implemented through national legislation in the EU member states. On 27 June 2019, an amendment of CRR was published (Regulation (EU) No. 2019/876), as well as an amendment of the CRD (Directive (EU) 2019/878 – CRD V). Slovenia implemented these CRD requirements into national law with the Slovenian Banking Act (Zakon o bančništvu – ZBan-3). On 26 June 2020, additional amendment to CRR was published (Regulation (EU) No. 2020/873) in response to the COVID-19 pandemic.

In the context of this document, the 'EU banking legislation' describes the package of the CRR, CRD, and regulatory / implementing technical standards. It commonly refers as containing the following three Pillars:

- Pillar 1 contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk, and operational risk,
- Pillar 2 is intended to ensure that each financial institution has sound internal processes in place to assess the adequacy of its capital, based on a thorough evaluation of its risks. Supervisors are tasked with valuating how well financial institutions are assessing their capital adequacy needs relative to their risks. Risks not considered under Pillar 1 are considered under this Pillar,
- Pillar 3 is intended to complement Pillar 1 and Pillar 2. It requires that financial institutions disclose information on the scope of the application of the EU banking legislation requirements, particularly covering own funds requirements/risk weighted exposure amounts (RWEA) and resources, risk exposures, and risk assessment processes.

For ease of reference, the requirements described under the last indent above are referred to as 'Pillar 3' in this Report. Pillar 3 contains both qualitative and quantitative disclosure requirements.

All disclosures are prepared on a consolidated basis (Prudential consolidation) and in EUR thousands, unless otherwise stated. Any discrepancies between data disclosed in this document are due to the effect of rounding.

CRD V and EBA guidelines require NLB Group to disclose information at least on an annual basis. To ensure the effective communication of NLB Group's business and risk profile, NLB Group also pays particular attention to the possible need to provide information more frequently than annually. A separate Pillar 3 document is also published quarterly on the NLB's website <https://www.nlb.si/financial-reports>, following our Annual or Interim Reports for NLB Group disclosure.

### Verifications and source of information

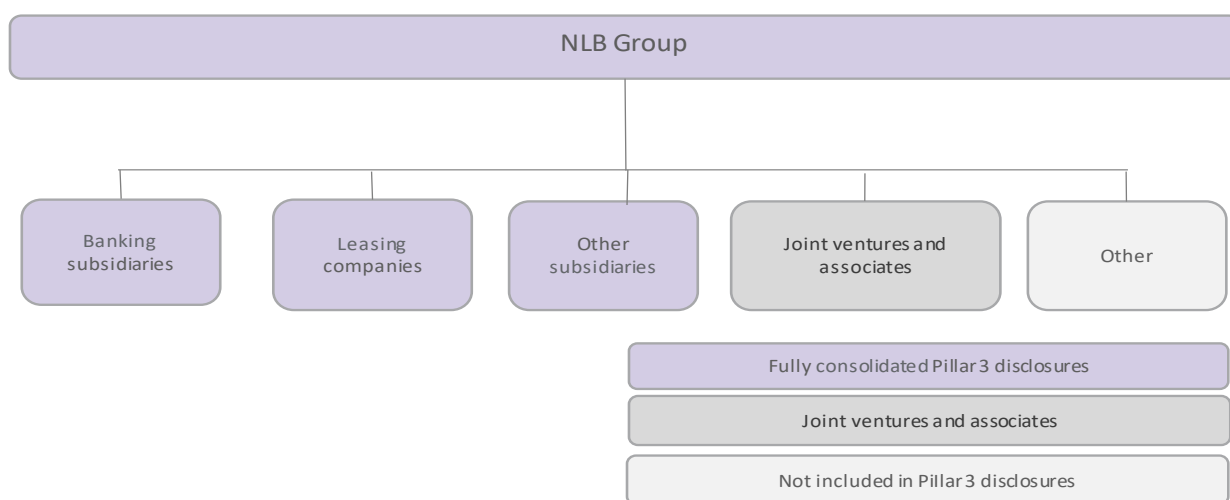
Verification of information included in the disclosures is subject to strict procedure of internal control and management. The persons in charge of individual contents are responsible for primary controls. Quantitative reports must be submitted in individual templates and precisely aligned with the information disclosed in the interim report or the reports prepared for the regulator (Corep and Finrep). The report is reviewed by members of Capital management group, but it is unaudited.

It should be noted that while some quantitative information in this document is based on financial data contained in the H1 2022 NLB Group Interim Report, other quantitative data is sourced from the regulatory reporting (Finrep and Corep) and is calculated according to regulatory requirements. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the H1 2022 NLB Group Interim Report.

### 3. Scope of application

In accordance with the capital legislation, NLB (LEI Code 5493001BABFV7P27OW30) has the position of an 'EU parent bank' and so is a parent company of NLB Group. NLB is therefore obliged to disclose information on a consolidated basis. Consolidated financial statements for the purpose of Pillar 3 disclosures are based on CRR requirements (regulatory scopes of consolidation). A summarised Group's presentation in accordance with the regulatory scope of consolidation is presented below.

Figure 4: NLB Group scheme



The consolidation for *accounting purposes* comprises all:

- subsidiaries (banking, leasing, and other subsidiaries) controlled by the Bank or the Group,
- associated companies in which Group directly or indirectly holds between 20% and 50% of the voting rights, and over which Group exercises significant influence, but does not have control and
- jointly controlled companies (i.e., jointly controlled by NLB Group based on a contractual agreement).

In contrast to the accounting consolidation, the *regulatory consolidation* includes only (in accordance with the definitions under Article 4 of CRR) credit institutions, financial institutions, ancillary service undertakings and asset management companies.

The difference between accounting consolidation and regulatory consolidation as at 30 June 2022 represents:

- the company operating in the area of other activities NLB Zavod za upravljanje kulturne dediščine (The NLB Cultural Heritage Management Institute) and
- the IT services company NLB DigIT, Beograd,

which are not included in regulatory consolidation in accordance with Article 4 of CRR. Companies from the Prvi Faktor Group are excluded from the regulatory consolidation (that would otherwise require the proportional consolidation method, in accordance with CRD) due to immateriality in accordance with CRR. In the accounting consolidation, the net assets of the Prvi Faktor Group using the equity method amount to zero.

Table 2 – EU CC2 – Reconciliation of regulatory own funds to balance sheet in the published financial statements

	Balance sheet as	Under regulatory	Reference to rows in CC1	
	in published	scope of		
	financial	consolidation		
	statements			
	30.06.2022	30.06.2022		
	a	b	c	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>				
1	Cash, cash balances at central banks and other demand deposits at banks	4,321,116	4,321,115	
2	Financial assets held for trading	14,899	14,899	
3	Non-trading financial assets mandatorily at fair value through profit or loss	17,943	17,943	
4	Financial assets measured at fair value through other comprehensive income	3,020,043	3,020,043	72
5	Financial assets measured at amortised cost			
6	- debt securities	1,866,595	1,866,595	72
7	- loans and advances to banks	176,826	176,826	
8	- loans and advances to customers	12,620,218	12,620,218	
9	- other financial assets	138,304	138,304	
10	Derivatives - hedge accounting	32,725	32,725	
12	Investments in subsidiaries	-	2,406	
13	Investments in associates and joint ventures	13,105	13,105	73
14	Tangible assets			
15	Property and equipment	252,606	249,328	
16	Investment property	45,321	45,321	
17	Intangible assets	55,328	55,317	
18	Goodwill	3,529	3,529	8
19	Other intangible assets	51,799	51,788	8
20	Current income tax assets	1,677	1,676	
21	Deferred income tax assets	51,683	51,683	75
22	that rely on future profitability and arise from temporary differences	51,683	51,683	75
23	Other assets	94,510	94,305	
24	Non-current assets held for sale	7,441	7,441	
<b>25</b>	<b>Total assets</b>	<b>22,730,340</b>	<b>22,729,250</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>				
26	Financial liabilities held for trading	11,979	11,979	
27	Financial liabilities measured at fair value through profit or loss	1,535	1,535	
28	Financial liabilities measured at amortised cost			
29	- deposits from banks and central banks	138,006	138,006	
30	- borrowings from banks and central banks	250,662	250,662	
31	- due to customers	19,151,110	19,153,302	
32	- borrowings from other customers	76,141	76,141	
33	- subordinated liabilities	287,765	287,765	46
34	- other financial liabilities	283,602	284,258	
35	Derivatives - hedge accounting	5,341	5,341	
36	Fair value changes of the hedged items in portfolio hedge of interest rate risk	13,666	13,666	
37	Provisions	128,999	128,999	
38	Current income tax liabilities	5,439	5,439	
39	Deferred income tax liabilities	2,687	2,687	
40	Other liabilities	54,347	54,093	
<b>41</b>	<b>Total liabilities</b>	<b>20,411,279</b>	<b>20,413,873</b>	
<b>Shareholders' Equity</b>				
42	Share capital	200,000	200,000	1
43	Share premium	871,378	871,378	1
44	Accumulated other comprehensive income	(127,645)	(127,184)	3
45	Profit reserves	13,522	13,522	3
46	Retained earnings	1,238,300	1,234,155	2
		<b>2,195,555</b>	<b>2,191,871</b>	
47	Non-controlling interests	123,506	123,506	5; 34; 48
<b>48</b>	<b>Total shareholders' equity</b>	<b>2,319,061</b>	<b>2,315,377</b>	
<b>49</b>	<b>Total liabilities and shareholders' equity</b>	<b>22,730,340</b>	<b>22,729,250</b>	



## 4. Capital and capital requirements

### 4.1. Capital adequacy

European banking capital legislation – CRD V, defines three capital ratios reflecting a different quality of capital:

- Common Equity Tier 1 ratio (ratio between common or CET1 capital and risk-weighted exposure amount or RWA), which must be at least 4.5%,
- Tier 1 capital ratio (Tier 1 capital to RWA), which must be at least 6%,
- Total capital ratio (Total capital to RWA), which must be at least 8%.

In addition to the aforementioned ratios, which form the Pillar 1 Requirement, the Bank must meet other requirements and recommendations that are imposed by the supervisory institutions or by the legislation:

- Pillar 2 Requirement (SREP requirement): bank-specific, obligatory requirement set by the supervisory institution through the SREP process (together with the Pillar 1 Requirement it represents the minimum total SREP capital requirement – TSCR),
- The applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breaching of the CBR is not a breach of capital requirement, but triggers limitations in payment of dividends and other distributions from capital. Some of the buffers are prescribed by law for all banks and some of them are bank-specific, set by the supervisory institution (CBR and TSCR together form the overall capital requirement – OCR),
- Pillar 2 Capital Guidance: capital recommendation set by the supervisory institution through the SREP process. It is bank-specific and as recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital; however, it might lead to intensified supervision and the imposition of measures to re-establish a prudent level of capital (including preparation of capital restoration plan).

Table 3 – Capital requirements and buffers

		2022	2021	2020
Pillar 1 (P1R)	CET1	4.5%	4.5%	4.5%
	AT1	1.5%	1.5%	1.5%
	T2	2.0%	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.46%	1.55%	1.55%
	Tier 1	1.95%	2.06%	2.06%
	Total Capital	2.60%	2.75%	2.75%
Total SREP Capital requirement (TSCR)	CET1	5.96%	6.05%	6.05%
	Tier 1	7.95%	8.06%	8.06%
	Total Capital	10.60%	10.75%	10.75%
Combined buffer requirement (CBR)				
Conservation buffer	CET1	2.5%	2.5%	2.5%
O-SII buffer	CET1	1.0%	1.0%	1.0%
Countercyclical buffer	CET1	0.0%	0.0%	0.0%
Overall capital requirement (OCR) = MDA threshold	CET1	9.46%	9.55%	9.55%
	Tier 1	11.45%	11.56%	11.56%
	Total Capital	14.10%	14.25%	14.25%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%
	CET1	10.46%	10.55%	10.55%
OCR + P2G	Tier 1	12.45%	12.56%	12.56%
	Total Capital	15.10%	15.25%	15.25%

At end of June 2022, Group was required to maintain the OCR at the level of 14.10%, consisting of:

- 10.60% TSCR (8.00% P1R and 2.60% P2R), and
- 3.50% CBR (2.50% Capital conservation buffer, 1.00% O-SII buffer<sup>1</sup> and 0.00% Countercyclical buffer).

<sup>1</sup> As of 1 January 2023, the O-SII Buffer will amount to 1.25%.



On 29 April 2022, the BoS issued a new Regulation on determining the requirement to maintain a systemic risk buffer for banks and savings banks which will with 1 January 2023 introduce the systemic risk buffer rates for the sectoral exposures:

- 1.00% for all exposures to natural persons secured by residential real estate,
- 0.50% for all other exposures to natural persons.

Pillar 2 Guidance is 1.00%, which should be comprised entirely of CET1 capital.

The Bank and Group's capital covers all the current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the P2G.

Table 4 – Capital adequacy

	30.06.2022	31.03.2022	31.12.2021
Paid up capital instruments	200,000	200,000	200,000
Share premium	871,378	871,378	871,378
Retained earnings	900,020	902,773	767,152
Current result	205,039	-	135,968
Accumulated other comprehensive income	(127,184)	(65,593)	(10,091)
Other reserves	13,522	13,522	13,522
Minority interest	26,184	25,849	27,905
Prudential filters: Additional Valuation Adjustments (AVA)	(3,065)	(3,383)	(3,498)
(-) Goodwill	(3,529)	(3,529)	(3,529)
(-) Other intangible assets	(38,408)	(38,654)	(39,116)
(-) Insufficient coverage for non-performing exposures	(130)	(337)	(90)
(-) Deduction item related to credit impairments and provisions not included in capital	(350)	(556)	-
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>2,043,477</b>	<b>1,901,470</b>	<b>1,959,601</b>
Minority interest	5,451	5,095	5,950
<b>Additional Tier 1 capital</b>	<b>5,451</b>	<b>5,095</b>	<b>5,950</b>
<b>TIER 1 CAPITAL</b>	<b>2,048,928</b>	<b>1,906,565</b>	<b>1,965,551</b>
Capital instruments and subordinated loans eligible as T2 capital	284,595	284,595	284,595
Minority interest	2,682	2,830	2,344
<b>Tier 2 capital</b>	<b>287,277</b>	<b>287,425</b>	<b>286,939</b>
<b>TOTAL CAPITAL</b>	<b>2,336,205</b>	<b>2,193,990</b>	<b>2,252,490</b>
Risk exposure amount for credit risk	11,605,651	11,366,649	10,205,172
Risk exposure amount for market risks	1,248,975	1,203,651	1,206,363
Risk exposure amount for CVA	73,900	29,050	11,850
Risk exposure amount for operational risk	1,244,023	1,244,023	1,244,023
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>14,172,549</b>	<b>13,843,373</b>	<b>12,667,408</b>
Common Equity Tier 1 Ratio	14.42%	13.74%	15.47%
Tier 1 Ratio	14.46%	13.77%	15.52%
<b>Total Capital Ratio</b>	<b>16.48%</b>	<b>15.85%</b>	<b>17.78%</b>

As at 30 June 2022, the TCR for the Group stood at 16.5% (or 1.3 p.p. lower than as at 31 December 2021), and the CET1 ratio for the Group stood at 14.4% (1.1 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,505.1 million compared to the end of 2021) which was not compensated by higher capital (EUR 83.7 million compared to the end of 2021). The capital is higher mainly due to inclusion of negative goodwill from acquisition of N Banka in retained earnings in the amount of EUR 172.8 million and partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments (EUR -117.1 million compared to the end of 2021) on FVOCI securities.

The main reason for increased RWA is acquisition of N Banka in March 2022 (note 4.13. in H1 NLB Group Interim report).

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million, envisaged for second instalment of dividend distribution in 2022. Therefore, there will be no effect on the capital in case dividends are paid.

The drivers behind the differences between the RWAs in first half of 2022 are explained in Chapter 4.2 Capital requirements in the Table 5 – EU OV1 – Overview of risk weighted exposure amounts.

## 4.2. Capital requirements

(Article 438 d of CRR)

NLB Group uses the following approaches to calculate Pillar 1 capital requirements on a consolidated basis:

- Credit risk – standardised approach,
- Market risk – standardised approach, and
- Operational risk – basis indicator approach.

In the calculation of capital ratios, risk is expressed as a risk exposure amount or a capital requirement. The capital requirement for an individual risk amounts to 8% of the total exposure to the individual risk.

Table 5 shows the detailed composition of the risk weighted exposure amounts of NLB Group at the end of June 2022, at the end of March 2022 and at the end of 2021; and also, composition of own fund (capital) requirements at the end of June 2022.

Table 5 – EU OV1 – Overview of risk weighted exposure amounts

		Total risk exposure amounts (TREA)			Total own funds requirement
		30.06.2022	31.03.2022	31.12.2021	30.06.2022
		a	b	b-1	c
1	<b>Credit risk (excluding CCR)</b>	<b>11,396,513</b>	<b>11,179,873</b>	<b>10,049,886</b>	<b>911,721</b>
2	of which the standardised approach	11,396,513	11,179,873	10,049,886	911,721
6	<b>Counterparty credit risk - CCR</b>	<b>121,068</b>	<b>67,556</b>	<b>40,881</b>	<b>9,685</b>
7	of which the standardised approach	47,168	38,506	29,031	3,773
EU 8b	of which credit valuation adjustment - CVA	73,900	29,050	11,850	5,912
20	<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>1,248,975</b>	<b>1,203,651</b>	<b>1,206,363</b>	<b>99,918</b>
21	of which the standardised approach	1,248,975	1,203,651	1,206,363	99,918
23	<b>Operational risk</b>	<b>1,244,023</b>	<b>1,244,023</b>	<b>1,244,023</b>	<b>99,522</b>
EU 23a	of which basic indicator approach	1,244,023	1,244,023	1,244,023	99,522
24	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>161,970</b>	<b>148,270</b>	<b>126,255</b>	<b>12,958</b>
29	<b>Total</b>	<b>14,172,549</b>	<b>13,843,373</b>	<b>12,667,408</b>	<b>1,133,804</b>

RWAs in the Group increased by EUR 1,505.1 million YtD. RWA for credit risk (lines 1, 7, and 24 in Table 5) increased by EUR 1,400.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 541.6 million was mainly the consequence of increased lending activity in all the banks in the Group, mostly in the Bank and NLB Komercijalna Banka, Beograd. Higher RWAs for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous year. RWA growth was partially mitigated by assuring CRR eligibility for real estate collaterals from Bosnia and Herzegovina, and Serbia. Furthermore, RWA decrease was observed for liquid assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds, both in NLB Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all Group banks, the most in NLB Komercijalna Banka, Beograd.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 104.7 million YtD (lines EU 8b and 20 in Table 5) is mainly the result of higher RWA for CVA risk in the amount of EUR 62.1 million (a consequence of the conclusion of long-term derivatives) and higher RWA for FX risk in the amount of EUR 42.6 million.

### 4.3. Detailed presentation of capital elements

(Article 437 a of CRR)

The table below shows in detail the elements of the calculation of the capital of NLB Group at the end of June 2022. A summarised substantive presentation of the elements relevant for NLB Group is given in Chapter 4.1. Capital adequacy.

NLB Group does not have any capital instruments (issued before the implementation of CRR) that would no longer be eligible for inclusion, and therefore subject to pre-CRR treatment.

Table 6 – EU CC1 – Composition of regulatory own funds

30.06.2022		Amounts	Source based on
			reference numbers (CC2 column b)
		a	b
<b>Common equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	1,071,378	42 + 43
	of which: ordinary shares	1,071,378	42 + 43
2	Retained earnings	1,105,059	part of 46
3	Accumulated other comprehensive income (and other reserves)	(113,662)	44 + 45
5	Minority interest (amount allowed in consolidated CET1)	26,184	part of 47
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,088,959</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	(3,065)	
8	Intangible assets (net of related tax liability) (negative amount)	(41,937)	18 + part of 19
27a	Other regulatory adjustments	(480)	
27a1	Deduction item related to insufficient coverage for non-performing exposures	(130)	
27a2	Deduction item related to credit impairments and provisions not included in capital (as a part of the interim result), but are lowering the exposure in RWA calculation (BoS requirement based on EBA Q&A 2014_1087)	(350)	
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(45,482)</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,043,477</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	5,451	part of 47
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>5,451</b>	
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>5,451</b>	
<b>45</b>	<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>2,048,928</b>	
<b>Tier 2 (T2) capital: instruments</b>			
46	Capital instruments and the related share premium accounts	284,595	part of 33
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	2,682	part of 47
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>287,277</b>	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>287,277</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>2,336,205</b>	
<b>60</b>	<b>Total risk exposure amount</b>	<b>14,172,549</b>	
<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1 capital ratio	14.42%	
62	Tier 1 capital ratio	14.46%	
<b>63</b>	<b>Total capital ratio</b>	<b>16.48%</b>	
64	Institution CET1 overall capital requirements	9.46%	
65	of which: capital conservation buffer requirement	2.50%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	8.46%	
<b>Amounts below the threshold for deduction (before risk weighting)</b>			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	57,920	part of 4 and part of 6
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	13,105	13
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	51,683	21, 22

#### 4.4. Capital buffers – Countercyclical buffer

(Article 440 of CRR)

On 1 January 2016, the Bank of Slovenia introduced a macro-prudential measure: a countercyclical capital buffer intended to protect the banking sector from losses potentially caused by cyclical risks in the economy. The purpose of the countercyclical capital buffer is to ensure that the Bank has a sufficient capital base in periods of credit growth, to be used in stress periods or when the conditions for lending are less favourable, i.e., to absorb losses. When the defined buffer rate is more than 0%, or when the already established rate is increased, the new buffer rate applies 12 months after publication (except for extraordinary cases). The buffer value may fluctuate between 0% and 2.5% of the amount of total risk exposure (in exceptional cases also more) and depends on the amount of risk in the system.

The buffer value for exposures in Slovenia was 0% as at 30 June 2022 and stayed the same as the one that was in force from 1 January 2016. To define the buffer rate, the Bank of Slovenia followed the methodology of the BCBS, ESRB, and the credit cycle assessment for Slovenia. The buffer rates applicable to exposure in other countries of the European Economic Area are those defined on the ESRB website, refreshed quarterly, while the buffer rate applying to credit exposures to countries not listed on that page nor prescribed by the Bank of Slovenia or a competent authority of that country are 0%. Counter-cyclical capital rates have generally been set at 0%, except for Norway which had as at 30 June 2022 a countercyclical capital rate of 1.5%, while Slovakia had 1% and Bulgaria, Czech Republic, and Luxembourg had rates of 0.5%.

A calculation of the bank-specific countercyclical capital buffer is made on an individual, as well as on a consolidated level. The Bank defines the geographic distribution of exposures, which are subject to the calculation of capital requirement for credit risk using the standardised approach and the special risk or risk of non-payment, and migrations for exposures from the trading book. If the Bank's exposures represent less than 2% of its total risk-weighted exposures, these exposures may be presented at the geographic location of the Bank and additionally explained.

The rate of the bank-specific countercyclical capital buffer is composed of the weighted average of countercyclical capital buffer rates used in those countries where the relevant credit exposures of this institution are located.

Table 7 – EU CCyB2 – Amount of institution-specific countercyclical capital buffer

<b>30.06.2022</b>	<b>NLB Group</b>
Total risk exposure amount	14,169,268
Institution specific countercyclical buffer rate	0.0031%
Institution specific countercyclical buffer requirement	441

Table 8 – EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

30.06.2022	General credit exposures		Own funds requirements		Risk-weighted exposure amounts	Own funds requirement weights (%)	Counter-cyclical capital buffer rate (%)
	Exposure value under the SA	Relevant credit risk exposures - Credit risk	Total				
	a	g	j	k			
Slovenia	6,554,677	369,550	369,550	4,619,375	47.75%	-	
Serbia	2,691,531	159,158	159,158	1,989,475	20.57%	-	
Rep. of North Macedonia	1,192,281	75,891	75,891	948,638	9.81%	-	
Bosnia and Herzegovina	1,020,589	62,178	62,178	777,225	8.03%	-	
Kosovo	745,569	45,659	45,659	570,738	5.90%	-	
Montenegro	573,985	37,100	37,100	463,750	4.79%	-	
Luxembourg	59,906	4,790	4,790	59,875	0.62%	0.50%	
France	40,577	3,235	3,235	40,438	0.42%	-	
Switzerland	39,940	4,267	4,267	53,338	0.55%	-	
Austria	39,546	3,084	3,084	38,550	0.40%	-	
Netherlands	37,961	3,032	3,032	37,900	0.39%	-	
United States	28,839	2,276	2,276	28,450	0.29%	-	
Belgium	20,286	1,599	1,599	19,988	0.21%	-	
Croatia	10,258	944	944	11,800	0.12%	-	
Germany	9,290	652	652	8,150	0.08%	-	
United Kingdom	4,757	317	317	3,963	0.04%	-	
Italy	703	23	23	288	0.00%	-	
Malta	429	20	20	250	0.00%	-	
Sweden	271	16	16	200	0.00%	-	
China	258	15	15	188	0.00%	-	
Czech Republic	188	7	7	88	0.00%	0.50%	
United Arab Emirates	186	9	9	113	0.00%	-	
Russian Federation	127	4	4	50	0.00%	-	
Spain	126	7	7	88	0.00%	-	
Latvia	120	7	7	88	0.00%	-	
Cyprus	118	4	4	50	0.00%	-	
Ireland	100	8	8	100	0.00%	-	
Bulgaria	92	6	6	75	0.00%	0.50%	
Slovakia	53	4	4	50	0.00%	1.00%	
Albania	52	3	3	38	0.00%	-	
Mauritius	46	2	2	25	0.00%	-	
Australia	43	3	3	38	0.00%	-	
Brazil	41	2	2	25	0.00%	-	
Lithuania	37	1	1	13	0.00%	-	
Poland	31	2	2	25	0.00%	-	
Norway	30	2	2	25	0.00%	1.50%	
Canada	30	2	2	25	0.00%	-	
Turkey	29	2	2	25	0.00%	-	
Ukraine	25	1	1	13	0.00%	-	
Hungary	15	1	1	13	0.00%	-	
Kuwait	9	1	1	13	0.00%	-	
Kenya	9	1	1	13	0.00%	-	
Other	25	-	-	-	0.00%	-	
<b>Total</b>	<b>13,073,185</b>	<b>773,885</b>	<b>773,885</b>	<b>9,673,563</b>	<b>100.00%</b>	<b>-</b>	

## 4.5. Risk factors and Outlook

### Risk factors

In 2022, the Group's region continued to grow on the back of revival in private and investment consumption after being affected by the COVID-19 pandemic in the past period. Higher prices of energy, commodities, raw materials, and food, as a result of the war in Ukraine, have and will further impact the economic momentum. The Group's region is expected to grow, though the inflationary pressures might suggest a further slowdown, namely in the area of private consumption. However, it is not possible to assume with a high degree of confidence that positive economic momentum will continue.

Lending growth in the corporate segment is expected to remain relatively moderate, especially in the current circumstances. N Banka became a member of the NLB Group in March 2022. With regards to credit portfolio the Group carefully monitors its clients who are present or have direct and indirect connection with Russia, Ukraine, or their neighbouring countries. The Group's direct and indirect exposures toward Russia and Ukraine are limited. These clients are closely monitored with the intention to detect any significant increase in credit risk at a very early stage.

Credit risk is usually materially increased in times of economic slowdown. The length and intensity of the war in Ukraine might cause additional spill-over effects in the mid-term period, such as raising the price of energy sources or their availability, which might at a later period have some impact also on other segments of the credit portfolio. These adverse developments could affect the evolution of cost of risk and NPLs. Notwithstanding the established procedures in the Group's credit risk management, there can be no assurance that they will be sufficient to ensure that the Group's quality of credit portfolio or the corresponding impairments will remain at the adequate level in the future.

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite. The war in Ukraine has led to quite considerable volatility in the financial markets, in particular shifts in credit spreads, interest rates and foreign exchange rates. Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. The Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the crisis in Russia. Besides, the Group holds Russian government bonds. Since the beginning of the crisis the Group has been observing credit spreads widening, which is currently impacting our FVOCI positions.

Regarding the Group's major FX positions no material movements were observed so far. Current developments, market observations and potential mitigations are very closely monitored and discussed. While the Group monitors its liquidity, interest rate, credit spread and FX position and corresponding trends, impacts of credit spread, interest rate and FX fluctuations on its positions, any significant and unanticipated movements on the markets or variety of factors, such as competitive pressures, customer's confidence, or other certain factors outside the Group's control, could adversely affect the Group's operations, capital, and financial condition.

Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures, and the prevention of cyber attacks and potential fraud events. The Group has established internal controls and other measures to facilitate their adequate management. However, these measures may not always fully prevent potential adverse effects.

The Group is subject to a wide variety of regulations and laws relating to banking, insurance and financial services. Respectively, it faces the risk of significant interventions by a number of regulatory and enforcement authorities in each of the jurisdictions in which it operates.

The SEE region is the Group's most significant geographic area of operations outside of the RoS and the economic conditions in this region are therefore important to the Group's results of operations and financial condition. As a result of any instability or economic deterioration in this region, the Group's financial condition could be adversely affected.

In this regard, the Group closely follows the macroeconomic indicators relevant to its operations:

- GDP trends and forecasts
- Economic sentiment
- Unemployment rate
- Consumer confidence
- Construction sentiment
- Deposit stability and growth of loans in the banking sector
- Credit spreads and related future forecasts
- Interest rate development and related future forecasts

- FX rates
- Energy and commodity prices
- Other relevant market indicators

During 2022, the Group reviewed IFRS 9 provisioning by **testing a set of relevant macroeconomic scenarios** to adequately reflect the current circumstances and the related impacts in the future. The Group established and developed multiple scenarios (i.e., baseline, mild and severe) on the level of ECL calculation. The baseline scenario presents a common forecast macroeconomic view for all countries of the Group. This scenario is constructed with the purpose to culminate various outlooks into a unified projection of macroeconomic and financial variables for the Group. This is in line with the concept that the bank has a consolidated view on the future of economic development in SEE. The IFRS 9 baseline scenario is based on the most recent 'official and professional forecasters outputs, with additional specific adjustments for individual countries of the Group.

The macroeconomic rationale behind the alternative scenarios is related to a range of plausible drivers on economic development during the next 3 years. The narrative for the alternative scenarios combines statistical techniques with expert knowledge as a means of concept and outputs validation. The Group developed both alternative scenarios through the lens of possible expected impact on regional economic activity. In general, the mild scenario is a demand-driven optimistic scenario, where limited supply disruption factors and an active role from the central banks help to brighten the economic conditions and economic subjects' confidence. This scenario narrates stronger economic growth, while the severe scenario envisions zero real economic growth for all Group home countries. Namely, the severe is a supply-driven pessimistic scenario, where both upside inflation risk and downside growth risk materialize. The Bank includes these scenarios in calculating expected credit losses in the context of IFRS 9.

The Group established a comprehensive internal **stress-testing framework** and **early warning systems** in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, ICAAP, ILAAP, and Recovery Plan to determine how severe and unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position. Both the stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

Risk Management actions that might be used by the Group are determined by various internal policies and applied when necessary. Moreover, the selection and application of mitigation measures follows a three-layer approach, considering the feasibility analysis of the measure, its impact on the Group's business model, and the strength of available measure.

## Outlook 2022

### Macroeconomic

Tight labour markets remain a beacon of support to private spending. With limited fiscal space, countries will need to carefully weigh the costs and benefits of new spending commitments in response to higher energy and food prices. Economic growth is set to cool notably this year as fears of recession cloud the outlook especially if Russian natural gas supply comes to a standstill as a part of Russian retaliating sanctions. In this case heating bills would skyrocket during the winter months fuelling inflation further into 2023. The Group's region is seen expanding 4.0% in 2022 and 2.9% in 2023. Global supply constraints persist as the war in Ukraine rages on, impeding growth. The inflation rate is eroding real disposable incomes and consumer confidence, boding poorly for (household) spending and consumption. In Slovenia, the retail sales data confirm private consumption is still going strong (May YoY reading the highest in the euro area). Key factors to watch include the volatile global energy market as well as the new Slovenian government's legislative agenda. The GDP growth should decrease this year to 5.5% on a tougher base effect. In 2023, the Slovenian economy is seen growing 2.1%. Euro area GDP will record a softer pace of growth this year, restrained by high commodity prices, supply shortages, depressed confidence and rising interest rates. The risks of financial instability due to high public debts and the prolongation of the war in Ukraine cloud the outlook. The euro area economy is seen expanding 2.7% in 2022, while in 2023 GDP is seen increasing 1.8%.

### Revenues and loan growth

The Group expects low double digit organic loan growth in 2022. After exceptionally high new corporate and individual loan origination across all markets in H1, stipulated also by increased inflation and expectations of higher interest rates, slower loan growth is foreseen for H2. Interest income growth is expected to be primarily driven by loan growth and productive use of liquid assets. In H2 the improvement of interest income is expected also from an increase of the ECB interest rates and Euribor, however, this will be almost neutralized by interest expenses related to the new senior preferred bond issued for meeting MREL requirement (issued by the Bank in July 2022 in the amount of EUR 300



million) and reduction of fee and commission revenues due to abolishment of fees for high balance deposits. 13 Post COVID-19 opening of the economies stimulated demand for fee generating products and income. All of the above should result in total regular revenues at around EUR 730 million in 2022.

If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimates the negative pre-tax effect on the operations of NLB Group should not exceed EUR 100 million (N Banka included).

### **Costs and cost of risk**

The Group will continue to pursue a strong cost containment agenda addressing both labour and non-labour cost elements. Total costs continue to be impacted by the business environment with a visible cost inflation throughout the region. However, synergy effects could be expected from integration of banks in Serbia. Additionally, the Group continues with its investment activities into information technology upgrades, amid the growing relevance of digital banking. Importantly, integration costs associated with NLB Komercijalna Banka, Beograd and N Banka will contribute to total costs in 2022. All this will increase the costs; however, we expect the cost base to remain below EUR 460 million.

The realised cost of risk in H1 2022 at -6 bps remained at low level. Most members of the Group faced in H1 2022 a favourable development in NPL resolution, positively contributing to the Group's overall cost of risk. It is expected that resolutions will continue to positively impact cost of risk in 2022, but with diminished importance. Increased inflationary pressures might cause some deterioration of credit portfolio quality in the retail segment, though its impact should not be excessive. Direct and indirect exposure of the Group toward Russia and Ukraine is limited, whereby the remaining direct exposure towards Russian government was already adequately impaired to reflect its fair value. Based on assessed environment the expected cost of risk will be below 30 bps (includes technical adjustment due to N Banka and excludes potential incremental major disruptions).

### **Loan portfolio quality**

The Group anticipates lending growth in all key segments. Special focus will be given to the retail segment where the Group experienced strong growth in the previous year. The Group is very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. On this basis well diversified and stable quality of credit portfolio is still expected during the year 2022. With regards to credit portfolio the Group carefully monitors its clients being present or having direct and indirect connection with Russia, Ukraine, or its neighbouring countries. The Group's direct and indirect exposures toward Russia and Ukraine are rather limited. These clients are closely monitored with the intention to detect any significant increase in credit risk at a very early stage. Potential moderation of current positive economic trends due to uncertainties of global supply constraints and inflationary pressures might have some negative impact on the existing loan portfolio quality, but its impact should not be excessive.

### **Liquidity**

From liquidity perspective, deposits at the Group level continue to grow (in the Bank and in SEE banking members). The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves mostly in the form of high-quality liquid assets.

Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. NLB Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the Russian crisis. Besides, the Bank holds Russian government bonds in the current outstanding amount of EUR 7.6 million, which have been revalued to assessed fair value of EUR 1.8 million. Since beginning of the crisis the Group has been observing raising yield environment and credit spreads widening which materially impacted FVOCI positions. Consequently, the Group carefully manages the structure and concentration of liquidity reserves, by incorporating early warning systems, keeping in mind the potential adverse negative market movements by further shortening of the portfolio duration, reducing certain exposures and classification of new investments with longer maturity in amortized cost group in order to decrease sensitivity of regulatory capital.

### **Capital**

The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance.

The Bank is exploring opportunities for issuance of Tier 2, and Additional Tier 1 bonds to further strengthen and optimize its capital on solo and consolidated level. Also, in 2022 the Group continues with activities to optimise RWAs.

**Dividends**

The Bank's general intention is to distribute dividends on yearly basis in line with its capacity, while at the same time fulfilling all regulatory requirements, including the Pillar 2 Guidance and risk appetite. 2021 YE capital calculation does not include part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution in 2022. Dividends in the amount of EUR 50 million (EUR 2.50 gross per share) were already paid on 28 June and the second instalment in the same amount is expected to be paid by the end of the year.

The Bank envisages total capital return through cash dividends of EUR 500 million in the period between 2022 and 2025. The Group aims to maintain stable dividend growth and at the same time have room for organic growth and M&A.

**M&A opportunities**

The Group might explore further value accretive M&A opportunities in its domestic and other regional markets where the Group is not yet present with the aim to increase shareholders' value.

**Sustainability**

In 2022 the Group continues to demonstrate its commitment to a low-carbon economy and financing the transition by joining the UNEP FI Net Zero Banking Alliance and plans to expand the product portfolio with loans dedicated to supporting energy efficiency and renewable energy production. This year, the Group aims to enhance its measurements of CO2 emissions to full Scope 3 and to start developing its net zero business strategy. The Group will continue with implementation of climate related and environmental risk management as per the EBA and ECB guidelines, whereas participation in the ECB climate-risk stress test exercise will provide additional valuable insight. Effective integration of sustainability-related regulatory requirements will be important in 2022 for ESG disclosures and reporting (e.g., EU Taxonomy, BASEL Pillar III) and additionally enhanced by meeting the EBRD and MIGA requirements. The Group is focused on becoming paperless, and on introducing digital only card. The Group plans to make required steps in the direction of obtaining its first ESG rating for the Bank.

#### 4.6. Information on COVID-19 moratoria

Table 9 – Information on loans and advances subject to legislative and non-legislative moratoria

30.06.2022		Gross carrying amount		Accumulated impairment, accumulated negative changes in fair value due to credit risk	
		Performing		Performing	
		Total	Total	Total	Total
		a	b	h	i
1	Loans and advances subject to moratorium	263	263	(2)	(2)
4	of which: Non-financial corporations	263	263	(2)	(2)
5	of which: Small and Medium-sized Enterprises	263	263	(2)	(2)
6	of which: Collateralised by commercial immovable property	263	263	(2)	(2)

Table 10 – Breakdown of loans and advances subject to moratoria by residual maturity of moratoria

30.06.2022		Gross carrying amount				Residual maturity of moratoria
		Number of obligors	Total	of which: legislative moratoria	of which: expired	
		a	b	c	d	<= 3 months
		e				
1	Loans and advances for which moratorium was offered	166,278	1,764,024			
2	Loans and advances subject to moratorium (granted)	148,494	1,507,713	1,311,149	1,507,450	263
3	of which: Households		831,287	804,226	831,287	-
4	of which: Collateralised by residential immovable property		426,252	413,985	426,252	-
5	of which: Non-financial corporations		668,847	499,359	668,584	263
6	of which: Small and Medium-sized Enterprises		491,869	337,669	491,606	263
7	of which: Collateralised by commercial immovable property		514,900	368,600	514,637	263

Table 11 – Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

30.06.2022	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount	
	Total	of which: forborne	Public guarantees received	Inflows to non-performing exposures	
	a	b	c	d	
1	<b>Newly originated loans and advances subject to public guarantee schemes</b>	85,147	-	29,556	182
2	of which: Households	16,983			13
3	of which: Collateralised by residential immovable property	8			-
4	of which: Non-financial corporations	68,159	-	25,539	170
5	of which: Small and Medium-sized Enterprises	52,730			170
6	of which: Collateralised by commercial immovable property	2,247			41

#### 4.7. CRR 'Quick Fix'

The European Commission published on 26 June 2020 an amendment of two regulations to address the impact of COVID-19 pandemic on the economy in order to maximise the capacity of credit institutions to lend and absorb losses related to the pandemic.

Amendment of CRR (EU) No. 575/2013:

- Modification of the calculation of the leverage ratio to exclude central bank reserves,
- Extension of the provisions of ECL accounting under the IFRS 9 from 2018–2022 to 2020–2024,
- Temporary treatment of public debt issued in the currency of another Member State,
- Extension of the preferential treatment regarding provisioning requirements to exposures guaranteed by the public sector for seven years. The preferential treatment is usually available only for NPLs guaranteed by official export credit agencies.

Amendment of CRR II (EU) No. 2019/876:

- Bringing forward the implementation of:
  - Provisions on the treatment of certain loans granted by credit institutions to pensioners or employees,
  - Adjustments of risk-weighted non-defaulted SME exposures (SME supporting factor),
  - The preferential treatment of exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (Infrastructure supporting factor),
- Exempt prudently valued software assets from CET1 calculations.

The amending application was directly applied the day after publication in the *Official Journal*, starting on 27 June 2020.

NLB Group implemented:

- Changes in the SME-supporting factor,
- Temporary treatment of public debt issued in the currency of another Member State,
- Exempt prudently valued software assets from CET1 calculations,
- Modification of the calculation of the leverage ratio to exclude central bank reserves.

Changes in the SME-supporting factor were introduced in 2019 CRR in article 501 containing reductions to the capital requirements for credit risk on exposures to SMEs. The threshold to qualify for the SME-supporting factor increased from EUR 1.5 million to EUR 2.5 million, with an additional factor of 0.85 (add-on to the previous 0.7619).

Temporary treatment of public debt issued in the currency of another Member State is set out in new article 500a to the CRR and applies in respect of the credit risk framework until 31 December 2024. For exposures to the central governments and central banks of Member States, where those exposures are denominated and funded in the domestic currency of another Member State, the risk weight applied shall be:

- 0% until 31 December 2022,
- 20% in 2023,
- 50% in 2024.

In accordance with CRR article 36 (b), and Regulation (EU) 2020/2176 software assets are from December 2020 onwards, partially a deduction item from capital and partially included in RWA calculation.

## 5. Credit risk

### 5.1. Credit risk quality

(Article 442 c and g of CRR)

Table 12 – EU CR1-A – Maturity of exposures

30.06.2022		Net exposure value				Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	
		a	b	c	d	
1	Loans and advances	10,584	1,863,402	3,658,863	7,401,700	12,934,549
2	Debt securities	-	1,061,098	2,775,384	974,355	4,810,837
<b>3</b>	<b>Total</b>	<b>10,584</b>	<b>2,924,500</b>	<b>6,434,247</b>	<b>8,376,055</b>	<b>17,745,386</b>

31.12.2021		Net exposure value				Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	
		a	b	c	d	
1	Loans and advances	44,050	1,371,822	3,206,749	6,227,355	10,849,976
2	Debt securities	-	1,023,964	2,776,524	1,308,233	5,108,721
<b>3</b>	<b>Total</b>	<b>44,050</b>	<b>2,395,787</b>	<b>5,983,273</b>	<b>7,535,588</b>	<b>15,958,697</b>

At the end of June 2022, 47.2% of net on-balance exposure has remaining maturity of “Over 5 years”, followed by the “1 year to 5 years” category with 36.3%, and the “Up to 1 year” category with 16.5%. In the 2022, the highest increase was noticed in the “Over 5 years” category.

Table 13 – EU CQ7 – Collateral obtained by taking possession and execution processes

30.06.2022		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		a	b
1	Property, plant, and equipment (PP&E)	13,787	(310)
2	Other than PP&E	135,594	(27,050)
3	Residential immovable property	10,825	(1,750)
4	Commercial immovable property	123,439	(25,012)
5	Movable property (auto, shipping, etc.)	946	(281)
6	Equity and debt instruments	384	(7)
<b>8</b>	<b>Total</b>	<b>149,381</b>	<b>(27,360)</b>

### 5.2. Non-performing and forbore exposures

(Article 442 c, e, and f of CRR)

The Bank uses a unified definition of past due and default exposures that is aligned with Article 178 of CRR. The Bank has aligned its definition with the new European Banking Authority (EBA) definition of non-performing loans as at 31 December 2020. Defaulted clients are rated D, DF, or E based on the Bank’s internal rating system and contain clients with material delays over 90 days, as well as clients that were assessed as unlikely to pay. The aforementioned new

definition brought changes to the private individuals, where the rating is no longer attributed on facility level; all facilities of the same client now obtain a common rating grade.

For all defaulted clients, an assessment of (individual or collective) impairments and provisions is performed. The Bank prepares individual impairments and provisions for all defaulted clients exceeding the materiality threshold, while clients with lower exposures obtain collective impairments and provisions. These are based on 100% PD and LGDs indicators, which application is based on the available collateral and expected repayments from other sources.

A forbore loan (or restructured financial asset) is a financial asset in relation to which forbearance has been introduced. The most frequent forbearance measures in the Group are, but not limited to:

- an extension or forbearance on asset repayment,
- lower interest rates,
- a lower amount of receivables resulting from a contractually agreed debt waiver and ownership restructuring,
- debt-to-equity swap,
- a takeover of other assets (including collateral liquidation) for a full or partial repayment.

Forbearance status is a trigger for transferring the facility to Stage 2, where lifetime impairments and provisions are applied.

Table 14 – EU CQ4 – Quality of non-performing exposures by geographical areas

30.06.2022	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	of which non-performing					
	Total	Total	of which defaulted			
Exposures	a	b	c	e	f	g
1 On-balance-sheet	18,216,036	389,225	389,225	(354,276)	-	(56)
2 Slovenia	7,422,535	129,418	129,418	(92,212)	-	-
3 Serbia	3,696,250	55,711	55,711	(47,961)	-	(48)
4 North Macedonia	1,548,750	58,229	58,229	(62,533)	-	-
5 Bosnia and Herzegovina	1,262,164	24,946	24,946	(38,938)	-	(8)
6 Kosovo	858,444	19,899	19,899	(40,396)	-	-
7 Montenegro	650,324	72,311	72,311	(47,321)	-	-
8 Other countries	2,777,569	28,711	28,711	(24,915)	-	-
9 Off-balance-sheet	4,196,378	29,275	29,275	-	(32,808)	-
10 Slovenia	2,684,929	19,279	19,279	-	(19,343)	-
11 Serbia	786,018	5,687	5,687	-	(2,567)	-
12 North Macedonia	217,240	2,176	2,176	-	(3,864)	-
13 Bosnia and Herzegovina	203,046	78	78	-	(2,871)	-
14 Kosovo	102,206	90	90	-	(1,530)	-
15 Montenegro	115,203	1,716	1,716	-	(2,477)	-
16 Other countries	87,736	249	249	-	(156)	-
17 Total	22,412,414	418,500	418,500	(354,276)	(32,808)	(56)

Table 15 – EU CR2 – Changes in the stock of non-performing loans and advances

2022	Gross carrying amount
1 Initial stock of non-performing loans and advances	375,072
2 Inflows to non-performing portfolios	100,074
3 Outflows from non-performing portfolios	(94,455)
4 Outflows due to write-offs	(9,997)
5 Outflow due to other situations	(84,458)
6 Final stock of non-performing loans and advances	380,691



Table 16 – EU CR1 – Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Accumulated partial write-offs	On performing exposures	On non-performing exposures
	Total	of which Stage 1	of which Stage 2	Total	of which Stage 3	Total	of which Stage 1	of which Stage 2	Total	of which Stage 3				
	a	b	c	d	f	g	h	i	j	l	m	n	o	
<b>30.06.2022</b>														
005 Cash balances at central banks and other demand deposits	3,767,261	3,767,234	27	-	-	(853)	(853)	-	-	-	-	397,840	-	
<b>010 Loans and advances</b>	<b>12,888,208</b>	<b>12,310,095</b>	<b>573,102</b>	<b>380,691</b>	<b>339,480</b>	<b>(111,456)</b>	<b>(74,939)</b>	<b>(37,453)</b>	<b>(222,095)</b>	<b>(224,609)</b>	<b>(4,636)</b>	<b>6,246,025</b>	<b>129,774</b>	
020 Central banks	35,501	35,501	-	-	-	(107)	(107)	-	-	-	-	-	-	
030 General governments	339,018	336,585	2,432	958	955	(3,623)	(3,438)	(185)	(486)	(489)	-	75,350	-	
040 Credit institutions	180,485	180,484	1	2,380	2,379	(414)	(414)	-	(2,377)	(2,378)	-	787	-	
050 Other financial corporations	123,267	122,363	904	2,949	2,949	(459)	(441)	(18)	(2,943)	(2,943)	-	16,248	4	
060 Non-financial corporations	5,468,483	5,052,401	413,401	231,187	199,241	(66,153)	(41,105)	(25,113)	(130,739)	(133,527)	(4,636)	2,726,758	88,206	
070 of which SMEs	3,542,632	3,273,810	266,142	195,709	173,923	(52,691)	(33,644)	(19,112)	(112,992)	(113,083)	(4,200)	2,016,053	79,520	
080 Households	6,741,454	6,582,761	156,364	143,217	133,956	(40,700)	(29,434)	(12,137)	(85,550)	(85,272)	-	3,426,882	41,564	
<b>090 Debt securities</b>	<b>4,938,603</b>	<b>4,928,044</b>	<b>175</b>	<b>8,534</b>	<b>8,534</b>	<b>(13,923)</b>	<b>(13,637)</b>	<b>(286)</b>	<b>(6,858)</b>	<b>(6,858)</b>	-	<b>157,909</b>	-	
100 Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	
110 General governments	3,797,167	3,796,890	175	7,736	7,736	(12,113)	(12,036)	(77)	(6,060)	(6,060)	-	-	-	
120 Credit institutions	987,755	987,755	-	-	-	(1,351)	(1,351)	-	-	-	-	83,239	-	
130 Other financial corporations	53,967	53,967	-	798	798	(48)	(48)	-	(798)	(798)	-	5,011	-	
140 Non-financial corporations	99,714	89,432	-	-	-	(411)	(202)	(209)	-	-	-	69,659	-	
<b>150 Off-balance-sheet exposures</b>	<b>4,167,103</b>	<b>4,072,143</b>	<b>94,889</b>	<b>29,275</b>	<b>24,949</b>	<b>(14,696)</b>	<b>(12,765)</b>	<b>(1,928)</b>	<b>(18,112)</b>	<b>(14,750)</b>	-	<b>646,143</b>	<b>3,174</b>	
160 Central banks	123	123	-	-	-	-	-	-	-	-	-	-	-	
170 General governments	143,609	143,471	127	285	133	(330)	(323)	(4)	(184)	(34)	-	112,368	-	
180 Credit institutions	93,919	93,543	376	249	34	(161)	(131)	(30)	(125)	(17)	-	697	-	
190 Other financial corporations	32,272	32,170	102	25	25	(217)	(216)	(1)	(3)	(3)	-	6,390	8	
200 Non-financial corporations	3,129,363	3,045,161	84,194	25,814	21,968	(11,683)	(10,000)	(1,683)	(16,741)	(13,659)	-	498,286	2,912	
210 Households	767,817	757,675	10,090	2,902	2,789	(2,305)	(2,095)	(210)	(1,059)	(1,037)	-	28,402	254	
<b>220 Total</b>	<b>25,761,175</b>	<b>25,077,516</b>	<b>668,193</b>	<b>418,500</b>	<b>372,963</b>	<b>(140,928)</b>	<b>(102,194)</b>	<b>(39,667)</b>	<b>(247,065)</b>	<b>(246,217)</b>	<b>(4,636)</b>	<b>7,447,917</b>	<b>132,948</b>	

Table 17 –EU CQ1 – Credit quality of forborne exposures

30.06.2022	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Total	of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Total	of which defaulted	of which impaired				
	a	b	c	d	e	f	g	h
<b>1 Loans and advances</b>	<b>90,439</b>	<b>184,013</b>	<b>184,013</b>	<b>183,957</b>	<b>(5,456)</b>	<b>(100,367)</b>	<b>146,342</b>	<b>73,627</b>
3 General governments	705	251	251	251	(12)	(248)	-	-
5 Other financial corporations	207	2,608	2,608	2,608	(6)	(2,608)	6	-
6 Non-financial corporations	59,733	145,063	145,063	145,007	(3,447)	(81,851)	108,266	56,404
7 Households	29,794	36,091	36,091	36,091	(1,991)	(15,660)	38,070	17,223
9 Loan commitments given	735	602	602	602	(2)	(272)	727	301
<b>10 Total</b>	<b>91,174</b>	<b>184,615</b>	<b>184,615</b>	<b>184,559</b>	<b>(5,458)</b>	<b>(100,639)</b>	<b>147,069</b>	<b>73,928</b>

Table 18 – EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

30.06.2022	Gross carrying amount / nominal amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures	
	Total	of which defaulted			
	a	c	e	f	
1	Agriculture, forestry and fishing	91,524	3,483	(3,109)	-
2	Mining and quarrying	56,312	44	(1,564)	-
3	Manufacturing	1,346,738	28,666	(25,974)	(8)
4	Electricity, gas, steam and air conditioning supply	450,780	780	(5,440)	-
5	Water supply	65,985	2,293	(2,478)	-
6	Construction	542,231	35,644	(32,875)	-
7	Wholesale and retail trade	1,199,022	58,005	(64,980)	-
8	Transport and storage	604,674	23,097	(16,695)	-
9	Accommodation and food service activities	210,795	42,239	(15,713)	-
10	Information and communication	340,948	3,814	(4,893)	-
11	Financial and insurance activities	73,175	6	(413)	-
12	Real estate activities	316,657	12,763	(5,992)	-
13	Professional, scientific and technical activities	234,319	9,325	(8,221)	-
14	Administrative and support service activities	79,620	1,664	(2,069)	(48)
15	Public administration and defense, compulsory social security	108	33	(33)	-
16	Education	10,400	1,955	(1,319)	-
17	Human health services and social work activities	42,509	2,518	(1,884)	-
18	Arts, entertainment and recreation	20,368	4,635	(2,868)	-
19	Other services	13,505	223	(316)	-
<b>20</b>	<b>Total</b>	<b>5,699,670</b>	<b>231,187</b>	<b>(196,836)</b>	<b>(56)</b>

### 5.3. Mitigation techniques

(Article 453 f of CRR)

Table 19 – EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

30.06.2022	Unsecured carrying amount	Secured carrying amount			
		Total	of which secured by collateral	of which secured by financial guarantees	
					a
1	Loans and advances	10,660,363	6,375,797	5,841,636	534,161
2	Debt securities	4,789,228	157,909	-	157,909
<b>3</b>	<b>Total</b>	<b>15,449,591</b>	<b>6,533,706</b>	<b>5,841,636</b>	<b>692,070</b>
4	of which non-performing exposures	259,451	129,774	129,149	625
5	of which defaulted	259,451	129,774	129,149	625

At the end of June 2022, the secured part of the portfolio represents 29.7% of the total portfolio. However, it has to be considered that such a low share is due to strict rules applied to the eligible collateral in the standardised approach.

#### 5.4. Credit risk – standardised approach

(Article 444 e and 453 g, h, and i of CRR)

Table 20 – EU CR4 – Standardised approach – Credit risk exposure and CRM effects

30.06.2022		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	7,311,894	2,904	7,455,715	40,033	1,095,759	14.62%
2	Regional government or local authorities	212,027	23,517	212,027	4,736	97,130	44.81%
3	Public sector entities	212,096	10,038	140,722	1,919	48,900	34.28%
4	Multilateral development banks	119,371	-	517,211	-	-	-
5	International organisations	22,973	-	22,973	-	-	-
6	Institutions	855,671	206,039	864,766	133,238	288,482	28.91%
7	Corporates	3,763,002	1,784,266	3,388,819	415,353	3,417,532	89.84%
8	Retail	5,993,542	2,049,840	5,927,482	436,920	4,495,489	70.63%
9	Secured by mortgages on immovable property	2,130,094	105,926	2,130,094	20,126	802,162	37.31%
10	Exposures in default	148,145	11,240	147,463	2,226	175,234	117.07%
11	Exposures associated with particularly high risk	410,493	99,964	372,622	19,648	588,405	150.00%
12	Covered bonds	316,394	-	316,394	-	36,480	11.53%
14	Collective investment undertakings	68,729	-	68,729	-	17,072	24.84%
15	Equity	74,236	-	74,236	-	93,893	126.48%
16	Other items	1,001,365	1,820	1,000,775	355	449,114	44.86%
17	<b>Total</b>	<b>22,640,028</b>	<b>4,295,553</b>	<b>22,640,028</b>	<b>1,074,553</b>	<b>11,605,651</b>	<b>48.94%</b>

31.12.2021		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	8,122,043	2,958	8,320,405	36,788	1,158,461	13.86%
2	Regional government or local authorities	210,349	18,531	210,349	3,974	99,848	46.59%
3	Public sector entities	97,592	9,686	85,658	1,948	46,972	53.62%
4	Multilateral development banks	89,848	-	484,957	-	-	-
5	International organisations	24,981	-	24,981	-	-	-
6	Institutions	1,101,665	127,358	1,065,789	57,649	310,230	27.61%
7	Corporates	3,133,710	1,421,683	2,695,865	357,774	2,749,670	90.05%
8	Retail	5,581,830	1,829,992	5,512,125	372,026	4,170,971	70.88%
9	Secured by mortgages on immovable property	1,248,907	34,748	1,248,907	7,539	453,046	36.06%
10	Exposures in default	144,737	20,873	143,192	4,303	178,478	121.01%
11	Exposures associated with particularly high risk	312,488	95,263	276,725	18,302	442,542	150.00%
12	Covered bonds	361,376	-	361,376	-	41,054	11.36%
14	Collective investment undertakings	56,918	-	56,918	-	19,423	34.12%
15	Equity	71,223	-	71,223	-	88,511	124.27%
16	Other items	952,692	1,297	951,888	251	445,965	46.84%
17	<b>Total</b>	<b>21,510,359</b>	<b>3,562,389</b>	<b>21,510,359</b>	<b>860,554</b>	<b>10,205,170</b>	<b>45.62%</b>

The table shows exposures before CRM and CCF, exposure post-CCF and -CRM and RWA for all customer segments. At the end of June 2022, the increase of exposures was noticed in the Corporate, Retail and Secured by mortgages on immovable property segments, which is in line with the findings in other disclosure tables. The last column shows RWA density or the average risk weight for each client segment. The average weight increased from 45.62% in 2021 to 48.94% in June 2022, mainly due to higher average weight in Central governments or central banks segment.

Table 21 – EU CR5 – Standardised Approach

30.06.2022	Risk weight										Total	of which unrated
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
Exposure classes	a	d	e	f	g	i	j	k	l	o	q	r
1 Central governments or central banks	6,431,748	-	48,580	-	13,311	-	950,425	-	51,683	-	7,495,748	7,495,748
2 Regional government or local authorities	51,636	-	84,997	-	-	-	80,130	-	-	-	216,763	216,763
3 Public sector entities	76,734	-	100	-	33,854	-	31,954	-	-	-	142,641	142,641
4 Multilateral development banks	517,211	-	-	-	-	-	-	-	-	-	517,211	517,211
5 International organisations	22,973	-	-	-	-	-	-	-	-	-	22,973	22,973
6 Institutions	-	-	740,754	-	233,604	-	23,646	-	-	-	998,005	321,658
7 Corporates	-	-	-	-	-	-	3,804,172	-	-	-	3,804,172	3,804,172
8 Retail	-	-	-	-	-	6,364,402	-	-	-	-	6,364,402	6,364,402
9 Secured by mortgages on immovable property	-	-	-	1,576,997	511,792	59,014	2,415	-	-	-	2,150,219	2,150,219
10 Exposures in default	-	-	-	-	-	-	98,598	51,091	-	-	149,688	149,688
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	392,270	-	-	392,270	392,270
12 Covered bonds	-	267,989	48,406	-	-	-	-	-	-	-	316,394	133,186
14 Collective investment undertakings	-	-	-	-	-	-	9,971	-	-	58,758	68,729	68,729
15 Equity	-	-	-	-	-	-	61,131	-	13,105	-	74,236	74,236
16 Other items	540,583	-	14,292	-	-	-	446,255	-	-	-	1,001,131	1,001,111
<b>17 Total</b>	<b>7,640,886</b>	<b>267,989</b>	<b>937,128</b>	<b>1,576,997</b>	<b>792,562</b>	<b>6,423,417</b>	<b>5,508,698</b>	<b>443,360</b>	<b>64,788</b>	<b>58,758</b>	<b>23,714,582</b>	<b>22,855,007</b>

31.12.2021	Risk weight										Total	of which unrated
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
Exposure classes	a	d	e	f	g	i	j	k	l	o	q	r
1 Central governments or central banks	7,204,074	-	44,735	-	34,359	-	1,035,047	-	38,977	-	8,357,192	8,357,192
2 Regional government or local authorities	47,357	-	83,899	-	-	-	83,068	-	-	-	214,324	214,324
3 Public sector entities	26,198	-	95	-	28,721	-	32,593	-	-	-	87,606	87,606
4 Multilateral development banks	484,957	-	-	-	-	-	-	-	-	-	484,957	484,957
5 International organisations	24,981	-	-	-	-	-	-	-	-	-	24,981	24,981
6 Institutions	-	-	863,114	-	245,434	-	14,890	-	-	-	1,123,438	365,705
7 Corporates	-	-	-	-	-	-	3,053,639	-	-	-	3,053,639	3,053,639
8 Retail	-	-	-	-	-	5,884,151	-	-	-	-	5,884,151	5,884,151
9 Secured by mortgages on immovable property	-	-	-	1,044,885	211,561	-	-	-	-	-	1,256,446	1,256,446
10 Exposures in default	-	-	-	-	-	-	85,530	61,966	-	-	147,495	147,495
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	295,028	-	-	295,028	295,028
12 Covered bonds	-	312,208	49,167	-	-	-	-	-	-	-	361,376	135,951
14 Collective investment undertakings	-	-	-	-	-	-	8,580	1,000	-	47,338	56,918	56,918
15 Equity	-	-	-	-	-	-	59,698	-	11,525	-	71,223	71,223
16 Other items	491,853	-	17,902	-	-	-	442,384	-	-	-	952,139	952,131
<b>17 Total</b>	<b>8,279,420</b>	<b>312,208</b>	<b>1,058,913</b>	<b>1,044,885</b>	<b>520,075</b>	<b>5,884,151</b>	<b>4,815,428</b>	<b>357,994</b>	<b>50,502</b>	<b>47,338</b>	<b>22,370,913</b>	<b>21,387,748</b>

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central government segment, 20% and 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), 35% for Secured by real estate exposure and 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is only applied to high-risk exposures and those default exposures, whose provision coverage does not exceed 20%. Risk weight 250% is used for deferred tax assets and capital investments in subject in financial sector where NLB Group possess more than 10%. Compared to 2021 end of year, the highest increase was noticed on the 100% weight in the corporates segment.

## 6. Exposure to counterparty credit risk

(Articles 439 e, f, g, h, I and 444 e of CRR)

Table 22 – EU CCR1 – Analysis of CCR exposure by approach

30.06.2022		Replace- ment cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
EU-1	EU - Original Exposure Method (for derivatives)	27,755	58,980		1.4	82,572	82,572	82,572	37,886
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-		-	-	-	-
	<i>Of which securities financing transactions netting sets</i>			-		-	-	-	-
2a	<i>Of which derivatives and long settlement transactions netting sets</i>			-		-	-	-	-
2b	<i>Of which from contractual cross-product netting sets</i>			-		-	-	-	-
2c	Financial collateral simple method (for SFTs)					-	-	-	-
3	Financial collateral comprehensive method (for SFTs)					-	-	-	-
4	VaR for SFTs					-	-	-	-
5						-	-	-	-
6	<b>Total</b>					<b>82,572</b>	<b>82,572</b>	<b>82,572</b>	<b>37,886</b>

Table 23 – EU CCR2 – Transactions subject to own funds requirements for CVA risk

30.06.2022		Exposure value	RWEA
		a	b
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3x multiplier)		-
3	(ii) stressed VaR component (including the 3x multiplier)		-
4	Transactions subject to the Standardised method	65,548	73,900
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	<b>Total transactions subject to own funds requirements for CVA risk</b>	<b>65,548</b>	<b>73,900</b>



Table 24 – EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

30.06.2021		Risk weight								Total exposure value
		0%	10%	20%	50%	75%	100%	150%	Others	
Exposure classes		a	d	e	f	h	i	j	k	l
1	Central governments or central banks	6,417,830	-	48,580	13,311	-	952,282	477	52,676	7,485,156
2	Regional government or local authorities	51,636	-	84,997	-	-	80,133	-	-	216,765
3	Public sector entities	76,734	-	100	33,854	-	31,936	17	-	142,640
4	Multilateral development banks	517,211	-	-	-	-	-	-	-	517,211
5	International organisations	22,973	-	-	-	-	-	-	-	22,973
6	Institutions	-	267,989	789,160	233,749	-	50,955	3	14,745	1,356,601
7	Corporates	-	-	-	78,648	20,476	1,915,471	8,623	-	2,023,217
8	Retail	13,918	-	-	433,000	6,402,941	2,043,106	434,240	1,633,122	10,960,328
10	Other items	540,583	-	14,291	-	-	434,815	-	-	989,689
<b>11</b>	<b>Total</b>	<b>7,640,886</b>	<b>267,989</b>	<b>937,127</b>	<b>792,562</b>	<b>6,423,417</b>	<b>5,508,698</b>	<b>443,360</b>	<b>1,700,543</b>	<b>23,714,582</b>

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central government segment, 20% and 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), and 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is only applied to high-risk exposures and those default exposures, whose provision coverage does not exceed 20%.

## 7. Exposure to market risk

(Article 445 of CRR)

Table 25 – EU MR1 – Market risk under the standardised approach

		30.06.2022	31.12.2021
		RWEAs	RWEAs
		a	b
Outright products			
1	Interest rate risk (general and specific)	1,200	1,113
3	Foreign exchange risk	1,247,775	1,205,250
<b>9</b>	<b>Total</b>	<b>1,248,975</b>	<b>1,206,363</b>

## 8. Interest rate risk on positions not included in the trading book

(Article 448(1) a and b of CRR)

Table 26 – EU IRRBB1 – Interest rate risks of non-trading book activities

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
	a	b	c	d
Parallel up	-6.31%	-6.42%	6.00%	4.89%
Parallel down	7.88%	9.72%	-4.43%	-1.72%
Steeper	8.35%	13.81%		
Flattener	-1.33%	-0.54%		
Short rates up	-2.79%	-2.50%		
Short rates down	-1.07%	-1.86%		

The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates increase, the net interest income of the Group would be favourably affected, while economic value of equity would be negatively affected. When assessing the EVE sensitivity, the Group applies different scenarios. The worst-case regulatory scenario for EVE sensitivity is a parallel shift up by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -6.31% of the Group's capital.

The worst-case regulatory scenario for NII sensitivity is a parallel shift down by 200 bps. From the NII perspective, the estimated capital sensitivity of 200 bps equals -4.43% of the Group's capital.

## 9. Liquidity

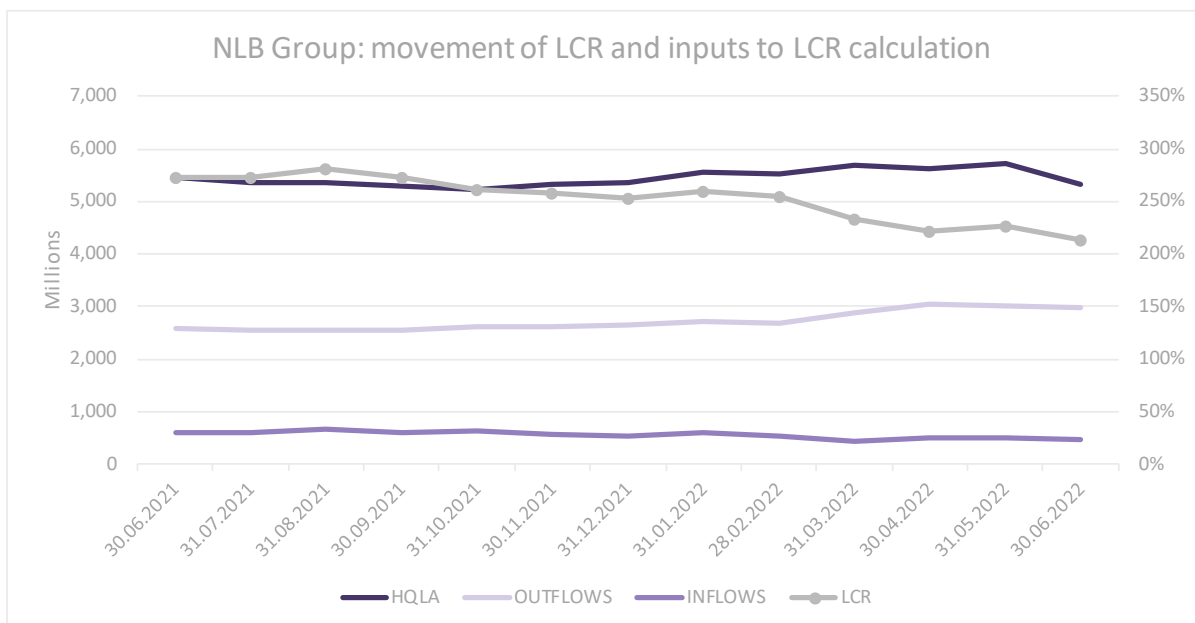
(Article 451a (2) and (3) of CRR)

### Liquidity coverage ratio

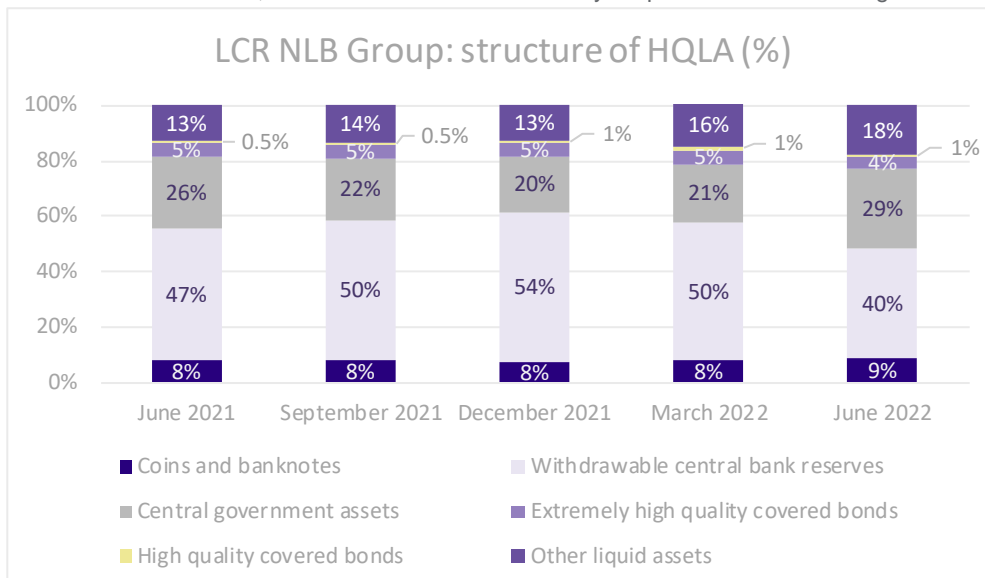
NLB Group holds a very strong liquidity position at the Group (and individual subsidiary bank) level, which is well above the risk appetite. In the last twelve months (from 30 June 2021 to 30 June 2022) the LCR of NLB Group ranged between 213% and 281% (213.1% as at 30 June 2022). The surplus of HQLA is at a very high level in NLB Group, ranging between EUR 2.83 billion and EUR 3.45 billion in the last twelve months (EUR 2.83 bn as at 30 June 2022).

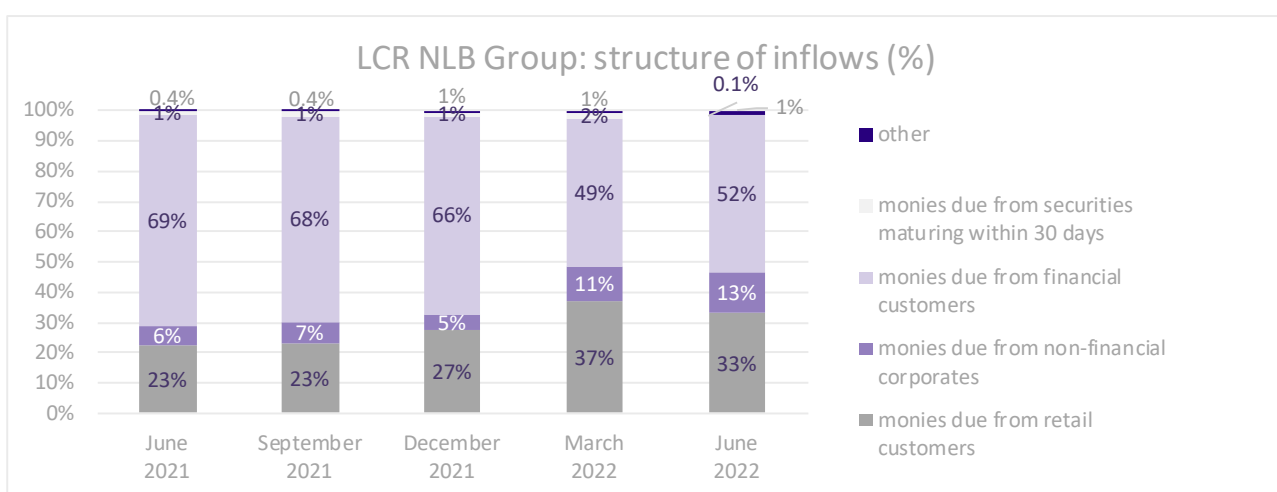
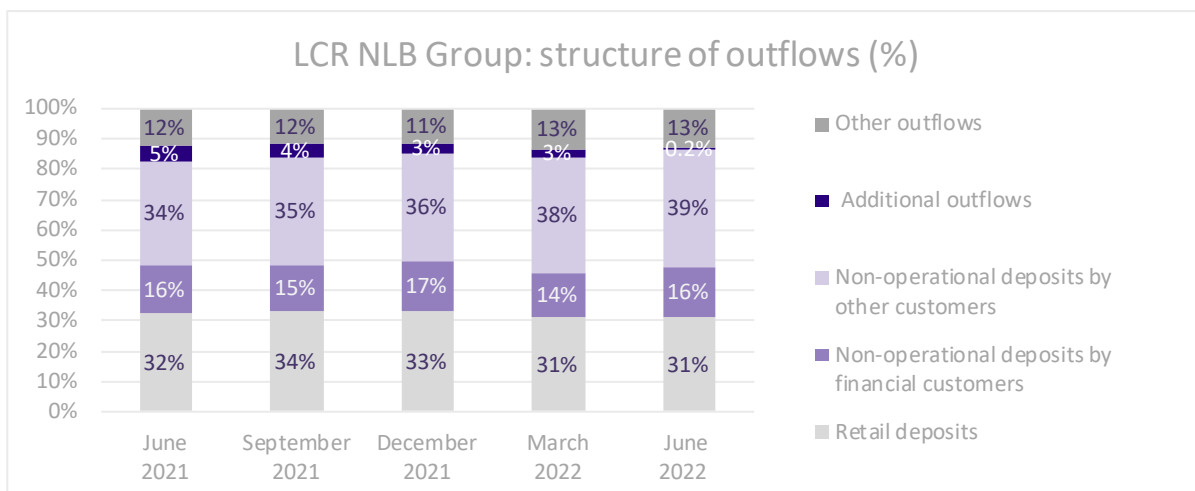
LCR recorded gradually decreasing trend in the first half of the year 2022, mostly due to higher customer and bank deposits that resulted in increased outflows. On the other hand, lower CB reserves has been steadily decreasing, mostly due to acquisition of N Banka and its financial support in March 2022. Additionally, in June early repayment of TLTRO and certain credit lines (EUR 70 mio) were performed. On top, negative market disruption due to Ukraine crisis has negatively affected market value of debt securities which resulted in lower HQLA.

One of the specific rules for calculating consolidated LCR on Group level is that, from each subsidiary (banking member) only HQLA in the amount of its net liquidity outflows in specific currency is included in the calculation of consolidated LCR.



The structures of HQLA, outflows and inflows over one-year period are shown in figures below.





#### Concentration of funding and liquidity sources

In accordance with the Risk appetite statement of the Group, tolerance for liquidity risk is low. Therefore, the goal of the funding strategy is to ensure a sufficient, stable, and well-diversified funding base in the long term and compliance with relevant regulatory frameworks.

The funding strategy in NLB is established in a way that enables diversification, minimises concentration risk, and limits the reliance on a short-term wholesale funding or other unstable sources. With the objective to efficiently manage liquidity and funding risk, Group regularly performs stress tests and makes liquidity projections under different scenarios. With this approach, Group is able to detect any potential liquidity and funding needs early.

In accordance with the business model, the primary source of funding of NLB Group represent customer (non-banking sector) deposits. Group's deposit base is highly stable and diversified. Due to the high importance of customer deposits in the Group's funding, it is very important to limit a high concentration. The desired diversification is achieved using different instruments, including the application of limits by type of counterparty. Dependence on wholesale funding is low. Group takes into consideration concentration of funding to have well diversified sources of funding and to prevent unwanted effects of concentration. For customer deposits as main funding sources of Group, a limit is set to prevent a too high concentration of depositors.

Limits values are also set for other Group members and defined in the Group Risk Management Standards. All banking members of Group must adopt limits values in their policies and comply with the limits. Any deviations from the limit values must be reported and justified to the parent bank. The funding structure is presented to ALCO on monthly basis.

On the Group level, at the end of June 2022, the top 30 counterparties provided 4.5% of the total liabilities, mostly in retail, while the top 30 counterparties in NLB provided 4.5% of the total liabilities.

### **High-level description of the composition of the institution's liquidity buffer**

The liquidity buffer represents the most liquid assets which are available immediately and can be used in a stressed situation within a short-term survival period (NLB, Group members: 1 month). It is composed of cash, a central bank balance (excluding obligatory reserve), and internally defined unencumbered high-quality liquid assets (debt securities) which can be liquidated via repo or sale without significant value loss. There are no legal, regulatory, or operational impediments to using these assets to obtain funding.

### **Derivative exposures and potential collateral calls**

Group enters into the derivatives to support corporate customers and financial institutions in their management of financial exposures (sales business) and in order to manage the Group risks such as interest rate risk and FX risk.

To mitigate CCR risk arising from derivatives, Group uses netting agreements such as ISDA Master Agreement, Global Master Repurchase Agreement (GMRA), and the Slovenian framework agreement. Further, collateral agreements (e.g., ISDA Credit Support Annex) are in place to substantially reduce credit risk arising out of derivatives transactions. Additionally, clearing transactions via a clearing house is in place for relevant derivatives transactions. Daily margin call calculations are in place for each relevant counterparty. Portfolio reconciliation is agreed as per European Market Infrastructure Regulation (EMIR). NLB is calculating the net positive market value for individual counterparty exposure on a daily basis, and as a result collateral is adjusted accordingly. Regarding the LCR, the CCR exposure from the derivatives is low and there are no significant outflows to be recorded.

### **Currency mismatch in the LCR**

The parent bank actively manages liquidity risk exposures and funding needs within and across legal entities, business lines, and currencies, considering legal, regulatory, and operational limitation to the transferability of liquidity. Specific characteristics and liquidity risks of foreign exchange positions are considered, particularly when preparing the plan of cash flows by currency.

In Group, there are no currency mismatches in the LCR. The LCR indicator is fulfilled in all currencies because Group has enough liquidity reserves in all currencies where the outflows might happen. The most significant currency of Group is euro currency. Additionally, the Group reports LCR in a second significant currency, which is from the acquisition of NLB Komercijalna Banka, Beograd in 2020 in Serbian dinar (RSD), whereas before the second significant currency was the Macedonian denar (MKD). As at 30 June 2022, the aggregate liabilities in RSD represented 5.73% of total liabilities of the Group, therefore, RSD qualified as a significant currency.

### **Other items in the LCR calculation that are not captured in the LCR disclosure table**

NLB Group is focused on its retail banking activities, therefore the structure of the balance sheet does not include any complex products. There are no other items in the LCR calculation that are not captured in the LCR disclosure table.

Liquidity of the bank is strong, and the volume of unencumbered liquidity reserves is at a high level. The Global Risk view is that liquidity position is strong, and it will continue to maintain at high levels, as is also reflected in liquidity planning and cash flow forecasting.

The table below illustrates the values and data for each of the four calendar quarters (April–June, July–September, October–December and January–March). They are calculated as a simple average of observations on the last calendar day of each month for a period of 12 months before the end of each quarter.

Table 27 – LIQ1 – Quantitative information of LCR, data in EUR millions

EU 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2022	31.03.2022	31.12.2021	30.09.2021
		a	b	c	d	e	f	g	h
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>High-quality liquid assets</b>									
1	Total high-quality liquid assets (HQLA)	-	-	-	-	5,445	5,336	5,174	5,064
<b>Cash-outflows</b>									
2	Retail deposits and deposits from small business customers, of which:	14,773	14,505	14,262	13,503	882	861	842	793
3	<i>Stable deposits</i>	11,006	10,747	10,514	9,889	550	537	526	494
4	<i>Less stable deposits</i>	2,837	2,764	2,702	2,551	332	323	316	299
5	Unsecured wholesale funding	2,943	2,755	2,640	2,491	1,422	1,337	1,277	1,195
7	<i>Non-operational deposits (all counterparties)</i>	2,942	2,755	2,639	2,491	1,421	1,336	1,276	1,194
8	<i>Unsecured debt</i>	1	1	1	1	1	1	1	1
10	Additional requirements	2,055	2,024	1,976	1,938	249	264	276	285
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	86	107	124	139	86	107	124	139
13	<i>Credit and liquidity facilities</i>	1,970	1,917	1,851	1,799	163	158	152	146
14	Other contractual funding obligations	223	208	203	191	108	90	86	80
15	Other contingent funding obligations	1,301	1,228	1,183	1,136	76	72	70	68
16	<b>TOTAL CASH OUTFLOWS</b>					<b>2,737</b>	<b>2,624</b>	<b>2,552</b>	<b>2,420</b>
<b>Cash-inflows</b>									
18	Inflows from fully performing exposures	754	773	783	731	533	566	580	539
19	Other cash inflows	13	11	10	11	13	11	10	11
20	<b>TOTAL CASH INFLOWS</b>	<b>767</b>	<b>785</b>	<b>792</b>	<b>742</b>	<b>546</b>	<b>577</b>	<b>590</b>	<b>550</b>
EU-20c	<i>Inflows subject to 75% cap</i>	<b>767</b>	<b>785</b>	<b>792</b>	<b>742</b>	<b>546</b>	<b>577</b>	<b>590</b>	<b>550</b>
						TOTAL ADJUSTED VALUE			
21	<b>LIQUIDITY BUFFER</b>					<b>5,445</b>	<b>5,336</b>	<b>5,174</b>	<b>5,064</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>					<b>2,192</b>	<b>2,047</b>	<b>1,961</b>	<b>1,870</b>
23	<b>LIQUIDITY COVERAGE RATIO</b>					<b>250.65%</b>	<b>261.43%</b>	<b>263.92%</b>	<b>271.86%</b>

Table 28 – EU LIQ1 – Quantitative information of LCR

30.06.2022	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
	a	b	c	d		
<b>Available stable funding (ASF) Items</b>						
<b>1</b>	<b>Capital items and instruments</b>	-	-	-	<b>2,335,805</b>	<b>2,335,805</b>
2	<i>Own funds</i>	-	-	-	2,335,805	2,335,805
<b>4</b>	<b>Retail deposits</b>	<b>14,490,319</b>	<b>329,586</b>	<b>591,771</b>	<b>14,517,667</b>	<b>14,517,667</b>
5	<i>Stable deposits</i>	11,524,013	235,611	355,948	11,527,591	11,527,591
6	<i>Less stable deposits</i>	2,966,306	93,975	235,823	2,990,076	2,990,076
<b>7</b>	<b>Wholesale funding:</b>	<b>3,375,863</b>	<b>195,342</b>	<b>635,925</b>	<b>2,164,107</b>	<b>2,164,107</b>
9	<i>Other wholesale funding</i>	3,375,863	195,342	635,925	2,164,107	2,164,107
<b>11</b>	<b>Other liabilities:</b>	<b>17,320</b>	<b>743,873</b>	<b>27</b>	<b>13,419</b>	<b>13,433</b>
12	<i>NSFR derivative liabilities</i>	17,320				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		743,873	27	13,419	13,433
<b>14</b>	<b>Total available stable funding (ASF)</b>					<b>19,031,012</b>
<b>Required stable funding (RSF) Items</b>						
<b>15</b>	<b>Total high-quality liquid assets (HQLA)</b>					<b>96,281</b>
<b>17</b>	<b>Performing loans and securities:</b>	<b>2,428,446</b>	<b>1,604,829</b>	<b>9,664,031</b>	<b>9,762,733</b>	<b>9,762,733</b>
20	<i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>	1,551,018	1,092,970	4,355,747	8,905,209	8,905,209
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>	14,638	16,373	127,975	1,232,817	1,232,817
22	<i>Performing residential mortgages, of which:</i>	441,603	429,781	4,447,091	-	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>	52,608	70,405	1,650,186	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>	435,825	82,078	861,193	857,524	857,524
<b>26</b>	<b>Other assets:</b>	<b>418,648</b>	<b>31,226</b>	<b>470,921</b>	<b>776,796</b>	<b>776,796</b>
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>			12,740	8,658	8,658
29	<i>NSFR derivative assets</i>			47,623	47,623	47,623
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>			2,118	106	106
31	<i>All other assets not included in the above categories</i>	356,167	31,226	470,921	720,409	720,409
<b>32</b>	<b>Off-balance sheet items</b>	<b>3,552,423</b>	<b>-</b>	<b>-</b>	<b>200,101</b>	<b>200,101</b>
<b>33</b>	<b>Total RSF</b>					<b>10,835,911</b>
<b>34</b>	<b>Net Stable Funding Ratio</b>					<b>175.63%</b>

## 10. Leverage

(Article 451(1) of CRR)

The leverage ratio is calculated in line with provisions from the CRR and CRD, including the amendments. The leverage ratio was introduced into the Basel III framework as a simple, transparent, non-risk-based supplementary measure to the risk-based capital requirements. The purpose of the leverage ratio is to limit the size of bank balance sheets, and with a special emphasis on exposures, which are not weighted within the framework of the existing capital requirement calculations. Therefore, the leverage calculation uses Tier 1 as the numerator, and the denominator is the total exposure of all active balance sheet and off-balance-sheet items after the adjustments are made, in the context of which the exposures from individual derivatives, exposures from transactions of security funding, and other off-balance sheet items are especially pointed out. From 1 January 2018 onwards, the leverage ratio is calculated in accordance with the fully phased definition of the capital measure and has become one of the mandatory minimum capital requirements.

Table 29 – Leverage ratio

	<b>30.06.2022</b>	<b>31.12.2021</b>
Tier 1 capital	2,048,928	1,960,623
Total leverage exposures	23,711,555	19,408,148
<b>Leverage ratio</b>	<b>8.64%</b>	<b>10.10%</b>

The leverage ratio of NLB Group as at 30 June 2022 amounted to 8.64%, which is well above the 3% threshold defined by the BCBS. Since the minimum requirement was exceeded so significantly, the risk of excessive leverage is not material. Group's business model supports a low leverage risk appetite. In order to assure a limited risk appetite for leverage, Group follows different indicators to identify reasons for past changes and understands potential future threats. The leverage ratio is also included in an early warning system, as a recovery plan indicator where it has set certain limits for a case of any exceedings of defined triggers and the defined notification system. The leverage ratio is regularly and quarterly monitored and reported to Capital Management Group, and the Management and Supervisory Boards of NLB. Moreover, the leverage is also integrated in a stress tests framework with the aim to maintain an adequate capital level even in the case of extraordinary circumstances. More specifically, if the leverage ratio also remains stable in such stressed conditions, the risk of a forced decrease in the Bank's assets is low.

The leverage ratio as at 30 June 2022 decreased in comparison with the end of year 2021, by 1.46 p.p. by the higher value of the total leverage exposure in the amount of EUR 4,303 million and the increase of the capital by EUR 88 million. The increase in the total leverage exposure was influenced by the termination of the exclusion of certain exposures to central banks from the total exposure, which was made possible by the decision of the ECB during the period of the COVID-19 pandemic. On-balance exposures in first half 2022 rose by EUR 1,125 EUR million, especially to households, corporates and exposures secured by mortgages of immovable properties, while off-balance sheet exposures increased by EUR 171 million. In contrast to the end of year 2021, derivative exposures increased by EUR 45 million, nevertheless their share in the total exposure measures is very low.

As at 30 June 2022, the leverage exposure was mainly driven by on-balance sheet exposures (95.4%), and other off-balance sheet exposure (4.3%), the rest was exposure from derivatives which is not significant. Among on-balance sheet exposures, the most significant were exposures treated as sovereigns (32%), retail exposures (26%), exposures to corporates (16.6%), and 9.4% to exposures secured by mortgages of immovable properties.



Table 30 – EU LR2 – LRCom - Leverage ratio common disclosure

		<b>CRR leverage ratio exposures</b>	
		a	b
		<b>30.06.2022</b>	<b>31.12.2021</b>
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	22,664,872	21,540,991
6	(Asset amounts deducted in determining Tier 1 capital)	(45,352)	(46,143)
<b>7</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs)</b>	<b>22,619,520</b>	<b>21,494,848</b>
<b>Derivative exposures</b>			
EU-9b	Exposure determined under Original Exposure Method	128,984	58,899
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	(46,412)	(21,272)
<b>13</b>	<b>Total derivative exposures</b>	<b>82,572</b>	<b>37,627</b>
<b>Securities financing transaction (SFT) exposures</b>			
<b>18</b>	<b>Total securities financing transaction exposures</b>	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	4,199,378	3,536,911
20	(Adjustments for conversion to credit equivalent amounts)	(3,189,915)	(2,698,018)
<b>22</b>	<b>Off-balance sheet exposures</b>	<b>1,009,463</b>	<b>838,893</b>
<b>Excluded exposures</b>			
EU-22l	(Excluded exposures to the central bank exempted in accordance with point (n) of Article 429a(1) CRR	-	(3,141,871)
<b>EU-22k</b>	<b>(Total exempted exposures)</b>	-	<b>(3,141,871)</b>
<b>Capital and total exposure measure</b>			
23	Tier 1 capital	2,048,928	1,965,551
<b>24</b>	<b>Total exposure measure</b>	<b>23,711,555</b>	<b>19,229,497</b>
<b>Leverage ratio</b>			
<b>25</b>	<b>Leverage ratio</b>	<b>8.64%</b>	<b>10.22%</b>
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans)	8.64%	10.22%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.64%	8.79%
26	Regulatory minimum leverage ratio requirement	3.00%	3.14%
27	Leverage ratio buffer requirement (%)	3.00%	3.14%
EU-27a	Overall leverage ratio requirement	3.00%	3.14%
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
<b>Disclosure of mean values</b>			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	23,711,555	19,229,497
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	23,711,555	22,371,368
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.64%	10.22%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.64%	8.79%

Table 31 – EU LR1 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

		a
		<b>30.06.2022</b>
<b>1</b>	<b>Total assets as per published financial statements</b>	<b>22,730,340</b>
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(1,090)
8	Adjustments for derivative financial instruments	34,949
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,009,463
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(3,065)
12	Other adjustments	(59,042)
<b>13</b>	<b>Total exposure measure</b>	<b>23,711,555</b>

Table 32 – EU LR3 LRSpl – Split-up of on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)

		a
		<b>30.06.2022</b>
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>22,664,872</b>
EU-3	Banking book exposures, of which:	22,664,872
EU-4	Covered bonds	316,213
EU-5	Exposures treated as sovereigns	7,303,023
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	543,294
EU-7	Institutions	877,794
EU-8	Secured by mortgages of immovable properties	2,130,094
EU-9	Retail exposures	5,993,542
EU-10	Corporate	3,762,913
EU-11	Exposures in default	141,286
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,596,714

## 11. Appendices

### 11.1. Appendix 1: MREL requirement

Table 33 - EU KM2: Key metrics - MREL

<b>30.06.2022</b>		<b>Minimum requirement for own funds and eligible liabilities (MREL)</b>
		<b>a</b>
<b>Own funds and eligible liabilities, ratios and components</b>		
1	Own funds and eligible liabilities	1,873,522
EU-1a	of which own funds and subordinated liabilities	1,684,522
2	Total risk exposure amount of the resolution group (TREA)	6,443,536
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	29.08%
EU-3a	of which own funds and subordinated liabilities	26.14%
4	Total exposure measure of the resolution group	13,121,698
5	Own funds and eligible liabilities as percentage of the total exposure measure	14.28%
EU-5a	of which own funds or subordinated liabilities	12.84%
<b>Minimum requirement for own funds and eligible liabilities (MREL)</b>		
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	28.69%
EU-9	MREL requirement expressed as percentage of the total exposure measure	8.03%

On 19 July 2022 the Bank issued 3NC2 senior preferred notes in the amount of EUR 300 million on international markets for meeting MREL requirement.

### 11.2. Appendix 2: List of all disclosures required under Part 8 of CRR

Article	Chapter	Page	Article	Chapter	Page
437 a)	4.3	11	445	7	31
438 d)	4.2	10	447	1	3
e)	/	/	448.1 a)	8	31
h)	/	/	b)	8	31
439 e)	6	29	449 j)	/	/
f)	6	29	449 k)	/	/
g)	6	29	449 l)	/	/
h)	6	29	451(1) a)	10	37
i)	/	/	451(1) b)	10	37
j)	/	/	451a (2)	9	32
k)	/	/	451a (3)	9	32
l)	6	29	452 g)	/	/
440 a)	4.4	12	453 f)	5.3	25
b)	4.4	12	g)	5.4	26
442 c)	5.1, 5.2	21	h)	5.4	26
e)	5.2	21	i)	5.4	26
f)	5.2	21	j)	/	/
g)	5.1	21	455 d)	/	/
444 e)	5.4, 6	26, 29	455 e)	/	/
			455 g)	/	/

### 11.3. Appendix 3: Abbreviations

<b>ALCO</b>	Asset and Liability Committee	<b>LGD</b>	Loss given default
<b>ASF</b>	Available stable funding	<b>M&amp;A</b>	Mergers and acquisitions
<b>AT1</b>	Additional Tier 1 capital	<b>MDA</b>	Maximum Distributable Amount
<b>AVA</b>	Additional Valuation Adjustments	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>MREL</b>	Minimum Requirement for own funds and Eligible
<b>BoS</b>	Bank of Slovenia		Liabilities
<b>CBR</b>	Central Bank	<b>NGW</b>	Negative Goodwill
<b>CBR</b>	Combined buffer requirement	<b>NII</b>	Net interest income
<b>CCF</b>	Credit conversion factor	<b>NPL</b>	Non Performing Loans
<b>CCR</b>	Counterparty credit risk	<b>NSFR</b>	Net Stable Funding Ratio
<b>CET1</b>	Common equity tier 1 capital	<b>OCI</b>	Other comprehensive income
<b>COVID-19</b>	Coronavirus Disease 2019	<b>OCR</b>	Overall capital requirement
<b>CRD</b>	Capital Requirements Directive	<b>O-SII</b>	Other systemically important institutions
<b>CRD V</b>	Capital Requirements Directive and Regulation	<b>OTC</b>	Over-the-counter
<b>CRM</b>	Credit Risk Mitigation	<b>PD</b>	Probability of default
<b>CRR</b>	Capital Requirements Regulation	<b>P2G</b>	Pillar 2 Guidance
<b>CVA</b>	Credit valuation adjustment	<b>P1R</b>	Pillar 2 Requirement
<b>EBA</b>	European Banking Authority	<b>P2R</b>	Pillar 2 Requirement
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>PFE</b>	Potential Future Exposure
<b>ECAI</b>	External Credit Assessment Institutions	<b>PP&amp;E</b>	Property, plant and equipment
<b>ECB</b>	European Central Bank	<b>QCCP</b>	Qualifying Central Counterparty
<b>ECL</b>	Expected Credit Losses	<b>RC</b>	Replacement cost
<b>EMIR</b>	European Market Infrastructure Regulation	<b>RSF</b>	Required stable funding
<b>ESG</b>	Environmental, social and governance	<b>RWA</b>	Risk-weighted assets
<b>ESRB</b>	European Systemic Risk Board	<b>RWEA</b>	Risk weighted exposure amount
<b>EU</b>	European Union	<b>SA</b>	Standardised Approach
<b>EVE</b>	Economic Value of Equity	<b>SEE</b>	Southeast Europe
<b>FVOCI</b>	Fair Value Through Other Comprehensive Income	<b>SFT</b>	Securities Financing Transactions
<b>FX</b>	Foreign Exchange	<b>SME</b>	Small Medium Enterprise
<b>GDP</b>	Gross Domestic Product	<b>SREP</b>	Supervisory Review and Evaluation Process
<b>GMRA</b>	Global Master Repurchase Agreement	<b>T1</b>	Tier 1 (capital)
<b>G-SII</b>	Global systemically important institutions	<b>T2</b>	Tier 2 (capital)
<b>HQLA</b>	High-quality liquid assets	<b>TC</b>	Total Capital
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process	<b>TCR</b>	Total Capital ratio
<b>IFRS</b>	International Financial Reporting Standards	<b>TLTRO</b>	Targeted longer-term refinancing operation
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process	<b>TREA</b>	Total risk exposure amount
<b>ISDA</b>	International Swaps and Derivatives Association	<b>TSCR</b>	Total SREP capital requirement
<b>LCR</b>	Liquidity coverage ratio	<b>ZBan</b>	Banking Act
<b>LEI</b>	Legal Entity Identifier		