We believe in this region's potential

Q3 2022 / Pillar 3 Disclosures

Contents

1. Key highlights

(Article 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group

		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
		a	b	c	d	e
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,076,606	2,043,477	1,901,470	1,959,601	1,891,439
2	Tier 1 capital	2,082,130	2,048,928	1,906,565	1,965,551	1,905,247
3	Total capital	2,369,623	2,336,205	2,193,990	2,252,490	2,200,649
	Risk-weighted exposure amounts					
4	Total risk exposure amount (TREA)	14,283,739	14,172,549	13,843,373	12,667,408	12,824,373
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio	14.54%	14.42%	13.74%	15.47%	14.75%
6	Tier 1 ratio	14.58%	14.46%	13.77%	15.52%	14.86%
7	Total capital ratio	16.59%	16.48%	15.85%	17.78%	17.16%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	2.60%	2.60%	2.60%	2.75%	2.75%
EU 7b	of which: to be made up of CET1 capital	1.46%	1.46%	1.46%	1.55%	1.55%
EU 7c	of which: to be made up of Tier 1 capital	1.95%	1.95%	1.95%	2.06%	2.06%
EU 7d	Total SREP own funds requirements	10.60%	10.60%	10.60%	10.75%	10.75%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
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%	14.10%	14.25%	14.25%
12	CET1 available after meeting the total SREP own funds requirements	725,364	702,754	591,887	749,864	666,711
	Leverage ratio					
13	Total exposure measure	24,509,522	23,711,555	20,854,558	19,229,497	19,145,896
14	Leverage ratio	8.50%	8.64%	9.14%	7.58%	7.82%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.14%	3.14%	3.14%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement	3.00%	3.00%	3.14%	3.14%	3.14%
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.14%	3.14%	3.14%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	5,526,560	5,445,021	5,336,395	5,174,269	5,063,883
EU 16a	Cash outflows - Total weighted value	2,871,465	2,737,213	2,623,971	2,551,704	2,420,081
EU 16b	Cash inflows - Total weighted value	521,447	545,620	577,103	590,383	550,236
16	Total net cash outflows	2,350,018	2,191,593	2,046,825	1,961,279	1,869,802
17	Liquidity coverage ratio	236.85%	250.65%	261.43%	263.92%	271.86%
	Net Stable Funding Ratio					
18	Total available stable funding	19,628,877	19,031,012	19,268,104	18,446,656	18,170,538
19	Total required stable funding	11,010,637	10,835,911	11,072,422	9,960,818	9,667,399
20	NSFR ratio	178.27%	175.63%	174.02%	185.19%	187.96%

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

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

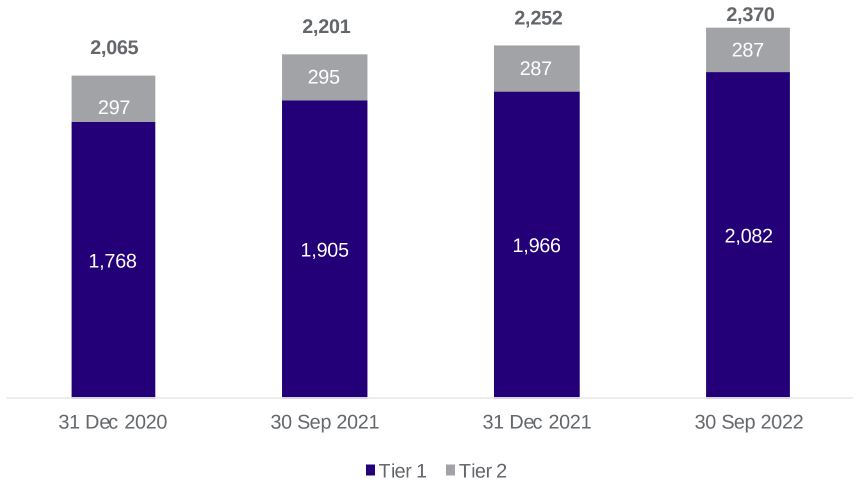


Figure 2: Total capital and capital ratio evolution YtD of NLB Group

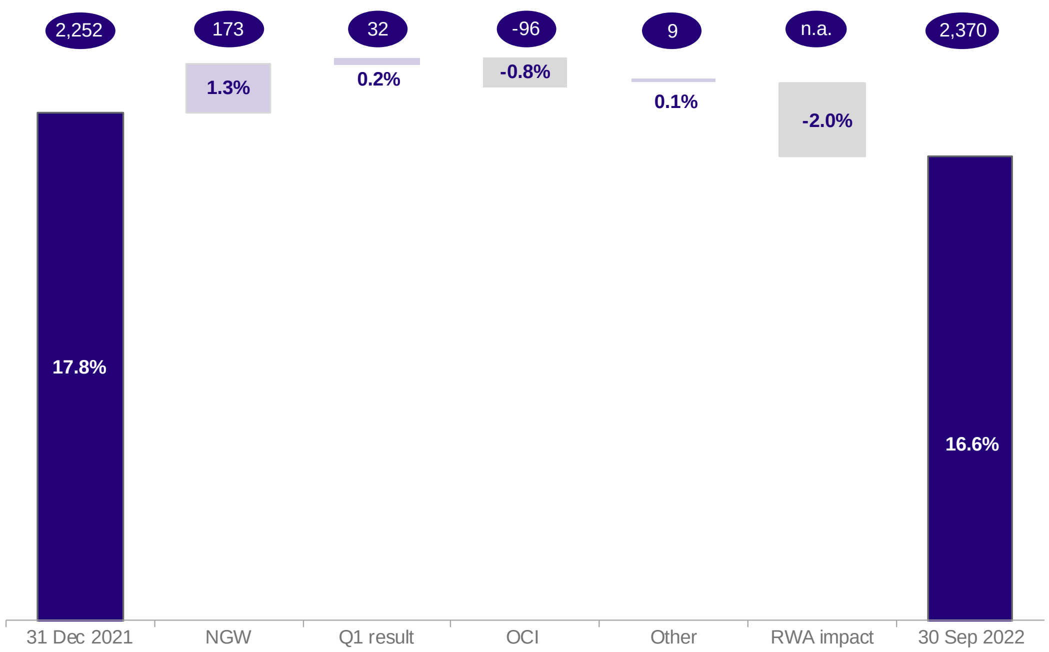
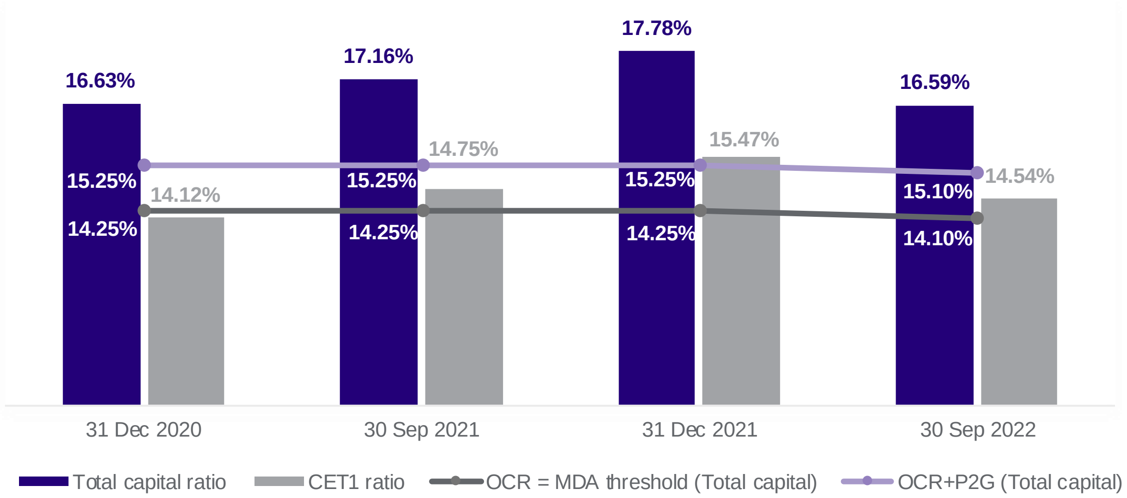


Figure 3: Capital ratios and regulatory thresholds (in %) of NLB Group



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 level (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

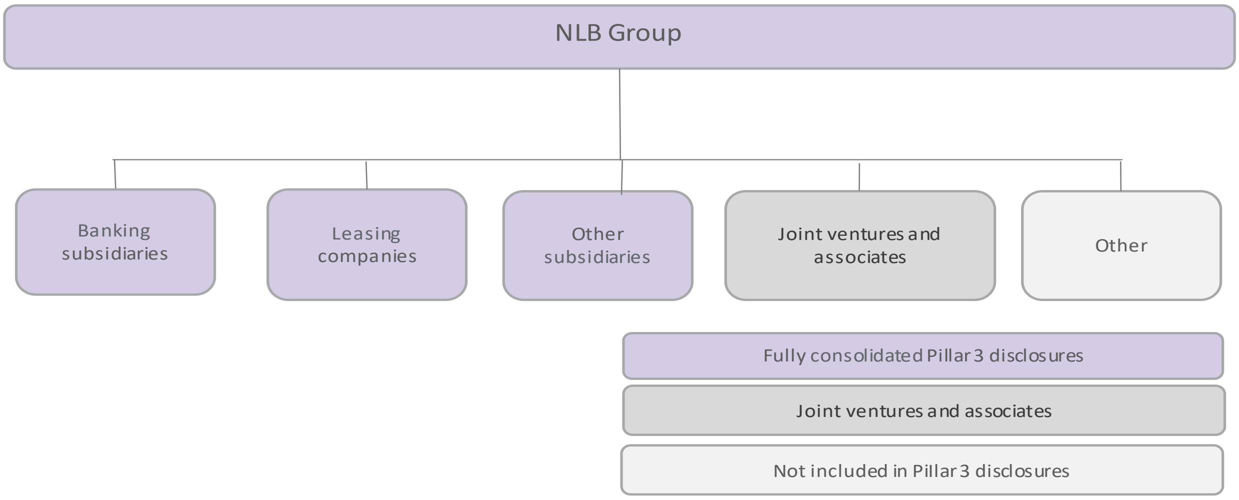
Verification of information included in the disclosures is subject to strict procedure of internal control and management. The persons in charge of individual contents are responsible for primary controls. Quantitative reports must be submitted in individual templates and precisely aligned with the information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

It should be noted that while some quantitative information in this document is based on financial data contained in the Q3 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 Q3 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 level. 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 contradiction with 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 September 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.

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 assemble 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 2 – 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%
OCR + P2G	CET1	10.46%	10.55%	10.55%
	Tier 1	12.45%	12.56%	12.56%
	Total Capital	15.10%	15.25%	15.25%

At end of September 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[1] and 0.00% Countercyclical buffer).

[1] 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 private persons secured by residential real estate,
- 0.50% for all other exposures to private 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 3 – Capital adequacy

	30.09.2022	30.06.2022	31.12.2021
Paid up capital instruments	200,000	200,000	200,000
Share premium	871,378	871,378	871,378
Retained earnings	911,175	900,020	767,152
Current result	205,039	205,039	135,968
Accumulated other comprehensive income	(106,371)	(127,184)	(10,091)
Other reserves	13,522	13,522	13,522
Minority interest	25,987	26,184	27,905
Prudential filters: Additional Valuation Adjustments (AVA)	(2,911)	(3,065)	(3,498)
(-) Goodwill	(3,529)	(3,529)	(3,529)
(-) Other intangible assets	(37,613)	(38,408)	(39,116)
(-) Insufficient coverage for non-performing exposures	(71)	(130)	(90)
(-) Deduction item related to credit impairments and provisions not included in capital	-	(350)	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,076,606**	**2,043,477**	**1,959,601**
Minority interest	5,524	5,451	5,950
Additional Tier 1 capital	**5,524**	**5,451**	**5,950**
TIER 1 CAPITAL	**2,082,130**	**2,048,928**	**1,965,551**
Capital instruments and subordinated loans eligible as T2 capital	284,595	284,595	284,595
Minority interest	2,898	2,682	2,344
Tier 2 capital	**287,493**	**287,277**	**286,939**
TOTAL CAPITAL	**2,369,623**	**2,336,205**	**2,252,490**
Risk exposure amount for credit risk	11,722,427	11,605,651	10,205,172
Risk exposure amount for market risks	1,228,301	1,248,975	1,206,363
Risk exposure amount for CVA	88,988	73,900	11,850
Risk exposure amount for operational risk	1,244,023	1,244,023	1,244,023
TOTAL RISK EXPOSURE AMOUNT (RWA)	**14,283,739**	**14,172,549**	**12,667,408**
Common Equity Tier 1 Ratio	14.54%	14.42%	15.47%
Tier 1 Ratio	14.58%	14.46%	15.52%
Total Capital Ratio	**16.59%**	**16.48%**	**17.78%**

As at 30 September 2022, the TCR for the Group stood at 16.6% (or 1.2 p.p. lower than as at 31 December 2021), and the CET1 ratio for the Group stood at 14.5% (0.9 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,616.3 million compared to the end of 2021) which was not compensated by higher capital (EUR 117.1 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 -96.3 million compared to the end of 2021) on FVOCI securities. In accordance with CRR 'Quick fix', temporary treatment of FVOCI for sovereign securities was implemented in September 2022, which increased capital by EUR 60.6 million (i.e., Accumulated other comprehensive income amounted EUR -106.4 million instead of EUR -167.0 million).

In September 2022, the Bank issued Additional Tier 1 notes in the amount of EUR 82 million which will improve regulatory capital and total capital ratio by approximately 50 bps after receiving the ECB approval.

The main reason for increased RWA is acquisition of N Banka in March 2022 (note 4.13. in Q3 NLB Group Interim report).

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million which is proposed to be paid as the second instalment of dividend distribution in December 2022 subject to General Meeting of Shareholders decision. Therefore, there will be no effect on the capital once the dividends in this amount are paid.

The drivers behind the differences between the RWAs in first nine months of 2022 are explained in Chapter 4.2 Capital requirements in the Table 4 – 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 presented 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 4 presents the detailed composition of the risk weighted exposure amounts of NLB Group at the end of September 2022, at the end of June 2022 and at the end of 2021; as well as the composition of own fund (capital) requirements at the end of September 2022.

Table 4 – EU OV1 – Overview of risk weighted exposure amounts

		Total risk exposure amounts (TREA)			Total own funds requirement
		30.09.2022	30.06.2022	31.12.2021	30.09.2022
		a	b	b-2	c
1	**Credit risk (excluding CCR)**	**11,502,842**	**11,396,513**	**10,049,886**	**920,227**
2	of which the standardised approach	11,502,842	11,396,513	10,049,886	920,227
6	**Counterparty credit risk - CCR**	**146,775**	**121,068**	**40,881**	**11,742**
7	of which the standardised approach	57,787	47,168	29,031	4,623
EU 8b	of which credit valuation adjustment - CVA	88,988	73,900	11,850	7,119
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,228,301**	**1,248,975**	**1,206,363**	**98,264**
21	of which the standardised approach	1,228,301	1,248,975	1,206,363	98,264
23	**Operational risk**	**1,244,023**	**1,244,023**	**1,244,023**	**99,522**
EU 23a	of which basic indicator approach	1,244,023	1,244,023	1,244,023	99,522
24	**Amounts below the thresholds for deduction (subject to 250%risk weight)**	**161,798**	**161,970**	**126,255**	**12,944**
29	**Total**	**14,283,739**	**14,172,549**	**12,667,408**	**1,142,699**

RWAs in the Group increased by EUR 1,616.3 million YtD. RWA for credit risk (lines 1, 7, and 24 in Table 4) increased by EUR 1,517.3 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 658.4 million was mainly the result 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, Serbia, and North Macedonia. Furthermore, RWA decrease was observed for liquidity 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, NLB Banka Banja Luka and NLB Banka Podgorica. The repayments as well as the upgrade of some clients contributed to a lower RWA for the exposures in default.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 99.1 million (lines EU 8b and 20 in Table 5) compared to the end of 2021 is the result of higher RWA for CVA risk in the amount of EUR 77.1 million (a consequence of an adjustment of calculating exposure in the CVA calculation due to the change of a methodology from a mark to market method to the original exposure method (OEM), and due to the conclusion of longer term and higher size of derivatives by Bank) and higher RWA for FX risk in the amount of EUR 20.6 million.

4.3. 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. As a result, a gradual slowdown in economic growth can be expected. The Group's region is still expected to grow moderately, 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 further continue.

Lending growth in the corporate and retail segment is expected to remain relatively moderate, especially in the current circumstances. With regards to credit portfolio quality the Group carefully monitors the most affected clients' segments with the intention to detect any significant increase in credit risk at a very early stage. The Group's direct and indirect exposures towards Russia and Ukraine are limited.

Credit risk usually materially increases 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 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, rising of interest rates and foreign exchange rates fluctuations. 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, by incorporating adequate early warning systems. Since the beginning of the crisis the Group has been observing credit spreads widening, which is currently impacting FVOCI positions.

No material movements were observed so far regarding the Group's major FX positions. 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. The Group's financial condition could be adversely affected as a result of any instability or economic deterioration in this region.

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 validation of outputs. The Group developed both alternative scenarios through the lens of possible expected impact on the 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 formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of IFRS 9. IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognized and not embedded in previous forecasts.

The monitoring process of the macroeconomic environment revealed that uncertainties remain high in the global economy due to the energy crisis, inflation, and war in Ukraine. The current economic situation led to sluggish growth projections and a decrease in growth projection for the Slovenian economy in 2023. Hence, the executive decision was to adjust risk expectations using the scenario's weight. The previous scenario weighting set 10%-60%-30% was modified into 0%-50%-50% for Slovenia, where the baseline and severe scenario receive a weight of 50%. On this basis the Bank formed additional loan loss provisions in Q3. Similar approach will be applied in other Group members in case of any material deterioration of the existing economic forecast.

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

The global and European economy outlook rests on the successful calibration of monetary policy, the course of the war in Ukraine and continued inflationary pressures. Further risks to the downside consist of global tightening in financial conditions triggering widespread emerging market debt distress, further geopolitical fragmentation and tensions, and, in particular for Europe, further sharp reduction in flows or even a complete cut of gas supplies by Russia weighing on output. Euro area is seen growing 2.9% in 2022 with accumulated savings offering support to the economy faced with deteriorating confidence, supply shortages, rising energy prices and rising interest rates. In 2023, growth is expected at 1.0%, largely reflecting spillover effects from the war in Ukraine and tighter financial conditions. Slovenia is expected to grow 5.9% in 2022 and 1.2% in 2023 while the Group's region is expected to grow 4.2% in 2022 and 2.0% in 2023.

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 growth of interest income is expected also from an increase of the ECB interest rates and Euribor, however, this will be partially neutralized by interest expenses related to the EUR 300 million Senior Preferred notes issued by the Bank for meeting MREL requirement and reduction of fee and commission income due to cancellation of fees for high balance deposits. Post COVID-19 opening of the economies stimulated demand for fee generating products and income. Based on the above outlined revenue drivers, the outlook for total regular revenues increased from around EUR 730 million to around EUR 750 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 the NLB Group should not exceed EUR 100 million (N Banka included).

Costs and cost of risk

The Group continues to pursue a strong cost containment agenda addressing both employment and non-employment cost elements. Total costs continue to be impacted by the business environment with a visible cost inflation throughout the region. 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 around EUR 460 million, a slight increase in cost outlook.

During 2022 most members of the Group faced a favourable development in NPL resolution, positively contributing to the Group's overall cost of risk and compensating the effect of additionally formed provisions due to less favourable macroeconomic forecasts or client's financial deterioration. It is expected that NPL collection will continue to positively impact cost of risk in 2022, but with diminished importance. 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 is very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. On this basis a well diversified and stable quality of credit portfolio is still expected in the future. The Group has thoroughly analysed potential impacts of increasing energy prices, inflationary pressures and forecast of a decrease in economic growth on its credit portfolio. The Group carefully monitors the most affected industries with the intention to detect any significant increase in credit risk at a very early stage. Increased inflationary pressures might cause some deterioration of credit portfolio quality in the retail segment, though its impact should not be excessive. As a result, the Group strengthened the early warning system for this segment. The Group's direct and indirect exposures toward Russia and Ukraine are limited.

Liquidity

From liquidity perspective, deposits at the Group level continue to grow (in the Bank and in certain 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.

The Group is closely monitoring its major bond portfolio positions, mostly sovereigns. Since beginning of the crisis the Group has been observing rising 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. 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 2.0 million.

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.

In September 2022, the Bank issued Additional Tier 1 notes in the amount of EUR 82 million which will improve regulatory capital and total capital ratio by approximately 50 bps after receiving the ECB approval.

For building MREL capacity the Bank intends to issue new MREL eligible liabilities of approximately EUR 600 million by the end of 2023 by issuing senior and/or Tier 2 notes. This will lead to the Bank meeting binding MREL requirement applicable as of 1 January 2024.

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 subject to decision of the General Meeting to be held on 12 December 2022.

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's drive to deliver value to the shareholders is subject to organic growth and capacity to engage in further value accretive M&A opportunities. Such opportunities for inorganic growth will be subject to diligent analysis of strategic, financial and other resource utilisation.

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. 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 a digital only card. The Group plans to make required steps in the direction of obtaining its first ESG rating for the Bank.

4.4. Information on COVID-19 moratoria

Table 5 – Information on loans and advances subject to legislative and non-legislative moratoria

30.09.2022		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	-	-	-	-
4	of which: Non-financial corporations	-	-	-	-
5	of which: Small and Medium-sized Enterprises	-	-	-	-
6	of which: Collateralised by commercial immovable property	-	-	-	-

Table 6 – Breakdown of loans and advances subject to moratoria by residual maturity of moratoria

30.09.2022		Number of obligors	Gross carrying amount		
			Total	of which: legislative moratoria	of which: expired
		a	b	c	d
1	Loans and advances for which moratorium was offered	152,580	1,626,073		
2	Loans and advances subject to moratorium (granted)	136,261	1,389,806	1,208,507	1,389,806
3	of which: Households		771,288	747,059	771,288
4	of which: Collateralised by residential immovable property		412,441	400,963	412,441
5	of which: Non-financial corporations		611,275	454,217	611,275
6	of which: Small and Medium-sized Enterprises		448,574	311,143	448,574
7	of which: Collateralised by commercial immovable property		483,009	346,885	483,009

Table 7 – Information on newly originated loans and advances provided under newly applicable public guarantee schemes, introduced in response to COVID-19 crisis

30.09.2022		Gross carrying amount	Maximum amount of the guarantee that can be considered	Gross carrying amount
		Total	Public guarantees received	Inflows to non-performing exposures
		a	c	d
1	**Newly originated loans and advances subject to public guarantee schemes**	**65,839**	**23,151**	**423**
2	of which: Households	13,198		38
3	of which: Collateralised by residential immovable property	6		-
4	of which: Non-financial corporations	52,637	20,030	386
5	of which: Small and Medium-sized Enterprises	41,391		386
6	of which: Collateralised by commercial immovable property	1,741		-

4.5. 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,
- Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (more information in chapter 4.6),
- 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,
- Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic,
- 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.

4.6. Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for sovereign securities, due to the COVID-19 pandemic

(Article 468 (5) of CRR)

Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic was introduced in June 2020, in article 468 of CRR. A prudential filter is temporarily introduced, on the basis on which banks can neutralize the effect of unrealized gains and losses measured at fair value through other comprehensive income, in relation with exposures to sovereign securities. Banks can exclude from the calculation of their CET1 capital, the amount of unrealised gains and losses accumulated since 31 December 2019 onwards, accounted for as 'fair value changes of debt instruments measured at fair value through other comprehensive income' in the balance sheet, corresponding to exposures to central governments, to regional governments or to local authorities, excluding those financial assets that are credit-impaired with the factor:

- 100% until 31 December 2020,
- 70% in 2021,
- 40% in 2022.

NLB Group implemented this temporary treatment in September 2022, with the effect of increased capital by EUR 60.6 million (i.e., accumulated other comprehensive income, amounted EUR -106.4 million instead of EUR -167.0 million).

Table 8 – Information on the effect of the temporary treatment according to article 468 (5) of CRR

30.09.2022	Actual data	TT FVOCI not applied
Accumulated other comprehensive income	(106,371)	(167,015)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,076,606**	**2,015,962**
Additional Tier 1 capital	**5,524**	**5,524**
TIER 1 CAPITAL	**2,082,130**	**2,021,486**
Tier 2 capital	**287,493**	**287,493**
TOTAL CAPITAL	**2,369,623**	**2,308,979**
TOTAL RISK EXPOSURE AMOUNT (RWA)	**14,283,739**	**14,283,739**
Common Equity Tier 1 Ratio	14.54%	14.11%
Tier 1 Ratio	14.58%	14.15%
Total Capital Ratio	**16.59%**	**16.17%**
Leverage ratio	**8.50%**	**8.25%**

5. Liquidity

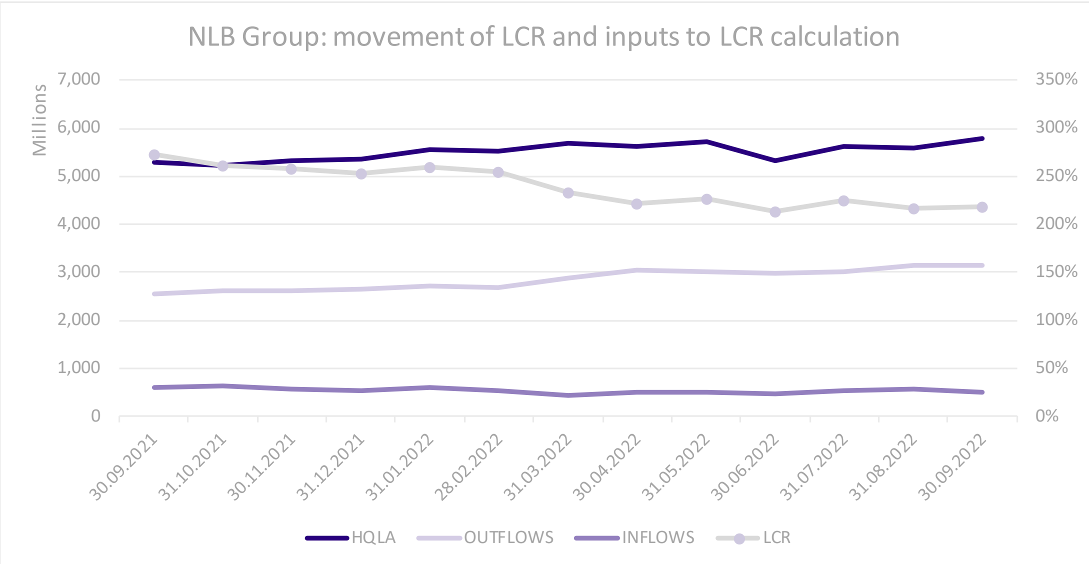
(Article 451a (2) of CRR)

Liquidity coverage ratio

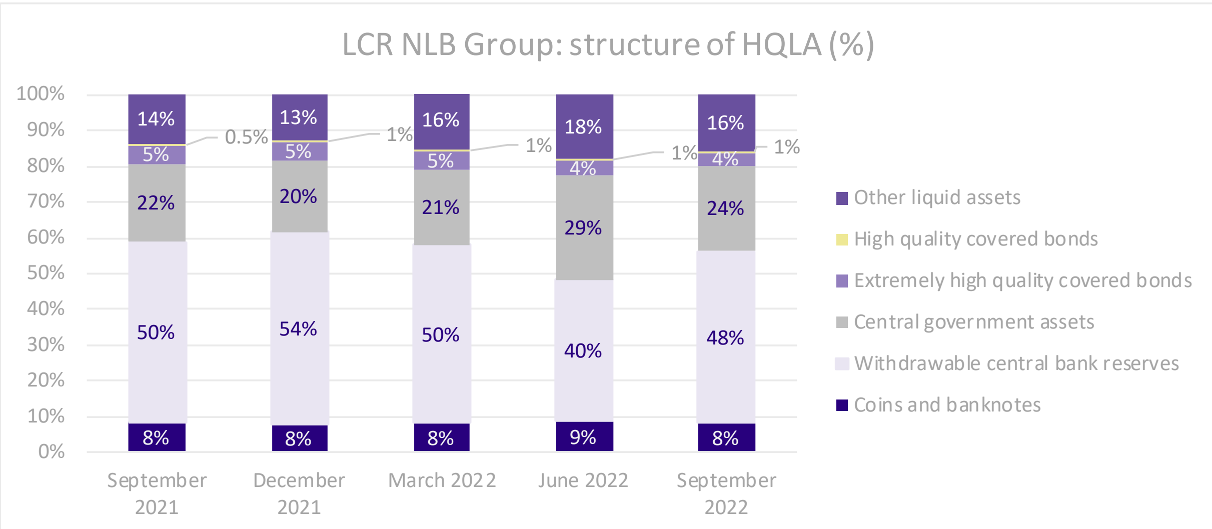
NLB Group holds a very strong liquidity position at the Group (and individual subsidiary bank) level, which is well above the risk appetite. In the last twelve months (from 30 September 2021 to 30 September 2022) the LCR of Group ranged between 213% and 272% (218.5% as at 30 September 2022). The surplus of HQLA is at a very high level in Group, ranging between EUR 2.83 billion and EUR 3.41 billion in the last twelve months (EUR 3.13 bn as at 30 September 2022).

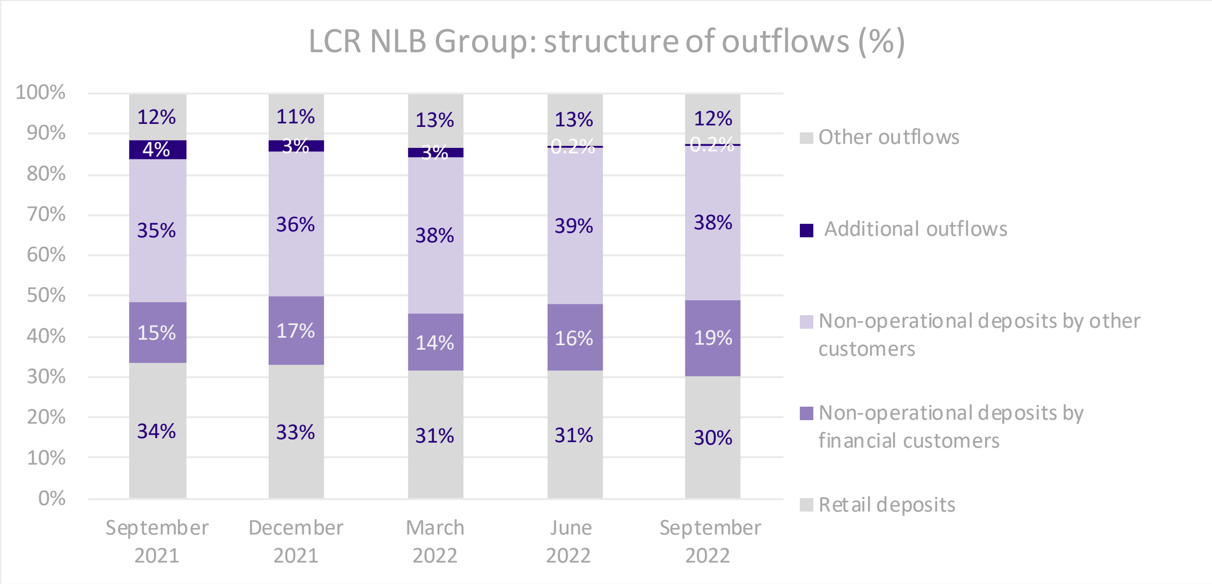
LCR recorded gradually decreasing trend in the first half of the year 2022, mostly due to increased volume of customer and bank deposits that resulted in increased outflows. On the other hand, lower CB reserves has been steadily decreasing, mostly due to acquisition of N Banka and its financial support in March 2022. Additionally, in June early repayment of TLTRO, SID Banka credit line and regular dividend payout were performed. In Q3, issuance of senior preferred bonds and additional Tier 1 capital substantially increased CB Balances. However, market disruption due to Ukraine crisis has negatively affected Bond market with higher yields.

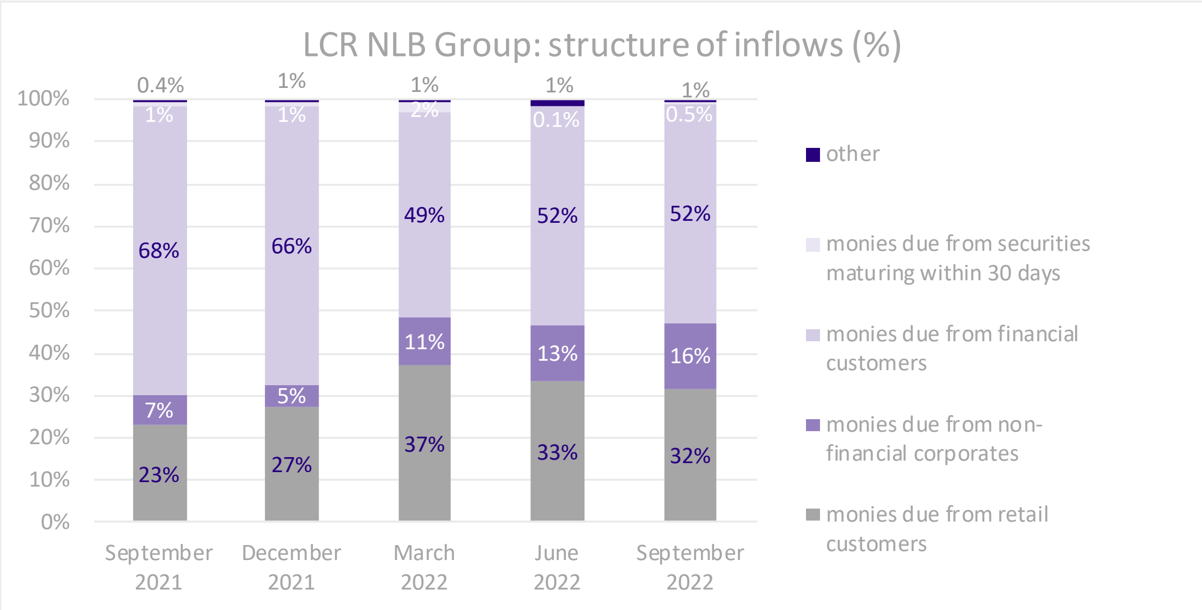
One of the specific rules for calculating consolidated LCR on Group level is that, from each subsidiary (banking member) only HQLA in the amount of its net liquidity outflows in specific currency is included in the calculation of consolidated LCR.



The structure of HQLA, outflows and inflows over one-year period are presented 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 Group represents 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 Group's banking members must adjust 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 September 2022, the top 30 counterparties provided 4.7% of the total liabilities, mostly in retail, while the top 30 counterparties in NLB provided 4.9% 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 circumstances 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 (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 applies 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 from 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 respective 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 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 sufficient liquidity reserves in all currencies where the outflows might occur. 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 September 2022, the total liabilities in RSD represented 5.42% of total liabilities of the Group, therefore, RSD is 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 level, as is also reflected in liquidity planning and cash flow forecasting.

The table below presents the values and data for each of the four calendar quarters (July–September, October–December, January–March and April–June). 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 9 – LIQ1 – Quantitative information of LCR, data in EUR millions

EU 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2022	30.06.2022	31.03.2022	31.12.2021
		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
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)	-	-	-	-	5,527	5,445	5,336	5,174
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	15,066	14,773	14,505	14,262	906	882	861	842
3	*Stable deposits*	11,241	11,006	10,747	10,514	562	550	537	526
4	*Less stable deposits*	2,945	2,837	2,764	2,702	344	332	323	316
5	Unsecured wholesale funding	3,162	2,943	2,755	2,640	1,539	1,422	1,337	1,277
7	*Non-operational deposits (all counterparties)*	3,161	2,942	2,755	2,639	1,538	1,421	1,336	1,276
8	*Unsecured debt*	1	1	1	1	1	1	1	1
9	Secured wholesale funding					-	-	0	0
10	Additional requirements	2,088	2,055	2,024	1,976	227	249	264	276
11	*Outflows related to derivative exposures and other collateral requirements*	58	86	107	124	58	86	107	124
13	*Credit and liquidity facilities*	2,030	1,970	1,917	1,851	169	163	158	152
14	Other contractual funding obligations	235	223	208	203	119	108	90	86
15	Other contingent funding obligations	1,381	1,301	1,228	1,183	80	76	72	70
16	**TOTAL CASH OUTFLOWS**					**2,871**	**2,737**	**2,624**	**2,552**
Cash-inflows									
18	Inflows from fully performing exposures	744	754	773	783	510	533	566	580
19	Other cash inflows	12	13	11	10	12	13	11	10
20	**TOTAL CASH INFLOWS**	**755**	**767**	**785**	**792**	**521**	**546**	**577**	**590**
EU-20c	***Inflows subject to 75% cap***	**755**	**767**	**785**	**792**	**521**	**546**	**577**	**590**
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**5,527**	**5,445**	**5,336**	**5,174**
22	**TOTAL NET CASH OUTFLOWS**					**2,350**	**2,192**	**2,047**	**1,961**
23	**LIQUIDITY COVERAGE RATIO**					**236.85%**	**250.65%**	**261.43%**	**263.92%**

6. Appendices

6.1. Appendix 1: List of all disclosures required under Part 8 of CRR

Article	Chapter	Page
438 d)	4.2	9
h)	/	/
447	1	3
451a (2)	5	17
468 (5)	4.6	16

6.2. Appendix 2: Abbreviations

ALCO	Asset and Liability Committee
ASF	Available stable funding
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustments
BCBS	Basel Committee on Banking Supervision
BoS	Bank of Slovenia
CBR	Central Bank
CBR	Combined buffer requirement
CCR	Counterparty credit risk
CET1	Common equity tier 1 capital
COVID-19	Coronavirus Disease 2019
CRD	Capital Requirements Directive
CRD V	Capital Requirements Directive and Regulation
CRR	Capital Requirements Regulation
CVA	Credit valuation adjustment
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected Credit Losses
EMIR	European Market Infrastructure Regulation
ESG	Environmental, social and governance
EU	European Union
FVOCI	Fair Value Through Other Comprehensive Income
FX	Foreign Exchange
GDP	Gross Domestic Product
GMRA	Global Master Repurchase Agreement
HQLA	High-quality liquid assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
LCR	Liquidity coverage ratio
LEI	Legal Entity Identifier
M&A	Mergers and acquisitions
MDA	Maximum Distributable Amount
MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for own funds and Eligible Liabilities
NGW	Negative Goodwill
NPL	Non Performing Loans
NSFR	Net Stable Funding Ratio
OCI	Other comprehensive income
OCR	Overall capital requirement
O-SII	Other systemically important institutions
P2G	Pillar 2 Guidance
P1R	Pillar 2 Requirement
P2R	Pillar 2 Requirement
RoS	Republic of Slovenia
RWA	Risk-weighted assets
RWEA	Risk weighted exposure amount
SEE	Southeast Europe
SID	Slovenska Izvozna Družba
SME	Small Medium Enterprise
SREP	Supervisory Review and Evaluation Process
T2	Tier 2 (capital)
TCR	Total Capital ratio
TLTRO	Targeted longer-term refinancing operation
TREA	Total risk exposure amount
TSCR	Total SREP capital requirement
ZBan	Banking Act