Building on advantages of our homecourt

Pillar III Disclosures for the First Nine Months of 2024

Contents

1. Key highlights

(Article 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group

		30.09.2024	30.06.2024	31.03.2024	31.12.2023	30.09.2023
		a	b	c	d	e
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,535,289	2,523,241	2,519,491	2,509,911	2,192,893
2	Tier 1 capital	2,621,311	2,611,129	2,607,376	2,597,818	2,280,566
3	Total capital	3,168,726	3,158,473	3,199,406	3,109,207	2,791,407
	Risk-weighted exposure amounts					
4	Total risk exposure amount (TREA)	17,064,027	16,017,152	15,427,769	15,337,162	14,919,023
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio	14.86%	15.75%	16.33%	16.36%	14.70%
6	Tier 1 ratio	15.36%	16.30%	16.90%	16.94%	15.29%
7	Total capital ratio	18.57%	19.72%	20.74%	20.27%	18.71%
	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	2.12%	2.12%	2.12%	2.40%	2.40%
EU 7b	of which: to be made up of CET1 capital	1.19%	1.19%	1.19%	1.35%	1.35%
EU 7c	of which: to be made up of Tier 1 capital	1.59%	1.59%	1.59%	1.80%	1.80%
EU 7d	Total SREP own funds requirements	10.12%	10.12%	10.12%	10.40%	10.40%
	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%
9	Institution specific countercyclical capital buffer	0.36%	0.26%	0.26%	0.26%	0.01%
EU 9a	Systemic risk buffer	0.11%	0.10%	0.10%	0.10%	0.10%
EU 10a	Other Systemically Important Institution buffer	1.25%	1.25%	1.25%	1.25%	1.25%
11	Combined buffer requirement	4.22%	4.11%	4.11%	4.11%	3.86%
EU 11a	Overall capital requirements	14.34%	14.23%	14.23%	14.51%	14.26%
12	CET1 available after meeting the total SREP own funds requirements	967,105	1,051,265	1,101,679	1,075,886	797,964
	Leverage ratio					
13	Total exposure measure	28,253,682	27,647,476	27,028,794	26,927,714	26,320,818
14	Leverage ratio	9.28%	9.44%	9.65%	9.65%	8.66%
	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%	3.00%	3.00%	3.00%
	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%	3.00%	3.00%	3.00%
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	6,997,399	6,953,811	6,700,372	6,428,200	6,174,159
EU 16a	Cash outflows - Total weighted value	3,334,902	3,308,277	3,277,825	3,211,716	3,162,936
EU 16b	Cash inflows - Total weighted value	511,010	524,616	536,504	513,754	503,623
16	Total net cash outflows	2,823,892	2,783,661	2,741,321	2,697,962	2,659,314
17	Liquidity coverage ratio	247.91%	249.82%	244.28%	238.17%	232.11%
	Net Stable Funding Ratio					
18	Total available stable funding	22,606,966	22,408,978	21,717,251	21,868,469	21,156,302
19	Total required stable funding	13,473,482	12,356,145	11,902,634	11,677,566	11,499,159
20	NSFR ratio	167.79%	181.36%	182.46%	187.27%	183.98%

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

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

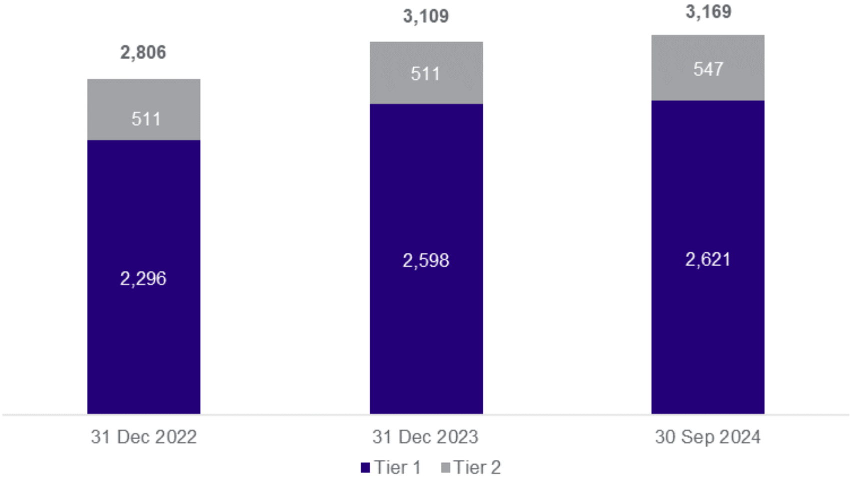


Figure 2: Total capital and capital ratio evolution YtD of NLB Group

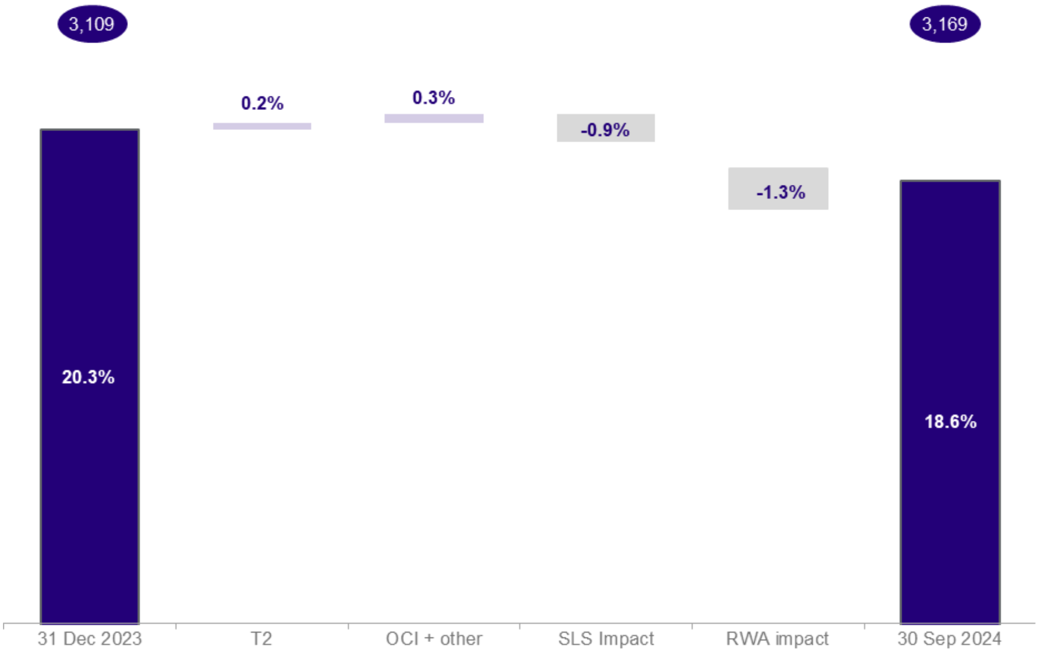
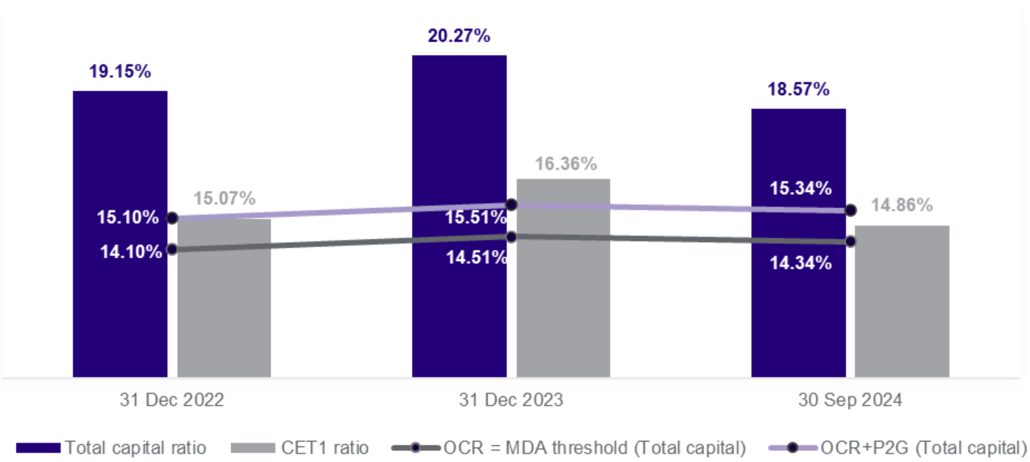


Figure 3: Capital ratios and regulatory thresholds (in %) of NLB Group



2. Introduction

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 evaluating how well financial institutions assess 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.

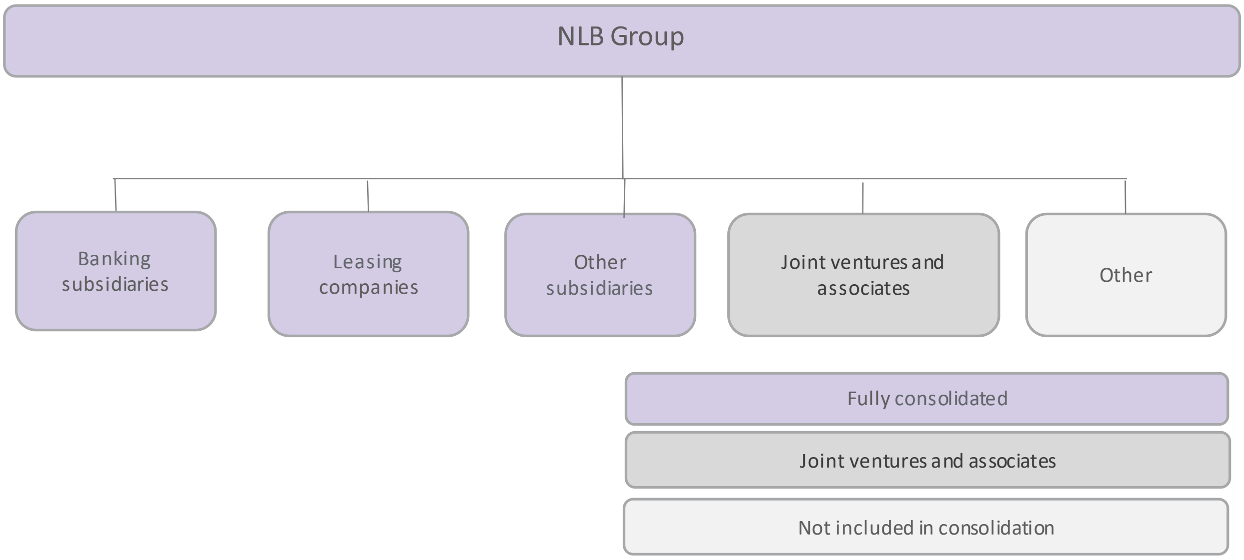
CRD V and EBA guidelines oblige the NLB Group (hereinafter: ‘the Group’) to disclose information at least on an annual basis. To ensure the effective communication of the Group’s business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually. A separate Pillar 3 document is also published quarterly on the NLB’s website Financial Reports (nlb.si), following our Annual or Interim Reports for NLB Group disclosure.

It should be noted that while some quantitative information in this document is based on financial data contained in the Q3 2024 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 2024 NLB Group Interim Report.

3. Scope of application

In accordance with the capital legislation, NLB d.d. (LEI Code 5493001BABFV7P27OW30, hereafter 'NLB' or 'the Bank') has the position of an 'EU parent bank,' and so is a parent company of the 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 presentation of the Group 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 the Group directly or indirectly holds between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but does not have control; and
- jointly controlled companies (i.e., jointly controlled by the 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 September 2024 represents:

- the company operating in the area of other activities *NLB Zavod za upravljanje kulturne dediščine* (ZUKD – 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.

After obtaining all regulatory approvals in August, NLB completed the transaction on 11 September 2024 and became the sole shareholder of SLS HOLDCO, Ljubljana, the parent company of Summit Leasing Slovenija, Ljubljana, and its subsidiaries, including Croatian Mobil Leasing, Zagreb. All three companies are included in regulatory consolidation.

4. Capital and capital requirements

4.1. Capital adequacy

(Article 438 b of CRR)

The 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 constitute the Pillar 1 Requirement, the Bank must meet other requirements and recommendations that are imposed by the supervisory institutions or by the legislation:

- The 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 a 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 a capital restoration plan).

Table 2 – Capital requirements and buffers of NLB Group

		2024	2023	2022
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	1.19%	1.35%	1.46%
	Tier 1	1.59%	1.80%	1.95%
	Total Capital	2.12%	2.40%	2.60%
Total SREP Capital requirement (TSCR)	CET1	5.69%	5.85%	5.96%
	Tier 1	7.59%	7.80%	7.95%
	Total Capital	10.12%	10.40%	10.60%
Capital conservation buffer	CET1	2.50%	2.50%	2.5%
O-SII buffer	CET1	1.25%	1.25%	1.0%
Systemic risk buffer	CET1	0.11%	0.10%	0.0%
Countercyclical buffer	CET1	0.36%	0.26%	0.0%
Combined buffer requirement (CBR)		4.22%	4.11%	3.50%
Overall capital requirement (OCR) = MDA threshold	CET1	9.91%	9.96%	9.46%
	Tier 1	11.81%	11.91%	11.45%
	Total Capital	14.34%	14.51%	14.10%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%
OCR + P2G	CET1	10.91%	10.96%	10.46%
	Tier 1	12.81%	12.91%	12.45%
	Total Capital	15.34%	15.51%	15.10%

As at the end of September 2024, the Group's Overall Capital Requirement (OCR) was 14.34%, which is lower than at the end of year 2023. This requirement has increased by 0.11 p.p.in the third quarter of 2024, and the composition is as follows:

- The Total SREP Capital Requirement (TSCR) is 10.12%, which includes 8.00% Pillar 1 and 2.12% Pillar 2 Requirements. As of 1 January 2024, the Pillar 2 Requirement decreased by 0.28 p.p. to 2.12% due to an improved overall SREP assessment;
- The second component is the Combined Buffer Requirement (CBR), which is 4.22%, and includes a 2.50% Capital Conservation Buffer, a 1.25% O-SII Buffer, a 0.36% Countercyclical Buffer and a 0.11% Systemic risk buffer.

In addition to the above requirements, the Pillar 2 Guidance (P2G) is 1.0% of Common Equity Tier 1 (CET1).

Table 3 – Capital adequacy of NLB Group:

	30.09.2024	**30.06.2024**
Paid up capital instruments	200,000	200,000
Share premium	871,378	871,378
Retained earnings	1,387,054	1,561,868
Current result	-	-
Accumulated other comprehensive income	(26,051)	(59,356)
Other reserves	186,332	13,522
Minority interest	29,800	29,101
Prudential filters: Additional Valuation Adjustments (AVA)	(2,720)	(2,791)
(-) Goodwill	(7,313)	(4,931)
(-) Other intangible assets	(52,258)	(37,728)
(-) Deferred tax assets	(47,061)	(46,329)
(-) Insufficient coverage for non-performing exposures	(3,872)	(1,493)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,535,289**	**2,523,241**
Capital instruments eligible as AT1 Capital	82,000	82,000
Minority interest	4,022	5,888
Additional Tier 1 capital	**86,022**	**87,888**
TIER 1 CAPITAL	**2,621,311**	**2,611,129**
Capital instruments and subordinated loans eligible as T2 capital	543,321	543,321
Minority interest	4,094	4,023
Tier 2 capital	**547,415**	**547,344**
TOTAL CAPITAL	**3,168,726**	**3,158,473**
Risk exposure amount for credit risk	13,821,738	12,819,884
Risk exposure amount for market risks	1,515,098	1,469,715
Risk exposure amount for CVA	20,063	20,425
Risk exposure amount for operational risk	1,707,128	1,707,128
TOTAL RISK EXPOSURE AMOUNT (RWA)	**17,064,027**	**16,017,152**
Common Equity Tier 1 Ratio	14.86%	15.75%
Tier 1 Ratio	15.36%	16.30%
Total Capital Ratio	**18.57%**	**19.72%**

The Bank of Slovenia has increased the countercyclical capital buffer for exposures in Slovenia from 0% to 0.5%. The Bank had to meet the required buffer from 31 December 2023 onwards. Starting from 1 January 2023, the Bank of Slovenia has mandated that banks maintain systemic risk buffer rates for sectoral exposures. The required rates are

1.0% for all retail exposures to natural persons secured by residential real estate and 0.5% for all other exposures to natural persons.

Effective 1 January 2025, there will be some changes in the capital buffer rates for Slovenia. The countercyclical capital buffer rate for exposures in Slovenia will increase from 0.5% to 1.0%. At the same time, the sectoral systemic risk buffer for retail exposures to natural persons secured by residential real estate will decrease from 1.0% to 0.5%.

The Bank and the 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.

As at 30 September 2024, the total capital ratio (TCR) for the Group stood at 18.6% (or 1.7% p.p. decrease compared to the end of 2023) and the CET1 ratio for the Group stood at 14.9% (1.5% p.p. decrease compared to the end of 2023), being well above requirements. The lower total capital adequacy resulted from higher RWA (increased EUR 1,726.9 million compared to the end of 2023), although capital increased by EUR 59.5 million compared to the end of 2023. The Group increased its capital mainly through revaluation adjustments (EUR 49.6 million) and higher volume of T2 instruments (EUR 35.8 million), while increased deduction items on Intangible assets (mainly from the acquisition of Summit Leasing companies) decreased capital (EUR -18.9 million).

After acquisition of Summit Leasing companies and inclusion in regulatory consolidation in September 2024, the Goodwill and Distributor relationship were included in the capital calculation in the amount of EUR 17.1 as a deduction items. These values are based on provisional fair values of identifiable assets, liabilities, and contingent liabilities acquired and are subject to adjustment within the period of up to 12 months from the acquisition date, in accordance with IFRS 3.

The total capital does not include EUR 110.0 million of the 2023 result, which is still envisaged to be paid as a dividend in 2024 (EUR 110.0 million was paid as a dividend in June 2024). Therefore, there will be no effect on the capital once dividends are paid.

Chapter 4.2. explains the drivers behind the differences between the RWAs in first nine months of 2024. Risk-weighted exposure is in Table 4 – EU OV1—Overview of risk-weighted exposure amounts of NLB Group.

4.2. Risk-weighted exposure

(Article 438 d of CRR)

The 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 4 shows the detailed composition of the Group's risk-weighted exposure amounts at the end of September 2024, June 2024, and December 2023, as well as the composition of its own fund (capital) requirements at the end of September 2024.

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

		Total risk exposure amounts (TREA)			Total own funds requirement
		30.09.2024	30.06.2024	31.12.2023	30.09.2024
		a	b	b-3	c
1	**Credit risk (excluding CCR)**	**13,616,520**	**12,576,863**	**11,942,285**	**1,089,322**
2	of which the standardised approach	13,616,520	12,576,863	11,942,285	1,089,322
6	**Counterparty credit risk - CCR**	**53,623**	**53,883**	**47,981**	**4,290**
7	of which the standardised approach	33,560	33,458	33,781	2,685
EU 8b	of which credit valuation adjustment - CVA	20,063	20,425	14,200	1,605
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,515,098**	**1,469,715**	**1,447,713**	**121,208**
21	of which the standardised approach	1,515,098	1,469,715	1,447,713	121,208
23	**Operational risk**	**1,707,128**	**1,707,128**	**1,707,128**	**136,570**
EU 23a	of which basic indicator approach	1,707,128	1,707,128	1,707,128	136,570
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**171,658**	**209,563**	**192,055**	**13,733**
29	**Total**	**17,064,027**	**16,017,152**	**15,337,162**	**1,365,122**

In the first nine months of 2024, the RWA of the Group for credit risk (lines 2, 7, and 24 in Table 4) increased by EUR 1,653.6 million due to lending activity at corporates and in the retail segment and due to the acquisition of Summit Leasing companies (RWA increase of EUR +698.0 million). Additionally, RWA for high-risk exposures increased due to new project financing loans, and withdrawals of project finance loans approved in the previous periods. Some decrease in RWA occurred due to lower liquidity assets. Furthermore, higher RWA for equity exposures resulted from purchasing subordinated bank bonds.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) (lines EU 8b and 21 in Table 4) in the amount of EUR 73.2 million during the first nine months of 2024 was driven by higher RWA for FX risk of EUR 71.9 million (mainly due to more opened positions in domestic currencies of non-euro subsidiary banks), higher RWA for CVA risk of EUR 5.9 million, and lower RWA for TDI risk of EUR 7.9 million (due to closed net positions from IRS) and higher RWA for Equity risk of EUR 3.4 million (due to the inclusion of a collective investment unit (CIU) of the new member NLB Fondovi, Skopje).

Risk factors are explained in NLB Group Interim report for first nine months 2024 on page 52.

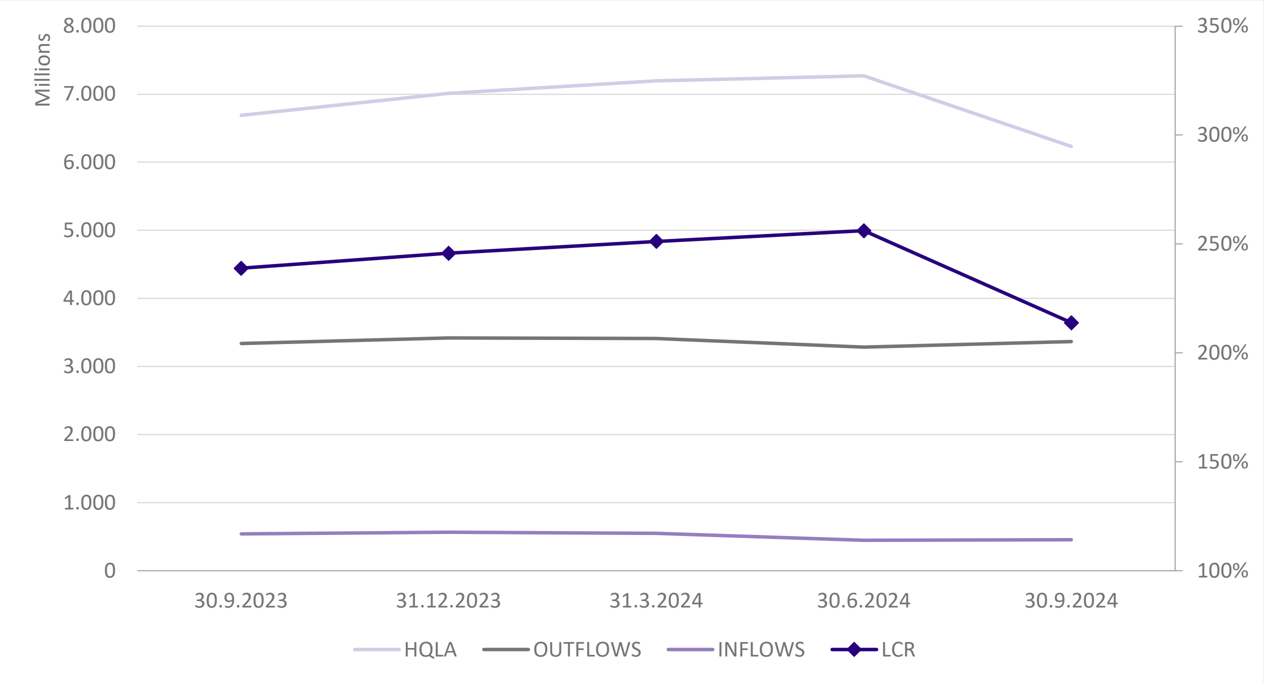
5. Liquidity

(Article 451a (2) of CRR)

Liquidity coverage ratio

The Group holds a very strong liquidity position at the Group (and individual subsidiary bank) level, which is well above the risk appetite. In the first nine months of 2024 (1 January 2024 – 30 September 2024), the LCR of the Group ranged between 214% and 265% (214% as of 30 September 2024). The surplus of HQLA is at a very high level in the Group, ranging between EUR 3.32 billion and EUR 4.56 billion in the last nine months (EUR 3.32 billion as of 30 September 2024).

Figure 5: Movement of LCR and inputs to LCR calculation of NLB Group



In the first half of the year 2024, a slightly increasing trend in LCR was recorded, primarily due to purchases of high-quality securities. Additionally, the LCR increased in May due to the issuance of senior preferred notes. However, in September, the LCR decreased, largely due to the acquisition of Summit Leasing. Nevertheless, the decrease is not concerning, as the Group maintains a high liquidity surplus.

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

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

Figure 6: LCR: Structure of HQLA (in %) of NLB Group

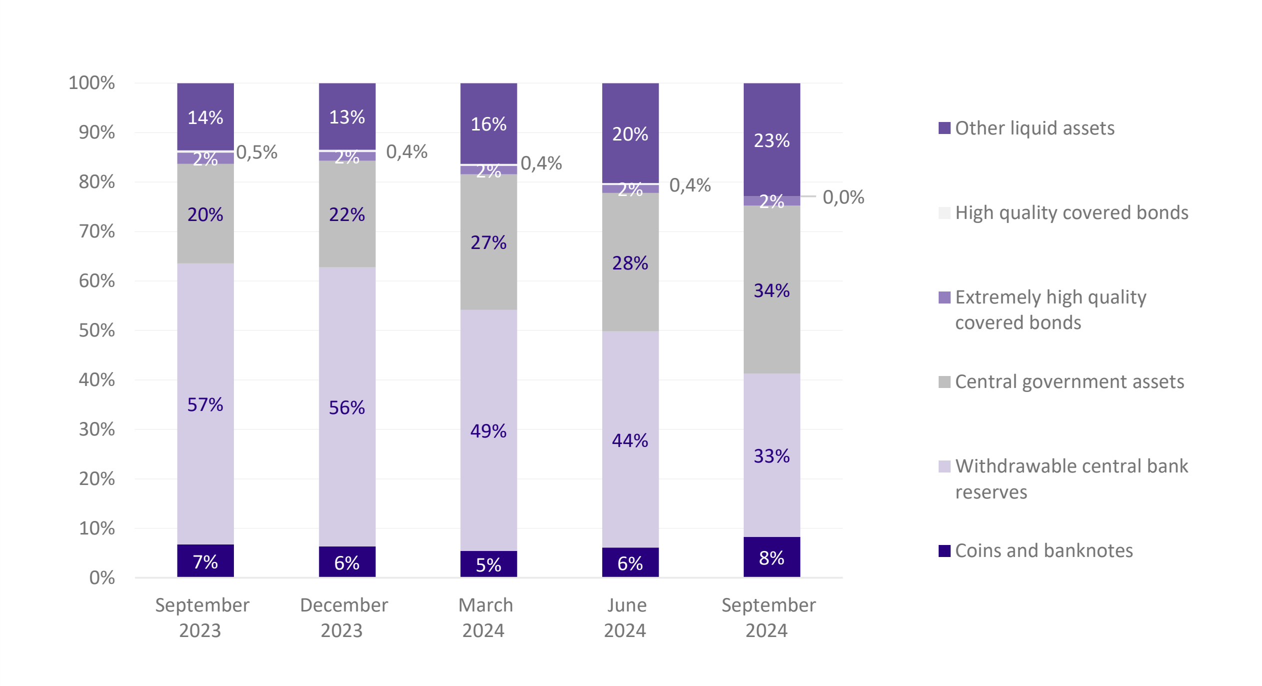


Figure 7: LCR: structure of outflows (in %) of NLB Group

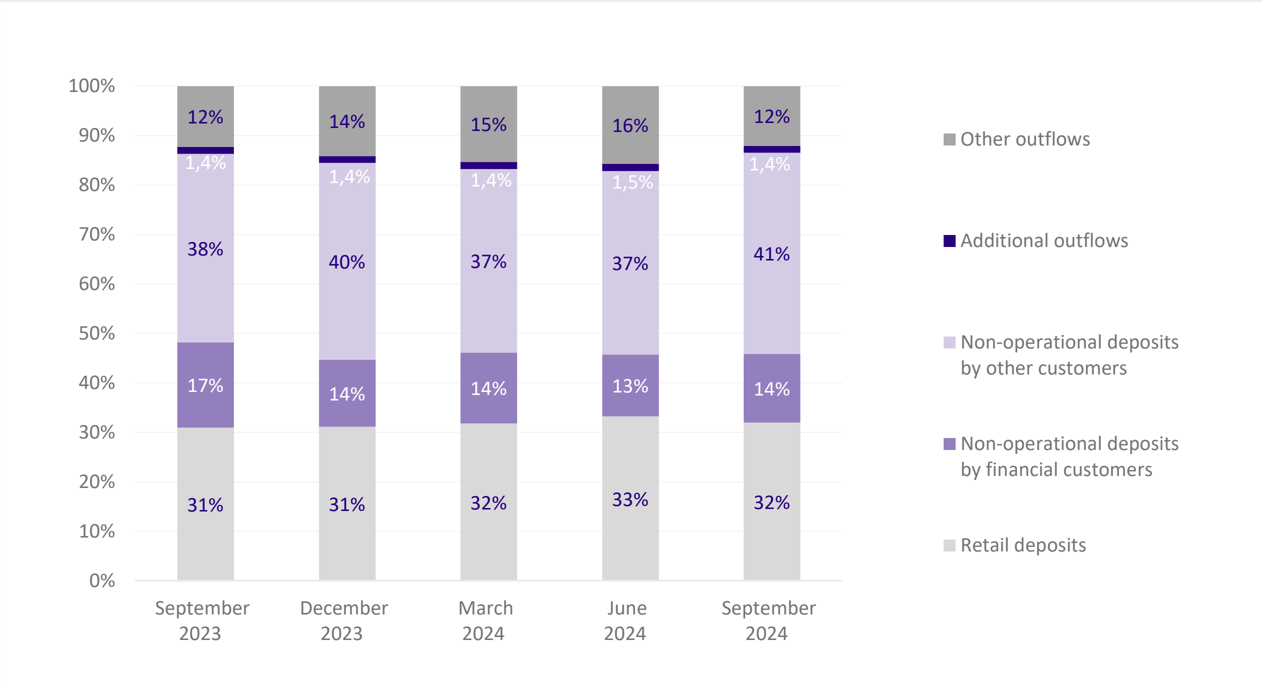
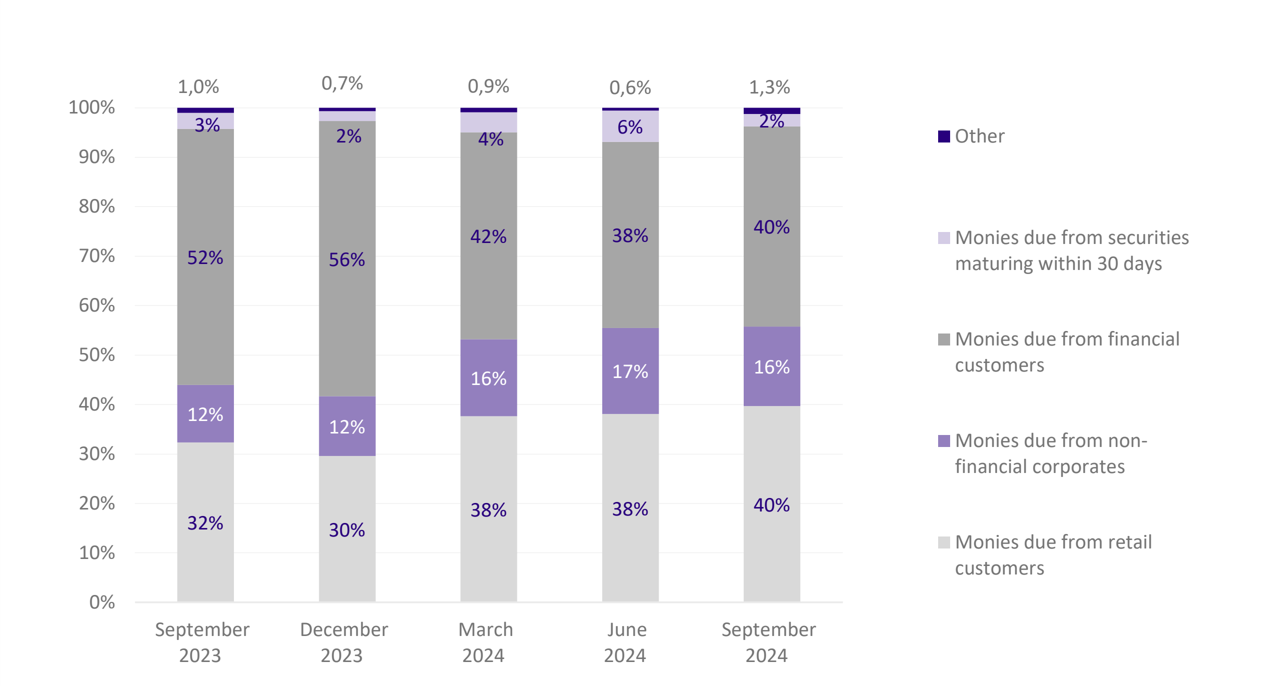


Figure 8: LCR: structure of inflows (in %) of NLB Group



Concentration of funding and liquidity sources

In accordance with the Risk Appetite Statement of the NLB Group, the 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 the Bank 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, the Group regularly performs stress tests and makes liquidity projections under different scenarios. With this approach, the Group is able to detect any potential liquidity and funding needs early.

In accordance with the business model, the primary source of funding of the Group represents customer (non-banking sector) deposits. The 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. The dependence on wholesale funding is low. The 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 the Group, a limit is set to prevent a too high concentration of depositors.

Limit values are also set for other Group members and defined in the Group Risk Management Standards. All banking members of the Group must adopt limit 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 a monthly basis.

At the end of September 2024, the top 30 counterparties on the group level provided 3.3% of the total liabilities, while the top 30 counterparties in the Bank provided 3.9%.

The table below illustrates the values and data for each of the four calendar quarters (January – March April – June, July – September and October – December). 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 5 – LIQ1 – Quantitative information of LCR of NLB Group (in EUR millions)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**30.09.2024**	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2024**	**30.06.2024**	**31.03.2024**	**31.12.2023**
		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)					6,997	6,954	6,700	6,428
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	16,825	16,584	16,357	16,165	1,079	1,063	1,040	1,014
3	*Stable deposits*	12,157	12,059	12,002	11,922	608	603	600	596
4	*Less stable deposits*	3,908	3,825	3,673	3,507	471	460	440	418
5	Unsecured wholesale funding	3,740	3,719	3,717	3,679	1,776	1,779	1,787	1,769
7	*Non-operational deposits (all counterparties)*	3,735	3,713	3,713	3,675	1,770	1,773	1,783	1,764
8	*Unsecured debt*	6	6	4	4	6	6	4	4
10	Additional requirements	2,328	2,277	2,294	2,332	235	223	215	209
11	*Outflows related to derivative exposures and other collateral requirements*	48	41	30	20	48	41	30	20
13	*Credit and liquidity facilities*	2,280	2,236	2,264	2,312	187	183	185	189
14	Other contractual funding obligations	262	241	237	224	149	148	143	130
15	Other contingent funding obligations	1,705	1,664	1,623	1,584	97	95	93	90
16	**TOTAL CASH OUTFLOWS**					**3,335**	**3,308**	**3,278**	**3,212**
Cash-inflows									
18	Inflows from fully performing exposures	758	766	779	750	492	504	516	493
19	Other cash inflows	19	20	20	21	19	20	20	21
20	**TOTAL CASH INFLOWS**	**777**	**786**	**799**	**770**	**511**	**525**	**537**	**514**
EU-20c	***Inflows subject to 75% cap***	**777**	**786**	**799**	**770**	**511**	**525**	**537**	**514**
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**6,997**	**6,954**	**6,700**	**6,428**
22	**TOTAL NET CASH OUTFLOWS**					**2,824**	**2,784**	**2,741**	**2,698**
23	**LIQUIDITY COVERAGE RATIO**					**247.91%**	**249.82%**	**244.28%**	**238.17%**

High-level description of the composition of the institution`s liquidity buffer
The liquidity buffer represents the most liquid assets that are available immediately and can be used in a stressed situation within a short-term survival period (the Bank, the 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
The Group enters into derivatives to support corporate customers and financial institutions in managing financial exposures (sales business) and to manage Group risks such as interest rate risk and FX risk.

To mitigate CCR risk arising from derivatives, the Group uses netting agreements such as the ISDA Master Agreement, the Global Master Repurchase Agreement (GMRA), and the Slovenian framework agreement. Furthermore, 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). The Bank 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 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 the Group, there are no currency mismatches in the LCR. The LCR indicator is fulfilled in all currencies because the Group has enough liquidity reserves in all currencies where the outflows might happen. The most significant currency of the Group is euro currency. Additionally, the Group reports LCR in a second significant currency, which is in Serbian dinar (RSD). As at 30 September 2024, the aggregate liabilities in RSD represented 6.7% 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
The 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.

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

6. Appendices

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

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6.2. Appendix 2: Abbreviations

ALCO	Asset and Liability Committee
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustments
CBR	Combined buffer requirement
CCP	Central Counterparty
CET1	Common equity tier 1 capital
CRD	Capital Requirements Directive
CRD V	Capital Requirements Directive and Regulation
CRR	Capital Requirements Regulation
CVA	Credit valuation adjustment
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation
EU	European Union
FX	Foreign Exchange
GMRA	Global Master Repurchase Agreement
HQLA	High-quality liquid assets
IRS	Interest rate swap
ISDA	International Swaps and Derivatives Association
LCR	Liquidity coverage ratio
MDA	Maximum Distributable Amount
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
RWA	Risk-weighted assets
RWEA	Risk weighted exposure amount
SREP	Supervisory Review and Evaluation Process
T2	Tier 2 (capital)
TCR	Total capital ratio
TDI	Traded Debt Instruments
TREA	Total risk exposure amount
TSCR	Total SREP capital requirement