NLB Group

Pillar 3 Disclosures

H1 2020

Abbreviations

AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustments
CBR	Combined buffer requirement
CCF	Credit conversion factor
CCP	Central Counterparty
CCR	Counterparty credit risk
CET1	Common equity tier 1 capital
COVID-19	Coronavirus disease 2019
CRD	Capital Requirements Directive
CRD IV	Capital Requirements Directive and Regulation
CRM	Credit risk management
CRR	Capital Requirements Regulation
CVA	Credit valuation adjustment
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
EC	European Commission
EEA	European Economic Area
EU	European Union
FX	Foreign Exchange
GDP	Gross Domestic Product
G-SII	Global systemically important institutions (banks)
HQLA	High-quality liquid assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
LCR	Liquidity coverage ratio
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for own funds and Eligible Liabilities
MS	Mid-swap
MTF	Multilateral trading facility
NCI	Non-Controlling Interest (Minority)
NPL	Non Performing Loans
NSFR	Net Stable Funding Ratio
OCI	Other comprehensive income
OCR	Overall capital requirement
O-SII	Other systemically important institutions (banks)
OTC	Over-the-counter
P2G	Pillar 2 Guidance
P1R	Pillar 1 Requirement
P2R	Pillar 2 Requirement
PFE	Potential future exposure
PP&E	Property, plant and equipment
Q&A	Question and answer
QCCP	Qualifying Central Counterparty
RWA	Risk-weighted assets
SA	Standardised Approach
SEE	Southeast Europe
SFT	Securities Financing Transactions
SME	Small Medium Enterprise
S&P	Standard & Poor's
SREP	Supervisory Review and Evaluation Process
TC	Total Capital
T1	Tier 1 (capital)
T2	Tier 2 (capital)
TSCR	Total SREP capital requirement
UMAR	Institute for macroeconomic analysis and development
ZBan-2	Banking Act
ZRPPB	Law on Rescue and Forced Cessation of Banks

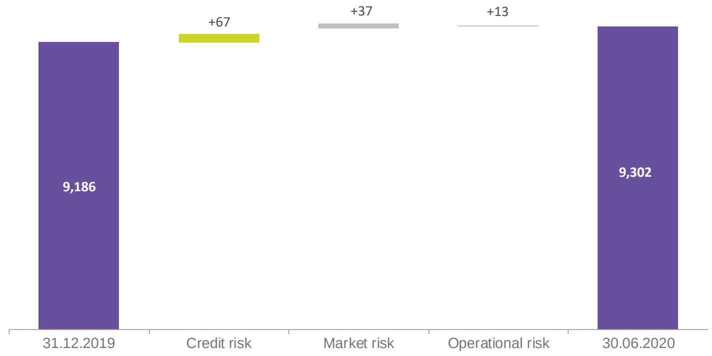
Key highlights

Table 1 – Key metrics

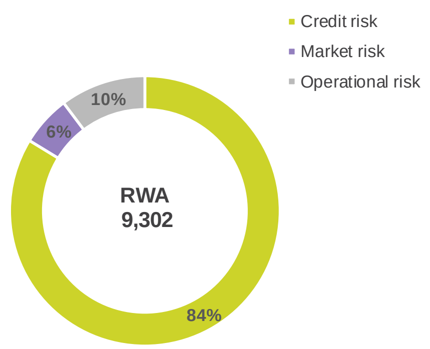
NLB Group	30.06.2020	31.03.2020	31.12.2019
Available capital			
Common equity tier 1 (CET1)	1,613,301	1,423,174	1,451,176
Tier 1	1,617,113	1,423,174	1,451,176
Tier 2	286,281	284,595	44,595
Total capital	1,903,394	1,707,769	1,495,771
Risk weighted assets			
Total RWA	9,301,735	9,226,695	9,185,539
Capital ratios			
Common equity tier 1 ratio (%)	17.3%	15.4%	15.8%
Tier 1 ratio (%)	17.4%	15.4%	15.8%
Total capital ratio (%)	20.5%	18.5%	16.3%
Additional CET1 buffer requirements as a % of RWA			
Capital conservation buffer requirement	2.5%	2.5%	2.5%
Countercyclical buffer requirement	0.0%	0.0%	0.0%
Bank G-SII and / or O-SII additional requirements	1.0%	1.0%	1.0%
Combined buffer requirement	3.5%	3.5%	3.5%
Leverage ratio			
Total leverage ratio exposure measure	17,716,619	16,732,063	16,671,280
Leverage ratio (%)	9.1%	8.5%	8.7%
Liquidity Coverage Ratio			
Total HQLA	4,737,670	3,974,172	3,985,017
Total net cash outflow	1,594,000	1,308,108	1,226,351
LCR ratio	297%	304%	325%
NSFR ratio	167%	158%	160%

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

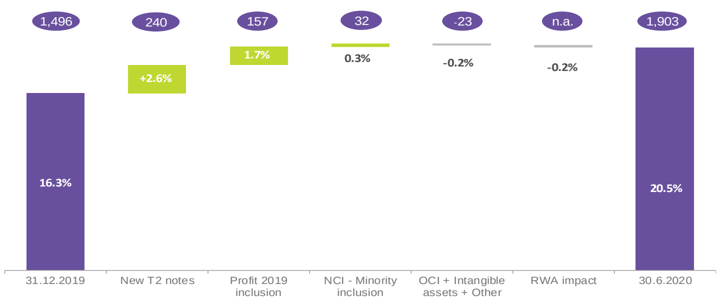
Changes in RWA



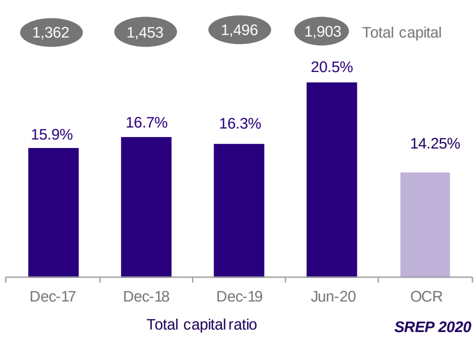
RWA analysis



Total capital ratio changes



Total capital movement



1. 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. 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 IV, or 'CRD'). The CRR had a direct effect in EU member states, while the CRD was required to be implemented through national legislation in EU member states by 31 December 2013. Slovenia implemented these CRD requirements into national law with the Slovenian Banking Act (Zakon o bančništvu – ZBan-2). On 27 June 2019, an amendment of CRR was published (Regulation (EU) No. 2019/876) with some of its provisions already valid, as well as an amendment of CRD IV (Directive (EU) 2019/878 – CRD V) which is yet to be transposed in Slovenian national legislation. On 26 June 2020 another amendment to CRR was published (Regulation (EU) No. 2020/873) as response to the COVID-19 pandemic.

In the context of this document, the 'EU banking legislation' describes the package of 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 Pillars 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 capital requirements/risk-weighted assets (RWA) 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. In December 2016, the European Banking Authority (EBA) published final guidelines on the Pillar 3 disclosure requirements aimed at improving and enhancing the consistency and comparability of institutions' disclosures. These guidelines apply from 31 December 2017 and NLB Group's disclosures have been prepared in accordance with these guidelines.

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 because of rounding.

EU banking legislation 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 www.nlb.si, 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 unaudited.

It should be noted that while some quantitative information in this document is based on financial data contained in the NLB Group Interim Report H1 2020, 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 NLB Group Interim Report H1 2020. Some details of the key differences between the Group's accounting and regulatory exposures are set out in Table 2.

2. Scope of application

(Articles 436 b, c, and d of CRR)

In accordance with the capital legislation, NLB d.d. has the position of an “EU parent bank” and so is a parent entity 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 representation of the regulatory consolidation group is below.

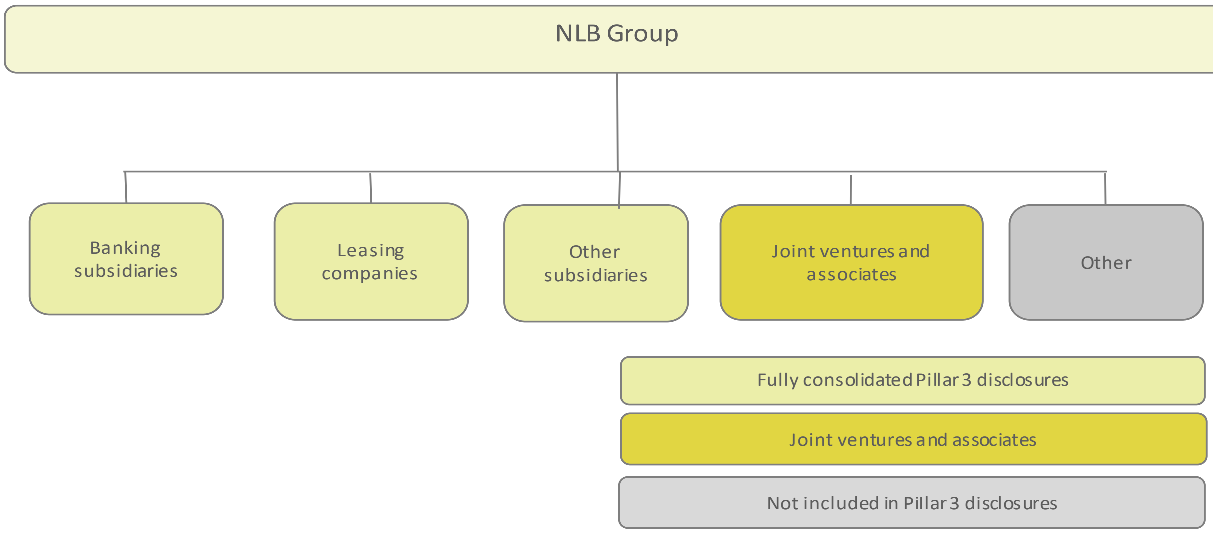


Table 2 represents the main differences between the basis of consolidation and carrying values as reported in published financial statements in the NLB Group Interim Report H1 2020, and under the scope of regulatory consolidation.

The consolidation for *accounting purposes* comprise all:

- subsidiaries (banking, leasing and other subsidiaries) controlled by the Bank or the NLB Group,
- associated companies in which NLB Group directly or indirectly holds between 20% and 50% of the voting rights, and over which NLB 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* only includes (in accordance with the definitions under Article 4 of CRR) credit institutions, financial institutions, ancillary service undertakings and asset management companies. As regards NLB Group, this means that the regulatory consolidation does not include entity operating in the area of other activities (ZUKD - NLB Cultural Heritage Management Institute). Also, entity operating in the area of insurance (NLB Vita), which was sold in May 2020, was not included into regulatory consolidation.

Table 2 – Differences between accounting and regulatory scopes of consolidation of NLB Group

30.06.2020	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Cash, cash balances at central banks, and other demand deposits at banks	3,084,554	3,084,554
Financial assets held for trading	22,648	22,648
Non-trading financial assets mandatorily at fair value through profit or loss	35,250	35,250
Financial assets measured at fair value through other comprehensive income	2,058,070	2,058,070
Financial assets measured at amortised cost		
- debt securities	1,413,765	1,413,765
- loans and advances to banks	94,910	94,910
- loans and advances to customers	7,661,801	7,661,801
- other financial assets	114,451	114,425
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13,805	13,805
Investments in subsidiaries	-	10
Investments in associates and joint ventures	7,934	7,934
Tangible assets		
Property and equipment	190,484	190,484
Investment property	53,140	53,140
Intangible assets	37,557	37,557
Current income tax assets	3,024	3,024
Deferred income tax assets	31,753	31,753
Other assets	64,270	64,270
Non-current assets classified as held for sale	4,441	4,441
Total assets	**14,891,857**	**14,891,841**
Financial liabilities held for trading	17,995	17,995
Financial liabilities measured at fair value through profit or loss	10	10
Financial liabilities measured at amortised cost		
- deposits from banks and central banks	54,310	54,310
- borrowings from banks and central banks	159,265	159,265
- due to customers	12,190,847	12,190,857
- borrowings from other customers	61,616	61,616
- subordinated liabilities	287,368	287,368
- other financial liabilities	174,171	174,171
Derivatives - hedge accounting	61,371	61,371
Provisions	88,847	88,847
Current income tax liabilities	642	642
Deferred income tax liabilities	2,936	2,936
Other liabilities	14,140	14,140
Total liabilities	**13,113,518**	**13,113,528**
Equity and reserves attributable to owners of the parent		
Share capital	200,000	200,000
Share premium	871,378	871,378
Accumulated other comprehensive income	(5,023)	(4,589)
Profit reserves	13,522	13,522
Retained earnings	650,724	650,264
	1,730,601	**1,730,575**
Non-controlling interests	47,738	47,738
Total equity	**1,778,339**	**1,778,313**
Total liabilities and equity	**14,891,857**	**14,891,841**

3. Capital and capital requirements

3.1. Capital adequacy

European banking legislation is based on the Basel III guidelines. The legislation 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%; and
- 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 is a recommendation and 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 of NLB Group

		as of 12 March 2020	as of 1 January till 11 March 2020	2019
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 (P2R)	CET1	1.55%	0.0%	0.0%
	Tier 1	2.06%	0.0%	0.0%
	Total Capital	2.75%	2.75%	3.25%
Total SREP Capital Requirement (TSCR)	CET1	6.05%	7.25%	7.75%
	Tier 1	8.06%	8.75%	9.25%
	Total Capital	10.75%	10.75%	11.25%
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	9.55%	10.75%	11.25%
	Tier 1	11.56%	12.25%	12.75%
	Total Capital	14.25%	14.25%	14.75%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%
OCR + P2G	CET1	10.55%	11.75%	12.25%

In June 2020, OCR amounted to 14.25% for the Bank on a consolidated basis, consisting of:

- 10.75% TSCR (8% Pillar 1 Requirement and 2.75% Pillar 2 Requirement); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer and 0% Countercyclical Buffer).

The applicable OCR requirement for 2020 decreased from 14.75% to 14.25%, as Pillar 2 Requirement decreased by 0.5 p.p. to 2.75%, as a result of better overall SREP assessment. Pillar 2 Guidance amounts to 1.00% which should be comprised entirely of CET1 capital.

Following several measures taken by ECB in relation to COVID-19 pandemic, ECB has effectively as of 12 March 2020 amended the applicable decision for NLB in relation to the Pillar 2 Requirement composition, requiring that Pillar 2 Requirement must be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum, and not entirely as CET1 capital as required in previous years.

On 27 March 2020 ECB issued Recommendation on dividend distributions during the COVID-19 pandemic which postponed the distribution of dividends until the reassessment of the situation once the uncertainties COVID-19 disappear and on 27 July 2020 amended this recommendation that no dividends are paid out (or irrevocable commitment undertaken) until 1 January 2021. Bank of Slovenia followed with measure on 7 April 2020 which actually limits any dividend distribution (2019 and 2020 result and previous years retained earnings) for the currently envisaged one-year period (the measure will be reassessed before end 2020). Consequently, the whole 2019 result of EUR 192.5 million is included in capital.

Table 4 – Capital adequacy of NLB Group:

	30.06.2020	31.03.2020	31.12.2019
Paid up capital instruments	200,000	200,000	200,000
Share premium	871,378	871,378	871,378
Retained earnings	552,147	393,648	358,648
Current result	-	-	35,000
Accumulated other comprehensive income	(4,589)	(10,945)	14,364
Other reserves	13,522	13,522	13,522
Minority interest	26,157	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(2,109)	(2,199)	(2,194)
(-) Goodwill	(3,529)	(3,529)	(3,529)
(-) Other intangible assets	(34,028)	(34,373)	(36,013)
(-) Deduction item related to credit impairments and provisions not included in capital	(5,648)	(4,328)	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,613,301**	**1,423,174**	**1,451,176**
Minority interest	3,812	-	-
Additional Tier 1 capital	3,812	-	-
TIER 1 CAPITAL	**1,617,113**	**1,423,174**	**1,451,176**
Capital instruments and subordinated loans eligible as T2 capital	284,595	284,595	44,595
Minority interest	1,686	-	-
Tier 2 capital	286,281	284,595	44,595
TOTAL CAPITAL	**1,903,394**	**1,707,769**	**1,495,771**
Risk exposure amount for credit risk	7,787,112	7,724,996	7,720,232
Risk exposure amount for market risks	559,700	546,638	523,050
Risk exposure amount for CVA	775	913	663
Risk exposure amount for operational risk	954,148	954,148	941,594
TOTAL RISK EXPOSURE AMOUNT (RWA)	**9,301,735**	**9,226,695**	**9,185,539**
Common Equity Tier 1 Ratio	17.3%	15.4%	15.8%
Tier 1 Ratio	17.4%	15.4%	15.8%
Total Capital Ratio	20.5%	18.5%	16.3%

The capital adequacy of NLB Group and NLB at the end of June 2020 remains strong in accordance with risk appetite orientations and at a level which covers all current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance.

As at 30 June 2020, the Total capital ratio for NLB Group stood at 20.5% (or 4.2 percentage points higher than at the end of 2019), and for NLB at 29.7% (or 7.0 percentage point higher than at the end of 2019). Common Equity Tier 1 ratio stood at 17.3% or 1.5 percentage points higher than at the end of 2019. The higher total capital adequacy derives from higher capital (EUR 407.6 million for NLB Group) mostly due to inclusion of T2 instruments in capital in 2020 (EUR 240.0 million), inclusion of undistributed profit for the year 2019 (EUR 157.5 million) and inclusion of minority interest in capital calculation (EUR 31.7 million).

Until now, NLB Group did not undertake the calculation defined in Article 81 to 88 of the CRR, therefore the minority capital (Non-controlling interest) of the subsidiaries was not included in the consolidated capital. The calculation has been performed as of 30 June 2020 and minority capital of existing subsidiaries is now included in Group regulatory capital, which contributed 0.3 p.p. to the capital ratio.

In accordance with the ZRPPB, the NLB Group will, in future, need to meet a MREL requirement set by the Bank of Slovenia. On 9 April 2020, NLB received a decision of the Bank of Slovenia relating to this MREL requirement, which was set to 15.56% of total liabilities and own funds at the sub-consolidated level of the NLB Resolution Group (consisting of the Bank and non-core part of the Group). The transition period to reach the MREL requirement is 31 December 2021 and from that date this requirement must always be met. This new decision superseded previous decision of Bank of Slovenia on MREL requirement dated 15 May 2019.

The drivers behind the differences between the RWAs in year 2020 are explained in chapter 3.2 Capital requirements in the Table 5 – EU OV1 – Overview of RWAs.

On 26 February 2020, NLB entered into a share purchase agreement with the Republic of Serbia for the acquisition of an 83.23% ordinary shareholding in Komercijalna Banka a.d. Beograd (KB). The consideration for the 83.23% shareholding amounts to EUR 387 million, which will be payable in cash upon completion and will be subject to a 2% annual interest rate between 1 January 2020 and closing. In accordance with Serbian bank privatisation regulations, NLB is not required to launch a mandatory tender offer for minority shareholdings in KB.

The closing of the transaction is expected in Q4 2020 and is subject to mandatory regulatory approvals from, amongst others, the European Central Bank, Bank of Slovenia and the National Bank of Serbia. Following the conclusion of the transaction, we anticipate NLB will at all times exceed the Overall Capital Requirement and Pillar 2 Guidance of 15.25%. To deliver on this objective we will use already issued capital instruments (totalling EUR 284.6 million of Tier 2 instruments) and anticipated capital accretion stemming from retained earnings and/or ongoing RWA optimisation measures and potential additional T2 issuance.

3.2. Capital requirements

(Article 438 c, e, and f 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.

The Table 5 shows the detailed composition of the capital requirements of NLB Group at the end of June 2020, at the end of March 2020, and at the end of 2019.

Table 5 – EU OV1 – Overview of RWAs of NLB Group

		30.06.2020		31.03.2020		31.12.2019	
		RWA	Minimum capital requirement - 8% of RWA	RWA	Minimum capital requirement - 8% of RWA	RWA	Minimum capital requirement - 8% of RWA
1	**Credit risk (excluding CCR)**	**7,653,434**	**612,275**	**7,582,591**	**606,607**	**7,524,999**	**602,000**
2	Of which the standardised approach	**7,653,434**	**612,275**	7,582,591	606,607	7,524,999	602,000
6	**CCR**	**35,235**	**2,819**	**35,305**	**2,824**	**37,758**	**3,021**
7	Of which mark to market	34,460	2,757	34,392	2,751	37,095	2,968
12	Of which CVA	775	62	913	73	663	53
19	**Market risk**	**559,700**	**44,776**	**546,638**	**43,731**	**523,050**	**41,844**
20	Of which the standardised approach	559,700	44,776	546,638	43,731	523,050	41,844
23	**Operational risk**	**954,148**	**76,332**	**954,148**	**76,332**	**941,594**	**75,328**
24	Of which basic indicator approach	954,148	76,332	954,148	76,332	941,594	75,328
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**99,218**	**7,937**	**108,013**	**8,641**	**158,138**	**12,651**
29	**Total**	**9,301,735**	**744,139**	**9,226,695**	**738,136**	**9,185,539**	**734,843**

In H1 2020 the RWA for Credit risk increased by EUR 66.9 million (lines 2, 7, and 27 in Table 5), mainly as a result of new loan production on the corporate and retail segment. In year 2020, Serbia was included to the lists of third countries whose supervisory and regulatory requirements are considered equivalent to those of the EEA countries, which reduced RWA for exposures to the Serbian central government and central bank denominated in local currency by EUR -100.3 million. Furthermore, the higher volume of impairments and provisions formed on the performing portfolio due to the worse macro forecasts related with COVID-19, contributed also to the RWA decrease.

The increase in RWA for market risk and CVA amounted to EUR 36.8 million (lines 12 and 20 in Table 5), mainly because of more opened positions in their domestic currencies arising from operations of NLB Group's non-euro subsidiary banks. These positions are long, non-trading and deliberately taken. On a consolidated level, foreign exchange translation differences from investments in foreign subsidiary companies are recognised in the consolidated capital and do not have an impact on the NLB Group's profit and loss.

The increase in the RWA for operational risks (EUR 12.6 million) arose from the higher three-year average of relevant income, as defined in Article 316 of CRR, which represents the basis for the calculation.

3.3. Capital instruments included in the capital
(Articles 437.1 b and c of CRR)

In June 2020, the capital of NLB Group consisted of all three elements of capital (Common Equity Tier 1 capital, Tier 1 capital and Tier 2 capital). The only instrument included in Common Equity Tier 1 capital and Tier 1 capital are the ordinary shares of the parent entity NLB. The only instruments included in Tier 2 capital are the subordinated Tier 2 notes issued in May 2019, November 2019 and February 2020 by NLB. All three elements of capital also include Minority capital (Non-controling interest).

In 2020 the Bank continued with strengthening and optimizing the capital structure. On 5 February 2020, the Bank issued subordinated Tier 2 notes (10NC5) in the aggregate nominal amount of EUR 120 million. The fixed coupon of the notes during the first five years is 3.40% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined by the terms and conditions of the notes (i.e. 3.658% p.a.). The notes with ISIN code XS2113139195 and rated BB by S&P rating agency were admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange. On 25 March 2020 NLB obtained ECB permission for its inclusion in the capital, so the instrument is included in capital as of 31 March 2020.

On 4 March 2020 the Bank also obtained ECB permission to include in the capital subordinated Tier 2 notes issued in November 2019 in the amount of EUR 120 million. Now all existing subordinated Tier 2 instruments in total amount of EUR 284.6 million are included in the capital.

Subordinated liabilities for NLB Group are disclosed in the NLB Group Interim Report H1 2020 – note 5.11 a) Subordinated liabilities (page 88).

Details on main characteristics of the capital instruments are disclosed in Appendix 9.1.

3.4. Detailed presentation of capital elements
(Article 437 d and e of CRR)

The table below shows in detail the elements of the calculation of the capital of NLB Group at the end of June 2020, at the end of March 2020, and at the end of 2019 in the form prescribed by the EBA implementing technical standards, published as Commission Implementing Regulation (EU) No. 1423/2013 of 20 December 2014 (Annex IV – Own funds disclosure template). A summarised substantive presentation of the elements relevant for NLB Group is given in Chapter 3.1. 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 – Own funds for NLB Group

		30.06.2020	31.03.2020	31.12.2019
Common equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	1,071,378	1,071,378	1,071,378
	of which: ordinary shares	1,071,378	1,071,378	1,071,378
2	Retained earnings - including current result	552,147	393,648	393,648
3	Accumulated other comprehensive income (and other reserves)	8,933	2,577	27,886
5	Minority interest (amount allowed in consolidated CET1)	26,157	-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,658,615**	**1,467,603**	**1,492,912**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(2,109)	(2,199)	(2,194)
8	Intangible assets (net of related tax liability) (negative amount)	(37,557)	(37,902)	(39,542)
27a	Deduction item related to credit imapirments 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)	(5,648)	(4,328)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(45,314)**	**(44,429)**	**(41,736)**
29	**Common Equity Tier 1 (CET1) capital**	**1,613,301**	**1,423,174**	**1,451,176**
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	3,812	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**3,812**	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1)**	**-**	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**3,812**	**-**	**-**
45	**Tier 1 capital (T1= CET1 + AT1)**	**1,617,113**	**1,423,174**	**1,451,176**
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	284,595	284,595	44,595
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	1,686	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**286,281**	**284,595**	**44,595**
58	**Tier 2 (T2) capital**	**286,281**	**284,595**	**44,595**
59	**Total capital (TC = T1 + T2)**	**1,903,394**	**1,707,769**	**1,495,771**
60	**Total risk weighted assets**	**9,301,735**	**9,226,695**	**9,185,539**
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.3%	15.4%	15.8%
62	Tier 1 (as a percentage of total risk exposure amount)	17.4%	15.4%	15.8%
63	Total capital (as a percentage of total risk exposure amount)	20.5%	18.5%	16.3%
64	Institution specific buffer requirement (CET1 Requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	8.0%	8.0%	8.0%
65	of which: capital conservation buffer requirement	2.5%	2.5%	2.5%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.0%	1.0%	1.0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	9.3%	7.4%	7.8%
Amounts below the threshold for deduction (before risk weighting)				
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)	3,320	2,920	3,248
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 10% threshold and net of eligible short positions)	7,934	11,135	10,908
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	31,753	32,070	29,500

* Sub-items equal to zero or not applicable are not reported

3.5. Reconciliation of items with financial statements
(Articles 437 a and f of CRR)

Calculations of the capital and capital ratios are based on the financial statements of NLB Group prepared according to regulatory consolidation. Essentially, the capital of NLB Group consists of the elements of equity of the balance sheet (not all elements and not fully) and, in addition, it is reduced by deduction items and prudential filters.

The table below shows to what extent individual balance sheet items are included in the calculation of capital and capital adequacy.

Table 7 – Mapping of the balance sheet items (statement of financial position items) and capital for the purpose of capital adequacy of NLB Group

	30.06.2020		31.03.2020		31.12.2019	
	Prudential consolidation	**Included in capital**	**Prudential consolidation**	**Included in capital**	**Prudential consolidation**	**Included in capital**
Cash, cash balances at central banks and other demand deposits at banks	3,084,554	-	2,095,407	-	2,101,346	-
Financial assets held for trading	22,648	(23)	25,587	(26)	24,038	(24)
Non-trading financial assets mandatorily at fair value through profit or loss	35,250	(10)	34,297	(9)	25,359	(11)
Financial assets measured at fair value through other comprehensive income	2,058,070	(2,058)	2,144,729	(2,145)	2,141,428	(2,141)
Financial assets measured at amortised cost	9,284,901	-	9,530,717	-	9,434,390	-
Derivatives - hedge accounting	-	-	107	-	788	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13,805	-	12,139	-	8,991	-
Investments in subsidiaries	10	-	-	-	-	-
Investments in associates and joint ventures	7,934	-	7,726	-	7,499	-
Tangible assets	243,624	-	245,422	-	247,921	-
Intangible assets	37,557	(37,557)	37,902	(37,902)	39,542	(39,542)
Goodwill	3,529	(3,529)	3,529	(3,529)	3,529	(3,529)
Other intangible assets	34,028	(34,028)	34,373	(34,373)	36,013	(36,013)
Current income tax assets	3,024	-	10,446	-	6,284	-
Deferred income tax assets	31,753	-	32,070	-	29,500	-
That rely on future profitability and arise from temporary differences	31,753	-	32,070	-	29,500	-
Other assets	64,270	-	68,533	-	63,811	-
Non-current assets classified as held for sale	4,441	-	7,775	-	7,717	-
Total assets	**14,891,841**		**14,252,857**		**14,138,614**	
Financial liabilities held for trading	17,995	(18)	19,583	(19)	17,903	(18)
Financial liabilities measured at fair value through profit or loss	10	-	106	-	7,998	-
Financial liabilities measured at amortised cost	12,927,587	284,595	12,381,557	284,595	12,259,053	44,595
Derivatives - hedge accounting	61,371	-	57,878	-	49,507	-
Provisions	88,847	-	87,832	-	88,414	-
Current income tax liabilities	642	-	686	-	2,271	-
Deferred income tax liabilities	2,936	-	3,043	-	2,833	-
Other liabilities	14,140	-	12,909	-	15,212	-
Total liabilities	**13,113,528**		**12,563,594**		**12,443,191**	
Share capital	200,000	200,000	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378	871,378	871,378
Accumulated other comprehensive income	(4,589)	(4,589)	(10,945)	(10,945)	14,364	14,364
Profit reserves	13,522	13,522	13,522	13,522	13,522	13,522
Retained earnings	650,264	552,147	569,455	393,648	551,144	393,648
Non-controlling interests	47,738	31,655	45,853	-	45,015	-
Total equity	**1,778,313**		**1,689,263**		**1,695,423**	
Total liabilities and equity	**14,891,841**		**14,252,857**		**14,138,614**	
Sum of balance sheet items		**1,909,042**		**1,712,097**		**1,495,771**
Deduction item: Exclusion of the effect of credit impairments and provisions, when they are not included in capital		(5,648)		(4,328)		-
Capital (Own funds)		**1,903,394**		**1,707,769**		**1,495,771**

Table 8 – Reconciliation of the accounting capital to the regulatory capital for the calculation of capital adequacy of NLB Group

30.06.2020	Equity - Prudential consolidation	Temporary exclustion of unaudited interim profit	Minority interest eligible / not eligible (-)	Prudential filters and deduction items	Regulatory capital	Item in capital and capital adequacy calculation
Share capital	**200,000**	-	-	-	**200,000**	Paid in capital instruments
Share premium	**871,378**	-	-	-	**871,378**	Share premium
Accumulated other comprehensive income	**(4,589)**	-	-		**(4,589)**	Accumulated other comprehensive income
Profit reserves	**13,522**	-	-	-	**13,522**	Other reserves
Retained earnings - from previous years	**552,147**	-	-	-	**552,147**	Retained earnings - from previous years
Retained earnings - current results	**98,117**	(98,117)	-	-	**-**	Current results
Minority interest	**47,738**	-	(21,581)	-	**26,157**	Minority interest
				(2,109)	**(2,109)**	Prudential filter: Additional valuation adjustment (AVA) (Article 34)
				(3,529)	**(3,529)**	Deduction item: Goodwill (Article 36.b)
				(34,028)	**(34,028)**	Deduction item: Other intangible assets (Article 36.b)
				(5,648)	**(5,648)**	Deduction item: Exclusion of the effect of credit impairments and provisions, when they are not included in capital
Total equity	**1,778,313**	**(98,117)**	**(21,581)**	**(39,666)**	**1,613,301**	**Common Equity Tier 1 (CET1) capital**
			3,812		3,812	Additional Tier 1 capital
					1,617,113	**Tier 1 capital**
			1,686		286,281	Tier 2 capital
			31,655		**1,903,394**	**Total capital**

31.03.2020	Equity - Prudential consolidation	Retained earnings not included in the reg. capital	Temporary exclustion of unaudited interim profit	Exclusion of minority interest not eligible	Prudential filters and deduction items	Regulatory capital	Item in capital and capital adequacy calculation
Share capital	**200,000**	-	-	-	-	**200,000**	Paid in capital instruments
Share premium	**871,378**	-	-	-	-	**871,378**	Share premium
Accumulated other comprehensive income	**(10,945)**	-	-	-		**(10,945)**	Accumulated other comprehensive income
Profit reserves	**13,522**	-	-	-	-	**13,522**	Other reserves
Retained earnings - from previous years	**551,144**	(157,496)	-	-	-	**393,648**	Retained earnings - from previous years
Retained earnings - current results	**18,311**	-	(18,311)	-	-	**-**	Current results
Minority interest	**45,853**	-	-	(45,853)	-	**-**	Minority interest
					(2,199)	**(2,199)**	Prudential filter: Additional valuation adjustment (AVA) (Article 34)
					(3,529)	**(3,529)**	Deduction item: Goodwill (Article 36.b)
					(34,373)	**(34,373)**	Deduction item: Other intangible assets (Article 36.b)
					(4,328)	**(4,328)**	Deduction item: Exclusion of the effect of credit impairments and provisions, when they are not included in capital
Total equity	**1,689,263**	**(157,496)**	**(18,311)**	**(45,853)**	**(40,101)**	**1,423,174**	**Common Equity Tier 1 (CET1) capital**
						-	Additional Tier 1 capital
						1,423,174	**Tier 1 capital**
						284,595	Tier 2 capital
						1,707,769	**Total capital**

31.12.2019	Equity - Prudential consolidation	Retained earnings not included in the reg. capital	Exclusion of minority interest not eligible	Prudential filters and deduction items	Regulatory capital	Item in capital and capital adequacy calculation
Share capital	**200,000**	-	-	-	**200,000**	Paid in capital instruments
Share premium	**871,378**	-	-	-	**871,378**	Share premium
Accumulated other comprehensive income	**14,364**	-	-		**14,364**	Accumulated other comprehensive income
Profit reserves	**13,522**	-	-	-	**13,522**	Other reserves
Retained earnings - from previous years	**358,648**	-	-	-	**358,648**	Retained earnings - from previous years
Retained earnings - current results	**192,496**	(157,496)	-	-	**35,000**	Current results
Minority interest	**45,015**	-	(45,015)	-	**-**	Minority interest
				(2,194)	**(2,194)**	Prudential filter: Additional valuation adjustment (AVA) (Article 34)
				(3,529)	**(3,529)**	Deduction item: Goodwill (Article 36.b)
				(36,013)	**(36,013)**	Deduction item: Other intangible assets (Article 36.b)
				-	**-**	Deduction item: Exclusion of the effect of credit impairments and provisions, when they are not included in capital (as a part
Total equity	**1,695,423**	**(157,496)**	**(45,015)**	**(41,736)**	**1,451,176**	**Common Equity Tier 1 (CET1) capital**
					-	Additional Tier 1 capital
					1,451,176	**Tier 1 capital**
					44,595	Tier 2 capital
					1,495,771	**Total capital**

During 2020 total accounting equity inreased by EUR 47 million to EUR 1,778 million as at 30 June 2020, due to higher retained earnings.

3.6. Risk factors and Outlook 2020 in light of coronavirus pandemic outbreak

Risk factors

Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the Euro area or globally, credit spreads widening, potential liquidity outflows, worsened interest rate outlook, regulatory and tax measures impacting the banks, and other geopolitical uncertainties.

Economic momentum in the region where the Group operates has worsened due to COVID-19 pandemic that started at the end of Q1 2020. Governments in the region implemented different mitigation measures, with the aim of mitigating adverse negative impacts of the pandemic. Substantial drop in the economic activity, lower industrial production and consumer spending are expected to cause an economic slowdown and increased unemployment in the region.

Based on the measures taken by the governments in Slovenia and other countries, the Group is granting an option of moratoriums on payment of obligations to all eligible borrowers due to COVID-19, which will not be treated as a trigger for significant increase of the credit risk. Nevertheless, all clients requiring the moratorium are closely monitored as their financial situation and identification of credit deterioration will lead to downgrade and will impact the IFRS 9 staging.

According to EBA Guidelines EBA/GL/2020/07 in tables from 9 to 11 the information about moratoria and guarantee schemes is disclosed. They include legislative moratoria and also other (non-legislative) moratoria, concluded as a consequence of COVID-19.

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

30.06.2020	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
	Total	Total	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Total	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Total	Total	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Total	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	1,447,158	1,411,094	19,416	221,052	36,065	21,869	30,862	(56,556)	(40,372)	(2,472)	(22,650)	(16,183)	(9,781)	(13,357)	-
of which: Households	672,209	657,896	2,198	40,960	14,313	4,516	9,374	(16,699)	(10,500)	(249)	(3,589)	(6,199)	(988)	(3,485)	-
of which: Collateralised by residential immovable property	191,782	185,659	1,229	15,897	6,123	3,542	5,160	(1,991)	(987)	(72)	(652)	(1,005)	(531)	(863)	-
of which: Non-financial corporations	755,835	734,084	17,164	179,693	21,752	17,353	21,488	(38,939)	(28,955)	(2,223)	(18,937)	(9,984)	(8,793)	(9,872)	-
of which: Small and Medium-sized Enterprises	573,912	552,160	14,450	137,567	21,752	17,353	21,488	(29,647)	(19,663)	(1,986)	(11,858)	(9,984)	(8,793)	(9,872)	-
of which: Collateralised by commercial immovable property	513,363	493,452	14,290	116,608	19,911	16,414	19,899	(26,460)	(17,501)	(1,852)	(9,783)	(8,959)	(8,088)	(8,957)	-

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

30.06.2020	Number of obligors	Gross carrying amount							
		Total	Of which: legislative moratoria	Of which: Expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	159,920	1,981,484							
Loans and advances subject to moratorium (granted)	144,072	1,693,576	1,693,576	246,418	1,103,589	48,308	143,038	139,485	12,738
of which: Households		804,889	804,889	132,680	589,549	12,561	51,670	17,980	448
of which: Collateralised by residential immovable property		248,192	248,192	56,410	145,138	5,531	32,216	8,846	50
of which: Non-financial corporations		866,181	866,181	110,346	502,361	28,395	91,368	121,422	12,290
of which: Small and Medium-sized Enterprises		676,169	676,169	102,257	451,305	24,793	36,168	55,040	6,606
of which: Collateralised by commercial immovable property		585,709	585,709	72,346	341,384	22,632	77,473	62,497	9,377

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

30.06.2020	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
Newly originated loans and advances subject to public guarantee schemes	31,164	-	9,500	
of which: Households	369			
of which: Collateralised by residential immovable property	-			
of which: Non-financial corporations	30,795	-	9,338	
of which: Small and Medium-sized Enterprises	29,500			
of which: Collateralised by commercial immovable property	3,360			

The economic slowdown is expected to have a negative impact on the existing loan portfolio quality, related cost of risk and new loan generation. Credit spread widening, arising from Groups' bond portfolio kept for liquidity purposes, influenced on the valuation effects, but with less negative impacts as at the end of Q1 2020. Therefore, the related investment strategy of the Group adapts to the expected market trends in accordance with the set risk appetite. Liquidity position of the Group is expected to remain solid, the pandemic did not result in any material liquidity outflows. However, such circumstances are expected to have a negative impact on the Group's current operating results and related profitability. 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,
- Other relevant market indicators.

The Group developed a set of new macroeconomic scenarios, based on the forecasts prepared by the EC, IMF, UMAR, BoS and other reliable experts, and related off-set measures, approved by the governments in the region. These scenarios, which are currently based on the expected U-crisis (severe deterioration of macroeconomic indicators in 2020 and moderate positive growth in 2021), and integrating government mitigation measures are included in the calculation of expected credit losses in accordance with IFRS 9.

The Group established a comprehensive internal stress testing framework and early warning systems in different risk areas with built-in risk factors, relevant to the Group's business model. Stress testing framework is integrated into Risk Appetite, ICAAP, ILAAP and Recovery Plan to determine how severely unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position. Both, 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 different internal policies, and are applied when necessary. Moreover, selection and application of mitigation measures follows a three-layer approach, considering feasibility analysis of the measure, its impact on the Group's business model and the strength of available measure.

Outlook 2020

In the Eurozone, the economy could contract 7.5% in 2020 with the health crisis suppressing investment activity and consumer spending. Large fiscal responses to the crisis could complicate fiscal sustainability in fiscally less prudent countries. However, stimulus and recovery measures at national and EU level could cushion the overall impact of COVID-19. In Slovenia, the economy is expected to contract 5.7% in 2020, while the economic output in the NLB Group's region could on average contract 4.9% in 2020. Since the virus is still present and several restrictions remain in place, the recovery will be gradual and uneven across the countries. Recurrences of major outbreaks of the epidemic and potential reinstatement of rigorous measures to contain the spread of the COVID-19 represent a key downside risk to the outlook. The latter is therefore highly dependent on the capacity of countries to deal with the second wave of infections.

Following the indications of the outbreak of the COVID-19 in March in Slovenia and SEE, the Group has taken the necessary measures to protect its customers and employees by ensuring the relevant safety conditions and making sure services offered by the Group are provided without disruptions. As the presence of the COVID-19 continues, it is challenging to predict the full extent and duration of its business and economic implications.

The overall slow-down of the economy is expected to have a negative impact on new loan generation and consequently lower net interest income than previously expected. Margins are expected to be under further pressure. Additional pressure on interest income in retail market in Slovenia is expected due to regulatory restrictions on consumer lending put in place by the end of 2019. A negative effect is expected also on fees and commissions because of lower volumes of payment and card operations and bancassurance products.

Nevertheless, the Group continues to strive for increasing margins over time by emphasising higher margin activities and pursuing new opportunities such as leasing (the newly established company NLB Lease&Go started its operations in Q2 2020).

Due to slower business operations linked to moratoriums and the crisis, some of the activities of the Group are expected to be cancelled or postponed; which is expected to result in lower costs. On the other hand, costs related to protection of health - hygiene, safety products and transportation, resulting from the current situation, are expected to increase. The Group is taking active measures to further reduce the operating costs.

Due to the impact of worsened macroeconomic environment in H1 2020 the Group made one-off adjustment of expected credit losses in accordance with new macro forecasts, resulting in an increase of cost of risk. The cost of risk for 2020 is, based on the current understanding and anticipated consequences, expected to be in a range up to 150 bps, although this will depend on the length and severity of disruption in corporate operations and consumer spending. An important factor, however in its magnitude still hard to assess, is expected to be the impact of off-setting measures imposed by the governments, where special focus is on retail automatic stabilisers (special social transfers for employees and the self-employed affected by the crisis) and public guarantee schemes ensuring liquidity for companies. While there are currently not yet indications which would allow to relax assumptions on cost of risk in 2020 at Strategic Foreign Markets of the Group, Slovenia has so far managed the COVID-19 situation very well, among others due to a variety of decisive governmental measures. Due to the fact that the Group has still the majority of its business activities in Slovenia, there are first indications, that if the positive trend in Slovenia continues, the Group might not entirely utilize the range of up to 150 bps cost of risk in 2020.

Clients who apply for a moratorium, as a response to COVID-19 epidemic in the region where the Group operates, will not automatically fall into the forbearance category, as per IFRS 9 and the definition of default. The Group regularly assesses the credit quality of the exposures benefiting from these measures and identifies any situation of unlikeness to pay. In H1 2020 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.

From liquidity perspective the Group did not register any material liquidity outflows, on the contrary, deposits at the Group level are still increasing (in the Bank and subsidiary banks). Even if a very unfavourable liquidity scenario materialized, the Group holds sufficient liquidity reserves in the form of placements at the ECB, prime debt securities, and money market placements. However, significant deposit inflows are putting additional pressure on the profitability.

The Group’s capital position was due to the inclusion of subordinated Tier 2 notes and inclusion of undistributed profit for the year 2019 even stronger at the end of H1 2020 and stood at 20.5%; it 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, also in the aggravated circumstances during COVID-19 pandemic. The recently adopted ECB measures allow the Group to benefit from the lower capital requirements, while due to the ECB Recommendation on dividend distributions during the COVID-19 pandemic towards European banks, accompanied also with the BoS restriction on dividend distributions applicable for Slovenian banks, the Bank is not expected to pay out any dividends in 2020. As of 31 July

2020, the capital position was further sthrenghtened by the implementation of RWA reduction measure (MIGA guarantee with EUR 303.1 million RWA reduction, and SME supporting factor with app. EUR 170 million RWA reduction).

Regarding the process of potential acquisition of Komercijalna banka a.d. Beograd in Serbia (share purchase agreement signed in February 2020, closing process pending), the timing and eventual outcome of the transaction is still subject to regulatory and anti-trust approvals in multiple jurisdictions, as well as other factors, some of which are also related to the wider implications of COVID-19. Therefore, any potential effects the aforementioned acquisition might have are not included in the outlook.

4. Credit risk and general information on CRM

4.1. Credit quality of exposures by exposure class and instrument types (Article 442 g and h of CRR)

Table 12 – EU CR1-A – Credit quality of exposures by exposure class and instrument types of NLB Group

	30.06.2020	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
16	Central governments or central banks	-	5,170,770	-	7,872	-	402	5,162,897
17	Regional governments or local authorities	-	149,357	-	3,810	-	582	145,547
18	Public sector entities	-	162,666	-	2,837	-	298	159,829
19	Multilateral development banks	-	91,717	-	19	-	1	91,698
20	International organisations	-	25,277	-	70	-	42	25,207
21	Institutions	-	695,371	-	716	1	(502)	694,655
22	Corporates	223	3,636,625	224	57,760	1	6,021	3,578,864
23	*Of which: SMEs*	223	1,557,797	224	30,961	1	933	1,526,835
24	Retail	-	5,422,154	-	55,273	9	7,737	5,366,881
25	*Of which: SMEs*	-	1,629,363	-	20,413	7	4,358	1,608,949
26	Secured by mortgages on immovable property	-	957,596	-	4,104	2	1,565	953,493
27	*Of which: SMEs*	-	180,946	-	2,890	2	1,006	178,056
28	Exposures in default	367,080	-	213,198	-	13,434	14,000	153,882
29	Items associated with particularly high risk	75,655	204,888	53,972	7,008	-	2,801	219,563
30	Covered bonds	-	356,170	-	410	-	(10)	355,760
31	Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-
32	Collective investments undertakings	-	51,191	-	-	-	-	51,191
33	Equity exposures	-	12,391	-	-	-	-	12,391
34	Other exposures	487	721,137	25	271	-	(144)	721,327
35	***Total standardised approach***	**443,445**	**17,657,309**	**267,420**	**140,149**	**13,447**	**32,793**	**17,693,185**
36	***Total***	**443,445**	**17,657,309**	**267,420**	**140,149**	**13,447**	**32,793**	**17,693,185**
37	Of which: Loans	395,861	7,856,390	244,939	111,481	13,447	30,299	7,895,831
38	Of which: Debt securities	798	3,421,206	798	8,148	-	242	3,413,058
39	Of which: Off- balance-sheet exposures	46,253	2,885,763	21,683	19,773	-	2,026	2,890,561

	31.12.2019	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
16	Central governments or central banks	-	4,462,173	-	7,592	-	1,379	4,454,581
17	Regional governments or local authorities	-	136,196	-	3,231	-	719	132,965
18	Public sector entities	-	153,101	-	2,437	-	181	150,664
19	Multilateral development banks	-	107,075	-	18	-	(10)	107,057
20	International organisations	-	25,252	-	28	-	7	25,225
21	Institutions	-	738,974	-	629	3	(1,228)	738,346
22	Corporates	249	3,533,690	224	44,693	9	(1,565)	3,489,022
23	*Of which: SMEs*	249	1,486,715	224	28,307	9	9,858	1,458,433
24	Retail	-	5,156,443	-	47,074	221	(5,656)	5,109,369
25	*Of which: SMEs*	-	1,427,072	-	16,647	36	(181)	1,410,425
26	Secured by mortgages on immovable property	-	978,427	-	2,684	-	(8,334)	975,744
27	*Of which: SMEs*	-	171,330	-	1,821	-	767	169,509
28	Exposures in default	370,731	-	214,622	-	105,638	6,437	156,110
29	Items associated with particularly high risk	73,268	186,072	53,143	5,147	29,855	(5,689)	201,050
30	Covered bonds	-	360,037	-	428	-	99	359,609
32	Collective investments undertakings	-	51,718	-	-	-	-	51,718
33	Equity exposures	3,290	15,722	-	-	-	-	19,012
34	Other exposures	538	676,322	26	152	2	342	676,682
35	***Total standardised approach***	**448,076**	**16,581,203**	**268,014**	**114,112**	**135,727**	**(13,318)**	**16,647,152**
36	***Total***	**448,076**	**16,581,203**	**268,014**	**114,112**	**135,727**	**(13,318)**	**16,647,152**
37	Of which: Loans	372,579	9,515,271	240,376	90,816	135,727	(14,997)	9,556,657
38	Of which: Debt securities	798	3,741,975	798	7,943	-	1,367	3,734,031
39	Of which: Off- balance-sheet exposures	70,833	2,566,933	26,840	15,354	-	312	2,595,572

In first half of 2020, gross exposure increased by EUR 1,071 million, mostly in the segment Central government or central banks, Corporate and Retail segment.

Table 13 – EU CR1-B – Credit quality of exposures by industry or counterparty types of NLB Group

30.06.2020	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Agriculture, forestry and fishing	7,081	158,365	4,978	3,112	182	2,634	157,356
Mining and quarrying	64	26,834	50	515	1	181	26,333
Manufacturing	46,427	1,403,263	29,414	26,434	920	8,320	1,393,842
Electricity, gas, steam and air conditioning supply	2,912	323,818	1,559	4,576	2	1,449	320,595
Water supply	329	59,658	240	836	-	232	58,912
Construction	60,413	619,719	39,731	10,784	1,110	1,375	629,617
Wholesale and retail trade	117,733	1,182,532	71,468	17,679	622	1,164	1,211,118
Transport and storage	17,929	748,668	13,382	5,987	122	2,684	747,227
Accommodation and food service activities	18,288	108,030	6,630	2,885	69	1,701	116,803
Information and communication	4,399	282,507	2,591	5,654	2	1,914	278,662
Real estate activities	16,362	207,055	11,489	3,663	32	(540)	208,264
Professional, scientific and technical activities	39,739	412,082	25,389	4,129	72	1,421	422,303
Administrative and support service activities	4,716	139,922	2,600	1,417	4	932	140,621
Public administration and defence, compulsory social security	318	206,131	317	4,718	-	605	201,414
Education	34	17,642	14	734	-	(8)	16,928
Human health services and social work activities	4,197	28,510	2,149	519	1	101	30,039
Arts, entertainment and recreation	1,605	23,572	694	726	3	33	23,757
Other services	100,899	11,709,001	54,725	45,781	10,306	8,595	11,709,394
Total	**443,445**	**17,657,309**	**267,420**	**140,149**	**13,447**	**32,793**	**17,693,185**

31.12.2019	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Agriculture, forestry and fishing	7,625	144,066	5,334	2,378	1,826	979	143,978
Mining and quarrying	1,788	19,800	1,307	326	1,683	(1,086)	19,956
Manufacturing	53,037	1,313,284	31,804	16,261	15,988	(377)	1,318,256
Electricity, gas, steam and air conditioning supply	3,503	266,133	1,775	2,750	1	1,143	265,110
Water supply	110	53,905	57	601	43	90	53,356
Construction	63,719	527,545	38,832	6,788	32,321	(3,769)	545,644
Wholesale and retail trade	121,554	1,120,435	74,969	17,040	46,878	(158)	1,149,981
Transport and storage	16,272	753,332	11,916	3,493	436	(6,857)	754,195
Accommodation and food service activities	10,861	93,363	4,929	2,159	863	1,552	97,135
Information and communication	2,127	291,163	1,434	3,430	27	213	288,425
Real estate activities	16,534	203,742	11,600	4,456	9,023	(5,271)	204,220
Professional, scientific and technical activities	44,174	299,186	25,244	2,114	4,032	3,358	316,002
Administrative and support service activities	3,539	170,570	2,284	1,855	882	(264)	169,970
Public administration and defence, compulsory social security	329	192,368	327	4,120	6	(159)	188,250
Education	63	14,098	17	583	5	133	13,562
Human health services and social work activities	4,546	26,834	2,127	525	57	25	28,728
Arts, entertainment and recreation	1,526	26,280	681	722	54	(4)	26,402
Other services	96,771	11,065,098	53,376	44,512	21,604	(2,866)	11,063,982
Total	**448,076**	**16,581,203**	**268,014**	**114,112**	**135,727**	**(13,318)**	**16,647,152**

Manufacturing and Wholesale and retail trade remain the strongest industries in first half of 2020, first representing around 8% of total gross exposure and the latter around 7%. Non-defaulted exposures increased most in the Professional, scientific and technical activities, Construction industry, Manufacturing and Wholesale and retail trade segments. Other services represent all client segments that are not considered non-financial corporations (including Central government, Retail and Institutions).

Table 14 – EU CR1-C – Credit quality of exposures by geography of NLB Group

30.06.2020	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Slovenia	170,934	9,669,512	75,471	54,422	4,008	18,285	9,710,553
North Macedonia	58,729	1,666,692	40,450	26,593	1,187	7,872	1,658,378
Bosnia and Herzegovina	47,940	1,405,022	36,374	19,681	5,885	7,993	1,396,907
Kosovo	13,280	886,457	11,981	23,925	2	4,087	863,831
Serbia	34,612	902,021	22,081	6,333	1,770	2,068	908,218
Montenegro	78,648	644,287	50,833	5,908	185	2,184	666,193
Other countries	39,303	2,483,319	30,229	3,288	411	(9,696)	2,489,105
Total	**443,445**	**17,657,309**	**267,420**	**140,149**	**13,447**	**32,793**	**17,693,185**

31.12.2019	Gross carrying values of Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
Slovenia	186,399	8,504,231	79,378	35,769	18,677	1,981	8,575,483
North Macedonia	50,567	1,591,286	34,854	26,163	11,620	7,198	1,580,836
Bosnia and Herzegovina	48,563	1,386,506	38,664	17,840	23,631	(3,035)	1,378,565
Kosovo	12,068	867,660	10,490	20,922	2,953	3,591	848,315
Serbia	36,103	838,097	23,190	5,063	24,794	777	845,947
Montenegro	73,128	606,334	49,717	5,147	30,163	893	624,598
Other countries	41,249	2,787,089	31,721	3,209	23,889	(24,723)	2,793,409
Total	**448,076**	**16,581,203**	**268,014**	**114,112**	**135,727**	**(13,318)**	**16,647,152**

Slovenia is the biggest market for NLB Group with 54% of gross exposure in the first half of 2020, followed by North Macedonia (10%), Bosnia and Herzegovina (8%) and other countries where the Group's banking subsidiaries are established. Nevertheless, the growth rate of gross exposure in countries where banking subsidiaries are established exceeds the growth in Slovenia. The increase of non-default exposures was the highest in Slovenia, however this also includes exposures to Central governments as part of liquidity management.

4.2. Non-performing and forborne exposures

(Article 442 g and i of CRR)

Table 15 – NPL Template 1 – Credit quality of forborne exposures for NLB Group

	30.06.2020	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	
			Non-performing forborne						
		Performing forborne	Total	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1	**Loans and advances**	**53,881**	**221,916**	**221,916**	**221,916**	**(5,071)**	**(138,304)**	**124,280**	**79,190**
3	General governments	-	5,836	5,836	5,836	-	(2,705)	3,131	3,131
5	Other financial corporations	54	1,943	1,943	1,943	-	(1,943)	54	-
6	Non-financial corporations	44,496	191,035	191,035	191,035	(4,051)	(126,525)	99,692	61,640
7	Households	9,331	23,102	23,102	23,102	(1,020)	(7,131)	21,403	14,419
9	Loan commitments given	1,330	348	348	348	(40)	(331)	722	-
10	**Total**	**55,211**	**222,264**	**222,264**	**222,264**	**(5,111)**	**(138,635)**	**125,002**	**79,190**

	31.12.2019	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	
			Non-performing forborne						
		Performing forborne	Total	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1	**Loans and advances**	**65,090**	**216,582**	**216,582**	**216,582**	**(4,940)**	**(139,455)**	**131,013**	**72,053**
3	General governments	-	5,945	5,945	5,945	-	(2,725)	3,219	3,219
5	Other financial corporations	24	1,935	1,935	1,935	-	(1,935)	24	-
6	Non-financial corporations	53,970	186,840	186,840	186,840	(4,464)	(128,327)	104,577	54,682
7	Households	11,096	21,862	21,862	21,862	(476)	(6,468)	23,193	14,152
9	Loan commitments given	1,520	894	894	894	(7)	(835)	1,309	60
10	**Total**	**66,610**	**217,476**	**217,476**	**217,476**	**(4,947)**	**(140,290)**	**132,322**	**72,113**

Table 16 – NPL Template 3 – Credit quality of performing and non-performing exposures by past due days for NLB Group

30.06.2020	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**7,856,390**	**7,728,785**	**127,605**	**396,087**	**146,920**	**30,767**	**28,896**	**51,281**	**36,178**	**12,332**	**89,713**	**396,087**
Central banks	7	7	-	-	-	-	-	-	-	-	-	
General governments	331,147	331,086	61	7,492	7,111	-	381	-	-	-	-	7,492
Credit institutions	118,415	118,410	5	14	14	-	-	-	-	-	-	14
Other financial corporations	116,430	116,426	4	2,518	19	-	-	317	239	1,943	-	2,518
Non-financial corporations	3,177,323	3,113,844	63,479	288,334	100,500	17,657	14,288	37,425	28,263	9,015	81,186	288,334
Of which SMEs	1,910,617	1,886,110	24,507	222,806	60,471	17,655	14,287	32,192	22,403	9,014	66,784	222,806
Households	4,113,068	4,049,012	64,056	97,729	39,276	13,110	14,227	13,539	7,676	1,374	8,527	97,729
Debt securities	**3,436,180**	**3,436,180**	**-**	**798**	**798**	**-**	**-**	**-**	**-**	**-**	**-**	**798**
Central banks	27,644	27,644	-	-	-	-	-	-	-	-	-	-
General governments	2,514,713	2,514,713	-	-	-	-	-	-	-	-	-	-
Credit institutions	765,185	765,185	-	-	-	-	-	-	-	-	-	-
Other financial corporations	34,871	34,871	-	798	798	-	-	-	-	-	-	798
Non-financial corporations	93,767	93,767	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**2,849,112**			**46,234**								**46,234**
Central banks	130			-								-
General governments	143,478			66								66
Credit institutions	81,672			36								36
Other financial corporations	15,932			24								24
Non-financial corporations	1,996,353			44,921								44,921
Households	611,547			1,187								1,187
Total	**14,141,682**	**11,164,965**	**127,605**	**443,119**	**147,718**	**30,767**	**28,896**	**51,281**	**36,178**	**12,332**	**89,713**	**443,119**

Due to change in the methodology as of 30 June 2020 Cash balances at central banks and other demand deposits are not included between Loans and advances.

31.12.2019	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**9,515,270**	**9,448,273**	**66,997**	**372,872**	**147,412**	**19,073**	**22,150**	**46,497**	**32,233**	**16,774**	**88,733**	**372,872**
Central banks	1,569,762	1,569,761	1	-	-	-	-	-	-	-	-	-
General governments	311,430	311,414	16	7,695	7,214	1	62	-	318	-	100	7,695
Credit institutions	307,573	307,566	7	15	15	-	-	-	-	-	-	15
Other financial corporations	111,293	111,289	4	2,503	7	-	-	317	244	1,935	-	2,503
Non-financial corporations	3,114,113	3,097,074	17,039	269,408	102,866	9,721	10,974	33,039	22,906	12,441	77,461	269,408
Of which SMEs	1,833,488	1,824,775	8,713	210,093	73,410	9,015	8,239	22,882	21,021	12,440	63,086	210,093
Households	4,101,099	4,051,169	49,930	93,251	37,310	9,351	11,114	13,141	8,765	2,398	11,172	93,251
Debt securities	**3,755,354**	**3,755,354**	**-**	**798**	**798**	**-**	**-**	**-**	**-**	**-**	**-**	**798**
Central banks	66,080	66,080	-	-	-	-	-	-	-	-	-	-
General governments	2,731,971	2,731,971	-	-	-	-	-	-	-	-	-	-
Credit institutions	827,835	827,835	-	-	-	-	-	-	-	-	-	-
Other financial corporations	35,736	35,736	-	798	798	-	-	-	-	-	-	798
Non-financial corporations	93,732	93,732	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**2,525,249**			**58,996**								**58,996**
Central banks	128			-								-
General governments	30,094			78								78
Credit institutions	72,040			95								95
Other financial corporations	11,837			92								92
Non-financial corporations	1,844,465			57,622								57,622
Households	566,685			1,109								1,109
Total	**15,795,873**	**13,203,627**	**66,997**	**432,666**	**148,210**	**19,073**	**22,150**	**46,497**	**32,233**	**16,774**	**88,733**	**432,666**

Table 17 – NPL Template 4 – Performing and non-performing exposures and related provisions for NLB Group

30.06.2020	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	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				On performing exposures	On non-performing exposures
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3			
Loans and advances	**7,856,390**	**7,369,245**	**487,145**	**396,087**	**-**	**366,034**	**(111,481)**	**(69,315)**	**(42,166)**	**(244,939)**	**-**	**(239,814)**	**(13,447)**	**3,350,629**	**176,759**
Central banks	7	7	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	331,147	327,368	3,779	7,492	-	7,492	(4,828)	(4,391)	(437)	(3,026)	-	(3,026)	(99)	95,076	3,131
Credit institutions	118,415	118,412	3	14	-	14	(192)	(192)	-	(11)	-	(11)	(7)	997	-
Other financial corporations	116,430	115,254	1,176	2,518	-	2,518	(583)	(580)	(3)	(2,499)	-	(2,499)	(5)	16,650	-
Non-financial corporations	3,177,323	2,805,660	371,663	288,334	-	258,281	(70,351)	(39,264)	(31,087)	(187,022)	-	(181,897)	(2,910)	1,926,573	90,130
Of which SMEs	1,910,617	1,655,602	255,015	222,806	-	222,733	(47,377)	(26,811)	(20,566)	(155,932)	-	(155,859)	(1,998)	1,252,369	58,166
Households	4,113,068	4,002,544	110,524	97,729	-	97,729	(35,527)	(24,888)	(10,639)	(52,381)	-	(52,381)	(10,426)	1,311,333	83,498
Debt securities	**3,436,180**	**3,435,898**	**282**	**798**	**-**	**798**	**(8,148)**	**(8,108)**	**(40)**	**(798)**	**-**	**(798)**	**-**	**154,884**	**-**
Central banks	27,644	27,644	-	-	-	-	(25)	(25)	-	-	-	-	-	-	-
General governments	2,514,713	2,514,431	282	-	-	-	(6,976)	(6,936)	(40)	-	-	-	-	-	-
Credit institutions	765,185	765,185	-	-	-	-	(788)	(788)	-	-	-	-	-	77,174	-
Other financial corporations	34,871	34,871	-	798	-	798	(98)	(98)	-	(798)	-	(798)	-	7,023	-
Non-financial corporations	93,767	93,767	-	-	-	-	(261)	(261)	-	-	-	-	-	70,687	-
Off-balance-sheet exposures	**2,849,112**	**2,751,549**	**97,563**	**46,234**	**-**	**46,234**	**(19,773)**	**(16,560)**	**(3,213)**	**(21,683)**	**-**	**(21,683)**		**311,171**	**10,839**
Central banks	130	130	-	-	-	-	-	-	-	-	-	-		-	-
General governments	143,478	143,407	71	66	-	66	(1,150)	(1,149)	(1)	(11)	-	(11)		19	-
Credit institutions	81,672	81,672	-	36	-	36	(100)	(100)	-	(4)	-	(4)		714	-
Other financial corporations	15,932	15,819	113	24	-	24	(26)	(25)	(1)	(5)	-	(5)		6,142	-
Non-financial corporations	1,996,353	1,902,868	93,485	44,921	-	44,921	(15,581)	(12,501)	(3,080)	(21,190)	-	(21,190)		300,105	10,717
Households	611,547	607,653	3,894	1,187	-	1,187	(2,916)	(2,785)	(131)	(473)	-	(473)		4,191	122
Total	**14,141,682**	**13,556,692**	**584,990**	**443,119**	**-**	**413,066**	**(139,402)**	**(93,983)**	**(45,419)**	**(267,420)**	**-**	**(262,295)**	**(13,447)**	**3,816,684**	**187,598**

Due to change in the methodology as of 30 June 2020 Cash balances at central banks and other demand deposits are not included between Loans and advances.

31.12.2019	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			Accumu-lated partial write-off	On performing exposures	On non-performing exposures
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3			
Loans and advances	**9,515,270**	**9,042,645**	**472,625**	**372,872**	**-**	**354,689**	**(90,815)**	**(57,598)**	**(33,217)**	**(240,377)**	**-**	**(237,155)**	**(135,727)**	**4,041,451**	**112,000**
Central banks	1,569,762	1,569,762	-	-	-	-	(476)	(476)	-	-	-	-	-	-	-
General governments	311,430	307,344	4,086	7,695	-	7,695	(4,125)	(3,724)	(401)	(3,202)	-	(3,202)	-	102,012	3,219
Credit institutions	307,573	306,490	1,083	15	-	15	(229)	(223)	(6)	(15)	-	(15)	-	998	-
Other financial corporations	111,293	110,593	700	2,503	-	2,503	(397)	(388)	(9)	(2,500)	-	(2,500)	-	18,345	-
Non-financial corporations	3,114,113	2,761,695	352,418	269,408	-	251,225	(55,744)	(29,677)	(26,067)	(183,909)	-	(180,687)	(113,561)	1,899,616	76,749
Of which SMEs	1,833,488	1,669,942	163,546	210,093	-	209,662	(41,509)	(26,483)	(15,026)	(151,095)	-	(151,021)	(86,989)	1,207,706	53,348
Households	4,101,099	3,986,761	114,338	93,251	-	93,251	(29,844)	(23,110)	(6,734)	(50,751)	-	(50,751)	(22,166)	2,020,480	32,032
Debt securities	**3,755,354**	**3,755,049**	**305**	**798**	**-**	**798**	**(7,943)**	**(7,901)**	**(42)**	**(798)**	**-**	**(798)**	**-**	**-**	**-**
Central banks	66,080	66,080	-	-	-	-	(60)	(60)	-	-	-	-	-	-	-
General governments	2,731,971	2,731,666	305	-	-	-	(6,836)	(6,794)	(42)	-	-	-	-	-	-
Credit institutions	827,835	827,835	-	-	-	-	(837)	(837)	-	-	-	-	-	-	-
Other financial corporations	35,736	35,736	-	798	-	798	(39)	(39)	-	(798)	-	(798)	-	-	-
Non-financial corporations	93,732	93,732	-	-	-	-	(171)	(171)	-	-	-	-	-	-	-
Off-balance-sheet exposures	**2,525,249**	**2,404,459**	**120,790**	**58,996**	**-**	**58,996**	**(15,354)**	**(12,910)**	**(2,444)**	**(24,068)**	**-**	**(24,068)**		**325,973**	**15,983**
Central banks	128	128	-	-	-	-	-	-	-	-	-	-		-	-
General governments	30,094	30,020	74	78	-	78	(388)	(387)	(1)	(18)	-	(18)		2,462	-
Credit institutions	72,040	72,040	-	95	-	95	(25)	(25)	-	(25)	-	(25)		711	-
Other financial corporations	11,837	11,733	104	92	-	92	(49)	(48)	(1)	(74)	-	(74)		2,040	-
Non-financial corporations	1,844,465	1,729,741	114,724	57,622	-	57,622	(11,408)	(9,133)	(2,275)	(23,561)	-	(23,561)		315,867	15,829
Households	566,685	560,797	5,888	1,109	-	1,109	(3,484)	(3,317)	(167)	(390)	-	(390)		4,893	154
Total	**15,795,873**	**15,202,153**	**593,720**	**432,666**	**-**	**414,483**	**(114,112)**	**(78,409)**	**(35,703)**	**(265,243)**	**-**	**(262,021)**	**(135,727)**	**4,367,424**	**127,983**

Table 18 – NPL Template 9 – Collateral obtained by taking possession and execution processes of NLB Group

	30.06.2020	Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	7	-
2	Other than PP&E	114,460	(32,588)
3	Residential immovable property	11,172	(2,259)
4	Commercial immovable property	102,338	(30,227)
5	Movable property (auto, shipping, etc.)	934	(88)
7	Other	16	(14)
8	**Total**	**114,467**	**(32,588)**

	31.12.2019	Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
2	Other than PP&E	119,034	(33,483)
3	Residential immovable property	12,445	(3,430)
4	Commercial Immovable property	105,871	(31,082)
7	Other	718	1,029
8	**Total**	**119,034**	**(33,483)**

Table 19 – EU CR2-A – Changes in the stock of general and specific credit risk adjustments of NLB Group

	H1 2020		**2019**	
	Accumulated specific credit risk adjustment	**Accumulated general credit risk adjustment**	**Accumulated specific credit risk adjustment**	**Accumulated general credit risk adjustment**
Opening balance	(268,014)	(114,113)	(419,580)	(96,865)
Increases due to amounts set aside for estimated loan losses during the period	(24,033)	(42,724)	(14,510)	(61,760)
Decreases due to amounts reversed for estimated loan losses during the period	11,128	16,558	27,941	44,271
Decreases due to amounts taken against accumulated credit risk adjustments	13,435	12	135,456	271
Transfers between credit risk adjustments	-	-	-	-
Other adjustments	64	118	2,679	(30)
Closing balance	(267,420)	(140,149)	(268,014)	(114,113)
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	6,278	-	17,376	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-	-	-

Credit impairments and provisions were net established in total net amount of EUR 32.8 million (in 2019 net release EUR 13.3 million) mostly due to reflection of all parameters for credit impairments and provisions related to COVID-19 outbreak. The cost of risk increased from -20 basis points to +85 basis points.

Table 20 – EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities of NLB Group

	H1 2020	2019
	Gross carrying value defaulted exposures	**Gross carrying value defaulted exposures**
Opening balance	**373,377**	**614,278**
Loans and debt securities that have defaulted or impaired since the last reporting period	47,359	52,982
Returned to non-defaulted status	(16,859)	(54,579)
Amounts written off	(13,447)	(135,727)
Other changes	6,229	(103,577)
Closing balance	**396,659**	**373,377**

In first half of 2020, there was increase of default exposures that amounted to EUR 23 million or 6% of the initial default exposure volume. New default flow represents 12% of the defaulted portfolio in first half of 2020.

4.3. Use of credit risk mitigation techniques

(Article 453 f and g of CRR)

Table 21 – EU CR3 – CRM techniques – Overview of NLB Group

30.06.2020	**Exposures unsecured – Carrying amount**	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
Total loans	7,339,514	556,317	518,726	473,181	-
Total debt securities	3,281,653	131,406	131,193	131,193	-
Total exposures	**10,621,166**	**687,722**	**649,919**	**604,374**	**-**
Of which defaulted	10,246	26,142	435	19	-

31.12.2019	**Exposures unsecured – Carrying amount**	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
Total loans	8,954,623	602,034	560,587	512,692	-
Total debt securities	3,599,835	134,196	126,189	126,189	-
Total exposures	**12,554,459**	**736,230**	**686,776**	**638,881**	**-**
Of which defaulted	4,134	17,831	351	15	-

In first half of 2020, the secured part of the portfolio represents 6.1% of the total portfolio. However, it has to be considered that such low share is due to stick rules applied to the eligible collateral in the standardised approach. The values of secured exposure decreased in first half of 2020, primarily due to repayment of exposure with state guarantees.

Table 22 – EU CR4 – Standardised approach – Credit risk exposure and CRM effects of NLB Group

	30.06.2020	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	5,156,502	6,395	5,805,261	14,261	1,178,194	20%
2	Regional government or local authorities	134,501	11,046	134,501	3,007	61,601	45%
3	Public sector entities	135,151	24,678	131,099	4,946	105,356	77%
4	Multilateral development banks	91,698	-	91,698	-	-	-
5	International organisations	25,207	-	25,207	-	-	-
6	Institutions	605,071	89,584	544,500	23,215	176,365	31%
7	Corporates	2,372,343	1,206,521	1,832,110	308,584	2,107,237	98%
8	Retail	3,926,418	1,440,463	3,891,862	319,676	2,990,454	71%
9	Secured by mortgages on immovable property	939,136	14,357	939,136	3,777	358,391	38%
10	Exposures in default	129,312	24,570	128,888	5,969	155,209	115%
11	Exposures associated with particularly high risk	147,803	71,761	139,537	11,970	227,261	150%
12	Covered bonds	355,760	-	355,760	-	39,445	11%
14	Collective investment undertakings	51,191	-	51,191	-	12,344	24%
15	Equity	12,391	-	12,391	-	24,292	196%
16	Other items	720,141	1,186	719,484	236	350,964	49%
17	**Total**	**14,802,624**	**2,890,561**	**14,802,624**	**695,642**	**7,787,113**	**50.3%**

	31.12.2019	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	4,432,299	22,282	5,119,059	15,761	1,234,573	24%
2	Regional government or local authorities	131,446	1,519	131,446	304	58,943	45%
3	Public sector entities	132,080	18,583	127,484	3,153	102,111	78%
4	Multilateral development banks	107,057	-	107,057	-	-	-
5	International organisations	25,225	-	25,225	-	-	-
6	Institutions	657,746	80,600	603,871	22,343	208,104	33%
7	Corporates	2,371,174	1,117,847	1,785,630	290,571	2,044,864	98%
8	Retail	3,889,344	1,220,025	3,852,615	268,701	2,934,373	71%
9	Secured by mortgages on immovable property	961,232	14,512	961,232	3,897	363,798	38%
10	Exposures in default	112,116	43,994	111,778	10,074	139,956	115%
11	Exposures associated with particularly high risk	126,076	74,975	121,325	14,903	204,343	150%
12	Covered bonds	359,609	-	359,609	-	39,589	11%
14	Collective investment undertakings	51,718	-	51,718	-	13,287	26%
15	Equity	19,012	-	19,012	-	35,375	186%
16	Other items	675,448	1,235	674,520	247	340,914	51%
17	**Total**	**14,051,581**	**2,595,572**	**14,051,581**	**629,955**	**7,720,230**	**52.6%**

The table shows exposures before CRM and CCF, exposure post-CCF and -CRM and RWA for all customer segments. In first half of 2020, the increase of both types of exposures was noticed in the Central governments or central banks and Retail 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 decreased from 52.6% in 2019 to 50.3% in first half of 2020.

5. Use of ratings by external rating institutions (ECAI)

(Article 444 e of CRR)

Table 23 – EU CR5 – Standardised approach of NLB Group

	30.06.2020	Risk weight																	Of which
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	unrated
1	Central governments or central banks	4,585,447	-	-	-	67,006	-	99,330	-	-	1,035,986	-	31,753	-	-	-	-	5,819,523	5,819,523
2	Regional government or local authorities	22,910	-	-	-	66,247	-	-	-	-	48,352	-	-	-	-	-	-	137,508	137,508
3	Public sector entities	13,970	-	-	-	2,042	-	30,171	-	-	89,862	-	-	-	-	-	-	136,045	136,045
4	Multilateral development banks	91,698	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,698	91,698
5	International organisations	25,207	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,207	25,207
6	Institutions	-	-	-	-	377,895	-	178,068	-	-	11,752	-	-	-	-	-	-	567,715	79,207
7	Corporates	-	-	-	-	-	-	-	-	-	2,140,695	-	-	-	-	-	-	2,140,695	2,140,695
8	Retail	-	-	-	-	-	-	-	-	4,211,538	-	-	-	-	-	-	-	4,211,538	4,211,538
9	Secured by mortgages on immovable property	-	-	-	-	-	701,444	241,469	-	-	-	-	-	-	-	-	-	942,913	942,913
10	Exposures in default	-	-	-	-	-	-	-	-	-	94,152	40,705	-	-	-	-	-	134,857	134,857
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	151,507	-	-	-	-	-	151,507	151,507
12	Covered bonds	-	-	-	317,066	38,694	-	-	-	-	-	-	-	-	-	-	-	355,760	111,092
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	6,539	-	-	-	-	44,652	-	51,191	51,191
15	Equity	-	-	-	-	-	-	-	-	-	4,457	-	7,934	-	-	-	-	12,391	12,391
16	Other items	362,340	-	-	-	8,020	-	-	-	-	349,360	-	-	-	-	-	-	719,720	703,511
17	**Total**	**5,101,572**	**-**	**-**	**317,066**	**559,903**	**701,444**	**549,038**	**-**	**4,211,538**	**3,781,155**	**192,212**	**39,687**	**-**	**-**	**44,652**	**-**	**15,498,267**	**14,748,883**

	31.12.2019	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which unrated
		Risk weight																	
1	Central governments or central banks	3,822,314	-	-	-	82,708	-	111,890	-	-	1,088,408	-	29,500	-	-	-	-	5,134,820	5,134,820
2	Regional government or local authorities	22,944	-	-	-	62,328	-	-	-	-	46,478	-	-	-	-	-	-	131,750	131,750
3	Public sector entities	14,140	-	-	-	107	-	28,602	-	-	87,789	-	-	-	-	-	-	130,637	130,637
4	Multilateral development banks	107,057	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,057	107,057
5	International organisations	25,225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,225	25,225
6	Institutions	-	-	-	-	375,734	-	235,047	-	-	15,434	-	-	-	-	-	-	626,215	63,164
7	Corporates	-	-	-	-	-	-	-	-	-	2,076,201	-	-	-	-	-	-	2,076,201	2,076,201
8	Retail	-	-	-	-	-	-	-	-	4,121,316	-	-	-	-	-	-	-	4,121,316	4,121,316
9	Secured by mortgages on immovable property	-	-	-	-	-	738,001	227,128	-	-	-	-	-	-	-	-	-	965,129	965,129
10	Exposures in default	-	-	-	-	-	-	-	-	-	85,646	36,207	-	-	-	-	-	121,853	121,853
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	136,228	-	-	-	-	-	136,228	136,228
12	Covered bonds	-	-	-	323,325	36,284	-	-	-	-	-	-	-	-	-	-	-	359,609	113,389
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	7,031	-	-	-	-	44,687	-	51,718	51,718
15	Equity	-	-	-	-	-	-	-	-	-	8,104	-	10,908	-	-	-	-	19,012	19,012
16	Other items	309,141	-	-	-	30,889	-	-	-	-	334,736	-	-	-	-	-	-	674,766	660,038
17	**Total**	**4,300,821**	**-**	**-**	**323,325**	**588,050**	**738,001**	**602,666**	**-**	**4,121,316**	**3,749,825**	**172,435**	**40,408**	**-**	**-**	**44,687**	**-**	**14,681,535**	**13,857,536**

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% for the Institutions (depending on ECAI rating and residual maturity of the exposure), 35% and 50% 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%. In first half of 2020, the highest increase was noticed on the 0% weight, due to the increase of exposure in the Central government or central banks segment.

6. Exposure to counterparty credit risk

6.1. Downgrading impacts on collaterisation
(Article 439 d, e and f of CRR)

Framework agreements covering derivatives transactions usually do not have provisions that would reflect any additional collateral posting due to credit rating change of NLB Group. Therefore, downgrading impacts on collaterisation are not material.

Table 24 – EU CCR1 – Analysis of CCR exposure by approach for NLB Group

30.06.2020		Notional	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
1	Mark to market	-	20,303	8,851	29,154	23,970
11	**Total**	**-**	**-**	**-**	**-**	**23,970**

31.12.2019		Notional	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
1	Mark to market	-	18,848	11,010	29,858	25,272
11	**Total**	**-**	**-**	**-**	**-**	**25,272**

Table 25 - EU CCR2 – CVA capital charge for NLB Group

		30.06.2020		31.12.2019	
		Exposure value	RWAs	Exposure value	RWAs
4	All portfolios subject to the standardised method	4,346	775	3,950	663
EU4	Based on the original exposure method	-	-	-	-
5	**Total subject to the CVA capital charge**	**4,346**	**775**	**3,950**	**663**

Table 26 – EU CCR8 – Exposures to CCPs of NLB Group

		30.06.2020		31.12.2019	
		EAD post CRM	RWAs	EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**	**-**	**7,490**	**-**	**11,823**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	7,490	7,490	11,823	11,823
3	OTC derivatives	7,490	7,490	11,823	11,823
7	Segregated initial margin	17,235	-	18,311	-
11	**Exposures to non-QCCPs (total)**	-	**-**	-	**-**
20	Unfunded default fund contributions	-	-	-	-

Table 27 – EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk of NLB Group

	30.06.2020	Risk weight												
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which unrated**
1	Central governments or central banks	4,580,472	-	-	-	67,006	99,330	-	-	1,035,989	1,332	31,155	5,815,284	5,815,284
2	Regional government or local authorities	22,910	-	-	-	66,247	-	-	-	48,352	-	-	137,509	137,509
3	Public sector entities	13,970	-	-	-	2,042	30,171	-	-	91,223	1	-	137,406	137,406
4	Multilateral development banks	91,698	-	-	-	-	-	-	-	-	-	-	91,698	91,698
5	International organisations	25,207	-	-	-	-	-	-	-	-	-	-	25,207	25,207
6	Institutions	-	-	-	317,066	416,589	178,068	-	-	11,755	6	417	923,901	190,726
7	Corporates	-	-	-	-	-	76,675	-	-	1,089,732	19,440	-	1,185,848	1,185,848
8	Retail	4,975	-	-	-	-	164,794	-	4,211,538	1,163,701	171,432	754,210	6,470,651	6,470,651
10	Other items	362,340	-	-	-	8,020	-	-	-	340,403	-	-	710,763	694,554
11	**Total**	**5,101,572**	**-**	**-**	**317,066**	**559,903**	**549,038**	**-**	**4,211,538**	**3,781,155**	**192,212**	**785,783**	**15,498,267**	**14,748,883**

	31.12.2019	Risk weight												
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which unrated**
1	Central governments or central banks	3,822,314	-	-	-	82,708	111,890	-	-	1,089,684	-	29,037	5,135,632	5,135,360
2	Regional government or local authorities	22,944	-	-	-	62,328	-	-	-	46,478	-	-	131,750	131,750
3	Public sector entities	14,140	-	-	-	107	28,602	-	-	89,521	-	-	132,370	132,370
4	Multilateral development banks	107,057	-	-	-	-	-	-	-	-	-	-	107,057	107,057
5	International organisations	25,225	-	-	-	-	-	-	-	-	-	-	25,225	25,225
6	Institutions	-	-	-	323,325	412,018	235,047	-	-	15,474	7	282	986,153	176,882
7	Corporates	-	-	-	-	-	74,479	-	-	1,065,377	16,589	3,409	1,159,854	1,159,854
8	Retail	-	-	-	-	-	152,649	-	4,121,316	1,117,584	155,840	790,369	6,337,758	6,337,758
10	Other items	309,141	-	-	-	30,889	-	-	-	325,707	-	-	665,737	651,009
11	**Total**	**4,300,821**	**-**	**-**	**323,325**	**588,050**	**602,666**	**-**	**4,121,316**	**3,749,825**	**172,435**	**823,097**	**14,681,535**	**13,857,263**

The exposure values are distributed to the prescribed segments and the risk weights that apply based on the riskiness of the exposure in accordance with the standardised approach. The 0% weight prevails in Central government segment, 20% and 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is applied to Retail and Corporate customers that represent High risk exposures and those Default exposures, whose provision coverage does not exceed 20%. In first half of 2020, the highest increase was noticed on the 0% weight, due to the increase of exposure in the Central government or central banks segment.

Table 28 – EU CCR5-A – Impact of netting and collateral held on exposure values for NLB Group

30.06.2020	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	19,656	1,459	18,197	2,072	16,125
4 Total	**19,656**	**1,459**	**18,197**	**2,072**	**16,125**

31.12.2019	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	20,449	5,648	14,801	306	14,495
4 Total	**20,449**	**5,648**	**14,801**	**306**	**14,495**

Table 29 – EU CCR5-B – Composition of collateral for exposures to CCR of NLB Group

	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
30.06.2020	Segregated	Unsegregated	Segregated	Unsegregated
Cash	2,072	-	90,293	-
Total	**2,072**	**-**	**90,293**	**-**

	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
31.12.2019	Segregated	Unsegregated	Segregated	Unsegregated
Cash	306	-	78,191	-
Total	**306**	**-**	**78,191**	**-**

7. Exposure to market risk

(Article 445 of CRR)

Market risk is the risk that the Bank's earnings and/or economic value may be negatively affected by changes in market rates and parameters that effect on- and off-balance sheet positions (for example changes in foreign exchange rates, fluctuations in interest rates, credit spreads, equity prices, implied volatilities, and market liquidity). Market risks predominately arise from the Bank's core business activities – the banking book and the liquidity portfolio needed to support these activities.

Table 30 – EU MR1 – Market risk under the standardised approach of NLB Group

		30.06.2020		31.12.2019	
		RWAs	Capital requirements	RWAs	Capital requirements
	Outright products				
1	Interest rate risk (general and specific)	2,375	190	2,675	214
3	Foreign exchange risk	557,325	44,586	520,375	41,630
9	**Total**	**559,700**	**44,776**	**523,050**	**41,844**

8. Leverage

(Article 451 of CRR)

The leverage ratio is calculated in line with provisions from the CRR and CRD, including the amendments published in Commission Delegated Regulation (EU) No. 2015/62, 2016/200, and 2016/428.

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 capital 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.

The leverage ratio of NLB Group as at 30 June 2020 amounted to 9.1%, which is well above the 3% threshold defined by the Basel Committee on Banking Supervision. Since the minimum requirement was exceeded so significantly, the risk of excessive leverage is not considered as material. NLB Group's business model supports a low leverage risk appetite. In order to assure a limited risk appetite for leverage, NLB 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 exceeding's 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 2020 increased in comparison with the end of the previous year, by 0.4 percentage points. The increase occurred primarily due to the higher Tier 1 capital by EUR 166 million, which more than compensated the increase of total leverage exposure calculated in accordance with Article 111 of the CRR by EUR 1,045 million. The higher amount of total leverage exposure arose from increased on-balance sheet exposures. It refers specifically to the banking book exposures treated as corporate, retail, and exposures to institutions, while off-balance sheet exposures decreased. Exposures in derivatives increased in comparison with the end of the previous year but are relatively unimportant.

Table 31 – Leverage ratio of NLB Group

	30.06.2020	**31.03.2020**	**31.12.2019**
Tier 1 capital	1,617,113	1,423,174	1,451,176
Total leverage exposures	17,716,619	16,732,063	16,671,280
Leverage ratio	**9.13%**	**8.51%**	**8.70%**

As at 30 June 2020, the leverage exposure was mainly driven by on-balance sheet exposures (95.9%), and other off-balance sheet exposure (4.0%), the rest was exposure from derivatives which is not significant. Among on-balance sheet exposures, the most significant were exposures treated as Sovereigns (30.3%), Retail exposures (23.1%), exposures to Corporates (13.9%), and 18.6% to Other exposures.

Table 32 – LRCom - Leverage ratio common disclosure for NLB Group

		30.06.2020	31.03.2020	31.12.2019
		CRR leverage ratio exposures	CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	17,029,239	16,113,417	16,052,013
2	(Asset amounts deducted in determining Tier 1 capital)	(45,314)	(44,429)	(41,736)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**16,983,925**	**16,068,988**	**16,010,277**
Derivative exposures				
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	19,873	21,466	20,501
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	16,771	18,530	21,180
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(55)	(58)	(2,206)
8	(Exempted CCP leg of client-cleared trade exposures)	(7,435)	(7,845)	(9,617)
11	**Total derivative exposures**	**29,154**	**32,093**	**29,858**
Securities financing transaction exposures				
16	**Total securities financing transaction exposures**	**-**	**-**	**-**
Other off-balance sheet exposures				
17	Off-balance sheet exposures at gross notional amount	2,895,367	2,545,575	2,593,312
18	(Adjustments for conversion to credit equivalent amounts)	(2,191,827)	(1,914,593)	(1,962,167)
19	**Other off-balance sheet exposures**	**703,540**	**630,982**	**631,145**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)				
Capital and total exposures				
20	Tier 1 capital	1,617,113	1,423,174	1,451,176
21	**Total leverage ratio exposures**	**17,716,619**	**16,732,063**	**16,671,280**
Leverage ratio				
22	**Leverage ratio**	**9.13%**	**8.51%**	**8.70%**

Table 33 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures for NLB Group

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		**30.06.2020**	**31.03.2020**	**31.12.2019**
1	**Total assets as per published financial statements**	**14,891,857**	**14,288,331**	**14,174,088**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	10	(35,474)	(35,474)
4	Adjustments for derivative financial instruments	9,281	10,627	9,357
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	703,540	630,983	631,145
7	Other adjustments	2,111,931	1,837,596	1,892,164
8	**Leverage ratio total exposure measure**	**17,716,619**	**16,732,063**	**16,671,280**

Table 34 – LRSpl – Split-up of on balance sheet exposures for NLB Group

		CRR leverage ratio exposures		
		30.06.2020	**31.03.2020**	**31.12.2019**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**17,029,239**	**16,113,417**	**16,052,013**
EU-2	Trading book exposures	2,776	4,228	4,324
EU-3	Banking book exposures, of which:	17,026,463	16,109,189	16,047,689
EU-4	Covered bonds	355,489	355,254	359,324
EU-5	Exposures treated as sovereigns	5,152,702	4,426,997	4,428,498
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	361,006	348,301	370,202
EU-7	Institutions	629,989	697,455	682,651
EU-8	Secured by mortgages of immovable properties	939,136	938,693	961,232
EU-9	Retail exposures	3,926,418	3,887,521	3,889,344
EU-10	Corporate	2,372,300	2,514,756	2,371,157
EU-11	Exposures in default	128,514	123,259	111,318
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	3,160,909	2,816,952	2,873,963

9. Appendices

9.1. Appendix 1 Capital instruments main features templates

Table 35 – The main characteristics of the ordinary shares of NLB

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier	ISIN: SI0021117344
3	Governing law(s) of the instrument	Slovenian law
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share
8	Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date)	Paid up capital and related share premium: 1,071,378
9	Nominal amount of instrument	N/A – No par value shares (20,000,000 shares)
9a	Issue price	EUR 77.55
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	18.12.2013
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	First loss absorbent instrument, subordinated to all instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

N/A – not relevant for this instrument

The ordinary shares are fully included in the Common Equity Tier 1 capital of NLB Group. The shares meet all the conditions for inclusion in the capital as stated under the relevant provisions of CRR.

Table 36 – The main characteristics of the subordinated Tier 2 bonds issued in May 2019 by NLB:

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier	ISIN: SI0022103855
3	Governing law(s) of the instrument	Slovenian law
Regulatory treatment		
4	Transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
5	Post-transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Notes have the characteristics of subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 44,595,000
9	Nominal amount of instrument	EUR 45,000,000
9a	Issue price	99.1%
9b	Redemption price	100%
10	Accounting classification	financial liability
11	Original date of issuance	6.5.2019
12	Perpetual or dated	Dated
13	Original maturity date	6.5.2029
14	Issuer call subject to prior supervisory approval	The principal of the Notes cannot be prepaid upon demand of a Noteholder. No liability of the Issuer arising out of the Notes can be paid before the maturity of such liability, determined in accordance of Terms and Conditions of the Notes, except in the case of the Issuer's compulsory liquidation or bankruptcy or any other proceedings, the aim of which is compulsory winding-up of the Issuer. Provided that it obtains a permission of the competent authority referred to in Article 77. of the CRR Regulation for conducting redemption, repurchase, repayment or payment of the Notes, the Issuer may pay the principal of all the Notes (but not only some) together with the interest calculated until the date of redemption, in the following cases: (a) if the Issuer fails to obtain the approval of the European Central Bank for inclusion of the amount received by the Issuer as the paid-up amount or proceeds of the initial sale of the Notes (the Paid-Up Amount) in the calculation of its Tier 2 capital on or before 6.8.2019; (b) if the Notes are redeemed on the Fifth Anniversary; or (c) if, as a result of any change in, or amendment to, the laws or regulations or any change in the application or official interpretation of such laws or regulations which becomes effective after the Issue Date, there is a change in the tax treatment of the Notes due to which: (i) the Issuer becomes (or it becomes certain that on the next Interest Payment Date the Issuer will become) required to pay additional amounts as provided or referred to in Condition 6; or (ii) the Issuer ceases to be (or it becomes certain that on the next Interest Payment Date the Issuer will cease to be) entitled to treat the interest on the Notes as a tax deductible expense, either entirely or in a material part; or (iii) for other reasons the tax treatment of the Notes becomes more burdensome for the Issuer than on the Issue Date; or (d) if, due to a change in the conditions for inclusion of the Notes in the Tier 2 capital of the Issuer on individual and consolidated level, it becomes likely that the Paid-Up Amount, in whole or in part, will no longer qualify as Tier 2 capital of the Issuer on individual and consolidated level or will be re-classified as a lower quality form of capital.
15	Optional call date, contingent call dates and redemption amount	6.5.2024, optional call dates in case of regulatory call and tax call
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed (see line 18 for further details)
18	Coupon rate and any related index	Interest rate means annual interest rate, which amounts to: (i) before the Fifth Anniversary (however excluding the Fifth Anniversary), 4.2%; (ii) from and including the Fifth Anniversary, the sum of Reference Interest Rate, applicable on Interest Rate Determination Date, and Margin (4.159%)
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Claims from eligible liabilities instruments (Article 72(b) of the CRR)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

N/A – not relevant for this instrument

Table 37 – The main characteristics of the subordinated Tier 2 bonds issued in November 2019 by NLB

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier	ISIN: XS2080776607
3	Governing law(s) of the instrument	German law, with the exception of status of the notes which is governed in accordance with Slovenian law
Regulatory treatment		
4	Transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
5	Post-transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Notes have the characteristics of subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 120,000,000
9	Nominal amount of instrument	EUR 120,000,000
9a	Issue price	100%
9b	Redemption price	100%
10	Accounting classification	financial liability
11	Original date of issuance	19.11.2019
12	Perpetual or dated	Dated
13	Original maturity date	19.11.2029
14	Issuer call subject to prior supervisory approval	The principal of the Notes cannot be prepaid upon demand of a noteholder. The Issuer may redeem the Notes before maturity (in whole, but not in part, at their principal amount together with accrued and unpaid interest thereon to but excluding the date specified for the redemption at any time on the date of early redemption specified in the notice, provided that the conditions to early redemption and repurchase set forth in conditions of the Notes are met): (a) if, by 15.3.2020, the Issuer does not obtain the permission of the competent authority to include the Notes in whole in the calculation of its Tier 2 capital pursuant to Article 71 of the CRR II; and (b) subject to the prior consent of the competent authority: (i) on the fifth anniversary of the issue date of the Notes; (ii) if there is a change in the regulatory classification of the Notes; and/or (iii) if there is a change in the applicable tax treatment of the Notes.
15	Optional call date, contingent call dates and redemption amount	Redemption amount equals to 100% of principal amount plus accrued and unpaid interest; Optional call date: 19.11.2024; Contingent call dates: - if the issuer fails to obtain regulatory permission by 15.3.2020; - early redemption for regulatory reasons; - early redemption due to change in applicable tax treatment of the Notes.
16	Subsequent call dates, if applicable	No
Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed (see line 18 for further details)
18	Coupon rate and any related index	Interest rate means annual interest rate, which amounts to: (i) 3.65% up to but excluding 19.11.2024; (ii) from and including 19.11.2024, the sum of reference rate (5y MS), applicable on reset interest date, and margin of 3.833%.
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Claims from eligible liabilities instruments (Article 72(b) of the CRR)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

N/A – not relevant for this instrument

Table 38 – The main characteristics of the subordinated Tier 2 bonds issued in February 2020 by NLB

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier	ISIN: XS2113139195
3	Governing law(s) of the instrument	German law, with the exception of status of the notes which is governed in accordance with Slovenian law
Regulatory treatment		
4	Transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
5	Post-transitional CRR rules	Subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Notes have the characteristics of subordinated debt for inclusion in Tier 2 capital according to Article 63. of the CRR Regulation
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 120,000,000
9	Nominal amount of instrument	EUR 120,000,000
9a	Issue price	100%
9b	Redemption price	100%
10	Accounting classification	financial liability
11	Original date of issuance	5.2.2020
12	Perpetual or dated	Dated
13	Original maturity date	5.2.2030
14	Issuer call subject to prior supervisory approval	The principal of the Notes cannot be prepaid upon demand of a noteholder. The Issuer may redeem the Notes before maturity (in whole, but not in part, at their principal amount together with accrued and unpaid interest thereon to but excluding the date specified for the redemption at any time on the date of early redemption specified in the notice, provided that the conditions to early redemption and repurchase set forth in conditions of the Notes are met): (a) if, by 31.7.2020, the Issuer does not obtain the permission of the competent authority to include the Notes in whole in the calculation of its Tier 2 capital pursuant to Article 71 of the CRR II; and (b) subject to the prior consent of the competent authority: (i) on the fifth anniversary of the issue date of the Notes; (ii) if there is a change in the regulatory classification of the Notes; and/or (iii) if there is a change in the applicable tax treatment of the Notes.
15	Optional call date, contingent call dates and redemption amount	Redemption amount equals to 100% of principal amount plus accrued and unpaid interest; Optional call date: 5.2.2025; Contingent call dates: - if the issuer fails to obtain regulatory permission by 31.7.2020; - early redemption for regulatory reasons; - early redemption due to change in applicable tax treatment of the Notes.
16	Subsequent call dates, if applicable	No
Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed (see line 18 for further details)
18	Coupon rate and any related index	Interest rate means annual interest rate, which amounts to: (i) 3.40% up to but excluding 5.2.2025; (ii) from and including 5.2.2025, the sum of reference rate (5y MS), applicable on reset interest date, and margin of 3.658%.
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	no
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Claims from eligible liabilities instruments (Article 72(b) of the CRR)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

N/A – not relevant for this instrument

9.2. Appendix 2
List of all disclosures required under Part 8 of CRR

Art.	Requirement	Chapter	Page
436	**Scope of application**		
	(a) The name of the institution to which the requirements of this Regulation apply;	1	4
437	**Capital (Own funds)**		
	(a) A full reconciliation of CET1 items, AT1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	3.5	12
	(b) A description of the main features of the CET1 and AT1 instruments and T2 instruments issued by the institution;	3.3	10
	(c) The full terms and conditions of all CET1, AT1 and Tier 2 instruments;	3.3	10
	(d) Separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	3.4	11
	(e) A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	3.4	11
438	**Capital requirements**		
	(c) (SA approach:) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112 (= SA categories);	3.2	9
	(e) (Market risks:) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3); (1) position risk; (2) large exposures exceeding the limits specified in Articles 395 to 401, to the extent an institution is permitted to exceed those limits; (3) foreign-exchange risk; (4) settlement risk; (5) commodities risk;	3.2	9
	(f) (Operational risk :) own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	3.2	9
439	**Exposure to counterparty credit risk**		
	(d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	6.1	32
	(e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	6.1	32
	(f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6, whichever method is applicable;	6.1	32
442	**Credit risk adjustments**		
	(g) by significant industry or counterparty type, the amount of: (i) impaired exposures and past due exposures, provided separately; (ii) specific and general credit risk adjustments; (iii) charges for specific and general credit risk adjustments during the reporting period;	4.1, 4.2	19, 22
	(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	4.1	19
	(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: (i) a description of the type of specific and general credit risk adjustments; (ii) the opening balances;	4.2	22

	(iii) the amounts taken against the credit risk adjustments during the reporting period; (iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; (v) the closing balances.		
444	**Use of ECAIs**		
	(e) the exposure values and the exp. values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	5	30
445	**Exposure to market risk**		
	Separately for each risk + the own funds requirement for specific IRR of securitisation positions.	7	35
451	**Leverage**		
	(a) The leverage ratio and how the institution applies Article 499(2) and (3);	8	36
	(b) A breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	8	36
	(d) A description of the processes used to manage the risk of excessive leverage;	8	36
	(e) A description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	8	36
453	**Use of credit risk mitigation techniques**		
	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral;	4.3	28
	(g) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	4.3	28
492	**Transitional provisions for disclosure of own funds**		
4	During the period from 1 January 2014 to 31 December 2021, institutions shall disclose the number of instruments that qualify as CET 1 instruments, AT1 instruments and Tier 2 instruments by virtue of applying Article 484 (capital instruments that are not eligible under new legislation but can be gradually excluded).	3.4	11