

Nova Ljubljanska banka d.d., Ljubljana

Pillar 3 Disclosures for NLB Group H1 2018

1.	Introduction	5
2.	Scope of application	5
3.	Capital and capital requirements	7
3.1.	Capital adequacy	7
3.2.	Capital requirements	9
3.3.	Capital instruments included in the capital	9
3.4.	Detailed presentation of capital elements	10
3.5.	Reconciliation of items with financial statements	12
4.	Credit risk and general information on CRM	13
4.1.	Credit quality of exposures by exposure class and instrument types	13
4.2.	Non-performing and forborne exposures	16
4.3.	Use of credit risk mitigation techniques	17
5.	Use of ratings by external rating institutions (ECAI)	18
6.	Exposure to counterparty credit risk	20
6.1.	Downgrading impacts on collateralisation	20
7.	Exposure to market risk	22
8.	Leverage	23
9.	Appendix	25

Abbreviations

ALCO	Asset and Liability Committee	G-SIB	Global systemically important banks
AT1	Additional Tier 1 capital	HQLA	High-quality liquid assets
AVA	Additional Valuation Adjustments	ICAAP	Internal Capital Adequacy Assessment Process
BCBS	Basel Committee on Banking Supervision	IFRS	International Financial Reporting Standards
CBR	Combined buffer requirement	LCR	Liquidity coverage ratio
CCB	Capital Conservation Buffer	OCR	Overall capital requirement
CCF	Credit conversion factor	O-SII	Other systemically important institutions
CCR	Counterparty credit risk	P2R	Pillar 2 Requirement
CET 1	Common equity tier 1 capital	QCCP	Qualifying Central Counterparty
CRD	Capital Requirements Directive	RWA	Risk-weighted assets
CRD IV	Capital Requirements Directive & Regulation	SME	Small Medium Enterprise
CRM	Credit Risk Mitigation	SREP	Supervisory Review and Evaluation Process
CRR	Capital Requirements Regulation	T1	Tier 1 capital
CVA	Credit valuation adjustment	T2	Tier 2 capital
D-SIB	Domestic systemically important banks	TCR	Total capital requirement
EAD	Exposure at default	TSCR	Total SREP capital requirement
EBA	European Banking Authority	ZBan-2	Banking Act
ECAI	External Credit Assessment Institutions	ZGD	Companies Act

Key highlights

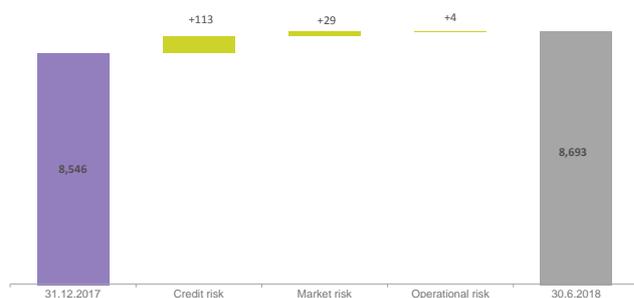
Table 1 – Key metrics

NLB Group	30.6.2018	31.3.2018	31.12.2017
Available capital			
Common equity tier 1 (CET 1)	1,623,126	1,435,710	1,362,140
Tier 1	1,623,126	1,435,710	1,362,140
Total capital	1,623,126	1,435,710	1,362,140
Risk weighted assets			
Total RWA	8,692,764	8,634,129	8,546,482
Capital ratios			
Common equity tier 1 ratio (%)	18.7%	16.6%	15.9%
Tier 1 ratio (%)	18.7%	16.6%	15.9%
Total capital ratio (%)	18.7%	16.6%	15.9%
Additional CET1 buffer requirements as a % of RWA			
Capital conservation buffer requirement	1.875%	1.875%	1.25%
Countercyclical buffer requirement	0.0%	0.0%	0.0%
Bank G-SIB and /or D-SIB additional requirements	0.0%	0.0%	0.0%
Total of bank CET1 specific buffer requirements	1.875%	1.875%	1.25%
Capital ratio available after meeting the bank's minimum TCR	5.3%	3.2%	3.2%
Leverage ratio			
Total leverage ratio exposure measure	14,355,961	14,161,288	14,044,985
Leverage ratio (%)*	11.3%	10.1%	9.9%
Liquidity Coverage Ratio			
Total HQLA	2,675,052	2,624,289	2,466,737
Total net cash outflow	880,960	832,524	893,680
LCR ratio	304%	315%	276%

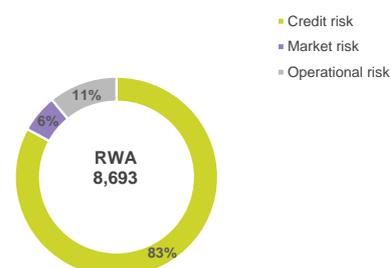
*fully loaded capital

Key ratios and figures are reflected throughout the Pillar 3 disclosures for first half of 2018 and a summary is presented in Table 1.

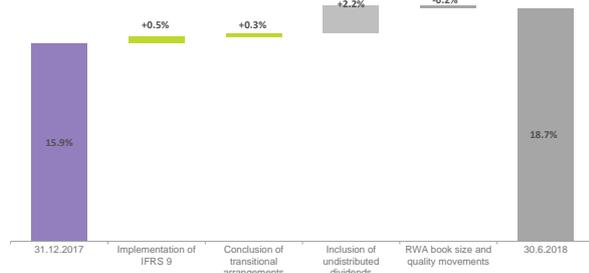
Changes in RWA



RWA analysis



CET1 ratio changes



CET 1 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 the 'Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms' (Capital Requirements Regulation, or 'CRR') and the '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 CRD-IV commonly refers to both CRR and CRD.

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 the Group's disclosures have been prepared in accordance with these guidelines.

This Pillar 3 report contains quarterly required disclosures as defined by CRD IV and EBA guidelines. In first half of 2018 there were no material changes in risk profile and scale of business operations in NLB Group that would require additional disclosures than already included in this report. This report should be read in conjunction with the Pillar 3 for NLB Group 2017, which has been prepared in accordance with CRD IV and EBA guidance.

All disclosures are prepared on a consolidated basis and in EUR thousand, unless otherwise stated.

We publish Pillar 3 disclosures on the NLB's website www.nlb.si, following the release of the Interim report for NLB Group H1 2018.

2. Scope of application

(Articles 436 b, c and d of CRR)

In accordance with the capital legislation, NLB has the position of an "EU parent bank" and 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 presented in annual Pillar 3 disclosures for year ended 2017 (Pillar 3 for NLB Group 2017, page 9).

Table 2 represents the main differences between the basis of consolidation and carrying values as reported in published financial statements in the Interim Report for NLB Group H1 2018 and under the scope of regulatory consolidation.

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

30.6.2018	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Differences
Cash, cash balances at central banks and other demand deposits at banks	1,298,731	1,298,731	-
Financial assets held for trading	67,458	67,458	-
Non-trading financial assets mandatorily at fair value through profit or loss	25,752	25,752	-
Financial assets measured at fair value through other comprehensive income	1,876,219	1,876,219	-
Financial assets measured at amortised cost			-
- debt securities	1,265,726	1,265,726	-
- loans and advances to banks	453,724	453,724	-
- loans and advances to customers	7,037,953	7,037,953	-
- other financial assets	62,783	62,783	-
Derivatives - hedge accounting	695	695	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,669	1,669	-
Investments in associates and joint ventures	42,331	12,236	30,095
Tangible assets			-
Property and equipment	184,643	184,643	-
Investment property	51,130	51,130	-
Intangible assets	32,674	32,674	-
Current income tax assets	711	711	-
Deferred income tax assets	21,146	21,146	-
Other assets	88,614	88,614	-
Non-current assets classified as held for sale	4,227	4,227	-
Total assets	12,516,186	12,486,091	30,095
Trading liabilities	11,509	11,509	-
Financial liabilities measured at fair value through profit or loss	9,264	9,264	-
Financial liabilities measured at amortised cost			-
- deposits from banks and central banks	39,083	39,083	-
- borrowings from banks and central banks	268,543	268,543	-
- due to customers	10,018,043	10,018,043	-
- borrowings from other customers	80,066	80,066	-
- other financial liabilities	119,438	119,438	-
Derivatives - hedge accounting	26,132	26,132	-
Provisions	87,187	87,187	-
Current income tax liabilities	7,257	7,257	-
Deferred income tax liabilities	2,746	2,746	-
Other liabilities	12,337	12,337	-
Total liabilities	10,681,605	10,681,605	-
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	19,170	11,776	7,394
Profit reserves	13,522	13,522	-
Retained earnings	692,640	669,939	22,701
	1,796,710	1,766,615	30,095
Non-controlling interests	37,871	37,871	-
Total equity	1,834,581	1,804,486	30,095
Total liabilities and equity	12,516,186	12,486,091	30,095

Difference between accounting consolidation and regulatory consolidation represents the book value of equity method for companies that are operating in the area of insurance and are not included in regulatory consolidation in accordance with Article 4 of CRR.

3. Capital and capital requirements

3.1. Capital adequacy

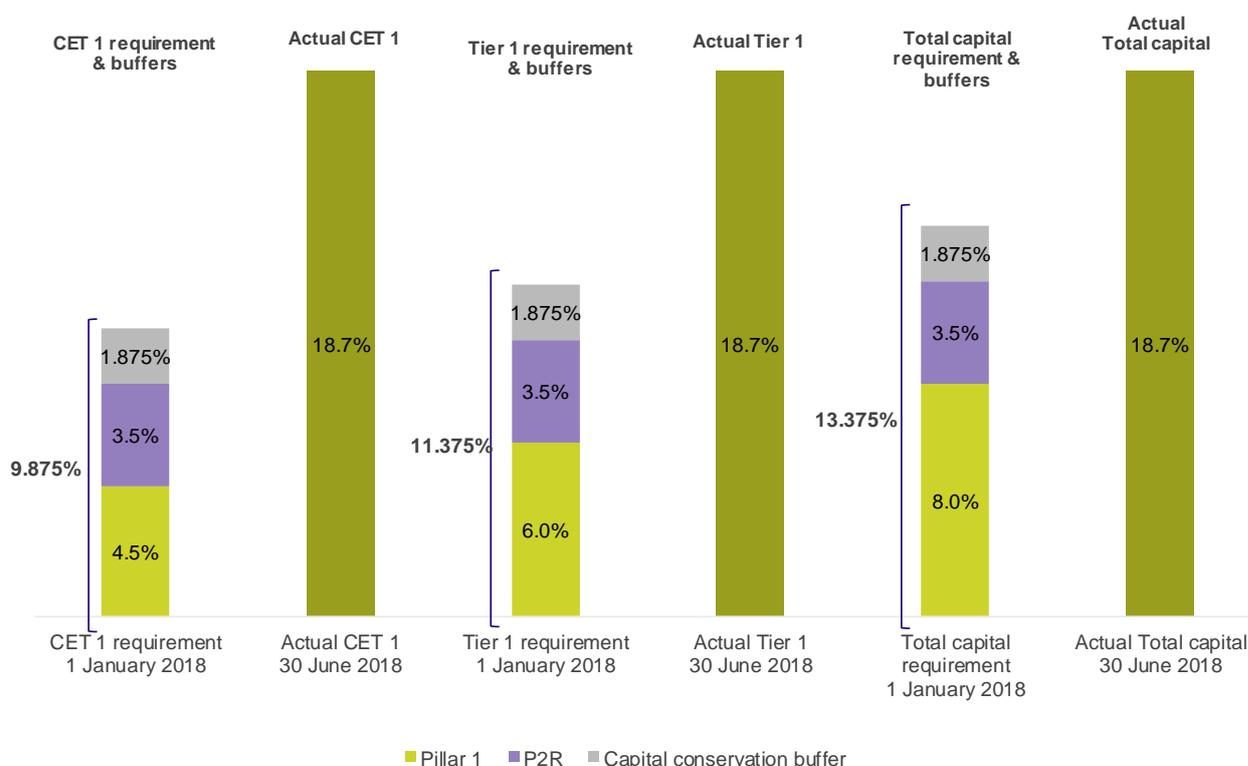
European bank capital legislation - CRD IV, is based on the Basel III guidelines. The legislation defines three capital ratios reflecting a different quality of capital:

- 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);
- Applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breach 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 Guidance: capital recommendation over and above the OCR, set by the supervisory institution through the SREP process. It is bank specific and as a recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital, however it might lead to intensified supervision and imposition of measures to re-establish a prudent level of capital.

Table 3 – Capital requirements and buffers



All capital ratios are inclusive of 3.5% Pillar 2 Requirement (P2R) and 1.875% Capital Conservation Buffer (CCB). As prescribed by CRD IV and the ZBan-2, CCB is increasing linearly and will reach the fully loaded level of 2.5% in 2019, whereas the Bank of Slovenia requires NLB to apply the O-SII buffer at the rate of 1% on the consolidated level from 2019 on.

The applicable OCR requirement for 2018 has increased from 12.75% in 2017 to 13.375% (due solely to the gradual phase-in of the capital conservation buffer as prescribed by law).

Table 4 – Capital adequacy of NLB Group:

	30.6.2018	31.3.2018	31.12.2017
Paid up capital instruments	200,000	200,000	200,000
Share premium	871,378	871,378	871,378
Retained earnings - from previous years	561,110	371,970	296,773
Current result	-	-	29,280
Accumulated other comprehensive income	11,776	14,297	(11,450)
Other reserves	13,522	13,522	13,522
Prudential filters: Additional Valuation Adjustments (AVA)	(1,986)	(1,883)	(2,389)
(-) Goodwill	(3,529)	(3,529)	(3,529)
(-) Other intangible assets	(29,145)	(30,045)	(31,445)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,623,126	1,435,710	1,362,140
Additional Tier 1 capital	-	-	-
TIER 1 CAPITAL	1,623,126	1,435,710	1,362,140
Tier 2 capital	-	-	-
TOTAL CAPITAL	1,623,126	1,435,710	1,362,140
Risk exposure amount for credit risk	7,209,882	7,130,484	7,096,413
Risk exposure amount for market risks	527,300	549,213	499,726
Risk exposure amount for CVA	2,100	950	850
Risk exposure amount for operational risk	953,482	953,482	949,493
TOTAL RISK EXPOSURE AMOUNT (RWA)	8,692,764	8,634,129	8,546,482
Common Equity Tier 1 Ratio	18.7%	16.6%	15.9%
Tier 1 Ratio	18.7%	16.6%	15.9%
Total Capital Ratio	18.7%	16.6%	15.9%

The capital adequacy of NLB Group in June 2018 remains strong, at a level which covers all current and announced regulatory capital requirements, including capital buffers and other currently known requirements, and the Pillar 2 Guidance. Moreover, it is within the stated risk appetite limit and above the EU average as published by the EBA.

In 2018, the capital of the Group consists merely of the components of top quality CET1 capital (no subordinated instruments that would rank in lower capital categories) which is why all three capital ratios are the same.

At the end of June 2018, the capital ratios for the Group stood at 18.7% (or 2.8 p.p. higher than at the end of 2017) and for the Bank at 26.2% (or 4.4 percentage point higher than at the end of 2017). The improvement of capital adequacy derives from higher capital, mainly due to unallocated NLB's profit (EUR 189 million), the inclusion of the positive effect from the implementation of IFRS 9 (EUR 43.8 million for NLB Group and EUR 27.7 million for NLB), and conclusion of transitional arrangements relevant until the end of 2017. The drivers behind the differences in RWAs in year 2018 are explained in chapter 3.2 Capital requirements in the Table 5 – EU OV1 – Overview of RWAs.

In March 2018, NLB received a letter from the ECB on the ECB's intention to adopt the decision to restrict distributions by NLB to its shareholders and to require a Contingent Capital Plan specifying the planned measures to increase the capital ratios in case that provision recognition criteria are met for the lawsuits against NLB pending in the courts of the Republic of Croatia, related to civil claims filed by the PBZ and the ZaBa against NLB, referring to the old savings of LB Branch Zagreb savers. Details on legal issues are disclosed in Interim report for NLB Group H1 2018, note 5.15 Provisions (page 87). On 5 April 2018, NLB received the final decision on this matter, making any distributions of dividends by NLB to its shareholders subject to the ECB's consent.

General Assembly of NLB on its 31. regular session on 27 June 2018 accepted a decisions that NLB's profit for 2017 remains unallocated in form of retained earnings, which resulted in the increase of the regulatory equity in amount of EUR 189 million.

In September 2018, NLB applied to the ECB for formal approval for the distribution of dividends from retained earnings of NLB d.d. from fiscal year 2017 and retained earnings from previous years of NLB d.d. NLB also applied for the inclusion of the NLB's semi-annual profit in its CET1 capital on both the individual and consolidated basis.

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 below shows the detailed composition of the capital requirements of NLB Group as at 30 June 2018, 31 March 2018 and 31 December 2017.

Table 5 – EU OV1 – Overview of RWAs

	30.6.2018		31.3.2018		31.12.2017	
	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)	7,103,241	568,259	7,025,551	562,044	6,993,567	559,485
2 Of which the standardised approach	7,103,241	568,259	7,025,551	562,044	6,993,567	559,485
6 CCR	25,286	2,023	22,525	1,802	20,983	1,679
7 Of which mark to market	23,186	1,855	21,575	1,726	20,133	1,611
12 Of which CVA	2,100	168	950	76	850	68
19 Market risk	527,300	42,184	549,213	43,937	499,726	39,978
20 Of which the standardised approach	527,300	42,184	549,213	43,937	499,726	39,978
23 Operational risk	953,482	76,279	953,482	76,279	949,493	75,959
24 Of which basic indicator approach	953,482	76,279	953,482	76,279	949,493	75,959
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	83,455	6,676	83,358	6,669	82,713	6,617
28 Floor adjustment	-	-	-	-	-	-
29 Total	8,692,764	695,421	8,634,129	690,730	8,546,482	683,719

The RWA for credit risk increased (EUR 113 million YtD) mainly due to lower coverage by impairments and provisions resulting from transition to IFRS 9 (mainly for corporate and retail exposures). Besides that, higher RWA on the retail segment (EUR 129 million) for consumer and housing loans and higher RWA for corporates (EUR 77 million, mainly in subsidiary banks) is a consequence of increased lending business. RWA for exposures to central banks, central government and institutions decreased (in total amount EUR 61 million). The increase in RWA for market risks and credit value adjustments (CVA) (EUR 29 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The increase in the RWA for operating risks (EUR 4 million) arises from the higher three-year average of income, which represents the basis for the calculation.

3.3. Capital instruments included in the capital

(Article 437.1 b and c of CRR)

In first half of 2018, the capital of NLB Group solely consisted of Common Equity Tier 1 capital; the only instruments included in Common Equity Tier 1 capital were the ordinary shares of the parent company NLB d.d.

NLB Group has no capital instruments issued that would be eligible for inclusion in Additional Tier 1 capital or Tier 2 capital. Two subsidiary banks in NLB Group do have subordinated instruments, which they themselves use as a capital component, but because of the non-comparability of the legislation, these instruments do not meet the conditions for inclusion in the capital of NLB Group. Subordinated liabilities for NLB Group are disclosed in the Interim Report for NLB Group H1 2018, note 5.14 a Subordinated liabilities (page 87).

Table 6 – The main characteristics of the ordinary shares of NLB d.d.:

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SI0021117344
3	Governing law(s) of the instrument	Companies Act (ZGD-1), Banking Act (ZBan-2), Regulation (EU) No. 575/2013 (CRR), Financial Instruments Market Act (ZTFI) and the Book-Entry Securities Act (ZNVP-1)
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 million, 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 as the only source. The shares meet all the conditions for inclusion in the capital as stated under the relevant provisions of CRR.

3.4. Detailed presentation of capital elements (Article 437 d and e, and 492.3 of CRR)

Table 7 shows in detail the elements of the calculation of the capital of NLB Group as at 30 June 2018 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.

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 7 – Own funds for NLB Group

	30.6.2018	31.3.2018	31.12.2017
Common equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts of which: ordinary shares	1,071,378 1,071,378	1,071,378 1,071,378
2	Retained earnings	561,110	371,970
3	Accumulated other comprehensive income (and other reserves)	25,298	27,819
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,657,786	1,471,167
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1,986)	(1,883)
8	Intangible assets (net of related tax liability) (negative amount)	(32,674)	(33,574)
26a	Regulatory adjustments related to unrealised gains and losses pursuant to Articles 467 and 468 of which: filter for unrealised loss - exposures to central governments of which: filter for unrealised loss - other exposures of which: filter for unrealised gains - exposures to central governments of which: filter for unrealised gains - other exposures		(28,439) 126 4,325 (31,302) (1,588)
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional of which: intangible assets (including goodwill)		6,995 6,995
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		(6,995)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(34,660)	(35,457)
29	Common Equity Tier 1 (CET1) capital	1,623,126	1,435,710
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no 575/2013 (i.e. CRR residual amounts)		-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) no 575/2013		6,995
42	Qualifying T2 deductions that exceeded the T2 capital of the institution	-	(6,995)
43	Total regulatory adjustments to Additional Tier 1 (AT1)	-	-
44	Additional Tier 1 (AT1) capital	-	-
45	Tier 1 capital (T1= CET1 + AT1)	1,623,126	1,435,710
58	Tier 2 (T2) capital	-	-
59	Total capital (TC = T1 + T2)	1,623,126	1,435,710
60	Total risk weighted assets	8,692,764	8,634,129
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.7%	16.6%
62	Tier 1 (as a percentage of total risk exposure amount)	18.7%	16.6%
63	Total capital (as a percentage of total risk exposure amount)	18.7%	16.6%
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)	6.375%	6.375%
65	of which: capital conservation buffer requirement	1.875%	1.875%
66	of which: countercyclical buffer requirement	0.0%	0.0%
67	of which: systemic risk buffer requirement	0.0%	0.0%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	10.7%	8.6%
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)	2,289	1,686
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)	12,236	12,616
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)	21,146	20,727
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	N/A	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	N/A	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	N/A	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

N/A - not relevant

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

	30.6.2018		31.3.2018	
	Prudential consolidation	Included in capital as reported	Prudential consolidation	Included in capital as reported
Cash, cash balances at central banks and other demand deposits at banks	1,298,731	-	1,341,425	-
Financial assets held for trading	67,458	(67)	47,903	(48)
Non-trading financial assets mandatorily at fair value through profit or loss	25,752	(5)	26,983	(5)
Financial assets measured at fair value through other comprehensive income	1,876,219	(1,876)	1,794,699	(1,795)
Financial assets measured at amortised cost	8,820,186	-	8,773,857	-
Derivatives - hedge accounting	695	-	1,994	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,669	-	573	-
Investments in associates and joint ventures	12,236	-	12,616	-
Tangible assets	235,773	-	239,204	-
Intangible assets	32,674	-	33,574	-
<i>Goodwill</i>	3,529	(3,529)	3,529	(3,529)
<i>Other intangible assets</i>	29,145	(29,145)	30,045	(30,045)
Current income tax assets	711	-	676	-
Deferred income tax assets	21,146	-	20,727	-
<i>That rely on future profitability and arise from temporary differences</i>	21,146	-	20,727	-
Other assets	88,614	-	95,403	-
Non-current assets classified as held for sale	4,227	-	4,085	-
Total assets	12,486,091	-	12,393,719	-
Trading liabilities	11,509	(12)	9,446	(9)
loss	9,264	-	5,174	(1)
Financial liabilities measured at amortised cost	10,525,173	-	10,484,194	-
Derivatives - hedge accounting	26,132	(26)	24,608	(25)
Provisions	87,187	-	91,170	-
Current income tax liabilities	7,257	-	3,002	-
Deferred income tax liabilities	2,746	-	2,569	-
Other liabilities	12,337	-	12,107	-
Total liabilities	10,681,605	-	10,632,270	-
Share capital	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Accumulated other comprehensive income	11,776	11,776	14,297	14,297
Profit reserves	13,522	13,522	13,522	13,522
Retained earnings	669,939	561,110	622,751	371,970
Non-controlling interests	37,871	-	39,501	-
Total equity	1,804,486	-	1,761,449	-
Total liabilities and equity	12,486,091	-	12,393,719	-
Sum of balance sheet items		1,623,126		1,435,710
Capital		1,623,126		1,435,710

Table 9 – Reconciliation of the accounting capital to the regulatory capital for the calculation of capital adequacy of NLB Group

30.6.2018	Equity - Prudential consolidation	Temporary exclusion of unaudited interim profit	Exclusion of minority interest not eligible according to CRR requirements	Prudential filters and deduction items from capital	Capital (included in calculation of capital adequacy)	
Share capital	200,000	-	-	-	200,000	Paid in capital instruments
Share premium	871,378	-	-	-	871,378	Share premium
Accumulated other comprehensive income	11,776	-	-	-	11,776	Accumulated other comprehensive income
Profit reserves	13,522	-	-	-	13,522	Other reserves
Retained earnings - from previous years	561,110	-	-	-	561,110	Retained earnings - from previous years
Retained earnings - current results	108,829	(108,829)	-	-	-	- Current results
Minority interest	37,871	-	(37,871)	-	-	- Minority interest
				(1,986)	(1,986)	Prudential filter: Additional valuation adjustment (AVA) (Article 34)
				(3,529)	(3,529)	Deduction item: Goodwill (Article 36.b)
						Deduction item: Other intangible assets
				(29,145)	(29,145)	(Article 36.b)
Total equity	1,804,486	(108,829)	(37,871)	(34,660)	1,623,126	Common Equity Tier 1 (CET1) capital
						- Additional Tier 1 capital
					1,623,126	Tier 1 capital
						- Tier 2 capital
					1,623,126	Total capital

During first half of 2018 total accounting equity increased by EUR 153 million to EUR 1,804 million as at 30 June 2018, primarily due to net profit of current year (EUR 109 million) and positive effects from the implementation of IFRS 9 as of 1 January 2018 (EUR 43.8 million).

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

30.6.2018	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	-	3,160,423	-	6,479	-	512	3,153,944
17 Regional governments or local authorities	-	118,864	-	2,190	-	(506)	116,675
18 Public sector entities	-	76,807	-	1,254	-	(845)	75,552
19 Multilateral development banks	-	74,363	-	20	-	2	74,343
21 Institutions	-	1,251,340	-	1,007	-	(1,505)	1,250,333
22 Corporates	-	3,253,150	-	38,002	-	(12,818)	3,215,148
23 Of which: SMEs	-	1,080,415	-	20,015	-	1,032	1,060,399
24 Retail	-	4,434,661	-	38,008	41	(4,740)	4,396,653
25 Of which: SMEs	-	943,370	-	12,820	35	170	930,549
26 Secured by mortgages on immovable property	-	723,196	-	1,251	0	752	721,944
27 Of which: SMEs	-	125,700	-	811	-	(181)	124,889
28 Exposures in default	738,788	-	439,019	-	22,805	5,623	299,769
29 Items associated with particularly high risk	85,942	72,061	63,571	2,461	975	(2,210)	91,971
30 Covered bonds	-	194,564	-	237	-	130	194,327
32 Collective investments undertakings	-	45,853	-	-	-	-	45,853
33 Equity exposures	3,695	21,548	-	-	-	-	25,243
34 Other exposures	1,472	622,657	52	2,125	-	-	621,952
35 Total standardised approach	829,897	14,049,486	502,642	93,033	23,821	(15,605)	14,283,708
36 Total	829,897	14,049,486	502,642	93,033	23,821	(15,605)	14,283,708
37 Of which: Loans	746,237	8,401,687	473,766	75,282	23,821	(12,520)	8,598,876
38 Of which: Debt securities	798	3,081,411	798	6,695	-	838	3,074,716
39 Of which: Off- balance-sheet exposures	78,656	1,875,558	28,078	11,055	-	(3,923)	1,915,080

31.12.2017	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	-	3,061,690	-	14	130	12	3,061,676
17 Regional governments or local authorities	-	113,326	-	3,310	-	(5,965)	110,016
18 Public sector entities	-	92,265	-	3,702	1	(2,220)	88,563
19 Multilateral development banks	-	69,399	-	-	-	-	69,399
21 Institutions	-	1,319,943	-	964	1	(360)	1,318,979
22 Corporates	-	3,251,092	-	65,044	40	(6,296)	3,186,049
23 Of which: SMEs	-	1,116,840	-	28,650	-	(12,449)	1,088,190
24 Retail	-	4,254,231	-	52,523	186	(22,484)	4,201,708
25 Of which: SMEs	-	893,598	-	22,142	177	(9,960)	871,456
Secured by mortgages on immovable property	-	-	-	-	-	-	-
26	-	716,083	-	5,808	-	(2,745)	710,275
27 Of which: SMEs	-	116,806	-	2,802	-	(1,302)	114,004
28 Exposures in default	850,290	-	502,744	-	231,878	(3,088)	347,546
29 Items associated with particularly high risk	89,120	69,075	64,353	3,081	27,702	(324)	90,762
30 Covered bonds	-	89,191	-	-	-	-	89,191
32 Collective investments undertakings	-	45,662	-	1	-	-	45,662
33 Equity exposures	3,602	23,058	-	-	-	-	26,660
34 Other exposures	5,993	615,501	50	2,576	612	-	618,869
35 Total standardised approach	949,005	13,720,516	567,147	137,020	260,551	(43,470)	13,965,353
36 Total	949,005	13,720,516	567,147	137,020	260,551	(43,470)	13,965,353
37 Of which: Loans	854,832	8,286,217	533,180	133,201	260,551	(40,001)	8,474,669
38 Of which: Debt securities	798	2,900,286	798	73	-	(10)	2,900,213
39 Of which: Off-balance-sheet exposures	83,715	1,843,731	33,170	3,746	-	(3,459)	1,890,531

In the first half of 2018 Gross exposure increased by EUR 210 million, which was primarily driven by a considerable increase in Non-defaulted exposures segment (by EUR 329 million) primarily in the Retail (EUR 180 million, a consequence of increased lending business), Covered bonds (EUR 105 million) and Central governments and central banks segments (EUR 99 million, due to liquidity management).

The decrease of Gross default exposures (EUR 119 million) was partially achieved through write-offs, which amounted to 23.8 million EUR in the first half of 2018, but mostly to other means of defaulted exposure management. The volume of specific risk adjustment was reduced by EUR 64.5 million, mostly due to default exposure reduction. The volume of general credit risk adjustment was reduced by EUR 44 million mainly due to lower coverage by provisions resulting from implementation of IFRS 9 for corporate and retail exposures.

Table 11 – EU CR1-B – Credit quality of exposures by industry or counterparty types of NLB Group

30.6.2018	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Agriculture, forestry and fishing	9,845	111,508	5,343	1,730	939	(1,985)	114,279
Mining and quarrying	4,597	16,270	3,840	203	-	888	16,824
Manufacturing	79,212	1,177,178	54,804	16,384	946	(4,438)	1,185,201
Electricity, gas, steam and air conditioning supply	11,827	187,295	4,414	1,748	0	(443)	192,959
Water supply	1,850	44,161	182	533	7	246	45,296
Construction	146,360	381,593	90,677	5,769	1,674	(3,731)	431,506
Wholesale and retail trade	255,760	876,679	157,247	13,092	11,588	(1,914)	962,099
Transport and storage	32,322	750,337	21,939	2,656	28	(3,419)	758,064
Accommodation and food service activities	33,998	82,574	5,530	1,184	13	424	109,857
Information and communication	7,411	171,910	2,950	2,240	7	4	174,131
Real estate activities	76,813	122,821	48,988	3,371	5	981	147,274
Professional, scientific and technical activities	34,510	201,895	25,560	2,127	128	(314)	208,717
Administrative and support service activities	4,334	187,597	2,812	2,568	47	1,073	186,551
Public administration and defence, compulsory social security	2,255	138,618	2,247	2,758	-	(776)	135,869
Education	126	14,837	24	481	385	93	14,458
Human health services and social work activities	6,200	29,019	2,673	514	0	(361)	32,033
Arts, entertainment and recreation	3,423	26,591	2,520	723	2,090	(320)	26,772
Other services	119,056	9,528,603	70,890	34,952	5,965	(1,613)	9,541,817
Total	829,897	14,049,486	502,642	93,033	23,821	(15,605)	14,283,708

31.12.2017	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Agriculture, forestry and fishing	11,273	97,619	6,596	2,880	801	(579)	99,416
Mining and quarrying	4,361	17,281	1,663	418	1	(4,475)	19,561
Manufacturing	83,166	1,111,907	55,208	29,174	55,451	(20,131)	1,110,691
Electricity, gas, steam and air conditioning supply	12,534	209,960	4,429	4,147	1,336	(2,692)	213,918
Water supply	1,233	44,381	217	785	2,157	313	44,612
Construction	162,089	370,532	92,724	9,209	50,648	2,947	430,688
Wholesale and retail trade	305,606	865,027	194,047	26,805	71,781	5,327	949,781
Transport and storage	36,144	736,394	24,952	4,035	2,440	(3,416)	743,551
Accommodation and food service activities	34,737	81,096	4,917	2,937	7,419	(3,064)	107,980
Information and communication	7,833	226,906	2,907	4,788	197	(1,009)	227,043
Real estate activities	100,012	112,414	54,473	2,593	7,682	167	155,360
Professional, scientific and technical activities	34,563	176,734	25,628	3,659	8,389	(4,083)	182,009
Administrative and support service activities	4,885	203,187	3,270	1,475	11,956	(4,928)	203,327
Public administration and defence, compulsory social security	2,384	145,769	2,345	4,244	376	(6,311)	141,564
Education	456	15,986	398	488	7	175	15,557
Human health services and social work activities	6,643	27,839	2,671	1,028	2,212	2,832	30,783
Arts, entertainment and recreation	8,169	38,448	4,870	1,967	45	(657)	39,780
Other services	132,914	9,239,037	85,832	36,388	37,655	(3,885)	9,249,730
Total	949,005	13,720,516	567,147	137,020	260,552	(43,470)	13,965,353

Manufacturing and Wholesale and retail trade remain the strongest industries in the first half of 2018, each representing around 8% of total gross exposure. Defaulted exposures decreased most in Wholesale and retail trade (by 49.8 million EUR), in the Real estate activities (by EUR 23.2 million) and in the Construction industry (by EUR 15.7 million). Other services represent all client segments that are not considered non-financial corporations (including central government, retail and institutions).

Table 12 – EU CR1-C – Credit quality of exposures by geography of NLB Group

30.6.2018	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Slovenia	327,344	7,273,127	144,129	30,235	5,389	(6,019)	7,426,107
Macedonia	51,460	1,334,254	38,694	23,112	8,163	3,817	1,323,908
Bosnia and Herzegovina	86,075	1,224,027	72,638	12,855	2,253	(3,245)	1,224,610
Kosovo	15,885	667,206	14,014	16,024	44	1,341	653,052
Montenegro	159,247	504,281	94,486	4,082	370	(465)	564,959
Serbia	87,331	503,122	57,352	3,704	4,576	(941)	529,397
Other countries	102,555	2,543,469	81,328	3,021	3,026	(10,093)	2,561,674
Total	829,897	14,049,486	502,642	93,033	23,821	(15,605)	14,283,708

31.12.2017	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Slovenia	402,555	7,199,546	194,806	50,966	27,964	(6,646)	7,356,329
Macedonia	56,421	1,368,554	44,171	40,080	8,981	(3,977)	1,340,724
Bosnia and Herzegovina	94,580	1,178,566	76,849	20,248	87,111	(26,156)	1,176,049
Kosovo	16,741	635,799	13,551	15,203	2,763	1,971	623,786
Montenegro	162,312	482,279	93,190	5,630	21,583	1,816	545,771
Serbia	101,859	456,831	60,924	4,122	25,112	10	493,644
Other countries	114,537	2,398,940	83,656	772	87,037	(10,488)	2,429,049
Total	949,005	13,720,516	567,147	137,020	260,552	(43,470)	13,965,353

Slovenia is the biggest market for NLB Group with 51% of gross exposure at the end of June 2018, followed by Macedonia (9.3%), Bosna and Hercegovina (8.8%) and other countries where the Group's banking subsidiaries are established. Nevertheless, the growth of gross exposure in countries where subsidiaries are established exceeds the growth in Slovenia, where default gross exposures decreased in the first half of 2018. The increase of non-default exposures was the highest in 'Other countries', however this also includes exposures to central governments and institutions as part of liquidity management.

Table 13 – EU CR1-D – Ageing of past-due exposures of NLB Group

30.6.2018	Gross carrying values					
	Up to 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 1 year	Over 1 year
Loans	662,795	67,402	47,496	17,646	32,825	405,493
Debt securities	-	-	-	-	-	-
Total exposures	662,795	67,402	47,496	17,646	32,825	405,493

31.12.2017	Gross carrying values					
	Up to 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 1 year	Over 1 year
Loans	673,913	67,103	31,682	23,409	38,188	433,883
Debt securities	-	-	-	-	-	-
Total exposures	673,913	67,103	31,682	23,409	38,188	433,883

The value of exposure in delays decreased in the first half of 2018 by EUR 34.5 million (or 2.7%), which is to be attributed to default exposure decrease. At the end of June 2018, past-due exposures represent 8.3% of the total gross exposure.

4.2. Non-performing and forborne exposures (Article 442 i of CRR)

Table 14 – EU CR1-E – Non-performing and forborne exposures of NLB Group

Gross carrying values of performing and non-performing exposures								Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
30.6.2018	Total	Of which performing but past due 30 to 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
				Total	Of which defaulted	Of which impaired	Of which forborne	Total	Of which forborne	Total	Of which forborne		
Debt securities	3,096,546	-	-	798	798	798	-	6,695	-	798	-	-	-
Loans and advances	9,148,482	97,245	98,694	746,765	746,765	746,765	440,256	75,282	7,765	473,766	269,155	244,448	141,451
Off-balance-sheet exposures	1,954,213	5,865	2,222	78,656	78,656	78,656	1,041	11,055	59	28,078	702	7,990	-

Gross carrying values of performing and non-performing exposures								Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
31.12.2017	Total	Of which performing but past due 30 to 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
				Total	Of which defaulted	Of which impaired	Of which forborne	Total	Of which forborne	Total	Of which forborne		
Debt securities	2,916,127	-	-	798	798	798	-	73	-	798	-	-	-
Loans and advances	9,141,690	79,671	78,129	855,447	855,447	855,447	534,202	133,201	9,204	533,180	323,263	279,886	194,741
Off-balance-sheet exposures	1,927,446	5,663	1,128	83,715	83,715	83,715	9,510	3,746	-	33,170	-	13,059	3,421

Table 15 – EU CR2-A – Changes in the stock of general and specific credit risk adjustments of NLB Group

	30.6.2018		31.12.2017	
	Accumulated specific credit risk	Accumulated general credit risk	Accumulated specific credit risk	Accumulated general credit risk
1 Opening balance	(490,520)	(77,605)	(864,961)	(152,953)
Increases due to amounts set aside for estimated loan losses during the period	(68,839)	(63,243)	(74,065)	(84,429)
Decreases due to amounts reversed for estimated loan losses during the period	70,355	73,409	75,163	123,342
Decreases due to amounts taken against accumulated credit risk adjustments	23,772	49	256,622	3,930
Transfers between credit risk adjustments	-	-	(21,005)	21,005
Other adjustments	(9,332)	(14,587)	94,268	(44,169)
9 Closing balance	(474,564)	(81,977)	(533,978)	(133,274)
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	15,987	2	19,621	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-	-	-

In first half of 2018 the Group released net impairments, which was the result of some successful collections, resolution of non-performing receivables, and improvement in the quality of the credit portfolio's structure. Positive trends in the economic environment, and consequently a lower transition of performing customers into default in years 2016 and 2015 contributed positively to lower percentages of PD's, and consequently to lower general credit risk – mainly in the segment of corporate clients.

Table 16 – EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities of NLB Group

	30.6.2018	31.12.2017
	Gross carrying value defaulted exposures	Gross carrying value defaulted exposures
Opening balance	855,630	1,317,167
Loans and debt securities that have defaulted or impaired since the last reporting period	24,495	60,566
Returned to non-defaulted status	(37,857)	(63,849)
Amounts written off	(23,821)	(260,552)
Other changes	(71,412)	(197,702)
Closing balance	747,035	855,630

In the first half of 2018 there was a material decrease of default exposures that amounted to 109 million EUR or 13% of the initial default exposure volume. The measures that led to such increase were repayments, sale of portfolio, sale of individual facilities, liquidation of collateral and write-offs (final and those to off-balance based on the Bank of Slovenia regulation). New default flow is a result of normal portfolio movements and represents 0.2% of the portfolio at the end of June 2018.

4.3. Use of credit risk mitigation techniques

(Article 453 b, c, e, f and g of CRR)

Table 17 – EU CR3 – CRM techniques – Overview of NLB Group

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
30.6.2018					
Total loans	7,893,975	704,902	660,539	605,684	-
Total debt securities	2,959,071	115,645	115,616	115,616	-
Total exposures	10,853,046	820,546	776,155	721,299	-
Of which defaulted	4,465	24,588	620	158	-
31.12.2017					
Total loans	7,748,685	725,983	700,613	643,827	-
Total debt securities	2,776,733	123,480	123,480	123,480	-
Total exposures	10,525,418	849,463	824,093	767,307	-
Of which defaulted	8,929	29,079	614	225	-

At the end of June 2018, the secured part of the portfolio represents 7% of the total portfolio. However, it has to be considered that such low share is due to strict rules applied to the eligible collateral in the Standardized approach. The values of secured exposure decreased in the first half of 2018, primarily due to repayment of exposure with state guarantees.

Table 18 – EU CR4 – Standardised approach – Credit risk exposure and CRM effects of NLB Group

30.6.2018		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposure classes							
1	Central governments or central banks	3.152.457	1.487	3.928.608	15.837	993.610	25%
2	Regional government or local authorities	113.829	2.846	113.829	569	52.327	46%
3	Public sector entities	61.409	14.143	54.944	3.244	40.995	70%
4	Multilateral development banks	74.343	-	74.343	-	-	-
6	Institutions	1.212.967	37.366	1.175.980	14.369	500.428	42%
7	Corporates	2.235.882	979.266	1.550.999	316.049	1.820.199	97%
8	Retail	3.585.729	810.923	3.544.434	183.510	2.667.722	72%
9	Secured by mortgages on immovable property	714.231	7.713	714.231	2.938	271.623	38%
10	Exposures in default	249.191	50.578	248.592	10.896	317.188	122%
11	Exposures associated with particularly high risk	81.215	10.756	75.294	2.065	116.039	150%
12	Covered bonds	194.327	-	194.327	-	28.985	15%
14	Collective investment undertakings	45.853	-	45.853	-	7.116	16%
15	Equity	25.243	-	25.243	-	43.597	173%
16	Other items	621.951	2	621.951	0	350.053	56%
17	Total	12.368.628	1.915.080	12.368.628	549.477	7.209.883	56%
31.12.2017		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposure classes							
1	Central governments or central banks	3,060,144	1,532	3,884,233	12,788	1,031,854	26%
2	Regional government or local authorities	109,195	821	109,195	175	50,094	46%
3	Public sector entities	74,807	13,756	67,410	3,496	54,043	76%
4	Multilateral development banks	69,399	-	69,399	-	-	-
6	Institutions	1,265,587	53,392	1,224,909	14,310	523,027	42%
7	Corporates	2,240,628	945,421	1,514,045	273,243	1,743,491	98%
8	Retail	3,410,857	790,851	3,366,237	175,452	2,538,590	72%
9	Secured by mortgages on immovable property	697,134	13,142	697,134	4,186	264,396	38%
10	Exposures in default	297,001	50,545	296,386	11,820	365,169	118%
11	Exposures associated with particularly high risk	69,692	21,070	65,494	5,780	106,911	150%
12	Covered bonds	89,191	-	89,191	-	12,260	14%
14	Collective investment undertakings	45,662	-	45,662	-	6,489	14%
15	Equity	26,660	-	26,660	-	48,383	181%
16	Other items	618,867	2	618,868	0	351,706	57%
17	Total	12,074,822	1,890,531	12,074,822	501,250	7,096,414	56%

The table shows exposures pre CRM and CCF, exposure post CCF and CRM and RWA for all customer segments. At the end of June 2018 the increase of both types of exposures was noticed in the Retail and Covered bonds 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 56.4% to 55.8% in the first half of 2018.

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

(Article 444 a, b, c and d of CRR)

Table 19 – EU CR5 – Standardised approach of NLB Group

30.6.2018	Risk weight																Total	Of which unratd	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted			
1 Central governments or central banks	2,874,836	-	-	-	94,118	-	64,677	-	-	889,668	-	21,146	-	-	-	-	-	3,944,445	3,944,445
2 Regional government or local authorities	-	-	-	-	77,588	-	-	-	-	36,810	-	-	-	-	-	-	-	114,398	114,398
3 Public sector entities	13,781	-	-	-	161	-	6,566	-	-	37,680	-	-	-	-	-	-	-	58,188	58,188
4 Multilateral development banks	74,343	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,343	74,343
6 Institutions	-	-	-	-	354,563	-	812,541	-	-	23,245	-	-	-	-	-	-	-	1,190,349	227,497
7 Corporates	-	-	-	-	-	-	-	-	-	1,867,048	-	-	-	-	-	-	-	1,867,048	1,867,048
8 Retail	-	-	-	-	-	-	-	-	3,727,944	-	-	-	-	-	-	-	-	3,727,944	3,727,944
9 Secured by mortgages on immovable property	-	-	-	-	-	538,519	178,650	-	-	-	-	-	-	-	-	-	-	717,169	717,169
10 Exposures in default	-	-	-	-	-	-	-	-	-	144,085	115,402	-	-	-	-	-	-	259,487	259,487
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	77,359	-	-	-	-	-	-	-	77,359	77,359
12 Covered bonds	-	-	-	98,806	95,520	-	-	-	-	-	-	-	-	-	-	-	-	194,327	60,694
14 Collective investment undertakings	-	-	-	-	-	-	-	-	-	1,327	-	-	-	-	44,526	-	-	45,853	45,853
15 Equity	-	-	-	-	-	-	-	-	-	13,007	-	12,236	-	-	-	-	-	25,243	25,243
16 Other items	260,009	-	-	-	14,862	-	-	-	-	347,080	-	-	-	-	-	-	-	621,951	607,150
17 Total	3,222,968	-	-	98,806	636,813	538,519	1,062,434	-	3,727,944	3,359,951	192,762	33,382	-	-	44,526	-	12,918,105	11,806,819	

31.12.2017	Risk weight																Total	Of which unratd	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted			
1 Central governments or central banks	2,782,364	-	-	-	101,015	-	59,621	-	-	935,418	-	18,603	-	-	-	-	-	3,897,021	3,897,021
2 Regional government or local authorities	-	-	-	-	74,095	-	-	-	-	35,275	-	-	-	-	-	-	-	109,370	109,370
3 Public sector entities	13,639	-	-	-	252	-	6,044	-	-	50,971	-	-	-	-	-	-	-	70,906	70,906
4 Multilateral development banks	69,399	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,399	69,399
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	361,930	-	853,297	-	-	23,993	-	-	-	-	-	-	-	1,239,219	326,258
7 Corporates	-	-	-	-	-	-	-	-	-	1,787,287	-	-	-	-	-	-	-	1,787,287	1,787,287
8 Retail	-	-	-	-	-	-	-	-	3,541,689	-	-	-	-	-	-	-	-	3,541,689	3,541,689
9 Secured by mortgages on immovable property	-	-	-	-	-	531,446	169,874	-	-	-	-	-	-	-	-	-	-	701,320	701,320
10 Exposures in default	-	-	-	-	-	-	-	-	-	194,280	113,926	-	-	-	-	-	-	308,206	308,206
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	71,274	-	-	-	-	-	-	-	71,274	71,274
12 Covered bonds	-	-	-	55,778	33,413	-	-	-	-	-	-	-	-	-	-	-	-	89,191	19,734
14 Collective investment undertakings	-	-	-	-	-	-	-	-	-	1,147	-	-	-	-	44,514	-	-	45,662	45,662
15 Equity	-	-	-	-	-	-	-	-	-	12,178	-	14,482	-	-	-	-	-	26,660	26,660
16 Other items	256,594	-	-	-	13,211	-	-	-	-	349,063	-	-	-	-	-	-	-	618,869	604,800
17 Total	3,121,996	-	-	55,778	583,916	531,446	1,088,835	-	3,541,689	3,389,613	185,200	33,085	-	-	44,514	-	12,576,073	11,579,586	

The exposure values post CRM and post CCR in each specific risk-weight class are distributed based on the Standardized approach rules. The 0% weight prevails in Central government segment, 20% and 50% for the institutions (depending on ECAI rating and residual maturity of the exposure), 35% for Secured by real-estate exposure and 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is only applied to High risk exposures and those Default exposures, whose provision coverage does not exceed 20%. In the first half of 2018, the highest increase was noticed on the 75% weight, due to the increase of exposure in the retail segment, while the highest decrease appeared under 100% weight, predominantly in the Corporate segment.

6. Exposure to counterparty credit risk

6.1. Downgrading impacts on collateralisation

(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 collateralisation are not material.

Table 20 – EU CCR1 – Analysis of CCR exposure by approach for NLB Group

	a	b	c	f	g
	Notional	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
30.6.2018					
1 Mark to market	-	14,773	11,696	28,015	23,186
11 Total	-	-	-	-	23,186
	a	b	c	f	g
	Notional	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
31.12.2017					
1 Mark to market	-	12,229	10,641	22,872	20,133
11 Total	-	-	-	-	20,133

Table 21 - EU CCR2 – CVA capital charge for NLB Group

	30.6.2018		31.12.2017	
	Exposure value	RWAs	Exposure value	RWAs
4 All portfolios subject to the standardised method	6,821	2,100	2,607	850
EU4 Based on the original exposure method	-	-	-	-
5 Total subject to the CVA capital charge	6,821	2,100	2,607	850

Table 22 – EU CCR8 – Exposures to CCPs of NLB Group

	30.6.2018		31.12.2017	
	EAD post CRM	RWAs	EAD post CRM	RWAs
1 Exposures to QCCPs (total)	-	11,833	-	14,059
Exposures for trades at QCCPs (excluding initial margin and default				
2 fund contributions); of which	11,833	11,833	14,059	14,059
3 OTC derivatives	11,833	11,833	14,059	14,059
7 Segregated initial margin	22,433	-	21,691	-
11 Exposures to non-QCCPs (total)	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

Table 23 – EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk of NLB Group

Exposure classes	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
30.6.2018													
Central governments or central banks	2,874,836	-	-	-	94,118	64,677	-	-	889,715	7	20,201	3,943,554	3,943,554
Regional government or local authorities	-	-	-	-	77,588	-	-	-	36,808	6	-	114,402	114,402
Public sector entities	13,781	-	-	-	161	6,566	-	-	43,743	7	2,532	66,790	66,790
Multilateral development banks	74,343	-	-	-	-	-	-	-	-	-	-	74,343	74,343
Institutions	-	-	-	98,806	450,083	812,541	-	-	23,284	6	145	1,384,867	288,381
Corporates	-	-	-	-	-	63,123	-	-	1,118,937	68,144	3,409	1,253,614	1,253,614
Retail	-	-	-	-	-	115,528	-	3,727,944	908,196	124,591	590,139	5,466,397	5,466,397
Other items	260,009	-	-	-	14,862	-	-	-	339,268	-	-	614,138	599,338
Total	3,222,968	-	-	98,806	636,813	1,062,434	-	3,727,944	3,359,951	192,762	616,427	12,918,105	11,806,819
31.12.2017													
Central governments or central banks	2,782,364	-	-	-	101,015	59,621	-	-	935,470	8	17,912	3,896,390	3,896,390
Regional government or local authorities	-	-	-	-	74,095	-	-	-	35,296	11	-	109,402	109,402
Public sector entities	13,639	-	-	-	252	6,044	-	-	57,675	3	2,514	80,128	80,128
Multilateral development banks	69,399	-	-	-	-	-	-	-	-	-	-	69,399	69,399
Institutions	-	-	-	55,778	395,342	853,297	-	-	23,993	65	214	1,328,689	346,271
Corporates	-	-	-	-	-	65,559	-	-	1,134,209	62,152	3,409	1,265,330	1,265,330
Retail	-	-	-	-	-	104,315	-	3,541,689	859,938	122,954	584,995	5,213,891	5,213,891
Other items	256,594	-	-	-	13,211	-	-	-	343,033	7	-	612,845	598,776
Total	3,121,996	-	-	55,778	583,916	1,088,835	-	3,541,689	3,389,613	185,200	609,045	12,576,073	11,579,586

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 Standardized 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%.

Table 24 – EU CCR5-A – Impact of netting and collateral held on exposure values for NLB Group

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
30.6.2018					
1 Derivatives	15,682	5,178	10,504	1,579	8,925
4 Total	15,682	5,178	10,504	1,579	8,925
	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
31.12.2017					
1 Derivatives	13,703	3,976	9,717	1,516	8,201
4 Total	13,703	3,976	9,717	1,516	8,201

Table 25 – 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	
	Segregated	Unsegregated	Segregated	Unsegregated
30.6.2018				
Cash	1,579	-	53,471	-
Total	1,579	-	53,471	-
	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated
31.12.2017				
Cash	1,516	-	52,905	-
Total	1,516	-	52,905	-

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

	30.6.2018		31.12.2017	
	RWAs	Capital requirements	RWAs	Capital requirements
Outright products				
1 Interest rate risk (general and specific)	10,075	806	5,638	451
3 Foreign exchange risk	517,225	41,378	494,088	39,527
4 Commodity risk				
9 Total	527,300	42,184	499,726	39,978

8. Leverage

(Article 451 of CRR)

The leverage ratio is calculated after January 2014 in line with the enforcement of provisions from the Regulation (EU) No 575/2013 and Directive 2013/36/EU, or as of January 2015 pursuant to the amendments in relation to the calculation published in Commission Delegated Regulation (EU) 2015/62. As of 1 January 2015, the additional requirement to disclose information concerning the leverage is in force. In February 2016 Regulation (EU) 2016/200 was adopted, laying down implementing technical guidance with regard to disclosure of the leverage ratio. In March 2016 the Implementing Regulation (EU) 2016/428 was adopted, setting out guidelines for supervisory reporting of the leverage ratio.

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. Purpose of the leverage ratio is to limit the size of bank balance sheets with a special emphasis on exposures which are not weighted within the framework of the existing capital requirement calculations. So the leverage calculation uses Tier 1 as the numerator, and the denominator is the total exposure of all active balance sheet and off-balance-sheet items after the adjustments are made, in the context of which the exposures from individual derivatives, exposures from transactions of security funding and other off-balance sheet items are especially pointed out.

The leverage ratio of NLB Group, amounted to 11.31% and is well above the 3% threshold defined by the Basel Committee on Banking Supervision (BCBS). As of 1 January 2018, the leverage ratio became one of the binding minimum capital requirements.

Since the minimum requirement was exceeded so significantly, the risk of excessive leverage is not material. Leverage risk is assessed and monitored quarterly as part of the internal assessment of capital requirements process (ICAAP) and monitored in the context of the system of early warning regarding risk indicators defined in Risk Appetite. In this monitoring system, the leverage ratio has set certain limits, or as well in the case of any exceeding of defined triggers and defined notification system. The leverage ratio is regularly, quarterly monitored and reported to ALCO, Management Board and Supervisory board of NLB Group. The monitoring of excess leverage is also included in stress tests and recovery plan measures if and whenever a bank would be required to maintain an adequate capital level. The testing for any case of extraordinary circumstances is especially important as it is future-oriented: if the leverage ratio also remains stable in extraordinary, stress conditions, the risk of a forced decrease in the Bank's assets is low.

Leverage ratio calculated as at 30 June 2018 amounted to 11.31%, and increased by 1.4 percentage points compared to the end of previous year. The increase occurred primarily due to the capital increase by EUR 233 million, which includes Retained earnings in full and effect of IFRS 9 transition (considering fully loaded capital as of 31 December 2017). Leverage exposure calculated in accordance with Article 111 of the Regulation (EU) No 575/2013 increased by EUR 311 million. Higher amount of total leverage exposure arose from increased on-balance sheet exposures especially banking book exposures such as sovereign exposures, retail exposures and investments in covered bonds. Amounts of derivatives slightly rose and also off-balance sheet exposures increased in comparison with end of previous year.

As of 30 June 2018, the leverage exposure was mainly driven by on-balance sheet exposures (96.2%), and other off-balance sheet exposures (3.6%), the rest was exposure from derivatives which is not significant. Among on-balance sheet exposures the most significant were Retail exposures (26%), exposures treated as sovereigns (22.8%), exposures to corporates (16.2%) and 15.9% to other exposures.

Table 27 – Leverage ratio of NLB Group

	30.6.2018	31.3.2018	31.12.2017
Tier 1 capital*	1,623,126	1,435,710	1,390,579
Total leverage exposures	14,355,961	14,161,288	14,044,985
Leverage ratio	11.31%	10.14%	9.90%

* 31 December 2017 fully loaded capital

Table 28 – LRCom - Leverage ratio common disclosure

	30.6.2018	31.3.2018	31.12.2017
	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)	13,841,291	13,714,445	13,584,533
2 (Asset amounts deducted in determining Tier 1 capital)	(34,660)	(35,457)	(37,363)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	13,806,631	13,678,988	13,547,170
Derivative exposures			
4 Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	15,344	14,781	14,212
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	24,504	23,975	22,719
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(847)	(3,128)	(2,229)
8 (Exempted CCP leg of client-cleared trade exposures)	(10,986)	(10,942)	(11,831)
11 Total derivative exposures	28,016	24,686	22,871
Securities financing transaction exposures			
16 Total securities financing transaction exposures	-	-	-
Other off-balance sheet exposures			
17 Off-balance sheet exposures at gross notional amount	1,913,546	1,812,638	1,890,516
18 (Adjustments for conversion to credit equivalent amounts)	(1,392,232)	(1,355,024)	(1,415,572)
19 Other off-balance sheet exposures	521,314	457,614	474,944
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
Capital and total exposures			
20 Tier 1 capital	1,623,126	1,435,710	1,390,579
21 Total leverage ratio exposures	14,355,961	14,161,288	14,044,985
Leverage ratio			
22 Leverage ratio	11.31%	10.14%	9.90%

Table 29 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	30.6.2018	31.3.2018	31.12.2017
1 Total assets as per published financial statements	12,516,186	12,424,576	12,237,745
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(30,095)	(30,857)	(36,806)
4 Adjustments for derivative financial instruments	12,672	9,905	8,659
6 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	521,314	457,614	474,944
7 Other adjustments	1,335,884	1,300,050	1,360,443
8 Leverage ratio total exposure measure	14,355,961	14,161,288	14,044,985

Table 30 – LRSpl – Split-up of on balance sheet exposures

	CRR leverage ratio exposures		
	30.6.2018	31.3.2018	31.12.2017
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	13,841,291	13,714,445	13,584,533
EU-2 Trading book exposures	52,810	35,139	59,164
EU-3 Banking book exposures, of which:	13,788,481	13,679,306	13,525,369
EU-4 Covered bonds	194,089	170,819	89,191
EU-5 Exposures treated as sovereigns	3,149,086	3,165,840	3,060,144
EU-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	249,383	250,906	253,401
EU-7 Institutions	1,212,606	1,270,552	1,265,587
EU-8 Secured by mortgages of immovable properties	714,231	710,477	697,134
EU-9 Retail exposures	3,585,729	3,481,307	3,410,857
EU-10 Corporate	2,235,796	2,179,732	2,240,627
EU-11 Exposures in default	248,393	282,261	297,000
EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,199,168	2,167,412	2,211,428

9. Appendix

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	5
	(b) an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated, proportionally consolidated, deducted from own funds, neither consolidated nor deducted;	2	5-6
	(c) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	2	5-6
	(d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;	2	5-6
	(e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	/	/
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	12-13
	(b) a description of the main features of the CET1 and AT1 instruments and T2 instruments issued by the institution;	3.3	9-10
	(c) the full terms and conditions of all CET1, AT1 and Tier 2 instruments;	3.3	9-10
	(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	10-11
	(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	10-11
	(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	3.5	12-13
438	Capital requirements		
	(a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	/	/
	(b) upon demand of the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	/	/
	(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	8-9
	(d) (IRB approach:) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. The institutions calculating the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2) shall disclose the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight mentioned in Article 155(2);	/	/
	(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	8-9

	(f) (operational risk:) own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	3.2	8-9
439	Exposure to counterparty credit risk		
	(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	/	/
	(b) a discussion of policies for securing collateral and establishing credit reserves;	/	/
	(c) a discussion of policies with respect to wrong-way risk exposures;	/	/
	(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	20-22
	(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	20-22
	(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	20-22
	(g) the notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure;	/	/
	(h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;	/	/
	(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α .	/	/
442	Credit risk adjustments		
	(a) the definitions for accounting purposes of 'past due' and 'impaired';	/	/
	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	/	/
	(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	/	/
	(d) the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;	/	/
	(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	/	/
	(f) the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate;	/	/
	(g) by significant industry or counterparty type, the amount of:		
	(i) impaired exposures and past due exposures, provided separately;	4.1	13-16
	(ii) specific and general credit risk adjustments;		
	(iii) charges for specific and general credit risk adjustments during the reporting period;		
	(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	13-16
	(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;		
	(iii) the amounts taken against the credit risk adjustments during the reporting period;	4.2	16-17
	(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.		
	Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.	/	/
444	Use of ECAs		

	(a) the names of the nominated ECAIs and ECAs and the reasons for any changes;	/	/
	(b) the exposure classes for which each ECAI or ECA is used;	/	/
	(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	/	/
	(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;	/	/
	(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	18-19
445	Exposure to market risk		
	Separately for each risk + the own funds requirement for specific IRR of securitisation positions.	7	22
451	Leverage		
	(a) the leverage ratio and how the institution applies Article 499(2) and (3);	8	23-24
	(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	23-24
	(c) where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	/	/
	(d) a description of the processes used to manage the risk of excessive leverage;	8	23-24
	(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	23-24
453	Use of credit risk mitigation techniques	/	/
	(a) the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off- balance sheet netting;	/	/
	(b) the policies and processes for collateral valuation and management;	/	/
	(c) a description of the main types of collateral taken by the institution;	/	/
	(d) the main types of guarantor and credit derivative counterparty and their creditworthiness;	/	/
	(e) information about market or credit risk concentrations within the credit mitigation taken;	/	/
	(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	17-18
	(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	17-18
492	Transitional provisions for disclosure of own funds		
3	During the period from 1 January 2014 to 31 December 2017, institutions shall disclose the following additional information about their own funds:		
	(a) the nature and effect on CET1 capital, AT1 capital, Tier 2 capital and own funds of the individual filters and deductions applied in accordance with Articles 467 to 470, 474, 476 and 479;		
	(b) the amounts of minority interests and AT1 and Tier 2 instruments, and related retained earnings and share premium accounts, issued by subsidiaries that are included in consolidated CET1 capital, AT 1 capital, Tier 2 capital and own funds in acc. with Section 4 of Ch. 1;	3.4	10-11
	(c) the effect on CET1 capital, AT1 capital, Tier 2 capital and own funds of the individual filters and deduct. applied in acc. with Article 481;		
	(d) the nature and number of items that qualify as CET1 items, Tier 1 items and Tier 2 items by virtue of applying the derogations specified in Section 2 of Chapter 2.		