ABANKA

DISCLOSURES OF THE ABANKA GROUP FOR 2019 UNDER PILLAR 3 OF THE BASEL STANDARDS

Ljubljana, 6 March 2020

CONTENTS

DISCLOSURES OF THE ABANKA GROUP FOR THE YEAR 2019

INDEX OF ABBREVIATIONS

Abanka d.d. – Abanka
CCF – Credit Conversion Factor
CCR – Counterparty Credit Risk
COREP – Common Reporting
CRD IV – Capital Requirements Directive
CRM – Credit Risk Mitigation
CRR – Capital Requirements Regulation
CSA – Credit Support Annex
CVA – Credit valuation Adjustment
BAMC d.d. – Bank Assets Management Company (Družba za upravljanje terjatev bank)
EBA – European Banking Authority
ECAI – External Credit Assessment Institution
EU – European Union
ICAAP – Internal Capital Adequacy Assessment Process
ILAAP – Internal Liquidity Adequacy Assessment Process
IRB – Internal Rating–Based approach
KTUB – Risk Monitoring and Asset Liability Management Committee (Komisija za spremljanje tveganj in upravljanja z bilanco banke)
LCR – Liquidity Coverage Ratio
SME – small and medium entities
IFRS – International Financial Reporting Standards
NSFR – Net Stable Funding Ratio
OUTB – Risk Management and Asset-Liability Committee (Odbor za upravljanje tveganj in upravljanje z bilanco banke)
SFT – Security Financing Transaction
Abanka Group – Abanka d.d. and its subsidiary
ZBan-2 – Banking law (Zakon o bančništvu)

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DISCLOSURES OF THE ABANKA GROUP FOR THE YEAR 2019

Disclosures of the Abanka Group for 2019 under Pillar 3 of the Basel Standards (hereinafter: the Disclosures) are made in accordance with the requirements of the[1] Capital Requirements Regulation which also relates to the Capital Requirements Directive[2] (hereinafter: the CRD IV Directive). On 20 May 2019, Regulation (EU) 2019/876 (CRR 2) and Directive (EU) 2019/878 (CRD V) came into force and were published on 20 May 2019, and have been reviewed and taken into account by the Bank. However, the Disclosures below are based on the CRR Regulation and the CRD IV Directive.

The CRD IV Regulation and the CRD IV Directive form a legal framework for the supervision of credit institutions, investment companies and their parent companies in all Member States of the European Union and the European Economic Area. European banks are obliged to make public disclosures, which raise disclosure standards and aim to provide sufficient information to potential investors and the relevant public regarding risks that banks assume in their operations.

CRD IV includes CRR, CRD, regulatory standards and EBA technical standards. CRD is generally based on the following three pillars:

- Pillar 1 includes mechanisms and requirements that enable financial intuitions to calculate their minimal capital requirements for credit, market and operational risks;
- Pillar 2 is a recommendation on how to formulate strategies, policies and effective internal processes for risk management purposes in terms of capital adequacy. It defines requirements for assessing capital adequacy in view of the level of credit, financial and operational risks to which an institution is exposed. In this way, requirements are set for risk management and the adequate capital levels which should provide the stability of an institution and thereby the stability of the financial system. Pillar 2 includes significant risks that are not included in Pillar 1.
- Pillar 3 supplements Pillar 1 and Pillar 2 as a response to the financial crisis and deficiencies in financial regulations and includes additional regulatory requirements and the disclosures of capital and liquidity, sources risk-weighted assets (RWA), risk exposure and risk assessment procedures;
- Pillar 4 finalises Pillar 3 and includes, inter alia, the updated Standardised Approach to credit risk calculation, the updated Standardised Approach to operational risk calculation, threshold calibration depending on the application of the Standardised Approach to credit risk calculation; the framework that defines Tier 2 in the calculation of the leverage ratio that will apply to global systemically important institutions.

According to the EU legislation on capital regulation Abanka d.d. hereinafter: Abanka) is a senior bank and therefore required to publish its disclosures on the basis of the consolidated financial position.

[1] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

[2] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC /EC.

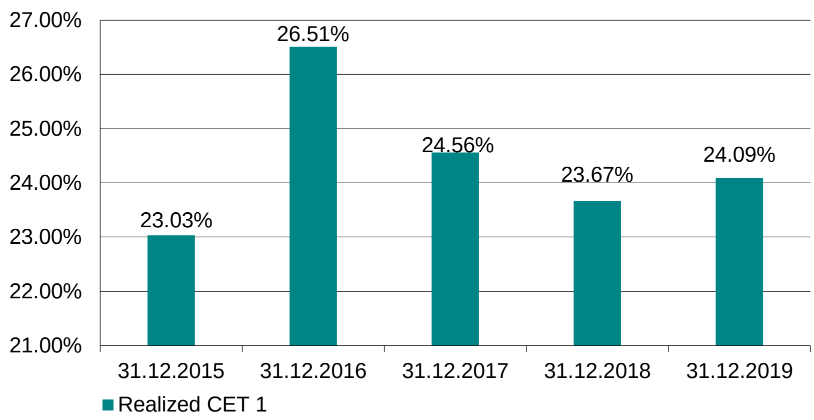
(All amounts in EUR thousand unless otherwise stated)

Key data and ratios are reflected throughout the Disclosures and Annual Report and are summarised in Table 1.

Table 1: KEY METRICS

	31. 12. 2019	31. 12. 2018
Available capital		
Common Equity Tier 1 (CET1)	502,004	489,785
Tier 1	502,004	489,785
Total capital	502,004	489,785
Risk-weighted assets		
Total risk-w eighted assets (RWA)	2,083,657	2,068,883
Risk-based capital ratios		
CET1 ratio (%)	24.09 %	23.67 %
Tier 1 ratio (%)	24.09 %	23.67 %
Total capital ratio (%)	24.09 %	23.67 %
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirement	2.500 %	1.875 %
Countercyclical buffer requirement	0.029 %	0.018 %
Bank D-SIB additional requirements	0.25%	–
Total of bank CET1 specific buffer requirements	2.779 %	1.893 %
CET1 available after meeting the bank's minimum capital requirements	19.59 %	19.17 %
Leverage ratio		
Total leverage ratio exposure measure	4,119,018	4,019,030
Leverage ratio (%)	12.19 %	12.19 %
Liquidity Coverage Ratio (LCR)		
Total high-quality liquid assets (HQLA)	1,392,866	1,349,721
Total net cash outflow	358,646	313,730
LCR ratio (%)	388.37 %	430.22 %
NSFR ratio (%)	180.71 %	174.38 %

Image 1: Realized CET in % during the period 2015–2019



(All amounts in EUR thousand unless otherwise stated)

Table 2: OVERVIEW OF REQUIRED DISCLOSURES, REQUIRED IN PART 8 OF THE REGULATION AND DISCLOSED IN THE ANNUAL REPORT

Article	Requirement	Part of Annual Report	Note
435.	1. Risk management objectives and policies		
	a) the strategies and processes to manage risks	Financial Report Business Report	Notes to the financial statements 2 Risk management, 2.1.1 The credit risk management process, 2.2.1 Market risk management process, 2.3.1 Liquidity risk management process, 2.5.1 Operational risk management process Risk management Statement of the Management Board and the Supervisory Board on the risks of Abanka and the Abanka Group
	b) the structure and organization of the relevant risk management function including internal control system	Financial Report Business Report	Notes to the financial statements 2 Risk management (introduction), 2.1.1 The credit risk management process, 2.2.1 Market risk management process, 2.3.1 Liquidity risk management process, 2.5.1 Operational risk management process. Risk management (introduction), Corporate governance statement (Composition and functioning of management or supervisory bodies and their committees/commissions)
	c) the scope and nature of risk reporting and measurement systems	Financial Report	Notes to the financial statements 2 Risk management, 2.1.1 The credit risk management process, 2.2.1 Market risk management process, 2.3.1 Liquidity risk management process, 2.4.6 Internal capital adequacy assessment process, 2.5.1 Operational risk management process.
	d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Financial Report	Notes to the financial statements 2 Risk management, 2.1.1 The credit risk management process, 2.2.1 Market risk management process, 2.3.1 Liquidity risk management process, 2.5.1 Operational risk management process.
	e) a declaration approved by the management body on the adequacy of risk management of the institution	Business Report	Statement of the Management Board and the Supervisory Board on the adequacy of risk management in Abanka and the Abanka Group
	f) a concise risk statement approved by the management body describing the institution's overall risk profile associated with the business strategy, key indicators and figures providing a comprehensive view how the business model translates into the components of the institution's credit risk profile.	Business Report	Statement of the Management Board and the Supervisory Board on the risks of Abanka and the Abanka Group
	2. Information about governance arrangements:		
	a) the number of directorship held by members of the management body	Business Report	Corporate governance statement
	d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Business Report	Corporate governance statement
437.	Capital	Financial Report	Notes to the financial statements 2.4 Capital management, 2.4.1 Regulatory capital and capital adequacy

(All amounts in EUR thousand unless otherwise stated)

Article	Requirement	Part of Annual Report	Note
442.	Credit risk adjustments		
	a) the definitions for accounting purposes of "past due" and "impaired" for accounting purposes	Financial Report	Notes to the financial statements 2.1 Credit risk, 2.1.2 Impairment and provisioning methodologies, 2.1.6 Loans to non-bank customers by past due status
	b) a description of the approaches and methods adopted for determing specific and general credit risk adjustments	Financial Report	1 Summary of significant accounting policies 1.11 Impairment of financial assets, 1.16 Provisions, 2.1 Credit risk, 2.1.2. Impairment and provisioning methodologies
448.	Exposure to interest rate risk on positions not included in the trading book	Financial Report	Notes to the financial statements 2.2 Market risk, 2.2.3 Interest rate risk

Frequency and medium of disclosures

According to the CRR, disclosures can be part of an audited annual report or published separately on a website. The Abanka Group, which includes Abanka and a subsidiary of the latter (hereinafter: the Group), makes Disclosures separately from its audited annual report and therefore publishes them on the website www.abanka.si simultaneously with its annual report. In this document, the Group does not duplicate the disclosures that make part of the audited annual report and are also required under the CRR. Such disclosures are referenced to in the relevant chapters of the Annual Report.

On 5 February 2020, Nova KBM d.d. completed the acquisition of a 100% stake in Abanka d.d., which is thus a member of the Nova KBM Group and is no longer owned by the Republic of Slovenia. From 5 February 2020, Abanka d.d. and its subsidiary will be included in the consolidated reports of the NKBM Group, with a cut-off date of 31 January 2020. In accordance with Article 11 of the CRR, the former Abanka Group is no longer obligated to fulfil its obligations arising from Parts 2 - 4 and Part 7 under the consolidated position of the Abanka Group as of that date.

As the other systemically important bank, Abanka has been required to fully apply the Guidelines on disclosure requirements under Part Eight of the CRR (hereinafter: the EBA Guidelines 2016/11) in the Disclosures for the 2019. Other systemically important banks are governed by paragraphs 25 to 32 of the EBA Guidelines 2016/11 that stipulate the type of information, level of detail and frequency with which banks are required to disclose a certain set of content defined in Part Eight of the CRR, namely,

a) information on own funds listed in paragraph 25 (a) on a quarterly basis;
b) information on the leverage ratio listed in paragraph 25 (c) on a semi-annual basis;
c) the full set of information required by the Commission Implementing Regulation (EU) No 1423/2013 and the Commission Implementing Regulation (EU) No 2016/200 on the disclosure of the leverage ratio on a semi-annual basis;
d) Other information listed in the guidance in the EBA Guidelines 2016/11, with the applicable frequency, and in particular:
   i. Information in Article 438 points (c) to (f), as specified in templates EU OV1, EU CR8, EU CCR7, and EU MR2-B;
   ii. Information on risk exposures, as specified in templates EU CR5, EU CR6 and EU MR2-A;
e) Information on other items prone to rapid changes.

In line with paragraph 32 of the EBA Guidelines 2016/11, Abanka will provide disclosures specified in paragraphs 25 and 27 annually.

On 1 January 2019 Guidelines on disclosure of non-performing and forborne exposures (hereinafter: the EBA Guidelines 2018/10) came into force and according to the criteria set out in Article 15 the Abanka Group for 2019 disclosed Template 1, Template 3, Template 4, Template 5, Template 6 and Template 9. The Group also disclosed comparative data.

In accordance with its Public Data Disclosure Policy, the Abanka Group is in compliance with the CRD IV, the CRR, EBA Guidelines 2016/11 and EBA Guidelines 2018/10 and the provisions and requirements of the following legislation:

- Banking Act (Zban-2),
- EBA Guidelines on Internal Governance (GL 2017/11),
- EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of the CRR,
- EBA Guidelines on liquidity coverage ratio (LCR) disclosure to complement the disclosure of liquidity risk management (GL 2017/01),
- EBA Guidelines on disclosure of encumbered and unencumbered assets (GL 2014/03),
- Remuneration Policy of Abanka d.d. which is in compliance with Articles 92 to 95 of the Directive 2013/36/EU,
- EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU (GL 2015/22),

(All amounts in EUR thousand unless otherwise stated)

- decisions of the Bank of Slovenia and other regulations regarding content other than that defined in Directive 2013/36/EU and the CRR,
- regulatory and implementing technical standards, and
- International Financial Reporting Standards - IFRS 7, Financial Instruments: Disclosures.

The Group is also aware of the ECB publication Guidance to banks on non-performing loans (March 2017).

Table 3: THE DOCUMENT INCLUDES NO DISCLOSURE FROM A REGULATION NOT RELEVANT TO THE GROUP

Article	Requirement	Note
49	Non-deducted participations in insurance undertakings	The Group has no non-deducted participations in insurance undertakings.
438	Capital requirements	
	d) calculation of risk-weighted exposure amounts for institutions that apply the internal ratings-based (IRB) approach	The Group does not apply the internal ratings-based approach.
439	Exposure to counterparty credit risk	
	g) the notional value of credit derivative hedges and the distribution of current credit exposure by types of credit exposure	The Group does not enter into credit derivative hedges.
	(h) the notional amounts of credit derivatives	The Group does not enter into credit derivative hedges.
	(i) the estimate of α	The Group calculates the counterparty credit risk exposure using the Standardised Approach, so it does not estimate the value of α.
441	Indicators of global systemic importance	The Group is not obliged to disclose because Abanka is not a globally important bank.
449	Exposure amount of the securitisation position	The Group does not engage in securitisation transactions.
452	Use of the IRB approach for credit risk	The Group uses the Standardised Approach.
454	Use of advanced measurement approaches	The group uses the simple method.
455	Use of market risk internal models approach	The Group uses the Standardised Approach.

Audit firm Deloitte revizija d.o.o. verified the completeness, accuracy and compliance of the Group's Disclosures for 2019. This report was not audited.

The Management Board approved the Disclosures of the Abanka Group for 2019 under Pillar 3 of the Basel Standards on 2 March 2020. On 6 March 2020, the Audit Committee examined the document, which was approved by the Supervisory Board on the same day.

1 RISK MANAGEMENT OBJECTIVES AND POLICIES

(Article 435 of the CRR)

1.1 Risk management strategies and processes

(Article 435 (1) (a) of the CRR)

The Group defined an integrated Risk Appetite Framework (hereinafter: RAF), which includes the **Risk Management Strategy and Risk Appetite**, **Risk Management Limits** and **ICAAP and ILAAP Rulebook**. The latter define procedures and methods used by the Group in the process of risk identification, measurement/assessment, monitoring, mitigation and reporting by risk type.

RAF is based on a general approach that encompasses strategies, policies, processes, controls and systems used to identify, report on and monitor risk appetite. It includes a statement on risk appetite and risk limits and also describes the roles and responsibilities of the persons who control and monitor the implementation of RAF.

In addition, RAF includes key risk criteria for capital and liquidity and describes connectivity with the business plan, limit structure and the bank recovery plan. The identification of risks and materiality represent the basis for defining the way to address risks (with capital, with liquidity, i.e. with unencumbered assets, at managerial levels of process controls). RAF considers all the key risk drivers identified as material by the Group in view of the current situation in the external and internal environment. By formulating its risk management strategy and policies and by defining its risk appetite, the Group defines the basis for organising internal risk management, compliance and public disclosures of financial performance data. The Group sets its Risk Management Strategy and Risk Appetite for a period of three years in advance and regularly updates these documents.

RAF includes all the processes and mechanisms that ensure that the Group's risk-taking always complies with its risk appetite and a reasonable level of risk.

The Risk Management Strategy and Risk Appetite is adjusted to the size of the Group and implemented relative to the nature, volume and complexity of the Group's business activities, irrespective of the macroeconomic environment in Slovenia and internationally or expected macroeconomic trends.

The Risk Management Strategy and Risk Appetite follow policies that are aligned with the Business Strategy for the Period 2019-2022, the Annual Plan of Abanka for 2020 and planned financial statements up to 2022.

Key elements of risk capacity and risk appetite

The key elements of the Group's RAF are major risk identification, risk capacity, risk appetite and layer risk management at all levels of limit systems.

Risk capacity represents the highest level of risk that a financial institution is capable of assuming in consideration of its current and planned level of sources before it exceeds the limits set by regulatory capital and liquidity needs, the operating environment (e.g. technical infrastructure, risk management capacity, know-how) and liabilities, also in terms of the treatment of depositors, policyholders, shareholders, investors in fixed-income investments and other customers and stakeholders.

Risk appetite represents the total level of risk and risk types that an institution is ready to assume within its risk capacity limits in order to achieve its strategic objectives and implement its business plan.

Abanka defines its risk capacity on the basis of six key risk indicators at the highest level – three for capital and three for liquidity. These indicators limit the risk of the entire Group and are distributed across the entire pyramid of limits. Capital is controlled with the Common Equity Tier 1 ratio, CAR ratio and the quality of new loans. Liquidity is controlled with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) – both generally recognised regulatory measurement methodologies for short- and structural/long-term liquidity, and for with the survival period that shows the number of days a bank is able to survive under liquidity stress. At the second level of the pyramid, there are limits derived from the capital needs assessment and the internal assessment of the liquidity buffer relevant for the Group's risks. The third level defined limits set by the bank on the basis of ICAAP and ILAAP processes and used to manage individual types of risk. In this way, the Bank makes sure to stay within the risk appetite framework at operational level.

(All amounts in EUR thousand unless otherwise stated)

In combination with these limits, the Risk Management Strategy and the Risk Appetite ensure that risk appetite becomes part of the daily decision-making process.

Table 4: KEY RISK INDICATORS

Indicator	Risk apetite (consolidated basis)	As at 31 December 2015	31 December 2016	31 December 2017	31 December 2018	31 December 2019
Total capital Ratio – CAR	> 17.3%	23.03%	26.51%	24.56%	23.67%	24.09%
Common equity tier 1 capital – CET1	> 13.8%	23.03%	26.51%	24.56%	23.67%	24.09%
LCR	> 150%	491.87%	551.59%	443.24%	430.22%	388.37%
NSFR	> 110%	175.50%	176.50%	167.26%	174.38%	180.71%
Survival period	> 90 days	not defined			> 2 years	> 2 years
w PD for new transactions	≤ 300 b.p.	not defined			2.77%	2.54%

Source: Risk Management Strategy and Risk Appetite

A summary of the Risk Management Strategy and the Risk Appetite, and the description of risk management processes and risk appetite, make part of the Business Report in the Annual Report of the Abanka Group (chapters Risk Management and Statement of the Management Board and Supervisory Board on the Risks of Abanka and the Abanka Group). Credit risk management strategy and processes are disclosed in greater detail in the Financial Report of the Annual Report, chapter 2.1.1 (Credit Risk Management Process). The disclosure includes quality information on stress testing, such as portfolios subjected to stress testing, adopted scenarios and applied methodologies, and the use of stress testing in risk management. Section 2 of the Financial Report of the Annual Report describes individual types of risk and the pertinent risk management processes (2.2.1 (Market risk measurement techniques), 2.3.1 (Liquidity risk management process), 2.5.1 (Operational risk management)).

Qualitative information on stress testing

The Group performs activities to reduce credit risk and mitigate the impact of extreme situations on its operations.

In a difficult economic and financial situation, the Group adapts its credit policy and takes measures based on stricter credit standards.

The framework for conducting stress tests in the Group is based on the policy of conducting stress testing, which was adopted in 2018. The preparation and implementation of stress tests requires a number of different interconnected analytical steps. Regardless of the scope of application and the type of stress test, and following the ECB solvency analysis framework, the Group uses a uniform, modular system for the implementation of stress tests, which includes:

- the first pillar (scenario design) consists of the design of macrofinancial scenarios and idiosyncratic events, which are the basis for conducting stress tests;
- the second pillar (satellite models) consists of the modules used to translate the scenarios defined in the first pillar into variables affecting the valuation of the bank balance sheet components;
- the third pillar (dynamic statement of financial position) takes into account the calculated profit/loss derived from the satellite models in calculating the Group’s solvency position.

The Group performs stress tests for various purposes:

- capital adequacy assessment,
- liquidity adequacy assessment,
- preparation of the recovery plan,
- preparation of the business plan.
- definition of the risk appetite.

Irrespective of the scope of application, the Group's capital/liquidity position is assessed in the context of the baseline and the stress scenario:

- the baseline scenario is a mild scenario whose assumptions reflect the continuation of the current direction and conditions of the Group’s operations, and is not necessarily the same as the planned forecast;
- the stress scenario is a scenario of extreme circumstances that are unlikely but possible and represent a scenario whose assumptions contain important changes in the factors affecting the Group’s capital or liquidity adequacy in the direction of deterioration.

Stress scenarios include three types of scenarios, encompassing:
- system-wide events, conditioned by the economic situation and/or the situation on the market,
- idiosyncratic, Group-specific events, and
- combinations of system-wide events and idiosyncratic events.

The following objectives are key in the implementation of the stress testing programme for the Group's internal needs:
- to capture the impact of severely adverse but possible scenarios on the financial position of the Group,
- to support business decisions in the Group,
- to assess the robustness of the capital models of the Group (validation), and
- to provide for transparent communication about the risks within and outside the Group.

1.2 Structure and organisation of the relevant risk management function

(Article 435 (1) (b) of the CRR)

The Group has set up a risk management structure which defines an active role for the Supervisory Board and Management Board, and a centralised risk management function that is independent from the business divisions. Key decisions are taken centrally at the level of the Management Board and Supervisory Board of the Bank.

The purpose of this structure is to have a clear separation of powers in the risk management process. Business decisions are mostly taken at group level within divisions in charge of risk assumption. Concurrently, an independent Risk Management Division is responsible for obtaining a comprehensive view of the risk profile. In order to enable an efficient risk management process, the Bank **set up three lines of defence** – the general roles and responsibilities are presented in Image 2.

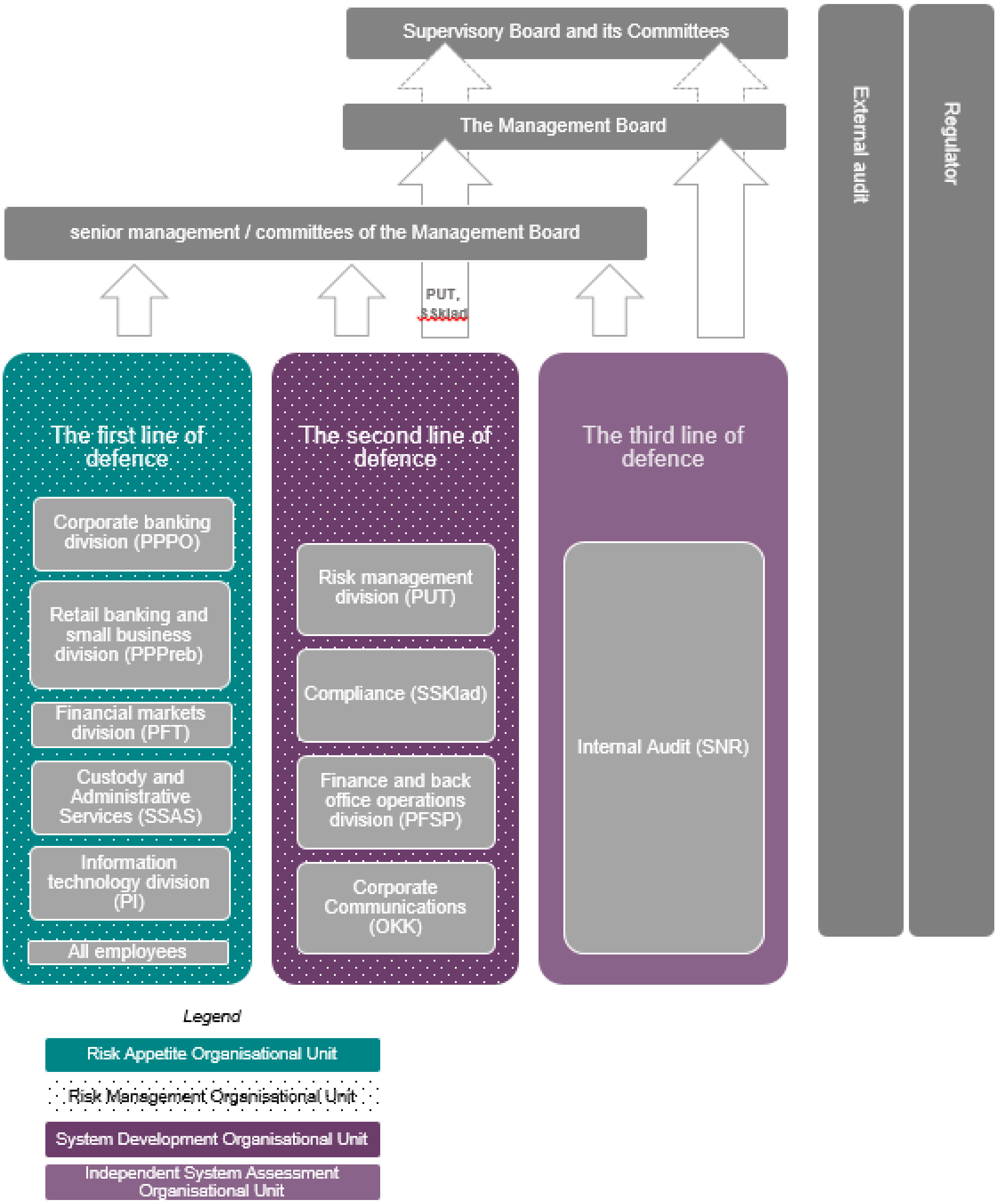
The **three-defence-line model** allows the Bank to identify all (material) risks to which it is exposed and to be more likely to receive assurances that its risk exposure is within its risk appetite limits. The three lines of defence provide information on all known and newly arising risks, the risk exposure level and the adequacy of the control environment, allowing the management to make informed decisions.

The first line of defence are organisational units that assume risk and are risk owners. These units are in charge of practical risk management; they are process owners and take daily control measures, follow the performance of restrictive measures and make sure that the Bank is governed in accordance with the agreed risk appetite.

The second line of defence are organisational units that manage risks and help define the risk management system. The second line of defence is independent from the first defence line and provides support to the latter in risk identification and risk control. The second line of defence formulates a relevant framework and risk management methodologies and follows the risk profile and the performance of controls in all organisational units.

The third line of defence independently controls and assess the existing risk management system, reports on the effectiveness of the design and functioning of the risk management framework, and overviews the activities in the first and second lines of defence.

Image 2: Roles and responsibilities for the risk management process

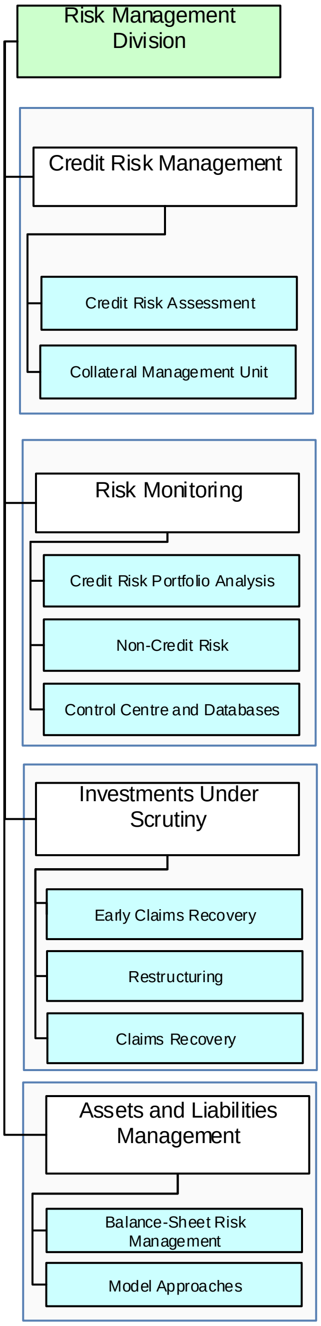


Source: Risk Management Strategy and Risk Appetite, December 2019

The administrator of the management policies for individual material risks works in the organisational unit that sets up the system.

The detailed organisational structure of the Risk Management Division is shown in Image 3.

Image 3: Organisational structure of the Risk Management division



Source: Organization policy, December 2019

Additional information on the structure and organisation of the risk management function is available in the Business Report of the Annual Report under the sections under Risk Management (introduction and individual risk categories: Credit risk, Operational risk, Interest rate risk, Liquidity risk, Market risk and Internal capital adequacy assessment process), Corporate governance statements (Composition and functioning of management or supervisory bodies and their committees/commissions)), in the Financial Report of the Annual Report (introduction in Section 2 (Risk management) which includes a description of internal controls) and in the disclosures of risk management process by risk type (2.1.1 (Credit risk management process), 2.2.1 (Market risk management process)), 2.3.1 (Liquidity risk management process)) 2.5.1 (Operational risk management process))).

1.3 Scope and nature of risk reporting and measurement systems

(Article 435 (1) (c) of the CRR)

With its internal reporting, the Group provides for the transparency of reports, treatment of all significant risks and a comprehensive view of risk exposure whilst taking into account the needs of target users at all management levels. Management's decisions on risk management measures and their results can be followed up on the basis of risk reports, sent monthly to the Risk and Asset Liability Management Committee.

The scope and nature of the internal reporting and measurement system make part of the Risk Appetite Framework and risk management policies. In accordance with the International Standards of Financial Reporting, these are disclosed in detail by the Group in its Annual Report under the following notes to the financial statements: 2 (Risk management), 2.1.1 (Credit risk management process), 2.2.1 (Market risk management process), 2.2.2.1 (Foreign exchange risk management process) in 2.2.3.1 (Interest rate risk management process), 2.3.1 (Liquidity risk management process), 2.4.6 (Internal capital adequacy assessment process) in 2.5.1 (Operational risk management process).

1.4 Policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

(Article 435 (1) (d) of the CRR)

The separation of roles and powers by the three lines of defence (Image 2) is set up for all types of risks that the Group recognised as material in the risk identification process and that are defined in Risk Management Strategy and the Risk Appetite. During the risk identification process that took place in November 2019, 35 risks were analysed in three categories (credit risks, financial risks and non-financial risks), of which 11 risk types were categorised. Out of 35 risk sub-types, the Group identified 19 significant risks.

The objective of the Risk Management Strategy and the Risk Appetite is to define procedures for identifying material risks and lay down an infrastructure to keep risk realisation below the values set by the Risk Appetite. The internal capital adequacy assessment process applied by the Group includes certain risks that are difficult to measure (e.g. operational risks with subtypes: compliance risk, cyber risk, model risk, conduct risk, outsourcing risk, legal risk, reputation risk). The Group set up methodologies for identifying, measuring or assessing, following, managing and reporting (on) these risks, which are continually subject to revision and upgrading.

In addition to significant risk management policies, included in the internal umbrella documents on risk appetite, the Bank has the following policies:

- Public Data Disclosure Policy of the Abanka d.d.,
- Conflict of Interest Management Policy of the Abanka Group,
- Overall Policy of Managing Companies in the Abanka Group.

Moreover, certain internal documents regulate risk management in more general terms: Recovery Plan of the Abanka Group, Lifetime Management Policy of Products, Services and Sales Channels, Management Policy of Outsourcing and Similar Service Provision in the Abanka Group, Fraud Risk Management Policy of Abanka d.d., Business Continuity Policy of the Abanka Group, IT Strategy, Stress Testing Policy, Overall Human Resources Policy and Company Organisation Policy of the Abanka Group.

In the Annual Report under the notes to financial statements, the Group discloses its risk management processes from the entire Risk Appetite Framework in the following sections: 2.1.1 (Credit risk management process) including the criteria and approaches applied by the Group for formulating its credit risk management policy and limit setting policy, risk hedging and risk reduction 2.2.1 (Market risk management process), 2.3.1 (Liquidity risk management process) and 2.5.1 (Operational risk management process).

1.5 Statement of the Management Board and the Supervisory Board on the adequacy of risk management arrangements

(Article 435 (1) (e) of the CRR)

The Management Board is fully responsible for defining, following and reviewing the risk management framework in Abanka and the Abanka Group. The risk management policy is a set of strategies, policies, systems, structures, processes and persons which or who identify, measure, assess, reduce and follow all the internal and external sources of risk that could have a material impact on business operations.

The Supervisory Board monitors the Management Board with regard to deciding, following and revising risk management strategies and policies. Together with the Audit Committee, the Risk Monitoring and Asset Liability Management Committee and the Remuneration Committee it contributes to the establishment and implementation of a stable arrangement of internal risk management in Abanka and the Abanka Group.

The statement of the Management Board and the Supervisory Board on the adequacy of risk management arrangements in Abanka and the Abanka Group confirms that existing risk management systems are in compliance with the business strategy and risk profile of the Bank and/or Group. Statement of the Management Board and the Supervisory Board on the adequacy of risk management arrangements in Abanka and the Abanka Group, page 83.

1.6 Statement of the Management Board and the Supervisory Board with the description of the overall risk profile

(Article 435 (1) (f) of the CRR)

A concise version of the statement of the Management Board and the Supervisory Board is part of the Business Report of the Annual Report under Section: Statement of the Management Board and the Supervisory Board on Risks of Abanka and the Abanka Group, page 84.

A concise version of the statement on risks describes the risk appetite and its interconnections with the business strategy of Abanka and the Abanka Group and their business model, and also describes how the risk profile is associated with the risk tolerance as defined by the management. The Management Board and Supervisory Board provide for regular monitoring of the risk appetite and verify whether it stays in compliance with the long-term business plans and risk capacity of Abanka and the Abanka Group. The aim of risk appetite is to manage the acceptable profitability of Abanka and the Abanka Group and their capital and liquidity adequacy within the framework set by the Supervisory Board. In this way, the risk profile of Abanka and the Abanka Group is at all times kept within key limits.

The Risk Appetite is the basis for defining alerts and limit values (thresholds) for Recovery Plan indicators and for setting up a system of limits and concrete limit amounts. These allow the Bank to achieve risk appetite objectives and capital utilisation, and to earn adequate returns at all organisational levels and/or in all divisions. Defining the risk appetite includes defining different alert levels and clear criteria for the implementation of measures. The Group ensures that risks assumed at any time are in compliance with the adopted Risk Appetite.

The statement also presents six key indicators which define the risk appetite for capital and liquidity, and includes other information which provides external interested parties with a comprehensive view of how the institution manages risks.

(All amounts in EUR thousand unless otherwise stated)

1.7 Number of directorships held by members of the Management Board and the Supervisory Board and the diversity recruitment policy for their selection

(Article 435 (2)(a), (b) and (c) of the CRR)

THE MANAGEMENT BOARD OF THE BANK

Disclosures regarding the area of work, term of office, year of birth, education, professional profile and membership in supervisory bodies of non-associated companies are presented in the Business Report of the Annual Report, under the Corporate governance statement, page 44.

2019

The Management Board	Function	First appointment to the board	End of board mandate in 2019
Jože Lenič	president	17 January 2011	
Matej Golob Matzele	member	28 December 2015	
Matevž Slapničar	member	12 June 2017	30 June 2019
Nada Mertik	member	24 July 2019	

THE SUPERVISORY BOARD

Disclosures regarding the functions held by the Supervisory Board members, their session attendance compared to the total number of sessions, gender, nationality, year of birth, education, professional profile, independence, potential conflict of interest and the number of directorships (executive and non-executive functions) are made in the Business Report of the Annual Report, under the Corporate governance statement, page 44.

A new Supervisory Board was appointed in February 2020. Detailed explanations are disclosed in the Business Report of the Annual Report on pages 15 and 24.

2019

The Supervisory Board	Function	First appointment to the board	End of board mandate in 2019
Marko Garbajs	Chairman	4 October 2014	
Melita Malgaj	Vice-Chair	2 October 2015	term of office ended on 2 Oct. 2019, reappointed on 3 Oct. 2019
Alenka Vrhovnik Težak	member	8 October 2015	term of office ended on 8 Oct. 2019, reappointed on 9 Oct. 2019
Rok Pivk	member	13 May 2016	
Dejan Kaisersberger	member	28 February 2017	
Varja Dolenc	member	31 July 2018	
Miha Košak	member	22 September 2018	

Members of the Bank's management and supervisory boards have the requisite experience and academic qualifications (diverse composition of a body), which increases the performance effectiveness of the management and supervisory functions.

NOMINATION COMMITTEE

2019

Nomination Committee	Function	First appointment to the board	End of board mandate in 2019
Melita Malgaj	Chairman	11 November 2015	term of office ended on 2 Oct. 2019, reappointed on 8 Oct. 2019
Marko Garbajs	member	25 February 2016	
Dejan Kaisersberger	member	31 August 2017	

The Nomination Committee had nine regular sessions and one correspondence session in 2019.

(All amounts in EUR thousand unless otherwise stated)

In 2019, pursuant to the law and in alignment with the implementation of the Policy on the selection of the members of the management body of Abanka d.d., the Supervisory Board and Nomination Committee discussed and approved the fit and proper assessment of the existing and newly appointed members of the Supervisory Board of the Bank. In November 2019, the Nomination Committee discussed the periodic report on the implementation of the Selection Policy for the period from October 2018 to September 2019, and at 2019 year-end carried out the fit and proper assessment procedure of management members as well as assessed the effectiveness of the work of the Supervisory Board and Management Board as bodies.

The Nomination Committee did not outsource any of its work in 2019.

SUBSIDIARY OF ABANKA GROUP

In the reporting period, Anepremičnine d.o.o. was the only subsidiary in the Abanka Group.

DIRECTOR AND THE SUPERVISORY BOARD OF THE SUBSIDIARY

2019

Anepremičnine d.o.o.	**Function**	**First appointment to the board**	**End of board mandate in 2019**
Gregor Žvipelj	Director	14 September 2013	
Davorin Leskovar	Chairman of the Supervisory Board	26 October 2015	term of office ended on 26 Oct. 2019, reappointed on 27. Oct. 2019
Maja Bogdanoski	Member of the Supervisory Board, Vice chair	12 June 2017	
Dejan Grum	Member of the Supervisory Board	3 March 2014	reappointed on 28 Jan. 2019

Members of the management body were selected **in 2019** in accordance with the **Policy on the selection of the members of the management body of Abanka d.d.** and the **Diversity Policy of Abanka d.d.,** which are presented bellow.

Policy on the selection of the members of the management body of Abanka d.d.

The Policy on the selection of the members of the management body of Abanka d.d. was adopted by the Bank so as to define the qualities required of candidates for the Management Board or Supervisory Board and the qualities required of the persons already sitting on the Management Board or Supervisory Board. In accordance with the Banking Act and the guidelines by the European Banking Authority (EBA), the Bank established the relevant policy and updated and expanded the content of the policy document in March 2019.

The said policy defines:
- the person/entity in charge of making the fit and proper assessment of a management or supervisory board member,
- the procedures and criteria for a fit and proper assessment of a management or supervisory board member,
- the procedures and criteria for assessing the Management Board or Supervisory Board as the management body of the Bank (adequacy and effectiveness of the management body);
- the procedures for introducing new members to the function and training of management board members
- the succession concept of the Bank's management.

A summary of the policy is published on the following page of the Bank's website *https://www.abanka.si/o-banki/o-nas/informacije-javnega-znacaja/postopek-kadrovanja-clanov-uprave-in-nadzornega-sveta#postopek-kadrovanja-clanov.*

The Nomination Committee is responsible for making the fit and proper assessment of a management or supervisory board member. The Committee makes a written fit and proper assessment of a member based on the criteria set by the relevant policy, the Banking Act and its derived secondary legislation, guidelines from the European Banking Authority (EBA) and the content of the ECB Guide to fit and proper assessments. The Committee starts the fit and proper assessment of a member during the member selection procedure, a member's reappointment and the procedure for verifying that an existing member satisfies the relevant policy criteria, which is conducted at least once a year or when there is a change in circumstances. The fit and proper assessment is forwarded for scrutiny to the Supervisory Board, which uses the assessment as the basis for selection.

The Nomination Committee is also charged with making a fit and proper assessment and effectiveness assessment of the management. Such an assessment is made when the composition of the management is significantly altered, as well as within the framework of any regular fit and proper assessment of the body, at least once a year. The Supervisory Board examines the proposal made by the Committee and adopts the fit and proper assessment of the body.

Criteria for a fit and proper assessment of a member

A fit and proper assessment of a member is made on the basis of relevant criteria defined as by the Policy:
- knowledge, skills and experience,
- reputation,
- conflict of interest and independence,
- sufficient time available for serving on the management body, and
- collective suitability.

In the assessment of **knowledge, skills and experience**, a broad range of knowledge (theoretical and practical), skills and experience is taken into account, including the nature and complexity of the function for which the candidate is applying or to which they have been appointed. In line with the Policy, a minimum of a university degree and five years of professional experience in management are required, in addition to speaking at least one foreign language. A study programme is deemed appropriate if its content is related to banking and finance, economics, administrative sciences, financial regulations or mathematical and statistical sciences (conditions for discharging individual functions).

The Policy includes a definition of appropriate expertise in banking and the how many members of management should possess such expertise.

Candidates must be of **good repute** and possess the qualities required to manage the Bank’s business and operations. Their conduct may not cast doubt on their ability to provide safe and prudent management of the Bank’s business in accordance with risk management rules, professional diligence, high ethical standards and the prevention of conflicts of interest.

The fit and proper assessment of a member takes account of their **independence and impartial conduct**, as well as of any **potential conflict of interest**.

A member of the management body needs to **have sufficient time at their disposal** to serve on the management body.

Collective suitability refers to the scope of expertise and experience required to serve on the management body, including a fair representation of both genders of different ages, as well as each individual member’s contribution to the diversity and the degree to which they complement the expertise of the management body.

Criteria for evaluating the fit and proper assessment of the management body and its effectiveness

The Nomination Committee’s fit and proper assessment of the **management body** and its performance evaluates the following in particular:
- the governance policy and the work of the body in the Bank’s interest;
- the suitability of the body’s composition/diversity/expertise and experience in banking;
- independence of the body;
- diversity in terms of representation of both men and women of different ages in accordance with the Diversity Policy;
- the appointment procedure of members to the body;
- the succession concept;
- sessions of the body, including reporting and the quality of material;
- attendance or participation of management body members at its sessions;
- appropriateness of notification of body members;
- the culture and development of the body;
- the performance of duties by the body;
- the work of Supervisory Board committees;
- the adequacy of training;
- the appropriateness of support provided to the body;
- the contribution of each body member.

(All amounts in EUR thousand unless otherwise stated)

Diversity Policy of Abanka d.d.

The Diversity Policy of the Management Body of Abanka d.d. defines the diversity of the composition of the Management Board and Supervisory Board and aims to achieve the objective of effective performance of management functions and supervision of its management and governance.

In defining the structure of the management body, the Bank takes into account the principle of diversity, namely, that the Bank shows a preference for management body members who:
- have acquired a broad range of academic knowledge from recognised academic programmes;
- have diverse professional profiles, i.e. professional experience and expertise in a variety of professional fields that are necessary for an in-depth understanding of the Bank's activities and the risks to which the Bank is exposed; and
- are of both genders and different ages: members of the management body are appointed from among candidates who satisfy the fit and proper criteria and are of an underrepresented gender, with an explanation of the rationale behind the selection. If the list of candidates of both genders of different ages is too short, the principle of diversity may be ignored in order to ensure the smooth functioning of the management body.

The Diversity Policy is accessible to the public and published in its entirety on Abanka's website *https://www.abanka.si/o-banki/o-nas/korporativno-upravljanje/ureditev-notranjega-upravljanja.*

Diversity criteria for the management body

The Nomination Committee monitors adherence to diversity criteria within the management body by means of an annual fit and proper assessment of the management body, or a periodical assessment in the event of changed circumstances, and reports to the Supervisory Board.

The Nomination Committee uses the following analysis criteria to assess or evaluate the diversity of the management body and the committees:
- gender,
- age,
- education,
- professional experience (in relation to the banking and other) and banking expertise.

According to the analysis carried out in 2019 and presented in the joint periodical assessment report, the diversity policy is properly reflected in the composition of the management body. For its 2018 analysis, the Bank set up an accompanying maturity model with target values for individual content items. Target values have been set for the 2019 - 2021 period and will be regularly monitored within the context of periodical fit and proper assessments of the management body. This system provides for a retrospective comparability of assessment and the regular monitoring of progress and improvements.

Implementation of the policy according to **gender** diversity criteria for the management body

In November 2019, the Slovenian Directors' Association in launched an Initiative for voluntarily achieving gender diversity targets in the supervisory bodies of state-owned public limited companies by the end of 2026: no less than 40% of supervisory board members and 33% of management board members from the underrepresented gender. The targets set by the Initiative have already been met by the Bank as the percentage of the underrepresented gender (women) in the Supervisory Board was 42.9% and their combined percentage in the Management Board and Supervisory Board was 40% and above the target level.

The implementation of the management body's gender diversity criteria is also verified during the management body's periodical performance assessment. Supervisory Board members evaluate diversity according to the established methodology (bank maturity model) used to monitor the achievement of the maturity model. In terms of gender diversity, the Supervisory Board achieved the maximum score (the same as in 2018), while the composition of the Management Board became more gender diverse and had a significantly higher score in 2019 than in 2018.

Implementation of the policy according to **age** diversity criteria for the management body

The management body is composed of individuals of different ages, as shown in the table below:

	Age group	
Management body	41 to 50	Over 50
Management Board	1	2
Supervisory Board	5	2

The implementation of the criterion of the management body's diversity by individual criterion is checked within the framework of the body's periodical performance assessment. Supervisory Board members evaluate diversity according to the established methodology (bank maturity model) used to monitor the achievement of the maturity model. The age diversity score of the Supervisory Board and the Management Board is very high according to the bank maturity model and higher for both bodies compared to 2018.

Implementation of the policy according to **education, knowledge and skills** diversity criteria for the management body

In order to ensure adequate diversity among the members of the Supervisory Board, the Bank seeks to have at least half (50%) of the members with adequate banking expertise and experience. In the existing seven-member Supervisory Board, 71% of members possess adequate banking expertise and experience, as follows:
- 2 members have had at least 3 years of direct banking expertise and experience in the preceding 10 years,
- 2 members have had at least 5 years of direct banking expertise and experience in the preceding 10 years,
- 1 member has had at least 3 years of direct and 5 years of indirect banking expertise and experience over the preceding 10 years.

Adequate expertise, skills and experience are also checked during fit and proper assessments of the management body members. The Policy on the selection of the members of the management body of Abanka d.d. required a minimum of a university degree and five years of professional experience in a managerial function, in addition to speaking at least one foreign language. Moreover, according to the same policy, study programmes are deemed appropriate if their content is related to banking and finance, economics, administrative sciences, financial regulations, or mathematical and statistical sciences.

The implementation of the management body's diversity criteria for education, expertise and experience is checked during its periodical effectiveness assessment. Supervisory Board members evaluate diversity according to the established methodology (bank maturity model) used to monitor the achievement of the maturity model. The diversity score of education, expertise and experience of the Supervisory Board and the Management Board according to the bank maturity model is high and unchanged from 2018.

Total diversity score

The overall average diversity score of the Management Board for 2019 is higher than in 2018. The target overall diversity score of the Management Board set by the 2019 bank maturity model was also exceeded. The overall average diversity score of the Supervisory Board for 2019 is high and has remained unchanged from 2018.

On the basis analyses carried for the 2019 periodic report, the Bank's Management Board and Supervisory Board meet the criteria of education, expertise and experience, including appropriate representation of both genders of different ages.

For the purposes of the periodical assessment, an expertise and experience matrix was designed for members of the Management Board and Supervisory Board and used as the basis for identifying underrepresented professional profiles and selecting new or lacking candidates for the Management Board and Supervisory Board, in accordance with the selection policy. A wanting level of expertise was identified among existing members of the Supervisory/Management Board and used the basis to prepare a training programme for 2020.

An assessment of suitability and effectiveness of the management body serves as the basis for planning improvements and determining action priorities. Thus, at 2019 year-end, the Supervisory Board approved proposals aimed at improvement and a training programme for members of management body.

In accordance with the Overall Human Resources Policy and Company Organisation Policy of the Abanka Group, the Diversity Policy of the Management Body of Abanka d.d. and the Policy on the selection of the members of the management body of Abanka d.d. are used prudently as reference documents for the recruitment of senior management of the Bank's subsidiary and its Supervisory Board as well.

1.8 Risk Committee

(Article 435 (2) (d) of the CRR)

The Abanka Group has a standing Risk and Asset Liability Management Committee, which monitors, guides and supervises risk management within the Group, and a Risk Monitoring and Asset Liability Management Committee, which assists the Supervisory Board in its role of monitoring and supervising risk management. The activities and composition of these two committees are described in greater detail in the Business Report of the Annual Report, under the Corporate governance statement, page 44. The Risk Management and Asset-Liability Committee held 12 regular sessions in 2019, one per month.

1.9 Description of the information flow on risk to the Management Board and Supervisory Board

(Article 435 (2) (e) of the CRR)

The Management Board and Supervisory Board receive full quarterly reports on risk management drafted by the Risk Management Division. The reports include important information about the macroeconomic environment that has or may have a material impact on the Group's risk management profile, key risk appetite indicators and comparisons of the Bank's performance against that of the banking system regarding solvency, credit risk exposure, asset quality, profitability and the balance sheet. The reports include an overview of capital and liquidity adequacy, information regarding the risk appetite profile, and recovery plan indicators. Also included are summaries according to risk and detailed analyses of credit, liquidity, interest, operational and other risks, including analyses of adverse but possible scenarios (stress tests) and sensitivity analyses. The management and supervisory boards also receive documentation on the validation of overall exposure limits, including indirect exposure that equals or exceeds 10 percent of the Bank's capital, and exposure limits to persons with a special relationship with the Bank.

At quarterly level, the Management Board and the Supervisory Board are briefed on the report on the implementation of the Abanka Non-performing Loan Management Strategy, the preparation of which is co-ordinated by the Special Investments Sector. The report contains a list of groups or companies that are over-indebted but promising and a detailed description of all planned activities.

The Management Board and the Supervisory Board are kept up to date with risk management annually during the discussion and adoption of the Annual Report, the Group's annual plan and rehabilitation plan, and the discussion of the special report on the prevention of money laundering, security and compliance of the Group's business operations with internal and external regulations.

Moreover, there is in place additional regular reporting to the Management Board (with an emphasis on credit, liquidity, operational and compliance risk management) and a system of extraordinary reporting to the Management Board and the Supervisory Board in the event that material risk is detected, alerts and limit values (thresholds) for recovery plan indicators are exceeded, or other exceptional circumstances that allow the boards to exercise their authority over risk management.

(All amounts in EUR thousand unless otherwise stated)

2. INFORMATION ON THE SCOPE OF APPLICATION OF THE REGULATORY FRAMEWORK

(Article 436 of the CRR)

The disclosure obligation for the Group falls on Abanka d.d., Ljubljana.

In addition to Abanka as the parent bank, the consolidated statement of the Group's financial position as at 31 December 2019 also includes a direct subsidiary, Anepremičnine d.o.o. Other financial statements of the Group for 2019 as at the accounting date 30 June 2019 include direct subsidiary Anepremičnine d.o.o. and indirect subsidiary Anekretnine d.o.o. (which was disposed of), in addition to Abanka.

The subsidiary Anepremičnine d.o.o. is 100% owned by Abanka d.d. The said subsidiary is fully consolidated. There are no differences in consolidation for accounting and prudential purposes.

None of the investments of the Abanka Group in the subsidiary represent a deduction from equity.
There are no significant obstacles to the transfer of capital or to the settlement of liabilities between parent and subsidiaries.

Table 5: TEMPLATE 1-EU LI1 - DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND THE MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

The table below shows how the values reported in the financial statements are allocated to different risk frames within the scope of consolidation for regulatory purposes.

		a	b	c	d	f	g
				Carrying values of items			
	As at 31 December 2019	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
	Assets						
1	Cash balances with the central bank and other demand deposits with banks	614,439	614,439	614,439	–	–	–
2	Financial assets held for trading	4,034	4,034	–	7,113	257	–
3	Non-trading financial assets mandatorily at fair value through profit or loss	15,798	15,798	15,798	–	–	–
4	Financial assets at fair value through other comprehensive income	150,743	150,743	150,743	–	–	–
5	Financial assets at amortised cost	2,936,849	2,936,849	2,936,849	–	–	–
	– debt securities	936,913	936,913	936,913			
	– loans to banks	39,487	39,487	39,487			
	– loans to non-bank customers	1,951,494	1,951,494	1,951,494			
	– other financial assets	8,955	8,955	8,955			
6	Other assets	100,796	100,796	85,499			
	Total assets	**3,822,659**	**3,822,659**	**3,803,328**	**7,113**	**257**	**–**

Note:
Column »e« Carrying value of subject to the securitisation framework, is not disclosed, because the Group does not engage in securitisation transactions.

(All amounts in EUR thousand unless otherwise stated)

		a	b	c	d	f	g
				Carrying values of items			
As at 31 December 2018		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	Assets						
1	Cash balances with the central bank and other demand deposits with banks	494,590	494,590	494,590	–	–	–
2	Financial assets held for trading	3,837	3,837	–	8,940	228	–
3	Non-trading financial assets mandatorily at fair value through profit or loss	36,587	36,587	36,587	–	–	–
4	Financial assets at fair value through other comprehensive income	163,466	163,466	163,466	–	–	–
5	Financial assets at amortised cost	2,918,163	2,918,163	2,918,164	–	–	–
	– debt securities	946,334	946,334	946,334	–	–	–
	– loans to banks	30,785	30,785	30,785	–	–	–
	– loans to non-bank customers	1,928,338	1,928,338	1,928,339	–	–	–
	– other financial assets	12,706	12,706	12,706	–	–	–
6	Other assets	114,899	114,899	97,329	–	–	17,570
	Total assets	**3,731,542**	**3,731,542**	**3,710,136**	**8,940**	**228**	**17,570**

Note:
Financial assets that are subject to a counterparty credit risk framework are recognised in the financial assets held for trading item in the amount of the Replacement cost and potential future exposure.
Column »e« Carrying value of subject to the securitisation framework, is not disclosed, because the Group does not engage in securitisation transactions.

There are no differences between the extent of consolidation for accounting and regulatory purposes.

Table 6: TEMPLATE 2-EU LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

The table below shows the main sources of differences between regulatory exposure amounts and carrying values in financial statements that do not relate to differences due to the different consolidation amounts in the table above.

		a	b	c	e
			Items subject to		
As at 31 December 2019		Total	Credit risk framework	CCR Framework	Market risk Framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	3,810,698	3,803,328	7,113	257
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	–	–	–	–
3	Total net amount under the regulatory scope of consolidation	3,810,698	3,803,328	7,113	257
4	Off-balance-sheet amounts	693,603	293,858	–	–
10	**Exposure amounts cosidered for regulatory purposes ***	**4,504,301**	**4,097,186**	**7,113**	**257**

Note:
Column »d« (securitisation framework) is not disclosed, because the Group does does not engage in securitisation transactions.

(All amounts in EUR thousand unless otherwise stated)

		a	b	c	e
			Items subject to		
As at 31 December 2018		**Skupaj**	**Credit risk framework**	**CCR Framework**	**Market risk Framework**
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	3,719,304	3,710,136	8,940	228
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	–	–	–	–
3	Total net amount under the regulatory scope of consolidation	3,719,304	3,710,136	8,940	228
4	Off-balance-sheet amounts	685,139	285,909	–	–
10	**Exposure amounts cosidered for regulatory purposes ***	**4,404,443**	**3,996,045**	**8,940**	**228**

Note:
*The "Total" column includes off-balance-sheet original exposures from off-balance-sheet statement following the regulatory scope of consolidation prior to the use of a conversion factor. The item columns on individual risk frames represent off-balance-sheet amounts subject to the regulatory framework, after the application of the relevant conversion factors.
Column »d« (securitisation framework) is not disclosed, because the Group does not engage in securitisation transactions.

Table 7: TEMPLATE 3: EU LI3 - OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (BY EACH ENTITY)

	a	b	c	d	e	f
		Method of regulatory consolidation				
As at 31 December 2019	**Method accounting consolidation**	**Full consolidation**	**Proportional cosolidation**	**Neither consolidated nor deducted**	**Deducted**	**Desription**
Anepremičnine d.o.o. (Slovenia)	Full consolidation	x				Non-financial corporation

		Metoda konsolidacije za regulativne namene				
As at 31 December 2018	**Method accounting consolidation**	**Full consolidation**	**Proportional cosolidation**	**Neither consolidated nor deducted**	**Deducted**	**Desription**
Anepremičnine d.o.o. (Slovenia)	Full consolidation	x				Non-financial corporation
Anekretnine d.o.o. (Montenegro)	Full consolidation	x				Non-financial corporation

The subsidiary Anepremičnine d.o.o. is fully consolidated for accounting and regulatory purposes.

(All amounts in EUR thousand unless otherwise stated)

3. CAPITAL MANAGEMENT

3.1 Key information regarding capital

(Articles 437, 473a and 492 of Regulation (EU) 575/2013)

Disclosures related to own funds are laid down in Article 437 of Regulation (EU) No 575/2013 and, with regard to disclosure of own funds set out in the implementing technical standards contained in Commission Implementing Regulation (EU) No 1423/2013.

3.1.1 Full harmonisation of own funds items disclosures with audited financial statements

Disclosures related to reconciliation of own funds items to audited financial statements are laid down in Article 437(1)(a) of Regulation (EU) No 575/2013. The disclosure of the elements of own funds according to Article 437(1)(f) of Regulation (EU) No 575/2013, is not relevant, as own funds are calculated on the basis of Regulation (EU) No 575/2013.

In the first column, the amounts of individual items from the statement of financial position are shown. In the second column the amounts of regulatory capital items calculated on the basis of Regulation (EU) No. 575/2013. In the third column, references to individual items from the disclosure template are shown (the table 10 in Section 3.1.3).

Table 8: RECONCILIATION OF OWN FUNDS ITEMS TO AUDITED FINANCIAL STATEMENTS

As at 31 December 2019	Consolidated audited financial statements items	Own funds items	Own funds disclosure template reference
Assets			
Intangible assets	8,001	(8,001)	8
Tax assets	8,576	(7,418)	
– tax assets	169	–	
– deferred tax assets	8,407	(7,418)	
– deferred tax assets that rely on future profitability and do not arise from temporary differences	7,418	(7,418)	10
– deferred tax assets that rely on future profitability and arise from temporary differences	989	–	
Adjustments to CET1 capital due to prudential filters	–	(175)	7
Liabilities			
Equity			
Share capital	151,000	151,000	1
– capital instruments eligible as CET 1 capital	151,000	151,000	1
Share premium	282,459	282,459	1
Accumulated other comprehensive income	4,173	4,173	3
Reserves from profit	64,567	58,401	3
Retained earnings (including profit from the current year)	76,638	21,565	
– retained profit	21,565	21,565	3
– net profit in the financial year	55,073	–	
Total equity	**578,837**	**502,004**	

(All amounts in EUR thousand unless otherwise stated)

3.1.2 Main features of Common Equity Tier 1 instruments

Disclosures related to the main features of the Common Equity Tier 1 instruments are laid down in Article 437(1)(b)(c) of Regulation (EU) No 575/2013.

Table 9: CAPITAL INSTRUMENTS' MAIN FEATURES TEMPLATE

1	Issuer	Abanka d.d.
2	Unique identifier	ISIN SI0021116510
3	Governing law (s) of the instrument	Companies Act (ZGD-1)
	Regulatory treatment	Regulation (EU) No 575/2013
4	Transitional CRR rules	Common Equity Tier 1 capital
5	Post-transitional CRR rules	Common Equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	solo and (sub-) consolidated
7	Instrument type	Common Equity Tier 1 capital
8	Amount recognised in regulatory capital	EUR 781 million
9	Nominal amount of instrument	"N/A"
9a	Issue price	EUR 348 million in December 2013 (Abanka Vipa d.d.), EUR 243 million in October 2014 (Abanka Vipa d.d.), EUR 190 million in December 2014 (Banka Celje)
9b	Redemption price	EUR 348 million in December 2013, EUR 243 million in October 2014, EUR 190 million in December 2014
10	Accounting classification	shareholders' equity
11	Original date of issuance	on 19 December 2013 (15 million shares), on 21 October 2014 (100 thousand shares), on 16 December 2014 (5 million shares)
12	Perpetual or dated	perpetual
13	Original maturity date	no maturity
14	Issuer call subject to prior supervisory approval	no
15	Optional call date, contingent call dates and redemption amount	"N/A"
16	Subsequent call dates, if applicable	"N/A"
	Coupons / dividends	"N/A"
17	Fixed or floating dividend/coupon	"N/A"
18	Coupon rate and any related index	"N/A"
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	"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	all other obligations
36	Non-compliant transitioned features	no
37	If yes, specify non-compliant features	"N/A"

Note: "N/A" the question is not applicable.

(All amounts in EUR thousand unless otherwise stated)

3.1.3 Disclosure of own funds – the nature and amounts of specific capital

The disclosures of information related to own funds are laid down in Commission Implementing Regulation (EU) No 1423/2013 (Annex IV).

The disclosures of the nature and amounts of special items of own funds and of restrictions applied to the instruments, prudential filters and deductions used in the calculation of own funds are defined in Article 437(1)(d) and (e) of Regulation (EU) No 575/2013

Table 10: OWN FUNDS DISCLOSURE TEMPLATE

	Own funds disclosure template	**Amount at disclosure date as at 31 December 2019**	**Regulation (EU) No 575/2013 article reference**
	Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	433,459	26(1), 27, 28, 29
	of which: Instrument type 1		26(3), EBA list
	of which: Instrument type 2		26(3), EBA list
	of which: Instrument type 3		26(3), EBA list
2	Retained earnings	21,565	26(1)(c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	62,574	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486(2)
5	Minority Interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26(2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**517,598**	
	Common Equity Tier 1(CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(175)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(8,001)	36(1)(b), 37, 472(4)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(7,418)	36(1)(c), 38, 472(5)
11	Fair value reserves related to gains or losses on cash flow hedges		33(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41, 472(7)

(All amounts in EUR thousand unless otherwise stated)

	Own funds disclosure template	**Amount at disclosure date as at 31 December 2019**	**Regulation (EU) No 575/2013 article reference**
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2) in (3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) do (3), 79, 470, 472(11)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1)(k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36(1)(k)(i), 89 do 91
20c	of which: securitisation positions (negative amount)		36(1)(k)(ii), 243(1)(b), 244(1)(b), 258
20d	of which: free deliveries (negative amount)		36(1)(k)(iii), 379(3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15% threshold (negative amount)		48(1)
23	of which: 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		36(1)(i), 48(1)(b), 470, 472(11)
25	of which: deferred tax assets arising from temporary differences		36(1)(c), 38, 48(1)(a), 470, 472(5)
25a	Losses for the current financial year (negative amount)		36(1)(a), 472(3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**(15,594)**	
29	**Common Equity Tier 1 (CET1) capital**	**502,004**	
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**502,004**	
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**502,004**	
60	**Total risk weighted assets**	**2,083,657**	

(All amounts in EUR thousand unless otherwise stated)

	Own funds disclosure template	Amount at disclosure date as at 31 December 2019	Regulation (EU) No 575/2013 article reference
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**24.09%**	**92(2)(a), 465**
62	**Tier 1 (as a percentage of risk exposure amount)**	**24.09%**	**92(2)(b), 465**
63	**Total capital (as a percentage of risk exposure amount)**	**24.09%**	**92(2)(c)**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.78%	128, 129 and 130 (Directive 2013/36/EU)
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.03%	
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.25%	131 (Directive 2013/36/EU)
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	24,09%	128 (Directive 2013/36/EU)
69	(not relevant for EU legislation)		
70	(not relevant for EU legislation)		
71	(not relevant for EU legislation)		
	Amounts below the thresholds 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)	4,341	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET 1 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)		36(1)(i), 45, 48, 470, 472(11)
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)	989	36(1)(c), 38, 48, 470, 472(5)

Note:
Other items are not included in the template because the Group doesn't have it. The Group doesn't have Additional Tier 1 instruments and regulatory adjustments, Tier 2 instruments and regulatory adjustments, applicable caps on the inclusion of provisions in Tier 2 and capital instruments subject to phase-out arrangements.

3.2 Capital requirements

(Articles 438, 445 in 446 of Regulation (EU) 575/2013)

The disclosures relating to capital requirements are laid down in Article 438, 445 and 446 of Regulation (EU) No 575/2013. In addition, disclosure requirements are defined in Chapter 4.6 of the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (hereinafter: EBA/GL/2016/11).

The Group uses a standardized approach to calculate capital requirements for credit risk, market risk and credit adjustment risk, and a simple approach for calculating operational risk.

The total market risk exposure amount is calculated by multiplying the own funds requirement for market risk by 12.5. The Group applies the standardised approach to calculate the capital requirement for market risk. In this context, the own funds requirement is calculated for position and foreign-exchange risk.

(All amounts in EUR thousand unless otherwise stated)

The total operational risk exposure amount is calculated by multiplying the own funds requirement for operational risk by 12.5. The Group applies the basic indicator approach to calculate the own funds requirement for operational risk. Therefor, the own funds requirement for operational risk is equal to 15% of the average annual gross income over the previous three years.

The total risk exposure amount for credit valuation adjustment is calculated by multiplying the own funds requirement for credit valuation adjustment by 12.5. The Group applies the standardised approach to calculate the own funds requirement for credit valuation adjustment. Credit valuation adjustment or CVA means an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty for all OTC derivative instruments

The total settlement risk exposure amount is calculated by multiplying the own funds requirement for settlement risk by 12.5. This calculation is made in the case of transactions in which debt instruments, equities, foreign currencies and commodities are unsettled after their due delivery, for which an institution has to calculate the price difference to which it is exposed.

The disclosures or risk weighted exposures are laid down in Article 438 of Regulation (EU) No 575/2013. In addition, disclosure requirements are defined in Chapter 4.6 of the Guidelines EBA 2016/11 (Table EU OV1).

Table 11: EU OV1-OVERVIEW OF RWAs

As at 31 December			2019	2018	2019
			RWAs		Minimum capital requirements
	1	Credit risk (excluding CCR)	1,853,450	1,824,484	148,276
Article 438 (c) (d)	2	Of which the standardised approach	1,853,450	1,824,484	148,276
Article 438 (c) (d)	3	Of which the foundation IRB (FIRB) approach	–	–	–
Article 438 (c) (d)	4	Of which the advanced IRB (AIRB) approach	–	–	–
Article 438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	–	–	–
Article 438 (c) (d) Article 107	6	CCR	7,389	9,480	591
Article 438 (c) (d)	7	Of which mark to market	5,997	7,319	480
Article 438 (c) (d)	8	Of which original exposure	–	–	–
	9	Of which the standardised approach	–	–	–
	10	Of which internal model method (IMM)	–	–	–
Article 438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	–	–	–
	12	Of which CVA	1,392	2,161	111
Article 438 (e)	13	Settlement risk	–	–	–
Article 449 (o) (i)	14	Securitisation exposures in the banking book (after the cap)	–	–	–
	15	Of which IRB approach	–	–	–
	16	Of which IRB supervisory formula approach (SFA)	–	–	–
	17	Of which internal assessment approach (IAA)	–	–	–
	18	Of which standardised approach	–	–	–
Article 438 (e)	19	Market risk	610	590	49
	20	Of which the standardised approach	610	590	49
	21	Of which IMA	–	–	–
Article 438 (e)	22	Large exposures	–	–	–
Article 438 (f)	23	Operational risk	219,734	230,369	17,579
	24	Of which basic indicator approach	219,734	230,369	17,579
	25	Of which standardised approach	–	–	–
	26	Of which advanced measurement approach	–	–	–
Article 437 (2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,474	3,960	198
Article 500	28	Floor adjustment	–	–	–
	29	**Total**	**2,083,657**	**2,068,883**	**166,693**

Compared with the previous year, in 2019 the total risk exposure amount increased by less than 1% or EUR 14,774 thousand, within which credit risk and operational risk exposures increased the most in absolute terms. Other categories of exposure in 2019 did not show significant differences over the previous year. In 2018, the total amount not to be deducted from Common Equity Tier 1 items equalled the amount of deferred tax assets that rely on future profitability and arise from temporary differences, because it is lower than 10% of Common Equity Tier 1 items. In 2019, the amount of investments in the capital instruments of insurance undertakings, reinsurance undertakings or an insurance holding company did not represent a significant investment.

(All amounts in EUR thousand unless otherwise stated)

Disclosures relating to the own funds requirements for market risk are laid down in Article 445 of Regulation (EU) No 575/2013. In addition, disclosure requirements are defined in Chapter 4.13 of the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013.

The following table EU MR1 provides an overview of the risk-weighted exposure to market risk.

The total market risk exposure amount is calculated by multiplying the own funds requirement for market risk by 12.5. The Group applies the standardised approach to calculate the own funds requirement for market risk. In this context, the own funds requirement is calculated for position risk and foreign-exchange risk.

Table 12: EU MR1 – RISK EXPOSURE AMOUNT FOR POSITION AND FOREIGN-EXCHANGE RISK

	As at 31 December	2019	2018	2019
		RWAs		Capital requirements
	Outright products	**610**	**590**	**49**
1	Interest rate risk (general and specific)	101	142	8
2	Equity risk (general and specific)	509	448	41
3	Foreign-exchange risk	–	–	–
4	Commodity risk	–	–	–
	Options	**–**	**–**	**–**
5	Simplified approach	–	–	–
6	Delta-plus method	–	–	–
7	Scenario approach	–	–	–
8	**Securitisation (specific risk)**	–	–	**–**
9	**Total**	**610**	**590**	**49**

The disclosures of information regarding the internal capital adequacy assessment process are laid down in Chapter 2.4.2 of the Abanka Group Annual Report 2019. The disclosures of information regarding the market risk management process are laid down in Chapter 2.2 of the Abanka Group Annual Report 2019.

(All amounts in EUR thousand unless otherwise stated)

4. LEVERAGE RATIO

(Article 451 of Regulation (EU) 575/2013)

The disclosures of information regarding the leverage ratio are laid down in Article 451 of the Regulation (EU) No 575/2013 and the Commission Implementing Regulation 200/2016.

4.1 Reconciliation of accounting assets and the leverage ratio total exposure measure

The disclosures of information regarding a reconciliation of accounting assets and the leverage ratio total exposure measure are laid down in Article 451(1)(b) of Regulation (EU) 575/2013.

Table 13: LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO TOTAL EXPOSURE MEASURE

	As at 31 December	2019	2018
1	Total assets as per published financial statements	3,822,219	3,731,543
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		–
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")		–
4	Adjustments for derivative financial instruments	3,776	5,330
5	Adjustments for securities financing transactions "SFTs"		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	308,442	299,871
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)		–
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)		–
7	Other adjustments	(15,419)	(17,714)
8	**Total leverage ratio exposure**	**4,119,018**	**4,019,030**

4.2 Breakdown of the leverage ratio total exposure measure

The disclosures of information regarding a breakdown of the leverage ratio total exposure measure are laid down in Article 451(1)(a)(b)(c) of Regulation (EU) 575/2013.

The breakdown of the leverage ratio total exposure measure in terms of exposure, capital measure, specified choice of the definition of the capital measure and fiduciary assets in the statement of financial position is shown in the table below.

(All amounts in EUR thousand unless otherwise stated)

Table 14: LRSUM – LEVERAGE RATIO TOTAL COMMON DISCLOSURE

As at 31 December		2019	2018
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,818,882	3,727,933
2	(Asset amounts deducted in determining Tier 1 capital)	(15,419)	(17,714)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**3,803,463**	**3,710,219**
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	3,337	3,610
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	3,776	5,330
EU-5a	Exposure determined under Original Exposure Method	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8	(Exempted CCP leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**7,113**	**8,940**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	Counterparty credit risk exposure for SFT assets	–	–
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	–	–
15	Agent transaction exposures	–	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	693,603	687,420
18	(Adjustments for conversion to credit equivalent amounts)	(385,161)	(387,549)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**308,442**	**299,871**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposures			
20	**Tier 1 capital**	**502,004**	**489,785**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**4,119,018**	**4,019,030**
Leverage ratio			
22	**Leverage ratio**	**12.19%**	**12.19%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	člen 499 (1)(b) CRR	člen 499 (1)(b) CRR
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

(All amounts in EUR thousand unless otherwise stated)

Table 15: LRSpl – SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTs AND EXEMPTED EXPOSURES)

	As at 31 December	2019	2018
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,818,882	3,727,933
EU-2	Trading book exposures	257	228
EU-3	Banking book exposures, of which:	3,818,625	3,727,705
EU-4	Covered bonds	99,749	89,462
EU-5	Exposures treated as sovereigns	1,251,654	1,228,236
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	185,894	215,517
EU-7	Institutions	88,346	57,537
EU-8	Secured by mortgages of immovable properties	403,944	264,587
EU-9	Retail exposures	878,256	935,543
EU-10	Corporate	636,758	623,655
EU-11	Exposures in default	39,771	63,006
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	234,253	250,162

4.3 Disclosure of qualitative information on risk of excessive leverage

The disclosures of information regarding the processes used to manage the risk of excessive leverage are laid down in Article 451(1)(d) of Regulation (EU) 575/2013.

The process of excessive leverage risk management includes regular monitoring of the movement of the leverage ratio, which is within the competence of the Risk Management and Assets-Liabilities Committee. Considering the structure of the statement of financial position and the level of the leverage ratio, the Group assessed that the risk of excessive leverage was low. Such an assessment was made on the basis of achieving the tolerance value of the leverage ratio as set out in the Risk Management Strategy and Risk Apetite as well as achieving the warning and limit values under the Recovery Plan.

4.4 Disclosure of qualitative information on risk of the factors impacting the leverage ratio

The disclosures of information regarding the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers are laid down in Article 451(1)(e) of Regulation (EU) 575/2013.

The leverage ratio is calculated as a Tier 1 measure of the Group divided by the total exposure measure of the Group.

Table 16: KEY INFORMATION REGARDING LEVERAGE RATIO

As at 31 December	2019	2018
Tier 1 capital	502,004	489,785
Total leverage ratio exposures	4,119,018	4,019,030
Leverage Ratio	12.19 %	12.19 %

Tier 1 capital of the Group amounted to EUR 502,004 thousand as at 31 December 2019, which represents a year-on-year increase of EUR 12,219 thousand. As at the reporting date, the total leverage ratio exposures of the Group stood at EUR 4,119,018 thousand, or EUR 99,988 thousand more compared to 31 December 2018. The leverage ratio of the Group, reached 12.19%, the same as at the end of the previous year.

In 2019, the bulk of Tier 1 capital measure was accounted for by:
- capital instruments and related share premium accounts,
- retained earnings,
- accumulated other comprehensive income and other reserves.

Due to the inclusion of the effect of the transition to IFRS 9 on retained earnings, the Tier 1 capital measure increased in 2019 compared to 2018, which had a positive impact on the level of the leverage ratio.

In the reporting period, the bulk of leverage ratio total exposure measure was accounted for by:
- exposures to central governments
- retail exposures,
- exposures to corporates.

Due to higher amounts of exposures secured by mortgages of immovable properties and exposures to central governments and exposures to institutions and lower exposure amounts to regional governments, retail exposures and defaulted exposures, the leverage ratio total exposure measure in 2019 compared to 2018 increased, which had a negative impact on the level of the leverage ratio.

5. CAPITAL BUFFERS

(Article 440 of Regulation (EU) 575/2013)

The disclosures of information regarding capital buffers are laid down in Article 440 of Regulation (EU) 575/2013 and the Commission Delegated Regulation (EU) 2015/1555.

(All amounts in EUR thousand unless otherwise stated)

Table 17: GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER AS AT 31 DECEMBER 2019

Country	General credit exposures		Trading book exposure		Own funds requirements				
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Of which: General credit exposures	Of which: Trading book exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
Austria	20,850				1,134		1,134	0.79 %	0.00 %
Belgium	29,723				827		827	0.57 %	0.00 %
Belarus	1				0		0	0.00 %	0.00 %
Bulgaria	20				1		1	0.00 %	0.50 %
Bosnia and Herzegovina	795				48		48	0.03 %	0.00 %
Brazil	3				0		0	0.00 %	0.00 %
Czech Republic	8,266				650		650	0.45 %	1.50 %
Montenegro	4				0		0	0.00 %	0.00 %
Denmark	2,565				41		41	0.03 %	1.00 %
Egypt	3				0		0	0.00 %	0.00 %
Philippines	1				0		0	0.00 %	0.00 %
Finland	9,042				72		72	0.05 %	0.00 %
France	26,033				809		809	0.56 %	0.25 %
Georgia	3				0		0	0.00 %	0.00 %
Croatia	4,253				146		146	0.10 %	0.00 %
India	2				0		0	0.00 %	0.00 %
Ireland	6				0		0	0.00 %	1.00 %
Italy	2,401				106		106	0.07 %	0.00 %
Japan	3,745				60		60	0.04 %	0.00 %
Canada	4,133				327		327	0.23 %	0.00 %
China	1				0		0	0.00 %	0.00 %
Kosovo	44				3		3	0.00 %	0.00 %
Luxembourg	9,999				800		800	0.56 %	0.00 %
Hungary	237				10		10	0.01 %	0.00 %
Macedonia	60				4		4	0.00 %	0.00 %
Germany	42,468				2,131		2,131	1.48 %	0.00 %
Netherlands	56,028				3,486		3,486	2.42 %	0.00 %
Norway	20,075				165		165	0.11 %	2.50 %
Poland	340				5		5	0.00 %	0.00 %
Portugal	282				11		11	0.01 %	0.00 %
Romania	2				0		0	0.00 %	0.00 %
Russian Federation	65				3		3	0.00 %	0.00 %
Slovakia	714				57		57	0.04 %	1.50 %
Slovenia	2,207,706				126,138		126,179	87.59 %	0.00 %
Serbia	575				34		34	0.02 %	0.00 %
Spain	10,058				803		803	0.56 %	0.00 %
Sweden	15,861				137		137	0.10 %	2.50 %
Switzerland	9,045				160		160	0.11 %	0.00 %
Ukraine	4				0		0	0.00 %	0.00 %
United Kingdom	40,983				2,100		2,100	1.46 %	1.00 %
Venezuela	1				0		0	0.00 %	0.00 %
United States	47,313				3,745		3,745	2.60 %	0.00 %
United Arab Emirates	6				0		0	0.00 %	0.00 %
Other	3				0		0	0.00 %	0.00 %
	2,573,720	**–**	**0**	**–**	**144,014**	**0**	**144,054**		

Note:
Exposures to securitization positions are not included in the table as the Group has none.

(All amounts in EUR thousand unless otherwise stated)

AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

Table 18: AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

Stanje 31. december	2019
Total risk exposure amount	2,083,657
Institution specific conuntercyclical buffer rate	0.029 %
Institution specific conuntercyclical buffer requirement	602

6. EXPOSURE TO COUNTERPARTY CREDIT RISK

(Article 439 of the CRR)

Counterparty credit risk (CCR) is the risk that a counterparty to derivatives, repurchase or reverse repurchase transactions, securities or commodities lending or borrowing transactions, margin lending transactions and long settlement transactions may default before the final settlement of the transaction's cash flows. CCR is different from a general credit risk in that the market value of a transaction can be either positive or negative and can change subject to the behaviour of key market variables. The purpose of trading in derivatives is to support companies in their management of financial exposures.

CCR for derivatives that are traded over-the-counter (OTC) is the sum of the current market value and potential future exposure arising from possible changes in market values. The Group monitors the CCR daily according to individual transaction, type of transaction, counterparty and related party.

The Group did not incur exposures to qualifying counterparties in 2019 and 2018 and so does not display Template 27: EU CCR8 – Exposures to CCPs of the 2016/11 EU CCR8 Guidelines.

6.1 Methodologies used to assign internal capital and credit limits for exposures to counterparty credit risk

(Article 439 (a) of the CRR)

The internal capital for these transactions is calculated according to the Standardised Approach (SA) for the calculation of the capital requirement for credit risk under Pillar 1, using the mark-to-market method. Due to the stringent restrictions that apply to CCR transactions and the low level of the overall exposure structure, the spending of capital for counterparty credit risk is very low and the Group does not allocate additional capital for the internal capital adequacy assessment process (ICAAP) under Pillar 2.

(All amounts in EUR thousand unless otherwise stated)

Table 19: TEMPLATE 28 - EU CCR3 - STANDARDISED APPROACH - CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK

As at 31 December 2019		Risk weight											Total	Of which unrated
	Credit risk exposures	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Drugo**		
1	Central governemnts or central banks	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
2	Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
6	Institutions	–	–	–	–	96	2,042	–	–	86	–	–	**2,224**	**–**
7	Corporates	–	–	–	–	–	–	–	–	4,862	–	–	**4,862**	**4,696**
8	Retail	–	–	–	–	–	–	–	27	–	–	–	**27**	**27**
9	Institutions and corporates with a short-term credit assesment	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
10	Other	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
11	**Total**	**–**	**–**	**–**	**–**	**96**	**2,042**	**–**	**27**	**4,948**	**–**	**–**	**7,113**	**4,723**

As at 31 December 2018		Risk weight											Total	Of which unrated
	Credit risk exposures	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Drugo**		
1	Central governemnts or central banks	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
2	Regional government or local authorities	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
3	Public sector entities	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
6	Institutions	–	–	–	–	192	2,917	–	–	115	–	–	**3,224**	**–**
7	Corporates	–	–	–	–	–	–	–	–	5,713	–	–	**5,713**	**5,524**
8	Retail	–	–	–	–	–	–	–	3	–	–	–	**3**	**3**
9	Institutions and corporates with a short-term credit assesment	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
10	Other items	–	–	–	–	–	–	–	–	–	–	–	**–**	**–**
11	**Total**	**–**	**–**	**–**	**–**	**192**	**2,917**	**–**	**3**	**5,828**	**–**	**–**	**8,940**	**5,527**

Exposures values are distributed according to prescribed segments and risk weights that correspond to exposure riskiness attributed according to the Standardised Approach. In 2019, exposures to institutions were predominantly assigned a risk weight of 50%, while exposures to corporates were assigned a risk weight of 100%. The majority of exposures to corporates were not rated because they do not have a credit assessment from the nominated ECAI.

To evaluate financial instruments, the calculation of fair value is additionally adjusted so that it reflects the current market value of counterparty credit risk (credit valuation adjustment, CVA). CVA requirements do not apply to transactions concluded with nonfinancial counterparties.

(All amounts in EUR thousand unless otherwise stated)

Table 20: TEMPLATE 26 - EU CCR2 - CVA CAPITAL CHARGE

		a	b
As at 31 December 2019		**Exposure value**	**RWAs**
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3x multiplier)		
3	(ii) SVaR component (including 3x multiplier)		
4	All porfolios subject to the standardised method	2,223	1,392
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**		111

As at 31 December 2018		**Exposure value**	**RWAs**
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3x multiplier)		
3	(ii) SVaR component (including 3x multiplier)		
4	All porfolios subject to the standardised method	3,211	2,160
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**		173

The Group avoids transactions involving counterparties with a lower credit quality. If a counterparty has a lower credit quality, adequate collateral is required upon concluding the transaction. The Group limits the extent of exposures to counterparty credit risk in accordance with the Risk Appetite Framework and, to achieve the set limits, it has an additional system of limits in place to determine the maximum allowed exposures to an individual counterparty which depends on its credit assessment, the estimated cash flow to identify the capacity for exposure coverage and the scale and type of financial instrument. The Group only concludes transactions with standard interest rate and foreign exchange derivatives that are intended to protect the return on its principal activity. The limits must be examined before concluding any transaction. When calculating the utilisation of exposure limits, the current market value and potential future credit exposures by derivatives with an individual counterparty are taken into account.

The limits are monitored with software at the Control Centre and Databases department (hereinafter: Control Centre) that is part of the risk management division which is organisationally separated from the financial markets division carrying out trading transactions with derivatives. The Control Centre produces regular daily reports on compliance with the limits and submits them to senior management.

The Group also has in place an early warning system for obligors' outstanding balances, the purpose of which is to carefully monitor the operations of obligors for which an increased credit risk was detected.

(All amounts in EUR thousand unless otherwise stated)

6.2 Policies for securing collateral and establishing credit reserves

(Article 439 (b) of the CRR)

The Group concludes derivatives in accordance with the rules and the system of limits for derivative transactions and securities repurchase/purchase transactions. In accordance with the rules, transactions up to specific amounts can be concluded with counterparties that have a credit assessment of at least B1 without collateral. For amounts in excess of the limits, the Credit Committee must approve the individual credit limit and the Risk Management Division must consent in writing to a transaction without collateral.

The Group avoids derivatives without adequate collateral involving counterparties with a lower credit quality. When a counterparty pledges cash on deposit to Abanka as transaction collateral, the exposure to counterparty default risk is reduced by the amount of collateral.

The Group trades in over-the-counter (OTC) derivatives only with counterparties with which it has a master agreement on derivatives (banks with the International Swaps and Derivatives Association (ISDA) master agreement) or a relevant agreement that secures the netting of claims and obligations arising from derivative transactions in the event of counterparty default. An additional tool for credit risk mitigation is also the Credit Support Annex (CSA) to the ISDA master agreement, which is based on the system of daily margins.

Based on the fair value of transactions, the Group regularly monitors exposures to counterparty credit risk. In the event of unfavourable trends in financial markets that lead to inadequate coverage of exposure with collateral, the counterparty is called to secure additional collateral in the form of cash on deposit pledged to Abanka. The Group maintains a master agreement on derivatives or an agreement on cash on deposit with counterparties. As regards security financing transactions (SFTs–), the Group maintains a master agreement on securities repurchase with counterparties.

Table 21: TEMPLATE 32 - EU CCR5-B - COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
As at 31 December 2019	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash - deposits	–	–	8,377	–	–	–
Government bonds	–	–	–	–	–	–
Total	**–**	**–**	**8,377**	**–**	**–**	**–**

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
As at 31 December 2018	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash - deposits	–	–	5,598	–	–	–
Government bonds	–	–	–	–	–	–
Total	**–**	**–**	**5,598**	**–**	**–**	**–**

(All amounts in EUR thousand unless otherwise stated)

6.3 Policies with respect to wrong-way risk exposures

(Article 439 (c) of the CRR)

Taking into account the adopted procedures and systems for risk management (daily valuation, master agreements, collateral agreements, making margin calls, CVA calculation), the Group assesses that wrong-way risk exposures are not material.

6.4 Impact of downgrading the Bank's credit rating on collateral

(Article 439 (d) of the CRR)

Master agreements on derivatives do not ordinarily include provisions regarding possible additional collateral due to a change in credit rating. If the Bank's credit rating is downgraded, the Group would not be required to secure an additional margin because this margin is linked only to the scale of operations.

6.5 Impact of netting and collateral held on exposure values

(Article 439 (e) of the CRR)

Net credit exposure is the credit exposure on derivatives after accounting for both the benefits from legally enforceable netting agreements and collateral arrangements.

For counterparties with which the Group concluded the CSA, credit exposure is monitored on the basis of contractual netting for internal purposes.

Table 22: TEMPLATE 31 - EU CCR5-A - IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

		a	b	c	d	e
	As at 31 December 2019	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	3,777	–	–	–	3,777
2	SFTs	–	–	–	–	–
3	Cros-product netting	–	–	–	–	–
4	**Total**	**3,777**	**–**	**–**	**–**	**3,777**

		a	b	c	d	e
	As at 31 December 2018	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	3,610	–	–	17	3,593
2	SFTs	–	–	–	–	–
3	Cros-product netting					
4	**Total**	**3,610**	**–**	**–**	**17**	**3,593**

6.6 Measures for exposure value

(Article 439 (f) of the CRR)

The Group determines the exposure value for derivatives by applying the mark-to-market method as follows:

- replacement costs are calculated for all contracts with a positive value by re-evaluating all contracts to current market values according to the mark-to-market method, whereas current exposure for contracts with negative value equals zero;
- potential future credit exposure is calculated for the remaining period to maturity of a contract by multiplying nominal values or values of underlying financial instruments with conversion factors specified in the CRR.

(All amounts in EUR thousand unless otherwise stated)

The exposure value is the sum of the replacement cost and potential future credit exposure.

Table 23: TEMPLATE 25 - EU CCR1 - ANALYSIS OF CCR EXPOSURE BY APPROACH

	As at 31 December 2019	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		3,337	3,776			7,113	5,997
2	Original exposure						–	–
3	Standardised approach		–				–	–
4	IMM (for derivatives and SFTs)						–	–
5	- of which securities financing transactions						–	–
6	- of which derivatives and long settlement transactions						–	–
7	- of which from contractual cross-product netting						–	–
8	Financial collateral simple method (for SFTs)							–
9	Financial collateral comprehensive method (for SFTs)							–
10	Var for SFTs							–
11	**Total**							**5,997**

	As at 31 December 2019	Notional	Replacement cost/current market value	Potential future credid exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		3,610	5,330			8,940	7,319
11	**Total**							**7,319**

As at the reporting date, counterparty credit risk exposure fell in comparison to 2018, mostly due to shorter residual maturity in interest rate derivatives.

The Group calculates own funds requirements for settlement and counterparty risk arising from REPO or reverse transactions in the banking book by taking into account the Financial Collateral Simple Method. Under this method, REPO or reverse transactions are considered financial collateral. To calculate the impact of financial collateral, the value of financial collateral equals its market value.

Exposures that are collateralised with the market value of recognised financial collateral are assigned the risk weight that would, under the Standardised Approach, be used for the Group's direct exposure arising from the relevant financial collateral instrument, taking into account that the risk weight must not be lower than 20%, except in specific instances. The risk weight for the remainder of uncollateralised exposure is the same as the risk weight that would be used for uncollateralised exposure to a debtor under the Standardised Approach.

Own funds requirements for counterparty default risk arising from REPO or reverse transactions in the banking book can be only calculated by using the Financial Collateral Comprehensive Method. Accordingly, all financial instruments and commodities eligible for inclusion in the trading book may be recognised as eligible credit protection. When using the Financial Collateral Comprehensive Method, volatility adjustments are applied to a collateral's market value to account for price volatility.

When collateral and the underlying exposure are not denominated in the same currency, an adjustment reflecting currency volatility is added to the volatility adjustment appropriate to the collateral.

6.7 Exposures from credit derivatives

(Article 439 (g)(h)(i) of the CRR)

The Group does not trade in credit derivatives.

7. CREDIT RISK AND GENERAL INFORMATION ON CRM

(Article 442 of the CRR)

7.1 Definitions of “past-due” and “impaired” for accounting purposes

(Article 442 (a) of the CRR)

The definition for accounting purposes of past due items is provided in the Notes to the Financial Statements of the Group’s Annual Report in Section 2.1.6 (Loans to non-bank customers by past due status).

Impaired exposures are exposures that have deteriorated credit quality, including purchased or originated credit impaired assets. These are non-performing exposures that the Group classifies under stage 3 for the purpose of estimating the expected credit losses. Definitions for financial assets with deteriorated credit quality and for purchased or originated credit impaired assets are provided in the Notes to the Financial Statements of the Group’s Annual Report in Sections 1.11 (Impairment of financial assets) and 2.1.2 (Impairment and provisioning methodologies).

7.2 Description of the approaches and methods adopted for determining specific and general credit risk adjustments

(Article 442 (b) of the CRR)

Specific credit risk adjustments are adjustments of accounting value due to credit risk and apply both to on-balance-sheet exposures (impairments) and off-balance-sheet exposures (provisions). Specific value adjustments include:

- adjustments of the accounting value of financial assets that refer to credit risk according to the International Financial Reporting Standard (IFRS) 9 (value adjustments that refer to financial assets measured at amortised cost, financial assets (debt securities) measured at fair value through other comprehensive income, and lease receivables);
- provisions formed according to IFRS 9 and referring to off-balance sheet exposures from loan commitments and financial guarantee contracts (including service guarantees).

In the framework of IFRS, general credit risk adjustments are not recognised and the Group does not calculate or disclose them.

The impairment and provisioning methodology is prepared in accordance with IFRS 9, which is based on a forward-looking expected loss model. This requires carrying out important assessments of how the changes of various economic factors impact the expected credit risk losses which are determined on the basis of probability weighted average. IFRS 9 basically makes a distinction between measuring loss by taking into account possible losses expected within 12 months and by taking into account all possible losses expected in the full lifetime of a financial asset. Correspondingly, the Group classifies financial assets and commitments and contingencies into four stages based on their riskiness.

A description of the methodology for forming specific value adjustments (impairments and provisions) is provided in the Notes to the Financial Statements of the Group’s Annual Report in Section 2.1.2 Impairment and provisioning methodologies.

(All amounts in EUR thousand unless otherwise stated)

7.3 Total and average net amount of exposures

(Article 442 (c) of the CRR)

Table 24: TEMPLATE 7 - EU CRB-B - TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

		a	b	a	b
As at 31 December		**Net value of exposures at the end of 2019**	**Net value of exposures over 2019**	**Net value of exposures at the end of 2018**	**Net value of exposures over 2018**
	Credit risk exposure				
1	Central governemnts or central banks	1,150,126	1,094,115	1,140,181	1,101,778
2	Regional government or local authorities	79,898	95,537	72,458	74,822
3	Public sector entities	145,418	155,554	171,661	184,309
4	Multilateralne razvojne banke	14,541	14,619	14,652	17,031
5	International organisations	53,124	53,289	51,653	54,050
6	Institutions	90,705	91,397	60,854	83,291
7	Corporates	1,002,525	1,062,844	1,010,786	1,040,429
8	Retail	1,119,220	1,173,491	1,158,368	1,153,423
9	Institutions and corporates w ith a short-term credit	444,831	322,549	295,926	245,929
10	Exposures in defalut	52,041	55,034	72,951	77,178
11	Items associated w ith particularly high risk	35,035	25,756	18,526	12,931
12	Covered bonds	99,749	99,363	89,462	74,259
13	Claims on institutions and corporates w ith a short-term credit assesment	78,928	89,255	95,636	97,486
14	Collective investments undertakings	39,920	39,961	41,879	40,355
15	Equity exposures	8,932	10,446	15,106	17,595
16	Other exposures	89,049	91,335	94,114	101,421
17	**Total standardised approach**	**4,504,042**	**4,474,545**	**4,404,213**	**4,376,287**

Note:
In accordance with the Common Reporting Framework (COREP), exposure includes the net amount of credit risk exposure. In addition to on-balance-sheet exposure, commitments and contingencies associated with risk and presented by off-balance-sheet items are also included. Derivatives are presented as a replacement cost and potential future exposure.

As at the reporting date, the central governments or central banks exposure class which amounted to 25.5% of total exposures (vs. 25.9% in 2018) represented the largest part of total exposures, less impairments and provisions. Retail exposure class followed with 24.8% of total exposures (vs. 26.3% in 2018) whilst exposures to corporates represented 22.3% of total exposures (vs. 23% in 2018).

Within total exposures, a material increase was seen in exposures secured by mortgages on immovable property and exposures to institutions, whereas a significant decrease was observed in retail exposures, exposures to public sector entities and exposures in default.

(All amounts in EUR thousand unless otherwise stated)

7.4 Geogaphical breakdown of exposures

(Article 442 (d) of the CRR)

Table 25: TEMPLATE 8 - EU CRB-C - GEOGRAPHICAL BREAKDOWN OF EXPOSURES

		Net value												
		European Union										**Europe (without the EU member states)**	**Other geographical areas**	**Total**
			Of which:	Significant countries										
	As at 31 December 2019		Slovenia	Dutch	Luksemburg	France	Germany	Belgium	Austria	Czech Republic	United Kingdom			
7	Central governemnts or central banks	1,150,110	801,724	15,222	–	35,256	–	37,147	27,695	37,352	–	16	–	**1,150,126**
8	Regional government or local authorities	65,965	43,324	–	–	–	22,641	–	–	–	–	–	13,933	**79,898**
9	Public sector entities	145,418	134,331	–	–	11,087	–	–	–	–	–	–	–	**145,418**
10	Multilateral development banks	14,541	–	–	8,216	5,882	–	–	–	–	–	–	–	**14,541**
11	International organisations	53,124	–	–	50,350	–	–	2,774	–	–	–	–	–	**53,124**
12	Institutions	78,106	7,141	23,034	17,921	8,187	8,177	1,144	4,013	–	2,923	10,049	2,550	**90,705**
13	Corporates	956,432	826,554	35,530	9,998	8,116	22,269	42	9,707	8,062	23,453	–	46,093	**1,002,525**
14	Retail	1,116,651	1,114,210	15	1	21	347	52	495	46	120	2,392	177	**1,119,220**
15	Secured by mortgages on immovable property	444,595	442,834	–	–	–	250	277	124	–	–	102	134	**444,831**
16	Exposure in default	52,030	49,679	–	–	–	–	–	–	–	–	11	–	**52,041**
17	Items associated with particularly high risk	35,035	34,922	–	–	–	–	113	–	–	–	–	–	**35,035**
18	Covered bonds	80,264	–	13,835	–	15,972	11,460	4,994	–	–	8,140	19,485	–	**99,749**
19	Claims on institutions and corporates with a short-term credit assesment	65,344	1,510	6,651	–	1,926	8,169	24,249	10,568	162	9,229	9,296	4,288	**78,928**
20	Collective investments undertakings	39,920	39,920	–	–	–	–	–	–	–	–	–	–	**39,920**
21	Equity exposures	4,351	4,350	–	–	–	–	–	–	–	–	–	4,581	**8,932**
22	Other exposures	89,047	88,998	–	–	–	–	–	–	–	49	–	2	**89,049**
23	**Total standardised approch**	**4,390,933**	**3,589,497**	**94,287**	**86,486**	**86,447**	**73,313**	**70,792**	**52,602**	**45,622**	**43,914**	**41,351**	**71,758**	**4,504,042**

Note:
The countries which the Group identified as material were those with exposure that represented more than 5% of total exposures in 2019 (excluding exposures to retail customers).

(All amounts in EUR thousand unless otherwise stated)

		Net value												
		European Union										**Europe (without the EU member states)**	**Other geographical areas**	**Total**
			Of which:	Significant countries										
	As at 31 December 2018		Slovenia	France	Dutch	Belgium	Luksemburg	Austria	Germany	Czech Republic	Poland			
7	Central governemnts or central banks	1,140,165	798,540	38,732	15,477	37,653	–	28,372	–	38,560	38,884	16	–	**1,140,181**
8	Regional government or local authorities	58,078	36,328	–	–	–	–	–	21,750	–	–	–	14,380	**72,458**
9	Public sector entities	171,661	160,553	11,109	–	–	–	–	–	–	–	–	–	**171,661**
10	Multilateral development banks	14,652	–	5,941	–	–	8,267	–	–	–	–	–	–	**14,652**
11	International organisations	51,653	–	–	–	2,784	48,869	–	–	–	–	–	–	**51,653**
12	Institutions	57,264	5,095	7,233	23,463	1,097	–	1,895	10,317	–	–	1,097	2,493	**60,854**
13	Corporates	967,536	895,980	11,939	21,159	55	–	7,650	5,054	8,329	–	2	43,248	**1,010,786**
14	Retail	1,156,546	1,153,821	43	3	294	3	495	380	50	1	1,551	271	**1,158,368**
15	Secured by mortgages on immovable property	295,796	294,596	–	–	–	–	28	128	–	–	31	99	**295,926**
16	Exposure in default	68,444	64,731	–	–	–	–	12	–	–	–	4,506	1	**72,951**
17	Items associated with particularly high risk	18,526	18,418	–	–	108	–	–	–	–	–	–	–	**18,526**
18	Covered bonds	76,049	–	16,020	10,976	3,998	–	–	11,509	–	–	13,413	–	**89,462**
19	Claims on institutions and corporates with a short-term credit assesment	65,024	5,828	1,882	6,000	16,469	–	17,126	6,215	162	1,124	21,780	8,832	**95,636**
20	Collective investments undertakings	41,879	41,879	–	–	–	–	–	–	–	–	–	–	**41,879**
21	Equity exposures	11,963	11,963	–	–	–	–	–	–	–	–	–	3,143	**15,106**
22	Other exposures	94,108	94,026	–	–	7	–	–	–	–	–	–	6	**94,114**
23	**Total standardised approach**	**4,289,344**	**3,581,758**	**92,899**	**77,078**	**62,465**	**57,139**	**55,578**	**55,353**	**47,101**	**40,009**	**42,396**	**72,473**	**4,404,213**

Note**:**
The countries which the Group identified as material were those with exposure that represented more than 5% of total exposures in 2018 (excluding exposures to retail customers).

In accordance with COREP rules, exposure includes the net amount of credit risk exposure. In addition to on-balance-sheet exposure, commitments and contingencies associated with risk and presented by off-balance-sheet items are also included. Derivatives are presented as a replacement cost and potential future exposure.

As at the reporting date, the Group recorded the largest exposure to debtors or clients from Slovenia, amounting to 79.7% (vs. 81.3% in 2018) of total exposures. As regards foreign exposure, the largest exposure was to clients from other EU member states, mainly from the Netherlands, Luxembourg, France, Germany, Belgium, Austria, Czech Republic and Great Britain. Compared to 2018, foreign exposure increased by EUR 92.1 million, particularly due to an increase in exposure to clients from Luxembourg, Germany, the Netherlands, Great Britain and Belgium.

(All amounts in EUR thousand unless otherwise stated)

7.5 Concentration of exposures by industry or counterparty risk

(Article 442 (e) of the CRR)

Table 26: TEMPLATE 9 - EU CRB-D - CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

	As at 31 December 2019	Financial and insurance activitiesne	Public administration and defence	Manufacturing	Trade	Other diversified business activities	Other activities	Retail	Total
7	Central governemnts or central banks	531,088	619,038	–	–		–	–	**1,150,126**
8	Regional government or local authorities	–	79,896	–	–		2	–	**79,898**
9	Public sector entities	5,672	13,886	–	9		125,851	–	**145,418**
10	Multilateral development banks	14,541	–	–	–		–	–	**14,541**
11	International organisations	38,605	14,519	–	–		–	–	**53,124**
12	Institutions	90,705	–	–	–		–	–	**90,705**
13	Corporates	71,974	3	322,512	209,971		398,065	–	**1,002,525**
14	Retail	239	726	66,069	55,375		117,113	879,698	**1,119,220**
15	Secured by mortgages on immovable property	613	475	107,082	38,931		100,038	197,692	**444,831**
16	Exposure in default	178	–	11,088	22,779		14,590	3,406	**52,041**
17	Items associated with particularly high risk	9,832	–	–	10		25,193	–	**35,035**
18	Covered bonds	99,749	–	–	–		–	–	**99,749**
19	Claims on institutions and corporates with a short-term credit assesment	78,928	–	–	–		–	–	**78,928**
20	Collective investments undertakings	39,920	–	–	–		–	–	**39,920**
21	Equity exposures	4,581	–	868	–		3,483	–	**8,932**
22	Other exposures	86,699	–	1	6		336	2,007	**89,049**
23	**Total standardised approach**	**1,073,324**	**728,543**	**507,620**	**327,081**	**–**	**784,671**	**1,082,803**	**4,504,042**
	*– of which: exposure to SMEs**	62,508	39,455	187,079	139,287		324,256	–	**752,585**

Note:
Items are classified by activities according to Standard Classification of Activities which takes into account material activities. The activities which the Group identified as material were the activities with exposure that represented more than 5% of total exposures in 2019 (excluding exposures to retail customers).

(All amounts in EUR thousand unless otherwise stated)

	As at 31 December 2018	Financial and insurance activitiesne	Public administra tion and defence	Manufacturing	Trade, maintnance and repair of motor vehicles	Other diversified business activities	Other activities	Retail	Total
7	Central governemnts or central banks	416,388	723,793	–	–	–	–	–	**1,140,181**
8	Regional government or local authorities	–	72,456	–	–	–	2	–	**72,458**
9	Public sector entities	6,249	13,952	–	8	149,197	2,255	–	**171,661**
10	Multilateral development banks	14,652	–	–	–	–	–	–	**14,652**
11	International organisations	39,840	11,813	–	–	–	–	–	**51,653**
12	Institutions	60,854	–	–	–	–	–	–	**60,854**
13	Corporates	96,954	–	313,622	179,227	9,107	411,876	–	**1,010,786**
14	Retail	780	518	67,399	58,612	5,897	102,118	923,044	**1,158,368**
15	Secured by mortgages on immovable property	1,046	472	90,971	31,431	6,926	70,342	94,738	**295,926**
16	Exposure in default	415	–	8,127	34,942	286	24,395	4,786	**72,951**
17	Items associated with particularly high risk	108	–	–	229	6,889	11,300	–	**18,526**
18	Covered bonds	89,462	–	–	–	–	–	–	**89,462**
19	Claims on institutions and corporates with a short-term credit assesment	95,636	–	–	–	–	–	–	**95,636**
20	Collective investments undertakings	41,879	–	–	–	–	–	–	**41,879**
21	Equity exposures	13,164	–	838	–	–	1,104	–	**15,106**
22	Other exposures	90,878	–	–	1	51	395	2,789	**94,114**
23	**Total standardised approach**	**968,305**	**823,004**	**480,957**	**304,450**	**178,353**	**623,787**	**1,025,357**	**4,404,213**
	– of which: exposure to SMEs*	88,363	33,595	182,280	146,808	20,083	311,967	–	**783,096**

Note**:**
Material activities with exposure that in 2018 represented more than 5% of total exposures (excluding exposures to retail customers) are shown.

In accordance with COREP rules, exposure includes the net amount of credit risk exposure. In addition to on-balance-sheet exposure, commitments and contingencies associated with risk and presented by off-balance-sheet items are also included. Derivatives are presented as a replacement cost and potential future exposure.

* In accordance with Article 55 of the Companies Act (ZGD-1), micro-, small- and medium-sized enterprises are considered as SMEs.

(All amounts in EUR thousand unless otherwise stated)

As at the reporting date, the Group demonstrated the largest exposure to entities registered for performing financial and insurance activities. The second-largest exposure was in public administration, defence and compulsory social security, within the framework of which exposures to debt securities to the amount of EUR 680 million accounted for the largest item, of which Republic of Slovenia bonds amounted to EUR 269 million. The structure of credit risk exposure by industry sector shows that in the more material sectors (in terms of exposure), shares of exposure to financial and insurance activities, manufacturing, trade, maintenance and repair of motor vehicles, and other activities increased in 2019, whereas the shares of exposure to activities of public administration, defence and compulsory social security and to administrative and support service activities decreased. The latter share amounted to 5% in 2019, thus the exposures to administrative and support service activities are not included in Table 26 for 2019.

The Group recorded the largest share of exposure to SMEs within the framework of exposures to manufacturing, trade, maintenance and repair of motor vehicles and financial and insurance activities.

Compared to 2018, the exposure to retail customers, which represented 24% of total exposures as at the end of 2019, increased by EUR 57.4 million or 5.6%.

7.6 Breakdown of exposure by residual maturity

(Article 442 (f) of the CRR)

Table 27: TEMPLATE 10 - EU CRB-E - MATURITY OF EXPOSURES

As at 31 December 2019		Net exposure value		
	Exposure categories	**up to 1 year**	**over 1 year to 3 years**	**over 3 years**
1	Central governemnts or central banks	669,072	255,862	225,192
2	Regional government or local authorities	14,140	10,169	55,589
3	Public sector entities	9,597	128,192	7,629
4	Multilateral development banks	–	6,747	7,794
5	International organisations	5,778	36,227	11,119
6	Institutions	45,537	24,676	20,492
7	Corporates	492,983	155,828	353,714
8	Retail	294,953	95,499	728,768
9	Secured by mortgages on immovable property	49,829	47,453	347,549
10	Exposure in default	14,080	28,695	9,266
11	Items associated w ith particularly high risk	3,543	10,512	20,980
12	Covered bonds	6,133	27,233	66,383
13	Claims on institutions and corporates w ith a short-term credit assesment	78,928	–	–
14	Collective investments undertakings	15,090	–	24,830
15	Equity exposures	–	–	8,932
16	Other exposures	14,322	74	74,653
	Total standardised approach	**1,713,985**	**827,167**	**1,962,890**

(All amounts in EUR thousand unless otherwise stated)

As at 31 December 2018		Net exposure value		
	Exposure categories	up to 1 year	over 1 year to 3 years	over 3 years
1	Central governemnts or central banks	614,456	213,931	311,794
2	Regional government or local authorities	2,446	18,555	51,457
3	Public sector entities	5,004	5,453	161,204
4	Multilateral development banks	–	2,188	12,464
5	International organisations	1,013	13,930	36,710
6	Institutions	12,792	26,210	21,852
7	Corporates	402,464	160,449	447,873
8	Retail	274,614	99,018	784,736
9	Secured by mortgages on immovable property	39,089	37,001	219,836
10	Exposure in default	15,707	46,980	10,264
11	Items associated w ith particularly high risk	3,486	3,878	11,162
12	Covered bonds	8,028	17,492	63,942
13	Claims on institutions and corporates w ith a short-term credit assesment	95,636	–	–
14	Collective investments undertakings	17,162	–	24,717
15	Equity exposures	–	–	15,106
16	Other exposures	7,048	6,964	80,102
	Total standardised approach	**1,498,945**	**652,049**	**2,253,219**

Note**:**
In accordance with COREP rules, exposure includes the net amount of credit risk exposure. In addition to on-balance-sheet exposure, commitments and contingencies associated with risk and presented by off-balance-sheet items are also included. Derivatives are presented as a replacement cost and potential future exposure.

As at the reporting date, exposures with residual maturity of three years or more represented 43.6% of total exposures (vs. 51.2% in 2018), exposures with residual maturity of one year to three years represented 18.4% of total exposures (vs. 14.8% in 2018), and exposures with residual maturity of less than one year represented 38.1% of total exposures (vs. 34% in 2018). Exposures with residual maturity of three years or more decreased by 12.9% in 2019, whereas exposures with residual maturity of one year to three years increased by 26.9%, and exposures with residual maturity of less than one year by 14.3%. As at the reporting date, the Group demonstrated the largest exposure with residual maturity of three years or more for retail exposures (37.1%), exposures to corporates (18%), and exposures secured by mortgages on immovable property (17.7%). The largest share of exposure with residual maturity of one year to three years was recorded for exposures to central governments or central banks (30.9%), exposures to corporates (18.8%), and exposures to public sector entities (15.5%). The largest share of exposure with residual maturity of less than one year was observed for exposures to central governments or central banks (39%), exposures to corporates (28.8%), and retail exposures (17.2%).

(All amounts in EUR thousand unless otherwise stated)

7.7 Credit quality of exposures by exposure class and instrument

(Article 442 (g) of the CRR)

The table shows a breakdown of the total exposures by exposure class and instrument.

Table 28: TEMPLATE 11 -EU CR1-A - CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

		a	b	c	e	f	g
		Gross carrying values of					
	As at 31 December 2019	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values (a+b-c)**
16	Central governemnts or central banks	–	1,150,160	(34)	–	210	**1,150,126**
17	Regional government or local authorities	–	80,254	(356)	–	(214)	**79,898**
18	Public sector entities	–	145,750	(332)	–	(59)	**145,418**
19	Multilateral development banks	–	14,541	–	–	–	**14,541**
20	International organisations	–	53,124	–	–	–	**53,124**
21	Institutions	–	90,816	(111)	–	(54)	**90,705**
22	Corporates	–	1,021,348	(18,823)	–	3,654	**1,002,525**
23	*Of which: SMEs*	–	68,322	(732)	–	219	**67,590**
24	Retail	–	1,128,909	(9,689)	–	4,034	**1,119,220**
25	*Of which: SMEs*	–	232,240	(6,057)	–	2,244	**226,183**
26	Secured by mortgages on immovable property	–	455,308	(10,477)	–	(205)	**444,831**
27	*Of which: SMEs*	–	84,713	(3,668)	–	(8)	**81,045**
28	Exposure in default	102,301	–	(50,260)	71,449	12,716	**52,041**
29	Items associated w ith particularly high risk	308	35,727	(1,000)	–	24	**35,035**
30	Covered bonds	–	99,767	(18)	–	(1)	**99,749**
31	Claims on institutions and corporates w ith a short-term credit assesment	–	79,022	(94)	–	(94)	**78,928**
32	Collective investments undertakings	–	39,922	(2)	–	(1)	**39,920**
33	Equity exposures	–	8,932	–	–	–	**8,932**
34	Other exposures	–	89,110	(61)	–	19	**89,049**
35	**Total standardised approach**	**102,609**	**4,492,690**	**(91,257)**	**71,449**	**20,029**	**4,504,042**
37	Of w hich: Loans and other financial assets	77,879	2,624,398	(73,990)	–	19,438	**2,628,287**
38	Of w hich: Debt securities	–	1,055,882	(216)	–	182	**1,055,666**
39	Of w hich: Off-balance-sheet exposures	24,337	686,059	(16,793)	–	411	**693,603**

Note:
Column »d« (General credit risk adjustment) is not disclosed, because the Group does not make general credit risk adjustments.

(All amounts in EUR thousand unless otherwise stated)

		a	b	c	e	f	g
		Gross carrying values of					
As at 31 December 2018		**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values (a+b-c)**
16	Central governemnts or central banks	–	1,140,425	(244)	–	(244)	**1,140,181**
17	Regional government or local authorities	–	72,600	(142)	–	44	**72,458**
18	Public sector entities	–	171,934	(273)	–	(240)	**171,661**
19	Multilateral development banks	–	14,652	–	–	–	**14,652**
20	International organisations	–	51,653	–	–	–	**51,653**
21	Institutions	–	60,911	(57)	–	(41)	**60,854**
22	Corporates	–	1,033,263	(22,477)	–	4,268	**1,010,786**
23	*Of which: SMEs*	–	73,424	(951)	–	915	**72,473**
24	Retail	–	1,172,091	(13,723)	–	(2,498)	**1,158,368**
25	*Of which: SMEs*	–	223,672	(8,301)	–	(504)	**215,371**
26	Secured by mortgages on immovable property	–	306,198	(10,272)	–	(2,174)	**295,926**
27	*Of which: SMEs*	–	74,686	(3,660)	–	(39)	**71,026**
28	Exposure in default	135,927	–	(62,976)	72,041	114,115	**72,951**
29	Items associated with particularly high risk	763	18,787	(1,024)	–	22,572	**18,526**
30	Covered bonds	–	89,479	(17)	–	(17)	**89,462**
31	Claims on institutions and corporates with a short-term credit assesment	–	95,636	–	–	–	**95,636**
32	Collective investments undertakings	–	41,880	(1)	–	13	**41,879**
33	Equity exposures	–	15,106	–	–	–	**15,106**
34	Other exposures	–	94,194	(80)	–	372	**94,114**
35	**Total standardised approach**	**136,690**	**4,378,809**	**(111,286)**	**72,041**	**136,170**	**4,404,213**
37	Of which: Loans and other financial assets	112,404	2,471,864	(93,428)	–	124,133	**2,490,840**
38	Of which: Debt securities	–	1,079,125	(398)	–	(398)	**1,078,727**
39	Of which: Off-balance-sheet exposures	23,856	678,487	(17,204)	–	12,435	**685,139**

Note:
Column »d« (General credit risk adjustment) is not disclosed, because the Group does not make general credit risk adjustments.
In accordance with COREP rules, exposure includes the net amount of credit risk exposure. In addition to on-balance-sheet exposure, commitments and contingencies associated with risk and presented by off-balance-sheet items are also included.

Total default exposures do not equal the sum of loans, debt securities and off-balance-sheet exposures to the amount of EUR 102,216 thousand (Note 8.9) because default exposures also include exposures with credit ratings D and E, which are classified as non-financial assets and are therefore not assigned the default status – these are advance payment exposures and accruals and deferrals.

(All amounts in EUR thousand unless otherwise stated)

Compared to the 2018 year-end, total non-default gross exposures increased by 2.6% as at the end of 2019, whereas total default gross exposures decreased by 24.9%. This decrease in default gross exposure is primarily a result of regular and early repayments, write-offs, recoveries (realisation of collateral), and reclassification of debtors into higher rating classes due to the improvement of their financial position. Non-default exposures increased significantly in exposures secured by mortgages on immovable property and exposures to institutions. Default exposures were disclosed in exposures in default class and items associated with particularly high risk.

Within total net exposures, the share of loans and other financial assets amounted to 58.4%, the share of debt securities 23.4% and the share of guarantees and commitments 15.4% as at the end of 2019.

Compared to the 2018 year-end, specific credit risk adjustments (impairments and provisions) decreased by 18% as at the end of 2019, mainly due to repayments and write-offs of receivables, guarantee maturity and recalibration of the loss given default (LGD) model which were carried out in 2019.

As a result of a decrease in impairments and provisions, the coverage of total gross exposures with impairments and provisions also decreased. As at the reporting date, it amounted to 2% (vs. 2.5% in 2018). In 2019, the Group released the largest share of impairments and provisions in the exposures in default class.

As at the end of 2019, impairments and provisions in the amount of EUR 20 million were released, specifically 63.5% (vs. 83.8% in 2018) of impairments and provisions for default exposures.

In 2019, write-offs decreased by 0.8% compared to 2018. Write-offs were disclosed in the exposures in default class.

7.8 Past due exposures

(Article 442 (g) of the CRR)

Table 29: TEMPLATE 14 -EU CR1-D - AGING OF PAST-DUE EXPOSURES

		a	b	c	d	e	f
		Gross carrying values					
As at 31 December 2019		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	17,466	5,166	2,915	3,837	3,942	18,622
2	Debt securities	–	–	–	–	–	–
3	**Total exposures**	**17,466**	**5,166**	**2,915**	**3,837**	**3,942**	**18,622**

		a	b	c	d	e	f
		Gross carrying values					
As at 31 December 2018		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	19,935	9,145	3,115	4,143	2,340	18,979
2	Debt securities	–	–	–	–	–	–
3	**Total exposures**	**19,935**	**9,145**	**3,115**	**4,143**	**2,340**	**18,979**

Note:
Total exposures are the sum of past due default receivables from loans and debt securities; exposure is allocated to individual buckets according to the longest maturity contract.
Loans include Non-trading financial assets mandatorily at fair value through other comprehensive income and other financial assets.

As at the reporting date, total past due exposures decreased by 9.9% compared to the 2018 year-end. Exposures that decreased the most were exposures past due by more than 30 to 60 days and past due by less than 30 days.

Exposures past due by more than 1 year and past due by less than 30 days represented the largest share of total past due exposures.

(All amounts in EUR thousand unless otherwise stated)

7.9 Non-performing and forborne exposures

(Article 442 (g) of the CRR)

Table 30: TEMPLATE 15 -EU CR1-E - NON-PERFORMING AND FORBORNE EXPOSURES

	a	b	c	d	e	f	g
	Gross carrying amount of performing and non-performing exposures						
	Performing exposures			**Non-performing exposures**			
As at 31 December 2019		**Of which past due from 31 days to 90 days**	**Of which forborne**		**Of which defaulted**	**Of which impaired**	**Of which forborne**
Debt securities	1,055,882	–	–	–	–	–	–
Loarns and advances	2,619,927	4,412	4,814	82,349	77,879	54,667	57,428
Off-balance-sheet exposures	686,054	–	–	20,900	20,895	–	–
Total	**4,361,863**	**4,412**	**4,814**	**103,250**	**98,774**	**54,667**	**57,428**

	h	i	j	k	l	m
	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				**Collaterals and financial guarantees received**	
	Performing exposures		**Non-performing exposures**			
As at 31 December 2019		**Of which forborne**		**Of which foborne**	**Non-performing exposures**	**Of which forborne exposures**
Debt securities	(216)	–	–	–	–	–
Loarns and advances	(34,399)	(1,395)	(39,591)	(23,716)	40,421	36,831
Off-balance-sheet exposures	(4,727)	–	(10,507)	–	5,990	–
Total	**(39,342)**	**(1,395)**	**(50,098)**	**(23,716)**	**46,411**	**36,831**

Note:
Loans also include cash balances with the central bank and demand deposits with banks.

(All amounts in EUR thousand unless otherwise stated)

	a	b	c	d	e	f	g
	Gross carrying amount of performing and non-performing exposures						
	Performing exposures			**Non-performing exposures**			
As at 31 December 2018		**Of which past due from 31 days to 90 days**	**Of which forborne**		**Of which defaulted**	**Of which impaired**	**Of which forborne**
Debt securities	1,079,125	–	–	–	–	–	–
Loarns and advances	2,464,695	6,402	14,396	119,573	112,404	71,597	89,147
Off-balance-sheet exposures	678,481	–	–	20,420	20,414	–	–
Total	**4,222,301**	**6,402**	**14,396**	**139,993**	**132,818**	**71,597**	**89,147**

	h	i	j	k	l	m
	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				**Collaterals and financial guarantees received**	
	Performing exposures		**Non-performing exposures**			
As at 31 December 2018		**Of which forborne**		**Of which foborne**	**Non-performing exposures**	**Of which forborne exposures**
Debt securities	(398)	–	–	–	–	–
Loarns and advances	(41,319)	(5,772)	(52,109)	(33,362)	61,102	59,643
Off-balance-sheet exposures	(3,293)	–	(11,630)	–	4,762	–
Total	**(45,010)**	**(5,772)**	**(63,739)**	**(33,362)**	**65,864**	**59,643**

Note:
Default status differs from the non-performing status as follows:
- non-performing exposures also include exposures to retail customers subjected to the pulling effect;
- the criteria for exit from default status are not the same as the criteria for exit from non-performing status.

Compared to the 2018 year-end, performing exposures increased by 3.3% as at the end of 2019, whereas non-performing exposures decreased by 26.2%. Within the framework of performing exposures, exposures past due for 31 to 90 days decreased by 31.1% and forborne exposures by 66.6%. As at the reporting date, exposures past due for 31 to 90 days represented 0.1% of total performing exposures (vs. 0.2% in 2018), whilst forborne exposures represented 0.1% of performing exposures (vs. 0.3% in 2018).

As at the 2019 year-end, the share of non-performing exposures amounted to 2.3% (vs. 3.2% in 2018) of total gross exposure. The reduction in the share of non-performing exposures as at the end of 2019 compared to the 2018 year-end was due to non-performing exposures decreasing by 26.2% and total gross exposures increasing by 2.4%. Within the framework of non-performing exposures, default expousures decreased by 25.6%, impaired exposures by 23.6%, and forborne exposures by 35.6%.

As at the reporting date, loans and other financial assets represented 60.5% of total exposures (vs. 59.2% in 2018), whilst off-balance-sheet exposures represented 15.8% of total exposures (vs. 16% in 2018), and debt securities 23.6% of total exposures (vs. 24.7% in 2018).

As at the reporting date, impairments and provisions and negative fair value adjustments due to credit risk for performing exposures decreased by 12.6% compared to the 2018 year-end. As at the 2019 year-end, coverage of total performing exposures with impairments and provisions and negative fair value adjustments due to credit risk for performing exposures amounted to 0.9% (vs. 1.1% in 2018).

As at the reporting date, impairments and provisions and negative fair value adjustments due to credit risk for non-performing exposures decreased by 21.4% compared to the 2018 year-end. As at the 2019 year-end, coverage of total non-performing exposures with impairments and provisions and negative fair value adjustments due to credit risk for non-performing exposures amounted to 48.5% (vs. 45.5% in 2018).

As at the reporting date, collateral and financial guarantees received decreased compared to the 2018 year-end, specifically 29.5% for non-performing exposures and 38.2% for forborne exposures.

(All amounts in EUR thousand unless otherwise stated)

7.10 Changes in the stock of general and specific credit risk adjustments

(Article 442 (g) of the CRR)

Table 31: TEMPLATE 16 - EU CR2-A - CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

		a	a
		Acumulated specific credit risk adjustment	**Accumulated general credit risk adjustment**
		2019	**2018**
1	**As at 1 January**	**72,561**	**134,706**
2	Increases due to amounts set aside for estimated loan losses during the period	10,795	19,805
3	Decreases due to amounts reversed for estimated loan losses during the period	(21,310)	(34,175)
4	Decreases due to amounts taken against accumulated credit risk adjustments	(2,081)	(47,385)
5	Transfer betw een credit risk adjustments	–	–
6	Impact of exchange rate differences	12	19
7	Business combinations, incuding acquisitions and disposals of subsidiaries	–	–
8	Other adjusments	494	(409)
8a	of w hich: revolving and overdrafts	507	(486)
8b	of w hich: modification	(13)	77
9	**As at 31 December**	**60,471**	**72,561**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	1,809	18,391
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	(621)	(1)

Note:
The Group did not form general credit risk adjustments.

The table shows the movements in specific adjustments for impaired credit exposures and debt securities.
Compared to the 2018 year-end, impairments and provisions decreased by 16.7% as at the end of 2019. The reduction in impairments and provisions resulted from recovery proceedings, receivables write-offs, implementing processes for the early detection of increased credit risk and adopting a selective approach to granting new loans. A decrease in impairments and provisions was also influenced by the recalibration of the loss given default (LGD) model which was carried out in 2019.

(All amounts in EUR thousand unless otherwise stated)

Table 32: TEMPLATE 17 -EU CR2-B - CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

		a	a
		Gross carrying value defaulted exposures	**Gross carrying value defaulted exposures**
		2019	**2018**
1	**As at 1 January**	**119,573**	**210,148**
2	Loans and debt securities that have defaulted or imapired since the last reporting period	5,646	9,551
3	Returned to non-defaulted status	(4,906)	(3,804)
4	Amaounts w ritten off	(2,301)	(47,762)
5	Other changes	(35,663)	(48,560)
6	**As at 31 December**	**82,349**	**119,573**

Note:
Other financial assets are eliminated from the table.

As at the reporting date, default exposures in default and impaired exposures decreased by 31.1% compared to the 2018 year-end. In 2019, default exposures in default and impaired exposures decreased mainly due to regular and early repayments, improved financial position of debtors which returned to non-default status, and receivables write-offs.

In 2018, a final report on draft final guidelines on the disclosure of non-performing and forborne exposures was issued, containing guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010. The guidelines comprise 10 templates. Taking into account the criterion of the importance of the institution and the criterion of a 5% or larger share of gross non-performing loans, the Group discloses templates 1, 3, 4, 5, 6 and 9 below.

7.11 Credit quality of forborne exposures

(EBA/GL/2018/10)

The table shows gross carrying amount of forborne exposures and the related accumulated impairment, accumulated change in fair value due to credit risk, and collateral and financial guarantees received.

(All amounts in EUR thousand unless otherwise stated)

Table 33: TEMPLATE 1-CREDIT QUALITY OF FORBORNE EXPOSURES

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees receied on non-performing exposures with forbeance measures
	As at 31 December 2019			Of which defaulted	Od which impaired				
1	Loans and advances	4,814	57,428	56,056	57,428	(1,395)	(23,716)	36,831	33,528
2	Central banks	–	–	–	–	–	–	–	–
3	General governments	–	254	254	254	–	(102)	153	153
4	Credit institutions	–	–	–	–	–	–	–	–
5	Other financial corporations	–	1,104	1,104	1,104	–	(946)	157	157
6	Non-financial corporations	2,424	52,359	52,359	52,359	(730)	(20,807)	32,949	31,368
7	Households	2,390	3,711	2,339	3,711	(665)	(1,861)	3,572	1,850
8	Debt securities	–	–	–	–	–	–	–	–
9	Loan commitments given	–	–	–	–	–	–	–	–
10	**Total**	**4,814**	**57,428**	**56,056**	**57,428**	**(1,395)**	**(23,716)**	**36,831**	**33,528**

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees receied on non-performing exposures with forbeance measures
	As at 31 December 2018			Of which defaulted	Od which impaired				
1	Loans and advances	14,396	89,147	86,542	86,871	(5,772)	(33,363)	59,644	52,245
2	Central banks	–	–	–	–	–	–	–	–
3	General governments	–	–	–	–	–	–	–	–
4	Credit institutions	–	–	–	–	–	–	–	–
5	Other financial corporations	–	1,107	1,107	1,107	–	(926)	173	173
6	Non-financial corporations	11,407	82,505	82,505	82,505	(4,768)	(29,799)	54,742	49,317
7	Households	2,989	5,535	2,930	3,259	(1,004)	(2,638)	4,729	2,755
8	Debt securities	–	–	–	–	(5,772)	(33,362)	–	–
9	Loan commitments given	–	–	–	–	–	–	–	–
10	**Total**	**14,396**	**89,147**	**86,542**	**86,871**	**(11,544)**	**(66,725)**	**59,644**	**52,245**

Note:
*default: The definition of default is explained in the Annual Report in Section 2.1.2 Impairment and provisioning methodologies.

(All amounts in EUR thousand unless otherwise stated)

As at the reporting date, forborne exposures represented 1.6% of total exposures (vs. 2.7% in 2018). As at the end of 2019, forborne exposures decreased by 39.9% compared to the 2018 year-end whilst non-performing forborne exposures decreased by 35.6%. Forborne exposures decreased because the Bank adopted an active approach to reducing forborne exposures by employing various forbeance measures which lead to repayment of liabilities by debtors.

As at the 2019 year-end, the share of non-performing forborne exposures amounted to 92.3% (vs. 86.1% in 2018) of total forborne exposures.

As at the reporting date, specific adjustments (impairments) and negative fair value adjustments due to credit risk for forborne exposures decreased by 67.9% compared to the 2018 year-end.

As at the 2019 year-end, coverage of total forborne exposures with impairments and negative fair value adjustments due to credit risk for forborne exposures amounted to 40.4% (vs. 75.6% in 2018). The coverage of forborne exposures was reduced because a decrease in impairments and negative fair value adjustments due to credit risk for forborne exposures was larger than the decrease in forborne exposures. A larger decrease in impairments was mainly influenced by the recalibration of the loss given default (LGD) model which was carried out in 2019.

As at the end of 2019, collateral and financial guarantees for forborne exposures received decreased by 38.2% compared to the 2018 year-end. As at the reporting date, collateral and financial guarantees received on non-performing exposures with forbeance measures represented 91% of all collateral received and financial guarantees received on forborne exposures (vs. 87.6% in 2018).

7.12 Credit quality of performing and non-performing exposures

(EBA/GL/2018/10)

The table shows gross carrying amount of performing and non-performing exposures by past due days.

Table 34: TEMPLATE 3 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
	As at 31 December 2019		Not past due or past due ≤ 30 days	Past due> 30 days ≤ 90 days		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
1	Loans and advances	2,005,490	2,001,076	4,411	82,349	55,950	3,836	3,942	3,343	5,105	4,638	5,535	77,880
2	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
3	General governments	167,720	167,720	–	254	–	–	–	–	–	254	–	254
4	Credit institutions	39,827	39,826	1	–	–	–	–	–	–	–	–	–
5	Other financial corporations	22,215	22,207	8	1,113	25	–	–	–	1,087	–	–	1,113
6	Non-financial corporations	778,645	778,583	62	63,898	49,223	1,303	3,893	2,634	2,058	674	4,114	63,897
7	Of which SMEs	351,894	351,832	62	25,262	13,972	1,214	1,335	2,633	1,973	674	3,461	25,261
8	Households	997,083	992,743	4,340	17,084	6,702	2,533	49	709	1,960	3,710	1,421	12,616
9	Debt securities	1,055,883	1,055,883	–	–	–	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	723,680	723,680	–	–	–	–	–	–	–	–	–	–
12	Credit institutions	158,756	158,756	–	–	–	–	–	–	–	–	–	–
13	Other financial corporations	38,422	38,422	–	–	–	–	–	–	–	–	–	–
14	Non-financial corporations	135,025	135,025	–	–	–	–	–	–	–	–	–	–
15	Off-balance-sheet exposures	686,054			20,901								20,895
16	Central banks	–			–								–
17	General governments	6,131			–								–
18	Credit institutions	7,650			–								–
19	Other financial corporations	26,801			–								–
20	Non-financial corporations	513,333			20,854								20,853
21	Households	132,139			47								42
22	**Total**	**3,747,427**	**3,056,959**	**4,411**	**103,250**	**55,950**	**3,836**	**3,942**	**3,343**	**5,105**	**4,638**	**5,535**	**98,775**

(All amounts in EUR thousand unless otherwise stated)

	As at 31 December 2018	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due> 30 days ≤ 90 days		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
1	Loans and advances	1,970,105	1,963,703	6,402	119,573	94,113	4,142	2,339	4,479	3,882	4,858	5,760	112,404
2	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
3	General governments	185,361	185,361	–	1	–	–	–	1	–	–	–	1
4	Credit institutions	32,284	32,283	1	–	–	–	–	–	–	–	–	–
5	Other financial corporations	49,784	49,784	–	1,126	38	–	–	1,087	1	–	–	1,126
6	Non-financial corporations	758,176	757,504	672	95,421	84,417	646	1,899	2,113	965	1,119	4,262	95,420
7	Of which SMEs	379,114	378,442	672	34,364	24,504	646	1,899	2,112	912	996	3,295	34,362
8	Households	944,500	938,771	5,729	23,025	9,658	3,496	440	1,278	2,916	3,739	1,498	15,857
9	Debt securities	1,079,125	1,079,125	–	–	–	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	825,516	825,516	–	–	–	–	–	–	–	–	–	–
12	Credit institutions	143,352	143,352	–	–	–	–	–	–	–	–	–	–
13	Other financial corporations	32,409	32,409	–	–	–	–	–	–	–	–	–	–
14	Non-financial corporations	77,848	77,848	–	–	–	–	–	–	–	–	–	–
15	Off-balance-sheet exposures	678,480			20,420								20,413
16	Central banks	–			–								–
17	General governments	7,397			–								–
18	Credit institutions	11,594			–								–
19	Other financial corporations	29,086			–								–
20	Non-financial corporations	504,157			20,216								20,216
21	Households	126,246			204								197
22	**Total**	**3,727,710**	**3,042,828**	**6,402**	**139,993**	**94,113**	**4,142**	**2,339**	**4,479**	**3,882**	**4,858**	**5,760**	**132,817**

As at the end of 2019, the gross carrying value of performing and non-performing exposures amounted to EUR 3,850.7 million, decreasing by 0.4% compared to the 2018 year-end.

As at the reporting date, performing exposures represented 97.3% of total exposures (vs. 96.4% in 2018), whilst non-performing exposures represented 2.7% of total exposures (vs. 3.6% in 2018).

As at the reporting date, performing exposures increased by 0.5% compared to the 2018 year-end. Within the framework of performing exposures, non-past due exposures and exposures past due by less than 30 days increased by 0.5%, whereas exposures past due by 31 to 90 days decreased by 31.1%. As at the 2019 and 2018 year-end, non-past due exposures and exposures past due by less than 30 days represented 81.6% of total performing exposures. As at the end of 2019, within the structure of performing exposures, loans and other financial assets represented 53.5% (vs. 52.9% in 2018), debt securities 28.2% (vs. 28.9% in 2018), and off-balance-sheet exposures 18.3% (vs. 18.2% in 2018). As at the reporting date, exposures to non-financial companies amounting to 38.1% (vs. 36% in 2018) represented the largest share of performing exposures, followed by exposures to households which amounted to 30.1% (vs. 28.7% in 2018) and exposures to the government sector, i.e. 24% (vs. 27.3% in 2018).

As at the 2019 year-end, non-performing exposures decreased by 26.2% compared to the 2018 year-end. Within the framework of non-performing exposures, as at the end of 2019, default exposures represented 95.7% of total non-performing exposures (vs. 94.9% in 2018). As at the reporting date, exposures unlikely to be paid, non-past due exposures and exposures past due by less than 90 days represented 54.2% of non-performing exposures (vs. 67.2% in 2018), whilst exposures past due by more than 90 days represented 25.6% of non-performing exposures (vs. 18.2% in 2018). As at the end of 2019, within the structure of non-performing exposures, loans and other financial assets represented 79.8% (vs. 85.4% in 2018), and off-balance-sheet exposures 20.2% (vs. 14.6% in 2018). As at the reporting date, exposures to non-financial companies amounting to 82.1% (vs. 82.6% in 2018) represented the largest share of non-performing exposures, followed by exposures to households which amounted to 16.6% (vs. 16.6% in 2018).

As at 31 December 2019, the share of non-performing loans amounted to 3.94% and decreased compared to this share as at 31 December 2018. The latter amounted to 5.72% as at 31 December 2018. The share of non-performing loans has been calculated in accordance with the Instructions for compiling the statement of financial position, the income statement and the statement of comprehensive income and for calculating the performance indicators of banks and savings banks of 3 December 2019. In the calculation of the share of non-performing loans that represents the share of gross non-performing loans in total gross loans, gross loans also include loans to non-bank customers, loans to banks, and other financial assets. A decrease in non-performing exposures in 2019 is due to regular payments of debtors, realisations of collateral and the debtors returning to the status of performing exposures.

(All amounts in EUR thousand unless otherwise stated)

7.13 Performing and non-performing exposures and related provisions

(EBA/GL/2018/10)

The table shows gross carrying amount of performing and non-performing exposure and the related impairment, provisions, accumulated change in fair value due to credit risk, accumulated partial write-off, and collateral and financial guarantees received.

Table 35: TEMPLATE 4 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		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
	As at 31 December 2019		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	2,005,490	1,932,296	73,192	82,349	34	82,001	(34,399)	(18,557)	(15,842)	(39,591)	(11)	(39,580)	–	1,587,941	40,421
2	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	General governments	167,720	167,025	695	254	–	254	(657)	(580)	(77)	(102)	–	(102)	–	123,341	153
4	Credit institutions	39,827	39,827	–	–	–	–	(181)	(181)	–	–	–	–	–	–	–
5	Other financial corporations	22,215	22,189	25	1,113	–	1,113	(373)	(372)	(1)	(955)	–	(955)	–	19,731	157
6	Non-financial corporations	778,645	716,860	61,784	63,898	–	63,615	(29,107)	(15,522)	(13,585)	(28,948)	–	(28,948)	–	547,146	32,931
7	Of which SMEs	351,894	310,860	41,034	25,262	–	25,259	(14,187)	(6,215)	(7,972)	(12,471)	–	(12,471)	–	261,643	11,093
8	Households	997,083	986,395	10,688	17,084	34	17,019	(4,081)	(1,902)	(2,179)	(9,586)	(11)	(9,575)	–	897,723	7,180
9	Debt securities	1,055,883	1,055,883	–	–	–	–	(215)	(215)	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	723,680	723,680	–	–	–	–	(57)	(57)	–	–	–	–	–	–	–
12	Credit institutions	158,756	158,756	–	–	–	–	(43)	(43)	–	–	–	–	–	–	–
13	Other financial corporations	38,422	38,422	–	–	–	–	(22)	(22)	–	–	–	–	–	–	–
14	Non-financial corporations	135,025	135,025	–	–	–	–	(93)	(93)	–	–	–	–	–	–	–
15	Off-balance-sheet exposures	686,054	664,474	21,581	20,901	–	20,895	(4,727)	(2,873)	(1,854)	(10,507)	–	(10,507)		115,998	5,990
16	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
17	General governments	6,131	6,131	–	–	–	–	(9)	(9)	–	–	–	–		914	–
18	Credit institutions	7,650	7,650	–	–	–	–	–	–	–	–	–	–		–	–
19	Other financial corporations	26,801	26,792	9	–	–	–	(14)	(11)	(3)	–	–	–		1,709	–
20	Non-financial corporations	513,333	492,167	21,167	20,854	–	20,853	(4,129)	(2,353)	(1,776)	(10,498)	–	(10,498)		105,997	5,964
21	Households	132,139	131,734	405	47	–	42	(575)	(500)	(75)	(9)	–	(9)		7,378	26
22	**Total**	**3,747,427**	**3,652,653**	**94,773**	**103,250**	**34**	**102,896**	**(39,341)**	**(21,645)**	**(17,696)**	**(50,098)**	**(11)**	**(50,087)**	**–**	**1,703,939**	**46,411**

(All amounts in EUR thousand unless otherwise stated)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		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
	As at 31 December 2018		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	1,970,105	1,883,652	86,455	119,573	2,414	116,805	(41,318)	(17,701)	(23,618)	(52,109)	(824)	(51,284)	–	1,603,095	61,103
2	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	General governments	185,361	185,313	48	1	–	1	(382)	(381)	(1)	–	–	–	–	149,195	–
4	Credit institutions	32,284	32,275	9	–	–	–	(33)	(33)	(1)	–	–	–	–	–	–
5	Other financial corporations	49,784	49,589	195	1,126	–	1,126	(637)	(637)	–	(937)	–	(937)	–	44,866	173
6	Non-financial corporations	758,176	684,639	73,538	95,421	109	95,002	(35,624)	(14,740)	(20,884)	(38,765)	–	(38,765)	–	563,705	51,222
7	Of which SMEs	379,114	334,745	44,369	34,363	108	34,255	(17,090)	(6,776)	(10,315)	(13,717)	–	(13,717)	–	277,944	18,104
8	Households	944,500	931,836	12,665	23,025	2,305	20,676	(4,642)	(1,910)	(2,732)	(12,407)	(824)	(11,582)	–	845,329	9,708
9	Debt securities	1,079,125	1,079,125	–	–	–	–	(398)	(398)	–	–	–	–	–	–	–
10	Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	General governments	825,516	825,516	–	–	–	–	(270)	(270)	–	–	–	–	–	–	–
12	Credit institutions	143,352	143,352	–	–	–	–	(43)	(43)	–	–	–	–	–	–	–
13	Other financial corporations	32,409	32,409	–	–	–	–	(20)	(20)	–	–	–	–	–	–	–
14	Non-financial corporations	77,848	77,848	–	–	–	–	(65)	(65)	–	–	–	–	–	–	–
15	Off-balance-sheet exposures	678,480	631,328	47,152	20,420	2	20,413	(3,293)	(1,870)	(1,424)	(11,630)	–	(11,630)		120,436	4,757
16	Central banks	–	–	–	–	–	–	–	–	–	–	–	–		–	–
17	General governments	7,397	7,397	–	–	–	–	(7)	(7)	–	–	–	–		889	–
18	Credit institutions	11,594	11,594	–	–	–	–	–	–	–	–	–	–		–	–
19	Other financial corporations	29,086	29,078	8	–	–	–	(18)	(16)	(2)	–	–	–		2,752	–
20	Non-financial corporations	504,157	457,520	46,637	20,216	–	20,216	(3,017)	(1,621)	(1,396)	(11,607)	–	(11,607)		110,119	4,588
21	Households	126,246	125,739	507	204	2	197	(251)	(226)	(26)	(23)	–	(23)		6,676	169
22	**Total**	**3,727,710**	**3,594,105**	**133,607**	**139,993**	**2,416**	**137,218**	**(45,009)**	**(19,969)**	**(25,042)**	**(63,739)**	**(824)**	**(62,914)**	**–**	**1,723,531**	**65,860**

As at the reporting date, 97.5% of performing exposures were classified into stage 1 (vs. 96.4% in 2018), whilst 2.5% were classified into stage 2 (vs. 3.6% in 2018).

As at the reporting date, specific adjustments (impairments and provisions) and negative fair value adjustments due to credit risk decreased by 17.8% compared to the 2018 year-end. As at the 2019 year-end, specific credit risk adjustments for performing exposures represented 44% of total specific adjustments and negative adjustments due to credit risk (vs. 41.4% in 2018), specific adjustments and negative adjustments due to credit risk for non-performing exposures represented 56% of total specific adjustments and negative adjustments due to credit risk (vs. 58.6% in 2018).

As at the end of 2019, collateral and financial guarantees received decreased by 2.2% compared to the 2018 year-end. The majority of collateral and financial guarantees were received on performing exposures (97.3% in 2019 vs. 96.3% in 2018).

(All amounts in EUR thousand unless otherwise stated)

7.14 Quality of non-performing exposures by geography

Article 442 (h) of the CRR (EBA/GL/2018/10)

The table shows total amount of exposures by material countries.

Table 36: TEMPLATE 5 – QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
	As at 31 December 2019			Of which defaulted				
1	**On-balance-sheet exposures**	**2,087,839**	**82,349**	**77,880**	**2,060,504**	**(60,568)**		**(13,422)**
2	Slovenia	2,030,117	79,035	74,654	2,005,768	(59,978)		(12,688)
3	Other countries*	57,722	3,314	3,226	54,736	(590)		(734)
4	- of which:							
5	Luxemburg	17,983	–	–	17,983	(61)		–
6	USA	8,062	–	–	8,062	(42)		–
7	Austria	7,844	10	10	7,844	(13)		–
8	Dutch	6,756	–	–	6,756	(94)		–
9	Croatia	5,184	3,216	3,175	2,198	(289)		(734)
10	**Off-balance-sheet exposures**	**706,954**	**20,901**	**20,895**			**(15,234)**	
11	Slovenia	705,332	20,900	20,895			(15,228)	
12	Other countries*	1,622	1	–			(6)	
13	- of which:							
14	Italy	395	–	–			(1)	
15	Bosnia and Herzegovina	374	1	–			(2)	
16	Serbia	240	–	–			(1)	
17	Croatia	161	–	–			(1)	
18	Russia	93	–	–			–	
19	**Total**	**2,794,793**	**103,250**	**98,775**	**2,060,504**	**(60,568)**	**(15,234)**	**(13,422)**

Note:
The group does not exceed 10% of the foreign exposure, therefore the table shows the 5 countries with the highest exposure exceeding 5% of the exposure over the reported period.

(All amounts in EUR thousand unless otherwise stated)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of tega which subject to impairment			
	As at 31 December 2018			Of which defaulted				
1	**On-balance-sheet exposures**	**2,089,678**	**119,573**	**112,404**	**2,044,472**	**(72,642)**		**(20,787)**
2	Slovenia	2,038,872	109,568	102,638	2,003,117	(71,921)		(19,399)
3	Other countries*	50,806	10,005	9,766	41,355	(721)		(1,388)
4	- of which:							
5	Great Britain	13,160	72	72	13,160	(45)		–
6	USA	9,186	180	–	9,186	(104)		–
7	Croatia	6,824	4,273	4,252	2,754	(415)		(506)
8	Dutch	6,001	–	–	6,001	–		–
9	Serbia	5,745	5,389	5,388	364	(5)		(882)
10	**Off-balance-sheet exposures**	**698,902**	**20,420**	**20,414**			**(14,923)**	
11	Slovenia	693,013	20,420	20,414			(14,922)	
12	Other countries*	5,889	–	–			(1)	
13	- of which:							
14	Belgium	4,569	–	–			–	
15	Italy	391	–	–			–	
16	Bosnia and Herzegovina	255	–	–			–	
17	Serbia	191	–	–			–	
18	Croatia	106	–	–			–	
19	**Total**	**2,788,580**	**139,993**	**132,818**	**2,044,472**	**(72,642)**	**(14,923)**	**(20,787)**

Note:
The group does not exceed 10% of the foreign exposure, therefore the table shows the 5 countries with the highest exposure exceeding 5% of the exposure over the year 2018.

As at the end of 2019, gross value of exposure to significant geographical areas accounted for 72.6% of gross value of overall exposures (vs. 72.1% in 2018). As at the reporting date, gross value of exposure to significant geographical areas increased by 0.2% compared to the 2018 year-end. The share of exposure to significant geographical areas in the rest of the world represented 2.1% of overall exposure to significant geographical areas as at the 2019 year-end (vs. 2.0% in 2018). As at the reporting date, the largest exposure to the rest of the world was the exposure to Luxembourg in the amount of EUR 18 million, whilst at the 2018 year-end the largest exposure was to Great Britain amounting to EUR 13.2 million.

As at the 2019 year-end, non-performing exposures to significant geographical areas decreased by 26.2% compared to the 2018 year-end. The share of non-performing exposure to significant geographical areas in the rest of the world represented 3.2% of overall non-performing exposure to significant geographical areas as at the 2019 year-end (vs. 7.1% in 2018).

As at the reporting date, specific adjustments (impairments and provisions) and negative fair value adjustments due to credit risk for exposures to significant geographical areas decreased by 17.7% compared to the 2018 year-end. The coverage of overall gross exposure to significant geographical areas with impairments, provisions and negative fair value adjustments for exposures to significant geographical areas amounted to 3.2% as at the 2019 year-end (vs. 3.9% in 2018).

(All amounts in EUR thousand unless otherwise stated)

7.15 Credit quality of loans and other financial assets by industry

(Article 442 (g) of the CRR) (EBA/GL/2018/10)

Table shows total amount of exposures by industry.

Table 37: TEMPLATE 6 – CREDIT QUALITY OF LOANS AND ADVANCES BY INDUSTRY

		a	b	c	d	e	f
		Gross carrying amount*				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
	As at 31 December 2019			Of which defaulted			
1	Agriculture, forestry and fishing	7,270	–	–	7,270	(1,077)	–
2	Mining and quarrying	1,055	–	–	1,056	(7)	–
3	Manufacturing	305,217	10,034	10,034	305,217	(17,638)	–
4	Electricity, gas, steam and air conditioning supply	16,556	411	411	16,556	(659)	–
5	Water supply	7,274	–	–	7,274	(41)	–
6	Construction	31,284	2,731	2,731	31,284	(3,496)	–
7	Wholesale and retail trade	191,804	34,432	34,430	165,262	(6,696)	(12,782)
8	Transport and storage	77,468	1,180	1,180	77,468	(2,124)	–
9	Accommodation and food service activities	56,064	3,364	3,364	55,271	(6,088)	(640)
10	Information and communication	36,391	64	64	36,391	(659)	–
11	Financial and insurance activities	2,039	38	38	2,039	(52)	–
12	Real estate activities	33,564	5,850	5,850	33,565	(148)	–
13	Professional, scientific and technical activities	29,015	4,889	4,889	29,015	(3,316)	–
14	Administrative and support service activities	15,154	700	700	15,154	(935)	–
15	Public administration and defence, compulsory social security	–	–	–	–	–	–
16	Education	168	–	–	168	(27)	–
17	Human health service and social work	17,325	1	1	17,325	(637)	–
18	Arts, entertainment and recreation	11,160	–	–	11,160	(614)	–
19	Other services	3,735	201	201	3,735	(421)	–
20	**Total**	**842,543**	**63,895**	**63,893**	**815,210**	**(44,635)**	**(13,422)**

Note:
Exposures include loans and other financial assets.
Items are classified by activities according to Standard Classification of Activities.

(All amounts in EUR thousand unless otherwise stated)

	As at 31 December 2018	a	b	c	d	e	f
		Gross carrying amount*				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	9,281	3,271	3,271	9,281	(2,883)	–
2	Mining and quarrying	688	–	–	688	(2)	–
3	Manufacturing	310,389	13,330	13,330	310,389	(22,905)	–
4	Electricity, gas, steam and air conditioning supply	18,331	487	487	18,331	(616)	–
5	Water supply	11,755	5	5	11,755	(235)	–
6	Construction	34,388	2,733	2,733	34,388	(3,479)	–
7	Wholesale and retail trade	153,065	53,649	53,649	108,631	(7,311)	(20,147)
8	Transport and storage	84,579	3,063	3,063	84,579	(2,221)	–
9	Accommodation and food service activities	54,660	4,620	4,620	53,887	(6,286)	(640)
10	Information and communication	39,272	25	25	39,272	(673)	–
11	Financial and insurance activities	3,863	418	418	3,863	(291)	–
12	Real estate activities	33,112	6,516	6,516	33,112	(416)	–
13	Professional, scientific and technical activities	33,139	6,127	6,126	33,139	(2,469)	–
14	Administrative and support service activities	17,947	832	832	17,947	(944)	–
15	Public administration and defence, compulsory social security	–	–	–	–	–	–
16	Education	141	2	2	141	(14)	–
17	Human health service and social work	19,546	–	–	19,546	(626)	–
18	Arts, entertainment and recreation	26,748	6	6	26,748	(1,728)	–
19	Other services	2,693	337	337	2,693	(504)	–
20	**Total**	**853,597**	**95,421**	**95,420**	**808,390**	**(53,603)**	**(20,787)**

Note:
Exposures include loans and other financial assets.
Items are classified by activities according to Standard Classification of Activities.

As at the end of 2019, loans and other financial assets to non-financial companies decreased by 1.3% compared to the 2018 year-end. As at the reporting date, the largest share of loans and other financial assets was composed of exposures to manufacturing which amounted to 36.2% (vs. 36.4% in 2018) and exposures to trade which amounted to 22.8% (vs. 17.9% in 2018).

As at the end of 2019, non-performing loans and other financial assets to non-financial companies decreased by 33% compared to the 2018 year-end. The share of non-performing loans and other financial assets to non-financial companies represented 7.6% of total loans and other financial assets to non-financial companies as at the 2019 year-end (vs. 11.2% in 2018).

As at the reporting date, specific adjustments (impairments) and negative fair value adjustments due to credit risk for loans and other financial assets to non-financial companies decreased by 22% compared to the 2018 year-end. As at the 2019 year-end, the largest share of impairments for loans and other financial assets was composed of impairments for exposures to manufacturing amounting to 39.5% (vs. 42.7% in 2018), impairments for exposures to trade amounting to 15% (vs. 13.6% in 2018), and impairments for exposures to accommodation and food service activities amounting to 13.6% (vs. 11.7% in 2018). Negative fair value adjustments due to credit risk were disclosed particularly for non-performing exposures to trade.

(All amounts in EUR thousand unless otherwise stated)

The coverage of total loans and other financial assets to non-financial companies with impairments and negative fair value adjustments due to credit risk for loans and other financial assets to non-financial companies amounted to 6.9% as at the 2019 year-end (vs. 8.7% in 2018).

7.16 Collateral obtained by taking possession and execution process

Table 38: TEMPLATE 9 - COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

		a	b
		Collateral obtained by taking possession	
	As at 31 December 2019	Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	–	–
2	Other than PP&E	14,627	(5,850)
3	Residential immovable property	2,954	(666)
4	Commercial Immovable property	11,648	(5,161)
5	Movable property (auto, shipping etc.)	25	(23)
6	Equity and debt instruments	–	–
7	Other than PP&E	–	–
8	**Total**	**14,627**	**(5,850)**

		a	b
		Collateral obtained by taking possession	
	As at 31 December 2018	Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	–	–
2	Other than PP&E	20,569	(6,363)
3	Residential immovable property	3,560	(1,014)
4	Commercial Immovable property	16,768	(5,310)
5	Movable property (auto, shipping etc.)	42	(39)
6	Equity and debt instruments	199	–
7	Other than PP&E	–	–
8	**Total**	**20,569**	**(6,363)**

As at 31 December 2019, the value of assets of collateral acquired through seizures or foreclosures decreased by 38% compared to the 2018 year-end. The goal of the Group is to dispose of acquired assets at the earliest opportunity. As at the end of 2019, the value of assets decreased compared to the previous year due to disposals.

8. USE OF ECAI

(Article 444 of the CRR)

To calculate the credit risk capital requirement according to the Standardised Approach, the Group uses credit ratings by the rating agency Moody's Investors Service (hereinafter: ECAI) which is a registered credit assessment institution pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. ECAI's credit ratings are used for the following exposure classes:

- exposures to central governments and central banks,
- exposures to institutions, including exposures to institutions with a short-term credit assessment, and
- exposures in the form of covered bonds.

For the above exposure classes, under the Standardised Approach as defined in the CRR, the Group determines the risk weight for individual exposures according to the credit quality step or on the basis of available credit ratings of a debtor and/or of its financial instruments prepared by the ECAI. To this end, the Group takes into account the association of ECAI's credit ratings with the credit quality steps specified in the Standardised Approach; the association is published by EBA on its websites.

The Group uses ECAI's long-term credit ratings for exposures to institutions and also short-term credit ratings. ECAI's short-term credit ratings are used only to determine the risk weight of exposures arising from a rated financial instrument.

If the financial instrument associated with the exposure is rated, its short-term or long-term credit rating is taken into account. If the financial instrument is not rated, long-term credit ratings of a debtor and of its other financial instruments are taken into account or the risk weight of exposure is determined on the basis of a risk weight that corresponds to the long-term rating of debtor's country (the higher of the risk weights that corresponds to the above credit ratings is taken into account). Covered bonds for which a credit rating by the ECAI is not available are assigned a risk weight on the basis of the risk weight assigned to the credit institution which issues them. When determining the risk weight of unrated exposures to institutions, the rules on indirect use of short-term credit ratings of other financial instruments issued by the same institution are taken into account.

(All amounts in EUR thousand unless otherwise stated)

Table 39: TEMPLATE 20 -EU CR5 - A BREAKDOWN OF EXPOSURES WITHIN THE STANDARDIZED APPROACH BY EXPOSURE CATEGORY AND RISK WEIGHT

As at 31 December 2019		Risk weigt															
	Exposure categories	0 %	2 %	4 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	370%	1250%	Other	Deducted	Total	Of which unrated
1	Central governemnts or central banks	1,268,225	–	–	31,156	3,441	–	27,467	–	16	–	990	–	–	13,235	–	**1,344,530**	**1,323,693**
2	Regional government or local authorities	22,641	–	–	–	57,182	–	–	–	–	–	–	–	–	–	–	**79,823**	**79,823**
3	Public sector entities	11,230	–	–	–	646	–	–	–	7,030	–	–	–	–	–	–	**18,906**	**18,906**
4	Multilateral development banks	14,541	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**14,541**	**14,541**
5	International organisations	53,124	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**53,124**	**53,124**
6	Institutions	–	–	–	–	73,906	–	9,751	–	655	–	–	–	–	–	–	**84,312**	**72,999**
7	Corporates	–	–	–	–	–	–	–	–	753,040	–	–	–	–	–	–	**753,040**	**753,041**
8	Retail	–	–	–	–	–	–	–	948,759	–	–	–	–	–	–	–	**948,759**	**948,759**
9	Secured by mortgages on immovable property	–	–	–	–	–	204,869	219,218	–	–	–	–	–	–	–	–	**424,087**	**424,087**
10	Exposure in default	–	–	–	–	–	–	–	–	32,617	11,771	–	–	–	–	–	**44,388**	**44,388**
11	Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	29,943	–	–	–	–	–	**29,943**	**29,943**
12	Covered bonds	–	–	–	96,625	3,123	–	–	–	–	–	–	–	–	–	–	**99,748**	**89,462**
13	Claims on institutions and corporates with a short-term credit assesment	–	–	–	–	42,844	–	29,433	–	6,651	–	–	–	–	–	–	**78,928**	**48,992**
14	Collective investments undertakings	–	–	–	–	–	–	–	–	7,591	–	–	–	–	24,830	–	**32,421**	**32,421**
15	Equity exposures	–	–	–	–	–	–	–	–	8,932	–	–	–	–	–	–	**8,932**	**8,932**
16	Other exposures	42,187	–	–	–	57	–	–	–	46,571	–	–	–	–	–	–	**88,815**	**88,814**
17	**Total**	**1,411,948**	**–**	**–**	**127,781**	**181,199**	**204,869**	**285,869**	**948,759**	**863,103**	**41,714**	**990**	**–**	**–**	**38,065**	**–**	**4,104,297**	**4,031,925**

As at 31 December 2018		Risk weigt															
	Exposure categories	0 %	2 %	4 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	370%	1250%	Other	Deducted	Total	Of which unrated
1	Central governemnts or central banks	1,232,552	–	77,444	12,317	2,395	–	37,194	–	16	–	1,584	–	–	–	–	**1,363,502**	**1,340,106**
2	Regional government or local authorities	21,750	–	–	–	49,493	–	–	–	–	–	–	–	–	–	–	**71,243**	**71,243**
3	Public sector entities	8,223	–	–	–	3,736	–	–	–	7,442	–	–	–	–	–	–	**19,401**	**19,401**
4	Multilateral development banks	14,652	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**14,652**	**14,652**
5	International organisations	51,653	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**51,653**	**51,653**
6	Institutions	–	–	–	–	52,623	–	8,081	–	1,080	–	–	–	–	–	–	**61,784**	**48,274**
7	Corporates	–	–	–	–	–	–	–	–	745,856	–	–	–	–	–	–	**745,856**	**745,856**
8	Retail	–	–	–	–	–	–	–	1,000,295	–	–	–	–	–	–	–	**1,000,295**	**1,000,295**
9	Secured by mortgages on immovable property	–	–	–	–	–	100,974	178,434	–	–	–	–	–	–	–	–	**279,408**	**279,408**
10	Exposure in default	–	–	–	–	–	–	–	–	51,167	10,166	–	–	–	–	–	**61,333**	**61,333**
11	Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	15,568	–	–	–	–	–	**15,568**	**15,568**
12	Covered bonds	–	–	–	85,251	4,211	–	–	–	–	–	–	–	–	–	–	**89,462**	**80,094**
13	Claims on institutions and corporates with a short-term credit assesment	–	–	–	–	70,935	–	16,002	–	131	4,918	–	–	–	–	–	**91,986**	**62,290**
14	Collective investments undertakings	–	–	–	–	–	–	–	–	5,162	–	–	–	–	24,717	–	**29,879**	**29,880**
15	Equity exposures	–	–	–	–	–	–	–	–	15,106	–	–	–	–	–	–	**15,106**	**15,106**
16	Other exposures	44,740	–	–	–	22	–	–	–	49,093	–	–	–	–	–	–	**93,855**	**93,856**
17	**Total**	**1,373,570**	**–**	**77,444**	**97,568**	**183,415**	**100,974**	**239,711**	**1,000,295**	**875,053**	**30,652**	**1,584**	**–**	**–**	**24,717**	**–**	**4,004,983**	**3,929,015**

(All amounts in EUR thousand unless otherwise stated)

9. EXPOSURES IN EQUITIES NOT INCLUDED IN THE TRADING BOOK

(Article 447 of the CRR)

Accounting policies for investments in equity securities and equity holdings not included in the trading book are described in the Notes to the Financial Statements of the Group's Annual Report in Sections 1.5 (Financial assets and financial liabilities), 1.13 (Impairment of investments in subsidiaries) and 4. (Fair value of financial assets and liabilities).

Investments in equity securities and equity holdings not included in the trading book are disclosed in the financial statements as (non-trading) financial assets mandatorily measured at fair value through profit or loss and as financial assets measured at fair value through other comprehensive income.

Table 40: EQUITY SECURITIES, NOT INCLUDED IN THE TRADING BOOK

As at 31 December	2019	2018
Non-trading financial assets mandatorily at fair value through profit or loss	1,885	12,166
Shares	1,885	11,963
Equity holdings	-	203
Financial assets at fair value through other comprehensive income	31,990	31,073
Equities	-	-
Equity holdings	7,160	6,356
Bank resolution Fund	24,830	24,717
Total non-exchange traded equity securities	1,885	11,963
Total non-exchane traded equity holdings	31,990	31,276
Total equity securities not included in the trading book	**33,875**	**43,239**

The Group measures exchange-traded equity investments in shares in the banking book at fair value, specifically at market price.

The Group has equity investments in companies in which it holds an equity share as this enables it to carry out certain services. The Group therefore holds equity shares in companies Bankart, SWIFT and Visa Europe. It also holds equity share in the Bank Resolution Fund. Other equity securities owned by the Group were acquired with the purpose of realising gains upon investment disposal.

In 2019, the Group realised net gains from disposing of investments in equity securities not included in the trading book in the amount of EUR 1,151 thousand (vs. EUR 440 thousand net gains in 2018), of which non-exchange-traded investments in equity securities amounted to EUR 94 thousand (vs. EUR 9 thousand in 2018). Gains from disposing of exchange-traded investments in equity securities amounted to EUR 1,057 thousand (vs. EUR 431 thousand in 2018).

In 2019, the Group disclosed positive net impact of the revaluation as regards shares and holdings included in the banking book, amounting to EUR 5,015 thousand after tax (vs. EUR 3,320 thousand in 2018).

In accordance with the CRR, 100% of negative impacts of revaluation with their negative sign were included in the Common Equity Tier 1 capital, amounting to EUR 0 thousand (vs. EUR 24 thousand in 2018), and 100% of positive impacts of revaluation with their positive sign in the amount of EUR 4,062 thousand (vs. EUR 3,344 thousand in 2018) were also included.

10. EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

(Article 448 of the CRR)

The nature of the interest rate risk, the frequency of measurement of the interest rate risk and the calculation of the impact of an upward and downward rate shock are disclosed in the Notes to the Financial Statements of the Group's Annual Report in Section 2.2.3 (Interest Rate Risk). The interest rate sensitivity analysis is not broken down by currency because the amount of foreign currencies in assets and sources of funds is very small.

11. ENCUMBERED AND UNENCUMBERED ASSETS

(Article 443 of the CRR)

As at 31 December 2019, the Group's encumbered assets totalled EUR 67,862 thousand. The table below shows the total carrying amounts and market values of encumbered and unencumbered assets.

Additional information on encumbered and unencumbered assets (TEMPLATE D)

a. Assets disclosed by the Bank as encumbered

Assets disclosed by the Bank as encumbered include the following types of assets:
- deposits given as collateral for derivatives (whereby only the exposure value or the net negative fair value is disclosed),
- deposits given as collateral in relation to card operations – MasterCard and Visa*,
- the balance of the obligatory reserves in the cash account at the Bank of Slovenia,
- securities held for the purpose of providing liquid assets for the bank resolution fund (BRF),
- securities held for the purpose of providing liquid investments for the payment of guaranteed claims of investors,
- payment in the Guarantee Fund of the Central Securities Clearing Corporation (KDD)*,
- payment in the guarantee scheme of SEPA IKP*, SEPA EKP, CORE, B2B.

* The following items were only disclosed by the Bank in 2018, as they were no longer relevant in 2019 or the Bank's exposure no longer existed: the deposit given as collateral in relation to VISA card operations, the payment in the Guarantee Fund of the Central Securities Clearing Corporation (KDD) and the payment in the guarantee scheme of SEPA IKP.

b. Evolution of encumbered assets over time

The amount of encumbered assets as well as the asset encumbrance ratio remained at the same level throughout the year 2019 with only minor variations in individual quarters.

c. Structure of encumbrance between entities within the Group

All of the encumbered assets are on the balance sheet of Abanka, the subsidiary does not hold any encumbered assets.

d. Information on over-collateralisation

The Bank only has undisclosed excess collateralisation of encumbered assets relating to derivatives. In this context, the Bank only discloses the utilised share rather than the total amount of collateral placed.

e. General description of terms and conditions of the collateralisation agreements for securing liabilities

When stipulating collateralisation agreements for securing liabilities, the Bank must comply with the following terms and conditions:
- the collateralisation (collateralised assets) must be at an adequate level at all times, whereby the collateralisation may change if the counterparty (potential beneficiary of collateralisation) so requires,
- reasons for a change in assets offered as collateral may arise from the increased amount of liabilities or from credit rating or business performance deterioration,
- collateralisation is only established for circumstances or events specified in the contract,
- the counterparty must be granted access to the Bank's financial results and other relevant documents – if so required by the counterparty, this information must be provided by the Bank as soon as possible.

(All amounts in EUR thousand unless otherwise stated)

f. General description of the proportion of items included in column 060 'Carrying amount of unencumbered assets' in row 120 'Other assets' in Template A of the annex to these guidelines that the institution would not deem available for encumbrance in the normal course of its business

The Bank believes that most of the unencumbered assets included under 'Other assets' in Template A of the annex to these guidelines (row 120, column 060) would not be available for encumbrance in the normal course of business.

Table 41: TEMPLATE A – ENCUMBERED AND UNENCUMBERED ASSETS

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which: notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA in HQLA
As at 31 December 2019		010	030	040	050	060	080	090	100
010	**Assets, of which:**	**68,178**	**62,130**			**3,721,534**	**1,422,508**		
030	– equity instruments	–	–			34,681	–		
040	– debt securities	22,178	22,178	23,375	23,375	1,051,340	919,853	1,077,269	944,861
	of which: cover bonds	4,869	4,869	5,238	5,238	94,466	92,905	97,361	95,763
	of which: asset-backed securities	–	–	–	–	–	–	–	–
	of which: issued by general governments	13,281	13,281	13,683	13,683	766,290	760,342	788,264	782,312
	of which: issued by financial corporations	8,888	8,888	9,674	9,674	183,828	105,268	187,741	108,450
	of which: issued by non-financial corporations	–	–	–	–	82,427	51,605	82,849	52,090
120	– other assets	46,022	39,973			2,635,139	–		

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which: notionally eligible EHQLA and HQLA		of which: notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA in HQLA
As at 31 December 2018		010	030	040	050	060	080	090	100
010	**Assets, of which:**	**73,047**	**65,314**			**3,646,396**	**1,340,388**		
030	– equity instruments	–	–			46,360	–		
040	– debt securities	22,388	22,388	23,296	23,296	1,062,002	942,455	1,082,763	962,524
	of which: cover bonds	4,896	4,896	5,189	5,189	65,751	65,751	66,859	66,859
	of which: asset-backed securities	–	–	–	–	–	–	–	–
	of which: issued by general governments	12,492	12,492	12,704	12,704	790,610	790,610	808,307	808,307
	of which: issued by financial corporations	9,927	9,927	10,618	10,618	191,114	110,739	193,858	122,912
	of which: issued by non-financial corporations	–	–	–	–	81,232	–	81,361	–
120	– other assets	50,607	42,873			63,980	–		

Note:
The amount in the first row of the table represents total assets of the bank, while the bottom rows represent only a portion of those assets.

(All amounts in EUR thousand unless otherwise stated)

Table 42: TEMPLATE B – COLLATERAL RECEIVED

				Unencumbered assets	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
As at 31 December 2019		010	030	040	060
130	**Collateral received by the reporting institution**	–	–	–	–
140	- Cash balances with the central bank and other demand deposits with banks	–	–	–	–
150	– equity instruments	–	–	–	–
160	– debt instruments	–	–	–	–
170	of which: cover bonds	–		–	–
180	of which: asset-backed securities	–	–	–	–
190	of which: issued by general governments	–	–	–	–
200	od which: issued by financial corporations	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–
220	- loans and advances, measured at amortised cost (other than demand deposits)	–	–	–	–
230	– other collateral received	–	–	–	–
240	**Other debt securities issued other than own covered bonds or asset-backed securities (ABS)**	**–**	**–**	**3,333**	**–**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**–**	**–**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**68,178**	**62,130**		

The Group does not have any encumbered collateral that it has or could pledge.

(All amounts in EUR thousand unless otherwise stated)

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered assets Fair value of collateral received or own debt securities issued available for encumbrance	
			of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
As at 31 December 2018		010	030	040	060
130	**Collateral received by the reporting institution**	–	–	–	–
140	- Cash balances with the central bank and other demand deposits with banks	–	–	–	–
150	– equity instruments	–	–	–	–
160	– debt instruments	–	–	–	–
170	of which: cover bonds	–		–	–
180	of which: asset-backed securities	–	–	–	–
190	of which: issued by general governments	–	–	–	–
200	od which: issued by financial corporations	–	–	–	–
210	of which: issued by non-financial corporations	–	–	–	–
220	- loans and advances, measured at amortised cost (other than demand deposits)	–	–	–	–
230	– other collateral received	–	–	–	–
240	**Other debt securities issued other than own covered bonds or asset-backed securities (ABS)**	**–**	–	**3,180**	**–**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			**–**	**–**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**73,047**	**65,314**		

(All amounts in EUR thousand unless otherwise stated)

Table 43: TEMPLATE C – SOURCES OF ENCUMBRANCE

As at 31 December		2019		2018	
		Matching liabilities, cntingent liabilities or securities lent	Assets, collateral received and own securities issued	Matching liabilities, cntingent liabilities or securities lent	Assets, collateral received and own securities issued
010	Carrying amount of selected financial liabilities	3,525	3,525	1,514	1,514

12. USE OF CREDIT RISK MITIGATION TECHNIQUES

(Article 453 (a), (b) in (c))

Credit protection represents a method of reducing credit risk related to one or more of the Group's exposures. The Group mitigates credit risk by establishing credit protection.

The Group calculates risk-weighted exposure amounts and expected loss amounts under the **Standardised Approach** and using the **financial collateral simple method**, so certain types of collateral cannot be considered eligible.

Since the Group uses the Standardised Approach, receivables and movable property cannot be considered as eligible collateral. The Group's decisions on the eligibility of collateral are based on the CRR. Since the Group uses the and Financial Collateral Simple Method, the effects of master netting agreements and certain types of financial assets cannot be considered as eligible collateral.

The Group does not implement on-balance-sheet netting processes (as defined in the CRR) which are limited to reciprocal cash balances between the Group and the debtor, i.e. to loans and deposits, therefore the Group does not accept on-balance-sheet netting as collateral.

Processes for collateral valuation

The Group assesses the value of pledged collateral and the legal validity of collateralisation upon approval of a collateralised exposure, upon any modification (extension, reprogramming) of the exposure and whenever internal collateral valuation regulation so require.

Upon approval of each exposure, the Group carries out an initial collateral valuation. After the approval and the placing of collateral, the Group re-evaluates all significant collateral at regular intervals (prescribed periodic intervals) for the duration of exposure and when specific circumstances so require (extraordinary re-evaluation).

When assessing the value of pledged immovable property, the Group generally determines the market value of the property by obtaining the valuation of an independent valuer under international valuation standards.

Any re-evaluation of immovable property is carried out in line with the CRR. The Group monitors the value of commercial property at least once a year and the value of residential property at least once every three years. If immovable property is pledged as collateral for non-performing investments, it is re-evaluated at least once a year. In the event of significant changes in market conditions, the value of immovable property is monitored more frequently. In the case of investments in excess of EUR 3 million or 5 percent of the Group's equity, property is re-evaluated by an independent valuer at least once every three years.

The Group determined the value of movable property on the basis of the sales price, the assessment of market value by an independent valuer or based on its own assessment (when the market value of movable property can be determined based on publicly available data).

In the event of financial asset collateral (securities), the Group valuates the financial assets based on their market value or using an internal model. The value of pledged securities is calculated on a daily basis using applicable market prices.

The basis for the valuation of a pledged guarantee by the Republic of Slovenia is the guarantee amount specified in the letter of guarantee by the Republic of Slovenia. The amount may be specified in nominal terms, but it is usually defined as a percentage of the liability amount (covering the total liability and additional sums).

The value of other types of collateral (pledged deposit, stock, receivables, etc.) is determined by the Group on the basis of the value or amount of collateralisation arising from the deposit agreement, the list of pledged stock, the pledged invoices or list of pledged receivables or the cooperation agreement. The Group regularly monitors the value of such collateral in accordance with the provisions of the loan or guarantee agreement.

The main types of collateral taken by the Group encompass both funded and unfunded credit protection.

Funded credit protection is a technique of credit risk mitigation where the reduction of the credit risk on the exposure of the Group derives from the Group's right, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to do at least one of the following:
a) sell certain assets for the purpose of covering its claim,
b) obtain transfer or appropriation of certain assets,
c) retain certain non-cash assets or monetary amounts,
d) reduce the amount of the exposure by the amount of the counterparty's claim on the Group,
e) replace the amount of the exposure with the amount of the difference between the amount of the exposure and the amount of the counterparty's a claim on the Group.

Funded credit protection taken by the Group includes:
a) collateralisation:
- immovable property collateral (commercial and residential property),
- movable property collateral,
- receivables collateral,
- financial asset collateral:
  - bank deposits with credit institutions or cash assimilated instruments held by the Group,
  - debt securities,
  - fund units (mutual fund investment coupons),
  - equity securities

b) master netting agreements,
c) other types of funded credit protection (life insurance policies).

Unfunded credit protection is a technique of credit risk mitigation where the reduction of the credit risk on the Group's exposure derives from the obligation of a third party to pay the owed amount in the event of the default of the counterparty (borrower) or the occurrence of other specified credit events relating to the counterparty.

Unfunded credit protection taken by the Group includes guarantees (cross guarantees, guarantees by credit institutions and banks and guarantees of insurance companies).

The type and amount of credit protection depend on the client's credit rating and the maturity of the exposure to be approved. Long-term exposures are generally secured by the Group by immovable property collateral or, to a lesser extent, by securities collateral as well as by other types of credit protection (guarantees of other legal persons, guarantees by the Republic of Slovenia and other appropriate types of protection). Short-term exposures are frequently additionally secured by other types of credit protection (primarily guarantees of other legal persons, immovable property collateral, securities collateral, receivables collateral, stock collateral and other types of protection) deemed appropriate to the maturity of the exposure.

Taking into account the internal act, the resolution of the Credit Committee or the opinion of the responsible person, the appropriate relationship between the amount of the exposure and the value of the guarantee or collateral is determined for every type of credit protection.

As a rule, the Group's exposures to natural persons are secured by one of the following types of credit protection:
- insurance policies,
- immovable property collateral,
- cross guarantees by creditworthy guarantors,
- pledged life insurance policies,
- securities collateral,
- pledged cash (deposits, annuity savings plans, etc.).

When approving loans, the most significant factor for the Group is the borrower's creditworthiness, which must ensure the repayment of all liabilities; the credit protection only serves as a secondary source of repayment of a loan. The quality of the credit protection and the relationship between the amount of the exposure and the value of the security required by the Group depend on the borrower's credit rating and the maturity of the loan. The main purpose of credit protection in the reduction of credit risk; the Group pursues this purpose by emphasising the types of credit protection that reduce losses arising from credit risk, reduce capital requirements and improve the recoverability of due liabilities.

12.1 Main types of guarantor and their creditworthiness

(Article 453 (d) of the CRR)

The Group recognises received **guarantees** as security for the repayment of liabilities.

The following issuers of unfunded credit protection are considered eligible:
a) central governments and central banks,
b) regional governments or local authorities,
c) multilateral development banks,
d) international institutions exposures to which a 0% risk weight is assigned under the Standardised Approach,
e) public sector entities exposures which are treated as exposures to institutions or central governments,
f) institutions,
g) other corporate entities, including parent or subsidiary corporate entities of the Group which have a credit assessment by an ECAI.

The table below shows guarantors by category. The most significant guarantors for the Group include primarily the Republic of Slovenia (which has issued guarantees securing exposures for the benefit of the Group) and corporate entities (which have issued cross guarantees securing exposures for the benefit of the Group) and retail customers acting as creditworthy cross guarantors in the context of lending to SMEs and retail customers.

(All amounts in EUR thousand unless otherwise stated)

Table 44: (TEMPLATE 7) - EU CRC - THE MAIN TYPES OF GUARANTEES AND COUNTERPARTIES IN CREDIT DERIVATIVES AND THEIR CREDIT QUALITY

As at 31 December			2019		2018	
	Categories of the guarantor	**Internal credit rating**	**Amount**	**Structure**	**Amount**	**Structure**
1	Central governemnts or central banks		**292,522**	18.4 %	**328,783**	20.7 %
		A	292,021	18.4 %	327,756	20.6 %
		B	501	0.0 %	1,027	0.1 %
2	Regional government or local authorities	A		0.0 %	**–**	0.0 %
3	Public sector entities	A	**49,688**	3.1 %	**47,539**	3.0 %
		A	49,688	3.1 %	47,539	3.0 %
4	Institutions		**3,430**	0.2 %	**3,366**	0.2 %
		A	644	0.0 %	–	0.0 %
		B	2,786	0.2 %	3,366	0.2 %
		C	–	0.0 %	–	0.0 %
		E	–	0.0 %	–	0.0 %
5	Corporates		**242,988**	15.3 %	**252,649**	15.9 %
		A	27,726	1.7 %	32,508	2.0 %
		B	15,749	1.0 %	17,825	1.1 %
		C	16,891	1.1 %	14,277	0.9 %
		D	182,622	11.5 %	181,662	11.4 %
		E	–	0.0 %	6,377	0.4 %
6	Retail		**1,001,344**	63.0 %	**955,714**	60.2 %
		A	42,189	2.7 %	24,427	1.5 %
		B	44,596	2.8 %	74,823	4.7 %
		C	51,579	3.2 %	20,698	1.3 %
		D	161,804	10.2 %	163,087	10.3 %
		E	6,445	0.4 %	13,855	0.9 %
		Private individuals	694,731	43.7 %	658,824	41.5 %
7	Items associated with particularly high risk		**–**	0.0 %	**200**	0.0 %
		C	–	0.0 %	200	0.0 %
		E	–	0.0 %	–	0.0 %
	Total		**1,589,972**	100.0 %	**1,588,251**	100.0 %

12.2 Market or credit risk concentrations within the credit mitigation taken

(Article 453 (e) of the CRR)

The Group continuously monitors credit risk concentrations within the credit mitigation taken by regularly following the share of the value of each type of collateral or guarantee in the total value of collateral and guarantees. Mortgages on residential and commercial immovable property (included under item 5 Mortgages) represent almost half of all received collateral. Other significant types of security also include guarantees by corporate entities and retail customers (included under item 3 Guarantees) which account for a less than third of the total value of security.

In relation to securities collateral, the Bank is also faced with market risk arising from changing security prices on capital markets. The Group mitigates this risk by limiting the share of securities collateral to a low level.

(All amounts in EUR thousand unless otherwise stated)

The concentration of market risk broken down by individual types of security accepted by the Group is shown in the table below.

Table 45: (TEMPLATE 7) -EU CRC - AMOUNT OF INSURANCE AND CREDIT RISK CONCENTRATION BY TYPE OF INSURANCE

As at 31 December		2019		2018	
	Type of insurance	**Amount**	**Structure**	**Amount**	**Structure**
1	Deposits	12,454	0.2 %	11,216	0.2 %
2	Guarantees	75,057	1.5 %	81,930	1.6 %
3	Surety statements	1,514,915	29.3 %	1,506,321	29.3 %
4	Securities	1,666	0.0 %	102,245	2.0 %
5	Mortgages	2,289,256	44.3 %	2,325,421	45.2 %
6	Pledged inventories	108,583	2.1 %	83,993	1.6 %
7	Pledged movables	137,010	2.7 %	115,138	2.2 %
8	Pledged receivables	948	0.0 %	1,087	0.0 %
9	Assignment of claims	305,182	5.9 %	281,381	5.5 %
10	Pledge of equity interest	33,326	0.6 %	58,655	1.1 %
11	Reserve fund assets	20	0.0 %	12	0.0 %
12	Insurance company	421,069	8.1 %	388,195	7.5 %
13	Pledged receivables from mutual fund assets	6,566	0.1 %	4,464	0.1 %
14	Pledged receivables at the insurance company	254,814	4.9 %	180,362	3.5 %
15	Securities portfolio	–	0.0 %	–	0.0 %
16	Pledged brand	7,733	0.1 %	9,328	0.2 %
17	Other type of insurance	–	0.0 %	–	0.0 %
	Total	**5,168,599**	**100.0 %**	**5,149,748**	**100.0 %**

12.3 Total exposure value covered by eligible collateral

(Article 453.f člen Uredbe)

The types of collateral deemed eligible for collateralisation by the Group include residential and commercial property collateral and financial asset collateral (bank deposits and securities) that fulfil the minimum eligibility requirements. The eligibility of collateral is assessed on the basis of the CRR.

The total value of exposures secured by eligible collateral is shown in the table below which shows the exposures broken down by exposure class. At year-end 2019, exposure secured by immovable property collateral accounted for the bulk of the total exposures secured by eligible collateral.

Table 46: (TEMPLATE 7) EU CRC - THE TOTAL EXPOSURE VALUE COVERED BY ELIGIBLE COLLATERAL BY EXPOSURE CATEGORIES

As at 31 December		2019		2018	
	Exposure categories	**Amount**	**Structure**	**Amount**	**Structure**
3	Public sector entities	30	0.0 %	2	0.0 %
7	Corporates	2,854	0.6 %	2,805	0.9 %
8	Retail	4,720	1.0 %	3,708	1.2 %
9	Secured by mortgages on immovable property	444,831	98.3 %	295,928	97.8 %
10	Exposure at default	127	0.0 %	169	0.1 %
11	Items associated with particularly high risk	–	0.0 %	–	–
16	Other items	9	0.0 %	9	0.0 %
	Total	**452,571**	**100.0 %**	**302,621**	**100.0 %**

(All amounts in EUR thousand unless otherwise stated)

12.4 Total exposure value covered by guarantees or credit derivatives

(Article 453 (g) of the CRR)

Guarantees accepted by the Group as eligible credit protection include guarantees by appropriate issuers of unfunded credit protection (in accordance with the CRR). The Group does not use credit derivatives as credit protection.

The total value of exposures secured by appropriate guarantees is shown in the table below. In 2019, exposures to public sector entities secured by guarantees of the Republic of Slovenia accounted for the bulk of exposures secured by appropriate guarantees, with exposures to the Bank Asset Management Company (in the amount of EUR 123 million) being the highest.

Table 47: THE TOTAL VALUE OF EXPOSURES SECURED BY PERSONAL GARANTEES BY EXPOSURE CATEGORIES

As at 31 December		2019		2018	
	Exposure categories	**Amount**	**Structure**	**Amount**	**Structure**
3	Public sector entities	123,341	67.6 %	149,194	67.6 %
6	Institutions	6,994	0.0 %	–	0.0 %
7	Corporates	56,815	28.0 %	61,790	28.0 %
8	Retail	2	0.0 %	5	0.0 %
10	Exposure in default	3,452	4.4 %	9,668	4.4 %
	Total	**190,604**	**100.0 %**	**220,657**	**100.0 %**

Table 48: TEMPLATE 18 - EU CR3 - CRM TECHNIQUES - OVERVIEW

As 31 December 2019		Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	2,082,601	619,676	429,363	190,313	–
2	Total debt securites	1,048,463	7,419	–	7,419	–
3	**Total exposures**	**3,914,267**	**681,030**	**481,807**	**199,223**	–
4	Of which default	78,498	24,110	16,707	7,403	–

As 31 December 2018		Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	2,061,902	522,366	297,154	225,212	–
2	Total debt securites	1,078,705	420	–	420	–
3	**Total exposures**	**3,950,217**	**565,282**	**337,499**	**227,783**	–
4	Of which default	111,086	25,604	14,387	11,217	–

(All amounts in EUR thousand unless otherwise stated)

Table 49: TEMPLATE 19 - EU CR 4 - STANDARDISED APPROACH - CREDIT RISK EXPOSURE AND CRM EFFECTS

	As at 31 December 2019	Exposure before CCF and CRM		Exposure 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 densitiy
1	Central governemnts or central banks	1,150,126	–	1,341,378	3,151	23,336	1.74%
2	Regional government or local authorities	79,377	521		446	11,436	2564.13%
3	Public sector entities	140,381	5,037	17,044	1,862	7,159	37.87%
4	Multilateral development banks	14,541	–	14,541	–	–	0.00%
5	International organisations	53,124	–	53,124	–	–	0.00%
6	Institutions	88,346	136	81,352	736	19,185	23.37%
7	Corporates	636,756	360,905	579,790	168,388	737,261	98.54%
8	Retail	878,255	240,937	876,593	72,137	682,685	71.96%
9	Secured by mortgages on immovable property	403,945	40,887	403,945	20,143	173,039	40.80%
10	Exposure in default	39,771	12,270	37,487	6,902	50,274	113.26%
11	Items associated with particularly high risk	24,852	10,183	24,852	5,092	44,915	150.00%
12	Covered bonds	99,749	–	99,749	–	10,287	10.31%
13	Claims on institutions and corporates with a short-term credit assesment	78,928	–	78,928	–	29,936	37.93%
14	Collective investments undertakings	24,922	14,999	24,922	7,499	10,896	33.61%
15	Equity	8,932	–	8,932	–	8,932	100.00%
16	Other items	81,321	7,728	81,312	7,502	46,582	52.45%
17	**Total standardised approach**	**3,803,326**	**693,603**	**3,723,949**	**293,858**	**1,855,923**	**46.19%**

(All amounts in EUR thousand unless otherwise stated)

As at 31 December 2018		Exposure before CCF and CRM		Exposure 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 densitiy
1	Central governemnts or central banks	1,140,181	–	1,360,581	2,920	27,382	2.01%
2	Regional government or local authorities	70,515	1,943	70,515	729	9,899	13.89%
3	Public sector entities	166,752	4,909	17,562	1,838	8,189	42.21%
4	Multilateral development banks	14,652	–	14,652	–	–	0.00%
5	International organisations	51,653	–	51,653	–	–	0.00%
6	Institutions	57,537	93	57,538	1,023	14,034	23.96%
7	Corporates	623,655	381,417	561,658	178,484	728,613	98.44%
8	Retail	935,542	222,823	934,171	66,120	721,665	72.15%
9	Secured by mortgages on immovable property	264,587	31,340	264,587	14,821	117,396	42.02%
10	Exposure in default	63,006	9,944	55,172	6,161	66,416	108.29%
11	Items associated with particularly high risk	12,609	5,917	12,609	2,959	23,352	150.00%
12	Covered bonds	89,462	–	89,462	–	9,367	10.47%
13	Claims on institutions and corporates with a short-term credit assesment	91,073	4,564	91,073	913	29,695	32.28%
14	Collective investments undertakings	26,880	14,999	26,880	3,000	8,232	27.55%
15	Equity exposures	15,106	–	15,106	–	15,106	100.00%
16	Other exposures	86,924	7,190	86,915	6,941	49,098	52.31%
17	**Total standardised approach**	**3,710,134**	**685,139**	**3,710,134**	**285,909**	**1,828,444**	**45.76%**

Note:
CCF – (Credit conversion factor)
CRM (Credit risk mitigation)

The table shows the impact of credit risk management techniques (CRM) and conversion factors (CCF) on the exposure amounts by exposure class.

At year-end 2019, the impact of credit risk management techniques (credit protection) on the on-balance sheet exposure value totalled EUR 191.3 million (2018: EUR 220.4 million). Credit protection resulted in a decrease in the on-balance sheet exposures to public sector entities (by EUR 123.3 million), a decrease in the on-balance sheet exposures to corporate entities (by EUR 57 million), a decrease in the on-balance sheet exposures to institutions (by EUR 7 million), a decrease in on-balance sheet default exposures (by EUR 2.3 million), a decrease in on-balance sheet retail exposures (by EUR 1.7 million) and an increase in on-balance sheet exposures to central governments and central banks (by EUR 191.3 million).

At year-end 2019, the impact of conversion factors resulted in a decrease of the off-balance sheet exposure value by a total of EUR 399.7 million (2018: EUR 399.2 million). Conversion factors had the strongest impact on the off-balance sheet exposures to corporate entities and on off-balance sheet retail exposures.

At year-end 2019, exposures to corporate entities accounting for 39.7 percent (2018: 39.8 percent) and retail exposures accounting for 36.8 percent (2018: 39.5% in 2018).

At year-end 2019, the risk-weighted assets density (average risk weight) was over 50 percent for the following exposure classes: items associated with very high risk, exposures in default, exposures arising from equity securities, exposures to corporate entities, retail exposures and other exposures.

13. REMUNERATION POLICY

(Article 450 of the CRR)

13.1 Remuneration policy of Abanka

In Abanka, remuneration is regulated pursuant to the applicable legislation (the Banking Act (ZBan-2) and subordinate regulations arising from this Act, the EBA Guidelines, Abanka's Remuneration Policy[3]). As long as the Bank was subject to legislation applicable to companies in which the Republic of Slovenia, directly or indirectly, holds a majority stake and due to the commitments made to the European Commission under the restructuring plan, the Bank's remuneration policy was also in line with this legislation.

The bodies in charge of the establishment, implementation and control of the remuneration policy are the Management Board, the Remuneration Committee, the Risk Monitoring and Asset Liability Management Committee as the professional bodies of the Supervisory Board, and the Supervisory Board. Furthermore, independent control functions within the Bank as well as employees responsible for internal control participate in the development, control and assessment of the adequacy of the remuneration policy within their respective competences. The Supervisory Board adopts and regularly monitors the adequacy of the adopted remuneration policies and practices within its competencies, while the Management Board ensures a comprehensive and independent review of the compliance of actual remuneration with the remuneration policy at least once a year and reports to the Remuneration Committee and the Supervisory Board on the implementation of the remuneration policy on an annual basis. The most recent periodic report on the implementation of the remuneration policy was submitted to the Remuneration Committee and the Supervisory Board in November 2019.

The remuneration policy is designed for all employees and defines different employee groups, including the employee group based on the significance of their impact on the risk profile of the Bank in accordance with the criteria laid down in EU regulations[4] or in accordance with the criteria of the Bank. The Bank classifies this group of employees as employees whose work is of a specific nature (hereinafter: Identified staff).

The remuneration policy is compatible and coherent with other elements of the governance system, i.e. the organisational structure of the Bank, its risk management system, the internal control system and the remuneration system for all employees. In the remuneration policy, the Bank has defined which employees are considered Identified staff, the types of remuneration to which employees are entitled, the general and specific principles of risk adjustment of remuneration, the persons and bodies responsible for the establishment, amendment and control over the implementation of the remuneration policy and reporting. The Bank's remuneration policy is based on the balance between remuneration and prudent risk-taking and is not designed to encourage greater risk-taking or conflicts of interest. The Bank ensures that through appropriate ratios between the fixed and the variable remuneration component of Identified staff, making sure that the total remuneration of Identified staff does not significantly depend on the variable component.

The remuneration policy defines the variable remuneration component of Identified staff so as to ensure and encourage the efficient management of all material risks (risks identified as material in the regular assessment of the risk profile and defined as such in the risk management strategy) assumed by Identified staff in the course of their work or within their competences. The remuneration of Identified staff nature is determined based on the assessment of compliance with guidelines set in the business strategy and the long-term interests of the Bank. The Bank continuously upgrades the methodology and criteria used for the risk adjustment of the variable remuneration component.

Employees of control functions are independent in the performance of their tasks. The remuneration for Identified staff in control functions is determined based on the attained performance goals of the control functions in which they work and irrespective of the performance of the business units they supervise. In line with the Remuneration policy, the remuneration for Identified staff in control functions is reviewed at least once a year by the Remuneration Committee or the Supervisory Board.

[3] Between 2011 and February 2017, the remuneration system for Abanka employees was governed by two internal acts, the Remuneration policy for Identified staff and the Remuneration system in Abanka; from February 2017, the remuneration of all employees is governed by a joint act, i.e. Abanka's Remuneration Policy.

[4] Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile

(All amounts in EUR thousand unless otherwise stated)

Remuneration Committee

The Remuneration Committee acts as a consultative body of the Supervisory Board and held seven regular sessions and one meeting by correspondence in 2019.

The Remuneration Committee provided reports on discussed issues at Supervisory Board sessions and in November 2019 discussed a periodic report on the implementation of the remuneration system and the Remuneration Policy in the period between October 2018 and September 2019.

In 2019, the Risk Monitoring and Asset Liability Management Committee was also involved in the implementation of Abanka's Remuneration Policy in line with its competences.

In 2019, the Remuneration Committee did not have recourse to services of external advisors.

REMUNERATION COMMITTEE

2019

Remuneration Committee	Function	First appointment to the board	End of board mandate in 2019
Rok Pivk	Chairman	10 November 2017	
Alenka Vrhovnik Težak	member	11 November 2015	Term of office ended on 8 Oct. 2019, reappointed on 8 Oct. 2019
Varja Dolenc	member	5 September 2018	

Tasks of the Remuneration Committee include:
- advising to the Supervisory Board and drafting proposals regarding general remuneration policy principles, reviewing the adequacy of the general remuneration policy principles and preparing recommendations for their implementation;
- performing professional and independent assessments of remuneration policies, practices and processes and on that basis developing incentives or recommendations to amend the existing remuneration policy as well as measures to improve the Bank's risk, capital and liquidity management; Ensuring that a central and independent internal review of the compliance of the remuneration policy and practices is carried out at least once a year by the Internal Audit Department; this review also indirectly includes relevant corporate functions and other commissions of the Supervisory Board; The Remuneration Committee provides the Supervisory Board with all necessary information (reports) regarding the performed activities and findings;
- providing support to the Supervisory Board in establishing and implementing the remuneration system for the Management Board and drafting proposals for resolutions adopted by the Supervisory Board in relation to the remuneration of the Management Board and other employees whose professional activities significantly affect the institution's risk profile;
- monitoring the remuneration of senior managers who perform the risk management and compliance functions; the Remuneration Committee is responsible for providing the Supervisory Board with recommendations regarding the remuneration package and remuneration amounts paid to heads of internal control functions;
- assessing the adequacy of the established policies and methodologies (mechanisms) of the remuneration system with respect to risk, capital and liquidity management, as well as assessing whether the general remuneration policy fosters prudent and effective risk management and is compliant with the business strategy, objectives, corporate culture, values and the long-term interest of the institution;
- assessing the achievement of performance targets and the need for ex-post risk adjustment, including the use of malus and clawback arrangements;
- review/use of various possible scenarios with a view to verifying the response of the remuneration policy and practice to external and internal events and testing the criteria used to determine the allocation and preliminary adjustments of variable remuneration on the basis of the results of realised risks;
- reviewing the suitability of the external consultant whose services are used by the Supervisory Board for determining the remuneration policies of the Bank or addressing other issues within the powers of the Committee;
- ensuring the adequacy of information provided to shareholders on the remuneration policy and practices, notably the information on the proposed higher maximum ratio between the fixed and the variable remuneration component;
- actively engaging in the process of identifying Identified staff; Other participants in this process also include the independent risk management and compliance functions, support functions (e.g. legal department, personnel department) and other commissions of the Supervisory Board (i.e. the Risk Monitoring and Asset Liability Management Committee, the Nomination Committee and the Audit Committee) within their respective competences; the role of the Risk Monitoring and Asset Liability Management Committee in this process is without prejudice to the responsibilities of the Remuneration Committee;
- ensuring the participation of a member of the Risk Monitoring and Asset Liability Management Committee in the Remuneration Committee's meetings, and vice versa;
- other tasks set out in the Articles of Association or a Supervisory Board resolution.

Remuneration system – criteria

The Bank defines an employee group based on the significance of their impact on the risk profile of the Bank in accordance with the criteria laid down in EU regulations or in accordance with the criteria of the Bank.

Employees who meet the criteria set out in the above documents are classified by the Bank as Identified staff.

Identified staff of Abanka d.d.

In accordance with Abanka's Remuneration Policy, the Identified staff are those employees whose work tasks and activities are deemed by the Bank as potentially having a material impact on the Bank's risk profile based on qualitative and quantitative criteria set out in the Remuneration Policy:

- Management Board,
- Identified staff in profit/commercial division:
  - Executive Director of Corporate Banking Division,
  - Executive Director of Retail banking and Small Business Division,
  - Executive Director of Financial Market Division,
  - Deputy Executive Director,
  - Director of the Treasury,
  - Director of the Main Branch Office,
  - Director of the Investment Under Scrunity,
  - Director of the Key Accounts Sector,
  - Director of the SME Banking Sector,
  - Director of the Custody and Administrative Services
- Identified staff in cost/back-office operations division:
  - Authorised Representative of the Management Board,
  - Executive Director of Finance and back-office operations division
  - Executive Director of Information technology division,
  - Deputy Executive Director,
  - Director of the Personnel and Organisation,
  - Director of Legal,
  - Director of the Development and Marketing,
- Identified staff in control division:
  - Executive Director of Risk Management Division,
  - Deputy Executive Director,
  - Director of Credit Risk Management,
  - Director of Risk Monitoring,
  - Director of Assets and Liabilities Management,
  - Director of the Internal Audit,
  - Director of the Compliance,
- Director of Abanka Group's subsidiary.

The qualitative criteria[5] used for the assessment of the nature of work of an employee primarily include the level of responsibility, the level of responsibility for risk management within the business unit[6], the level of authority in decision-making and the nature of work that could result in the employee having a material impact on the Bank's risk profile.

The quantitative criteria refer primarily to remuneration in the past business year totalling EUR 500,000 or more or reaching or exceeding the minimum total remuneration allocated to a senior management member in the given business year.

[5] The assessment criteria take due account of the Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile and the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of the CRR (EBA/GL/2015/22).

[6] A business unit represents at least 2 percent of an institution's internal capital (pursuant to Article 73 of Directive 2013/36/EU).

The Remuneration Policy is also used as a reference policy for subsidiary companies. The employment contracts of subsidiary Identified staff, including those of directors of subsidiaries, are therefore governed by the same system.

Determination of remuneration based on the achievement of performance targets

The remuneration policy ensures that the interest of the Bank takes precedence over the interest of the employee.

The variable remuneration component is only paid by the Bank if:
- such a payment is justified given the financial position of the Bank, and;
- such a payment is justified in view of the performance of (i) the Bank, (ii) the relevant business unit and (iii) the employee in question

Specific criteria for the assessment of the Bank's financial position and the assessment of the performance of the Bank, business unit and the employee in question are laid down in the Bank's internal acts and stipulated in employees' employment contracts.

The Bank takes account of the impact of planned payments of employees' variable remuneration components on the calculation and planning of the Bank's capital and liquidity. If the Bank determines that the fulfilment of obligations or attainment of targets related to capital or liquidity are jeopardised, the Management Board and the Supervisory Board immediately start with the implementation of a conservative variable remuneration policy in line with statutory requirements and internal acts.

Performance-based allocation of payments

Allocation of the variable remuneration component to Identified staff

The Bank establishes a budget for the variable remuneration components for the period for which the variable remuneration will be allocated.

After the adoption of the annual report for the previous year, the eligibility of Identified staff for the allocation of the variable remuneration component for the past accounting period is determined.

This condition for the decision to initiate the allocation and payment of the variable remuneration component of managers is valid provided that all the criteria and benchmarks specified in the methodology (Criteria for the conclusion of managers' contracts) and the employment contracts of Identified staff are fulfilled.

Employees are also assessed in terms of prudent risk-taking. The effective management of individual risks that can be influenced by decisions taken by Identified staff is therefore also taken into account in the allocation and payment of the variable remuneration component.

Mode of payment of the variable remuneration component of Identified staff

The Bank determines the mode of payment of the variable remuneration component of Identified staff taking into account:
- the time of payment (due date, deferred payment),
- the form of payment (cash and financial instruments),
- incentives to employees for prudent risk-taking (malus, clawback).

Time of payment of the variable remuneration component

The Bank splits the payment of the variable remuneration component into two parts, with the first part payable (falling due) after the end of the accounting period and the second part payable (falling due) in the deferral period.

The Bank pays a substantial portion of the variable remuneration component and in any event at least 40 percent (for the period in which the Bank was subject to legislation applicable to companies in which the Republic of Slovenia, directly or indirectly, holds a majority stake and the commitments made to the European Commission under the restructuring plan, this share was at least 50 percent) in the deferral period. The Bank determines this share at a percentage that reflects the nature of the relevant business activity, the risks and the performance of the Identified staff. In the case of a variable remuneration component of a particularly high amount, at least 60 percent of the amount is deferred.

During the deferral period, the variable remuneration component is paid out on a pro-rata basis taking into account the length of the deferral period (but no more than once a year) or in a lump sum paid at the end of the deferral period. The length of the deferral period is determined in accordance with the business cycle, the nature of the business, its risks and the performance of the employee in question.

The minimum length of the deferral period is three years.

Form of payment of the variable remuneration component

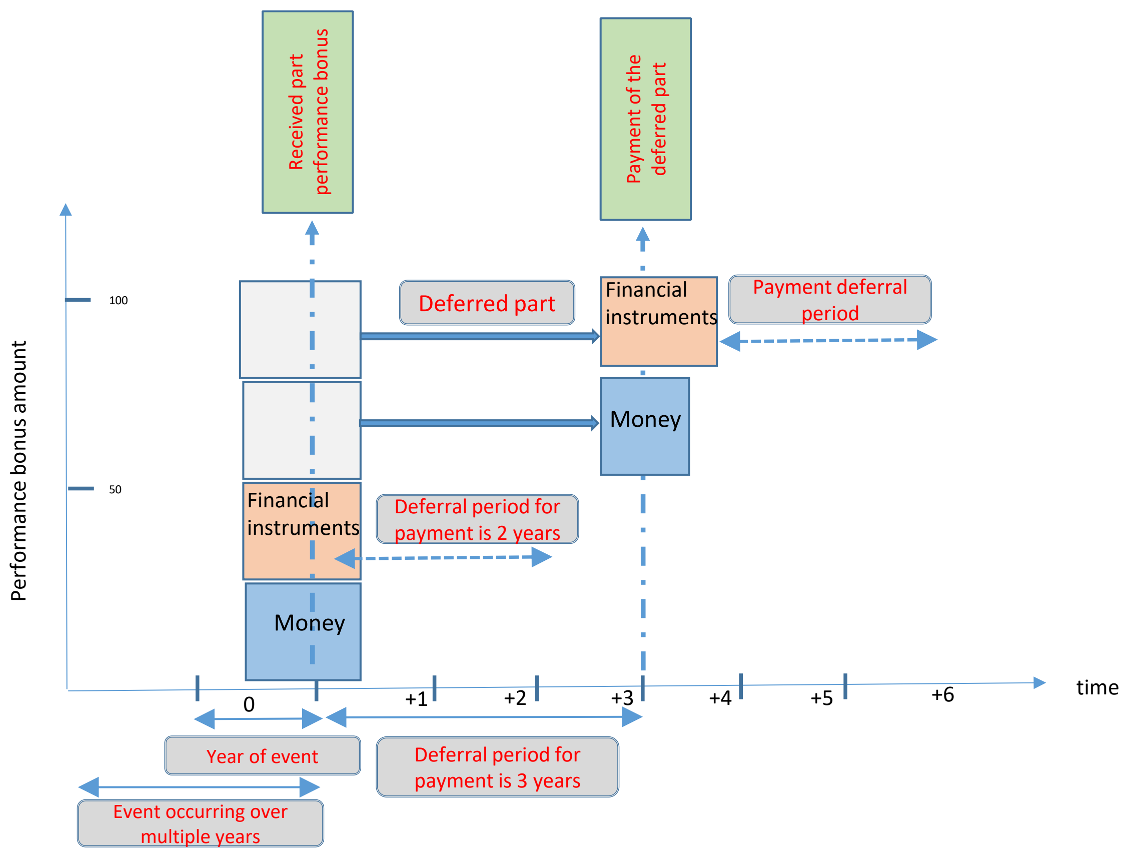
A substantial portion, and in any event at least 50 %, of any variable remuneration, be it paid or deferred, must consist of a balance of the following:

- ordinary shares or financial instruments related to these shares,
- if appropriate, other financial instruments issued by the Bank which adequately reflect the credit quality of the Bank as a going concern.

In the methodology, the Bank defines an appropriate retention policy for such financial instruments designed to incentivise prudent risk-taking by employees in the attainment of their individual goals and align incentives with the long-term interests of the Bank. The minimum retention period is two years.

The time and form of payment of the variable remuneration component of Identified staff is specified in the relevant resolution of the Management or Supervisory Board in which the decision on the variable remuneration component of Identified staff is adopted.

Image 4: The time and form of the variable remuneration of Identified staff



Source: Remuneration Policy of Abanka d.d.

The Bank monitors the variable remuneration deferral arrangements of Identified staff in line with the applicable legislation and internal regulations.

Ratio between the fixed and the variable remuneration component

The remuneration of Identified staff consists of a fixed and a variable component. The structure of these components is laid down in the employment contracts of the Identified staff and related amendments and take into consideration the general and specific principles of Abanka's Remuneration Policy, as well as the criteria for various categories of Identified staff that are laid down in the methodology and the employment contracts. The fixed remuneration component is an amount determined on the basis of the scope of authorisations, responsibilities, the status and the complexity and size of the organisational unit headed by the Identified staff.

The variable component is a portion of the total remuneration that is dependent on predefined criteria and measurable benchmarks related to the attainment of the set performance targets of the Bank and the organisational unit as well as the personal goals of the Identified staff.

The variable component may account for up to 30 percent of the total maximum salary of Identified staff. The Bank ensures that the variable component does not exceed the fixed remuneration component in any accounting period. Both financial and non-financial criteria are taken into account in the determination of the variable remuneration component of Identified staff.

The ratio between the fixed and the variable remuneration component varies depending on the function performed by the individual employee and the scope of the employee's powers in accordance with the criteria for the conclusion of managers' contracts as follows:
- for Management Board members, the ratio between the fixed and variable remuneration component may be up to 70:30;
- for Identified staff, who are engaged in profit and who perform the function of an executive director, the ratio between the fixed and variable remuneration component may be up to 80:20;
- for Identified staff, who are engaged in profit and who perform the function of a director, the ratio between the fixed and variable remuneration component may be up 85:15;
- for Identified staff, who are engaged in costs and control and who perform the function of an executive director, the ratio between the fixed and variable remuneration component may be up to 80:20;
- for Identified staff, who are engaged in costs and control and who perform the function of a director, the ratio between the fixed and variable remuneration component may be up to 85:15.

Performance assessment of Identified staff

All employees who have an individual employment contract have undertaken to respect and implement the strategies adopted by the Bank (including strategic activities and strategic indicators in individual areas), the adopted business plan and related implementation policies for the current business year and the resolution of the Bank's bodies and to respect the Bank's values, professional and ethical standards, thereby enhancing the Bank's corporate culture.

The performance of Identified staff is assessed in view of the impact of the employee's activities on the short- and long-term performance of the Bank, taking into account the current and future risks to which the Bank is exposed.

The variable remuneration component of every individual employee is adjusted to the Bank's risk profile and risk assumption capacity through the performance assessment of the individual employee, the organisational unit headed by the employee and the Bank in the accounting and deferral period.

The definition of the goals of an Identified staff includes the direct or indirect definition of goals relating to the risks managed or significantly influenced by the employee in the course of his activities. The implementation of these goals is also monitored through strategic indicators.

Mechanisms for monitoring the attainment of goals include annual employee interviews, regular meetings of senior management staff with the Management Board, reporting to the commissions of Supervisory Board and the Supervisory Board as such, periodic reporting to the Bank's bodies.

The performance of Identified staff is measured and assessed using the methodology for the calculation of performance ratio (R-ratio) for the determination of the variable remuneration component for Management Board members. This methodology also defines targets for Management Board members, including targets related to risk management, thereby ensuring that the management of all types of risks is embedded at the level of each individual Identified staff. Given that individual goals are implementation goals of a higher hierarchical order, this means that this approach provides for an effective management (cascade) of the overall risks to which the Bank is or could be exposed.

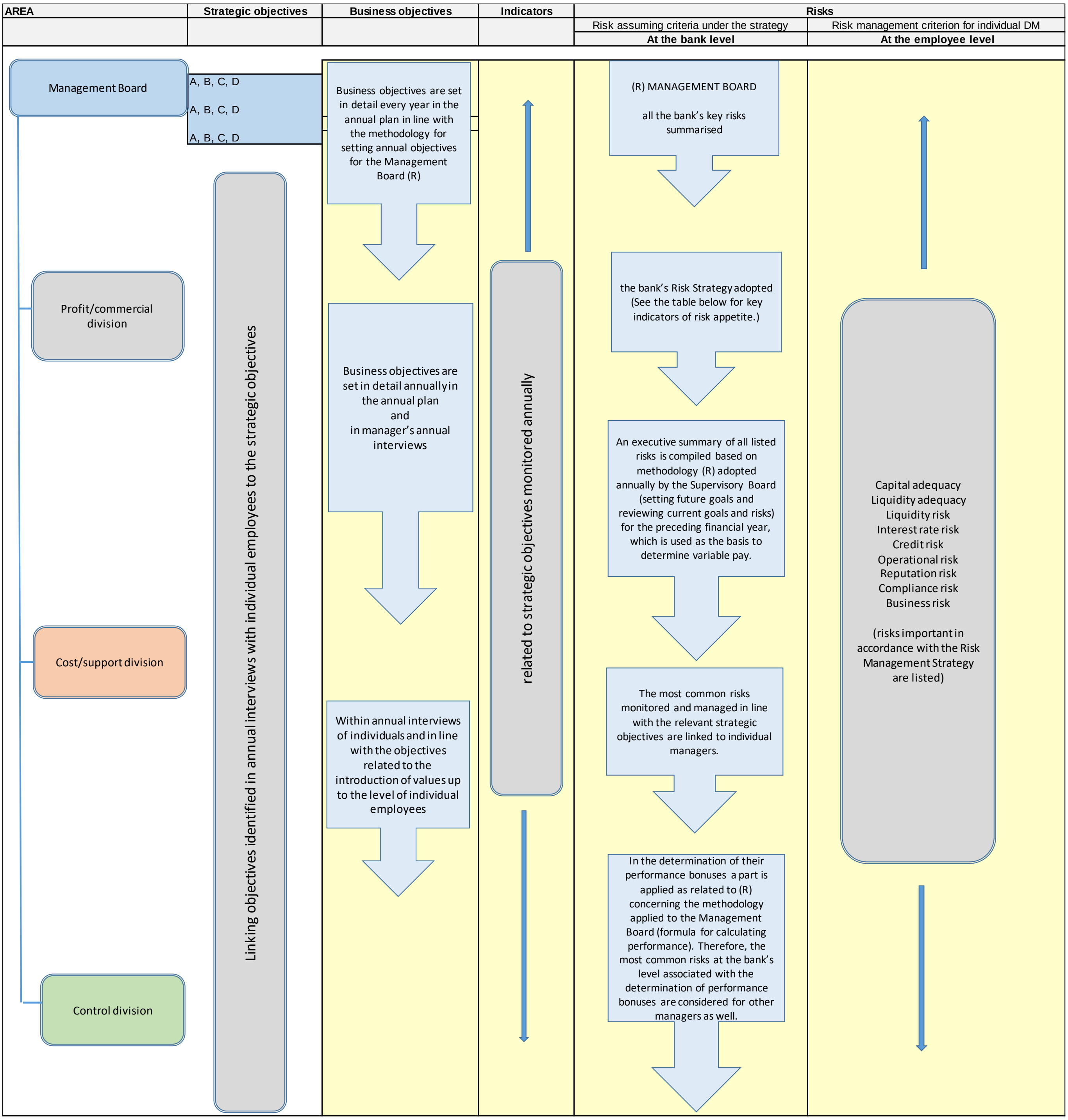
Performance assessment criteria for Identified staff:

a) financial (quantitative) performance criteria are criteria serving as the basis for the measurement of:
   - the performance of the Bank and the specific organisational unit (income vs. expenses, costs, accomplishment of tasks and attainment of planned goals, etc.),
   - the performance of the Identified staff.
b) nonfinancial (qualitative) performance criteria are criteria of significance for the creation of the long-term value of the Bank, most notably:
   - adherence to applicable regulations and internal rules of the Bank,
   - compliance with ethical standards,
   - qualifications, expertise and experience,
   - initiative, innovation,
   - cooperation with the Bank's bodies and employees,
   - customer satisfaction,
   - loyalty to the Bank.

Based on the adopted strategy and the annual business plan, the Bank concludes an annex to the employment contract with employees who have individual employment contracts in which these employees make additional commitments to the attainment of goals (of the employee, the organisational unit headed by the employee and the Bank). Such an annex is concluded every year once the annual business and financial plan for the next year has been adopted. Managers' goals are further highlighted in annual interviews as well.

The figure below shows the determination of the variable remuneration component of Identified staff which as specified in the Bank's internal acts for individual categories of employees based on their function (business, support and control functions).

Figure 5: Remuneration of identified staff – SCHEME



Source: Remuneration Policy of Abanka d.d.

Performance criterion	Parameters		Goals	Assessment			
Bank's Goals	- mid-term strategy of the Bank - annual plan - methodology for the conclusion of managers' contracts	financial and nonfinancial goals	attainment of set long-term strategic goals and annual goals at the level of the Bank taking into account the risk assumption criteria	goals not attained	goals partly attained	goals attained	goals exceeded
Organisational unit goals	- mid-term strategy of the OU - annual plan of the OU - methodology for the conclusion of managers' contracts	financial and nonfinancial goals	achievement of business objectives of the organisational unit taking into account the risks	goals not attained	goals partly attained	goals attained	goals exceeded
			attainment of the financial goals of the business unit (where measurable)	goals not attained	goals partly attained	goals attained	goals exceeded
Employee's personal goals	- employee's mid-term goals - employee's annual plan target - methodology / employment contract	financial and nonfinancial goals	adherence to guidelines and attainment of goals laid down in the business strategy and the annual plan	goals not attained	goals partly attained	goals attained	goals exceeded
			contribution to the Bank's high professional and ethical standards	goals not attained	goals partly attained	goals attained	goals exceeded
				descriptive assessment from the employee's annual interview			

* When assessing the performance of a manager, due consideration is given to their assignment to business, support or control functions, so individual assessment criteria are taken into account to varying degrees (e.g. the performance assessment of a manager engaged in control is based to a relatively larger extent on the realised operational costs and the Bank's operating results, while the performance assessment of a manager engaged in business functions will also be affected by the earned income).

Employees engaged in internal control functions are independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Mode and time of payment of the variable remuneration component of Identified staff

The variable remuneration component of Identified staff is paid if it is sustainable according to the financial situation of the Bank and justified on the basis of the performance of the Bank, the business unit and the individual employee in question. In this assessment, the Bank takes account of the impact of planned payments of variable remuneration components, including the deferred portions, on the calculation and planning of the Bank's capital and liquidity. In accordance with Abanka's Remuneration Policy, the variable remuneration is paid partly in cash and partly in the form of financial instruments. The Bank pays out a part of the variable remuneration component after the end of the accounting period, while the rest is paid out in the deferral period due to the potential ex-post risk adjustment of the amount of the variable remuneration component. The methodology for the determination of the variable remuneration component paid in the deferral period is specified in internal acts and employment contracts. The Bank pays a substantial portion of the variable remuneration component, and in any event at least 40 percent (for the period in which the Bank was subject to legislation applicable to companies in which the Republic of Slovenia, directly or indirectly, holds a majority stake and the commitments made to the European Commission under the restructuring plan, this share was at least 50 percent) in the deferral period. Fifty percent of the variable remuneration component of an Identified staff consists of a balance of the Bank's ordinary shares or financial instruments related to these shares and, if appropriate, other financial instruments issued by the Bank and which adequately reflect the credit quality of the Bank as a going concern. A retention period of two years applies to such financial instruments.

Application of the principle of proportionality

The Bank may apply the provisions on the principle of proportionality laid down in paragraph 2 of Article 128 of the Banking Act and in the Guidelines issued by the Bank of Slovenia on 22 November 2016, if the variable remuneration component of an individual employee does not exceed EUR 50,000 gross in a particular year and if the amount of the variable remuneration component is not a material factor affecting the assumption of risk at the level of the Identified staff. As long as the Bank was subject to commitments made to the European Commission under the restructuring plan, the rule on the deferral of the variable remuneration component was still applied to members of the Management Board, however, the requirement for payment in financial instruments for the variable remuneration of Management Board members set within the lower threshold in the Guidelines of the Bank of Slovenia was not applied.

As long as the Bank was subject to commitments made to the European Commission under the restructuring plan, the requirement for the payment of variable remuneration below the lower threshold set in the Guidelines of the Bank of Slovenia in financial instruments was not applied to all other Identified staff; the requirement of deferral of the variable remuneration component was only omitted in the event of authorisation by the Bank's Supervisory Board.

Use of malus and clawback arrangements

In justified circumstances that have had a material impact on the Bank's performance and are related to the business decisions of Identified staff, the Bank may make use of malus and clawback arrangements. In particular, the Bank may apply these arrangements when the business decisions or conduct of Identified staff has participated in or was responsible for the Bank's poor or negative performance or when an employee has committed fraud or another intentional or negligent act resulting in significant losses to the Bank (serious breach of applicable legislation and the Bank's internal regulations, abuse, uneconomic conduct, adoption of business decisions having a negative impact on the Bank's performance), but without prejudice to the general principles of national contract and labour law. Malus and clawback arrangements are defined in the employment contracts of Identified staff.

Other non-cash benefits

Other non-cash benefits for the management of the Bank and its subsidiaries are defined in the regulations on remuneration and benefits adopted by the Supervisory Board of the Bank and the supervisory boards of subsidiaries, whereas non-cash benefits for other Identified staff are governed by the Bank's internal acts. Other non-cash benefits that are part of the routine employment package for this group of employees vary depending on the powers and responsibilities of each employee and relate primarily to the right to additional education and training, a mobile phone, preventive medical examinations, insurance, the use of company vehicles.

(All amounts in EUR thousand unless otherwise stated)

13.2 Quantitative information on remuneration in the business year 2019

Table 50: TOTAL GROSS AMOUNTS OF REMUNERATION ALLOCATED TO IDENTIFIED STAFF IN ABANKA AND SUBSIDIARIES (broken down into the fixed and variable remuneration components) AND NUMBER OF RECIPIENTS BY BUSINESS AREAS OF ABANKA IN THE BUSINESS YEAR 2019

(in 1 EUR)	2019						
		Variable amount*					
		Paid out variable		Deffered variable			
Business area	Fixed remuneration	Cash	Financial instuments	Cash	Financial instuments	Total remuneration	Number of recipients
Supervisory Board	263,124					**263,124**	**10**
Management Board	550,315					**550,315**	**4**
Profit/commercial division	952,933					**952,933**	**13**
Cost/support division	822,436					**822,436**	**12**
Control division	485,809					**485,809**	**7**
Directors of subsidiaries	81,828					**81,828**	**2**
Total	**3,156,445**	**–**	**–**	**–**	**–**	**3,156,445**	**48**

* By the time of publication of these Disclosures, the competent bodies have not yet taken a decision on the allocation of the variable remuneration component for 2019

TOTAL GROSS AMOUNTS OF REMUNERATION ALLOCATED TO IDENTIFIED STAFF IN ABANKA AND SUBSIDIARIES (broken down into the fixed and variable remuneration components) AND NUMBER OF RECIPIENTS BY BUSINESS AREAS OF ABANKA IN THE BUSINESS YEAR 2018

(in 1 EUR)	2018							
		Variable amount						
		Paid out variable		Deffered variable				
Business area	Fixed remuneration	Cash	Financial instuments	Cash	Financial instuments	Total remuneration	Number of identified staff	Fixed and variable remuneration ratio
Supervisory Board	240,762					**240,762**	15	**–**
Management Board	429,223	56,805		56,805		**542,833**	3	0.27
Profit/commercial division	911,930	156,230				**1,068,160**	13	0.17
Cost/support division	769,618	139,947				**909,565**	10	0.18
Control division	466,527	70,392				**536,919**	7	0.15
Directors of subsidiaries	104,794	10,152		10,152		**125,098**	3	0.19
Total	**2,922,854**	**433,526**	**–**	**66,957**	**–**	**3,423,337**	**51**	

As long as the Bank was subject to commitments made to the European Commission under the restructuring plan, the rule on the deferral of the variable remuneration component was still applied to members of the Management Board, however, the requirement for payment in financial instruments for the variable remuneration of Management Board members set within the lower threshold in the Guidelines of the Bank of Slovenia was not applied.

The above-mentioned principle of proportionality is applied at the level of Abanka Group.

The unvested amount of outstanding deferred variable remuneration allocated in previous years stood at EUR 92,104 as at 31 December 2019.

In 2019, severance payment in the amount of EUR 63,414 was paid to an employee; there were no new contractually predefined variable remuneration or severance payments.

None of the employees received EUR 1 million or more in remuneration in the financial year 2019.

14. LIQUIDITY

(Article 460 of the CRR)

Key information on liquidity risk is presented in the Notes to the Financial Statements of the Group's Annual Report in Section 2.3.

The declaration of the management body on the adequacy of the liquidity risk management arrangement, which is aligned with the profile and strategy of Abanka and the Abanka Group, is included in the Statement of the Management Board and the Supervisory Board on the adequacy of risk management in Abanka and the Abanka Group that is part of the annual report. Abanka and the Abanka Group monitor the attainment of strategic goals within the pre-defined risk appetite framework. Limits of risk assumption are clearly defined through a limit system for key indicators which ensures adequate liquidity even in stress situations. Key indicators in the area of structural liquidity include the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR); additional indicators including the determination of the liquidity position under the assumptions of regular internal stress tests are also taken into account. The management body also takes due account of the definition of the liquidity risk management framework, including the adequate liquidity position, the definition of the liquidity buffer and stable financing structure and their interaction with the business model and the criteria applied in stress scenarios and the methodology for risk quantification. The monitoring of and reporting on liquidity risk and liquidity adequacy are carried out with the participation of the entire senior management as part of regular activities and within the framework of the internal liquidity adequacy assessment process (ILAAP). Liquidity risk management strategies and processes are covered in the Group's annual report which also includes the Statement of the Management Board and the Supervisory Board on the adequacy of risk management in Abanka and the Abanka Group.

Data is compiled in line with the Guidelines on liquidity coverage ratio (LCR) disclosure to complement the disclosure of liquidity risk management under Article 435 of the CRR (EBA/GL/2017/01).

Table 51: LCR DISCLOSURE TEMPLATE, ON QUANTITATIVE INFORMATION OF LCR

in million EUR

		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on		31 March 2019	30 June 2019	30 September 2019	31 December 2019	31 March 2019	30 June 2019	30 September 2019	31 December 2019
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,299	1,287	1,291	1,302
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,087	2,136	2,186	2,244	139	142	148	154
3	Stable deposits	1,485	1,520	1,516	1,518	74	76	76	76
4	Less stable deposits	602	616	669	727	65	66	72	78
5	Unsecured wholesale funding	360	340	335	338	233	223	218	217
6	Operational deposits (all couterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
7	Non-operational deposits (all couterparties)	360	340	335	338	233	223	218	217
8	Unsecured debt	–	–	–	–	–	–	–	–
9	Secured wholesale funding					–	–	–	–
10	Additional requirements	421	434	436	432	44	45	46	45
11	Outflows related to derivative exposures and other collateral requirements	1	1	1	1	1	1	1	1
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	420	434	436	432	43	45	45	44
14	Other contractual funding obligations	55	65	64	61	51	61	60	58
15	Other contingent funding obligations	274	277	280	286	22	23	23	23
16	**TOTAL CASH OUTFLOWS**					489	494	494	497
CASH - INFLOWS									
17	Zavarovani kreditni posli (npr. posli začasnega Secured lending (e.g. reverse repos)	1	1	0	0	0	0	0	0
18	Inflows from fully performing exposures	152	156	163	163	125	126	131	129
19	Other cash inflows	49	50	48	41	49	50	48	41
EU-19a	Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
EU-19b	(Excess inflows from a related specialised credit institution)					–	–	–	–
20	**TOTAL CASH INFLOWS**	202	207	211	205	174	176	178	171
EU-20a	**Fully exempt inflows**	–	–	–	–	–	–	–	–
EU-20b	**Inflows subject to 90% cap**	–	–	–	–	–	–	–	–
EU-20C	**Inflows subject to 75% cap**	202	207	211	205	174	176	178	171
21	**LIQUIDITY BUFFER**					1,299	1,287	1,291	1,302
22	**TOTAL NET CASH OUTFLOW**					316	318	316	326
23	**LIQUIDITY COVERAGE RATIO (%)**					413	407	410	401

in million EUR

		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on		31 March 2018	30 June 2018	30 September 2018	31 December 2018	31 March 2018	30 June 2018	30 September 2018	31 December 2018
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,308	1,306	1,299	1,294
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	1,906	1,952	1,998	2,043	124	128	132	136
3	Stable deposits	1,404	1,421	1,437	1,453	70	71	72	73
4	Less stable deposits	502	532	562	590	54	57	60	63
5	Unsecured wholesale funding	386	387	383	375	244	246	246	243
6	Operational deposits (all couterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all couterparties)	386	387	383	375	244	246	246	243
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	348	369	384	402	36	39	40	42
11	Outflows related to derivative exposures and other collateral requirements	1	1	1	1	1	1	1	1
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	347	368	384	402	36	38	40	42
14	Other contractual funding obligations	52	50	48	48	49	47	45	45
15	Other contingent funding obligations	224	250	268	272	26	26	25	23
16	**TOTAL CASH OUTFLOWS**					479	485	488	489
CASH - INFLOWS									
17	Zavarovani kreditni posli (npr. posli začasnega Secured lending (e.g. reverse repos)	6	5	2	1	0	0	0	0
18	Inflows from fully performing exposures	184	177	167	157	151	145	136	129
19	Other cash inflows	48	44	43	47	48	44	43	47
EU-19a	Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	238	226	211	205	199	189	179	176
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows subject to 90% cap**	-	-	-	-	-	-	-	-
EU-20C	**Inflows subject to 75% cap**	238	226	211	205	199	189	179	176
21	**LIQUIDITY BUFFER**					1,308	1,306	1,299	1,294
22	**TOTAL NET CASH OUTFLOW**					281	296	309	313
23	**LIQUIDITY COVERAGE RATIO (%)**					468	444	423	414