



# PILLAR 3 DISCLOSURES OF OTP GROUP LUXEMBOURG JUNE 2024



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# 1 INTRODUCTION

The OTP Group Luxembourg Pillar 3 disclosures for June 2024 (hereinafter: the disclosures) have been prepared in accordance with the provisions of EU banking legislation requirements, i.e. Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (hereinafter: CRR) and its following amendments, Directive 2013/36/EU and its following amendments ( hereinafter: CRD), Directive 2014/59/EU and its following amendments (hereinafter: BRRD), other relevant regulations, technical standards, guides and guidelines that lay down disclosure requirements.

The disclosures have been prepared by Nova KBM, as the largest financial institution in the OTP Group Luxembourg as at 30 June 2024. The data in this document are disclosed at the level of the OTP Group Luxembourg (i.e. the highest level of consolidation) and at the level of the Nova KBM Group (sub-consolidated level of consolidation) where relevant.

Nova KBM has the status of other systemically important institution (O-SII), which means that it is treated as a large institution in accordance with Article 4(146)(b) of the CRR and as an institution that is not listed on the stock exchange in accordance with Article 4(148) of the CRR. The Bank is thus bound to the frequency and scope of disclosures set out in Article 433a(2) of the CRR.

## **Obligation to disclose information**

The Group is obliged to disclose material information that, if omitted or misstated, would change or affect the assessment or decision of persons who use that information to make business decisions. The law allows for the possibility of the non-disclosure of information that is deemed confidential or a trade secret.

Nova KBM has included the method, frequency and verification of the disclosure of material information in the Disclosure Policy of Nova KBM Group. All disclosures are prepared on a consolidated basis in thousands of euros, except where stated otherwise.

In accordance with Article 432 of the CRR, the Group has omitted disclosures (an entire Table or certain rows or columns in a specific Table) that are not relevant. The Group's disclosures are not audited. The Group's disclosures were approved by the Bank's Management Board. The Group publishes disclosures on the website [www.nkbm.si](http://www.nkbm.si) in Slovene and English, in the section intended for investors.

Presented Pillar 3 disclosures include both, quantitative and qualitative information.



## 2 DISCLOSURE OF KEY METRICS

*(Article 447(a) to (g) of the Regulation CRR)*

The Group must fulfil the minimum Pillar 1 own funds requirements set out in CRR and that relate to the:

- Common Equity Tier 1 capital ratio and must be at least 4.5%;
- Tier 1 capital ratio and must be at least 6.0%; and
- total capital ratio and must be at least 8.0%.

In addition to the above-mentioned minimum CRR capital requirements, the Group must also meet the requirements set out in the CRD and defined by the supervisory authorities:

- Pillar 2 requirement (P2R);
- Pillar 2 guidance (P2G); and
- the combined buffer requirement (CBR).

Total minimum CRR and supervisory Pillar 2 capital requirement (P2R) comprise the total SREP capital requirement (TSCR), while the total minimum CRR and supervisory Pillar 2 capital requirement (P2R) and the combined buffer requirement (CBR) comprise the overall capital requirement (OCR), that must be fulfilled by the Group. In line with CRD rules the P2R of 75% must be covered with Common Equity Tier 1 capital (CET1 capital) as the Group does not have any additional Tier 1 capital issued, remaining 25% of P2R is covered with Tier 2 capital. CBR must be covered with CET 1 capital.

The TSCR of the OTP Group Luxembourg as at 30 June 2024 was 10.00% and OCR 13.09% both evident from Table EU KM1, while the required minimum TSCR of the Nova KBM Group was 10.00% and OCR 13.74%. The difference in the OCR requirement between Nova KBM Group and OTP Group Luxembourg is 0.65% and derives from the capital buffer for other systemically important institutions and the sectoral systemic risk buffer, which are only binding at the level of the Nova KBM Group.

In addition to the above requirements, the Pillar 2 Guidance (P2G) is 1.5% of Risk Weighted Assets and must be covered with CET1 capital.

Only capital instruments with received approval from supervisory authority are included in calculation of regulatory capital.

As at 30 June 2024 the OTP Group Luxembourg and Nova KBM Group fulfil all capital requirements set out in the law and by supervisory authorities.

The Table EU KM1 provides a high-level presentation of the key metrics, referred to in Article 447(a) to (g) of the Regulation CRR, of OTP Group Luxembourg as at the end of June 2024 in comparison to the end of December 2023 and to the end of June 2023.

Liquidity and capital adequacy remain at adequate levels. For detail see the following subchapters.

The Group continues to operate normally, while closely monitoring the global developments.



Table EU KM1 - Key metrics of OTP Group Luxembourg

€000, %

		30.06.2024	31.12.2023	30.06.2023
<b>Available own funds (amounts)</b>				
1	Common Equity Tier 1 (CET1) capital	945,986	933,701	862,508
2	Tier 1 capital	945,986	933,701	862,508
3	Total capital	1,013,576	1,002,285	931,389
<b>Risk-weighted exposure amounts</b>				
4	Total risk exposure amount	5,102,394	5,059,052	4,826,458
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
5	Common Equity Tier 1 ratio (%)	18.54%	18.46%	17.87%
6	Tier 1 ratio (%)	18.54%	18.46%	17.87%
7	Total capital ratio (%)	19.86%	19.81%	19.30%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.00%	2.25%	2.25%
EU 7b	of which: to be made up of CET1 capital (%)	1.13%	1.27%	1.27%
EU 7c	of which: to be made up of Tier 1 capital (%)	1.50%	1.69%	1.69%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.25%	10.25%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.59%	0.55%	0.16%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.09%	3.05%	2.66%
EU 11a	Overall capital requirements (%)	13.09%	13.30%	12.91%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.86%	9.56%	9.05%
<b>Leverage ratio</b>				
13	Total exposure measure	11,296,616	11,276,909	11,046,836
14	Leverage ratio (%)	8.37%	8.28%	7.81%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (%)	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>				
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
<b>Liquidity Coverage Ratio</b>				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	4,460,533	4,477,887	3,894,524
EU 16a	Cash outflows - Total weighted value	1,244,997	1,264,158	1,303,902
EU 16b	Cash inflows - Total weighted value	314,720	264,689	264,504
16	Total net cash outflows (adjusted value)	930,277	999,469	1,039,398
17	Liquidity coverage ratio (%)	482.63%	453.63%	377.25%
<b>Net Stable Funding Ratio</b>				
18	Total available stable funding	9,027,108	9,013,495	9,223,694
19	Total required stable funding	4,606,359	4,706,214	4,425,931
20	NSFR ratio (%)	195.97%	191.52%	208.40%



## 2.1 CAPITAL RATIOS

(Articles 92, 437 and 438 of the CRR Regulation)

The Group calculates its capital ratios in line with Article 92 of the Regulation CRR:

- The Common Equity Tier 1 capital ratio (CET1 ratio) is the Common Equity Tier 1 capital expressed as a percentage of the total risk exposure amount RWA/TREA;
- The Tier 1 capital ratio (Tier 1 ratio) is the Tier 1 capital expressed as a percentage of the total risk exposure amount RWA/TREA;
- The total capital ratio (CAR) is the regulatory capital (total capital) expressed as a percentage of the total risk exposure amount (RWA/TREA).

Table below shows the detailed composition of Group's regulatory capital at the end of 2023 and 30.6.2024. As of 30 June 2024, out of the overall OTP Group Luxembourg 's regulatory capital, 93.3% relates to CET1 and 6.7% to Tier 2 capital. Tier 1 capital consisted fully of CET1 capital. CET1 capital consisted of equity instruments in the amount of €220 million issued by OTP Luxembourg. Tier 2 capital consisted of capital instruments in the amount of €90.4 million issued by Nova KBM. Applying the provisions of Articles 86 and 87 of the CRR on capital instruments eligibility, the €22.8 million of Tier 2 capital at the level of OTP Group Luxembourg was not eligible for its inclusion in the regulatory capital calculation.

The Group's regulatory capital as at 30 June 2024 is €11 million higher than at the end of December 2023, due to changes in several components of capital as presented in the table below.

Table 1 - Overview of regulatory capital of the OTP Group Luxembourg

	€000	
	30.06.2024	31.12.2023
<b>Regulatory capital</b>		
<b>Common Equity Tier 1 capital ratio (CET 1)</b>	<b>945,986</b>	<b>933,701</b>
Capital instruments	219,626	219,626
Retained earnings	823,119	822,825
Unrealised gains and losses	-11,474	-16,496
Capital deductions	-85,556	-92,525
Other reserves	271	271
<b>Additional Tier 1 capital (AT1)</b>	<b>0</b>	<b>0</b>
<b>Tier 2 capital</b>	<b>67,589</b>	<b>68,584</b>
<b>Total regulatory capital</b>	<b>1,013,576</b>	<b>1,002,285</b>

The Group uses the Standardised Approach to calculate its capital requirements for credit and market risks, while the Basic Indicator Approach is used to calculate capital requirements for the operational risk.

The Table EU OV1 below shows the detailed composition of the capital requirements of the Group at the end of 2023 and 30.6.2024. As of 30 June 2024 out of the overall OTP Group Luxembourg 's capital requirements 88.1% relates to credit risk positions, 11.8% to operational risk and 0.1% to market risk positions.

Risk-weighted assets (RWA) of OTP Group Luxembourg as at 30 June 2024 were higher by €43 million compared to December 2023, mainly due higher RWA for credit risk as a result of the loan portfolio growth.



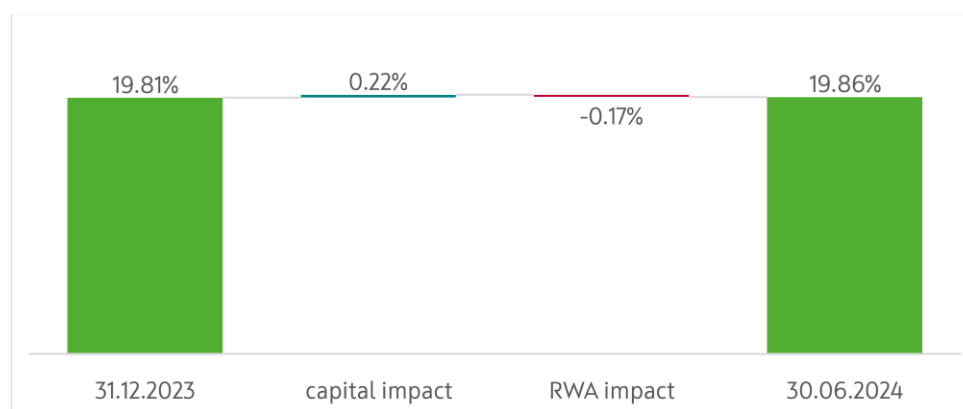
Table EU OV1 – Overview of RWA of the OTP Group Luxembourg

€000

		Total risk exposure amounts (TREA/RWA)		Total own funds requirements
		30.06.2024	31.12.2023	30.06.2024
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>4,456,062</b>	<b>4,411,362</b>	<b>61,217</b>
2	Of which the standardised approach	4,456,062	4,411,362	61,217
<b>6</b>	<b>Counterparty credit risk - CCR</b>	<b>44,077</b>	<b>45,629</b>	<b>3,526</b>
7	Of which the standardised approach	0	0	0
EU 8a	Of which exposures to a CCP	32,158	35,785	2,573
EU 8b	Of which credit valuation adjustment - CVA	6,796	7,414	544
9	Of which other CCR	5,123	2,430	410
<b>20</b>	<b>Position, foreign exchange and commodities risks (Market risk)</b>	<b>273</b>	<b>79</b>	<b>22</b>
21	Of which the standardised approach	273	79	22
<b>23</b>	<b>Operational risk</b>	<b>601,982</b>	<b>601,982</b>	<b>48,159</b>
EU 23a	Of which basic indicator approach	601,982	601,982	48,159
<b>29</b>	<b>Total RWA</b>	<b>5,102,394</b>	<b>5,059,052</b>	<b>408,192</b>

The total capital ratio (CAR) of OTP Group Luxembourg was 19.86% at the end of June 2024. In comparison to 31 December 2023, CAR is higher by 5 bps.

Chart 1 – Drivers of total capital ratio change of the OTP Group Luxembourg



## 2.2 LEVERAGE RATIO

(Article 451 of the CRR Regulation)

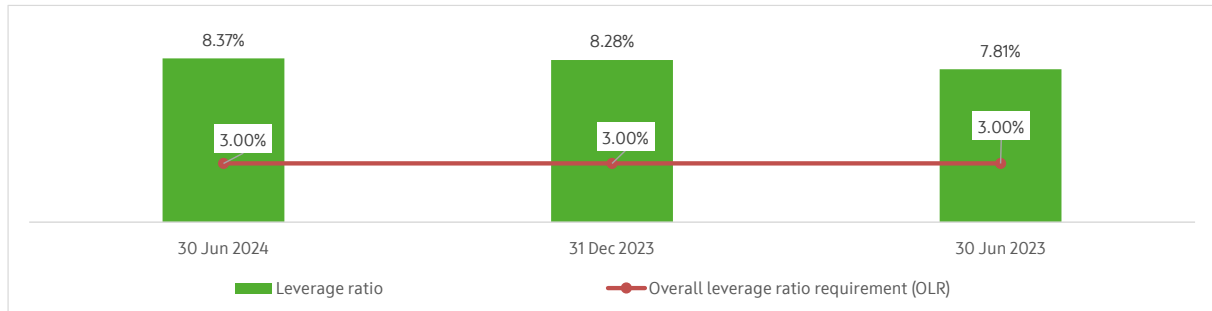
The Group's leverage ratio is calculated in the accordance with provisions of CRR and CRD, including the amendments. The ratio is calculated as Tier 1 capital (the numerator) divided by total leverage ratio exposure measure (TEM, the denominator), which includes Group's assets after adjustments and off-balance-sheet items adjusted by credit conversion factors (CCF). The binding leverage ratio requirement amounts to 3.00% and serves as a backstop to risk-weighted capital requirements.

As at 30 June 2024 the TEM was mainly comprised of on-balance sheet exposure, followed by off-balance exposure.



The Group's leverage ratio as at 30 June 2024 was at 8.37%, which is well above requirement of 3.00% and does not indicate risk of excessive leverage. In comparison to year-end 2023 data, leverage ratio increased by 9 bps, which is mainly driven by higher Tier 1 capital.

Chart 2 – Leverage ratio and Overall leverage ratio requirement (in %) of the OTP Group Luxembourg



## 2.3 LIQUIDITY RATIOS

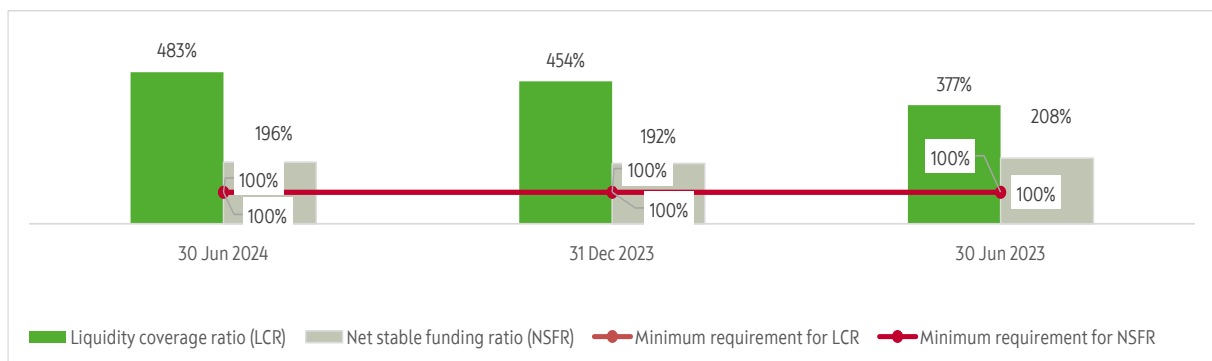
(Article 451a of the CRR Regulation)

LCR (Liquidity Coverage Ratio) refers to the proportion of highly liquid assets held by financial institutions, to ensure the ongoing ability to meet short-term obligations. The objective of LCR is that the Bank meets its liquidity needs for a 30-calendar day liquidity stress scenario. The minimum requirement for LCR is 100%.

Changes in LCR on the OTP Group Luxembourg level are mainly due to the increase in high-quality liquid assets (HQLA). Lower net cash outflows resulted in increase of the average LCR ratio from 377.25% to 453.63% between 30.06.2023 and 31.12.2023. Most of the Bank's liabilities are non-banking sector deposits. In 2024, deposits from financial and non-financial customers are slightly decreasing, while cash inflows are increasing, thus average LCR ratio increased to 482.63% in the period from 31.12.2023 to 30.06.2024, high-quality liquid assets (HQLA) remained on the same level. On average, the Bank still exceeds the regulatory minimum by more than four times.

NSFR (Net Stable Funding Ratio) is a proportion of available stable funding and required stable funding. It is required that the Bank holds enough stable funding to cover the duration of its long-term assets. The Bank's NSFR ratio must be at least 100%, which became a regulatory requirement in June 2021. The Bank monitors the ratio on a quarterly basis. At the end of December 2023 the NSFR ratio was 191.52% and 195.97% at the end of June 2024, which means that the Bank meets the regulatory requirement of the minimum ratio value.

Chart 3 – Liquidity ratios and regulatory thresholds (in %) of the OTP Group Luxembourg







## 3 MREL

(Article 447(h) of the Regulation CRR, Article 45i(a)(c) of the Directive BRRD)

The Recovery and Resolution Directive (BRRD) requires banks in EU Member States to maintain minimum requirements for own funds and eligible liabilities (MREL) to make resolution credible by establishing sufficient loss absorption and recapitalization capacity. The Preferred Resolution Strategy (PRS) for the Nova KBM Resolution Group is based on the Multiple Point of Entry (MPE) strategy.

From 1 January 2024, the Bank must, on a Nova KBM resolution group level, consisting of Nova KBM and Aleja Finance, comply with (1) a MREL TREA requirement of 22.44% calculated as a % of the total risk exposure amount (TREA) and increased by the applicable combined buffer requirement (CBR) and (2) a MREL TEM requirement of 5.89% calculated as a % of the leverage ratio exposure (LRE/TEM).

The Group fulfils all MREL requirements set out by supervisory authorities. As at 30 June 2024 MREL TREA equals to 37.50% and MREL LRE to 16.95%.

The Group has fully integrated the MREL into the overall risk management and monitoring system.

The Table EU KM2 provides a high-level presentation of the key MREL metrics, referred to in Article 447(h) of the CRR and Article 45i(a)(c) of the BRRD, of Nova KBM Group as at 30 June 2024.

Table EU KM2 - Key metrics Table of Nova KBM Group

		€000, %
		Minimum requirement for own funds and eligible liabilities (MREL)
		30.06.2024
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	1,915,491
EU-1a	Of which own funds and subordinated liabilities	1,915,491
2	Total risk exposure amount of the resolution group (TREA)	5,107,711
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	37.50%
EU-3a	Of which own funds and subordinated liabilities	37.50%
4	Total exposure measure of the resolution group	11,300,789
5	Own funds and eligible liabilities as percentage of the total exposure measure	16.95%
EU-5a	Of which own funds or subordinated liabilities	16.95%
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks paripassu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks paripassu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	22.44%
EU-8	Of which to be met with own funds or subordinated liabilities	-
EU-9	MREL requirement expressed as percentage of the total exposure measure	5.9%
EU-10	Of which to be met with own funds or subordinated liabilities	