

## Disclosures by Nova KBM d.d. for the year 2009 on the basis of its consolidated financial situation

Pursuant to the Regulation on Disclosures by Banks and Savings Banks, Nova KBM d.d. (hereafter also the 'Bank') is obliged, on the basis of its consolidated financial situation, to disclose important information that could, if omitted or misstated, change or influence the assessment or decision of a user relying on that information to make economic decisions. The legislation affords banks the option of not disclosing confidential information or business secrets.

Based on the available options, Nova KBM d.d. decided to publish disclosures in a separate document in which it took position with regard to each individual disclosure in accordance with the Regulation on Disclosures by Banks and Savings Banks. The Bank discloses the majority of information in its annual report in compliance with the applicable legislation and International Financial Reporting Standards. Disclosures that form an integral part of the annual report and have to be in addition published under the Regulation on Disclosures by Banks and Savings Banks the Bank did not publish in duplicate, but has only given in this document the reference to the disclosure in the annual report.

Disclosures have been controlled from the point of view of integrity and accuracy by the Internal Audit Centre of Nova KBM d.d.

Article		Disclosure
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<b>15.</b>	<b>Credit risk and dilution risk</b>	
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	b) a description of the methodology for making value adjustments to items and provisions	Disclosure 18
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	b) an indication of the ECAI or ECA whose credit assessments are used for a particular category of exposure	Disclosure 25
	c) a general description of the process for determining the risk weights for individual exposures on the basis of the credit assessments available for the obligor and its financial instruments	Disclosure 25
	d) an indication of the mapping of the credit assessments of a particular nominated ECAI or ECA to the credit quality steps specified in the standardised approach regulation, if it is a mapping not published by the Bank of Slovenia	Disclosure 25
	e) the exposure values and the exposure values allowing for the effects of credit protection, broken down by credit quality step in accordance with the standardised approach regulation and the Regulation on Credit Protection, and the values of capital deduction items	Disclosure 19
<b>17.</b>	<b>Additional disclosures by bank using IRB approach</b>	Not relevant
<b>18.</b>	<b>Breakdown of market risk capital requirements – by individual types of risk</b>	Disclosure 9
<b>19.</b>	<b>Additional disclosures by bank using internal models to calculate market risk capital requirements</b>	Not relevant
<b>20.</b>	<b>Operational risk</b>	
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	b) a description of the advanced measurement approach methodology, if the bank uses it	Not relevant

<b>21.</b>	<b>Investments in equities not included in trading book</b>	
	a) the accounting techniques and valuation methods used with regard to the purpose of the investments, including for capital gains relationships and strategic reasons, and any changes in accounting practices	Disclosure 27
	b) the balance sheet value and the fair value of investments, and, for exchange-traded securities, a comparison with the market price where it is materially different from the fair value	Disclosure 27
	c) the types, nature and amounts of exposures from exchange-traded securities, exposures from private equity if sufficiently diversified, and other exposures	Disclosure 27
	d) the cumulative realised gains and losses from the sale of investments in equities in the reporting period	Disclosure 27
	e) the total amount of unrealised gains and losses, and any of these amounts that the bank includes in the original capital or Tier I additional capital	Disclosure 27
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	a) the nature of the interest-rate risk and the key assumptions (including assumptions about the early repayment of loans and the movement of sight deposits), and the frequency of the measurement of interest-rate risk	Disclosure 28
	b) the effect on earnings or any other measurement of value used in the management of interest-rate risk in the event of upward or downward shocks in interest rates on major currencies	Disclosure 28
<b>23.</b>	<b>Securitisation</b>	Not relevant
<b>24.</b>	<b>IRB approach</b>	Not relevant
<b>25.</b>	<b>Credit protection</b>	
	a) the policies and processes for using balance-sheet netting, and the extent of use of this type of protection	Disclosure 29
	b) the policies and processes for collateral valuation and management	Disclosure 30
	c) a description of the main types of collateral taken by the bank	Disclosure 31
	d) the major types of personal guarantor and counterparties in credit derivatives transactions, and their creditworthiness	Disclosure 32
	e) information about market or credit risk concentrations within the credit protection taken (by type of protection)	Disclosure 33
	f) for a bank that uses the standardised approach or an IRB approach to calculating credit risk capital requirements without its own estimates of LGDs (and CFs), the total exposure value (after balance sheet netting, if used) that is covered by collateral, after the application of volatility adjustments, for each category of exposure	Disclosure 19
	g) the total exposure value (after balance sheet netting, if used) that is covered by personal guarantees or credit derivatives for each category of exposure. For the category of exposures from equity instruments, this requirement shall apply to each of the approaches set out in Articles 133, 134 and 138 of the IRB approach regulation	Disclosure 19
<b>26.</b>	<b>Operational risk – advanced measurement approach</b>	Not relevant

### **Disclosure 1: The name of the bank obliged to make disclosures and entities included in disclosures**

(Article 11(a) and (b) of the Regulation on Disclosures by Banks and Savings Banks)

Information is disclosed by Nova KBM d.d.

In accordance with the requirements of International Financial Reporting Standards, all subsidiaries, associates and joint ventures shall be included in consolidated financial statements; subsidiaries are fully consolidated, whilst associates and joint ventures are included in the consolidation by using the equity method (the Bank does not have any joint ventures). The Bank has set up a reporting, controlling and risk monitoring system for all Nova KBM Group (hereafter also the 'Group') companies through their integration into the risk assessment system, in spite of the fact that the associates are not subject to the control on a consolidated basis. A brief description of Nova KBM Group companies is included in the annual report.

Subsidiaries:

- Poštna banka Slovenije d.d.
- Adria Bank AG
- KBM Leasing d.o.o.
- Gorica Leasing d.o.o.
- KBM Invest d.o.o.
- KBM Fineko d.o.o.
- M-Pay d.o.o.
- Multiconsult Leasing d.o.o.
- Multiconsult d.o.o. (changed its name to KBM Projekt d.o.o.)

Associates:

- Zavarovalnica Maribor d.d.
- Moja naložba d.d.

### **Disclosure 2: The strategies and processes for managing risks**

(Article 10(a) of the Regulation on Disclosures by Banks and Savings Banks)

This disclosure is included in the annual report; the overall aspect of strategies and processes is presented in the business part of the annual report, whilst disclosures by individual risks are set out in the notes to the financial statements.

Pursuant to its mission, the Nova KBM Group will always ensure safety of its operations while fully complying with risk management standards. The principal risk management guidance of the Nova KBM Group is established on that basis. The Group is aware of all the risks to which it is exposed in its operations and controls them separately by the category of risks, individual organisational units, business lines and employees.

For measuring risks, the Group has adopted a systematic approach. Each category of risk is identified, measured (or assessed), controlled and managed. For each category of risk the Bank defines the factors that have an impact on the level of exposure, and the risk factors that cause a change in the asset value. The Group has determined an acceptable level of each category of risk at least for each independent legal entity and, if applicable and reasonable, at organisational units level.

The Group's integrated approach towards risk management can be described as follows:

- identification of all the risks to which the Nova KBM Group is exposed in its operations
- assessment of risk level and methods for monitoring risk factors
- continuous monitoring of exposure of Group companies to specific risks and consideration of established limits
- learning and adapting to the changed business environment, which includes reassessment of limits and methodologies for setting up limits as the conditions change.

**Disclosure 3: The structure and organisation of the relevant risk management function**  
(Article 10(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group revises the document Strategy of the Nova KBM Group on an annual basis. The Strategy of the Nova KBM Group is the key document in preparing the annual business plan at individual Group companies' level as well as at the Group level. Management boards of individual Group companies are responsible for accomplishing objectives set out in the business plan, which includes also risk management.

The Bank's Management Board has delegated risk oversight and management to the senior management (policy holders). The policy holders, together with officers responsible for particular policies, determine the method of measuring individual risks. The responsible officers are specialised in defining, measuring and controlling individual risks. The organisational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organisationally separate from the unit it monitors. In accordance with the rules of procedure, each risk management policy has to be approved by the Policy Adoption Committee and, in addition, agreed by the President of the Management Board or his deputy. Risk management policies form the basis for managing individual risks across the entire Group. The Group companies may use their own approach in managing individual risks, but shall in each case receive an approval from the person in charge of the relevant risk within the Bank.

Risk management is conducted in accordance with the established and approved risk management policies. The system of limits and the limits themselves are proposed by organisational units that are specialised in managing individual risks and are organisationally independent of the units accepting risks, whereas the approval lies with decision-making bodies or the Management Board. Organisational units specialised in managing individual risks periodically report on risk exposure and possible violation of limits being approved.

The Bank manages risks at the Group level on the basis of monthly reporting of all Group companies. Through its representatives on supervisory boards of Group companies, the Bank regularly exercises control over individual members of the Group.

**Disclosure 4: The scope and nature of internal risk reporting and risk measurement systems**

(Article 10(c) of the Regulation on Disclosures by Banks and Savings Banks)

Individual risk management policies set out the methods and frequency of reporting. The scope and frequency of reporting depends on the category of risk and the recipients of reports. Persons responsible for managing and reporting of individual risks are independent of the organisational units accepting risks, which ensures the prevention of conflict of interest.

The reports comply with the requirements for unbiased, informative and transparent reporting of individual risks. The regular reports are standardised. For compiling consolidated accounts, an automated system for collecting data has been set up at the Group level.

**Disclosure 5: The policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants**

(Article 10(d) of the Regulation on Disclosures by Banks and Savings Banks)

Methods of risk management and control are set out for each category of risk in relevant risk management policies that consider specific characteristics of each category of risk. For each risk management policy one person is in charge; the responsible person shall take care that individual risk management policies are harmonised with all the other policies, and that they are in compliance with the applicable legislation and best banking practice. The minimum scope of risk management policies has been determined; each policy shall include the risk definition, the method for measuring risk and the reporting of risk, the limiting of exposure, and clear definition of responsibilities of individual persons.

The following risk management policies are considered to be the most important for managing risks at the Group level:

- the Credit Risk Management Policy
- the Collateral Policy
- the Policy of Restructuring and Collecting Doubtful Debts
- the Liquidity Risk Management Policy
- the Policy of Managing the Banking Book Market Risks
- the Policy of Managing the Trading Book Market Risks
- the Interest Rate Risk Management Policy
- the Operational Risk Management Policy
- the Capital Risk Management Policy
- the Organisation and Staff Development Policy
- the Reputation Risk Management Policy
- the Strategic Risk Management Policy
- the Information System Security Policy

Risk management policies form the basis for managing individual risks in the entire Group. Considering the volume of their business, the Group companies may use their own approach in managing individual risks, but shall in each case receive an approval from the person in charge of the relevant risk within the Bank.

**Disclosure 6: Any current or foreseen practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries**

(Article 11(c) of the Regulation on Disclosures by Banks and Savings Banks)

Subject to observance of regulatory requirements as regards operations of individual Nova KBM Group companies, there are no legal impediments to the transfer of own funds or repayment of liabilities among the Bank and its subsidiaries.

**Disclosure 7: The aggregate amount by which the own funds are less than the required minimum in all subsidiaries not included in the consolidation, and the name(s) of these subsidiaries**

(Article 11(d) of the Regulation on Disclosures by Banks and Savings Banks)

All Group companies comply with minimum capital requirements as laid down in applicable legislation. As of 31 December 2009, all Group companies exceeded the minimum regulatory capital requirements prescribed for their operations.

**Disclosure 8: Key information on the terms and conditions of the main features of all own funds items and components thereof**

(Article 12(a) of the Regulation on Disclosures by Banks and Savings Banks)

With regard to the characteristics, the Bank's equity is divided into three categories: original own funds (Tier I); additional own funds (Tier II); ancillary own funds (Tier III). The characteristics of each category of equity are laid down in the Regulation on the Calculation of Own Funds of Banks and Savings Banks (Official Gazette of the Republic of Slovenia, Nos. 135/06 and 104/07).

Original own funds include paid-up capital, share premium, reserves and retained earnings, and innovative instruments.

Additional own funds include subordinated debts, hybrid instruments, revaluation adjustment in respect of available-for-sale financial assets, and adjustment of effect of investment property valuation. The amount of subordinated debt included in additional own funds shall be gradually reduced by a cumulative 20% discount rate over the final five years before maturity or repayment. The following instruments were included in the calculation of the Nova KBM Group's equity as of 31 December 2009:

Subordinated debt		Date of maturity	Interest rate	Nominal amount (€000)	Taken into account in equity (€000)
ISIN: SI0022102279	EUR	30 Sep. 2011	4.70%	4,173	835
	EUR	Call option exercisable at the end of each financial year; redemption after 4 years	variable	1,250	1,000
<b>Hybrid instruments</b>					
-	EUR	Perpetual	6M EURIBOR + 2.70%	6,456	6,456
-	EUR	Perpetual	6M EURIBOR + 3.50%	1,890	1,890
ISIN: XS0270427163	EUR	Perpetual; call option after 5 Oct. 2016	3M EURIBOR + 1.60%	50,000	50,000
ISIN: XS0325446903	EUR	Perpetual; call option after 12 Oct. 2012	7.02%	100,000	100,000
<b>Innovative instruments</b>					
ISIN: SI0022103046	EUR	Perpetual; call option after 29 Dec. 2014	8.70%	26,030	26,030



**Disclosure 9: Capital and capital requirements with a description of differences in the basis of consolidation for accounting and prudential purposes**

(Articles 11(b), 12(b), (c), (d) and (e), 13(b), (d) and (e) and 18 of the Regulation on Disclosures by Banks and Savings Banks)

This information is disclosed in the annual report, in section 4 of the financial report. The calculation of capital requirement for credit risk is made in accordance with the Regulation on the Calculation of Capital Requirements for Credit Risk under the Standardised Approach.

The calculation of capital adequacy is based on consolidated financial statements in accordance with the Regulation on the Supervision on a Consolidated Basis.

The Bank meets prescribed ratios and restrictions with regard to individual components of equity.

For the purpose of complying with the requirements of the Regulation on the Supervision on a Consolidated Basis, the Bank does not include Moja naložba, pokojninska družba, d.d. and Zavarovalnica Maribor d.d. in the supervision on a consolidated basis. Investments in these two associates are capital deduction items in the calculation of equity on a consolidated basis.

**Disclosure 10: A summary of the bank's approach to assessing the adequacy of its internal capital to support current and planned activities**

(Article 13(a) of the Regulation on Disclosures by Banks and Savings Banks)

Within the process of assessing adequate capital, the Bank has adopted a methodology for calculating available and adequate economic capital.

Available economic capital is the Group's own consideration of the amount of available capital. The amount of available economic capital equals the amount of regulatory available capital increased by a portion of the profit for the current year.

Adequate economic capital is the Group's own consideration of the amount of capital needed for covering any unexpected risks it is exposed to in its operations. The amount of adequate economic capital equals the amount of minimum capital as prescribed by the regulator (pillar I), including additional capital requirements.

Adequate economic capital takes separately into consideration the following risks:

- credit risk: in accordance with pillar I
- market risks (other than currency risk): in accordance with pillar I
- operational risk: in accordance with pillar I
- interest rate risk of the banking book: an internal methodology based on a stress test
- currency risk: an internal methodology based on value-at-risk (VaR)
- liquidity risk: an internal methodology based on the calculation of costs of substituting unexpected loss of liquidity
- capital risk: a possibility of raising additional capital
- reputation risk: an expert assessment
- strategic risk: an expert assessment

The Bank determines in its annual plans target values of capital components for the Group as a whole. ALCO is responsible for overseeing regulatory available and minimum capital as well as economic available and adequate capital.

**Disclosure 11: A description of the methodology used to assign internal capital and credit limits for counterparty credit exposures; a description of the method that it uses for calculating the exposure value for derivatives, swaps, securities or commodities lending or borrowing transactions, margin lending transactions, and long settlement transactions**

(Article 14(a) and (f) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group controls counterparty credit exposure by applying the current exposure methodology pursuant to the provisions of the Regulation on the Calculation of Capital Requirements for Market Risk. The credit replacement value is the aggregate of current and potential exposure.

Repo transactions are valued as the difference between the current value of investment (nominal amount plus accrued interest) and current value of collateral (market value of the instrument). The maximum exposure shall be within the defined limits, and additional collateral is required in case of exceeding such limits. Counterparty exposure is controlled in accordance with the Credit Risk Management Policy which deals with individual counterparty exposures in an integrated manner.

The calculation of adequate economic capital needed for the aforementioned transactions is made in accordance with an internal methodology that determines the method of calculating available and adequate economic capital. The calculation of adequate economic capital for the aforementioned transactions is made in accordance with pillar I and is the same as prescribed by the regulator for the calculation of capital requirements for credit risk.

**Disclosure 12: A description of policies for securing collateral and a description of policies with respect to wrong-way risk exposures**

(Article 14(b) and (c) of the Regulation on Disclosures by Banks and Savings Banks)

The Bank offers transactions in derivatives without requesting collateral only to customers with the highest credit rating; the exposure to credit risk under these transactions is included in the calculation of the total exposure to customers. To all other customers, the Bank offers transactions in derivatives only upon receiving adequate collateral.

For repo transactions, the Bank has determined the minimum eligible quality of assets accepted as collateral.

The Bank enters into transactions that involve wrong-way risk exposure only to the extent that allows the Bank closing a position, if a customer fails to provide additional prime collateral required. The Bank daily controls counterparty credit risk on the basis of available market prices or prices calculated according to the internal methodology the input data of which are prevailing market prices.

**Disclosure 13: A description of the effects of a downgrade in the bank's credit assessment in increasing the amount of collateral to be secured by the bank**

(Article 14(d) of the Regulation on Disclosures by Banks and Savings Banks)

The Bank has not entered into any transactions that would require an increase in the amount of collateral in case of a downgrade in the Bank's credit rating.

**Disclosure 14: The gross positive fair values of contracts, netting benefits, netted current credit exposures, collateral at the bank's disposal, and net credit exposure from derivatives**

(Article 14(e) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group does not use netting contracts. The gross positive value of contracts equals net credit exposure from derivatives.

Type of derivative	Total gross positive values of contracts or net credit exposure
Currency forwards	0
Forwards on securities	€2,064,735
Interest rate swaps	0

**Disclosure 15: The nominal value of credit derivatives used for hedging, and the distribution of current credit exposure by types of credit exposure; the nominal value of credit derivatives transactions, the value of these instruments for the bank's own portfolio and the values for clients being illustrated separately, and an indication of the types of credit derivatives further broken down as bought and sold**

(Article 14(g) and (h) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group does not hold credit derivatives in its portfolios.

**Disclosure 16: An estimate of  $\alpha$  if the bank holds the Bank of Slovenia authorisation to use its own estimate of  $\alpha$**

(Article 14(i) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group has not obtained the Bank of Slovenia authorisation to use its own estimate of  $\alpha$ .

**Disclosure 17: A definition of past due and impaired items for accounting purposes**

(Article 15(a) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group treats as past due items all on- and off-balance sheet items for which a counterparty has not met its contractual obligations on time and in the agreed-upon scope.

Impaired items for accounting purposes are all items for which the Nova KBM Group has made impairment losses. The Group records separately individually impaired and collectively impaired items.

**Disclosure 18: A description of the methodology for making value adjustments to items and provisions**

(Article 15(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group records financial assets and liabilities at amortised cost or at fair value, whilst off-balance sheet commitments are recorded at the contractual value.

Amortised cost of a financial asset equals the amount of outstanding principal increased by outstanding interest and fees and decreased by corresponding impairment loss made in accordance with the Nova KBM's Methodology for Assessing Losses from Credit Risk.

The fair value of a financial asset equals its current market value. If a market price for a financial asset cannot be established, the Bank applies the fair value hierarchy in accordance with International Accounting Standards. If the market price of a financial asset is not available for one month, the fair value of such an asset is determined by applying the model

that takes into consideration market prices. If the value of a financial asset cannot be determined according to this model, the acquisition cost of a financial assets is regarded as its fair value.

The Group continuously, or at least quarterly, assesses whether impartial evidence exists, or events have occurred since recognition of an asset, and whether these events have an impact on the future cash flows of a financial asset or a group of financial assets, or off-balance sheet commitments, which can be reliably assessed. Information that indicates impairment of financial assets or a possibility of loss under off-balance sheet items includes: non-fulfilment of obligations to Group companies, material financial difficulties of a borrower and the probability of bankruptcy, compulsory settlement or financial reorganisation.

Individually significant financial assets or off-balance sheet items are assessed individually. The amount of impairment loss is measured as the difference between the asset's carrying value and the present value of future cash flows on liquidated collateral discounted by the contractual interest rate of the financial asset.

Individually insignificant financial assets or off-balance sheet items are assessed and impaired collectively. In accordance with the Methodology for Assessing Losses from Credit Risk, the collective impairment rates are determined for homogeneous asset groups. The calculation is based on the probability of migration of a customer in an individual credit rating group to default customers.

If the amount of impairment or provision decreases in the following period, the previously recognised impairment loss is reversed. The amount of reversed loss is recognised in the statement of income.

**Disclosure 19: The total amount of exposures, minus impairments and provisions, without taking the effects of credit protection into consideration, and the average exposure amount in the reporting period (from quarterly data), broken down by category of exposure; the exposure values and the exposure values allowing for the effects of credit protection, broken down by credit quality step in accordance with the standardised approach regulation and the Regulation on Credit Protection, and the values of capital deduction items; for a bank that uses the standardised approach or an IRB approach to calculating credit risk capital requirements without its own estimates of LGDs (and CFs), the total exposure value (after balance sheet netting, if used) that is covered by collateral, after the application of volatility adjustments, for each category of exposure; the total exposure value (after balance sheet netting, if used) that is covered by personal guarantees or credit derivatives for each category of exposure**

(Articles 15(c), 16(e) and 25(f) and (g) of the Regulation on Disclosures by Banks and Savings Banks)

€000

Category of exposure	ORIGINAL EXPOSURE PRE CONVERSION FACTORS	% OF EXPOSURE BY CATEGORY	NET VALUE OF EXPOSURE	CRM WITH SUBSTITUTION EFFECTS ON THE EXPOSURE				VALUE OF COLLATERAL/ NET VALUE OF EXPOSURE	NET EXPOSURE AFTER CRM SUBSTITUTION EFFECTS PRE CONVERSION FACTORS	FULLY ADJUSTED EXPOSURE VALUE	RISK WEIGHTED EXPOSURE AMOUNT	CAPITAL REQUIREMENT	SHARE OF CAPITAL
				UNFUNDED CREDIT PROTECTION		FUNDED CREDIT PROTECTION							
				GUARANTEES	CREDIT DERIVATIVES	FINANCIAL COLLATERAL: SIMPLE METHOD	OTHER FUNDED CREDIT PROTECTION						
1	2=1/sum(1)	3	4	5	6	7	8=(sum4,7)/3	9	10	11	12	13=12/sum(12)	
Central governments and central banks	730.575	10.81%	730.575	0	0	0	0	0.00%	916.846	906.631	0	0	0.00%
Regional governments and local authorities	16.319	0.24%	15.628	0	0	0	0	0.00%	15.628	15,618	7,809	625	0.18%
Administrative bodies	5.699	0.08%	5,670	3,724	0	24	0	66.10%	7,183	6,363	3,182	255	0.07%
Multilateral development banks	877	0.01%	877	0	0	0	0	0%	877	877	0	0	0.00%
Institutions	716,464	10.60%	715,032	42,088	0	0	0	5.89%	689,779	683,496	288,547	23,084	6.61%
Corporates	2,915,872	43.15%	2,802,344	97,524	0	14,263	0	3.99%	2,690,557	2,487,190	2,513,892	201,111	57.61%
Retail banking	1,629,490	24.11%	1,599,677	2,307	0	35,945	0	2.39%	1,561,425	1,355,851	1,016,889	81,351	23.30%
Past due items	254,217	3.76%	169,307	0	0	0	0	0.00%	169,307	168,857	193,654	15,492	4.44%
Items belonging to regulatory high-risk categories	161,891	2.40%	102,130	3,660	0	8,832	0	12.23%	89,637	88,204	113,771	9,102	2.61%
Collective investment undertakings	34,195	0.51%	34,193	0	0	0	0	0.00%	34,193	34,193	34,193	2,735	0.78%
Other exposure	292,578	4.33%	292,566	0	0	0	0	0.00%	292,566	292,428	191,746	15,340	4.39%
<b>TOTAL</b>	<b>6,758,176</b>	<b>100.00%</b>	<b>6,467,999</b>	<b>149,303</b>	<b>0</b>	<b>59,065</b>	<b>0</b>	<b>3.22%</b>	<b>6,467,999</b>	<b>6,039,707</b>	<b>4,363,682</b>	<b>349,095</b>	<b>100.00%</b>

**Disclosure 20: The geographic distribution of exposures, broken down by material category of exposure, and further detailed if appropriate; for significant geographical areas the amount of past due exposures as at the end of the reporting period, and within this the amount of impaired exposures, including, if practical, the amounts of impairments and of provisions related to each geographical area**

(Article 15(d) and (h) of the Regulation on Disclosures by Banks and Savings Banks)

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COUNTRY	Central governments and central banks	Regional governments and local authorities	Administrative bodies	Multilateral development banks	Institutions	Corporates	Retail banking	Past due items	Items belonging to regulatory high-risk categories	Collective investment undertakings	Other exposure	TOTAL
SLOVENIA	656,874	16,319	5,699	0	256,425	2,566,184	1,600,201	197,717	142,494	34,195	291,171	5,767,279
CROATIA	0	0	0	0	13,663	202,508	14,634	41,661	8,849	0	0	281,315
GERMANY	44,382	0	0	0	114,996	0	1,448	0	323	0	0	161,148
AUSTRIA	1,043	0	0	0	51,184	40,741	2,786	3,830	273	0	1,360	101,216
USA	0	0	0	0	61,205	13,832	624	1,709	920	0	0	78,289
SERBIA	0	0	0	0	0	55,066	2,449	3,782	3,398	0	0	64,694
SPAIN	0	0	0	0	64,219	0	213	0	0	0	1	64,433
FRANCE	5,170	0	0	0	33,189	2,533	104	0	0	0	14	41,011
ITALY	0	0	0	0	25,536	6,542	2,389	0	4,058	0	23	38,548
BELGIUM	21,025	0	0	0	0	0	128	0	0	0	8	21,161
GREAT BRITAIN	0	0	0	0	21,007	0	10	0	0	0	0	21,017
THE NETHERLANDS	0	0	0	0	10,682	4,715	0	0	0	0	0	15,397
AUSTRALIA	0	0	0	0	14,812	0	0	0	0	0	0	14,812
DENMARK	0	0	0	0	10,792	0	132	0	0	0	0	10,924
SWITZERLAND	0	0	0	0	3,136	5,000	2,018	0	0	0	0	10,154
PORTUGAL	0	0	0	0	9,571	0	0	0	0	0	0	9,571
NORWAY	0	0	0	0	8,579	0	0	0	0	0	0	8,579
BOSNIA AND HERZEGOVINA	0	0	0	0	0	5,022	194	2,290	0	0	0	7,506
RUSSIA	0	0	0	0	5,566	0	10	875	0	0	0	6,451
MONTENEGRO	0	0	0	0	3,000	0	0	2,081	0	0	0	5,081
HUNGARY	0	0	0	0	0	4,732	122	9	0	0	0	4,862
LATVIA	0	0	0	0	3,500	0	0	0	0	0	0	3,500
ROMANIA	0	0	0	0	0	2,500	570	0	0	0	0	3,070
THE CZECH REPUBLIC	0	0	0	0	0	2,904	0	0	0	0	0	2,904
REPUBLIC OF MACEDONIA	0	0	0	0	0	2,292	209	0	0	0	0	2,501
BULGARIA	0	0	0	0	2,408	0	4	66	0	0	0	2,478
THE SLOVAK REPUBLIC	2,081	0	0	0	0	0	66	0	0	0	0	2,147
CYPRUS	0	0	0	0	0	1,300	0	0	671	0	0	1,971
SWEDEN	0	0	0	0	1,467	0	12	0	0	0	0	1,479
CANADA	0	0	0	0	1,412	0	2	0	0	0	0	1,414
Other	0	0	0	877	114	0	1,167	199	906	0	0	3,263
<b>TOTAL</b>	<b>730,575</b>	<b>16,319</b>	<b>5,699</b>	<b>877</b>	<b>716,464</b>	<b>2,915,872</b>	<b>1,629,490</b>	<b>254,217</b>	<b>161,891</b>	<b>34,195</b>	<b>292,577</b>	<b>6,758,176</b>

**Disclosure 21: The distribution of exposures by institutional sector or counterparty type, broken down by category of exposure, and further detailed if appropriate**

(Article 15(e) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY	CENTRAL GOVERNMENT	REGIONAL GOVERNMENT	PUBLIC SECTOR	INSTITUTIONS	CORPORATE CUSTOMERS	INDIVIDUAL CUSTOMERS AND SOLE PROPRIETORS	FUNDS	OTHER	TOTAL
Central governments and central banks	730,575	0	0	0	0	0	0	0	730,575
Regional governments and local authorities	0	16,319	0	0	0	0	0	0	16,319
Administrative bodies	0	0	5,699	0	0	0	0	0	5,699
Multilateral development banks	0	0	0	877	0	0	0	0	877
Institutions	0	0	0	666,236	50,228	0	0	0	716,464
Corporates	0	0	0	0	2,862,060	53,812	0	0	2,915,872
Retail banking	0	0	0	0	414,037	1,215,453	0	0	1,629,490
Past due items	0	1	0	816	192,534	60,866	0	0	254,217
Items belonging to regulatory high-risk categories	0	0	0	2,608	157,384	1,899	0	0	161,891
Collective investment undertakings	0	0	0	0	0	0	34,195	0	34,195
Other exposure	0	0	0	235,259	30,745	1,988	0	24,585	292,577
<b>TOTAL</b>	<b>730,575</b>	<b>16,320</b>	<b>5,699</b>	<b>905,796</b>	<b>3,706,988</b>	<b>1,334,018</b>	<b>34,195</b>	<b>24,585</b>	<b>6,758,176</b>

**Disclosure 22: A breakdown of all categories of exposure into residual maturities of up to one year and more than one year, and further detailed if appropriate**  
(Article 15(f) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY OF EXPOSURE	Residual maturity	Amount of exposure
Central governments and central banks	non-current	161,930
	current	568,645
Regional governments and local authorities	non-current	12,459
	current	3,860
Administrative bodies	non-current	4,031
	current	1,667
Multilateral development banks	non-current	0
	current	877
Institutions	non-current	85,330
	current	631,134
Corporates	non-current	1,192,633
	current	1,723,239
Retail banking	non-current	1,038,039
	current	591,452
Past due items	non-current	115,221
	current	138,996
Items belonging to regulatory high-risk categories	non-current	48,225
	current	113,665
Collective investment undertakings	non-current	0
	current	34,195
Other exposure	non-current	0
	current	292,578
<b>TOTAL</b>		<b>6,758,176</b>

**Disclosure 23: For significant institutional sectors or counterparty types as at the end of the reporting period: the amount of past due exposures, and within this the amount of impaired exposures (net amounts); the amount of value adjustments due to impairments and provisions; the amount of eliminated/formed value adjustments due to impairments and provisions during the reporting period**  
(Article 15(g) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY	31 Dec 2008		31 Dec 2009	
	Opening balance Past due exposures	Impairment	Closing balance Past due exposures	Impairment
Retail banking	36,376	19,937	60,866	31,190
Institutions	352	238	816	31
Corporates	81,324	26,198	192,535	53,688
<b>TOTAL</b>	<b>118,052</b>	<b>46,374</b>	<b>254,217</b>	<b>84,909</b>

**Disclosure 24: For impaired exposures an illustration of the changes in value adjustments and an illustration of the changes in provisions, these comprising:**

**- a description of the value adjustments and provisions by type of asset**

**- the opening balance of the value adjustments and provisions as at the beginning of the year**

**- the increase in the reporting period**

**- the decrease in the reporting period**

**- the closing balance of the value adjustments and provisions as at the end of the reporting period**

(Article 15(i) of the Regulation on Disclosures by Banks and Savings Banks)

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Category of exposure	Impairment losses and provisions at the beginning of the period	Impairment losses and provisions at the end of the period	Increase/decrease in the reporting period
On-balance sheet items	233,976	280,612	46,636
Off-balance sheet items	10,712	9,117	(1,596)
<b>TOTAL</b>	<b>244,689</b>	<b>289,728</b>	<b>45,040</b>

**Disclosure 25: The business names of the nominated external credit assessment institutions (hereinafter: ECAI) or export credit agencies (hereinafter: ECA), and the reasons for any replacements; an indication of the ECAI or ECA whose credit assessments are used for a particular category of exposure; a general description of the process for determining the risk weights for individual exposures on the basis of the credit assessments available for the obligor and its financial instruments**

(Article 16(a), (b) and (c) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group calculates capital requirements for credit risk by applying the standardised approach. As a reference export credit agency for the category 'exposure to central governments and central banks', the Bank nominated SID Bank Inc., Ljubljana. As a reference external credit assessment institution for the category 'exposure to institutions, including exposure to institutions with a short-term rating', the Bank nominated the rating agency Moody's.

The Bank of Slovenia considers SID Bank Inc. as an appropriate export credit agency and Moody's as an appropriate external credit assessment institution. The Bank Slovenia publishes a comparison of ratings used by SID Bank Inc. and Moody's.

The process of determining weights for individual categories of exposure on the basis of available ratings of a debtor and its financial instruments is made in compliance with the Regulation on the Calculation of Capital Requirements for Credit Risk under the Standardised Approach. For categories of exposure for which the external credit assessment institution has been nominated, the determination of weights is based on ratings of financial instruments. If the rating of a financial instrument is not available, the long-term rating of a debtor or of a comparable financial instrument of a debtor is used. In case these ratings are not available, the sovereign rating of the country in which the debtor is located is used.

For categories of exposure for which the external credit assessment institution has not been nominated, the determination of weights is made according to the applicable legislation, meaning that weights are determined on the basis of a rating assigned to the country in which the debtor is located, or on the basis of specific rules applicable to each category of exposure.



**Disclosure 26: Operational risk – the approach to operational risk**

(Article 20(a) of the Regulation on Disclosures by Banks and Savings Banks)

In 2009, the Group monitored operational risk and calculated capital requirements for operational risk in accordance with the basic indicator approach.

**Disclosure 27: Investments in equities not included in trading book**

(Article 21 of the Regulation on Disclosures by Banks and Savings Banks)

With regard to the investment purpose, the Nova KBM Group differentiates three categories of equity investments:

- investments needed for regular operations of the Group (Bankart, S.W.I.F.T., the Central Securities Clearing Corporation - KDD)
- investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies with regard to accomplished financial objectives
- temporary investments in equities which are the consequence of liquidating collateral and which the Group intends to sell within a short period of time.

All of the investments listed above are kept in the available-for-sale portfolio and measured at fair value through equity. If the market price of an instrument is available, this price is also disclosed in the accounts. If the market price of an instrument is not available, a team of valuation experts determines the value of investment on the basis of adopted internal methodology.

<b>Categories of equity investments</b>	<b>Balance of investment as of 31 December 2009 (€000)</b>
Investments needed for regular operations of the Group	383
Investments in equities and funds with an exit strategy	44,229
Temporary investments in equities as a consequence of liquidating collateral	21,289
<b>Total</b>	<b>65,901</b>

The aggregate investment in associated companies (Zavarovalnica Maribor d.d. and Moja naložba d.d.) amounts to €24,729 thousand.

Pursuant to the applicable legislation, the Group deducts from the share capital the entire unrealised loss on equities of the banking book, which amounted to €3,274 thousand as of 31 December 2009. Pursuant to the applicable legislation, the Group considers as additional capital 80% of unrealised gains on equities of the banking book, which amounted to €4,913 thousand as of 31 December 2009.

For 2009, the Nova KBM Group realised a gain of €1,867 thousand from the sale of equities of the banking booking.

**Disclosure 28: The nature of the interest-rate risk and the key assumptions (including assumptions about the early repayment of loans and the movement of sight deposits), and the frequency of the measurement of interest-rate risk; the effect on earnings or any other measurement of value used in the management of interest-rate risk in the event of upward or downward shocks in interest rates on major currencies**

(Article 22(a) and (b) of the Regulation on Disclosures by Banks and Savings Banks)

Interest rate risk management is set out in the annual report, in section 4 of the notes to the financial statements.

**Disclosure 29: The policies and processes for using balance-sheet netting, and the extent of use of this type of protection**

(Article 25(a) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group does not use balance-sheet netting as an instrument of credit protection.

**Disclosure 30: The policies and processes for collateral valuation and management**

(Article 25(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Collateral Policy of the Nova KBM Group sets out the key aspects with regard to accepting, continuously valuating and enforcing collateral.

The principal aim of the Collateral Policy is to reduce the Bank's exposure to credit risk. Collateral provided for investments represents a secondary source for the repayment of contractual obligations; it is liquidated in case a borrower, for whatever reason, ceases to settle its obligations, or in case of a change in circumstances that prevailed at the time of approving the investment.

Upon entering into any transaction, the Group obtains appropriate documentation for each type of collateral, which ensures adequate legal protection in case of a need for realising the secondary repayment source. For each type of collateral, the frequency and the method of valuation has been determined. During the contractual relationship, the Bank regularly controls the coverage of investment with collateral, and requests additional collateral to be provided in case of a drop in the value of collateral, or if appropriate.

The Bank started to collect methodically the data for the entire Group with regard to the success rate in enforcing individual types of collateral. The results of this analysis are of key importance when accepting individual types of collateral.

**Disclosure 31: A description of the main types of collateral taken by the bank**  
(Article 25(c) of the Regulation on Disclosures by Banks and Savings Banks)

In accordance with the Collateral Policy, the following classification of collateral was adopted:

- prime collateral
- adequate collateral
- pledging of real estate
- pledging of moveable property
- other types of collateral.

Prime collateral is collateral that can be liquidated within a 30-day period. Types of prime collateral are the following:

- bank deposits
- securities issued by the Republic of Slovenia, the Bank of Slovenia and governments and central banks of A Zone countries
- irrevocable guarantees at first request issued by banks that have obtained the authorisation of the Bank of Slovenia for banking operations, or issued by prime banks of the Member States and other prime foreign banks
- prime senior debt securities that are traded on financial markets and issued by banks
- irrevocable guarantees of the Republic of Slovenia.

Adequate collateral:

- an independent guarantee issued by the company of good financial standing that meets the criteria for being classified in the A credit rating group and that provides sufficient cash flows for the settlement of obligations
- a guarantee of a private individual who demonstrates appropriate creditworthiness
- insurance with insurance companies
- pledging of life insurance policies
- liquid securities that can be sold on the active market of a regulated stock exchange.

**Disclosure 32: The major types of personal guarantor and counterparties in credit derivatives transactions, and their creditworthiness**

(Article 25(d) of the Regulation on Disclosures by Banks and Savings Banks)

<b>Personal guarantors</b>	<b>% of total</b>
- state guarantees	12.5%
- guarantees by corporate customers	63.9%
- guarantees by private individuals	22.6%
- bank guarantees	1.1%
<b>Total</b>	<b>100.0%</b>

The Nova KBM Group does not enter into credit derivatives transactions.

**Disclosure 33: Information about market or credit risk concentrations within the credit protection taken (by type of protection)**

(Article 25(e) of the Regulation on Disclosures by Banks and Savings Banks)

In accordance with its policies, the Nova KBM Group grants loans and advances for which the primary source of repayment is the expected cash flow; collateral provided represents a secondary source of repayment and is utilised only to a lesser extent.

In monitoring large exposures, the Nova KBM Group controls the concentration of credit risk resulting from personal guarantees taken as collateral.

The Nova KBM Group monitors the concentration of market risks within the credit protection with regard to the liquidity of securities obtained. With the support provided by the specialist services, the Group assesses the liquidity of securities taken as protection on the basis of regular turnover in securities and the amount of securities received. In the same way, it also assesses value adjustments to be made as a result of reduced liquidity.

Risk Management Department

Peter Kupljen, Manager

Maribor, 30 April 2010