Disclosures made by Nova KBM d.d. for the year 2012 on the basis of its consolidated financial situation

Maribor, April 2013

Pursuant to the Regulation on Disclosures by Banks and Savings Banks, Nova KBM d.d. (hereafter also referred to as 'Nova KBM' or the 'Bank') is, on the basis of its consolidated financial situation, obliged 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 business decisions. The legislation gives banks the option of not disclosing confidential information or business secrets.

Considering the options available to banks and savings banks, Nova KBM d.d. has decided to publish the disclosures in a separate document in which it described each individual disclosure in accordance with the Regulation on Disclosures by Banks and Savings Banks. The majority of requested information is disclosed by the Bank in its annual report, in compliance with the applicable legislation and International Financial Reporting Standards. The disclosures, which form an integral part of the annual report and must, in addition, be published under the Regulation on Disclosures by Banks and Savings Banks, are not contained herein; only a reference is given in this document to the relevant disclosures in the Bank's annual report.

The disclosures have been verified from the point of view of integrity and accuracy by the Internal Audit Centre of Nova KBM d.d.

Article		Disclosure
10.	**Risk management objectives and policies**	
	a) the strategies and processes for managing risks	Disclosure 2
	b) the structure and organisation of the relevant risk management function or other appropriate arrangements	Disclosure 3
	c) the scope and nature of internal risk reporting and risk measurement systems	Disclosure 4
	d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Disclosure 5
11.	**Information on entities included in disclosures**	
	a) the name of the bank obliged to make disclosures pursuant to the regulation	Disclosure 1
	b) an outline of the differences in the basis of consolidation for accounting and prudential purposes (consolidation for supervision on a consolidated basis)	Disclosure 9
	c) 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	Disclosure 6
	d) 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	Disclosure 7
12.	**Own funds**	
	a) key information on the terms and conditions of the main features of all own funds items and components thereof	Disclosure 8
	b) the amount of the original own funds	Disclosure 9
	c) the total amount of additional and ancillary own funds as can be taken into consideration in the calculation of the bank's own funds	Disclosure 9
	d) deductions from original and additional own funds with separate disclosure of items specified in point (f) of the second paragraph of Article 30 of the own funds regulation	Disclosure 9
	e) the amount of own funds	Disclosure 9
13.	**Minimum capital requirements and the process of estimating necessary internal capital**	

Article		Disclosure
	a) a summary of the bank's approach to assessing the adequacy of its internal capital to support current and planned activities	Disclosure 10
	b) the amount of the capital requirement for all categories of exposure as defined in Article 4 of the Regulation on the Calculation of Capital Requirements for Credit Risk Under the Standardised Approach for Banks and Savings Banks	Disclosure 9
	c) the amount of capital requirement for credit risk under the IRB approach	Not relevant
	d) the amount of capital requirement for market risks	Disclosure 9
	e) the amount of capital requirement for operational risk	Disclosure 9
14.	**Counterparty credit risk (CCR)**	
	a) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures	Disclosure 11
	b) a description of policies for securing collateral	Disclosure 12
	c) a description of policies with respect to wrong-way risk exposures	Disclosure 12
	d) 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	Disclosure 13
	e) 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	Disclosure 14
	f) 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 defined in Articles 48 to 68 of the market risk regulations	Disclosure 11
	g) the nominal value of credit derivatives used for hedging, and the distribution of current credit exposure by types of credit exposure	Disclosure 15
	h) 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	Disclosure 15
	i) an estimate of α if the bank holds the Bank of Slovenia authorisation to use its own estimate of α	Disclosure 16
15.	**Credit risk and dilution risk**	
	a) a definition of past due and impaired items for accounting purposes	Disclosure 17
	b) a description of the methodology for making value adjustments to items and provisions	Disclosure 18
	c) 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, broken down by category of exposure	Disclosure 19
	d) the geographic distribution of exposures, broken down by material category of exposure, and further detailed if appropriate	Disclosure 20
	e) the distribution of exposures by institutional sector or counterparty type, broken down by category of exposure, and further detailed if appropriate	Disclosure 21

Article		Disclosure
	f) 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	Disclosure 22
	g) for significant institutional sectors or counterparty types (as defined by the bank) 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	Disclosure 23
	h) 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	Disclosure 20
	i) 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 assets; 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	Disclosure 24
16.	**Additional disclosures by a bank using the standardised approach**	
	a) the business names of the nominated external credit assessment institutions (hereinafter: ECAI) or export credit agencies (hereinafter: ECA), and the reasons for any replacements	Disclosure 25
	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
17.	**Additional disclosures by a bank using the IRB approach**	Not relevant
18.	**Breakdown of market risk capital requirements – by individual types of risk**	Disclosure 9
19.	**Additional disclosures by bank using internal models to calculate market risk capital requirements**	Not relevant
20.	**Operational risk**	
	a) the approach that it uses to calculate operational risk capital requirements	Disclosure 26

Article		Disclosure
	b) a description of the advanced measurement approach methodology, if the bank uses it	Not relevant
21.	**Investments in equities not included in the trading book**	
	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
22.	**Interest-rate risk from items not included in the trading book**	
	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
23.	**Securitisation**	Not relevant
23(a)	**Liquidity risk**	Disclosure 29
	a) methodologies for managing liquidity risk	Disclosure 29
	b) mitigation of liquidity risk	Disclosure 29
	c) measures for preventing and removing the causes of liquidity shortages	Disclosure 29
23(b)	**Remuneration system**	Disclosure 35
23(c)	**Significant business contact**	Disclosure 36
23(d)	**Compliance with regulations**	Disclosure 37
24.	**IRB approach**	Not relevant
25.	**Credit protection**	
	a) the policies and processes for using balance-sheet netting, and the extent of use of this type of protection	Disclosure 30
	b) the policies and processes for collateral valuation and management	Disclosure 31
	c) a description of the main types of collateral taken by the bank	Disclosure 32
	d) the major types of personal guarantors and counterparties in credit derivatives transactions, and their creditworthiness	Disclosure 33
	e) information about market or credit risk concentrations within the credit protection taken	Disclosure 34
	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

Article		Disclosure
	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
26.	**Operational risk – advanced measurement approach**	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)

The disclosures are made 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 the consolidated financial statements; the subsidiaries are fully consolidated, while the associates are included in the consolidation 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 in the risk assessment system, in spite of the fact that the associated company is not subject to control on a consolidated basis. A brief description of Nova KBM Group companies is included in the Bank's annual report.

Company	Position in the Group	Share of voting rights (%)
Nova KBM d.d.	parent bank	
Poštna banka Slovenije d.d.	subsidiary bank	55.00
Adria Bank AG	subsidiary bank	50.54[1]
Credy banka a.d.	subsidiary bank	76.64[2]
KBM Fineko d.o.o.	subsidiary company	100.00
KBM Infond d.o.o.	subsidiary company	72.73[3]
KBM Leasing d.o.o.	subsidiary company	100.00
KBM Invest d.o.o.	subsidiary company	100.00
Gorica Leasing d.o.o.	subsidiary company	100.00
M-Pay d.o.o.	subsidiary company	50.00
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00
MB Finance B.V.	subsidiary company	00.00[4]
Moja naložba d.d.	associated company	45.00

[1] The Group's stake in the share capital of and voting rights in Adria Bank accounts for 50.54%, while its stake in the paid-up capital of Adria Bank equals 46.65%. Paid-up capital is made up of share capital and participating interests without voting rights held by non-controlling interest.

[2] The shareholders' agreement entered into between the Bank and the Republic of Serbia includes a provision under which a 12.89% stake of the Republic of Serbia in Credy banka is subject to a call option available to the Bank and a put option available to the Republic of Serbia. Following the exercise of the option, which is included in other liabilities and the price of which is set at €5,636,000, the shareholding of the Bank in Credy banka will increase to 89.53%, while the shareholding of the Republic of Serbia will fall to nil.

[3] The Group's stake in the share capital of KBM Infond accounts for 72.00%. Due to KBM Infond holding a certain percentage of its own shares, the Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

[4] MB Finance is in accordance with an explanation given by the Standing Interpretation Committee, SOP 12, regarded as a special purpose vehicle controlled by Nova KBM. Nova KBM has neither voting rights nor an equity stake in this entity.

The company Istra Plan, which is 100% owned by KBM Fineko, is not regarded as a business entity, as a result of which only assets of this company, totalling €2,576,000, are included in the consolidated financial statements.

The company KBM Projekt is no longer a subsidiary of Nova KBM. On 30 October 2012, the company filed for liquidation, with the result that Nova KBM lost control of it.

As a result of Nova KBM selling its shareholding, Zavarovalnica Maribor was, as of 31.12.2012, no longer an associated company within the Group.

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 Bank's annual report; the overall aspect of strategies and processes with respect to risk management is presented in the business part of the annual report, while the disclosures made by individual types of risk are set out in the notes to the financial statements.

In accordance with its mission, the Group will always ensure the security of its operations and comply with the highest standards of risk management. The principal guidance of risk management in the Group is based on this premise. The Group is aware of all the risks that are inherent in its operations, and categorizes these according to the type of risk, individual organisational units, business processes, and employees.

The Group uses a systematic approach for measuring risks. It identifies, measures (or assesses), monitors and manages each type of risk. For each type of risk, the Bank identifies the factors that have an impact on the size of exposure, and risk factors that cause a change in the value of its assets. A quantified level of acceptable risk is determined for each type of risk at least at the level of each independent legal entity and, where appropriate and reasonable, also at the level of organisational units.

The following risk management processes reflect the Group's overall approach to risk:

- the identification of all risks that arise in the operations of the Group
- the evaluation of the extent of risk as well as the method of monitoring individual risk factors
- the continuous monitoring of Group companies exposure to a specific risk and consideration of established limits, and
- learning and adapting to the changed business environment, which includes re-assessment 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 Group revises the document Strategy of the Nova KBM Group on an annual basis. The Strategy of the Group is a key document in the preparation of annual business plans, both at the level of individual Group companies and at the Group level. The responsibility for attaining the objectives of a business plan, including those with respect to risk management, is vested in the management boards of Group companies.

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 respective risks. The responsible officers are specialised in defining, measuring and controlling individual types of risk. 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 risks across the entire Group. Considering the volume of their operations, the Group companies may use their own approach to managing risk, but shall in each case receive an approval from the person at the Bank responsible for respective risk management.

Risk management is conducted in accordance with established and approved risk management policies. The methods of managing risks, 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 specialising in managing individual risks report periodically on risk exposure and possible violation of limits.

At the Group level, the Bank manages risks on the basis of monthly reporting provided by 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)

Respective risk management policies set out the methods and frequency of reporting on exposure to risk. The scope and frequency of reporting depend on the category of risk and the recipients of reports. The persons responsible for managing and reporting of individual risks are independent of the organisational units accepting risks, which ensures the prevention of conflicts of interest.

The reports comply with the requirements in respect of impartial, informative and transparent reporting on 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)

The monitoring and managing of specific types of risk is described in detail in the respective risk management policies that take into account specific characteristics of individual risk types. For each risk management policy, one person is responsible. This person must also take care of adjusting the respective policy to other policies, taking into account the applicable legislation and best banking practice. The minimum scope of risk management policies has been determined; each policy shall include the definition of risk, the method for measuring risk and reporting on risk, the method for limiting the exposure, and a clear definition of responsibilities of individual persons.

The following risk management policies are deemed 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 Bad and 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 Staff Development Policy
- the Reputational Risk Management Policy
- the Strategy Management Policy of the Nova KBM Group

- the Consolidated Supervision Policy
- the Information Security Policy
- the Nova KBM Group Management Policy.

Risk management policies form the basis for managing respective risks across the entire Group. Considering the volume of their operations, the Group companies may use their own approach to managing risk, but shall in each case receive an approval from the person at the Bank responsible for respective risk management.

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 applicable to the operations of Group companies, there are no legal impediments to the transfer of own funds or repayment of liabilities between 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)

The company Moja naložba, pokojninska družba, d.d. is not included in the supervision on a consolidated basis. As of 31 December 2012, this company complied with the minimum capital requirements applicable to its 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 respect to its characteristics, the Bank’s equity is made up of three components: original own funds (Tier I), additional own funds I (Tier II) and additional own funds II (Tier III). The characteristics of each component of equity are set out in the Decision Regulating Banks’ and Savings Banks’ Capital Calculation.

Original own funds include paid-up share capital, share premium, retained earnings, hybrid instruments eligible for inclusion in original own funds, and non-controlling interests.

Until 31 December 2010, a hybrid instrument (treated as 'innovative' prior to the legislation change) had been included in the Bank’s calculation of original own funds. Following the legislation change, this instrument does no longer meet the criteria to be included in the calculation of original own funds; however, in accordance with Article 34 of the Decision Regulating Banks’ and Savings Banks’ Capital Calculation, the Bank continues to include this instrument in the calculation of its original own funds, taking into account restrictions applicable to the transitional period. In accordance with the anticipated transitional period, this hybrid instrument will continue to be included in the calculation of the Bank’s original own funds in its full amount, until recall or until 31 December 2040 at the latest.

Additional own funds include subordinated debt, hybrid instruments eligible for inclusion in additional own funds, 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 the calculation of additional own funds I is gradually reduced by a cumulative 20% discount rate over the final five years before maturity.

Hybrid instruments with the ISIN code XS0270427163 are partially held on the Bank's own books. Only the part of the issue that is not held by the Bank is included in the calculation of equity.

Hybrid instruments with the ISIN code SI0022103046 are not included in the calculation of the Group's equity in their full amount, since a part of the outstanding amount of the issue is held by KBM Infond d.o.o.

A hybrid loan facility of €100 million was included in the calculation of the Bank's own funds as at the end of 2012. In the Bank's books of accounts as at the end of 2012, this hybrid loan facility was included within deposits, and not within subordinated liabilities.

The following instruments were included in the calculation of the Group's equity as of 31 December 2012:

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ISIN code	Currency	Date of maturity	Interest rate	Nominal amount	Included in the calculation of equity
Subordinated debt					
-	€	call option exercisable at the end of each financial year; redemption after 4 years	variable	1,250	1,000
Hybrid instruments as a component of additional own funds					
-	€	perpetual	6M EURIBOR + 2.70%	6,456	6,456
-	€	perpetual	6M EURIBOR + 3.50%	1,890	1,890
XS0270427163	€	perpetual; call option after 05.10.2016	3M EURIBOR + 1.60%	50,000	18,100
XS0325446903	€	perpetual; call option exercisable each 3 months	3M EURIBOR + 4.00%	11,808	11,808
Hybrid instruments as a component of original own funds					
SI0022103046	€	perpetual; call option after 29.12.2014	8.70%	26,030	25,930
-	€	perpetual	10%	100,000	100,000

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 section 4 of the financial part of the Bank's annual report. In accordance with the Regulation on the Calculation of Capital Requirements, the calculation of capital requirements for credit risk is made under the standardised approach, while the basic indicator approach is used for the calculation of capital requirements for operational risk.

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

The Bank complies with the prescribed ratios and restrictions relating 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. in the supervision on a consolidated basis. In the calculation of equity on a consolidated basis, the investment in this associated company is shown as a capital deduction item.

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)

As part of the internal capital adequacy assessment process, the Bank has set up a methodology to calculate the 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 certain portion of profit for the current year.

Adequate economic capital is the Group's own consideration of the amount of capital needed to cover 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), taking into account additional capital requirements.

Adequate economic capital takes separately into account the following types of risk:

- 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 stress testing
- currency risk: an internal methodology based on VaR
- liquidity risk: an internal methodology based on the calculation of costs of substituting an unexpected loss of liquidity
- capital risk: availability of fresh capital
- reputational risk: an expert assessment
- strategic risk: an expert assessment
- profitability risk: an internal methodology based on deposit interest rates.

The target values of capital components for the Group as a whole are determined by the Bank in its annual plans. The ALCO is responsible for reviewing 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 Group monitors counterparty credit risk exposure using the current exposure methodology, pursuant to the provisions of the Regulation on the Calculation of Capital Requirements for Market Risks. 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 the current value of collateral (market value of the collateral instrument). The maximum exposure shall be within the set limits, and additional collateral must be provided in case of exceeding the set limits. Counterparty exposure is controlled in accordance with the Credit Risk Management Policy.

Currency forward contracts used to regulate the open foreign currency position are entered into only with prime banks, and within the set limits. Currency forward contracts of the trading book are entered into up to the limit set for each counterparty.

The calculation of adequate economic capital for the transactions referred to above is made in accordance with an internal methodology that defines the method for calculating available and adequate economic capital. The calculation of adequate economic capital for the transactions referred to above 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. Transactions in derivatives entered into with all other customers are subject to providing adequate collateral.

For repo transactions, the Bank has determined the minimum eligible credit 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 to close a position, if a customer fails to meet the request to provide additional prime collateral. Counterparty credit risk is controlled daily on the basis of available market prices or prices calculated according to an internal methodology, the input data of which are the 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, in case of a downgrade in the Bank's credit rating, require an increase in the amount of collateral provided by it.

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

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Type of derivative	Total gross positive value of contracts or net credit exposure
Currency forwards	1,145
Forwards on securities	2,482
Interest rate swaps	710

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 Group does not hold credit derivatives in its portfolios.

Disclosure 16 An estimate of α if the bank holds the Bank of Slovenia authorisation to use its own estimate of α

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

The Group has not obtained the Bank of Slovenia authorisation to use its own estimate of α.

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 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 Group has recognised impairment losses. Individually impaired items and collectively impaired items are treated separately.

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

The amortised cost of a financial asset equals the amount of outstanding principal, increased by outstanding interest and fees, and decreased by corresponding impairment losses recognised in accordance with Nova KBM's Methodology for Assessing Credit Risk Losses.

The fair value of a financial asset equals its current market value. If the market price of a financial asset cannot be determined, 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 a 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. Significant information that indicates impairment of a financial asset or the possibility of a loss under off-balance sheet items includes: non-fulfilment of obligations to Group companies, significant financial difficulties of the borrower, and the likelihood of bankruptcy, receivership or a financial reorganisation of the borrower.

Individually significant financial assets or off-balance sheet items are assessed individually for impairment.

If, in an individual assessment of a financial asset, the impartial evidence exists that the asset is impaired, the replacement value of such asset must be assessed. The replacement value is assessed based on the expected discounted cash flows generated from the realisation of collateral. The contractual interest rate applicable to the financial asset is used for discounting cash flows.

Individually insignificant financial assets or off-balance sheet items are assessed collectively for impairment. In accordance with the Methodology for Assessing Credit Risk Losses, the collective impairment rates are determined for homogeneous asset groups.

The method for assessing collective impairment and provisioning rates is based on:

- the proportion of customers becoming delinquent (credit rating 'D' and 'E') in a period of one year
- assessed losses
- loss identification period (LIP).

If the amount of impairment loss or provision decreases in the subsequent period, the previously recognised loss due to impairment shall be 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)

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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	954,011	14.44%	953,478	0	0	0	0	0.00%	1,155,889	1,149,105	0	0	0.00%
Regional governments and local authorities	8,067	0.12%	8,040	0	0	0	0	0.00%	8,040	8,017	4,090	327	0.10%
Administrative bodies	5,935	0.09%	5,794	3,165	0	0	0	54.63%	10,432	9,439	4,724	378	0.12%
Multilateral development banks	2,864	0.04%	2,864	0	0	0	0	0.00%	2,864	2,864	0	0	0.00%
Institutions	395,355	5.98%	395,040	57,042	0	10,014	0	16.97%	333,719	333,595	195,921	15,674	5.01%
Corporates	1,910,736	28.92%	1,786,129	97,028	0	8,904	0	5.93%	1,680,198	1,574,626	1,574,634	125,971	40.24%
Retail banking	1,427,366	21.60%	1,407,642	1,806	0	15,395	0	1.22%	1,390,442	1,214,511	910,883	72,871	23.28%
Secured by real estate	150,239	2.27%	148,265	608	0	4	0	0.41%	147,653	144,933	54,049	4,324	1.38%
Past due items	262,592	3.97%	196,994	1,980	0	48	0	1.03%	194,965	191,111	249,272	19,942	6.37%
Items belonging to regulatory high-risk categories	941,495	14.25%	472,345	392	0	10,714	0	2.35%	461,238	445,716	515,185	41,215	13.17%
Collective investment undertakings	22,649	0.34%	22,648	0	0	0	0	0.00%	22,648	22,648	22,648	1,812	0.58%
Other exposures	525,563	7.95%	449,088	8,850	0	0	0	1.97%	440,238	440,075	381,795	30,544	9.76%
Total	**6,606,872**	**100.00%**	**5,848,326**	**170,871**	**0**	**45,079**	**0**	**3.69%**	**5,848,326**	**5,536,639**	**3,913,200**	**313,058**	**100.00%**

Disclosure 20 The geographic distribution of exposures, broken down by material category of exposure, and further detailed if appropriate

(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	Secured by real estate	Past due items	Items belonging to regulatory high-risk categories	Collective investment undertakings	Other exposures	Total
Slovenia	818,658	7,903	5,927	0	157,973	1,679,393	1,353,507	150,239	225,945	850,008	22,649	519,178	**5,791,380**
Croatia	444	0	0	0	2,196	94,283	16,776	0	35,436	74,343	0	3,747	**227,224**
Serbia	44,701	165	8	0	13,917	80,711	48,738	0	1,148	13,101	0	478	**202,965**
Austria	27,251	0	0	0	30,095	30,740	2,790	0	0	62	0	2,148	**93,086**
Belgium	34,144	0	0	0	40,903	0	319	0	0	0	0	12	**75,378**
Germany	9,920	0	0	0	22,348	0	1,055	0	0	400	0	0	**33,723**
USA	0	0	0	0	32,564	0	161	0	0	0	0	0	**32,725**
The Netherlands	10,446	0	0	0	21,943	0	0	0	0	48	0	0	**32,439**
Great Britain	0	0	0	0	22,047	5,119	245	0	0	0	0	0	**27,411**
Italy	0	0	0	0	15,605	9,681	1,295	0	11	317	0	0	**26,908**
Denmark	0	0	0	0	10,116	0	0	0	0	0	0	0	**10,116**
France	5,293	0	0	0	4,579	0	163	0	0	0	0	0	**10,035**
Portugal	0	0	0	0	9,302	0	0	0	0	0	0	0	**9,302**
Russian Federation	0	0	0	0	4,751	1,259	28	0	0	0	0	0	**6,038**
Romania	1,000	0	0	0	5,000	0	30	0	0	0	0	0	**6,030**
Bosnia and Herzegovina	0	0	0	0	0	3,012	578	0	0	732	0	0	**4,323**
Hungary	0	0	0	0	0	4,110	31	0	0	1	0	0	**4,142**
Luxembourg	0	0	0	2,864	14	0	0	0	0	0	0	0	**2,878**
Switzerland	0	0	0	0	1,173	1,285	140	0	0	0	0	0	**2,598**
Slovakia	2,154	0	0	0	0	0	86	0	53	0	0	0	**2,292**
Czech Republic	0	0	0	0	0	0	0	0	0	2,273	0	0	**2,273**
Republic of Macedonia	0	0	0	0	0	1,143	5	0	0	97	0	0	**1,245**
Other	0	0	0	0	828	0	1,419	0	0	113	0	0	**2,361**
Total	**954,011**	**8,068**	**5,935**	**2,864**	**395,355**	**1,910,736**	**1,427,366**	**150,239**	**262,592**	**941,495**	**22,649**	**525,563**	**6,606,872**

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	HOUSEHOLDS AND SOLE PROPRIETORS	FUNDS	OTHER	TOTAL
Central governments and central banks	954,011	0	0	0	0	0	0	0	**954,011**
Regional governments and local authorities	0	8,067	0	0	0	0	0	0	**8,067**
Administrative bodies	0	0	5,935	0	0	0	0	0	**5,935**
Multilateral development banks	0	0	0	2,864	0	0	0	0	**2,864**
Institutions	0	0	0	394,474	880	0	0	0	**395,355**
Corporates	0	0	0	0	1,874,126	36,610	0	0	**1,910,736**
Retail banking	0	0	70	0	319,660	1,107,606	29	0	**1,427,366**
Secured by real estate	0	0	0	0	27,636	122,604	0	0	**150,239**
Past due items	2	262	0	2,640	247,895	11,793	0	0	**262,592**
Items belonging to regulatory high-risk categories	0	16	0	2,560	894,146	44,773	0	0	**941,495**
Collective investment undertakings	0	0	0	0	0	0	22,649	0	**22,649**
Other exposures	5,794	0	0	307,626	200,054	2,383	0	9,706	**525,563**
Total	**959,807**	**8,345**	**6,005**	**710,164**	**3,564,397**	**1,325,769**	**22,678**	**9,706**	**6,606,872**

Disclosure 22 A breakdown of all categories of exposure into residual maturities of up to one year and more than one year

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

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Category of exposure	Residual maturity	Exposure
Central governments and central banks	non-current	173,340
	current	780,671
Regional governments and local authorities	non-current	6,868
	current	1,199
Administrative bodies	non-current	4,212
	current	1,723
Multilateral development banks	non-current	2,006
	current	858
Institutions	non-current	45,817
	current	349,538
Corporates	non-current	973,816
	current	936,920
Retail banking	non-current	906,386
	current	520,980
Secured by real estate	non-current	119,223
	current	31,016
Past due items	non-current	132,987
	current	129,605
Items belonging to regulatory high-risk categories	non-current	360,502
	current	580,993
Collective investment undertakings	non-current	0
	current	22,649
Other exposures	non-current	72
	current	525,491
Total		**6,606,872**

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

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

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	01.01.2012		31.12.2012	
Category	**Opening balance – past due exposures**	**Impairment**	**Closing balance – past due exposures**	**Impairment**
Retail banking	30,030	7,186	11,793	3,760
Institutions	1,161	785	2,640	407
Corporates	139,163	30,107	247,895	61,210
TOTAL	**170,354**	**38,079**	**262,328**	**65,378**

Customers belonging to the regulatory high-risk category are not included in the table above.

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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Type 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	534,573	724,403	189,830
Off-balance sheet items	26,455	34,142	7,687
Total	**561,028**	**758,545**	**197,517**

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), (c) and (d) of the Regulation on Disclosures by Banks and Savings Banks)

The Group calculates capital requirements for credit risk according to the standardised approach. As a reference export agency for the category 'Exposure to Central Governments and Central Banks', the Bank nominated SID Banka, Ljubljana. As a reference external rating agency 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 Banka as an appropriate export credit agency and Moody's as an appropriate external credit rating agency. The Bank of Slovenia publishes publicly a comparison of ratings used by SID Banka and Moody's.

The process of assigning weights to individual exposure categories 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 exposure categories for which the external rating agency has been nominated, the assignment 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 the same debtor is taken into account. In case these ratings are not available, the sovereign rating of the country in which the debtor is located is used.

For exposure categories for which the external rating agency has not been nominated, the assignment of weights is made according to the applicable legislation, meaning that weights are assigned by taking into account the sovereign rating of the country in which the debtor is located, or on the basis of specific rules applicable to each exposure category.

Disclosure 26 Operational risk – the approach to operational risk

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

In 2012, 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 the trading book

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

With respect to the investment purpose, the Group's portfolio of equity instruments is divided into the following three sub-portfolios:

- investments needed for regular operations of the Group (Bankart, S.W.I.F.T.)
- investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies to be carried out once the financial objectives are achieved
- temporary investments in equities which result from the realisation of collateral or debt-to-equity swaps 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, taking into account the capital requirements for credit risk. The market price of an instrument, if available, is 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 an internal methodology.

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Type of investment	Investment value as of 31.12.2012
Investments needed for regular operations of the Group	395
Investments in equities and funds with an exit strategy	45,243
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity swaps	28,396
Total	**74,034**

As of 31 December 2012, the equity investment in Moja naložba, pokojninska družba, d.d. totalled €2,237,000.

In accordance with the applicable legislation, the Group deducts from the share capital the entire unrealised loss on equities of the banking book, which, as of 31 December 2012, amounted to €682,000. In accordance with legislation, the Group includes 80% of unrealised gains on equities of the banking book in the calculation of additional capital, which, as of 31 December 2012, amounted to €2,973,000.

In 2012, the Group realised a gain of €525,000 from the sale of equities of the banking book.

Disclosure 28 Interest rate risk from items not included in the trading book

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

Interest rate risk is a risk of loss arising due to unexpected changes in market interest rates, and derives from maturity mismatches of interest-sensitive asset and liability items, which form the largest proportion of the Group's total assets and liabilities. In addition, interest rate risk may derive from a shift in the yield curve, from the basis risk, or from the risk resulting from embedded options in interest-rate sensitive items.

The Bank assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk, and monitors interest rate risk in accordance with the Interest Rate Risk Management Policy. Exposure of the Bank and the Group to interest rate risk is measured on a monthly and a quarterly basis, respectively. To manage interest rate risk, the Bank calculates monthly the impact on its net interest income of interest rate changes in the next three months, as well as of the parallel shift of the yield curve by 200 basis points.

Disclosure 29 Liquidity risk:
- methodologies for managing liquidity risk
- mitigation of liquidity risk
- measures for preventing and removing the causes of liquidity shortages
(Article 23(a) of the Regulation on Disclosures by Banks and Savings Banks)

Liquidity risk is the risk of loss resulting from the Bank's inability to meet all of its payment obligations, or the risk that it has to provide necessary funding at significantly higher than usual costs. For managing liquidity risk at the operational level, the Bank has set up the Methodology for Projecting the Net Liquidity Position. For managing liquidity risk at the structural level, the Bank uses the following two methodologies: the Methodology for Calculating Liquidity Ratios and Other Components of Liquidity Risk; and the Methodology for Managing Structural Liquidity Risk.

For mitigating liquidity risk, the Bank has set up a system of limits which involves the limits on selected liquidity ratios, liquidity indicators, net liquid assets, diversification of funding sources, and limits with respect to the structure of liabilities. Based on the results of adverse scenarios, the Bank has determined the necessary level and structure of liquidity reserves to be used during a one-month period of most difficult liquidity situations. Within this period, the Bank has determined a one-week period of emergency liquidity situation for which it can provide sufficient amount of additional liquidity reserves. Additional liquidity reserves include cash in hand, highly-liquid assets in the private markets (which are also eligible as collateral for the Eurosystem credit operations), interbank sight deposits, and obligatory deposit with the central bank that is freely available to the Bank. Furthermore, to analyse the diversification of its funding, the Bank calculates it exposure to the 30 largest depositors. Limits on liquidity ratios and other components of liquidity risk as well as limits on the cumulative net liquidity gaps are approved and regularly controlled by the ALCO.

In order to avoid and remedy any liquidity shortages, the Bank has set up the Methodology for Implementing Stress Scenarios, and has formulated the Contingency Plan. The Methodology for Implementing Stress Scenarios of Liquidity Risk sets out the basic methods for conducting various reasonable stress scenarios. Based on these scenarios, the Bank has determined the procedure for providing adequate liquidity under normal operating conditions (baseline scenario) and under adverse liquidity conditions (adverse scenario). Adverse scenarios are classified into the following three main groups: the idiosyncratic scenario, the market scenario and the combined scenario. These scenarios take into account two different difficulty levels and different periods of adverse liquidity. The impact of on- and off-balance sheet items on liquidity is taken into consideration as well. The Bank has determined limits for the baseline scenario and for the second-level combined scenario. The Bank's Contingency Plan sets out the measures and activities for the prevention and management of various situations of liquidity crisis, including appropriate measures aimed at remedying any liquidity crisis and restoring normal liquidity position of the Bank.

Disclosure 30 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 Group does not use balance-sheet netting as an instrument of credit protection.

Disclosure 31 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 in respect of accepting, continuously assessing, and verifying the enforceability of collateral.

The principal objective of the Collateral Policy is to reduce the Bank's exposure to credit risk. Collateral provided for loans is used as a secondary source for the repayment of contractual obligations; it is liquidated in case a borrower, for whatever reason, ceases to pay its debts, or in case of a change in circumstances that prevailed at the time of approving the loan.

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

The data regarding the success rate in enforcing individual types of collateral are systematically collected by the Bank. The results of analysis of these data are of key importance when accepting individual types of collateral and determining the necessary collateral coverage ratio.

Disclosure 32 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)

The following classification of collateral has been adopted:

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

Prime collateral is collateral that can be liquidated within a 30-day period, such as:

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

Adequate collateral:

- an independent guarantee given by an A-rated company that generates sufficient cash flows to pay off its debts
- a guarantee given by a private individual with appropriate creditworthiness
- insurance with insurance companies
- pledge of life insurance policies
- liquid securities that can be sold on the active market of a regulated stock exchange.

Other types of adequate collateral include: real estate, moveable property, money claims, business interests/non-marketable securities that meet the minimum criteria to be eligible as security for loans, such as legal certainty and operational efficiency (criteria regarding valuation, enforceability, etc).

Acceptable collateral:
- borrower's drafts (accepted only as the basic collateral)
- pledge of industrial property rights.

The Bank's aim is that, in terms of collateral coverage ratio, its loan portfolio is adequately secured and that legal certainty is provided in case of realisation of collateral.

The largest proportion of the Bank's loan portfolio is secured by real estate, guarantees and securities.

Disclosure 33 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)

Personal guarantors	% of total
State guarantees	34.0
Guarantees by corporate customers	46.3
Guarantees by private individuals	17.2
Bank guarantees	2.5
Total	**100.0**

The Group does not enter into credit derivatives transactions.

Disclosure 34 Information about market or credit risk concentrations within the credit protection taken

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

In accordance with its policies, the Group grants loans and advances which are expected to be repaid from future cash flows. Collateral provided as security for loans is used to pay off loans only if the borrower fails to meet its payment obligations.

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

The amount of the guarantee given by the guarantor as security for a loan is included in the lending limit assigned to the customer acting as a guarantor. The amount of the guarantee is weighted depending on the rating of the underlying obligor for whom the guarantor gives a guarantee.

The Group monitors the concentration of market risks within the credit protection from the point of view of liquidity of securities obtained. With the support of competent departments, 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 in securities received as collateral.

The Bank monitors the value of collateral by the type of collateral provided as security for loans, and reports thereof to the competent authorities.

Disclosure 35 Remuneration system

(Article 23(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Remuneration Policy of Nova KBM d.d. has been formulated in accordance with the Banking Act and the Regulation on Risk Management and Implementation of the Internal Capital Adequacy Assessment Process for Banks and Savings Banks. The Remuneration

Policy has been adjusted to the mission of the Bank, its business strategy, organisational structure and values, and its business and financial objectives.

Technical support in the drafting of the Remuneration Policy has been provided by the Organisation and Human Resource Development Department, and the Bank's Secretariat. No external advisers were engaged in the preparation of the Remuneration Policy.

The Remuneration Policy has been discussed by the Supervisory Board Remuneration and Nomination Committee, which is composed of the following members: Peter Kukovica, Niko Samec, Peter Kavčič and Romana Košorok. The duties of the Remuneration and Nomination Committee in this regard are as follows:

- formulation of positions on individual aspects of the Remuneration Policy
- assessment of the remuneration system methodologies
- preparation of reports for the Supervisory Board regarding the implementation of the Remuneration Policy
- preparation of proposals on the remuneration of employees
- verification of the Remuneration Policy's consistency with the Bank's business policy
- direct control of remuneration provided to those categories of employees whose work is of a specific nature and who are responsible for the system of internal control functions and for other independent control functions.

The Remuneration Policy is applicable to all Bank employees, with emphasis on the categories of employees whose work is of a specific nature, i.e. the Bank's Management Board, senior management, the management bodies of the system of internal control functions and of other independent control functions, and direct risk-takers (the employees who are authorised to take business decisions that have an impact on the risk profile of the Bank).

Remuneration provided to employees working in control functions is independent from the performance of business units they control. The variable component of their remuneration depends on the objectives achieved by the control functions.

The Bank's Remuneration Policy is designed in such a way that it ensures appropriate motivation of employees, but does not encourage them to take disproportionately excessive risks. This is ensured by:

- an appropriate balance between the fixed and variable components of remuneration provided to different categories of employees, meaning that the total amount of remuneration is not highly dependent on the variable component of remuneration which, at the same time, represents an effective way to encourage employees to achieve or exceed planned work results
- taking into consideration the assessment of the performance of employees, their organisational units and the Bank as a whole, and by aligning the variable component of remuneration with all types of risk to which the Bank is or could be exposed in its operations
- an appropriate method for the payment of the variable component of remuneration.

The entire variable component of remuneration is determined on the basis of the performance of an employee, an employee's organisational unit and the general operating results of the Bank. In assessing the performance of an employee, the Bank takes into account certain financial and non-financial criteria. Each assessment process is based on long-term performance.

The variable component of remuneration of employees whose basic salary is determined based on provisions of the collective employment agreement depends on meeting the criteria set out in an internal document, meaning that this category of employees is not automatically entitled to the variable component of remuneration. These criteria are based on the assessment of an employee's performance by his/her manager, taking into account the employee's work, including the management of risk.

The variable component of remuneration may not exceed 30% of the total annual remuneration paid to an employee. In accordance with its internal rules, the Bank may decide to reduce or not to pay the variable component of remuneration, if the performance of the Bank is below the projection or if a loss is reported by the Bank.

Hence, it follows that the ratio between the fixed and any variable components of remuneration provided to these employees is properly balanced and that the amount of the variable component of remuneration provided to employees on a collective employment agreement is not such that it would have an adverse effect on the risk-taking decisions. In the light of the foregoing, the category of employees referred to above is exempt from the Remuneration Policy provisions, since these employees don’t have a significant impact on the risk profile of the Bank.

Employees on individual employment agreements (managers with specific competencies and responsibilities, including senior management and the management bodies of the system of internal control functions and of other independent control functions), i.e. the employees whose work is of a specific nature, may receive a variable component of remuneration, the annual amount of which shall not exceed their monthly salary. This non-binding variable remuneration is paid for extraordinary performance to be assessed at the discretion of the Management Board in accordance with internal documents (taking into account quantitative and qualitative criteria). Any variable component of remuneration is not directly related neither to the volume or value of transactions entered into, nor to the exposure to risk associated with these transactions. The ratio between the fixed and the variable component of remuneration is properly balanced, by which the Bank justifies the omission of the implementation of the Remuneration Policy principles.

Remuneration, including any variable component of remuneration, is paid by the Bank after the end of the accounting period, without any deferral.

Members of the Bank’s Management Board are not exempt from the implementation of the provisions governing the payment of the variable component of remuneration. Remuneration provided to members of the Management Board is determined and limited by the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities. In accordance with this Act, members of the Management Board are, apart from a fixed remuneration, entitled to a variable component of remuneration, which depends on the performance achieved, and to a severance pay.

In accordance with legislation, the variable component of remuneration paid to members of the Management Board shall be determined by a resolution of the Supervisory Board at the end of each financial year, and paid out in accordance with the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities, provided that the annual variable remuneration shall not exceed 30% of the basic salary paid to a member of the Management Board in one year.

The method of paying any variable component of remuneration (criteria, restrictions, whether in the form of a financial instrument or cash, payment deferral, reimbursement) is laid down in the Act referred to above, the Corporate Governance Code for Public Limited Companies, and resolutions of the Supervisory Board. The amount of variable remuneration paid to Management Board members is determined on the basis of a balanced system of performance indicators, which is such that it stimulates members of the Management Board to strive for an equal growth in assets and deposits, and to achieve profits, efficiently manage costs, preserve a low level of provisioning, and maintain a robust control environment.

The Bank employees are not entitled to shares or options. As regards other non-cash benefits, which do not have a material impact on the amount of remuneration, the Bank employees are entitled to such benefits in accordance with their employment agreements and the Bank’s internal rules.

The following table sets forth the information on remuneration provided by the Bank in 2012, and on the number of employees entitled to remuneration as at 31 December 2012:

Business area	Gross remuneration (salary+pay for annual leave) (€)	Variable component (€)	Number of employees
Bank's management board	232,445	0	2
Commercial departments	16,061,958	1,051,762	666
Support to commercial departments	5,602,412	351,652	250
Other areas and departments	10,527,087	615,792	362
Total	**32,423,902**	**2,019,206**	**1,280**

Remuneration paid to Management Board members is disclosed in the financial part of the Bank's annual report.

Disclosure 36 Significant business contact

(Article 23(c) of the Regulation on Disclosures by Banks and Savings Banks)

A direct business contact is a contact between a member of the Management or Supervisory Board or a member of his or her immediate family and the Bank or its subsidiary.

In 2012, no agreements on the provision of goods and services, including financial and advisory services, were entered into between a member of the Management or Supervisory Board or a member of his or her immediate family and the Bank or any of its subsidiaries.

Members of the Management and Supervisory Board or members of their immediate family were, as the users of banking or other services provided by the Bank and its subsidiaries, treated in accordance with the adopted business policy and usual practices of the Bank and its subsidiaries.

An indirect business contact exists if a member of the Management or Supervisory Board or a member of his or her immediate family is a business partner, holder of a qualifying holding, managing director or member of the management staff of a company or organisation that has a significant business contact with the Bank or its subsidiary.

In 2012, no agreements on the provision of services were made that would involve an indirect business contact.

The information in respect of the volume of operations between the Group and persons that are regarded as a significant business contact of the Group is set out in the financial part of the Bank's annual report.

Disclosure 37 Compliance with regulations

(Article 23(d) of the Regulation on Disclosures by Banks and Savings Banks)

With respect to any conflicts of interest, the Bank complies with the regulations and internal acts, both at the Management Board level and the Supervisory Board level. The Bank's subsidiary companies also comply with the applicable regulations and standards of corporate practice, in particular with the Corporate Governance Code for Public Limited Companies. With the aim of applying the same standards across the Group, the Bank has made necessary adjustments to internal regulations of subsidiary companies, except in case of different regulatory requirements, which provides for unified work of management and supervisory bodies in subsidiary companies. All members of the Supervisory Board have signed a statement declaring that they meet the criteria of independence, which includes the criteria with respect to identifying and avoiding conflicts of interest. Any conflicts of interest that the Management and Supervisory Board identified in performing their work in 2012 were avoided by complying with the applicable regulations (abstain from voting in decisions that could result in conflicts of interest).

The Bank regularly follows all regulations and makes necessary amendments to its internal documents. Consideration of conflicts of interest is set out in the Bank's Governance Policy.