Biser Topco Group

Disclosures 2018
(Under Pillar 3)

CONTENTS

1. Introduction

In accordance with Part 8 of Regulation (EU) No. 575/2013 of the European Parliament and the European Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR), Nova KBM d.d. (hereinafter also „the Bank“ or „Parent bank“) is obliged to disclose essential information that would, if released or misstated, change or affects an assessment or decision of the user using this information to make business decisions. The laws allow a possibility for the liable person not to disclose information that has a characteristic of confidential information or business secret.

Nova KBM is owned by a financial holding company, Biser Bidco S.à r.l. In accordance with Article 13 of the CR Regulation, institutions owned by an EU parent financial holding company meet the obligations referred to in Part 8 of the CR Regulation at their consolidated financial position where it is also relevant at the sub-consolidated position. Consequently, data in the document are disclosed at the Biser Topco Group level, and where relevant, also at the Nova KBM Group level. Disclosures are prepared as at 31 December 2018 by Nova KBM, the largest financial institution in the Biser Topco Group.

Nova KBM (as the parent company of the Nova KBM Group) was privatised in 2016. The process of sale was concluded on 21 April 2016, when the Republic of Slovenia sold its 100-percent equity share to Biser Bidco S.â.r.l, which is 100-percent owned by Biser Topco S.â.r.l. The company Biser Topco S.â.r.l. is a joint venture founded by Apollo holding an 80-percent equity share, and EBRD holding a 20-percent equity share.

Biser Topco S.à r.l and Biser Bidco S.à r.l are holding companies established to acquire an equity stake in Nova KBM. None of the companies performs licensed and commercial activities that would lead to additional exposure to risks. Both companies generate only costs that are appropriate for holding companies. With a purpose to ensure compliance with the legislation, the Bank has incorporated risk management at the Biser Topco Group level into its methodologies, policies and strategies

The Nova KBM Group is a systemically important institution for the Slovenian market, therefore, data are also disclosed at the Nova KBM Group level where appropriate.

Nova KBM included the method, frequency and verification of disclosing essential information in its Disclosure Policy. According to available options, Nova KBM has chosen to publish disclosures in a separate document, in which it took its position against each particular disclosure in line with the Regulation. The Bank discloses most of the information in its Annual Report, in accordance with the requirements of the legislation and International Financial Reporting Standards. The Bank has not duplicated any of the disclosures that make an integral part of the Annual Report and are required by the Regulation at the same time, but included in this document a reference to a specific disclosure in the Annual Report.

This document aims at disclosing information under the Pillar 3. In this context, the Bank followed the provisions of the CR Regulation (575/2013), Directive (EU) No 2013/36 (hereinafter: the Directive) and the Guidelines on Disclosure Requirements under Part 8 of Regulation (hereinafter: the Guidelines).
In this document, the Group does not disclose any Group-irrelevant disclosures.

Disclosures of the Group are not audited. In accordance with its Disclosure Policy, the Group has internal controls and procedures in place to ensure the correctness of disclosed information.

2. Risk management objectives and policies

This section defines the requirements referred to in Article 435 of Part 8 of CRR.

2.1 General information on risk management objectives and policies

This section covers the disclosures required by Article 435(1) of CRR and they are defined in Table „EU OVA – Institution risk management approach“ of the Guidelines.

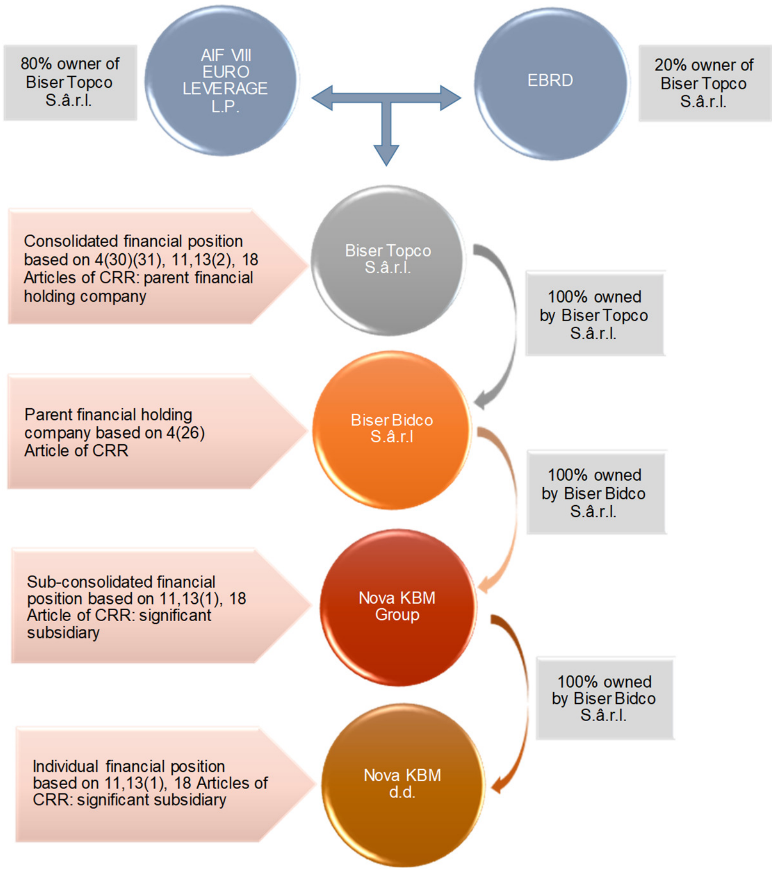
2.1.1 Risk management strategies and processes

(Article 435(f) of the Regulation)

2.1.1.1 Disclosure of information at the Biser Topco Group level

Since Nova KBM is owned by the EU parent financial holding company, it has to disclose relevant information and data on the consolidated financial position as set out in Part VIII of CR Regulation. The figure below shows the group structure at the level of the parent financial holding company, Biser Topco S.à r.l.

Figure 1: Biser Topco Group ownership structure



Where appropriate, Nova KBM included risk management and reporting obligations at the Biser Topco Group's consolidated level into its own methodological approach described in the following chapters of this document, in order to ensure compliance with risk management legislation at the consolidated level.

2.1.1.2 Disclosure of information at the Nova KBM level

The disclosure is published in the Nova KBM Group and Nova KBM's 2018 Annual Report, where the aspect of strategies and processes is treated in a comprehensive manner in the context of its business part, Section 8: Risk management, and separately by individual types of risks in the Notes to the Nova KBM Group and Nova KBM's Financial Statements, Section 4: Exposure to various types of risk.

It is the mission of the Group to ensure the security of its operations and assuming risks in a thoughtful and responsible manner, and comply with the highest standards of risk management. Under the Risk Appetite Framework, the Group has defined the objectives of future risk appetite and management, taking into account the anticipated risk profile and the expected development of the Group's operations, its business and investment strategies, the Assets and Liabilities Management (ALM) Strategy, including the IT Security Strategy, Non-performing Loan Management Strategy, the Recovery Plan, the Held-For-Sale Real Estate Management Plan, and the external environment. The Group carries out a regular process of identification and measurement of various types of risks arising from its operations.

The Risk Appetite Framework (RAF) is based on six pillars:

- Risk identification and measurement
- Risk management strategy
- Risk Appetite Statement (RAS)
- Risk-bearing capacity, establishing risk limits and capital allocation, and monitoring capital utilisation
- Risk governance
- Definition of roles and responsibilities.

In its Risk Appetite Framework, the Bank determined at the Group level the following risk management objectives:

- Moderate, but stable and sustainable profitability
- The main source of generating profits is taking moderate credit risk
- Taking a material, but diversified sovereign default risk to maintain high liquidity of its assets
- Keeping funding and liquidity risk low
- Keeping all other type of risks to at moderate or low level.

The risk management process reflects the Group's overall approach and includes the following:

- Identification of the risks to which the Group is exposed under its operations
- Risk measurement and the methods of monitoring risk factors:
- Continuous monitoring of the exposure to individual risks, and systematic and comprehensive reporting on risk exposure
- The implementation of stress tests, the results of which are used in the decision-making process and in taking strategic decisions
- Established limit system with the early warning system and specified risk appetite
- Learning in and adapting to the evolving business environment, which includes re-assessment of limits and methodologies for establishing limits in order to ensure stable and secure operations of the Nova KBM Group in the long run.

The Bank has put in place, for each type of risks, the following:

- Risk type management policy
- Risk type management methodology
- Risk Appetite Statement defining the appetite for particular type of risk as well as the levels of key risk indicators
- A comprehensive limit system, including operating limits and the early warning system.

The decision-maker in respect of the risk appetite framework, setting up the system of limits, methodologies for measuring, monitoring and managing risks in the Nova KBM Group is Nova KBM as the largest credit institution in the Group. All companies within the Group manage risks in accordance with legal requirements and internal policies or methodologies that reflect their activities and the volume of operations. Persons responsible for individual risk policy and methodology in the Bank are familiar with the method of managing respective risks to be covered across all companies of the Group, and have the opportunity and obligation to influence a setting up of the adequate method of managing and measuring each risk in the Group's companies. Risk management procedures are conducted independently at the level of each company. The Group has set up methods of reporting on individual risks, which stipulate the content, the frequency, and recipients of reports.

All of the companies within the Nova KBM Group treat risk management as a continuous process of identifying, measuring and managing the risks that arise in their operations.

Internal Capital Adequacy Assessment Process (ICAAP)

Identification of risks to which the Group is exposed in its operations is an integral part of ICAAP. It is the responsibility of each Group's employee to identify risks. The acceptable level and the method of measuring and monitoring each type of risks are defined by officers who specialise in dealing with each type of risk. The organisational unit responsible for defining the acceptable level of risks and the method of measuring and monitoring the risks is organisationally separated from the risk-taking unit.

The types of risk the Group is exposed to in its operations, and the methods for measuring particular types of risk are presented in section 5.1 of these Disclosures. The following types of risk are considered by the Group as being material: credit risk, credit spread risk, strategic risk, operational risk, residual risk, and real estate risk.

Credit risk is the most significant risk the Bank is exposed to in its operations. Within credit risk, the Bank has identified its exposure to the following types of risks:

- Concentration risk
- Foreign exchange lending risk
- Country risk
- Settlement risk
- Residual risk
- Modification to credit rating risk
- Special loan arrangements risk
- Non-fixed lending interest rate risk
- Counterparty risk.

In ICAAP, the Bank calculates capital requirements under Pillar 1 and Pillar 2, capital and capital ratios, determines its risk appetite, key risk indicators, namely in the context of the planning process as well as in the process of carrying out internal contingency testing (stress tests).

Internal Liquidity Adequacy Assessment Process (ILAAP)

In accordance with the Capital Requirements Directive IV and the European Banking Authority (EBA) guidelines referring to SREP, the Bank carries out the Internal Liquidity Adequacy Assessing Process (ILAAP). The ILAAP process has an important role in the SREP Methodology concerning the process of determining liquidity requirements under the second pillar. ILAAP is an internal process, which means that it complies with the Bank's business model, size, complexity, risk, market expectations, etc.

In 2018, the Bank fully updated and upgraded its ILAAP process in such a way as to reflect the expectations of the regulator described in the ECB ILAAP Guide (November 2018). Thus, the Bank established the Liquidity Adequacy Assessing Process Implementing Policy, which represents the framework of the ILAAP process in the Nova KBM Group.

Reliable, effective and comprehensive ILAAP is based on two pillars, called the economic perspective and a normative perspective. These two perspectives complement each other and information is exchanged between them.

The purpose of the ILAAP carried out by the Group is to effectively manage and systematically identify, assess, measure and reduce the liquidity risk to which the Group is exposed in its operations.

The main objectives of the ILAAP include:

- Planning actual and potential cash inflows in relation to cash outflows, and assessment of liquidity risk by calculating liquidity ratios
- Ensuring adequate amounts of liquid investments or other forms of liquidity supply in relation to liquidity risk
- Monitoring adequate structure of liabilities and financial assets
- Calculating liquidity indicators
- Setting up limits and maintaining the system of limits to mitigate exposure to liquidity risk
- Implementing various liquidity stress scenarios, including an unfavourable scenario
- Defining internal ILAAP normative perspective and economic perspective
- Defining relations between ICAAP, ILAAP, the Recovery Plan and the planning process
- Availability and maintenance of a contingency plan in the case of any liquidity crisis occurrence.

Implementation of contingency tests (stress tests)

As part of its risk management, the Group established the process of carrying out stress tests, which are used to assess its ability to continue as a going concern. Upon request of regulators, the Group carries out also stress tests. It has defined conducting stress tests in the Stress-testing Policy of the Nova KBM Group. The Group conducts stress tests using the methodologies prescribed by regulators, and in conducting internal stress tests, the Group uses its own methodologies, which define the following elements:

- Scenarios
- Input data and time schedule
- Assumptions
- Portfolios included
- Risks covered

- Limits.

The Group conducts the following stress test types:

- EU-wide stress test
- Stress tests at the request of the Bank of Slovenia
- Stress tests conducted as part of the ICAAP
- Stress tests conducted as part of the ILAAP
- Stress tests conducted as part of implementing the Recovery Plan
- Other occasional internal stress tests (e.g. when launching a new product).

The Group presents the results of stress tests to the Supervisory Board, the Bank's Management Board, and to other relevant decision-making levels, in order to take into account the results and findings in further operations of the Group. In case of conducting ICAAP reverse stress tests and stress tests performed under the Recovery Plan, the Group established a uniform methodology for determining minimum capital adequacy ratios, and a uniform escalation process.

2.1.2 Structure and organisation of the relevant risk management function, including information on its hierarchy and status, or other appropriate arrangements

(Article 435(1.b) of the Regulation)

2.1.2.1 Disclosure of information at the Biser Topco Group level

Biser Topco S.à r.l. members of Board of directors (class A managers) are at the same time members of the Supervisory board of the Nova KBM as presented in section 2.1.2.2, and as owner representatives, they have a controlling function at the Nova KBM Group level.

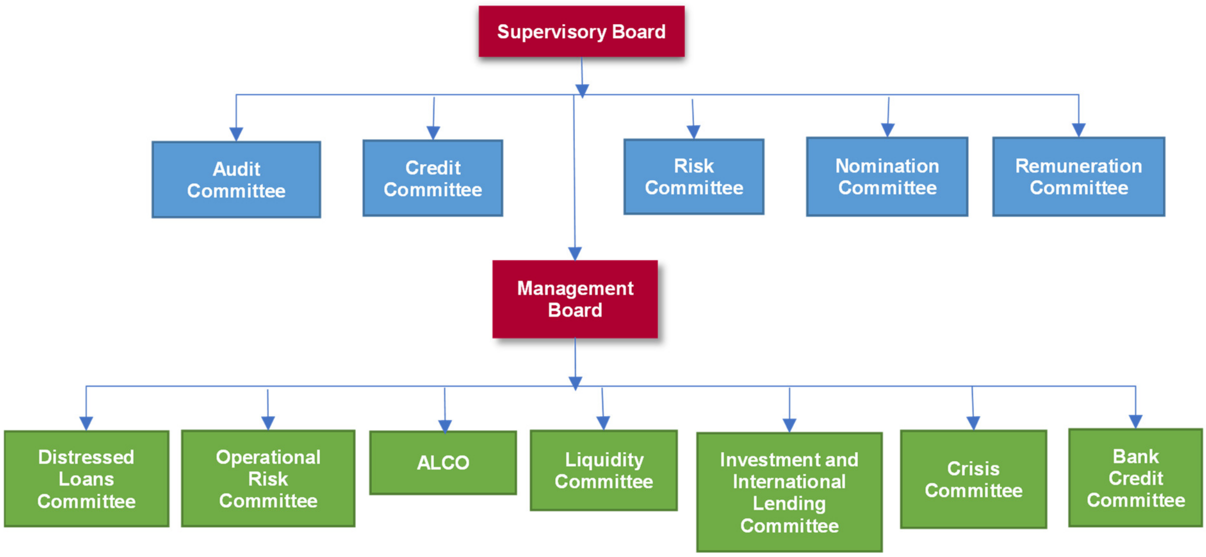
2.1.2.2 Disclosure of information at the Nova KBM level

The Group has set up a risk management structure, determining an active role of the Supervisory and Management Boards, while ensuring that risk management is an independent function, separated in organisational terms from its business functions. Key decisions are taken at the level of the Management and Supervisory Boards. In order to comply with Article 138 of the Banking Act (ZBan-2), the Director of the Strategic Risk Management Department is enabled to have a direct access to the Supervisory Board. Such arrangements aim at establishing the risk management as an independent field responsible for a comprehensive overview over exposures to various types of risk, and a clear separation of responsibilities, with business decisions mostly taken in business areas of the Group that are responsible for assuming risks.

With aim of providing systematic management of material risks, the Group established a system of internal controls, maintained at all organisational structure levels. Responsibility for setting up and implementing the internal controls lays with the persons in charge in respective business line of the Bank. To ensure the independent and objective assessment of efficiency and compliance of the Bank's internal governance, based on reviewing and assessing adequacy of risk strategies and policies, risk management procedures, processes, methodologies and risk reporting systems of the Bank and the Group, the internal control functions are established, which in addition to risk functions also include the compliance function, and the internal audit function. The duty of the Compliance Office is to ensure proper management of compliance risk, i.e. ensure proper operations of the Bank, in line with applicable regulations, legislation and standards of good business practice. The Internal Audit Office is responsible for independent assessment of internal governance arrangements in terms of their quality and efficiency, including risk management systems and processes and internal controls of the Bank, and for providing the Audit Committee and the senior management staff with independent opinions of the effectiveness and efficiency of the internal governance arrangements. The Internal Audit Office provides support and assistance to the management body in protecting long-term interests of the Bank and its reputation. As part of the assessment of the internal governance quality and efficiency, the Internal Audit Office also conducts an independent assessment of the risk management and compliance functions within its regular IA cycle.

Therefore, in terms of internal risk governance, the Bank established different levels of risk management, to ensure effective risk management, as illustrated by the figure below. Decisions related to risk taking and risk managing are adopted by governing bodies presented below.

Figure 2: Governance of the Nova KBM Group



Supervisory Board

The Supervisory Board of the Bank is regularly informed of the performance of the Bank, material risks to which the Bank is exposed in its operations, and measures taken to effectively manage those risks. It is also informed of any significant legal and reputational risks. In order to perform its function in the most efficient way, the Supervisory Board has established the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee, and the Credit Committee as a special professional body of the Supervisory Board. The Management Board member responsible for risks regularly reports at the Risk Committee meetings about exposure to credit, operational, market, and liquidity risks as well as about profitability and capital risks. The Risk Committee and the Supervisory Board are informed about the loan portfolio, and the Supervisory Board gives consent to any transaction based on which the Bank's total exposure to a particular customer or a group of related parties would exceed 10 % of the Bank's capital.

Supervisory Board members are appointed by the Shareholders' Meeting.

Supervisory Board committees

In the 2018 financial year, the following committees carried out their work in accordance with the Companies Act (ZGD-1) and the Banking Act (ZBan-1): the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Risk Committee.
Further information about the work and powers of Supervisory Board committees is set out in section on Corporate governance statement

In accordance with the Bank's Articles of Association, the Supervisory Board set up the Credit Committee, which is responsible for giving consent to the Management Board for concluding any legal transaction in respect of which the Supervisory Board has adopted a special resolution.

- ### Risk Committee

The main purpose of the Risk Committee is to provide the Supervisory Board with expert assistance with fulfilling its supervisory roles related to the preparation of decisions relating to risk management and risk profile, and the implementation of the Risk Management Strategy.

The area and the method of work of the Risk Committee, its decision-making process, and all other issues deemed important for its work are regulated by the Rules of Procedure of the Risk Committee.

- ### Audit Committee

The Audit Committee provides the Supervisory Board with expert support in supervising managing the Bank and the companies in the Nova KBM Group on matters within its competence, in particular the assessment of the internal control and risk management systems, assessment of accounting and financial accounting reporting, the legality and ethics of the Bank's operations, internal and external auditing in the Bank and the companies in the Nova KBM Group.

The Audit Committee carries out its activities in accordance with the law (ZGD-1), the Bank's Articles of Association, and the instrument of incorporation, which regulates the purpose and the composition of the Audit Committee, conditions and methods of its work, as well as powers and responsibilities of its members. The area and the method of work of the Audit Committee, its decision-making process, and all other issues deemed important for its work are regulated by the Rules of Procedure of the Audit Committee.

- ### Nomination Committee

The Nomination Committee provides the Supervisory Board with expert basis for decision-making, especially with regard to human resource issues relating to the exercise of the function of a Management Board member and a Supervisory Board member.

The area and the method of work of the Audit Committee, its decision-making process, and all other issues deemed important for its work are regulated by the Rules of Procedure of the Nomination Committee.

- ### Remuneration Committee

The main purpose of the Remuneration Committee is to assist the Supervisory Board with carrying out a supervisory function in relation to receipts that affect the risks and risk management.

The area and the method of work of the Remuneration Committee, its decisionmaking process, and all other issues important for its work are regulated by the Rules of Procedure of the Remuneration Committee.

- **Supervisory Board's Credit Committee**

In accordance with the Bank's Articles of Association, the Supervisory Board set up the Credit Committee, which is responsible for giving consent to the Management Board for concluding any legal transaction in respect of which the Supervisory Board has adopted a special resolution.

Committees of the Management Board

- **Assets and Liabilities Committee (ALCO)**

The ALCO meets once a month. The ALCO reviews and monitors the statement of financial position structure, capital adequacy, interest rate risk, structural liquidity, market risks, foreign exchange risks, profitability and performance of profit centres, financial plans, aggregate credit risk, regulatory requirements, tax aspects of operations, and other risks associated with new products and services. The committee comprises ten members. It is chaired by the Management Board member, Chief Financial Officer.

- **Operational Risk Committee**

The Operational Risk Committee is responsible for monitoring, measuring, assessing, and managing operational risks. The committee comprises six members. The committee is chaired by the Management Board member, Chief Risk Officer.

The Operational Risk Committee meets at least on a quarterly basis.

- **Credit Committee, and Distressed Loans Committee of the Bank**

The Bank Credit Committee makes decisions on granting all loans to customers within its powers, in accordance with the Bank's rules governing the powers, procedures and decision-making with respect to loan approvals.

The committee comprises four members. The committee is chaired by the member of the Management Board responsible for corporate banking.

Committee meetings are called on a weekly basis.

The Bank also has in place the Distressed Loans Committee. The committee comprises six members. The committee is chaired by the Management Board member, Chief Risk Officer.

- **Investment and International Lending Committee**

The Investment and International Lending Committee deals with and decides on debt portfolio investments and international lending portfolio on behalf and in the name of the Bank. The committee comprises five members. It is chaired by the Management Board member responsible for finance.

The committee meets on a weekly basis.

- **Liquidity Committee**

The Liquidity Committee monitors the situation and adopts measures for the assurance of short-term liquidity. The Committee comprises eight members. It is chaired by the Management Board member, Chief Financial Officer.

The Liquidity Committee meets daily.

Risk management tasks

The Nova KBM's risk management function ensures independent control of managing the risks arising from the activities performed by the institution. The Bank's core internal risk management policies set up a clear mandate for the risk management function in terms of its objectives and powers in relation to other functions, providing the risk management function with access to the information needed to prepare assessments, analyses and reports that support the decision-making process of the Management Board. Policies are regularly reviewed and updated in order to reflect both external (especially legislative) events and internal changes and objectives.

It is the responsibility of the Nova KBM's risk management function that effective processes are in place to:

- Define the risks to which the bank is exposed
- Develop methods and models for risk assessment and measurement
- Develop, maintain and monitor the risk management strategy, risk appetite framework, and risk management policies
- Develop, maintain and monitor the lending policy, the internal capital adequacy assessment process (ICAAP) and the development of forward-looking capital management, and capacity planning using appropriate methodologies and tools
- Manage the internal capital adequacy assessment process (ICAAP) (including the implementation of contingency testing (stress test), and a regular (at least once a year) overview of the risks to which the Bank is exposed in performing its business activity
- To make a risk-related overview of consequences of new business activities proposed by commercial functions of the Bank
- To develop and keep reports and analyses relating to the risks to which the Bank is exposed, including credit, market, interest, liquidity, operational, and strategic risks, and the reputational risk
- Implement the recovery and resolution of credit institutions directive (BRRD), and the processes of the Bank and the Bank's Group; development and maintenance of recovery and contingency plans.

Furthermore, the risk management function has set up the Early Warning System (EWS) aimed at detecting increased risks in early stages in order to capture any risks occurring in the Bank's portfolio, and take appropriate action to mitigate such risks in a timely manner. The main area of work is continuous integration of risk models into risk management processes of the Bank.

Risk identification

The risk assessment process includes the annual process of risk profile assessment, drawing up the list of risks to which the Bank and the Group are exposed, and determining the materiality threshold of each risk. The risk assessment process includes ongoing analyses of existing risks and identification of new or emerging risks captured in all relevant organisational units.

The risk assessment process is a basis for identifying/modifying risk materiality thresholds, and determining qualitative/quantitative measures under the ICAAP process for new types of risks, on which the Bank's risk appetite is determined.

Risk communication

The Risk Appetite Framework (RAF) defines the Bank's risk profile and the corresponding level of risks the Bank is prepared to assume in order to attain its business objectives. The result of the process is reported by the Risk Appetite Statement, which is the basis to communicate the Bank's risk appetite throughout the organisation. The Risk Appetite Framework is reflected in and determines also the business strategy.

In accordance with the regulatory requirement, the risk management function has direct access to the Supervisory Board; moreover, a regular reporting process to the Management Board has been set up by a monthly report to the Management Board member responsible for risk management (CRO), providing CRO with a detailed information on the main identified risks to which the Bank is exposed in quantitative and qualitative terms, with key risk indicators being assessed in terms of the three limit levels set out in the Risk Appetite Statement.

Compliance

Compliance risk is a current or anticipated risk of losses arising from the Bank's income, equity, and reputation as a result of violations or non-compliance with laws, requirements of supervisory authorities (Bank of Slovenia, European Central Bank, Securities Market Agency, etc.), rules and regulations (internal and external), agreements, prescribed practices or ethical standards defined in the Nova KBM and the Nova KBM Group's Code of Conduct.

Namely, the primary objective is commitment of the Bank to operate in line with applicable regulations. In order to attain this objective, it is necessary to carry out continuous compliance risk management for this area, where all amendments of the applicable legislation are regularly monitored on the one hand, and their transposition into internal acts and processes of the Bank is ensured, on the other hand.

Part of the preventive compliance risk management includes also establishment, communication, and actual implementation of the compliance culture and integrity in the Bank. The latter is based on the principle of honesty and fairness, and the zero tolerance to illicit conduct in the Bank.

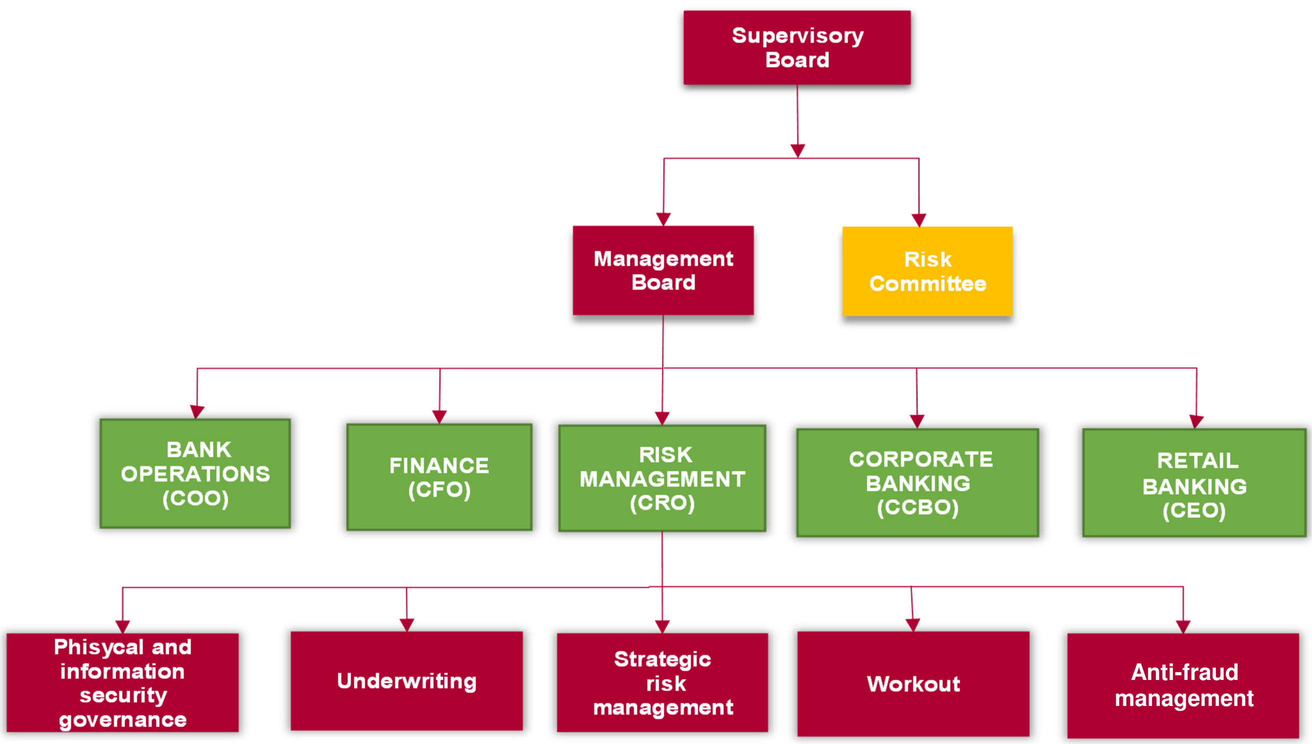
For this purpose, the compliance function will especially:

- Inform and educate employees about the company's values, policies and processes helping the Bank to act in a responsible manner and meet all its valid obligations
- Provide advice and assistance at the level of the Bank and its employees with regard to the measures helping to prevent non-compliance in advance
- Establish internal controls and improve their effectiveness
- Govern compliance risk management systems and carry out identifying, assessment, monitoring, control, and reporting
- Consider any identified events indicating any violations of regulations in the broadest terms, or any ineffectiveness of security mechanisms (improper arrangements or security controls), or representing a situation previously unknown that would be important in terms of compliance

- Consider any adverse or unplanned events that cause or could cause an unwanted situation in the Bank. Adverse events include in particular errors (the aspect of an event) and illicit conduct
- Carry out regular checks and tests of internal controls and resilience to individual compliance risks
- Continuously monitor new and amended regulations and rules and implementation thereof
- Analyse compliance risk through active engaging in verification that launching of new products is in line with applicable regulations, standards, and internal documents of the Bank.

In case where a compliance risk is detected under a particular procedure, it is necessary to take the activities or measures necessary to control such risks, without undue delay. In this regard, it is of key importance to develop an action plan immediately, determining in particular: the actual situation identified, necessary measures prioritised together with specific deadlines for their implementation, assessment of compliance risk, likelihood of the violation, and consequences of any violation to the Bank. If possible, depending on the nature of the case, the document should include the envisaged situation after the implementation of the action plan, which will serve the Compliance Office as an instrument of control.

Figure 3: Risk management organisation in Nova KBM



2.1.3 Scope and nature of risk reporting and measuring systems

(Article 435(1.c) of the Regulation)

The Group has established a systematic approach to regular updating and assessing the relevance of the content of strategies, policies, methodologies, and instructions that have been put in place. Documents are verified and updated at least once a year.

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

The reports comply with the requirements in respect of impartial, comprehensive, and transparent reporting on each risk. The regular reports are standardised.

Table 1: Exposure and risk management reporting

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
CREDIT RISK							
Credit portfolio quality	Monthly		x	x		x	
Financial restructuring indicators	Monthly		x	x	x	x	
Loan portfolio limits by segments and products	Monthly		x	x		x	
Changes in debtors' credit ratings and movement of impairments and provisions	Monthly		x	x		x	
Newly approved on-balance and off-balance assets	Monthly		x	x		x	
Exposure to debtors within a group of related parties	Monthly	x	x	x		x	
LIQUIDITY (ILAAP) AND MARKET RISKS							
Liquidity position, stress-test results and the amount of liquidity reserves	Monthly		x	x	x	x	
Liquidity indicators	Daily/monthly		x	x	x	x	
ILAAP annual report	Annually	x	x			x	

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
IRRBB current and stress tests	Monthly		x	x	x	x	
IRRBB position and limit system	Monthly		x	x	x	x	
Securities and derivatives banking and trading books, and the system of limits	Daily/monthly		x	x	x	x	
OPERATIONAL RISK							
Reports on operational risk management: – Operating risk management reports – Reports on incidents in physical and IT security area – Operating risk management self-assessment reports	Quarterly						x
Red alarm – where a particular loss event or loss event sum exceeds the limits – according to the Recovery Plan	In case of exceeded limits	x	x			x	x
Capital adequacy under Pillar 1							
Capital, capital adequacy and capital adequacy ratio	Monthly		x	x	x	x	
Monitoring the limits set	Daily/ Monthly		x	x	x	x	
Reporting on long-term capital, capital adequacy, and capital adequacy ratio planning	Monitoring monthly, calculation at least once a year		x	x	x	x	
ICAAP							
Report on the Nova KBM Group's risk profile	At least once a year		x	x		x	
Report on stress tests carried out	At least once a year	x	x	x		x	
Monitoring of capital allocation, regulatory capital, and capital adequacy under Pillar 2	Monthly		x	x		x	

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
Monitoring key risk indicators, limits, and appetite by types of risk	Monthly		x	x		x	
Reporting on long-term capital, capital adequacy, and capital adequacy ratio planning	Monitoring monthly, calculation at least once a year		x	x		x	
ICAAP annual report	Annually	x	x			x	
COMMON REPORTS							
CRO Report	Monthly		x	x		x	
ALCO Report	Monthly				x	x	
COREP reporting	Quarterly	x					
Recovery Plan	Annually	x	x			x	

2.1.4 Policies for hedging and mitigating risks, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

(Article 435(1.d) of the Regulation)

The Bank has an umbrella document on risk management and assumption in place, i.e. the Risk Appetite Framework, including the Risk Appetite Statement, and the Operative Limits Handbook, at the level of the Nova KBM Group and the level of the Biser Topco Group, where appropriate. The Handbook contains also precisely defined threshold values, the Early Warning System, and measures to be taken and responsibilities in case these values are reached.

Monitoring and managing of individual types of risk are described in detail in the respective risk management policies that take into account specific characteristics of individual risk types. Each risk management policy is covered by a responsible person that takes care of compliance of the respective policy with other policies, and the applicable legislation and best banking practice. The minimum scope of risk management policy has been determined; which include definition of activities in the current year, definition of risk, methods for risk measuring, reporting and limiting risk exposure, and a clear definition of responsibilities of individual persons.

The following risk management and control policies are considered to be the most important at the Group level:

- Credit risk
    - Credit Risk Management Policy
    - Corporate Lending Policy
    - Consumer Lending Policy
    - Non-performing Exposure Management Policy in the Nova KBM Group
- Capital adequacy:

- Capital and Capital Requirements Management Policy

- Market risks:
  - Market Risks Management Policy
  - Interest Risk Management Policy
- Operational risk:
  - Operational Risk Management Policy
- ILAAP
  - Internal Liquidity Adequacy Assessment Process Implementing Policy
- ICAAP:
  - Internal Capital Adequacy Assessment Process Implementing Policy
  - Stress Test Implementing Policy
- Other Group governance policies:
  - Compliance policy
  - Internal Control System Policy
  - Governance Policy
  - Policy on assessing the suitability of members of the management bodies and officers holding key positions (Fit & Proper Policy)
  - IT Security Policy
  - Consolidated Control Policy
  - Disclosure Policy
  - Remuneration policy
  - Anti-bribery Policy
  - Fraud Management Policy
  - Reputational Risk Management Policy
  - Outsourcing Policy
  - Internal Audit Policy
  - Data Management Policy
  - Procurement policy.

Risk management policies form the basis for managing respective risks across the entire Group. Considering the scope of their operations, the companies within the Group may use their own approach to managing particular risk, upon respective approvals from the responsible person in the Parent Bank.

Credit risk management is carried out on the basis of:

- Statistical credit rating models used to assess the debtor's risk status (the probability of default)
- Statistical credit rating models used to assess the loss given default
- Daily monitoring of EWSs
- Classification of appropriate collateral in terms of type, legal certainty, and techniques applicable to its valuation

- Indirect (through loan-approval models) and direct participation of representatives of the Risk Management Department in decision-making on loan approvals
- Clear guidelines and rules applicable to the loan approval process
- Adoption of appropriate strategies for a debtor experiencing financial difficulties
- Risk assessment methodologies, risk reporting, adoption of measures, and monitoring their performance
- The system of limits for the entire portfolio subject to credit risk, which is incorporated in the Risk Appetite Framework and the ICAAP
- IT support for the needs of relevant data documentation and prevention of operational risk.

Liquidity risk management and reduction (ILAAP process) is carried out on the basis of:

- The systems of limits
- Daily monitoring of the liquidity position and liquidity indicators
- Implementation of stress tests
- Liquidity risk management contingency plan methodologies
- Other risk assessment methodologies, risk reporting, adoption of measures and monitoring their performance
- IT support for the needs of relevant data documentation and prevention of operational risk.

Market risks management and reduction is carried out on the basis of:

- System of limits established
- Daily monitoring of EWS
- Implementation of stress tests
- Risk assessment methodologies, risk reporting, adoption of measures, and monitoring their performance
- IT support for the needs of relevant data documentation and prevention of operational risk.

Operational risk management and mitigation is carried out on the basis of:

- Operational Risk (OT) Loss and Event Data Rule Book established
- Operational risk control self-assessment methodologies put in place
- Daily monitoring of operational risk loss events
- Definition and monitoring of appropriate measures for the prevention of repeated OT events.

Management and mitigation of other types of risks significant in terms of the ICAAP is carried out on the basis of:

- System of limits and EWS put in place, where appropriate
- Implementation of stress tests, where appropriate
- Risk assessment and measuring methodologies
- Risk reporting and suggesting necessary measures aimed at reducing the exposure to risks and monitoring their performance

- Established internal controls system
- Established system of determining the role and responsibilities of the persons in charge of managing particular type of risks.

2.1.5 Declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy

(Article 435(1.e) of the Regulation)

Declaration by the management body on the adequacy of risk management arrangements is included in the Nova KBM Group and Nova KBM 2018 Annual Report, Chapter 7 of the Business Report thereof: Declaration on the adequacy of risk management.

2.1.6 Concise risk statement by the management body

(Article 435(1.f) of the Regulation)

The statement of the Nova KBM's Management Board describes the Bank's business model and is part of the Bank and the Group's Annual Report, Chapter 2 of the Business Report thereof. Strategic directions, which are also available in the Bank and the Group's Annual Report, are presented in Chapter 4 of the Business Report, providing an overview of strategic directions that commenced in the Nova KBM Group in 2017.

The management body's statement on the adequacy of risk management arrangements describes the risk management system in the Bank and confirms its adequacy in terms of the risk profile, the risk appetite framework and the risk-bearing capacity. The statement is an integral part of the Bank and the Group's Annual Report under its business part in Chapter 7.

Risk Profile

The risk profile is made at the level of the Nova KBM Group. Identified and assessed risks within the Nova KBM Group's risk profile do not deviate from the identified risks of the Biser Topco Group.

The Bank has established a comprehensive process of identifying types of risks to which it is exposed in its operations. The Bank monitors the identified risks in the form of the risk register. A narrower set of risks confirmed by risk holders and other responsible persons includes the risks to which the Group is exposed in its operations. The risks identified within the risk profile are further considered under the internal capital assessment process.

Under the 2018 risk profile assessment, the risks related to credit and treasury portfolios show the highest estimates, and the same applies to IT risk, profitability risk, and model risk. The results reflect the Business Strategy and Business Plan of the Group, the risk appetite, introduction of the IFRS 9 standard, and the expectations related to introducing a new CBS. The assessment of risk threats and the control environment established requires no changes in the Group's Business Plan and main strategies, which results also from the improved ICAAP management and the overall governance of the Group over the past two years.

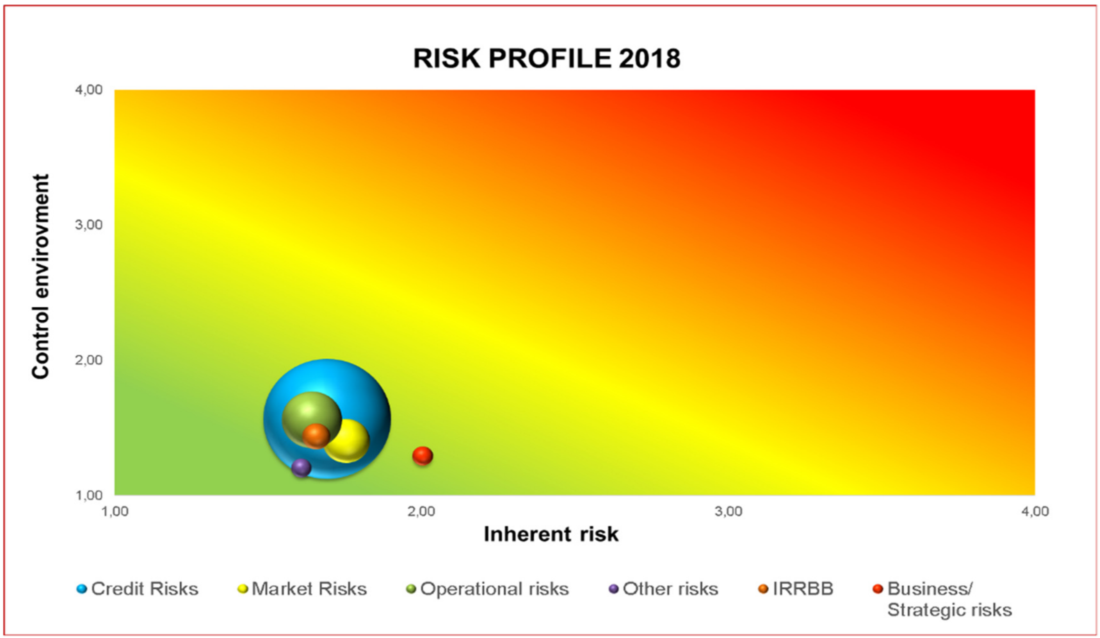
The Group's risk profile for 2018 is shown the figure below.

A scheme of the Group's risk profile presents the following:

- X-axis: assessment of inherent risk
- Y-axis: assessment of the control environment

- Area of the circle: the portion of the Group's internal capital.

Figure 4: Nova KBM Group's risk profile by type of risk



Template 1: EULIQ1:

1. Quantitative information about Liquidity Coverage Ratio (LCR)

Scope of consolidation (consolidated)		**Total unweighted value (average)**				**Total weighted value (average)**			
Currency and units (million)									
Quarter ending on (DD Month YYYY)		**31/3/2018**	**30/6/2018**	**30/9/2018**	**31/12/2018**	**31/3/2018**	**30/6/2018**	**30/9/2018**	**31/12/2018**
Number of data points used in the calculation of averages									
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,691	1,588	1,489	1,428
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,375	2,425	2,465	2,509	139	142	144	146
3	*Stable deposits*	2,030	2,073	2,110	2,149	101	104	106	107
4	*Less stable deposits*	344	350	354	359	36	37	37	37
5	Unsecured wholesale funding	411	420	441	455	204	208	215	219
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	411	420	441	455	204	208	215	219
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	402	431	465	482	44	48	55	57
11	*Outflows related to derivative exposures and other collateral requirements*	1	1	1	1	1	1	1	1
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	400	429	464	481	43	46	54	57
14	Other contractual funding obligations	59	54	48	42	59	54	48	42
15	Other contingent funding obligations	11	15	14	13	1	1	1	1
16	**TOTAL CASH OUTFLOWS**					447	452	462	464
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	172	160	155	154	150	136	128	126
19	Other cash inflows	5	4	4	3	5	4	4	3
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	177	165	159	157	155	140	132	130
EU-20a	***Fully exempt inflows***	0	0	0	0	0	0	0	0
EU-20b	***Inflows subject to 90 % cap***	0	0	0	0	0	0	0	0
EU-20c	***Inflows subject to 75 % cap***	177	165	159	157	155	140	132	130
21	**LIQUIDITY BUFFER**					**1,691**	**1,588**	**1,489**	**1,428**
22	**TOTAL NET CASH OUTFLOWS**					**292**	**311**	**330**	**335**
23	**LIQUIDITY COVERAGE RATIO (%)**					579 %	510 %	452 %	427%

Qualitative information on LCR, which complements the LCR disclosure template are presented below:

Concentration of funding and liquidity sources	The Bank’s business model is based on customers’ deposits representing 76 % of total liabilities.
Derivative exposures and potential collateral calls	The Bank’s is slightly exposed to derivative instruments, which are not expected to be additionally secured by collateral.
Currency mismatch in the LCR	Foreign exchange risk is defined as the risk of loss resulting from any change in exchange rate of all balance-sheet- and off-balance-sheet foreign exchange items. In the Bank, foreign exchange risk is defined as financially immaterial. Nova KBM maintains a daily closed foreign exchange position; therefore, it does not need to calculate capital requirements for foreign exchange risk in accordance with CRR. Other members of the Group have immaterial position in foreign currencies. Foreign exchange risk in terms of liquidity represents a potential inability to meet any demand for a particular currency. Nova KBM monitors its daily exposure to foreign exchange risk by monitoring daily and seasonal demands. Foreign exchange risk is managed by processes and is not financially material in terms of liquidity.
A description of the degree of centralisation of liquidity management, and interaction and communication mechanisms between the Group’s units	The Group’s liquidity is managed in line with the annual financial plan, which is approved by the Bank’s Management and Supervisory Board.
Other items in the LCR calculation that are not included in the LCR disclosure template but that the institution considers relevant for its liquidity profile	/

Liquidity risk management is detailed in section 2.1.

2.2 Information on risk management objectives and policies by risk categories

The section covers the disclosures required by Article 435(1) of CRR as they are determined in tables „EU CRA“, „EU CCRA“, „EU MRA“, „EU LIQA“ of the Guidelines, for each particular risk category.

2.2.1 General qualitative information about credit risk

This section covers the disclosures required by Article 435(1) of CRR, and they are defined in the Guidelines Table „EU CRA – General qualitative information about credit risk“.

Credit risk is a risk of loss arising from the failure of counterparty to repay its debts to the Group's company, and it is the basic risk to which the Group is exposed in carrying out its activity. In the scope of the Nova KBM Group's Risk Appetite Framework, which is an umbrella document, the Group has quantified its strategic objectives for assuming credit risk.

Credit risk management includes risk identification, measurement, and risk reduction to an acceptable level, which complies with the business strategy, the Risk Appetite Framework and the Risk Appetite Statement. The management of credit risk is carried out at the customer level, by each Group company as well as at the level of the entire Group.

The Group monitors, mitigates and manages credit risk by:

- Identifying the risk related to a customer and estimating expected credit losses in line with International Accounting Standards
- Providing capital to ensure sufficient capital coverage of credit risks
- Setting exposure limits under the system of limits, which is directly incorporated into the Risk Appetite Framework and the ICAAP process
- Properly securing its financial assets.

To ensure that credit risk is properly limited, officers working in the risk management division are involved in loan approval processes (decisions are made based on the four-eye principle).

2.2.1.1 Non-performing exposures

The Group defines as non-performing exposures (NPEs) such exposures for which it reasonably believes that the debtor will not discharge all of its liabilities within the contractual period.

The Group considers as NPEs those exposures that satisfy any of the following criteria:

- Exposure is classified as „defaulted“ or included in the Stage 3 in line with IFRS 9 and the Methodology for Assessing Expected Credit Risk Losses in the Group
- Material exposures which are more than 90 days past due
- Exposures, which have been subject to restructuring that caused the Group to recognise a significant economic loss, or estimates that debtor's obligations are unlikely to be repaid – restructuring with a low repayment probability
- The exposure is already considered a NPE and does not meet the exit criteria.

An exposure is reclassified as non-performing after being restructured, if the following criterion is met:

- During a 2-year probation period at any exposure, the debtor is 30 days past due or a repeated restructuring was carried out.

The portfolio of customers that have a defaulted status and are classified in a defaulted credit rating is managed by the Workout Department and the Legal Office.

2.2.1.2 Interest rates and loan approval fees

Interest rates are determined in accordance with the adopted lending policies of the Group companies. Interest rates depend on the basic interest rate, the purpose of a loan, the customer's track record of cooperation with the Group companies, the customer's credit rating, the maturity of a loan, and the type of collateral provided for a loan.

Loan approval fees are determined in accordance with the applicable decisions adopted by the management boards of individual Group companies, taking into consideration their respective lending policies.

2.2.1.3 Exposure limits

In limiting large exposures, the Group complies with all regulatory requirements setting out that the exposure to a single customer or to a group of related customers shall not exceed 25 % of the Group's acceptable equity as defined by the provisions of the CR Regulation. The above limit appropriately excludes exposures to the subsidiary Summit Leasing Slovenija in accordance with relevant regulations.

The total exposure, not only from the credit risk, to customers or groups of related parties, is also limited by the established system of limits, which reflects the established risk appetite and linked also to the established internal key risk indicator thresholds. The Group limits its exposure to a customer or a group of related parties by taking into account:

- Each type of risk
- Business areas
- Operating segments
- Products, where appropriate
- Quality of the portfolio
- Each exposure level.

In order to monitor the limit system established, the Group set up also the Early Warning System (EWS) and defined appropriate measures for conduct in the event where the established limits are utilised.

The Group regularly monitors the utilisation of established limits and regularly reports thereof to relevant management bodies.

The system of limits and risk appetite are limited by the adopted Business Plan, Business Strategy, and Risk Appetite Framework.

2.2.1.4 Loan portfolio limits

In order to prevent any significant increase in credit risk in the Group's portfolio and to avoid exceeding the basic limits set out in the Risk Appetite Statement, the Group introduced a credit portfolio system of limits. It is related to the total capital requirement ratio defined in the Risk Appetite Statement, and through the risk-weighted assets (RWA), also to nominally determined limits submitted to commercial units. Limits are determined at the level of business areas, customer segments, products, and credit ratings, where appropriate.

Additionally, limits related to the portfolio quality and concentration are set up.

The limits apply to the Group and are divided into two categories:

- Portfolio structure limits – in order to prevent exceeding the limits set out in the Risk Appetite Statement, concentration, and possible losses as a result.
- Portfolio quality limits – in order to maintain the quality of portfolio.

Defined limits are additionally supported by the Early Warning System (EWS), which sets out warning thresholds, and by clearly defined roles, responsibilities, and necessary activities in the event utilising the limits.

2.2.1.5 Loan collateral policy

As a rule, loans contracted by the Group companies are secured by at least one type of collateral. Unsecured loans are an exception and are approved only to risk-free customers. The type of collateral required depends on:

- Type of a customer (including its legal status)
- Customer's credit rating
- Type and maturity of a loan
- Customer's repayment capability
- Customer's relationship with the Group and with other customers
- Customer's track record of cooperation with the Group.

In its loan collateral policy, the Group has determined eligibility criteria for types of collateral to be provided in order to reduce credit risks. With respect to the adequacy of collateral, the following classification has been adopted:

- Prime collateral
- Eligible collateral
- Pledge of movable or immovable property
- Other types of collateral.

Leasing companies within the Group are legal owners of assets leased out.

General qualitative information about credit risk are additionally included in section 2.1 and Chapter 9.

2.2.2 Qualitative disclosure requirements related to counterparty credit risk (CCR)

This section covers the disclosures required by Article 435(1)(a) of CRR and are defined in the Guidelines Table „EU CCRA – Qualitative disclosure requirements related to counterparty credit risk".

Counterparty credit risk management is additionally included in Chapter 6 and section 2.1.1.

2.2.3 Qualitative disclosure requirements related to market risk

This section covers the disclosures required by Article 435(1)(a)(b)(d) of CRR and are defined in the Guidelines Table „EU MRA – Qualitative disclosure requirements related to market risk“.

Market risk management is additionally included in section 2.1 and Chapter 12.

2.2.4 Qualitative/quantitative disclosure requirements related to liquidity risk

The section covers the disclosures required by Article 435(1) of CRR and are defined in Table „EU LIQA – Quantitative/qualitative information on liquidity risk“ in the Guidelines on the Liquidity Coverage Ratio (LCR) Disclosure supplementing the liquidity risk management disclosure set out in Article 435 of Regulation (EU) No 575/2013.

Liquidity risk management is detailed in section 2.1.

2.3 Information on governance arrangements

The section covers the disclosures required by Article 435(2) of CRR, and their contents are defined in Guidelines section C.

2.3.1 Number of directorships held by members of the management body

(Article 435(2.a) of the Regulation)

Until 31 March 2018, the Management Board comprised the following five members: John Denhof, President of the Management Board, Robert Senica, Deputy President of the Management Board, Jon Locke, Management Board member, Sabina Župec Kranjc, Management Board member, and Josef Gröblacher, Management Board member.
As at 31 March 2018, following his resignation notice, the office of Robert Senica as a Management Board member and Deputy President was terminated.

Since 31 March 2018, the member of the Management Board Jon Locke has been performing the function of the Management Board Deputy President.

On 21 March 2018, the Supervisory Board of Nova KBM appointed a new member of the Management Board of Nova KBM, Matej Falatov, responsible for corporate banking. On 29 June 2018, Matej Falatov received the authorisation from the ECB to act as a Management Board member. The term of the newly appointed member started on 6 July 2018 as per the decision took by the Supervisory Board on 5 July 2018. Before taking the office of a Management Board member, he has held the office of an authorised representative (procurator) of Nova KBM since 31 March 2018.

The composition of the Management Board changed on 8 October 2018 when, following his resignation notice, the office of Josef Gröblacher as a Management Board member was terminated.

As at 31 December 2018, the Management Board of Nova KBM comprised the following members: John Denhof, President of the Management Board, Jon Locke, Deputy President of the Management Board, Sabina Župec Kranjc, and Matej Falatov.

Table 2: Management Board membership in other entity's bodies

Membership in other entity's bodies as at 31 December 2018				
Management Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
John Denhof, Chair	Summit Leasing d.o.o.	Leasing		X
	KBM Infond d.o.o. since 8 May 2018	Asset management company		X
Sabina Župec Kranjc	Summit Leasing d.o.o.	Leasing		X
	KBM Infond d.o.o.	Asset management company		X
	Bank Association of Slovenia	Banking		X
Jon Locke – Deputy Chair	Summit Leasing d.o.o.	Leasing		X
	KBM Infond d.o.o. – Since 8 May 2018	Asset management company		X
	British–Slovenian Chamber of Commerce – since 8 May 2017	Economy		X
Matej Falatov	Summit Leasing d.o.o. – Since 30 August 2018	Leasing		X

Until 26 March 2018, the Supervisory Board comprised 7 members, namely Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, Manfred Puffer, Michele Rabà, Gernot Lohr, Andrea Moneta, and Alexander Saveliev.

As at 26 March 2018, following his resignation notice, the office of Gernot Lohr as a Supervisory Board member was terminated.

As at 31 December 2018, the Supervisory Board comprised the following members: Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, Manfred Puffer, member, Michele Rabà, member, Andrea Moneta, member, and Alexander Saveliev, member.

Table 3: Supervisory Board membership in other entity's bodies

Membership in other entity's bodies as at 31 December 2018				
Supervisory Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
Andrej Fatur, Chair	Odvetniška družba Fatur Menard, o.p., d.o.o.		Director	
Manfred Puffer	Oldenburgische Landesbank AG	Banking		X
	Athene Life Holding Bermuda	Financial		X
	Athene Life RE Bermuda			X
	Athene Lebensversicherung AG	Insurance		X
	Infineon Technologies			X
Michele Rabà	Summit Leasing d.o.o.	Leasing		X
	Oldenburgische Landesbank AG	Banking		Non-executive director
	Biser Topco S.a.r.l.	Holding Company		Non-executive director
	Biser Bidco S.a.r.l.	Holding Company		Non-executive director
	Biser Holdings Ltd.	Holding Company		Non-executive director
	Champ Luxembourg Holding S.a.r.l.	Holding Company		Non-executive director
	Champ II Luxembourg Holding S.a.r.l.	Holding Company		Non-executive director
	Jewel UK Midco Ltd.	Holding Company		Non-executive director
	Jewel UK Topco Ltd.	Holding Company		Non-executive director
	Jewel UK Bidco Ltd.	Holding Company		Non-executive director
	Jewel BondCo Plc.	Holding Company		Non-executive director
	Jewel Holdco S.a.r.l.	Holding Company	X	
	Jewel Holdco 2 S.a.r.l	Holding Company	X	
	The Watches of Switzerland Group Ltd.	Holding Company		Non-executive director
Andrea Moneta	Amissima Group	Financial		Non-executive director
	Privat Bank Ukrajina	Banking		Non-executive director
	The Floow			Non-executive director
Alexander Saveliev	Biser Topco S.a.r.l.	Holding Company		Non-executive director
	Biser Bidco S.a.r.l.	Holding Company		Non-executive director
Andrzej Klesyk, Deputy Chair	Play Communications SA	Mobile operator		Non-executive director
	Best SA	NPE		Non-executive director

2.3.2 Recruitment policy for the selection of members of the management body and their actual knowledge, skills, and experience

(Article 435(2.b) of the Regulation)

The Bank implements the Policy on the Selection of Suitable Candidates for a Management Body in line with the provisions of Article 34 of the Banking Act (ZBan-2), paragraph 2 thereof, providing for the establishment and implementation of an appropriate suitable candidate selection policy , which ensures:

- That the management body as a whole takes into account a wide range of knowledge, skills, and experience of its members
- Initiatives are implemented to achieve diversity within a management body, including an appropriate representation of both genders, and policies to achieve these objectives by increasing the number of members of an under-represented gender in the management body
- Conditions are defined for the performance of a specific function, including the required profile of members of the management body before they are appointed.

Given that members of the Bank's management body have a crucial role in safeguarding the interests of the Bank, members of the management body, individually and collectively as a body, have to be adequately qualified, experienced, as well as sufficient in their number, to be able to execute, in a reliable manner, the tasks entrusted to them, while ensuring that their private interests are aligned with the long-term interests of the Bank. In view of their responsibility for managing and supervising the operations of the Bank, the members of the management body are expected to have specific professional and personal competences. The required knowledge, skills, and experience of each member of the management body, individually and in combination with other members of the management body, have to ensure that the transactions carried out by the Bank, the risks, and its governance structure are understood to the extent necessary to reach professional, well-thought-out and competent decisions for the purpose of managing and supervising the Bank.

Apart from the policy referred to above, the Bank consistently implements the Policy on Assessing the Suitability of Members of the Management Bodies and Officers Holding Key Positions of Nova KBM (so-called Fit & Proper Policy), which sets out the key criteria that members of a management body as well as a body assessing the fulfilment of criteria, have to meet. These criteria include: the criterion of experience (where education, work experience, and expertise in pivotal areas are assessed in each member or candidate), the criterion of personal reliability and reputation, and assessments are carried out by the Nova KBM Fit & Proper Committee. Special requirements apply to the president and members of a management body. In addition, this policy stipulates that members of each of the cogent committees that have to be established by Supervisory Board members have to possess the necessary expertise and experience in the relevant area, which is to ensure that the committee as a whole possesses appropriate qualifications and competence, whereby its members can cover all relevant professional areas in a systemic manner, thereby ensuring that the committee as a whole can carry out its work in a thoughtful and prudent manner.

Based on the policies described above, the Bank ensures and defines an expected and appropriate selection of the management body members and their actual (necessary) knowledge, skills, and experience to perform their work in a reliable way.

Bank's Management Board

Notwithstanding the above, in appointing the President and members of the Management Board, the Supervisory Board observes the provisions of the Companies Act (ZGD-1), the Banking Act (ZBan-2), implementing regulations of the Bank of Slovenia, EU regulations, and the Bank's Articles of Association.

Presentation of the Management Board

John Denhof assumed the office of President of the Management Board as at 1 March 2017. He is a financial expert with extensive experience gained at various senior management positions in the Citibank in several emerging and developed markets, inter alia, in Singapore, United Kingdom, Turkey, Czech Republic, and Spain. He has been engaged in financial industry for over 25 years. He has planned and implemented repositioning of banks, transformed them into institutions with a sustainable growth and profitability, he has been developing distribution channels, enhanced capacities for digital operations, and increased added value for customers. Since 18 September 2017, John Denhof has served as a member of the Supervisory Board of Summit Leasing. Since 8 May 2018, he has been performing the office of Deputy Chair of the KBM Infond's Supervisory Board.

Sabina Župec Kranjc has been a member of the Nova KBM Management Board since 17 November 2014. She holds an MSc in Economic and Business Sciences (major in Business Finance and Banking) and has more than 17 years of work experience in banking. She began her career in 1998 in the Treasury Department of Abanka Vipa d.d., where she was a Manager of the Customer Trading Desk between 2003 and 2004. Between 2004 and 2008, she worked at Raiffeisen Banka d.d., initially as the Head of Trading, and later as the Manager of the Treasury Department. Between 2008 and 2013, she headed the Treasury Department of Abanka Vipa. She joined Nova KBM in July 2013 as the Executive Director for Financial Markets, with her responsibilities including management of demanding projects, such as the Asset Quality Review project (AQR) and the Nova KBM's privatisation process. She has upgraded her expertise by regularly participating in investment conferences and meetings, both in Slovenia and abroad (Euromoney Conferences in the years 2009–2016, EBRD's Annual Meetings, SIBOS Conferences, seminars at the Bank Association of Slovenia). She is a member of the Treasury Committee at the Bank Association of Slovenia, as well as of several working groups, and the FOREX Association. In addition, she regularly participates in professional meetings on financial and risk-related topics. In the past, Sabina Župec Kranjc was the Chair of the PBS Supervisory Board, and between 1 July 2015 and 10 September 2017, she was a member of the Supervisory Board of Terme Olimia. She is a member of the Supervisory Boards of KBM Infond and Summit Leasing. In addition, she holds the office of a Supervisory Board member of the Bank Association of Slovenia.

Jon Locke took up the office of a Management Board member on 1 January 2017. He has more than 20 years of management and advisory experience in banking, especially in the areas of risk management and the management of NPLs in banks in Central and Southeast Europe. During his career, he has been a leading management team member in a number of bank transformation programmes, with specific emphasis on credit risk, NPL management and integration of data into bank operations. Since 2013, he served as the Chief Risk Officer at Banca Comercială Română in Bucharest, the leading bank in Romania, and a member of the Erste Bank Group. Between 2003 and 2013, he held senior management positions in three larger banks, Central European subsidiaries of the Intesa Sanpaolo Group. He was the Chief Workout Officer at CIB Bank in Hungary. Before that, he was the Deputy CEO and the Chief Risk Officer at Privredna banka Zagreb, and before that he had held the same positions at VUB Banka in Slovakia. Jon Locke also gained management, professional, and advisory experience with Deloitte, where he was a Partner from 2001 until joining VUB Banka in 2003.

Prior to joining Deloitte, he worked for Coopers & Lybrand and PricewaterhouseCoopers for ten years, being based in London, Prague and Moscow and advising financial institutions. Since 18 September 2017, Jon Locke has been a member of the Summit Leasing Supervisory Board. Since May 2017, has served as a member and Deputy Chair of the Supervisory Board at the British–Slovenian Chamber of Commerce. Since 31 March 2018, he has held the office of Deputy President of the Management Board of Nova KBM. Since 8 May 2018, he has been performing the office of the KBM Infond's Supervisory Board member.

Matej Falatov has a university degree in economics. He also holds a master's degree in management and organisation of commercial companies and a specialist banking management course at the Faculty of Economics of Ljubljana. He has accumulated his knowledge at various managerial functions. Between 2016 and 2018, he served as President of the Management Board of Addiko Bank d.d., Ljubljana, where he was responsible for the performance of all banking and leasing services. Before this function, he served as a member of management Boards or executive director in various banks in Slovenia and abroad (Hypo Alpe Adria Bank d.d., Ljubljana, SKB Banka d.d., Ljubljana, Factor Bank d.d., West East Bank a.d., Sofia), where he was in charge of managing the areas of corporate banking, retail, treasury, investment banking, and other financial and commercial services. Since 30 August 2018, he has been a member of the Supervisory Board of Summit Leasing.

Presentation of the Supervisory Board

Relevant provisions of the following documents are consulted in the appointment of Supervisory Board members: the Companies Act (ZGD-1), the Banking Act (ZBan-2), implementing regulations of the Bank of Slovenia, EU regulations, the Bank's Articles of Association, and the Nova KBM's Fit & Proper Policy.

The Bank has adopted the Nova KBM and the Nova KBM Group Companies' Governance Policy, which sets out the division of responsibilities and powers between members of the management and supervisory bodies of Nova KBM.

With regard to the strategy and criteria for the selection of Management Board and Supervisory Board members and officers holding key positions, the Bank has adopted the Fit & Proper Policy and set up a special committee (the Fit & Proper Committee).
The Supervisory Board's committee selects and recommends to the Supervisory Board candidates for members of the Management Board, and selects and recommends to the Shareholders' Meeting candidates for members of the Supervisory Board, while taking into account the Nova KBM's Policy on the Selection of Suitable Candidates for a Management Body, and the Fit & Proper Policy.

Andrej Fatur (the Chair) holds a PhD from the King's College London, School of Law. He has many years of work experience in local and international environments (he was a legal adviser at the Court of Justice of the European Union, a periodic lecturer at King's College London, School of Law, the manager of, as well as a periodic adviser to NEOS Business Consulting Ltd, London). After completing his traineeship at court, he started his career as a lawyer, a profession he resumed after having worked abroad for several years. Currently, he has his own law firm and serves as a lawyer in corporate law. In the past, he served for several months as a legal adviser to the Bank of Slovenia, in the area of banking supervision and regulation. He is the author of numerous professional papers on corporate law, particularly competition law. As a lecturer on this subject, he has participated in several conferences, both in Slovenia and abroad.

Andrzej Klesyk (Deputy Chair) is a highly qualified expert in financial services. Since 2016, he has been working as a *senior advisor*, mainly in the field of financing listed companies, advising investors and banks, and advising international companies on their business strategy in Europe. Between 2007 and 2015, he was Chief Executive Officer of the PZU SA Company. Under his leadership, PZU became known as one of the largest and most successful cases of public offering of private company shares in Central and Eastern Europe.

Manfred Puffer has extensive working experience, more than 37 in total, in the finance and banking industry. Since 2008, he has served as an Operating Partner – Independent Consultant at Apollo Global Management. He has acquired special experience by performing a supervisory office in supervisory boards of various companies in Europe, in particular in the area of finance. He also acquired special knowledge and experience in banking-related areas based on his work in banks and other financial institutions.
He acquired special knowledge and experience in the banking area during his work at Bremer Kreditbank AG (BKB).

Michele Rabà is a partner in the private equity team with Apollo Management International, LLP, which is an affiliate of Apollo Global Management, LLC. He holds several non-executive directorships in relation to investments in NKBM, OLB and Watches of Switzerland. He has gained experience by performing a supervisory office in boards of various companies in Europe, in particular in the area of banking and finance.
He has acquired special knowledge and experience in the banking area as a result of his work for NKBM, Bremer Kreditbank AG (BKB), Oldenburgische Landesbank (OLB), and additional relevant knowledge and skills also during his work at Goldman Sachs International, working in the Financial Institutions Group within the Investment Banking Division –. Since 18 September 2017, he has been a member of the Supervisory Board of Summit Leasing.

Andrea Moneta is Senior Advisor Italy and Operating Partner PE FS for Apollo since 2015. In these capacities, he promotes and coordinates Apollo's businesses in the Italian market, and serves on the Boards of the PE portfolios, companies Amissima (chair) and NKBM. Before joining Apollo he worked, inter alia, as Divisional CEO and Group CFO within leading financial services groups, including Aviva and UniCredit, and served as Head of Strategic Planning at the European Central Bank. He held executive and non-executive board positions in more than 35 listed and non-listed companies across several Western European countries, CEE, Ukraine, Russia, Turkey and the Middle East. He also acquired special (expert) knowledge and experience in banking-related areas, such as politics and economics, risk management, financial marketing and business administration, and completed his post-graduate education in risk management and financial market management.

Alexander Saveliev serves as the Director of the „Financial Institutions Banking Group" at the EBRD. Over the last 15 years, he has acquired knowledge and experience by performing various supervisory functions, and commercial and executive functions, particularly in the area of finance. As a representative of the EBRD, he has served as a member of supervisory boards of several banks (Bank Kedr in Russia, Megabank in Ukraine, and Šiaulių Bankas in Lithuania). He has also acquired his banking experience while acting as a member of the Management Board of ProCreditBank in Serbia.

Changes in the Management Board and the Supervisory Board of Nova KBM after 31 December 2018

On 16 January 2019, the Supervisory Board of Nova KBM appointed for the terms of office of three years the fifth member of the Bank's Management Board (COO), Aytac Aydin, who will assume his position of a Management Board member after obtaining the authorisation of the Bank of Slovenia and the European Central Bank, respectively.

2.3.3 Policy on diversity with regard to the selection of members of the management body, its objectives and relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved

(Article 435(2.c) of the Regulation)

Although the Bank has adopted no formal diversity policy for the selection of members of its management bodies, this area is fully covered by and included in the Policy on the Selection of Suitable Candidates for a Management Body, which was drafted and adopted by the Bank in 2016; this policy takes account of the second paragraph of Article 34 of the Banking Act (ZBan-2), according to which a bank has to set up and implement an appropriate policy on the selection of suitable candidates, ensuring:

- That a management body as a whole takes into account a wide range of knowledge, skills, and experience of its members
- Initiatives are implemented to achieve diversity within a management body, including an appropriate representation of both genders, and policies to achieve these objectives by increasing the number of members of an under-represented gender in the management body
- Conditions are defined for the performance of a specific function, including the required profile of members of the management body before they are appointed.

Therefore, the criteria of experience are defined for members of the management body (in this area, the following criteria are assessed in each member or candidate: education, work experience, and expertise in pivotal areas), the criterion of personal reliability and reputation, and the criterion of management capability.

The policy referred to above aims at ensuring that members of a management body have different professional and educational backgrounds, and that a management body as a whole is diversified in terms of their age (meaning that its should comprise senior and less senior members), nationality and gender (at least one member of the Management Board should be female).

In addition to the above, the Bank has adopted the related Policy on Assessing the Suitability of Members of the Management Bodies and Officers Holding Key Positions of Nova KBM. (so-called Fit & Proper Policy), which includes in the section on the supervisory board the provisions setting out the criteria regarding experience in supervisory board members, that a supervisory board's composition has to be considered as a whole and meet the requirements concerning suitability as a rounded up and comprehensive system. To that effect, by taking account of the desirable diversity of professional and educational backgrounds of individual members, any less obvious specific knowledge shown by any of its members can be compensated for by obvious professional expertise of other members, as the supervisory board shall be seen as a rounded-up whole.

Notwithstanding the above, as regards the process of selecting members for its management bodies, the Bank has to observe the relevant regulatory provisions, the provisions of the Bank's Articles of Association, and of various corporate governance codes, and best practice recommendations on corporate governance. Further details in this regard are included in the Business Report of the Nova KBM Group and Nova KBM 2018 Annual Report, section 5.3.3

Corporative Governance of Nova KB, and section 14 Nova KBM Corporate Governance Statement.

2.3.4 Information on whether or not the institution has set up a separate risk committee and the number of times the risk committee has met

(Article 435(2.d) of the Regulation)

The Bank has the Risk Committee in place, which serves as an advisory body to the Nova KBM's Supervisory Board and has the mission of supervising the implementation of risk management strategies by the senior management of the Bank and the Group. The Risk Committee also provides advice regarding the Bank's current and future risk appetite. Five meetings of the Risk Committee were held in 2018.

2.3.5 Description of the information flow on risk to the management body

(Article 435(2.e) of the Regulation)

The Risk Management Department and the Finance Department prepare reports on various types of risk, non-performing loans and NPL management, and performance of the Bank, and submit them to the Management Board, the Risk Committee and the and Supervisory Board. Risks are also regularly reported to the ALCO on a monthly basis.

The reporting is carried out on daily, monthly, quarterly and annual bases. The Risk Management Department reports at the Nova KBM Group and the Biser Group levels separately.

In its risk management policies for particular types of risk, the Bank has determined the frequency of reporting and responsible persons.

The Risk Management Department publishes on the Intranet site, on a daily basis, the most important indicators in respect of liquidity, interest rate and market risks. Report on Risk Management in Nova KBM is drafted and submitted monthly to the Management Board and to executive directors of relevant departments.

The Operational Risk Committee, which was established in April 2015 comprises the following members: President of the Bank's Management Board, Management Board member responsible for risks, Management Board member responsible for the operational performance of the Bank, Director of the Strategic Risk Management, Director of the Physical and Information Security Management, Director of the Operational Risk Management; with the following persons constantly invited to attend the Committee meetings: Director of the Information Technology, Director of the Internal Audit Office, Director of the Compliance Office.

The Committee is responsible for examination, discussion, and decision-making on the issues relating to operational risk management. The Committee meets quarterly or more often, if necessary.

The Corporate Security Department reports to the Management Board on the management of incidents and risks threatening business continuity and information security following the occurrence of any significant incidents, during removal of their consequences and the implementation of the measures taken to mitigate the consequences and risks arising from incidents. Monthly reports on incidents are also submitted to the Risk Management Department, while the Operational Risk Committee is furnished with quarterly reports, in addition to being promptly informed of any newly-identified risks.

The officer responsible for anti-money laundering and counter terrorist financing reports to the Management Board on findings of the controls completed at first and second levels, reported suspicious transactions, identified risks and adopted measures for managing these risks on a monthly basis, while reports on the functioning of internal controls in the areas of anti-money laundering and counter terrorist financing, as well as of restrictive measures, are submitted on a quarterly basis. On an annual basis, the officer prepares a report on annual activities (amendments to internal rules, application systems, and the like) as well as on realised annual plans for the implementation of control at the second level, and annual training. Report for the Office for Money Laundering Prevention is part of the annual report and is prepared in accordance with the implementing regulations.

The Risk Management Department assesses the risk profile of the Bank and the Group once a year. The risk profiles of the Bank and the Group are discussed by the Management Board and the Risk Committee.

3. The scope of application of the regulatory framework

This Chapter defines disclosure requirements referred to in Article 436 of Part Eight of CRR.

3.1 Name of the institution to which the requirements apply

(Article 436(a) of the Regulation)

The institution obliged to make disclosures for the Group is the Parent Bank in accordance with Article 13 of CRR.

3.2 Outline of the differences in the basis of consolidation for accounting and prudent purposes, with a brief description of the respective entities

(Article 436(b) of the Regulation)

The Biser Topco Group comprises the parent company Biser Topco S.à r.l. and its direct and indirect subsidiaries. These are Biser Bidco S.à r.l. company and the Nova KBM Group. Nova KBM is the parent company of the Nova KBM Group, which controlled four subsidiary companies as at 31 December 2018.

Nova KBM is a commercial bank with tradition, focusing on providing its retail and corporate customers with standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2000 Maribor, Republic of Slovenia.

As at 31 December 2018, the Parent Bank's share capital totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

On 21 April 2016, a 100-percent owner of Nova KBM shares became the Biser Bidco S.à r.l. The company, through which the purchase of shares was performed, is managed by certain investment funds, affiliates of Apollo Global Management, LLC, and the European Bank for Reconstruction and Development.

The Parent Bank is required to prepare consolidated financial statements at the level of the Nova KBM Group and the Biser Topco Group.

The financial statements of the Nova KBM Group are included in the consolidated financial statements of the company Biser Topco S.à r.l.

The Group comprises the Parent Bank and its subsidiary companies.

Table 4: Structure of the Nova KBM Group

Company	Position in the Nova KBM Group	Group's voting rights in the subsidiary (%)	Place of business (or country of incorporation)
Nova KBM d.d.	parent bank		Maribor, Slovenia
Infond d.o.o.	subsidiary company	77.78[1]	Maribor, Slovenia
Summit Leasing Slovenija d.o.o.	subsidiary company	100.00	Ljubljana, Slovenia
M-PAY d.o.o.	subsidiary company	50.00	Maribor, Slovenia
MB Finance B.V.	subsidiary company	00.00[2]	The Netherlands

[1] The Group's stake in the share capital of KBM Infond accounts for 77.00 %. Because KBM Infond holds a certain percent of treasury stake, the Group's stake in the capital and voting rights of KBM Infond equal 77.78 %

[2] In accordance with IFRS 10, MB Finance B.V. company is regarded as a special purpose vehicle controlled by Nova KBM. The Bank has neither voting rights nor equity stake in this entity, and the investment in this entity is considered to be immaterial to the Group.

In May 2017, based on its management decision, the Parent Bank started actions to sell KBM Leasing Hrvatska d.o.o. – in liquidation, which was 100 % owned by the Group (of which 98.54 % directly owned by the Parent Bank). The subject of the sale agreement (SPA) was the ownership interest in KBM Leasing Hrvatska – in liquidation, including claims of the Parent Bank. The company was sold on 16 January 2018, and the entire company's exposure (as a going concern) was assumed by the buyer.

Under the restructuring of the Nova KBM Group, in 2016, the Parent Bank established the project company called KBM ASCO d.o.o., to which mainly non-performing loans and real estate of the former subsidiary bank (KBM Banka a.d.) were transferred. On 19 April 2018, Nova KBM received a binding offer for the purchase of a 100-% stake in the KBM ASCO company, including the claims from loans. The Bank's Management Board accepted the binding offer on 24 April 2018. Until all the suspensory conditions were met, the KBM ASCO company was fully consolidated. The company was sold on 23 May 2018.

In December 2017, with an aim to optimise the liquidation process, Nova KBM took a decision to merge by acquisition Gorica Leasing d.o.o. – in liquidation to KBM Leasing d.o.o. – in liquidation. Based on the final decision on the merger by acquisition of Gorica Leasing – in liquidation to the acquiring company, KBM Leasing d.o.o. – in liquidation, Gorica Leasing – in liquidation has been struck off the court register since 26 January 2018. The acquisition cut-off date was 1 January 2018. During the first half of 2018, the management of Nova KBM took a strategic decision on the sale of the combined leasing company. On 19 October 2018, following the adoption of the Resolution on Sale, all the conditions for sale of KBM Leasing – in liquidation were met, and the company was sold to three buyers.

In October 2018, Nova KBM signed with Telekom Slovenije d.d. a resolution on summary winding up the company M-Pay d.o.o. in accordance with Article 425 of the Companies Act. Based on the resolution on winding up the company, the equity investment was reclassified in individual financial statements of Nova KBM to non-current assets held for sale, while the subsidiary is fully consolidated in the consolidated financial statements. As at the day when the Decision on striking the company off the court register of companies is final, the company M-Pay will cease to exist, and its assets will be paid to the shareholders in proportional shares.

On 5 October 2018, Nova KBM bought at a public auction a 5-percent stake in KBM Infond and, therefore, become its 77.78-percent owner. Following a decision adopted by the management of Nova KBM on disposal of the equity stake in the subsidiary KBM Infond, in December 2018, the equity investment was reclassified to non-current assets held for sale based on contract signed. Until the conditions necessary for derecognition are met, the company will be fully consolidated in the consolidated financial statements, until the sale is completed.

Template 2: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

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		a	b	c	d	e	f	g
		Carrying values as reported in the published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
1	**Assets**							
2	Cash in hand, cash balances at the central bank, and demand deposits at banks	495,810	495,810	495,810				
3	Financial assets held for trading	2,317	2,317		1,347		969	–2
4	Non-trading financial assets at fair value through profit or loss	39,692	39,692	39,692				–40
5	Financial assets measured at fair value through other comprehensive income	1,474,167	1,474,167	1,474,167				–1,474
6	Financial assets measured at amortised cost	2,808,825	2,808,825	2,808,825				
7	Tangible assets	83,498	83,498	83,498				
8	Intangible assets	27,768	27,768					–27,768
9	Current income tax assets	24,695	24,695					–27,041
10	Other assets	28,547	28,547	28,547				
11	Non-current assets held for sale and discontinuing operations	10,160	10,160	10,160				
13	**Total assets**	**4,995,479**	**4,995,479**	**4,940,699**	**1,347**	**0**	**969**	**–56,326**

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in the published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
14	**Liabilities**							
15	Financial liabilities held for trading	1,451	1,451		1,451			–1
16	Financial liabilities designated at FVTPL	60	60					0
17	Financial liabilities measured at amortised cost	4,229,442	4,229,442					
18	Provisions	30,713	30,713					
19	Tax liabilities	414	414					
20	Other liabilities	6,067	6,067					
21	**Total liabilities**	**4,268,147**	**4,268,147**	**0**	**1,451**	**0**	**0**	**–1**
22	Share capital	2,008	2,008					
23	Share premium	174,830	174,830					–685
24	Capital related to compound financial instruments	632	632					–632
25	Revaluation surplus	–9,450	–9,450					–321
26	Translation reserves	0	0					
27	Reserves from profit	271	271					
28	Retained earnings/losses	489,117	489,117					
29	Net profit/loss	67,604	67,604					–67,604
30	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT**	**725,012**	**725,012**	**0**	**0**	**0**	**0**	**–69,242**
31	Equity attributable to non-controlling interests	2,320	2,320					–2,320
32	**TOTAL EQUITY**	**727,332**	**727,332**	**0**	**0**	**0**	**0**	**–71,564**
33	**TOTAL LIABILITIES AND EQUITY**	**4,995,479**	**4,995,479**	**0**	**1,451**	**0**	**0**	**–71,565**

Template 3: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

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		a	b	c	d	e
				Items subject to		
		Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per EU LI1 template)**	**4,995,479**	**4,932,644**	**1,347**		**9,025**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per EU LI1 template)	4,995,479	4,932,644	1,347		9,025
3	Total net amount under the regulatory scope of consolidation	4,995,479	4,932,644	1,347		9,025
4	Off-balance-sheet amounts	787,685	210,944	2,207		
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of impairments and provisions					
8	Differences due to prudential filters	*–29,607*				
9	*Differences due to deductions*	*–29,361*				
10	**Exposure amounts considered for regulatory purposes**	**5,741,933**	**5,143,587**	**3,554**		**18,050**

Template 4: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

		a	b	c	d	e
Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
KBM Infond d.o.o.*	Full consolidation	x				Asset management company
Summit Leasing Slovenija d.o.o.	Full consolidation	x				Leasing company
M-PAY d.o.o.	Full consolidation	x				Mobile payment services company
MB Finance B.V.**				x		
Nova KBM d.d.	Full consolidation	x				Financial intermediation
Biser Bidco S.à r.l.	Full consolidation	x				Acquisition and management of companies
Biser Topco S.à r.l.	Full consolidation	x				Acquisition and management of companies

3.3 Information about any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

(Article 436(c) of the Regulation)

Subject to observance of regulatory requirements applicable to the operations of each Group company within the Group, there are no legal impediments to the transfer of own funds or repayment of liabilities between the Parent Company and its subsidiaries.

3.4 Information about the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries

(Article 436(d) of the Regulation)

The Bank includes all the subsidiaries in the consolidation based supervision, except for the company MB Finance B.V.

3.5 Information about the circumstances of making use of the provisions laid down in Articles 7 and 9 of the Regulation

(Article 436(e) of the Regulation)

This disclosure is not applicable for Nova KBM.

4. Own Funds

This Chapter defines disclosure requirements referred to in Article 437(1) of Part 8 of CRR and in Commission implementing regulation (EU) No 1423/2013 of 20 December 2013.

4.1 Information about full reconciliation of Common Equity Tier-1 items, Additional Tier-1 items, Tier-2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 of the Regulation relating to own funds of the institution and the balance sheet in the audited financial statements of the institution

(Article 437(1.a) of the Regulation)

The scope of consolidation and the method used to consolidate the statement of financial position are the same as the scope and method of consolidation set out in Part One, Title II, Chapter 2 of CRR.

Table below shows the difference between the balance-sheet and regulatory capital of Nova KBM as at 31 December 2018.

Table 5: Reconciliation of regulatory capital items and the balance-sheet capital

	31 December 2018	
	Biser Topco Group	**Nova KBM Group**
Balance-sheet capital	**727,331**	**730,391**
Share capital	2,008	150,000
Share premium	174,830	403,302
Other capital instruments issued	632	0
Accumulated other comprehensive income (revaluation surplus)	–9,451	18,128
Reserves from profit	271	20,340
Retained gains/losses	489,117	64,025
Profit/loss from continuing operations	67,604	72,276
Equity attributable to non-controlling interests	2,320	2,320
Subordinated liabilities	**0**	**0**
Adjustments	**–127,890**	**–130,255**
Share premium	–686	0
Other capital instruments issued	–631	0
Intangible assets	–27,768	–27,768
Equity attributable to non-controlling interests	–2,320	–2,320
Profit/loss from continuing operations	–67,604	–72,276
Profit for 2016 without ECB’s permission	0	0
Deferred tax assets	–27,041	–26,059
Other deductible items	–1,839	–1,831
Regulatory capital	**599,441**	**600,136**

4.2 Description of the main features of the Common Equity Tier-1 and Additional Tier-1 instruments and Tier-2 instruments issued by the institution

(Article 437(1.b) of the Regulation)

Table below presents the data on capital instruments of the Biser Topco Group and the Nova KBM Group.
The composition of capital and changes in 2018 are detailed in the Nova KBM Group and Nova KBM's 2018 Annual Report, in Notes to financial statements, Note 4.6: Capital risk.

Table 6: Main features of the Nova KBM Group's capital instruments

Capital instruments main features template			
1	Issuer	**Biser Topco S.à r.l.**	**Nova KBM d.d.**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	/	SI0021116494
3	Governing law(s) of the instruments	Luxembourg, in the law on commercial companies of 1915, as amended	ZGD, ZTFI, ZNVP
	Regulatory treatment	CRR	CRR
4	Transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital
5	Post transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Consolidated	Solo and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	Common equity Tier-1 capital	Common equity Tier-1 capital
8	Amount recognised in the regulatory capital (€million; as of the most recent reporting date)	€176 million	€553 million
9	Nominal amount of instrument	Share: €2.0 million Share premium: €174.1 million	€150 million Share premium: €403 million
9a	Issue price	Shares: €1 per share; Share premium: €100.85 per share	€87 per share
9b	Redemption price	N/A	N/A
10	Accounting classification	Equity	Equity
11	Original date of issuance	13/4/2016	19/12/2013
12	Perpetual or dated	Perpetual	Perpetual
13	Original due date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends	N/A	N/A
17	Fixed or floating dividend/coupon	N/A	N/A
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A

Capital instruments main features template			
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Ordinary liabilities
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

4.3 Description of the full terms and conditions of all Common Equity Tier-1, Additional Tier-1 and Tier-2 instruments

(Article 437(1.c) of the Regulation)

With respect to their characteristics, own funds are made up of two categories:

- Tier-1 capital, which comprises:
  - Common equity Tier-1 capital
  - Additional Tier-1 capital
- Tier-2 capital.

Common Equity Tier-1 capital of the Groups comprises:

- Capital instruments (paid-in and share premium)
- Retained earnings
- Accumulated other comprehensive income
- Other reserves
- Value adjustments due to the requirements for prudent valuation
- Adjustments to Common Equity Tier-1 capital due to prudential filters, i.e. revaluation surplus
- Deductions:
  - For intangible fixed assets and

- Deferred tax assets
- And other adjustments to Common Equity Tier-1 capital.

Neither of the Groups has additional Tier-1 instruments.

All capital instruments of the Nova KBM Group are eligible for inclusion in the Group's common equity Tier-1 capital, while the Biser Topco Group's capital instruments of €0.7 million are not eligible for inclusion in the Group's common equity Tier-1 capital.

Annual profits for the 2018 financial year are not included in the calculation of common equity Tier-1 capital at any reporting level, net profit for 2017 is included in the calculation of common equity Tier-1 capital only at the level of the Biser Topco Group.

4.4 Separate disclosure of the nature and amounts of filters and deductions

(Article 437(1.d) of the Regulation)

In 2018, both Groups are disclosing the amount and items of their regulatory capital and capital requirements as at 31 December 2018, in line with the provisions of CRR and other regulations.

The Group is disclosing the following:

(i) Prudential filters used in accordance with Articles 32 to 35

(ii) Deductions in accordance with Articles 36, 56 and 66

(iii) Non-deducted items in accordance with Articles 47, 48, 56, 66 and 79.

Table 7: Biser Topco Group's regulatory capital nature and amounts

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	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	176,153	26(1), 27, 28, 29, 26(3), EBA list
	Of which: Paid-in capital instruments	2,008	26(3), EBA list
	Of which: Paid-in capital surplus	174,144	26(3), EBA list
2	Retained earnings	489,117	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–9,501	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		286(2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)
6	Common Equity Tier-1 (CET1) capital before regulatory adjustments	655,769	Sum of lines 1 to 5a
Common Equity Tier-1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–1,518	34, 105

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
8	Intangible assets (net of related tax liability) (negative amount)	–27,768	36(1)(b), 37, 472(4)
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	–27,041	36(1)(c), 38, 472(5)
11	Revaluation surplus related to gains or losses on cash flow hedges		33(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2) and (3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79, 470, 472(11)
20	Empty Set in the EU		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(ii), 48(1)(b), 470, 472(11)
24	Empty Set in the EU		
25	Of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)
28	**Total regulatory adjustments to Common Equity Tier-1 (CET1) capital**	–56,328	Sum of lines 7 to 20a, 21, 22, and 25a to 27
29	**Common equity Tier-1 capital**	599,441	Sum of lines 6, of which line 28 is deducted
Additional Tier-1 (AT 1) capital: Instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	Of which: classified as equity under applicable accounting standards		

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
36	**Additional Tier-1 (AT1) capital before regulatory adjustments**	0	sum of lines 30, 33, 34
Additional Tier-1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79, 475(4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to AT1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from AT1 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		477, 477(3), 477(4)(a)
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
43	**Total regulatory adjustments to Additional Tier-1 (AT1) capital**	0	sum of lines 37 to 42
44	**Additional Tier-1 (AT1) capital**	0	Line 36, of which line 34 is deducted
45	**Tier-1 capital**	599,441	sum of lines 29 and 44
Tier-2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase-out from T2		486(4)

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	Public sector capital injections grandfathered until 1 January 2018		483(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)
50	Credit risk adjustments		62(c) and (d)
51	**Tier-2 (T2) capital before regulatory adjustments**		
Tier-2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79, 477(4)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
56b	Residual amounts deducted from T2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481
57	**Total regulatory adjustments to Tier-2 (T2) capital**		
58	**Tier-2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	599,441	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	(items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)		475, 475(2)(b), 475(2)(c), 475(4)(b)

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	(items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts)		477, 477(2)(b), 477(2)(c), 477(4)(b)
	Items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		
60	**Total risk weighted assets**	2,950,517	
Capital ratios and buffers			
61	CET1 (as a percentage of risk exposure amount)	20.32 %	92(2)(a), 465
62	T1 (as a percentage of risk exposure amount)	20.32 %	92(2)(b), 465
63	Total capital (as a percentage of risk exposure amount)	20.32 %	92(2)(c)
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	55,912	128, 129 and 130 (CRD)
65	Of which: capital conservation buffer requirement	55,322	
66	Of which: countercyclical buffer requirement	590	
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	599,441	128 (CRD)
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	1,276	36(1)(h), 45, 46, 472(10) 56(c), 59, 60, 475(4) 66(c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	1,276	36(1)(i), 45, 48, 470, 472(11)
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	–2,498	36(1)(c), 38, 48, 470, 472(5)
Applicable caps on the inclusion of provisions in Tier-2			
76	Credit risk adjustments included in T2 capital in respect of exposures subject to the Standardised Approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 capital under the Standardised Approach		62
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 capital under the internal ratings-based approach		62

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
84	Current cap on T2 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)

Table 8: Nova KBM Group's regulatory capital nature and amounts

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	553,302	26(1), 27, 28, 29, 26(3), EBA list
	Of which: Paid-in capital instruments	150,000	26(3), EBA list
	Of which: Paid-in capital surplus	403,302	26(3), EBA list
2	Retained earnings	64,025	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	38,154	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		286(2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)
6	Common Equity Tier-1 (CET1) capital before regulatory adjustments	655,481	Sum of lines 1 to 5a
Common Equity Tier-1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–1,518	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–27,768	36(1)(b), 37, 472(4)
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	–26,059	36(1)(c), 38, 472(5)
11	Revaluation surplus related to gains or losses on cash flow hedges		33(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159, 472(6)

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2) and (3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79, 470, 472(11)
20	Empty Set in the EU		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(ii), 48(1)(b), 470, 472(11)
24	Empty Set in the EU		
25	Of which: deferred tax assets arising from temporary differences		36(1)(c), 38, 48(1)(a), 470, 472(5)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)
28	**Total regulatory adjustments to Common Equity Tier-1 (CET1) capital**	–55,345	Sum of lines 7 to 20a, 21, 22, and 25a to 27
29	**Common equity Tier-1 capital**	600,136	Sum of lines 6, of which line 28 is deducted
Additional Tier-1 (AT 1) capital: Instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
36	**Additional Tier-1 (AT1) capital before regulatory adjustments**	0	sum of lines 30, 33, 34
Additional Tier-1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79, 475(4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to AT1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
43	**Total regulatory adjustments to Additional Tier-1 (AT1) capital**	0	sum of lines 37 to 42
44	**Additional Tier-1 (AT1) capital**	0	Line 36, of which line 34 is deducted
45	**Tier-1 capital**	600,136	sum of lines 29 and 44
Tier-2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase-out from T2		486(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)
50	Credit risk adjustments		62(c) and (d)
51	**Tier-2 (T2) capital before regulatory adjustments**		
Tier-2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79, 477(4)

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)		
57	**Total regulatory adjustments to Tier-2 (T2) capital**		
58	**Tier-2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	600,136	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	(items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)		475, 475(2)(b), 475(2)(c), 475(4)(b)
	(items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts)		477, 477(2)(b), 477(2)(c), 477(4)(b)
	Items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		
60	**Total risk weighted assets**	2,980,677	
Capital ratios and buffers			
61	CET1 (as a percentage of risk exposure amount)	20.13 %	92(2)(a), 465
62	T1 (as a percentage of risk exposure amount)	20.13 %	92(2)(b), 465
63	Total capital (as a percentage of risk exposure amount)	20.13 %	92(2)(c)
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	55,888	128, 129 and 130 (CRD)
65	Of which: capital conservation buffer requirement	55,888	
66	Of which: countercyclical buffer requirement	596	
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	600,136	128 (CRD)
Amounts below the thresholds for deduction (before risk weighting)			
72		1,276	36(1)(h), 45, 46, 472(10)

	Common Equity Tier-1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)		56(c), 59, 60, 475(4) 66(c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	2,378	36(1)(i), 45, 48, 470, 472(11)
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	–2,498	36(1)(c), 38, 48, 470, 472(5)
Applicable caps on the inclusion of provisions in Tier-2			
76	Credit risk adjustments included in T2 capital in respect of exposures subject to the Standardised Approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 capital under the Standardised Approach		62
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 capital under the internal ratings-based approach		62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
84	Current cap on T2 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)

4.5 Description of all restrictions applied to the calculation of own funds in accordance with the Regulation, and the instruments, prudential filters and deductions to which those restrictions apply

(Article 437(1.e) of the Regulation)

Data are presented in Table in section 4.4.

4.6 Comprehensive explanation of the basis on which the institution calculates its capital ratios, if the disclosed capital ratios are calculated using elements of own funds determined on the basis other than that laid down in the Regulation

(Article 437(1.f) of the Regulation)

Disclosure does not apply for the Group.

4.7 Disclosure in respect to transitional arrangements in order to reduce the impact of IFRS 9 introduction on capital

(Article 437(1.f) of the Regulation)

Disclosure does not apply to the Group because the Group did not choose to apply transitional arrangements to reduce the impact of the IFRS 9 standard introduction on regulatory capital.

4.8 Transitional provisions for disclosure of capital

(Article 492 of the Regulation)

Disclosure does not apply to the Group is not relevant because the Group has not applied transitional arrangements for the calculation of regulatory capital or any amount of risk-weighted assets since 1 January 2018. Transitional provisions are only taken into account in case of calculating capital buffers, and these comply with the provisions of CRD.

5. Own funds requirements

This Chapter defines disclosure requirements referred to in Article 438 of Part Eight of CRR. Where necessary, the disclosures comply with data disclosure requirements indicated in section „4.6 Capital Requirements“ of the Guidelines.

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

5.1 Summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities

(Article 438(a) of the Regulation)

The Group has the Risk Appetite Framework, including the Risk Appetite Statement, in place at the levels of the Nova KBM Group and the Biser Topco Group. The Bank determined the risk appetite at the Group level at the given risk-bearing capacity.

For the purpose of managing and calculating capital requirements under Pillar 1, the Group has in place the Policy of Managing Capital and the Capital Requirements, and under the Pillar 2, the Internal Capital Adequacy Assessment Process Implementing Policy (ICAAP). Implementing documents for both policies are methodologies determining the approach to risk identification and measurement, calculating capital requirements under Pillars 1 and 2, and implementing stress tests. All of these internal documents also apply at the level of the Biser Topco Group.

The internal capital estimate specifies the level of capital that the Group believes to be appropriate to cover all expected and unexpected losses arising from material risks to which it is exposed in its operations, both at the Nova KBM Group and the Biser Group levels. The amount of internal capital required to cover risks is calculated using the going concern approach. The amount of capital requirements under Pillar 2 equals the sum of the minimum regulatory capital under Pillar 1, and an estimate of internal capital.

In determining minimum capital adequacy ratios, the Group takes into account regulatory requirements and own internal estimates.

Monitoring of respective amounts of regulatory and internal capital of the Nova KBM Group and the Biser Topco Group is carried out at the meetings of the ALCO, the Risk Committee, and of the Supervisory Board.

Table 9: Set of risks in 2018

Credit risks	Market risks	Operational risks	Other risks
Credit risk	Position risk	Operational risk	Interest rate risk in the banking book
Country risk	Foreign exchange risk	Reputational risk	Business/ strategic risk
Other risk	Credit spread risk	Model risk	Profitability risk
Credit migration risk	Credit valuation adjustment risk	Employee behaviour related risk	Sovereign risk
Counterparty risk		Systemic/IT risk	Liquidity risk
Foreign exchange lending risk		Project risk	Risk related to real estate
Special loan arrangements risk (project financing)		Compliance risk	Capital risk
Variable lending risk		Risk of fraud	
Concentration risk		Internet crime risk	

The Group discloses information about regulatory capital in Chapter 4.

5.2 Information about the results of the institution's internal capital adequacy assessment process, including the composition of the additional own funds requirements based on the supervisory review process referred to in Point (a) of Article 104(1) of Directive 2013/36/EU

(Article 438(b) of the Regulation)

The Group is not required to disclose the results of its internal capital adequacy assessment process.

5.3 Information regarding 8 % of the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2 for each of the exposure classes specified in Article 112 of the Regulation

(Article 438(c) to (f) of the Regulation)

This section defines disclosure requirements referred to in Article 438 of Part 8 of CRR. Where necessary, the disclosures comply with data disclosure requirements indicated in section „4.6 Capital Requirements“ of the Guidelines.

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

Risk weighted assets of the Biser Topco Group as at 31 December 2018 were higher by €131.6 million, book value of assets for € 160 million, compared to the figure for the past year, as at 13 December 2017. The change in risk-weighted exposure, gross and net exposure amount at the reporting date of 31 December 2018 compared to 31 December 2017 is primarily associated with:

- Implementation of legislative amendments and business decisions of the Bank under the new methodology used to calculate the capital and capital requirements:
    - Introduction of IFRS 9 standard
    - Replacement of the real estate valuations made by GURS with valuations made valuators
    - Implementation of legislative amendments related to the finished transitional period referred to in Article 114(4) of the Regulation, pursuant to which the Bank introduced country risk in the class of exposure to central governments and central banks
    - Amounts of deductions deducted from the regulatory capital at the end of the transitional period
    - Nomination of eligible ECAI for determination of risk weights (see chapter 11).
- Changes of the Group's investment policy focusing on assuming higher risks.
- Managing the defaulted exposure portfolio.
- Movements in value adjustments of assets.
- Liquidation, mergers, acquisition, and sale of strategically immaterial subsidiaries.

The changes in risk-weighted exposure of the Biser Topco Group reflect also the changes in risk-weighted exposure of the Nova KBM Group.

Table below shows the structure of risk-weighted exposure of both Groups as at 31 December 2018 and 31 December 2017.

Template 5: EU OV1 – Overview of RWAs of the Biser Topco Group

€000

			RWAs		Minimum capital requirements
			31/12/2018	31/12/2017	31/12/2018
Article	**1**	**Credit risk (excluding counterparty credit risk – CCR)**	**2,641,402**	**2,445,813**	**211,312**
438(c) and (d)	2	Of which the standardised approach	2,641,402	2,445,813	211,312
438(c) and (d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
438(c) and (d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c) and (d)	**6**	**CCR**	**1,501**	**1,318**	**120**
438(c) and (d)	7	Of which mark to market	0	0	0
438(c) and (d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	1,491	1,294	118
	10	Of which internal model method (IMM)	0	0	0
438(c) and (d)	11	Of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c) and (d)	12	Of which credit value adjustment (CVA)	10	24	1
438(e)	**13**	**Settlement risk**	**0**	**0**	**0**
Article 449(o)(i)	**14**	**Securitisation exposures in banking book**	**0**	**0**	**0**
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0
	18	Of which the standardised approach	0	0	0
438(e)	**19**	**Market risk**	**19,989**	**47,594**	**1,599**
	20	Of which the standardised approach	19,989	47,594	1,599
	21	Of which IMA	0	0	0
438(e)	**22**	**Large exposures**			
438(f)	**23**	**Operational risk**	**287,625**	**324,153**	**23,010**
	24	Of which basic indicator approach	287,625	324,153	23,010
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
437(2), 48 and 60	**27**	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**0**	**0**	**0**
500	**28**	**Floor adjustment**	**0**	**0**	**0**
	29	**Total**	**2,950,517**	**2,818,878**	**236,041**

Template 6: EU OV1 – Overview of RWAs of the Nova KBM Group

€000

			RWAs		Minimum capital requirements
			31/12/2018	31/12/2017	31/12/2018
CRR Article	**1**	**Credit risk (excluding counterparty credit risk – CCR)**	**2,638,710**	**2,442,750**	**211,097**
438(c) and (d)	2	Of which the standardised approach	2,638,710	2,442,750	211,097
438(c) and (d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
438(c) and (d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c) and (d)	**6**	**CCR**	**1,501**	**1,318**	**120**
438(c) and (d)	7	Of which mark to market	0	0	0
438(c) and (d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	1,491	1,294	118
	10	Of which internal model method (IMM)	0	0	0
438(c) and (d)	11	Of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c) and (d)	12	Of which credit value adjustment (CVA)	10	24	1
438(e)	**13**	**Settlement risk**	**0**	**0**	**0**
Article 449(o)(i)	**14**	**Securitisation exposures in banking book**	**0**	**0**	**0**
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0
	18	Of which the standardised approach	0	0	0
438(e)	**19**	**Market risk**	**19,989**	**47,594**	**1,599**
	20	Of which the standardised approach	19,989	47,594	1,599
	21	Of which IMA	0	0	0
438(e)	**22**	**Large exposures**			
438(f)	**23**	**Operational risk**	**320,477**	**356,382**	**25,638**
	24	Of which basic indicator approach	320,477	356,382	25,638
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
437(2), 48, 60	**27**	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	**0**	**0**	**0**
500	**28**	**Floor adjustment**	**0**	**0**	**0**
	29	**Total**	**2,980,677**	**2,848,044**	**238,454**

Both groups have the same portfolio of capital investments, since the Biser Topco Group has no authorisations or licences to carry out any banking activity. As at 31 December 2018, both Groups have no significant equity investment in equity instruments of an insurance and reinsurance companies, or insurance holding companies that is not deducted from regulatory capital of the Groups, but only immaterial investment for which they calculate risk-weighted assets for credit risk with the assigned risk weight of 100 %.

5.4 Information regarding 8 % of the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 3 for each of the exposure classes specified in Article 147 of the Regulation

(Article 438(d) of the Regulation)

This disclosure does not apply to the Group, because it does not use the IRB approach in calculating capital requirements for credit risk.

5.5 Disclosure of the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight referred to in Article 155(2) of the Regulation, if the institution calculates the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2)

(Article 438 of the Regulation)

This disclosure does not apply to the Group, because it does not use the IRB approach in calculating capital requirements for credit risk.

6. Exposure to counterparty credit risk (CCR)

This Chapter defines disclosure requirements referred to in Article 439 of Part Eight of CRR and Chapter 4.11 of the Guidelines.

6.1 Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures

(Article 439(a) of the Regulation)

The calculation of internal capital needed to support the transactions in derivatives, repo transactions and securities lending transactions is carried out in accordance with an internal methodology determining the method of internal capital calculation. The Bank's exposure to counterparty credit risk is rather immaterial due to the small amount of such business activities. The Bank manages counterparty credit risk through appropriate processes (daily monitoring and valuation, and calls for coverage) and the system of limits, while capital is not allocated to cover this risk. The materiality threshold is determined.

Under the Pillar I capital framework, the capital requirements for derivatives, repo transactions and securities lending transactions are calculated using the mark-to-market (current exposure) method, in accordance with Article 274 of the Regulation.

The Group has set up a system of limits to control its exposure to counterparty credit risk. Exposures to counterparties and the levels up to which the exposure limits are utilised are monitored on a daily basis. The system of limits sets the maximum allowable exposure to each counterparty, taking into consideration the credit rating of the respective counterparty, its size, and the type of financial instrument concerned.
Limits for currency forward transactions are determined based on the VaR of exposure, which is calculated taking into consideration the current market value of the transaction and the potential exposure to a change in exchange rates in the period until the transaction falls due. The volatility of currencies is calculated based on the actual one-year data on exchange rates and the 99 % probability of event occurrence.

6.2 Description of policies for securing collateral and establishing credit reserves

(Article 439(b) of the Regulation)

In order to be able to conclude transactions in derivatives outside the regulated markets, the Parent Bank in the Group has signed the ISDA (International Swaps and Derivatives Association) Master Agreement with financial institutions. Furthermore, in order to reduce credit risk, the Bank has signed the Credit Support Annex (CSA) to the ISDA Master Agreement with particular banks, which defines collateral to mitigate credit risk arising from unfavourable movements in the market.

Transactions in derivatives with non-bank customers are contracted by the Parent Bank subject to customers signing a framework agreement on transactions in derivatives, according to which the claims and liabilities under derivatives are offset if the counterparty fails to meet its obligations.

The Parent Bank in the Group offers transactions in derivatives without requesting collateral only to customers with the highest credit rating, while the Bank includes the respective exposure to credit risk under these transactions in the calculation of the total exposure. The Bank offers transactions in derivatives to customers other than first class customers only upon approval by the competent body of the Bank or upon receipt of a prime collateral.

6.3 Description of policies with respect to wrong-way risk exposures

(Article 439(c) of the Regulation)

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

If the exposure to a counterparty is increased as a result of unfavourable market movements, the Bank requests the counterparty to provide additional prime collateral. A failure on the side of the counterparty to meet such a request may result in the Bank closing the position. Counterparty credit risk is monitored daily on the basis of available market prices or prices calculated according to an internal model, the input data of which are the prevailing market prices.

6.4 Description of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating

(Article 439(d) of the Regulation)

Considering the small volume of derivatives in the Group's trading portfolios, any decrease in the Bank' s credit ratio has no impact on the increase of the volume of collateral.

6.5 Disclosure of the gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure

(Article 439(e) of the Regulation)

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

6.6 Disclosure of measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Section 3 to 6 of the Regulation

(Article 439(f) of the Regulation)

The Group monitors counterparty credit risk exposure using the mark-to-market method, in accordance with Article 274 of the Regulation. The replacement cost is the sum of current and potential future exposures.

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 securities). The maximum exposure may be in the agreed amount, and additional collateral must be provided if the set limits are exceeded. Counterparty exposure is implemented in accordance with the Credit Risk Management Policy.

Currency forward contracts used to regulate the open foreign currency position are entered into only with customers with the highest credit ratings, and within the set limits. Currency forward contracts held in the trading book are entered into up to the limit set for each counterparty.

Template 7: EU CCR1 – Analysis of CCR exposure by approach for the Biser Topco Group

€000

		a	b	c	d	e	f
		Nominal amount	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure	Multiplier	RWAs
1	Mark to market		1,347	2,207			1,491
2	Original exposure						
3	Standardised approach						
4	Internal model method (hereinafter: (IMM) (for derivatives and SFT)						
5	Of which securities financing transactions (SFT)						
6	Of which derivatives and long settlement transactions						
7	Of which from contractual cross-product netting						
8	Financial collateral simple method (for SFTs)						
9	Financial collateral comprehensive method (for SFTs)						
10	Value at risk (hereinafter: VaR) for SFTs						
11	**Total**						**1,491**

Credit value adjustment – CVA

„Credit value adjustment" (CVA) means the adjustment of the counterparty transactions portfolio to the valuation at the mean market value. The said adjustment made for the institution reflects the current market value of counterparty credit risk, but does not reflect the current market value of the institution's credit risk to the counterparty. The template below discloses the data at the level of the Biser Topco Group as at 31 December 2018.

Template 8: EU CCR2 – CVA capital charge for the Biser Topco Group

€000

		Exposure value	RWAs
1	Total portfolios subject to the advanced method		0
2	(i) VaR component (including the 3 x multiplier)		0
3	(ii) Stress value at risk component (hereinafter: SVaR) (including the 3 x multiplier):		0
4	All portfolios subject to the standardised method	332	10
5	Based on the original exposure method		0
6	**Total subject to the CVA capital charge**	**332**	**10**

Exposure to central counterparties

The Bank is not exposed to central counterparties. The Bank performs clearing through a clearing member; therefore, it does not disclose information in the „EU CCR8 – Exposures to CCR" Template.

6.7 Disclosure of the notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure

(Article 439(g) of the Regulation)

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

6.8 Disclosure of the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivative products used, broken down further by protection bought and sold within each product group

(Article 439(h) of the Regulation)

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

6.9 Disclosure of the estimate of α, if the institution has received the permission of the competent authorities to estimate α

(Article 439(i) of the Regulation)

This disclosure requirement is not applicable to the Group, because it does not use the Internal Model Methodology to calculate exposures.

7. Capital buffers

(Article 440 of the Regulation)

This Chapter defines disclosure requirements referred to in Part 8 Article 440 of CRR and CRD. Disclosures follow the requirements set out in the Commission Delegated Regulation (EU) No 2015/1555.

The Group calculates the overall capital buffer above the minimum capital adequacy ratio. As at the reporting date, 31 December 2018, the Group included in the overall buffer the following components:

- A capital conservation buffer equalling 1.875 %, as provided for under the transitional provisions of Article 391(1)(1) of ZBan-2 and CRD
- An institution-specific countercyclical capital buffer in the amount as presented in Table in the next section. The Bank complies with the provisions of Article 391(1)(2) of the ZBan-2 – institution-specific countercyclical buffer does not exceed 1.875 % of the total risk exposure amount.

7.1 Disclosure of the geographic distribution of credit exposures relevant for the calculation of countercyclical capital buffers

(Article 440(a) of the Regulation)

Table 10: Geographic distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of the Biser Topco Group

€000

By country	General credit exposures		Trading book exposures		Securitisation exposure		Own funds requirements				Own funds requirements weights	countercyclical capital buffer rate
	Exposure value for standardised approach (SA)	Exposure value for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
AUSTRALIA	4	0	0	0	0	0	0	0	0	0	0	0.00
AUSTRIA	13,001	0	0	0	0	0	814	0	0	814	0	0.00
BELGIUM	11,890	0	0	0	0	0	952	0	0	952	0	0.00
BERMUDA	733	0	0	0	0	0	88	0	0	88	0	0.00
BULGARIA	2	0	0	0	0	0	0	0	0	0	0	0.00
BOSNIA AND HERZEGOVINA	97	0	0	0	0	0	6	0	0	6	0	0.00
BRAZIL	5	0	0	0	0	0	0	0	0	0	0	0.00
CYPRUS	5	0	0	0	0	0	0	0	0	0	0	0.00
CZECH REPUBLIC	6	0	0	0	0	0	1	0	0	1	0	1.00
MONTENEGRO	3	0	0	0	0	0	0	0	0	0	0	0.00
DENMARK	3,260	0	0	0	0	0	261	0	0	261	0	0.00
ESTONIA	5	0	0	0	0	0	0	0	0	0	0	0.00

By country	General credit exposures		Trading book exposures		Securitisation exposure		Own funds requirements				Own funds requirements weights	countercyclical capital buffer rate
	Exposure value for standardised approach (SA)	Exposure value for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
FRANCE	33,367	0	0	0	0	0	2,669	0	0	2,669	1	0.00
HONG KONG	2	0	0	0	0	0	0	0	0	0	0	1.88
CROATIA	20,692	0	0	0	0	0	2,042	0	0	2,042	1	0.00
INDIA	2	0	0	0	0	0	0	0	0	0	0	0.00
IRELAND	3,019	0	0	0	0	0	242	0	0	242	0	0.00
ITALY	5,219	0	0	0	0	0	409	0	0	409	0	0.00
JAPAN	3,109	0	0	0	0	0	249	0	0	249	0	0.00
SOUTH AFRICA	2	0	0	0	0	0	0	0	0	0	0	0.00
CANADA	3,145	0	0	0	0	0	126	0	0	126	0	0.00
KOSOVO	9	0	0	0	0	0	1	0	0	1	0	0.00
LUXEMBOURG	40,521	0	0	0	0	0	3,296	0	0	3,296	2	0.00
MACEDONIA	23	0	0	0	0	0	1	0	0	1	0	0.00
GERMANY	43,815	0	0	0	0	0	3,371	0	0	3,371	2	0.00
THE NETHERLANDS	43,338	0	0	0	0	0	3,868	0	0	3,868	2	0.00
NORWAY	2,054	0	0	0	0	0	33	0	0	33	0	1.88
ISLE OF MAN	9,928	0	0	0	0	0	794	0	0	794	0	0.00
ROMANIA	12	0	0	0	0	0	1	0	0	1	0	0.00
RUSSIAN FEDERATION	15	0	0	0	0	0	1	0	0	1	0	0.00
SLOVAKIA	554	0	0	0	0	0	28	0	0	28	0	1.25
SLOVENIA	2,810,891	0	16,111	0	0	0	164,915	1,289	0	166,204	84	0.00
SERBIA	2,363	0	0	0	0	0	187	0	0	187	0	0.00
SPAIN	17,209	0	0	0	0	0	1,377	0	0	1,377	1	0.00
SWEDEN	3,056	0	0	0	0	0	244	0	0	244	0	1.88
SWITZERLAND	165	0	0	0	0	0	10	0	0	10	0	0.00
UKRAINE	92	0	0	0	0	0	3	0	0	3	0	0.00
UNITED KINGDOM	30,527	0	0	0	0	0	2,508	0	0	2,508	1	1.00
UNITED STATES OF AMERICA	111,291	0	0	0	0	0	7,502	0	0	7,502	4	0.00
UNITED ARAB EMIRATES	2	0	0	0	0	0	0	0	0	0	0	0.00
Total	**3,213,433**	**0**	**16,111**	**0**	**0**	**0**	**195,999**	**1,289**	**0**	**197,288**	**100**	**0.02**

Table 11: Geographic distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of the Nova KBM Group

€000

By country	General credit exposures		Trading book exposures		Securitisation exposure		Own funds requirements				Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value for standardised approach (SA)	Exposure value for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
AUSTRALIA	4	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
AUSTRIA	13,001	0	0	0	0	0	814	0	0	**814**	**0**	**0.00**
BELGIUM	11,890	0	0	0	0	0	952	0	0	**952**	**0**	**0.00**
BERMUDA	733	0	0	0	0	0	88	0	0	**88**	**0**	**0.00**
BULGARIA	2	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
BOSNIA AND HERZEGOVINA	97	0	0	0	0	0	6	0	0	**6**	**0**	**0.00**
BRAZIL	5	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
CYPRUS	5	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
CZECH REPUBLIC	6	0	0	0	0	0	1	0	0	**1**	**0**	**1.00**
MONTENEGRO	3	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
DENMARK	3,260	0	0	0	0	0	261	0	0	**261**	**0**	**0.00**
ESTONIA	5	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
FRANCE	33,367	0	0	0	0	0	2,669	0	0	**2,669**	**1**	**0.00**
HONG KONG	2	0	0	0	0	0	0	0	0	**0**	**0**	**1.88**
CROATIA	20,692	0	0	0	0	0	2,042	0	0	**2,042**	**1**	**0.00**
INDIA	2	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
IRELAND	3,019	0	0	0	0	0	242	0	0	**242**	**0**	**0.00**
ITALY	5,219	0	0	0	0	0	409	0	0	**409**	**0**	**0.00**
JAPAN	3,109	0	0	0	0	0	249	0	0	**249**	**0**	**0.00**
SOUTH AFRICA	2	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
CANADA	3,145	0	0	0	0	0	126	0	0	**126**	**0**	**0.00**
KOSOVO	9	0	0	0	0	0	1	0	0	**1**	**0**	**0.00**
LUXEMBOURG	38,995	0	0	0	0	0	3,298	0	0	**3,298**	**2**	**0.00**
MACEDONIA	23	0	0	0	0	0	1	0	0	**1**	**0**	**0.00**
GERMANY	43,815	0	0	0	0	0	3,371	0	0	**3,371**	**2**	**0.00**
THE NETHERLANDS	43,338	0	0	0	0	0	3,868	0	0	**3,868**	**2**	**0.00**
NORWAY	2,054	0	0	0	0	0	33	0	0	**33**	**0**	**1.88**
ISLE OF MAN	9,928	0	0	0	0	0	794	0	0	**794**	**0**	**0.00**
ROMANIA	12	0	0	0	0	0	1	0	0	**1**	**0**	**0.00**
RUSSIAN FEDERATION	15	0	0	0	0	0	1	0	0	**1**	**0**	**0.00**
SLOVAKIA	554	0	0	0	0	0	28	0	0	**28**	**0**	**1.25**
SLOVENIA	2,808,547	0	17,618	0	0	0	164,728	1,289	0	**166,017**	**84**	**0.00**
SERBIA	2,363	0	0	0	0	0	187	0	0	**187**	**0**	**0.00**
SPAIN	17,209	0	0	0	0	0	1,377	0	0	**1,377**	**1**	**0.00**
SWEDEN	3,056	0	0	0	0	0	244	0	0	**244**	**0**	**1.88**
SWITZERLAND	165	0	0	0	0	0	10	0	0	**10**	**0**	**0.00**
UKRAINE	92	0	0	0	0	0	3	0	0	**3**	**0**	**0.00**
UNITED KINGDOM	30,527	0	0	0	0	0	2,508	0	0	**2,508**	**1**	**1.00**
UNITED STATES OF AMERICA	111,291	0	0	0	0	0	7,502	0	0	**7,502**	**4**	**0.00**
UNITED ARAB EMIRATES	2	0	0	0	0	0	0	0	0	**0**	**0**	**0.00**
Total	**3,209,563**	**0**	**17,618**	**0**	**0**	**0**	**195,814**	**1,289**	**0**	**197,103**	**100**	**0.02**

7.2 The amount of institution specific countercyclical capital buffer

(Article 440(b) of the Regulation)

Table 12: The amount of institution specific countercyclical capital buffer

€000

		Biser Topco Group	Nova KBM Group
1	Total risk exposure amount	2,950,517	2,980,677
2	Countercyclical capital buffer rate	0.02	0.02
3	Institution-specific countercyclical capital buffer	590	596

8. Indicators of global systemic importance

(Article 441 of the Regulation)

The disclosure does not apply. Nova KBM is not identified as a global systemically important institution.

9. Credit risk adjustments

9.1 General qualitative information about credit risk

9.1.1 Definition of „past due“ and „impaired“ for accounting purposes

(Article 442(a) of the Regulation)

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 within the agreed scope.

Impaired items for accounting purposes are all non-performing on- and off-balance-sheet exposures to defaulted and non-defaulted customers for which the Group has recognised impairments or provisions.

In 2018, the Bank began calculating impairments in accordance with IFRS 9, which requires calculation of expected credit loss or ECL from the first recognition of financial instruments, and earlier recognition of expected losses for the lifetime.

Key changes in the impairment calculation are:

- Change in the portfolio calculation method: Before the transition to IFRS 9, the Group used collective impairment rates reflecting average default rates and average loss rate at the event of default for each homogeneous segment, while calculation of impairments in accordance with IFRS 9 is based on each contract, taking into account the probability of debtor’s default and the loss rate at the event of default in each contract.
- Inclusion of macroeconomic information: Macroeconomic forecasts used in the calculation of impairments in 2018 foresaw positive macroeconomic trends in the Slovenian economy. Consequently, the impact of including macroeconomic variables in risk parameters is shown as a decrease in impairments, while in the period of deteriorated economic conditions, the impact will result in an increased amount of impairments.

Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2018 Annual Report of the Nova KBM Group and Nova KBM, in the Notes to the financial statements, Chapter 3.4.6: Impairments of financial assets.

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

(Article 442(b) of the Regulation)

General credit risk adjustments are not recognised under IFRS; therefore, the Group does not calculate and consequently, does not disclose them. The Group calculates and discloses specific credit risk adjustments, which are defined as adjustments to the carrying amount due to credit risk and relate to both on- and off-balance-sheet exposures.

The Group classifies financial instruments into the following categories:

- At amortised cost (AC) – when the financial asset is held with a purpose of receiving contractual cash flows and the cash flows received are solely the payment of principal and interest on an outstanding principal amount
- At fair value through other comprehensive income (FVOCI) – when the financial asset is held with a purpose of receiving contractual cash flows and the cash flows received are solely the payment of principal and interest on an outstanding principal amount

- At fair value through profit or loss
- Purchased or issued financial assets with impaired credit quality (POCI) – assets with impaired credit quality on initial recognition.

In 2018, the Bank began calculating impairments in accordance with IFRS 9, which requires calculation of expected credit loss or ECL from the first recognition of financial instruments, and earlier recognition of expected losses for the lifetime.

The subjects of assessing expected credit loss are financial instruments measured at amortised cost and at fair value through other comprehensive income.

The Group classifies financial assets for which it assesses expected credit losses into three stages:

- Stage 1 – exposures in which no significant increase in credit risk has been identified since their initial recognition, and low-risk exposures
- Stage 2 – exposures subject to significant increase in credit risk since their initial recognition, and exposures from accounts receivables for which credit losses are calculated using a simplified approach
- Stage 3 – exposures in defaulted status, and exposures defined as POCIs.

In accordance with IFRS 9 and the Guidelines for Managing Credit Risk and Accounting for Expected Credit Losses, the Group takes into account forward-looking information (FLI), which has been identified as material in assessing expected credit losses on the basis of reasonable judgement, generally adopted methods for economic analysis and forecasting, and supported by a sufficient set of data.

When determining whether the credit risk has increased significantly (SICR) since the initial recognition for a particular asset, in addition to complying with regulatory established criteria, such as a 30-day delay, the Group acts in line with the Nova KBM Group's Methodology for Classifying Customers in Credit Rating Categories. In doing so, the Group assumes that a significant increase in credit risk is primarily reflected in the relative change in the customer's credit rating since its initial recognition.

In classifying its customers, the Group uses all available quantitative data from the analysis of financial statements and projections by using a model and an expert assessment based on clearly defined criteria as well as qualitative or soft data relating to a particular customer, together with industry-specific factors and factors relating to the general macroeconomic environment. In monitoring credit risks, the Group uses also the Early Warning System (EWS).

The Group has developed its own models for calculating key measuring parameters for credit loss:

- Exposure at default (EAD)
- Probability of default (PD), and
- Loss given default (LGD).

Expected credit losses equal the product of expected probability of default, loss given default, and expected exposure at default.

Expected credit losses are an estimate of credit losses over a certain period of time adjusted with the likelihood of a particular macroeconomic scenario. For Stage 1 exposures, the Group estimates 12-month expected losses, while for exposures included in the other two stages, the Group estimates lifetime losses or losses expected over the entire period of contractual obligations.

Stage 3 exposures, where total exposure to a narrow group of related parties exceeds €300,000, are impaired individually based on an assessment of sustainability of the Bank's business plan and strategy to the customer and, consequently, on all possible expected cash flows both from operations and from liquidation of collateral. For other Stage 3 exposures, the Bank uses a mass or automated calculation of expected credit losses.

9.2 General quantitative information about credit risk

This section defines requirements referred to in Article 442(c) of Part Eight of CRR and Chapter 4.8 of the Guidelines.

In the breakdown of exposures by stages, industry or counterparty, the Group does not divide information requirements into material and immaterial in line with the EBA 2014/14 Guidelines, but discloses information with regard to all required breakdowns of exposures by individual template.

The definition of exposure stages corresponds to the definition of the exposure classes referred to in Article 112 of the CRR Regulation – standardised approach.

9.2.1 Disclosure of the total amount of exposures under accounting offsets and without taking into account the effects of credit risk mitigation, and of the average amount of the exposures over the period broken down by different types of exposure classes

(Article 442(c) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

Template 9: EU CRB-B – Total and average net amount of exposures for the Biser Topco Group

€000

		a Net exposure value	b Average net exposures over the period
1	Central governments or central banks	1,214,227	1,318,982
2	Regional governments or local authorities	13,161	15,302
3	Public sector entities	112,887	116,974
4	Multilateral development banks	13,146	13,209
5	International organisations	22,834	22,870
6	Institutions	545,897	549,181
7	Corporates	1,342,901	1,248,501
8	Of which: SMEs	244,711	227,898
9	Retail exposures	1,544,202	1,546,588
10	Of which: SMEs	273,570	262,790
11	Exposures secured by mortgages on immovable property	465,501	387,691
12	Of which: SMEs	120,958	111,654
13	Exposures in default	144,151	179,018
14	Items associated with particular high risk	14,277	15,761
15	Covered bonds	0	0

		a Net exposure value	b Average net exposures over the period
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,499	27,665
18	Equity exposures	6,219	4,250
19	Other exposures	245,416	233,760
20	**Total standardised approach**	**5,712,319**	**5,679,751**

Template 10: EU CRB-B – Total and average net amount of exposures for the Nova KBM Group

€000

		a Net exposure value	b Average net exposures over the period
1	Central governments or central banks	1,212,861	1,317,247
2	Regional governments or local authorities	13,161	15,302
3	Public sector entities	112,887	116,974
4	Multilateral development banks	13,146	13,209
5	International organisations	22,834	22,870
6	Institutions	545,897	548,808
7	Corporates	1,341,702	1,247,210
8	Of which: SMEs	244,711	227,898
9	Retail exposures	1,544,202	1,546,588
10	Of which: SMEs	273,570	262,790
11	Exposures secured by mortgages on immovable property	465,501	387,691
12	Of which: SMEs	120,958	111,654
13	Exposures in default	144,151	178,752
14	Items associated with particular high risk	14,277	15,761
15	Covered bonds	0	0
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,499	27,665
18	Equity exposures	6,219	4,250
19	Other exposures	242,746	231,892
20	**Total standardised approach**	**5,707,084**	**5,674,219**

9.2.2 Disclosure of the geographic distribution of net exposures broken down to significant areas by material exposure classes

(Article 442(d) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3, mainly the flow is connected with realisation or investment and NPE strategy, also to implementation of IFRS9 standard.

The Group classifies among other Member States according to CRR the exposures to countries of the European Union and the European Economic Area, with the exception of Slovenia, and among other European countries, exposures to European countries non-members of the European Union. The Group classifies in exposures to other geographical areas exposures to all other countries.

In disclosure of the geographic distribution of exposures, the Group did not apply the materiality threshold.

Template 11: EU CRB-C – Geographical breakdown of net exposures of Biser Topco Group

€000

		a	b	c	d	e	f
		Net exposure value					
		Significant area 1: EU countries by CRR	*Slovenia*	*EU Countries other than Slovenia by CRR*	Significant area 2: Other European countries	Other geographical areas	Total
1	Central governments or central banks	1,214,211	706,717	507,494	16	0	1,214,227
2	Regional governments or local authorities	4,415	4,415	0	0	8,746	13,161
3	Public sector entities	112,887	82,116	30,771	0	0	112,887
4	Multilateral development banks	13,146	0	13,146	0	0	13,146
5	International organisations	22,834	0	22,834	0	0	22,834
6	Institutions	511,450	8,855	502,595	651	33,796	545,897
7	Corporates	1,215,694	950,559	265,136	212	126,995	1,342,901
8	Retail exposures	1,543,715	1,542,381	1,334	420	67	1,544,202
9	Exposures secured by mortgages on immovable property	465,383	464,854	529	81	37	465,501
10	Exposures in default	142,105	138,498	3,607	2,046	0	144,151
11	Items associated with particular high risk	14,277	6,457	7,820	0	0	14,277
12	Covered bonds	0	0	0	0	0	0
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	27,499	27,499	0	0	0	27,499
15	Equity exposures	5,048	5,048	0	0	1,172	6,219
16	Other exposures	245,404	243,852	1,552	13	0	245,416
17	**Total standardised approach**	**5,538,068**	**4,181,251**	**1,356,817**	**3,438**	**170,813**	**5,712,319**
18	**Total**	**5,538,068**	**4,181,251**	**1,356,817**	**3,438**	**170,813**	**5,712,319**

Template 12: EU CRB-C – Geographical breakdown of net exposures of Nova KBM Group

€000

		a	b	c	d	e	f
		Net amount					
		Significant area 1: EU countries by CRR	*Slovenia*	*EU Countries other than Slovenia by CRR*	Significant area 2: Other European countries	Other geographical areas	Total
1	Central governments or central banks	1,212,845	705,382	507,464	16	0	1,212,861
2	Regional governments or local authorities	4,415	4,415	0	0	8,746	13,161
3	Public sector entities	112,887	82,116	30,771	0	0	112,887
4	Multilateral development banks	13,146	0	13,146	0	0	13,146
5	International organisations	22,834	0	22,834	0	0	22,834
6	Institutions	511,450	8,855	502,595	651	33,796	545,897
7	Corporates	1,214,495	949,333	265,162	212	126,995	1,341,702
8	Retail exposures	1,543,715	1,542,381	1,334	420	67	1,544,202
9	Exposures secured by mortgages on immovable property	465,383	464,854	529	81	37	465,501
10	Exposures in default	142,105	138,498	3,607	2,046	0	144,151
11	Items associated with particular high risk	14,277	6,457	7,820	0	0	14,277
12	Covered bonds	0	0	0	0	0	0
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	27,499	27,499	0	0	0	27,499
15	Equity exposures	5,048	5,048	0	0	1,172	6,219
16	Other exposures	242,734	242,733	0	13	0	242,746
17	**Total standardised approach**	**5,532,833**	**4,177,572**	**1,355,261**	**3,438**	**170,813**	**5,707,084**
18	**Total**	**5,532,833**	**4,177,572**	**1,355,261**	**3,438**	**170,813**	**5,707,084**

9.2.3 Disclosure of the distribution of the exposures by industry or counterparty type, broken down by exposure classes

(Article 442(e) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

The Group has decided to disclose information on the distribution of net exposures by industry, as defined in the Standard Classification of Activities.

As at 31 December 2018 (also as at 31 December 2017), the Group discloses the highest net exposure to debtors without activity, which mostly include households. In the context of exposure to corporates, the largest amount of exposure is classified to financial and insurance activities (includes exposure to banking sector, insurance companies and leasing companies), public sector entities (mainly exposure to central governments) and manufacturing. In comparison to previous year, the decline of exposure is the most significant in public sector entities, which mainly includes exposures central governments. The stated is in line with Group's investment strategy.

Template 13: EU CRB-D – Concentration of exposures by industry or counterparty types of Biser Topco Group

€000

		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	355,484	0	0	0	858,743	0	0	0	0	0	0	**1,214,227**
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,161	0	0	0	0	0	0	**13,161**
3	Public sector entities	0	0	0	0	0	0	21	10,653	20	9	10,063	0	608	75,729	10,114	958	4,392	319	0	0	0	**112,887**
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	13,146	0	0	0	0	0	0	0	0	0	0	**13,146**
5	International organisations	0	0	0	0	0	0	0	0	0	0	18,786	0	4,048	0	0	0	0	0	0	0	0	**22,834**
6	Institutions	0	0	0	0	0	0	0	0	0	0	545,897	0	0	0	0	0	0	0	0	0	0	**545,897**
7	Corporates	8,286	14,889	392,836	87,896	33,238	93,725	163,188	76,795	10,950	67,182	214,500	11,016	95,889	20,235	0	8,871	18,142	25,261	1	0	0	**1,342,901**
8	Retail exposures	9,806	543	56,854	3,158	1,692	38,105	66,419	26,252	14,294	8,428	1,425	2,747	21,741	9,619	790	2,457	3,391	2,118	3,730	1,817	1,268,815	**1,544,202**
9	Exposures secured by mortgages on immovable property	6,147	3,754	51,019	415	5,300	18,349	25,120	5,669	19,110	2,358	5,293	1,866	5,664	2,316	196	912	6,194	27,071	634	580	277,533	**465,501**
10	Exposures in default	835	0	23,707	67	200	14,048	42,632	806	6,313	3,330	3,942	3,292	4,110	2,703	2	8	8,110	516	326	102	29,104	**144,151**
11	Items associated with particular high risk	0	0	25	0	0	2,697	2,339	1,067	2,902	0	10	5,236	0	1	1	0	0	0	0	0	0	**14,277**
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,499	0	0	0	0	0	0	0	0	0	0	**27,499**
15	Equity exposures	0	0	0	0	0	0	0	2,566	0	2,378	1,276	0	0	0	0	0	0	0	0	0	0	**6,219**
16	Other exposures	0	0	0	0	0	0	0	0	0	0	93,712	0	0	0	0	0	0	0	13	13	151,678	**245,416**
17	**Total standardised approach**	**25,073**	**19,187**	**524,441**	**91,536**	**40,429**	**166,924**	**299,719**	**123,808**	**53,590**	**83,685**	**1,291,033**	**24,156**	**132,060**	**110,603**	**883,006**	**13,206**	**40,230**	**55,286**	**4,704**	**2,511**	**1,727,131**	**5,712,319**
18	**Total**	**25,073**	**19,187**	**524,441**	**91,536**	**40,429**	**166,924**	**299,719**	**123,808**	**53,590**	**83,685**	**1,291,033**	**24,156**	**132,060**	**110,603**	**883,006**	**13,206**	**40,230**	**55,286**	**4,704**	**2,511**	**1,727,131**	**5,712,319**

Template 14: EU CRB-D – Concentration of exposures by industry or counterparty types of Nova KBM Group

€000

		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	355,484	0	0	0	857,377	0	0	0	0	0	0	**1,212,861**
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,161	0	0	0	0	0	0	**13,161**
3	Public sector entities	0	0	0	0	0	0	21	10,653	20	9	10,063	0	608	75,729	10,114	958	4,392	319	0	0	0	**112,887**
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	13,146	0	0	0	0	0	0	0	0	0	0	**13,146**
5	International organisations	0	0	0	0	0	0	0	0	0	0	18,786	0	4,048	0	0	0	0	0	0	0	0	**22,834**
6	Institutions	0	0	0	0	0	0	0	0	0	0	545,897	0	0	0	0	0	0	0	0	0	0	**545,897**
7	Corporates	8,286	14,889	392,836	87,896	33,238	93,725	163,188	75,570	10,950	67,182	214,526	11,016	95,889	20,235	0	8,871	18,142	25,261	1	0	0	**1,341,702**
8	Retail exposures	9,806	543	56,854	3,158	1,692	38,105	66,419	26,252	14,294	8,428	1,425	2,747	21,741	9,619	790	2,457	3,391	2,118	3,730	1,817	1,268,815	**1,544,202**
9	Exposures secured by mortgages on immovable property	6,147	3,754	51,019	415	5,300	18,349	25,120	5,669	19,110	2,358	5,293	1,866	5,664	2,316	196	912	6,194	27,071	634	580	277,533	**465,501**
10	Exposures in default	835	0	23,707	67	200	14,048	42,632	806	6,313	3,330	3,942	3,292	4,110	2,703	2	8	8,110	516	326	102	29,104	**144,151**
11	Items associated with particular high risk	0	0	25	0	0	2,697	2,339	1,067	2,902	0	10	5,236	0	1	1	0	0	0	0	0	0	**14,277**
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,499	0	0	0	0	0	0	0	0	0	0	**27,499**
15	Equity exposures	0	0	0	0	0	0	0	2,566	0	2,378	1,276	0	0	0	0	0	0	0	0	0	0	**6,219**
16	Other exposures	0	0	0	0	0	0	0	0	0	0	91,042	0	0	0	0	0	0	0	13	13	151,678	**242,746**
17	**Total standardised approach**	**25,073**	**19,187**	**524,441**	**91,536**	**40,429**	**166,924**	**299,719**	**122,582**	**53,590**	**83,685**	**1,288,389**	**24,156**	**132,060**	**110,603**	**881,641**	**13,206**	**40,230**	**55,286**	**4,704**	**2,511**	**1,727,131**	**5,707,084**
18	**Total**	**25,073**	**19,187**	**524,441**	**91,536**	**40,429**	**166,924**	**299,719**	**122,582**	**53,590**	**83,685**	**1,288,389**	**24,156**	**132,060**	**110,603**	**881,641**	**13,206**	**40,230**	**55,286**	**4,704**	**2,511**	**1,727,131**	**5,707,084**

9.2.4 Disclosure of the residual maturity breakdown of all the exposures, broken down by exposure classes

(Article 442(f) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

The Group discloses all the net exposures classified in all the exposure classes.

Maturity of exposures mainly changed in the time bucket from 1 to 5 years due to divestment form exposures to central governments and central banks.

Template 15: EU CRB-E – Maturity of exposures for the Biser Topco Group

€000

		a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	>1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	59,760	75,576	604,753	98,194	375,943	1,214,227
2	Regional governments or local authorities	5	0	736	12,325	95	13,161
3	Public sector entities	514	2,105	98,916	10,063	1,289	112,887
4	Multilateral development banks	0	8,144	5,002	0	0	13,146
5	International organisations	0	4,048	13,741	5,045	0	22,834
6	Institutions	130,478	19,491	347,318	2,585	46,025	545,897
7	Corporates	93,714	327,310	473,708	418,307	29,861	1,342,901
8	Retail exposures	218,623	58,689	244,227	473,907	548,756	1,544,202
9	Exposures secured by mortgages on immovable property	6,597	33,264	84,316	259,570	81,754	465,501
10	Exposures in default	50,818	11,403	45,320	27,563	9,047	144,151
11	Items associated with particular high risk	9,818	0	454	17	3,989	14,277
12	Covered bonds	0	0	0	0	0	0
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	25,222	2,277	27,499
15	Equity exposures	0	0	0	0	6,219	6,219
16	Other exposures	263	36	343	947	243,828	245,416
17	**Total standardised approach**	**570,590**	**540,067**	**1,918,833**	**1,333,745**	**1,349,084**	**5,712,319**
18	**Total**	**570,590**	**540,067**	**1,918,833**	**1,333,745**	**1,349,084**	**5,712,319**

Template 16: EU CRB-E – Maturity of exposures for the Nova KBM Group

€000

		a	b	c	d	e	f
		Net exposure value					
		On demand	≤ 1 year	>1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	59,760	75,576	604,753	98,194	374,578	1,212,861
2	Regional governments or local authorities	5	0	736	12,325	95	13,161
3	Public sector entities	514	2,105	98,916	10,063	1,289	112,887
4	Multilateral development banks	0	8,144	5,002	0	0	13,146
5	International organisations	0	4,048	13,741	5,045	0	22,834
6	Institutions	130,478	19,491	347,318	2,585	46,025	545,897
7	Corporates	93,714	327,310	473,708	418,307	28,662	1,341,702
8	Retail exposures	218,623	58,689	244,227	473,907	548,756	1,544,202
9	Exposures secured by mortgages on immovable property	6,597	33,264	84,316	259,570	81,754	465,501
10	Exposures in default	50,818	11,403	45,320	27,563	9,047	144,151
11	Items associated with particular high risk	9,818	0	454	17	3,989	14,277
12	Covered bonds	0	0	0	0	0	0
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	25,222	2,277	27,499
15	Equity exposures	0	0	0	0	6,219	6,219
16	Other exposures	263	36	343	947	241,158	242,746
17	**Total standardised approach**	**570,590**	**540,067**	**1,918,833**	**1,333,745**	**1,343,849**	**5,707,084**
18	**Total**	**570,590**	**540,067**	**1,918,833**	**1,333,745**	**1,343,849**	**5,707,084**

9.2.5 Disclosure, by significant exposure class, of (i) impaired exposures and past-due exposures, provided separately; (ii) specific and general credit risk adjustments; and (iii) charges for specific and general credit risk adjustments during the reporting period

(Article 442(g) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

The Group discloses all the net exposures classified in all the exposure classes.

Flow of specific credit risk is explained in chapter 9.2.10.

Movements in non-performing exposures and associate notes are detailed in section 23.

Template 17: EU CR1-A – Credit quality of exposures by exposure class and instrument for the Biser Topco Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b–c–d)
		Defaulted exposures	Non-defaulted exposures					
1	Central governments or central banks	0	1,214,612	385	0	0	–385	1,214,227
2	Regional governments or local authorities	0	13,794	633	0	0	–618	13,161
3	Public sector entities	0	113,128	241	0	0	79	112,887
4	Multilateral development banks	0	13,146	0	0	0	0	13,146
5	International organisations	0	22,835	1	0	0	–1	22,834
6	Institutions	0	546,002	104	0	0	100	545,897
7	Corporates	0	1,352,067	9,166	0	0	7,604	1,342,901
8	Of which: SMEs	0	239,253	3,911	0	0	918	235,342
9	Retail exposures	0	1,549,639	5,437	0	–98,593	3,664	1,544,202
10	Of which: SMEs	0	205,019	1,765	0	0	2,732	203,254
11	Exposures secured by mortgages on immovable property	0	466,309	808	0	0	1,724	465,501
12	Of which: SMEs	0	121,345	387	0	0	1,005	120,958
13	Exposures in default	315,809	0	171,657	0	127,267	139,706	144,151
14	Items associated with particular high risk	31,518	4,447	21,687	0	21,561	42,137	14,277
15	Covered bonds	0	0	0	0	0	0	0
16	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investment undertakings	0	27,499	0	0	0	0	27,499
18	Equity exposures	0	6,219	0	0	0	0	6,219
19	Other exposures	0	245,418	2	0	0	3	245,416
20	**Total standardised approach**	**347,326**	**5,575,116**	**210,123**	**0**	**50,235**	**194,013**	**5,712,319**
21	**Total**	**347,326**	**5,575,116**	**210,123**	**0**	**50,235**	**194,013**	**5,712,319**
22	Of which: loans	294,690	3,017,873	192,512	0	50,235	199,173	3,120,051
23	Of which: debt securities	0	1,446,218	864	0	0	–864	1,445,354
24	Of which: off- balance-sheet exposures	18,546	769,139	5,664	0	0	7,577	782,021

Template 18: EU CR1-A – Credit quality of exposures by exposure class and instrument for the Nova KBM Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Central governments or central banks	0	1,213,246	385	0	0	–385	1,212,861
2	Regional governments or local authorities	0	13,794	633	0	0	–618	13,161
3	Public sector entities	0	113,128	241	0	0	79	112,887
4	Multilateral development banks	0	13,146	0	0	0	0	13,146
5	International organisations	0	22,835	1	0	0	–1	22,834
6	Institutions	0	546,002	104	0	0	100	545,897
7	Corporates	0	1,350,868	9,166	0	0	7,604	1,341,702
8	Of which: SMEs	0	239,253	3,911	0	0	918	235,342
9	Retail exposures	0	1,549,639	5,437	0	–98,593	3,664	1,544,202
10	Of which: SMEs	0	205,019	1,765	0	0	2,732	203,254
11	Exposures secured by mortgages on immovable property	0	466,309	808	0	0	1,724	465,501
12	Of which: SMEs	0	121,345	387	0	0	1,005	120,958
13	Exposures in default	315,809	0	171,657	0	127,267	139,706	144,151
14	Items associated with particular high risk	31,518	4,447	21,687	0	21,561	42,137	14,277
15	Covered bonds	0	0	0	0	0	0	0
16	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investment undertakings	0	27,499	0	0	0	0	27,499
18	Equity exposures	0	6,219	0	0	0	0	6,219
19	Other exposures	0	242,748	2	0	0	3	242,746
20	**Total standardised approach**	**347,326**	**5,569,881**	**210,123**	**0**	**50,235**	**194,013**	**5,707,084**
21	**Total**	**347,326**	**5,569,881**	**210,123**	**0**	**50,235**	**194,013**	**5,707,084**
22	Of which: loans	294,690	3,016,346	192,512	0	50,235	199,173	3,118,524
23	Of which: debt securities	0	1,446,218	864	0	0	–864	1,445,354
24	Of which: off- balance-sheet exposures	18,546	769,139	5,664	0	0	7,577	782,021

9.2.6 Disclosure, by significant industry or counterparty type, of (i) impaired exposures and past-due exposures, provided separately; (ii) specific and general credit risk adjustments; and (iii) charges for specific and general credit risk adjustments during the reporting period

(Article 442(g) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

The Group discloses all the net exposures classified in all the exposure classes.

As at 31 December 2018 (also as at 31 December 2017), the Group discloses the highest net exposure to debtors without activity, which mostly include households. In the context of exposure to corporates, the largest amount of exposure is classified to financial and insurance activities (includes exposure to banking sector, insurance companies and leasing companies), public sector entities (mainly exposure to central governments) and manufacturing. In comparison to previous year, the decline of exposure is the most significant in public sector entities, which mainly includes exposures central governments. The stated is in line with Group's investment strategy.

Movements in non-performing exposures and associate notes are detailed in section 23.

Template 19: EU CR1-B – Credit quality of exposures by industry or counterparty types for the Biser Topco Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of					Credit risk	Net amounts of
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	adjustment charges of the period	(a+b–c–d)
1	Agriculture and hunting, forestry, fishing	4,588	25,026	4,540	0	3	4,385	**25,073**
2	Mining	0	19,223	37	0	0	1,837	**19,187**
3	Manufacturing industry	66,468	505,557	47,584	0	4,438	28,046	**524,441**
4	Electricity, gas and steam supply	300	92,082	846	0	0	496	**91,536**
5	Water supply	636	40,329	536	0	501	1,826	**40,429**
6	Construction	43,461	151,254	27,791	0	5,984	25,852	**166,924**
7	Wholesale and retail trade	82,524	256,266	39,071	0	7,990	35,976	**299,719**
8	Transportation and storage	1,713	123,892	1,797	0	3,616	9,537	**123,808**
9	Accommodation and food service activities	16,463	47,690	10,562	0	6	9,391	**53,590**
10	Information and communication activities	5,852	80,690	2,856	0	15,500	14,873	**83,685**
11	Financial and insurance sectors	5,045	1,287,982	1,994	0	25	18,294	**1,291,033**
12	Real estate activities	27,205	15,720	18,769	0	4,878	18,400	**24,156**
13	Professional, scientific and technical activities	12,849	128,386	9,175	0	4,112	12,258	**132,060**
14	Other various business activities	3,390	108,107	893	0	188	2,094	**110,603**
15	Public administration and defence services, compulsory social security activities	238	884,027	1,260	0	0	–1,003	**883,006**
16	Education	32	13,307	133	0	0	63	**13,206**
17	Human health services and social work activities	8,437	32,295	502	0	0	622	**40,230**
18	Arts, entertainment and recreation	643	55,129	486	0	1	1,049	**55,286**
19	Other activities	67,482	1,708,152	41,288	0	2,992	10,017	**1,734,347**
20	**Total**	**347,326**	**5,575,114**	**210,121**	**0**	**50,235**	**194,013**	**5,712,319**

Template 20: EU CR1-B – Credit quality of exposures by industry or counterparty types for the Nova KBM Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Agriculture and hunting, forestry, fishing	4,588	25,026	4,540	0	3	4,385	**25,073**
2	Mining	0	19,223	37	0	0	1,837	**19,187**
3	Manufacturing industry	66,468	505,557	47,584	0	4,438	28,046	**524,441**
4	Electricity, gas and steam supply	300	92,082	846	0	0	496	**91,536**
5	Water supply	636	40,329	536	0	501	1,826	**40,429**
6	Construction	43,461	151,254	27,791	0	5,984	25,852	**166,924**
7	Wholesale and retail trade	82,524	256,266	39,071	0	7,990	35,976	**299,719**
8	Transportation and storage	1,713	122,667	1,797	0	3,616	9,537	**122,582**
9	Accommodation and food service activities	16,463	47,690	10,562	0	6	9,391	**53,590**
10	Information and communication activities	5,852	80,690	2,856	0	15,500	14,873	**83,685**
11	Financial and insurance sectors	5,045	1,285,338	1,994	0	25	18,294	**1,288,389**
12	Real estate activities	27,205	15,720	18,769	0	4,878	18,400	**24,156**
13	Professional, scientific and technical activities	12,849	128,386	9,175	0	4,112	12,258	**132,060**
14	Other various business activities	3,390	108,107	893	0	188	2,094	**110,603**
15	Public administration and defence services, compulsory social security activities	238	882,662	1,260	0	0	–1,003	**881,641**
16	Education	32	13,307	133	0	0	63	**13,206**
17	Human health services and social work activities	8,437	32,295	502	0	0	622	**40,230**
18	Arts, entertainment and recreation	643	55,129	486	0	1	1,049	**55,286**
19	Other activities	67,482	1,708,152	41,288	0	2,992	10,017	**1,734,347**
20	**Total**	**347,326**	**5,569,879**	**210,121**	**0**	**50,235**	**194,013**	**5,707,084**

9.2.7 Disclosure of the amount of the impaired exposures and past-due exposures, provided separately, broken down by significant geographical areas, including, if practical, the amounts of specific and general risk adjustments related to each geographical area

(Article 442(h) of the Regulation)

Clarification of on- and off-balance-sheet exposures changes in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

The Group classifies among other Member States according to CRR the exposures to countries of the European Union and the European Economic Area, with the exception of Slovenia, and among other European countries, exposures to European countries non-members of the European Union. The Group classifies in exposures to other geographical areas exposures to all other countries.

Template 21: EU CR1-C – Credit quality of exposures by geography for the Biser Topco Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b–c–d)
		Defaulted exposures	Non-defaulted exposures					
1	Significant area 1: EU countries by CRR	**341,921**	**5,402,471**	**206,324**	**0**	**41,328**	**177,382**	**5,538,068**
2	Slovenia	313,108	4,055,336	187,194	0	–6,458	145,807	**4,181,251**
3	EU Countries other than Slovenia by CRR	28,812	1,347,135	19,130	0	47,786	31,575	**1,356,817**
4	Significant area 2: Other European countries	5,298	1,548	3,408	0	8,906	16,892	**3,438**
5	Other geographical areas	107	171,095	389	0	1	–262	**170,813**
19	**Total**	**347,326**	**5,575,114**	**210,121**	**0**	**50,235**	**194,013**	**5,712,319**

Template 22: EU CR1-C – Credit quality of exposures by geography for the Nova KBM Group

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Significant area 1: EU countries by CRR	**341,921**	**5,397,237**	**206,324**	**0**	**41,328**	**177,382**	**5,532,833**
2	Slovenia	313,108	4,051,657	187,194	0	–6,458	145,807	**4,177,572**
3	EU Countries other than Slovenia by CRR	28,812	1,345,579	19,130	0	47,786	31,575	**1,355,261**
4	Significant area 2: Other European countries	5,298	1,548	3,408	0	8,906	16,892	**3,438**
5	Other geographical areas	107	171,095	389	0	1	–262	**170,813**
19	**Total**	**347,326**	**5,569,879**	**210,121**	**0**	**50,235**	**194,013**	**5,707,084**

9.2.8 Disclosure of ageing of past-due exposures

(Article 442(a) of the Regulation)

The total amount of past-due defaulted exposures amounted in 2018 to €276.2 million; and compared to 2017, the amount decreased by €127.2 million. In 2018, the largest decrease in past due defaulted exposures was recorded in the past due band of 1 year (€150.3 million) and in the past-due band from 30 days to 60 days (€15.9 million) and resulted from the implementation of the NPE strategy as explained in chapter 9.2.9..

Template 23: CR1-D – Ageing of past-due exposures for the Biser Topco Group and Nova KBM Group

€000

		a	b	c	d	e	f
		Gross carrying values of					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans and advances	67,491	9,842	3,752	9,626	5,451	180,045
2	Debt securities	0	0	0	0	0	0
3	**Total exposures**	**67,491**	**9,842**	**3,752**	**9,626**	**5,451**	**180,045**

9.2.9 Disclosure of non-performing and forborne exposures

(Article 442(a) of the Regulation)

Template 24: EU CR1-E – Non-performing and forborne exposures for the Biser Topco Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		Of which forborne
010	Debt securities	1,521,713	0	0	0	0	0	0	864	0	0	0	0	0
020	Loans and advances	3,346,291	8,414	80,028	328,295	325,388	291,665	124,758	14,772	3,206	188,751	59,997	53,124	25,890
030	Off-balance-sheet exposures	787,685	0	3,582	18,075	18,068	18,068	218	1,007	8	4,657	94	2,282	115

Template 25: EU CR1-E – Non-performing and forborne exposures for the Nova KBM Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		Of which forborne
010	Debt securities	1,519,273	0	0	0	0	0	0	864	0	0	0	0	0
020	Loans and advances	3,344,759	8,414	80,028	328,295	325,388	291,665	124,758	14,772	3,206	188,751	59,997	53,124	25,890
030	Off-balance-sheet exposures	787,685	0	3,582	18,075	18,068	18,068	218	1,007	8	4,657	94	2,282	115

Data on non-performing exposures refer to the Nova KBM Group companies, as Biser Topco and Biser Bidco companies do not have non-performing and forborne exposures because they do not perform any activity. In 2018, the amount of non-performing exposures in the Nova KBM Group decreased from €596 million to €346 million. At the end of 2018, the Group had €249.8 million less non-performing forborne exposures than at the end of 2017. This reduction resulted from the implementation of the non-performing exposures reduction strategy.

9.2.10 Disclosure of the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures

(Article 442(i) of the Regulation)

The changes in the accumulated specific credit risk adjustments in 2018 are mostly the result of the active implementation of the NPE strategy.

Template 26: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Biser Topco Group

€000

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	–357,274	–
2	Increases due to amounts set aside for estimated loan losses during the period	–13,864	–
3	Decreases due to amounts reversed for estimated loan losses during the period	113,725	–
4	Decreases of write-offs taken against accumulated credit risk adjustments	67,918	–
5	Transfers between credit risk adjustments	–2,656	–
6	Impact of exchange rate differences	0	–
7	Business combinations, including acquisitions and disposals of subsidiaries	0	–
8	Other adjustments	–1,211	–
9	**Closing balance**	–193,362	–
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss		–
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	–1,810	–

Note: The minus sign means increasing in value adjustments

Template 27: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Nova KBM Group

€000

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	–357,274	–
2	Increases due to amounts set aside for estimated loan losses during the period	–13,864	–
3	Decreases due to amounts reversed for estimated loan losses during the period	113,725	–
4	Decreases of write-offs taken against accumulated credit risk adjustments	67,918	–
5	Transfers between credit risk adjustments	–2,656	–
6	Impact of exchange rate differences	0	–
7	Business combinations, including acquisitions and disposals of subsidiaries	0	–
8	Other adjustments	–1,211	–
9	**Closing balance**	–193,362	–
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss		–
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	–1,810	–

Note: The minus sign means increasing in value adjustments

9.2.11 Disclosure of changes in the stock of defaulted and impaired loans and debt securities

In 2018, the total volume of defaulted exposures declined by €247 million. The largest share of decline is taken by the item Other changes, where the amount decreased by €129 million for the reasons, such as repayment of claims by €35 million, sales of claims in the amount of €28 million, repayments from liquidation and bankruptcy proceedings of €15 million, and other changes in the amount of €51 million (in particular disposal of subsidiaries). They are followed by write-offs the amount of which decreased by €111 million, and customers that became profitable in the amount of €33 million. These changes resulted from the implementation of the non-performing exposures reduction strategy.

Template 28: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities for the Biser Group and the Nova KBM Group

€000

		a
		Gross carrying value of defaulted exposures
1	**Opening balance**	**575,245**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	26,387
3	Returned to non-defaulted status	–33,249
4	Amounts written off	–111,396
5	Other changes	–128,692
6	**Closing balance**	**328,295**

10. Unencumbered and encumbered assets

(Article 443 of the Regulation)

This Chapter defines disclosure requirements referred to in Part 8 Article 443 of CRR and the EBA Guidelines on the disclosure of encumbered and unencumbered assets (the EBA Guidelines 2014/03).

Encumbered assets are assets of the Bank that have been pledged either to the Bank of Slovenia for the pool of assets and the Bank Resolution Fund, or as collateral for some other purposes. All assets encumbered by the Bank are eligible as collateral for the ECB's credit operations. A certain proportion of the portfolio of marketable debt securities issued by governments, banks and non-financial institutions has been encumbered for various purposes.

Template A – Unencumbered and encumbered assets

€000

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	217,615	217,615			4,740,971	1,747,734		
030	Equity instruments	0	0			45,058	0		
040	Debt securities	212,478	212,478	213,485	213,485	1,395,727	1,283,050	1,395,144	1,285,393
050	of which: covered bonds	0	0	0	0	0	0	0	0
060	of which: asset-backed securities	0	0	0	0	0	0	0	0
070	of which: issued by general governments	73,548	73,548	74,302	74,302	872,858	858,543	872,372	859,750
080	of which: issued by financial corporations	127,194	127,194	127,194	127,194	399,821	376,195	399,821	376,195
090	of which: issued by non-financial corporations	11,736	11,736	11,990	11,990	123,047	48,313	122,951	49,448
120	Other assets	5,137	5,137			3,300,187	464,684		

Template B-Collateral received

€000

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the reporting institution				
240	Own debt securities issued other than own covered bonds or asset-backed securities				
241	Own covered bonds and asset-backed securities issued and not yet pledged				
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	217,615	217,615		

Template C – Sources of encumbrance

€000

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**3,087,602**	**217,615**
011	of which: central banks	198,747	217,615

The Bank provides insurance in line with applicable regulations and legislation. The main reason of asset encumbrance arises from rental use of targeted long-term refinancing operations (TLTRO). The Bank encumbers assets in accordance with its internal methodology in such a way that the highest-quality assets are freely available.

Template D – Descriptions attached

The portion of encumbered assets in the total amount of assets is 4.3 % on average. This percentage is made by securities. Compared to 2017, the percentage of encumbered assets has not changed significantly. The main encumbrance source is debt to the ECB (TLTRO). Encumbrance of assets due to ECB is made in line with the General Conditions for the Implementation of the Monetary Policy Framework. Encumbered assets are attributed to Nova KBM. The largest item among unencumbered assets is „Other assets“ (72 %).

11. Use of ECAIs

The Chapter defines disclosure requirements referred to in Article 444 of Part Eight of CRR and Chapter 4.9 of the Guidelines.

11.1 Names of the nominated ECAIs and ECAs and the reasons for any changes

(Article 444(a) of the Regulation)

In 2018, due to changes in the investment policy, the Bank amended its approach to determining risk weights for exposures for which risk-weighted assets for credit risk are calculated. For this reason, the Bank as a parent financial institution in the Group appointed in 2018 Moody's agency as a reference external credit rating institution.

The supervisory authorities were duly notified of the change.

11.2 Information about the exposure classes for which each ECAI or ECA is used

(Article 444(b) of the Regulation)

The Group calculates capital requirements for credit risk using the standardised approach. The Parent Bank in the Group nominated the Moody's as a reference external credit assessment institution (ECAI) to calculate risk-weighted exposure amounts for the following exposure classes:

- Central governments and central banks
- Regional governments or local authorities
- Public sector entities
- Institutions
- Corporates.

In 2017, in addition to the external credit assessment institution Moody's, the Bank nominated in the exposure class to corporates as reference external credit assessment institution also Standard and Poor's, while the latter was not needed in 2018.

11.3 Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book

(Article 444(c) of the Regulation)

For exposure classes for which the ECAI has been nominated, the assignment of risk weights depends on the long-term rating of the financial instrument or the debtor, the issuer of the financial instrument. In the process of assigning risk weights to exposures, the Bank first takes a long-term external rating of the financial instrument or exposure. If the latter is not rated, the long-term credit rating of the debtor is used. If long-term external rating of the debtor is not available, a long-term sovereign rating of the country is used or the risk weight is assigned for unrated exposures to the debtor.

11.4 Information about the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2 of the Regulation, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA

(Article 444(d) of the Regulation)

The disclosure does not apply. The association complies with the standard association.

11.5 Information about the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 of the Regulation as well as those deducted from own funds

(Article 444(e) of the Regulation)

Notes with regard to changes in net amounts of on- and off-balance-sheet exposures in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

In 2018, due to changes in the investment policy, the Bank changed again its approach to determining risk weights for exposures for which risk-weighted assets for credit risk are calculated. For this reason, the Bank as a parent financial institution in the Group appointed in 2018 as a reference external credit assessment institution only the Moody's agency, and eliminated the nomination of credit assessment agency Standard and Poor's for exposure class to corporates.

Template 29: EU CR5 – Standardised approach for the Biser Topco Group

€000

	Exposure classes	Risk weight																Total	of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deducted		
1	Central governments or central banks	1,220,047	0	101,042	27,052	0	0	8,828	0	0	17	0	149	0	0	0	0	**1,357,136**	128,287
2	Regional governments or local authorities	0	0	0	0	13,106	0	0	0	0	0	0	0	0	0	0	0	**13,106**	4,360
3	Public sector entities	20,118	0	0	0	11,111	0	0	0	0	3,276	0	0	0	0	0	0	**34,504**	3,733
4	Multilateral development banks	13,146	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**13,146**	0
5	International organisations	8,163	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**8,163**	0
6	Institutions	0	0	0	0	296,941	0	216,746	0	0	5,447	0	0	0	0	0	-56,328	**462,807**	83,780
7	Corporates	0	0	0	0	2,054	0	77,655	0	0	875,809	47,934	0	0	0	0	0	**1,003,453**	699,666
8	Retail exposures	0	0	0	0	0	0	0	0	1,339,990	0	0	0	0	0	0	0	**1,339,990**	1,339,985
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	282,708	161,042	0	0	0	0	0	0	0	0	0	**443,750**	443,750
10	Exposures in default	0	0	0	0	0	0	0	0	0	99,668	33,872	0	0	0	0	0	**133,540**	133,540
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	14,187	0	0	0	0	0	**14,187**	14,187
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
13	Exposure to institutions and corporates with a short-term credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	2,277	0	0	0	0	25,222	0	**27,499**	2,277
15	Equity instruments	0	0	0	0	0	0	0	0	0	3,841	0	2,378	0	0	0	0	**6,219**	5,048
16	Other items	76,251	0	0	0	27,445	0	0	0	0	141,098	0	0	0	0	0	0	**244,794**	33,456
17	**Total**	**1,337,724**	**0**	**101,042**	**27,052**	**350,657**	**282,708**	**464,272**	**0**	**1,339,990**	**1,131,433**	**95,994**	**2,527**	**0**	**0**	**25,222**	**-56,328**	**5,102,294**	**2,892,069**

Template 30: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk for the Biser Topco Group

€000

	Exposure classes	Risk weight											Total	Of which unrated
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Other		
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	0	0	0	580	584	0	0	0	0	0	1,164	1,164
7	Corporates	0	0	0	0	0	0	0	0	963	0	0	963	717
8	Retail exposures	0	0	0	0	0	0	0	0	0	0	0	0	20
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Exposures in default	0	0	0	0	0	0	0	0	0	80	0	80	124
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
13	**Total**	**0**	**0**	**0**	**0**	**580**	**584**	**0**	**0**	**963**	**80**	**0**	**2,207**	**2,025**

12 Market risk

(Article 445 of the Regulation)

This Chapter defines disclosure requirements referred to in Article 445 of Part Eight of CRR and Chapter 4.13 of the Guidelines.

The Group uses the standardised approach to calculate the capital requirements for market risk. Under market risk, the Group calculates capital requirements for the following items:

- Interest rate risk (general). Under interest rate risk, the Group calculates capital requirements for derivatives (interest rate swaps).
- Equity risk (general and specific). Under equity risk, the Group calculates capital requirements for equity instruments, derivatives and derivatives on equity instruments. Under equity risk, the Group discloses also capital requirements for exposure to collective investments undertakings included in the trading book.
- Foreign exchange risk. Under the foreign exchange risk, the Group calculates the capital requirement for an open foreign exchange position, among which also capital requirements for derivatives on foreign currency are classified.

Table below presents risk-weighted exposure to market risk at the reporting date, 31 December 2018. The change in risk-weighted exposure to market risk that occurred in 2018 related primarily to market price of financial instruments measured at fair value.

Template 31: EU MR1 – Market risk under the standardised approach for the Biser Topco Group

€000

		RWAs	Own funds requirements
1	Outright products		
2	Interest rate risk (general and specific)	0	0
3	Equity risk (general and specific)	19,989	1,599
4	Foreign exchange risk	0	0
5	Commodity risk	0	0
6	Options		
7	Simplified approach	0	0
8	Delta-plus method	0	0
9	Scenario approach	0	0
10	Securitisation (specific risk)	0	0
11	**Total**	**19,989**	**1,599**

13 Operational risk

(Article 446 of the Regulation)

Operational risk at the Biser Topco Group level is not different from the operational risk management in the Nova KBM Group; therefore, management of the Nova KBM Group is presented in this Chapter.

The operational risk is determined as follows: „a risk of loss arising from inappropriate or failed internal processes, people and systems or external events". This definition includes legal risk (in accordance with CR Regulation), while excluding the strategic risk and the risk of losing business reputation. However, some of operational risks may have a major impact on the loss of reputation. Consequently, within the overall operational risk, the Nova KBM Group also addresses reputational risk, model risk, employee conduct related risk, system/IT risk, project risk, compliance risk, risk of fraud (external, internal), internet crime risk, and human resources risk.

The Bank identifies and distinguishes operational risk events to the following:

- Financial loss events

Loss events arising from operational risk and resulting either in financial loss (impact on the profit and loss account – PLA) or misstatement of items in PLA. In 2018, the Bank defined as its financial loss events all the events the gross loss of which reached or exceeded €50.

- Non-financial and potential events

A non-financial event arising from operational risk is the event producing an effect of regulatory nature, or an effect relating to customers, market/competitors, and/or reputation. A potential event arising from operational risk is the event with no financial/non-financial effects, while having the potential to cause such effects.

The Nova KBM Group calculates capital requirements for operational risk in line with Pillar I using the Basic Indicator Approach (BIA), and in line with Pillar II on the basis of the Group's own models derived from OT loss events, operational risk non-financial and potential events, and self-assessments of operational risk carried out. The Nova KBM Group classifies all the events and threats of operational risk self-assessments in accordance with the uniform categorisation of loss events as defined by the Basel II Capital Agreement and by business areas, which enables their interconnecting.

Recording of reporting on incurred operational risk events includes all employees in the Bank and the entire Nova KBM Group. Regular reporting about operational risk events to senior management is carried out on a monthly and quarterly basis. It is monthly discussed by the Supervisory Board under the CRO Report, while quarterly, it is dealt with by the Operational Risk Committee, which is an advisory body of the Management Board, and the task of which is examine, discuss, and decide on operational risk issues. Given the presence of Management Board members and directors of departments having an important role in managing operational risks, a possibility to take action even in case of high level of identified risks is thereby ensured. Additional information on the powers, responsibilities and members of the Operational Risk Committee is available in section 2.1.22 of this report.

Since it is not possible to measure all operational risk losses, the Bank assesses them additionally, yet separately, under its annual risk profile. The determination of the risk profile with respect to operational risk is of particular importance, given that this risk makes up the largest portion of loss events, which cannot be reliably measured; therefore, they have to be assessed.

Many improvements were made within general operational risk. In 2018, the Nova KBM Group paid significant attention on the system IT risk, through continuous analysing, assessing and measuring IT risks, the implementation of risk self-assessment, and gathering loss events. These risks are classified in availability risk, security risk, risk of change, risk of data integrity, and risk of outsourcing. Special risk is presented also by replacement of the core information system, which was the largest project of the Bank in 2018. This risk is addressed by regular risk analyses and monitoring of measures within the project risk. Once the system is successfully completed, it will have a significant impact on the reduction of the systemic IT risk level. An important part of systemic IT risk includes also internet crime risk. Internet crime is carefully managed by appropriate processes related to detection, recording, analysing and reporting incidents, as well as by procedures related to managing and dealing with incidents and eliminating their consequences. The Bank carried out e-training for all employees, and introduced regular communication of news and threats in the area of information technology through the Intranet.

The Nova KBM Group made significant progress also in the process of regular monitoring of models, entering for this purpose into contract with external validators in order to review important Bank's models, and implemented improvements based on their evaluations. It is also necessary to point out the progress made in reputational risk, where the Nova KBM Group adopted a separate Reputational Risk Management Policy with the aim of identifying, managing and monitoring risks in line with relevant EBA recommendations.

Improvements were also made in the area of internal and external risks of fraud, whereby the Compliance Office detects, identifies any suspicions of fraudulent activities in employees, receives reports, analyses the suspicion and assesses its level, deals with reported suspicions, detects the same, and investigates suspected fraudulent acts also through employee interviews and by obtaining and safeguarding evidence. The Fraud Prevention Department is responsible for setting up the system of managing frauds and associated risks in the Bank, which excludes management of prohibited behaviour in employees.

14 Exposure in equities not included in the trading book

This Chapter defines disclosure requirements referred to in Article 447 of Part Eight of CRR.

14.1 Information about the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices

(Article 447(a) of the Regulation)

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., the Bank Resolution Fund)
- Investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies in line with the financial objectives are achieved
- Temporary investments in equities, which result from the realisation of collateral or debt-to-equity conversions and which the Group intends to sell within a short period of time.

Table 13: Investment value of equity instruments by purpose

€000

Type of investment	Investment value as at 31/12/2018	Investment value as at 31/12/2017
Investments needed for regular operations of the Group	27,713	25,760
Investments in equities and funds with an exit strategy	18,048	6,655
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions	0	41
Total	**45,762**	**32,456**

The accounting techniques and valuation methodologies used, including key assumptions and practices, are set out in the 2018 Annual Report of the Nova KBM Group and Nova KBM, in Note 5: Fair value of financial assets and financial liabilities.

14.2 Information about the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value

(Article 447(b) of the Regulation)

As a rule, fair value of a financial instrument that is traded on a stock market in the Group equals its market price. As at 31 December 2018, the Group's balance sheet value of financial instruments traded on the stock market was €11.8 million.

The Bank values the shares of Intereuropa d.d. (IEKG and EIKN) at €0.90 per share, although their market price quoted on the Ljubljana Stock Exchange stood at €2.60 per share as at 31 December 2018.

14.3 Information about the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures

(Article 447(c) of the Regulation)

Table 14: Investment value of equity instruments by instrument type

€000

Exposure types	Exposure amount as at 31/12/2018	Exposure amount as at 31/12/2017
Quoted shares	11,792	90
Unquoted shares	4,082	3,943
Mutual fund units	2,277	2,488
Investments in non-public companies	2,390	696
Bank Resolution Fund	25,222	25,239
Total	**45,762**	**32,456**

As at 31 December 2018, equity exposure increased compared to the previous year as a result from revaluation of Intereuropa shares (IEKG and EIKN) and change in the investment portfolio of Petrol d.d. – PETG, which occurred at the transition to IFRS 9.

14.4 Information about the cumulative realised gains or losses arising from sales and liquidations in the period

(Article 447(d) of the Regulation)

In 2018, the Group generated gains of €1.32 million on the sale of equity instruments that were held in its banking book.

14.5 Information about the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in common equity Tier-1 capital (CET1)

(Article 447(e) of the Regulation)

In accordance with the applicable legislation, deductions from the total amount of the Group's Tier-1 capital as at 31 December 2018 included the following items:

- Unrealised gains and losses generated on equity instruments and debt securities held in the banking book
- Loss for the current financial year should it occur
- Intangible assets, including goodwill
- Deferred tax assets
- Deductible item for prudent valuation
- Deductible item for impairments and provisions when the financial statements are not audited.

The last two deductions are not subject to required disclosures.

The table below shows deductions and prudential filters on regulatory capital at the reporting date, 31 December 2018.

Table 15: Amounts deducted from common equity Tier-1 capital

€000

Item	Biser Topco Group
Unrealised gains or losses on revaluation of financial instruments	**–9,772**
Deductions	**–54,810**
Loss reported for the current financial year	0
Intangible assets	–27,768
Deferred tax assets that are attributable to future profits and do not arise from temporary differences	–27,041
Translation reserves	0

15 Exposure to interest rate risk on positions not included in the trading book

This Chapter defines disclosure requirements referred to in Article 448 of Part Eight of CRR.

Interest rate risk is managed at the Biser Group level in the same way as at the Nova KBM Group level, as only the Nova KBM Group is exposed to this type of risk. For this reason, the information required is disclosed at the level of the Nova KBM Group.

15.1 Information about the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk

(Article 448(a) of the Regulation)

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 assets and liabilities, which form the largest portion of the Bank’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 options embedded in interest-rate sensitive items.

The Group assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk in the Nova KBM Group, and monitors the exposure in accordance with the Interest Rate Risk Management Policy in the Nova KBM Group. 97 % of the Group’s interest-rate sensitive assets are denominated in euros. The Bank provides its customers with the option to repay early the loans they have taken out, subject to paying any costs in line with the Consumer Credit Act and respective applicable Nova KBM Service Fees Tariff, or an extract from the Nova KBM Pricelist. Given that the total volume of prepaid loans is not material, the Group did not take into account the effects of this option in the management of interest rate risk. From 1.1.2018, the Group will allocated additional capital for capital requirement for IRRBB due to not observing early prepayments. Until the Group is introduced a model to account for early loan prepayments it will calculating the 1-year impact of early loan repayments on NII and will consider this impact in the capital requirement for interest rate risk. For the euro currency, the Group classifies demand deposits in core deposits and non-core deposits based on the results of a historical model comprising movements in demand deposits since 1 January 2006. In other currencies, demand deposits remain in the demand time bucket. The Group has developed a separate model for the corporate sector and households. Based on the model referred to above, the Group classifies core deposits 46 % of demand deposits from households and 33 % corporate demand deposits. Non-core deposits remain in the demand time bucket, while core-deposits are allocated to time buckets. The percentage of core deposits to be classified in each time bucket is determined by the Replication Portfolio model. The portion of core deposits classified into a particular time bucket is calculated at least once a year, when the model is calibrated. Both the Bank and the Group manage their exposure to interest rate risk on a monthly basis.

15.2 Information about the variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency

(Article 448(b) of the Regulation)

To manage interest rate risk, the Group calculates monthly the impact on its economic value of equity (EVE) to determine whether, under the stress test scenario which is based on a +/– 200 basis points change taking into account the zero-interest-rate floor within the limits and if the loss accounts for more than 20 % of its regulatory capital.

The Group carries out interest scenarios for day-to-day management of interest rate risk separately for interest rates for euro, US dollar and Swiss franc and, in addition, for its entire exposure to interest rate risk, given that the standardised stress test provides for a uniform shift in the yield curve, irrespective of the currency or the reference interest rate.

The Bank uses in interest rate risk monitoring and management the basis point value. The basis point value method measures the exposure to interest rate risk using the basis point value, which indicates the extent to which the value of the interest-sensitive instruments portfolio is reduced if the general level of interest rates rises by 1 basis point or, 0.01 %.

For its internal purposes and the purposes of calculating capital requirement for interest rate risk, the Group calculates the impact of the change on the economic value of equity and net interest income where it takes into account the interest rate floor by each product in cases of the following shifts in the yield curve (day-to-day internal management scenarios):

- Parallel shift (a sudden parallel shift of the yield curve for a certain basis point value, which is defined by a preliminary analysis of movements in market interest rates)
- Shock on the basis of past or predicted market data (shift of the curve to the position held three months ago and the position where three-month forward rates, which are obtained from the Bloomberg financial data source) are taken into account
- Flattener yield curve scenario (the Bank identified two scenarios. Scenario of an increase in short-term interest rates and a decline in long-term interest rates and a shock resulting from an increase in short-term interest rates with a slight increase in long-term interest rates)
- VaR based shock (yield curve shift based on its volatility during the previous year, with a 95 % confidence interval)
- Steepener yield curve scenario (increase in long-term interest rates with a slight rise in short-term interest rates).

The capital requirement for the interest rate risk is determined by the scenario producing the worst negative impact on the economic value of equity (EVE) and on net interest income (NII). The Group regularly calculates stress testing scenarios, using them to measure its vulnerability in stressful market conditions. In addition to the standardised stress test in the form of a parallel shift in the yield curve by +/–200 basis points using the zero-interest-rate floor, the Bank carries out also other upward and downward yield curve shifts of various proportions that were summarised by the Bank in line with the *Basel standards on the interest rate risk management in the banking book*.

For its internal purposes, the Group calculates the impact of the change on the economic value of equity (EVE) and net interest income (NII) in cases of the following shifts in the yield curve:

- Parallel upward yield curve shift by 200 basis points

- Parallel downward yield curve shift by 200 basis points using the zero-interest-rate floor
- Steepener yield curve shock (resulting from a decline in short-term interest rates and an increase in long-term interest rates)
- Flattener yield curve shock (resulting from an increase in short-term interest rates and a decline in long-term interest rates)
- Increase in short-term interest rates shock
- Decline in short-term interest rates shock.

Calculations and the impact of changes in the interest rate on the economic value of equity and net interest income are detailed in the financial part of the Annual Report in the section Interest rate risk.

In assessing its exposure to changes in reference interest rates (basis risk), the Group takes into consideration the method of determining variable interest rates that are linked to the respective reference interest rates.

The Group limits its exposure to interest rate risk time buckets, which are set separately for each key currency (euro, US dollar and Swiss franc). Allowable limits for individual time buckets are determined based on an analysis of the potential impact of changes in interest rates on the economic value of equity of on- and off-balance-sheet items, net interest income and, indirectly, equity.

16 Exposure to securitisation positions

(Article 449 of the Regulation)

The disclosure does not apply. The Nova KBM Group does not hold securitisation positions.

17 Remuneration policy

This Chapter defines disclosure requirements referred to in Article 450 of Part Eight of CRR.

The remuneration policy and system, including information on the criteria used to measure performance and risk adjustments are presented at the level of the Nova KBM Group. The Biser Topco Group has no employees; therefore, disclosure is not applicable for its level.

17.1 Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders

(Article 450(1.a) of the Regulation)

The Bank's Remuneration Policy was issued in 2012. The document is reviewed and updated on an annual basis.
The decision-making process in respect of changes in and amendments to the remuneration policy involves relevant departments and Management Board of the Bank, the Supervisory Board's Remuneration Committee, and the Supervisory Board that approves the remuneration policy.

In 2018, amendment to the Remuneration Policy were considered three times.
The first amendments related to the corrections in performance assessment criteria (from 4 to 3 sets, and a member of the Management Board responsible for risks (CRO), Workout director, and Underwriting director were excluded from the control function. The amount of variable remuneration was increased for procurators and other determined employees on individual contracts in accordance with additional criteria of the Bank, i.e. members of the Credit Committee (CC), Distressed Loans Committee (DLC), Investment and International Lending Committee (IILC) ALCO, and the Liquidity Committee, by 40 % to 60 %, and the delay/retention of payment (the payment model), the method of calculating the value of non-monetary instruments, and the good/bad leaver were added. These amendments were discussed by the Bank's Management Board on 22 December 2017, the Remuneration Committee of the Supervisory Board at its 4th regular session, on 24 January 2018, and the Supervisory Board confirmed them at its 16th regular meeting on 24 January 2018.

Under the second amendments, the section „Remuneration at the level of the Parent Company" was added, and the attachment „Identification of employees whose professional activities have a significant impact on the Bank's risk profile – a basis for annual self-assessments in 2018" was updated. These amendments were considered by the Bank's Management Board on 2 October 2018, the Remuneration Committee of the Supervisory Board at its 6th regular session, on 15 October 2018, and the Supervisory Board confirmed them at its 20th regular meeting on 15 October 2018.

The third amendments included an update to Attachment I and Attachment II, as follows: a correction to the amount of variable remuneration, whereby deferred payment is required, and the definition of employees whose professional activities have a significant impact on the Bank's risk profile – a basis for annual self-assessments in 2018 and 2019. These amendments were discussed by the Bank's Management Board on 17 December 2018, the Remuneration Committee of the Supervisory Board at its 1st by-correspondence session, on

19 December 2018, and the Supervisory Board confirmed them at its 95th by-correspondence session, on 20 December 2018.

In 2018, the Supervisory Board's Remuneration Committee held three regular meetings and one by-correspondence meeting. In 2018, the Remuneration Committee comprised: Gernot Lohr, Chair until 26 March 2018, Andrzej Klesyk, Chair since 17 May 2018,Alexander Saveliev, Deputy Chair, and Michele Rabà, member. All Committee members are members of the Supervisory Board. In 2018, the Remuneration Committee did not use external expert services in its work.

In accordance with ZBan-2, the Remuneration Committee serves as an advisory body to the Nova KBM Supervisory Board, performing the following mission:

a. It is responsible for preparing decisions on remuneration to be adopted by the Supervisory Board, in particular in respect of the remuneration of Management Board members and employees whose professional activities have a significant impact on the Bank's risk profile
b. Provides support and advice to the Supervisory Board in respect of designing the Bank's remuneration policy
c. Supports the Supervisory Board in control of the policy, practice, and processes related to remuneration and compliance with the Remuneration Policy
d. Verifies that the current Remuneration Policy is still adequate and suggest amendments, if necessary
e. Assesses the suitability of external remuneration consultants whose services the Supervisory Board may hire for consulting services or support
f. Provides for adequacy of information about remuneration policies and practice submitted to shareholders, in particular about the suggested increased upper ratio between fixed and variable component of remuneration
g. Assesses the mechanisms and systems adopted to ensure that the remuneration system properly considers all types of risks, liquidity and capital levels, and that the general remuneration policy complies with and encourages prudent and efficient risk management, whereby it is in line with the business strategy, objectives, corporate culture and values, and the long-term interests of the Bank
h. Evaluates the achievement of performance targets and the need for subsequent adjustment to risks, including the use of malus and reimbursement repay arrangements
i. Examines various possible scenarios to check how remuneration policies and practices respond to external and internal events, and retrospectively test the criteria used to determine the allocation and prior adjustments of variable component of remuneration based on the results of realised risks
j. Directly controls the remuneration of identified employees in independent control functions, such as the Internal Audit Office, a member of the Management Board responsible for risks, including the Risk Management Department and Compliance Office, and makes recommendations to the Supervisory Board in respect to the development of the remuneration scheme and amounts paid to senior staff in control functions
k. Ensures appropriate engagement of the HR Development Department, the Legal Office, and the Controlling Department in relevant fields of expertise and, if necessary, seek advice from external consultants.

17.2 Information on link between pay and performance

(Article 450(1.b) of the Regulation)

In accordance with the Banking Act (ZBan-2) and the Regulation on internal governance arrangements, the governing body and the internal capital adequacy assessment process for banks and savings banks, Decision on the Application of the Guidelines on Prudent

Remuneration Policies in line with Articles 74(3) and 75(2) of Directive 2013/36/EU, and disclosures in accordance with Article 450 of Regulation (EU) No 575/2013, EBA Guidelines, No EBA/GL/2015/22 of 27 June 2016, and the Bank of Slovenia Guidelines regarding the application of the principle of proportionality in the implementation of remuneration policies of 22 November 2016, the Bank is required to establish and implement such a remuneration policy at the Group level for categories of employees engaged in the work of a special nature that promotes appropriate and efficient risk management.
The Remuneration Policy supports the business strategy, objectives, organisation culture and long-term interests of the Bank.
The goal of the Remuneration Policy is to ensure the remuneration structure and method of payment in the Bank in such a way as to ensure appropriate motivation of employees, while not encouraging them to take, in the context of their work assignments and in irresponsible manner, disproportionately excessive risks or the risks exceeding the Bank's risk-bearing capacity.
The Remuneration Policy is applicable to all income of employees in the Bank, with a focus on the categories of employees whose professional activities have a significant impact on Bank's risk profile.

The category of employees whose professional activities have a significant impact on Nova KBM risk profile comprises:
- Chair and members of the Supervisory Board
- President and members of the Management Board
- Authorised representatives (procurators)
- Director of Compliance Office
- Director of Internal Audit Office
- Director of Legal Office
- Director of Accounting
- Director of HR Development
- Director of Workout
- Director of Anti-Money Laundering Office
- Director of Corporate Banking East Slovenia
- Director of Corporate Banking West Slovenia
- Director of Retail Banking
- Director of Treasury
- Director of Controlling
- Director of Underwriting
- Director of Information Technology
- Director of Banking Operations
- Director of Strategic Risk Management
- Director of Corporate Communications and Strategic Marketing
- Director of Business Analysis, Planning and Unit Profitability
- Members of the Bank's Credit Committee (CC)
- Members of the Distressed Loans Committee (DLC)
- Members of Investment and International Lending Committee (IILC)
- Members of the Assets and Liabilities Committee (ALCO)
- Members of the Liquidity Committee

Remuneration of the personnel employed in control functions depend on the performance of business units controlled by these employees. The personnel employed in control functions has relevant responsibilities and gets remuneration depending on the objectives related to their functions, independently of the performance of the business units they control.
Remuneration of employees is aligned with the labour legislation, collective bargaining agreements, general internal documents of the Bank, and resolutions adopted by the Supervisory Board.

In 2017, the Bank launched the pilot project called „Performance Management Framework“, in which all employees were provided with the organisation targets by their superiors (Growth and Profitability, Client Excellence, Risk Management and Compliance, Operational Efficiency, and Culture and Talents) in 2018, together with the individual goals for each employee, which were expressed in percentage.
The objectives for the President of the Management Board were set up by the Supervisory Board, and those for Management Board members were set by its President.

The weight of organisational objectives for employees in managerial functions was set to 40 % and the weight for their personal objectives to 60 %.
The weight of organisational objectives for all employees in control functions was set to 20 % and the weight for their personal objectives to 80 %.
The weight of organisational objectives for employees under collective agreements was set to 20 % and the weight for their personal objectives to 80 %.

In KBM Infond, the category of employees whose professional activities have a significant impact on the Bank's risk profile comprises:
- Supervisory Board
- Management Board
- Director of Investment Management
- Director of Accounting
- Director of Marketing and Sales
- Legal adviser
- Chief Compliance Officer
- Chief Risk Officer
- Internal audit service provider
- Employees in the area of investment management.

In Summit Leasing Slovenia, the category of employees whose professional activities have a significant impact on the Bank's risk profile comprises:
- Supervisory Board
- Director
- Deputy Director
- Adviser to Director
- Head of Compliance and AML.

17.3 Information about the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria

(Article 450(1.c) of the Regulation)

Performance assessment criteria for variable component of remuneration and the ratios between the fixed and variable component were divided into 3 sets:

I. THE BANK's MANAGEMENT BOARD (discussed by the Remuneration Committee and adopted by the Supervisory Board)

Depending on the percentage achieved, the amount of variable remuneration of an employee determined according to this item is up to (percentage of the gross annual salary of the employee to which the criteria apply):

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	90–100 %
Very good, above expectations (achieving the goals in 86–95 %)	60–90 %
Good, expected, successful (achieving the goals in 76–85 %)	20–60 %
Average or in some elements below expectations (achieving the goals in 64–75 %)	0–20 %
Poor, unsatisfactory (achieving the goals < 64 %)	0
Unrated (less than 3 months of regular work)	0

Deferred payment and payment in ordinary or preference shares of the Bank or share-linked instruments or equivalent non-cash instruments – Deferred Payment Scheme

In case of granting a variable remuneration component that exceeds €50,000.00 gross, the total amount of variable remuneration component is determined by the resolution of the Bank's Supervisory Board/Management Board as follows:

– The first half (50 %) of the variable component of remuneration is provided after the end of the financial year, with 50 % paid out in cash, and the remaining 50 % provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments
– The second half (50 %) of the variable component of remuneration is deferred and provided „pro rata", which means that this amount (50 %) is paid out in cash over the next five years, 20 % every year (of which half is paid out in cash, and the remaining half is provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments). In this case, the last instalment of 20 % is paid out after five years.

The variable component of remuneration paid in ordinary or preference shares or share-linked instruments or other equivalent non-cash instruments is subject to a retention period. The recipient may only transfer such shares or instruments with the Bank's permission, which may not be issued for at least two years following acquisition.

A decision on whether 50 % of the variable remuneration of a particular Management Board member shall comprise ordinary or preference shares of the Bank, or share-linked instruments or equivalent non-cash instruments, if the shares of the Bank are not listed on a regulated market, shall be made by the Supervisory Board by its resolution.
Before the payment of a deferred portion of cash or the maturity of deferred instruments for payment is made, the performance has to be reassessed and, if necessary, a prior risk-weighted adjustment of the variable remuneration component has to be made in order to align the variable remuneration with additional risks that have been identified or realised after the remuneration was granted.

Malus and repayment of remuneration
The Supervisory Board may deprive Management Board members of their right to the variable component of remuneration or request to return it, in whole or in a proportional part, in the following cases:

– If the nullity of the annual report is validly established and the reasons for nullity refer to items or facts used as a basis for determining the variable remuneration, or
– On the basis of a special auditor's report, which establishes that the criteria for determining the level of variable remuneration were not used properly or that the key accounting, financial and other data and indicators were not properly defined or considered;

however, only during the deferred payment and retention period.

II. CONTROL FUNCTIONS: DIRECTOR OF STRATEGIC RISK MANAGEMENT, DIRECTOR OF COMPLIANCE OFFICE, AND DIRECTOR OF INTERNAL AUDIT DEPARTMENT (adopted by the Management Board of the Bank)

Remuneration of employees engaged in control functions have to be predominantly fixed, reflecting the nature of their responsibility, and have to be paid independently of the performance of the business units they control.

Depending on the percentage achieved, the amount of variable remuneration of an employee determined according to this item is up to (percentage of the gross annual salary of the employee to which the criteria apply):

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	25–40 %
Very good, above expectations (achieving the goals in 86–95 %)	15–25%
Good, expected, successful (achieving the goals in 76–85 %)	3–15%
Average or in some elements below expectations (achieving the goals in 64–75 %)	0–3 %
Poor, unsatisfactory (achieving the goals < 64 %)	0
Unrated (less than 3 months of regular work)	0

(*Applicable EBA Guidelines on remuneration policies for these three specific functions limit the maximum allowable percentage of variable remuneration to potential adjustments to the basic salary. Based on high performance, the basic salary can be increased for the next period).
The variable component of remuneration is determined by a decision of the Management Board at the end of each financial year, when the Supervisory Board takes a decision on variable remuneration for Management Board members.

III. PROCURATOR AND OTHER DETERMINED EMPLOYEES ON INDIVIDUAL CONTRACT IN LINE WITH ADDITIONAL CRITERIA OF THE BANK, MEMBERS OF CC, DLC, IILC, ALCO, AND LIQUIDITY COMMITTEE (to be approved by the Management Board of the Bank)

Depending on the percentage achieved, the amount of variable remuneration of an employee determined according to this item is up to (percentage of the gross annual salary of the employee to which the criteria apply):

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	30–60 %
Very good, above expectations (achieving the goals in 86–95 %)	20–30 %
Good, expected, successful (achieving the goals in 76–85 %)	3–20 %
Average or in some elements below expectations (achieving the goals in 64–75 %)	0–3 %
Poor, unsatisfactory (achieving the goals < 64 %)	0
Unrated (less than 3 months of regular work)	0

The variable component of remuneration is determined by a decision of the Management Board at the end of each financial year, when the Supervisory Board takes a decision on variable remuneration for Management Board members.

Deferred payment and payment in ordinary or preference shares of the Bank or share-linked instruments or equivalent non-cash instruments – Deferred Payment Scheme – for the sets II and III

In case of granting a variable remuneration component that exceeds €50,000.00 gross, the total amount of variable remuneration component is determined by the resolution of the Bank's Management Board as follows:

– The first half (50 %) of the variable component of remuneration is provided after the end of the financial year, with a half of the amount paid out in cash, and the remaining half provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments
– The second half (50 %) of the variable component of remuneration is deferred and provided „pro rata", which means that this amount (50 %) is paid out in cash over the next three years, 33.33 % every year (of which half is paid out in cash, and the remaining half is provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments). In this case, the last instalment of 33.33 % is paid out after three years.

The variable component of remuneration paid in ordinary or preference shares or share-linked instruments or other equivalent non-cash instruments is subject to a retention period. The recipient may only transfer such shares or instruments with the Bank's permission, which may not be issued for at least two years following acquisition.

A decision on whether 50 % of the variable remuneration of a person shall comprise ordinary or preference shares of the Bank, or share-linked instruments or equivalent non-cash instruments, if the shares of the Bank are not listed on a regulated market, shall be made by the Supervisory Board by its resolution.
Before the payment of a deferred portion of cash or the maturity of deferred instruments for payment is made, the performance has to be reassessed and, if necessary, a prior risk-weighted adjustment of the variable remuneration component has to be made in order to align the variable remuneration with additional risks that have been identified or realised after the remuneration was granted.

Malus and repayment of remuneration – for Sets II and III
The Management Board of the Bank may deprive employees of the right to variable component of remuneration or request them to return it, in whole or in part, within the period of three years after receipt in cases where the employment relationship with the respective employee is terminated based on the conclusions of the relevant investigation committee, which was appointed to establish whether the employee was involved in or responsible for actions leading to significant losses for the Bank, or if the employee acted intentionally or in gross negligence contrary to the internal rules, values or procedures.

Once a year, the implementation of the Remuneration Policy is subject to an independent internal review, which is carried out by the Internal Audit Office in order to verify its compliance with the Remuneration Policy adopted by the Supervisory Board.

17.4 Information about the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 36/2013

(Article 450(1.d) of the Regulation)

The Remuneration Policy reflects a close relation between remuneration and prudent risk taking. The Remuneration Policy is not formulated in such a way as to encourage employees to engage in excessive risk taking or to act in such a way as to become exposed to any conflicts of interest. This is ensured by having an appropriate balance between the fixed and variable components of remuneration, taking into consideration that any variable component of remuneration is not directly related either to the volume or value of transactions entered into, or to the exposure to risk associated with these transactions.

The Bank determines the entire variable component of remuneration on the basis of the performance of an employee, the employee's organisational unit, and the general operating results of the Bank.

The total variable remuneration granted by the Bank cannot limit the Bank's ability to maintain or renew a solid capital base in the long run; and has to take account of the interests of shareholders and owners, depositors, investors, and other stakeholders. Variable component of remuneration may not be granted or paid if the solid capital base of the Bank was thereby jeopardised.

Employees whose professional activities have a significant impact of the Bank's risk profile are requested to avoid using personal hedging strategies or remuneration- and liability-related insurance, which may undermine the risk alignment effects embedded in their variable remuneration.

The fixed component of remuneration constitutes the basic salary determined by the employment contract. It depends on the complexity and amount of work done, and it is correlated to the responsibilities assumed, the targets set, and the risk taken.

The relations between the variable and fixed components of remuneration is approved by the Supervisory Board.
The ratio between the fixed and variable component is set out in Performance Assessment Criteria for Variable Component of Remuneration (Attachment I Remuneration Policy) and amounts for the Management Board 1 (fixed remuneration) : maximum 1 (variable remuneration); for control functions: Director of Strategic Risk Management, Director of Compliance Office, and Director of Internal Audit , it amounts to 1 (fixed remuneration) : maximum 0.4 (variable remuneration); and for procurators and other determined employees on individual contracts in line with additional criteria of the Bank, members of the CC, DLC, IILC, ALCO, and Liquidity Committee, the ratio is 1 (fixed remuneration) : maximum 0.6 (variable remuneration).
For employees under collective agreements, the ratio is 1 (fixed remuneration) : maximum 0.25 (variable remuneration).

Deferred payment and payment in ordinary or preference shares of the Bank or share-linked instruments or equivalent non-cash instruments – deferred payment scheme, maluses and return of payments are described in section 17.3.

17.5 Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based

(Article 450(1.e) of the Regulation)

In line with the Bank of Slovenia Guidelines regarding the application of the principle of proportionality in the implementation of remuneration policies of 22 November 2016, the amount of €50,000.00 gross was determined in 2018 as the amount of variable component of remuneration, which is not used for the purpose of items 7 and 8 of the first paragraph of Article 170 of ZBan-2.

In 2018, the Bank did not provide variable component of remuneration in ordinary or preference shares of the Bank, in share-linked instruments or other equivalent non-cash instruments, and did not subject the amount paid to any delay that would made the payment effective after the period of delay.

17.6 Information about the main parameters and rationale for any variable component scheme and any other non-cash benefits

(Article 450(1.f) of the Regulation)

The main parameters and rationale for each variable component scheme are disclosed in section 17.3.

Other non-cash benefits are determined by individual employment contracts, which are approved by the Supervisory Board for Management Board members, while non-cash benefits for employees whose professional activities have a significant impact on the Bank's risk profile are approved by the Management Board. The set of non-cash benefits includes:

- Company car (for office/private use)
- Company car with a driver
- Notebook
- Mobile phone
- Accommodation in Maribor, Ljubljana or Graz
- Payment of education expenses for minors
- Nova KBM business card MasterCard
- Accident insurance
- Health insurances
- Supplementary pension insurance
- Manager health examination
- Education
- Liability insurance
- Airfare
- Business entertainment flat rate
- Pay for annual leave
- Parking
- Paid removal expenses.

17.7 Disclosure of the aggregate quantitative information on remuneration

(Article 450(1.g) and (1.h) of the Regulation)

The information about the aggregate amount of remuneration provided in 2018 to employees whose professional activities have a significant impact on the Bank's risk profile is presented in gross amount in tables below.

Nova KBM Group						€000
Business area	Fixed component	Variable component		Other remuneration	Total	No of recipients
		Paid	Deferred			
Supervisory Board	406	0	0	0	406	6
Bank's Management Board	2,161	387	0	320	2,868	6
Of which severance pay				*300*	*300*	*1*
Commercial -profit departments	270	41	0	0	311	3
Independent control functions	200	17	0	0	217	3
Other departments	2,802	440	96	9	3,348	35
Total	**5,839**	**885**	**96**	**329**	**7,150**	**53**

Remuneration paid to Management Board members comprises: salary, allowance for bonuses, bonuses, payment of supplementary pension insurance premiums, remuneration from previous employment contract, and other remuneration under employment contract.

Remuneration paid to Supervisory Board members comprises: payment for holding the office, reimbursement of costs, fees, and payment of liability insurance premiums.

Remuneration paid to other employees whose professional activities have significant impact on the Bank's risk profile comprises: salary, bonuses, pay for annual leave, supplementary pension insurance premiums, and other remuneration under employment contracts.

Robert Senica was a member of the Bank's Management Board until 31 March 2018.

Matej Falatov was a procurator between 1 April 2018 and 5 July 2018. His remuneration for this period was recorded under the Other departments.

17.8 Information about the number of individuals being remunerated €1 million or more per financial year, for remuneration between €1 million and €5 million broken down into pay bands of €500,000 and for remuneration of €5 million and above broken down into pay bands of €1 million

(Article 450(1.i) of the Regulation)

Based on the aggregate remuneration for the financial year 2018, at the Biser Topco Group level: two individuals in the banding from €1 million to €1.5 million.

18 Financial leverage

(Article 451 of the Regulation)

This Chapter defines disclosure requirements referred to in Article 451 of Part Eight of CRR and in Commission implementing regulation (EU) No 2016/200.

18.1 Leverage ratio

(Article 451(a) to (c) of the Regulation)

18.1.1 The Biser Topco Group's leverage ratio

Table 16: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		€000 Amounts as at 31/12/2018
1	Total assets as per published financial statements	5,783,164
2	Adjustment for entities, which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised in the statement of financial position in accordance with Article 429(13) of Regulation	0
4	Adjustments for derivative financial instruments	3,554
5	Adjustments for securities financing transactions (SFTs)	0
6	(Adjustment for intra-group exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation)	–558,041
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation)	0
EU-6b	Excluded exposures meeting the conditions in accordance with Article 429(14) of Regulation	0
7	Other adjustments	–55,866
8	**Total leverage ratio exposures**	**5,172,812**

Template 32: LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposures
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,994,132
2	(Asset amounts deducted in determining Tier-1 capital)	–54,519
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**4,939,613**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,347
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,207
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted client-cleared trade exposures CCP leg)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**3,554**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429(b)(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted client-cleared SFT exposure through CCP leg)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	787,685
18	(Adjustments for conversion to credit equivalent amounts)	–558,041
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**229,644**
Exempted exposures in accordance with CRR Article 429(7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)		
EU-19a	(Exemption of intra-group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
Capital and total exposures		
20	Tier-1 capital	**599,441**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,172,812**

Leverage ratio		
22	**Leverage ratio**	**11.59 %**
Choice on transitional arrangements and the amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Template 33: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

€000

		CRR leverage ratio exposures
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**4,939,613**
EU-2	Trading book exposures	***8,055***
EU-3	Non-trading book exposures, of which:	***4,939,613***
EU-4	*Covered bonds*	0
EU-5	*Exposures treated as sovereigns*	1,214,186
EU-6	*Exposures to regional governments, multilateral development banks, international organisations and PSE not treated as sovereigns*	158,466
EU-7	*Institutions*	514,587
EU-8	*Exposures secured by mortgages on immovable property*	431,699
EU-9	*Retail exposures*	898,227
EU-10	*Institutions*	1,288,284
EU-11	*Exposures in default*	116,091
EU-12	*Exposures to regional governments, multilateral development banks, international organisations and PSE not treated as sovereigns*	318,073

18.1.2 The Nova KBM Group's leverage ratio

Table 17: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		Amounts as at 31/12/2018
1	Total assets as per published financial statements	5,785,822
2	Adjustment for entities, which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised in the statement of financial position in accordance with Article 429(13) of Regulation	0
4	Adjustments for derivative financial instruments	3,554
5	Adjustments for securities financing transactions (SFTs)	0
6	(Adjustment for intra-group exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation)	–558,041
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation)	0
EU-6b	Excluded exposures meeting the conditions in accordance with Article 429(14) of Regulation	0
7	Other adjustments	–63,758
8	**Total leverage ratio exposures**	**5,167,577**

Template 34: LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposures
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,996,790
2	(Asset amounts deducted in determining Tier-1 capital)	–55,345
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**4,934,379**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,347
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,207
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted client-cleared trade exposures CCP leg)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**3,554**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429(b)(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted client-cleared SFT exposure through CCP leg)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	787,685
18	(Adjustments for conversion to credit equivalent amounts)	–558,041
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**229,644**
Exempted exposures in accordance with CRR Article 429(7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)		
EU-19a	(Exemption of intra-group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
Capital and total exposures		
20	Tier-1 capital	**600,136**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,167,577**

Leverage ratio		
22	**Leverage ratio**	**11.61 %**
Choice on transitional arrangements and the amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Template 35: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

€000

		CRR leverage ratio exposures
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**4,934,379**
EU-2	Trading book exposures	**8,055**
EU-3	Non-trading book exposures, of which:	**4,926,323**
EU-4	*Covered bonds*	0
EU-5	*Exposures treated as sovereigns*	1,212,821
EU-6	*Exposures to regional governments, multilateral development banks, international organisations and PSE not treated as sovereigns*	158,466
EU-7	*Institutions*	514,587
EU-8	*Exposures secured by mortgages on immovable property*	431,699
EU-9	*Retail exposures*	897,027
EU-10	*Institutions*	1,288,284
EU-11	*Exposures in default*	116,091
EU-12	*Exposures to regional governments, multilateral development banks, international organisations and PSE not treated as sovereigns*	307,347

18.2 Description of procedures used to manage the risk of excessive exposure

(Article 451(d) of the Regulation)

Movements in the Parent Bank's financial leverage ratio are, along with movements in other capital ratios, monitored on a regular basis. Its monitoring was determined in the context of the Risk Management Strategy, and the Nova KBM Group's Recovery Plan. The value of the financial leverage ratio is reported to:

- Supervisory Board
- Management Board, and
- Various internal committees (e.g. the ALCO).

Asset and Liabilities Committee (ALCO) is responsible for dealing with situations of excessive leverage ratio. In the Risk Management Strategy and the Recovery Plan, the Parent Bank stipulated at the Group level the red, yellow and green threshold values for the financial leverage ratio. When the yellow or red threshold value is exceeded, the ALCO has to adopt a decision on the management of the excessive leverage ratio risk.

As at 31 December 2018, the financial leverage ratio stood respectively for Biser Topco Group at 11.59 % and for the Nova KBM group at 11.61 % which is in line with the Group's Business Plan with its focus on the provision of mainstream lending products (including to the corporate segment to which high exposure risk-weights apply). A high financial leverage ratio also results from a high level of Tier-1 capital.

18.3 Description of the factors that had an impact on the leverage ratio to which the disclosed leverage ratio refers

(Article 451(e) of the Regulation)

The financial leverage ratio for was calculated by taking into account the relevant amount of the Group's on- and off-balance-sheet exposures as well as the level of its Tier-1 capital as at 31 December 2018. The following factors had the most significant impact on the calculation of the financial leverage ratio in 2018:

- In Tier-1 capital ratio:
  - End of transition period associated with including deductible items into regulatory capital
  - Change in the amount of deductions from regulatory capital, as a result from the financial statements
  - Dividend policy
- In the exposure:
  - Change in the Group's investment policy
  - The process of sale or liquidation of subsidiaries.

19 Use of the IRB Approach to credit risk

(Article 452 of the Regulation)

The Bank uses its internal credit rating system compliant with the IRB approach for the purpose of determining debtor ratings and in other related processes. IRB approach is not used in the process of calculating capital requirements under Pillar 1 where the standardised approach remains in use. The Banks uses an „IRB-like" approach to calculate capital requirements under the Pillar 2.

20 Use of credit risk mitigation techniques

This Chapter defines disclosure requirements referred to in Article 453 of Part Eight of CRR and Chapter 4.8 of the Guidelines.

20.1 Policies and processes for, and an indication of the extent to which the institution makes use of, on- and off-balance-sheet netting

(Article 453(a) of the Regulation)

The disclosure does not apply. The Nova KBM Group does not use on- and off-balance-sheet netting as a credit risk mitigation technique.

20.2 Policies and processes for collateral valuation and management

(Article 453(b) of the Regulation)

The Nova KBM Group Credit Risk Management Policy is the umbrella document that governs the secured lending of the Bank and the Group. The policy summarises basic guidelines regarding the acceptance, valuation, monitoring, and the reporting on collateral, with the aim of mitigating credit risk. The policy also determines the conditions, which have to be met for particular collateral to be considered by the Bank as acceptable. . Valuation of collateral is described in the Methodology for Loan Collateral Valuation. The valuation of real estate is determined by the Nova KBM Group's Methodology for Real Estate Valuation.

The principal objective of the Loan Collateral Policy is to mitigate credit risk. Collateral is used as a secondary source for the repayment of contractual obligations, if a debtor, for whatever reason, ceases to pay its debts, or if there is a change in the circumstances that prevailed at the time the loan was approved.

In cases where a loan is to be secured by the pledge of property, in particular real estate, movable property or financial instruments, the Bank pursues the policy of having its lien registered as a priority creditor.

When entering into a credit relationship, the Bank or the Group obtains relevant documents, which ensures adequate legal certainty in case the secondary repayment source needs to be utilised. In accordance with the applicable legislation, the Group has set up a system for monitoring of and reporting on collateral. Valuation of property to be provided as security for a loan is carried out prior to the loan being approved. The information about the market value of the majority of the pledged real estate units and movable assets is taken from the assessment reports drawn up by certified external appraisers. The Group has prepared the list of external appraisers for real estate and movable property the valuation of which are accepted by the Group, and signed agreements with them. Each valuation report drafted by an external appraiser is checked by the competent department, primarily with a view to establishing its credibility and whether it complies with the International Valuation Standards. The verified and approved value assessment forms the basis for making the necessary collateral arrangements. The Group devotes particular attention to the legal certainty, integrity and saleability of assets to be accepted as collateral. To this end, the competent departments verify the suitability of the collateral in terms of its legal certainty, integrity and saleability before the asset is used as collateral. The market value of quoted financial instruments is based on their value on the organised market – stock exchange, while that of unquoted instruments is determined using an internal methodology.

During the contractual relationship, the Group monitors the adequacy of collateral, providing relevant value assessments, and takes care of having the investments covered by collateral. The monitoring of the value of collateral during the loan repayment period is carried out in accordance with the periods prescribed by law, and internal methodologies. For example, The Group checks out the value of real estate provided as collateral at least once a year, either by a valuation report prepared by an external appraiser or by using an internal methodology that is based on publicly available data on transactions in real estate and the achieved prices, which are published by the competent government institutions (the Surveying and Mapping Authority of the Republic of Slovenia, and the Statistical Office of the Republic of Slovenia). Where appropriate, the Group may request that additional collateral be provided if there is a drop in the value of the collateral.

While the market value of the asset to be provided as collateral is used to determine the value of collateral, in the loan-approval process, the process of assessing impairments of financial assets, and in the reporting process, the Group also uses expert adjustments to asset valuations, which reflect its expectations regarding the cash flow to be generated on a potential realisation of collateral. For the purpose of calculating capital requirements, the Group uses value adjustments as prescribed by the regulator for individual types of assets.

Table 18: Adjustments by types of collateral:

Collateral type	HC range in %
Bank deposits	0
Guarantees/sureties	0–100
Immovable property	30–50
Movable property	50–100
Securities	30–100
Business interests	100
Claims	75–100
Life-insurance policies	50–100
Other collateral	100

20.3 Description of the main types of collateral taken by the institution

(Article 453(c) of the Regulation)

To reduce its exposure to credit risk, the Group accepts all types of collateral that meet the minimum requirements to recognise the effects of collateral. The Group accepts as collateral different types of funded and unfunded loan insurance instruments.

The Group accepts first-class collateral in accordance with the provisions of the Bank of Slovenia's Decision credit risk management of Banks and Savings Banks. Corporate loans and loans approved to sole proprietors may also be secured by other funded and unfunded loan insurance instruments for which it is assessed that, in the case of need, they can generate a cash flow and be used as a secondary source of repayment, and that the conditions regarding legal certainty and operational requirements of the instruments are met. Where it is assessed that there is a little probability that any such collateral instrument may generate cash flow, the Bank applies a conservative principle and does not accept such collateral. Other funded and unfunded insurance instruments are accepted by the Bank only if they meet the following minimum requirements to recognise the effects of collateral:

- Legal certainty
- Quality
- Operational requirements for effective liquidation.

The Group accepts as collateral the following funded loan insurance instruments:

- Commercial and residential real estate
- Movable property
- Monetary claims
- Financial collateral (e.g. bank deposits, investment gold, debt securities issued by various issuers, investment fund units, equity instruments, pledge of business interests)
- Pledge or cessation of receivables
- Pledge of other assets (e.g. inventory)
- Other funded loan insurance (e.g. life insurance policies, cash held in a third-party institution)

The Group accepts as collateral the following unfunded loan insurance instruments:

- Joint and several guarantees provided by natural or legal persons
- Guarantees provided by banks, governmental fund
- Guarantees provided by the central and local governments and central banks
- Guarantees provided by insurance companies.

Loans are often secured by a combination of various types of collateral.

The Group seeks to have its loan portfolio adequately secured in terms of collateral coverage and a legal certainty in case of any liquidation of collateral. General recommendations in respect of securing loans are determined by internal instructions. The decision regarding the type of collateral and the collateral coverage depends on the analysis of the debtor's data (debtor's credit rating and creditworthiness) and the maturity of the loan, and on whether the loan is to be approved to a retail or corporate customer. At approval of any loan, corporate customers and sole proprietors have to present a bill of exchange, together with the bill of exchange statement.

The largest portion of the Group's loan portfolio is secured by real estate, followed by state guarantees and guarantees provided by other issuers, movable property, bank deposits, guarantees, and insurance companies. Other types of collateral are used only in a small portion of the portfolio.

Table 19: Exposure value by types of collateral:

€000

31/12/2018		Amount	Structure
1	Deposits	40,798	2.73 %
2	Guarantees	26,289	1.76 %
3	Sureties	224,240	15.00 %
4	Securities and pledged mutual fund unit claims	15,255	1.02 %
5	Mortgages	936,837	62.65 %
6	Pledged inventory and movable property	84,668	5.66 %
7	Pledged claims and assigned claims	27,792	1.86 %
8	Pledged equity stakes	1,741	0.12 %
9	Reserve fund assets	0	0.00 %
10	Insurance companies	123,415	8.25 %
11	Pledged insurance claims from insurance companies	0	0.00 %
12	Securities portfolio	0	0.00 %
13	Other types of collateral	14,332	0.96 %
	Total	**1,495,367**	**100.00 %**

20.4 Information about the main types of guarantor and credit derivative counterparty and their creditworthiness

(Article 453(d) of the Regulation)

The Group accepts collateral provided in the form of sureties, guarantees, and insurance by insurance companies. As eligible guarantee issuers can be accepted the following entities:

- Central governments or central banks
- Regional governments or local authorities
- Multilateral development banks
- International organisations to which a 0 % risk weight applies according to the Standardised Approach
- Public sector entities, claims against which are treated as claims against institutions or central governments
- Institutions (export agencies and insurance companies)
- Other commercial companies, including those that are controlled by, or exert control over the Bank.

The group also accept the following issuers of guarantees:

- Individuals, provided the repayment capability of the respective guarantor is ensured, and
- Sole proprietors, provided the value of the respective guarantor's property is sufficient to cover the obligations of the debtor.

The Group also accepts personal guarantee, but the value of this collateral is zero.

Table 20: Important types of guarantors broken down by the type of collateral:

Guarantees €000

ISSUER	CREDITWORTHINESS	AMOUNT	STRUCTURE
Banks	1, 2, 3	3,147	10.15 %
	4, 5	1,748	5.64 %
Slovene Enterprise Fund, Rod Development Agency, LUR RDA, and SRRS	3	25,458	82.15 %
RDA and MRA Institution	3	141	0.45 %
Other	1	497	1.60 %
–	3	0	0.00 %
TOTAL		**30,991**	**100.00 %**

Sureties

ISSUER	CREDITWORTHINESS	AMOUNT	STRUCTURE
Central governments	1	14,091	5.25 %
	3	129,021	48.07 %
Companies and sole proprietors	0–4	9,026	3.36 %
	0–5	26,444	9.85 %
Individuals	0–6	55,448	20.66 %
	0–6	34,349	12.80 %
TOTAL		**268,379**	**100.00 %**

Insurance companies

ISSUER	CREDITWORTHINESS	AMOUNT	STRUCTURE
Insurance companies	/	128,887	100.00 %
TOTAL	/	**128,887**	**100.00 %**

20.5 Information about market or credit risk concentrations within the credit mitigation taken

(Article 453(e) of the Regulation)

In accordance with its policies, the Group grants loans, which are expected to be repaid from future cash flows, while collateral provided is used as a secondary source of payment used to a smaller extent, only in case where the debtor fails to meet its payment obligations.

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

The Group limits the amount of sureties, as the amount of surety is included in the indirect exposure of the guarantor and reduces the difference to the lending limit. The amount of surety is weighted depending on the rating of the underlying debtor for whom the guarantor gives a surety.

The Group monitors the market risk concentration within the accepted collateral in terms of assessing the liquidity of securities received as collateral. With the support of specialised departments, the Group assesses the liquidity of received securities on the basis of regular turnover in securities and the amount of securities received, or assesses value adjustments to be made as a result of reduced liquidity.

The Group monitors the value of collateral by individual types and reports thereon.

Table 21: Value of collateral broken down by type:

€000

		31/12/2018		31/12/2017	
	Type of collateral	**Amount**	**Structure**	**Amount**	**Structure**
1	Bank deposits	23,019	0.87 %	34,358	1.32 %
2	Irrevocable RS guarantees	143,112	5.39 %	152,994	5.87 %
3	Equity instruments	58,752	2.21 %	14,260	0.55 %
4	Debt securities	0	0.00 %	0	0.00 %
5	Collective investment undertaking units	0	0.00 %	135	0.01 %
6	Commercial property	783,604	29.54 %	799,419	30.68 %
7	Residential property	1,189,067	44.82 %	1,223,693	46.96 %
8	Insurance company	128,716	4.85 %	146,827	5.64 %
9	Other types of collateral	326,652	12.31 %	233,934	8.98 %
	Total	**2,652,922**	**100.00 %**	**2,605,620**	**100.00 %**

20.6 Disclosure of the total exposure value (after on- or off-balance-sheet netting, if applicable) that is covered – after the application of volatility adjustments – by eligible financial collateral, and other eligible collateral, separately for each exposure class, if the institution calculates risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but does not provide own estimates of LGDs or conversion factors in respect of the exposure class

(Article 453(f) and (g) of the Regulation)

Clarification of exposure changes of on- and off-balance-sheet exposures in the period between 31 December 2017 and 31 December 2018 are given in section 5.3.

Notes with regard to description of suitable types of collateral taken by the institution are given in sections 20.1 to 20.5. For the purpose of calculating risk-weighted credit risk assets, the Group identified appropriate types of collateral for credit risk mitigation in its internal methodology. These are:

1. Funded collateral instruments
   - Commercial and residential real estates
   - Financial collateral (e.g. bank deposits, debt securities issued by various issuers, equity instruments)
2. Unfunded collateral instruments
   - solidarity guarantees provided by natural or legal persons
   - Guarantees issued by first-class banks
   - Guarantees provided by the central and local governments and central banks

Above defined collateral types are considered as eligible for calculation of risk weighted assets only, if they meet all the relevant legislation requirements. The Group is using simplified collateral method as eligible risk mitigation technique.

Template 36: EU CR3 – CRM Techniques – overview for the Biser Topco Group

€000

		a Exposures unsecured – Carrying amount	b Exposures secured – Carrying amount	c Exposures secured by collateral	d Exposures secured by financial guarantees	e Exposures secured by credit derivatives
1	Total loans	3,969,128	131,120	87,976	43,144	0
2	Total debt securities	1.409.733	36.485	36.485	0	0
3	**Total exposures ***	**5,746,273**	**176,169**	**133,025**	**43,144**	**0**
4	Of which defaulted	344,792	2,534	679	1,855	0

* Total exposure amount is the total exposure of the Group to credit risk calculated in line with CRR.

Template 37: EU CR3 – CRM Techniques – overview for the Nova KBM Group

€000

		a Exposures unsecured – Carrying amount	b Exposures secured – Carrying amount	c Exposures secured by collateral	d Exposures secured by financial guarantees	e Exposures secured by credit derivatives
1	Total loans	3,967,601	131,120	87,976	43,144	0
2	Total debt securities	1.409.733	36.485	36.485	0	0
3	**Total exposures ***	**5,741,038**	**176,169**	**133,025**	**43,144**	**0**
4	Of which defaulted	344,792	2,534	679	1,855	0

* Total exposure amount is the total exposure of the Group to credit risk calculated in line with CRR.

20.7 Disclosure of the total exposure (after on- or off-balance-sheet netting, if applicable) that is covered by guarantees or credit derivatives, separately for each exposure class, if the institution calculates risk-weighted exposure amounts under the Standardised Approach or the IRB Approach In case of equity exposure class, this requirement applies for all approaches referred to in Article 155. (Article 453(f) and (g) of the Regulation)

Template 38: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Biser Topco Group

€000

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	1,214,571	40	1,355,666	1,469	11,551	**1 %**
2	Regional governments or local authorities	13,721	73	13,092	14	2,621	**20 %**
3	Public sector entities	109,630	3,497	33,672	832	5,498	**16 %**
4	Multilateral development banks	13,146	0	13,146	0	0	**0 %**
5	International organisations	22,835	0	8,163	0	0	**0 %**
6	Institutions	514,690	30,147	511,591	6,380	172,801	**33 %**
7	Corporates	906,679	444,425	852,444	150,046	979,300	**98 %**
8	Retail exposures	1,293,459	256,180	1,286,407	53,583	964,848	**72 %**
9	Exposures secured by mortgages on immovable property	432,493	33,816	431,277	12,474	171,364	**39 %**
10	Exposures in default	297,182	18,546	130,180	3,280	150,355	**113 %**
11	Exposures associated with particular high risk	35,784	180	14,097	90	21,281	**150 %**
12	Covered bonds	0	0	0	0	0	**0 %**
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0 %**
14	Collective investment undertakings	27,499	0	27,499	0	5,409	**20 %**
15	Equity instruments	6,219	0	6,219	0	9,786	**157 %**
16	Other items	244,640	779	244,638	156	146,587	**60 %**
17	**Total**	**5,132,549**	**787,685**	**4,928,090**	**228,324**	**2,641,402**	**51 %**

Template 39: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Nova KBM Group

€000

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	1,213,206	40	1,354,301	1,469	11,177	**1 %**
2	Regional governments or local authorities	13,721	73	13,092	14	2,621	**20 %**
3	Public sector entities	109,630	3,497	33,672	832	5,498	**16 %**
4	Multilateral development banks	13,146	0	13,146	0	0	**0 %**
5	International organisations	22,835	0	8,163	0	0	**0 %**
6	Institutions	514,690	30,147	511,591	6,380	172,801	**33 %**
7	Corporates	905,480	444,425	851,245	150,046	978,101	**98 %**
8	Retail exposures	1,293,459	256,180	1,286,407	53,583	964,848	**72 %**
9	Exposures secured by mortgages on immovable property	432,493	33,816	431,277	12,474	171,364	**39 %**
10	Exposures in default	297,182	18,546	130,180	3,280	150,355	**113 %**
11	Exposures associated with particular high risk	35,784	180	14,097	90	21,281	**150 %**
12	Covered bonds	0	0	0	0	0	**0 %**
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0 %**
14	Collective investment undertakings	27,499	0	27,499	0	5,409	**20 %**
15	Equity instruments	6,219	0	6,219	0	9,786	**157 %**
16	Other items	241,970	779	241,968	156	145,468	**60 %**
17	**Total**	**5,127,315**	**787,685**	**4,922,856**	**228,324**	**2,638,710**	**51 %**

21 Use of advanced measurement approaches to operational risk

(Article 454 of the Regulation)

The disclosure does not apply. The Nova KBM Group does not use advanced measurement approaches to operational risk.

22 Use of internal market risk models

(Article 455 of the Regulation)

The disclosure does not apply. The Nova KBM Group does not use internal models for market risks.

23 Summary disclosure related non-performing exposures

(Annex 7 – Instructions to banks relating to non-performing loans)

23.1 Disclosure of credit quality of forborne exposures for the Biser Topco Group and the Nova KBM Group

a) Credit quality of forborne exposures for the Biser Topco Group and the Nova KBM Group

€000

	Total forborne exposures					Impairments for forborne exposures			Collateral and financial guarantees received for forborne exposures
	Total forborne exposures	Of which: performing	Of which: non-performing	Of which: defaulted	Of which impaired	Total forborne exposures	Performing forborne exposures	Non-performing forborne exposures	
Loans and advances	**204,786**	**80,028**	**124,759**	**124,759**	**95,237**	**63,203**	**3,206**	**59,997**	**5,157**
Central banks	0	0	0	0	0	0	0	0	0
Government	185	185	0	0	0	24	24	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial companies	3,661	3,219	442	442	442	412	9	403	0
Non-financial companies	164,954	59,438	105,516	105,516	75,994	54,136	2,744	51,392	4,071
Of which: SMEs	61,785	12,949	48,836	48,836	48,836	25,754	1,440	24,314	1,056
Of which: insured by business premises	60,962	37,095	23,867	23,867	23,867	6,521	1,056	5,465	704
Households	35,986	17,186	18,801	18,801	18,801	8,631	429	8,202	1,086
Of which: insured by residential property	20,391	11,592	8,798	8,798	8,798	1,902	211	1,691	292
Of which: consumer loans	8,042	3,291	4,750	4,750	4,750	3,472	126	3,345	327
Given liabilities from loans granted	**3,800**	**3,582**	**218**	**218**	**218**	**102**	**8**	**94**	**24**
Total exposures, including forbearing measures	**208,586**	**83,610**	**124,977**	**124,977**	**95,455**	**63,305**	**3,214**	**60,091**	**5,181**

As at 31 December 2018, the total amount of forborne exposures amounted to €209 million and decreased by €122 million compared to the amount as at 31 December 2017. The most significant decrease was recorded in non-performing forborne exposures, which decreased by €116 million compared to 2017 as a result of the implementation of the non-performing exposures reduction strategy.

b) Credit quality for forborne exposures for the Biser Topco Group and the Nova KBM Group

For repeated defaulted customers that were recorded as defaulted customers at least once in the past 12 months, the Biser Topco Group and the Nova KBM Group recorded €7 million of forborne exposures.

€000

	Forborne exposures
Forborne more than once	58,424
Forborne more than twice	33,395
Repeated default in the last 12 months	7,294

c) Forborne exposures by type of loan for the Biser Topco Group and the Nova KBM Group

Table below shows the time elapsed since the last approved forbearance date until 31 December 2018. According to the table, the Group records in its portfolio the majority of forborne exposures, which were approved more than a year ago. By using forbearing measures, the total exposure decreased by €121 million compared to the balance as at 31 December 2017 as a result of the implementation of the non-performing exposures reduction strategy.

€000

	< 3 months	3–6 months	6–12 months	> 12 months
Total exposures, including forbearing measures	**2,995**	**2,837**	**8,448**	**190,506**
Of which: performing	1,171	1,800	445	76,613
Of which: non-performing	1,825	1,037	8,004	113,893

23.2 Disclosure of credit quality of non-performing exposures for the Biser Topco Group and the Nova KBM Group

The Group defines as non-performing exposures (NPEs) such exposures for which it reasonably believes that the debtor will not discharge all of its liabilities within the contractual period.

The Group considers as NPEs those exposures that satisfy any of the following criteria:

- Exposure is classified as „defaulted“ or included in the Stage 3 in line with IFRS 9 and the Methodology for Assessing Expected Credit Risk Losses in the Group
- Material exposures which are more than 90 days past due
- Exposures, which have been subject to restructuring that caused the Group to recognise a significant economic loss, or estimates that debtor's obligations are unlikely to be repaid – restructuring with a low repayment probability
- The exposure is already considered a NPE and does not meet the exit criteria.

Material amount past due:

- An amount in default is considered material if the sum of all past due default liabilities of a particular debtor to the Nova KBM Group member exceeds 2 % of the drawn exposure to that debtor or €50,000, but not less than €200
- The delays are started to be counted as of the date when the above conditions for a material delayed liability are met.

An exposure is reclassified as non-performing after being restructured, if the following criterion is met:

- During a 2-year probation period at any exposure, the debtor is 30 days past due or a repeated restructuring was carried out.

The Group uses a uniform definition of default and definition of non-performing exposures (for supervisory reporting purposes in accordance with implementing standards). Gaps between the definition of default and a more stringent definition of non-performing exposure are filled by the rules defining the status of default:

- If a debtor belongs to a group of related parties, it is assessed whether it is necessary to consider as defaulted also other entities in the group, if they are not already considered impaired or defaulted in line with Article 178 of CRR, except for entities affected by individual disputes not related to the counterparty's capital adequacy
- The debtor has to remain defaulted for at least 12 months after forbearance. In case where an analyst of Underwriting estimates that the financial condition of the customer has improved, the customer may be classified into the payers' credit rating category (category 9) before the prescribed minimum period of 12 months
- When classified in the category of payers after forbearance, the debtor is in a two-year observation period after forbearance and becomes defaulted again if its obligation is past due for more than 30 days. At this event, the debtor's rating category is worsened to the rating category 10 at least
- If more than 20 % of the exposure in a particular debtor is past due for more than 90 days, the customer is classified as defaulted.

For defaulted customers, the Group has put in place precisely defined criteria, and when they are met, the Group estimates that the customer's risk has decreased and its defaulting status can be abolished. When the customer returns back to the payers' credit rating category, its exposures during the given observation period are reclassified to Stage 2.

When the reasons that have led to a significant increase in credit risk of a particular financial asset no longer exist and the Bank reasonably expects that, at given exposures, no significant increase in the debtor's credit risk is to be expected in short-term, such a financial asset is classified to Group 1 and subject to recalculating the expected losses for a period of 12 months.

The portfolio of customers that have a defaulted status and are classified in a defaulted credit rating is managed by the Workout Department and the Legal Office.

Tables below show exposure by sectors, delays, and the method of impairment. Significant changes or reductions are recorded in the non-performing exposure sector as a result of the implementation of the non-performing exposures reduction strategy.

d) Presentation of collective and individual impairments for performing and non-performing exposures by exposure class and sector for the Biser Topco Group as at 31/12/2018

€000

	a	b	c		d	e	f	g	h	i	j	k	l	m	n	o	p	r
	Gross carrying values of performing and non-performing exposures									Accumulated impairments and provisions								
		of which: individually impaired	of which: collectively impaired	of which: performing			of which: non-performing				of which: individually impaired	of which: collectively impaired	of which: performing			of which: non-performing		
					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired
Debt securities	**75.495**	**0**	**75.495**	**75.495**	**0**	**75.495**	**0**	**0**	**0**	**32**	**0**	**32**	**32**	**0**	**32**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	65.706	0	65.706	65.706	0	65.706	0	0	0	24	0	24	24	0	24	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	9.790	0	9.790	9.790	0	9.790	0	0	0	9	0	9	9	0	9	0	0	0
Loans and advances	**3.346.291**	**299.332**	**3.046.959**	**3.017.996**	**51.209**	**2.966.787**	**328.295**	**248.123**	**80.171**	**203.524**	**150.329**	**53.194**	**14.772**	**462**	**14.310**	**188.751**	**149.867**	**38.884**
Central bank	355.484	0	355.484	355.484	0	355.484	0	0	0	0	0	0	0	0	0	0	0	0
Government	83.473	589	82.884	82.769	0	82.769	704	589	115	1.469	587	882	781	0	781	689	587	102
Credit institutions	153.802	21.481	132.321	153.800	21.481	132.319	3	0	3	25	2	23	24	2	22	1	0	1
Other financial organisations	82.576	1.568	81.008	81.426	745	80.681	1.150	823	327	1.117	409	708	436	4	431	681	404	277
Non-financial companies	1.151.466	253.752	897.713	906.976	28.287	878.689	244.490	225.466	19.024	152.841	132.745	20.096	10.016	455	9.560	142.825	132.290	10.535
Households	1.519.490	21.942	1.497.548	1.437.542	696	1.436.846	81.948	21.246	60.702	48.071	16.587	31.484	3.516	0	3.516	44.555	16.586	27.969
Non-trading debt securities	**1.446.218**	**12.323**	**1.433.895**	**1.446.218**	**12.323**	**1.433.895**	**0**	**0**	**0**	**832**	**1**	**831**	**832**	**1**	**831**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	811.107	0	811.107	811.107	0	811.107	0	0	0	363	0	363	363	0	363	0	0	0
Credit institutions	394.151	0	394.151	394.151	0	394.151	0	0	0	81	0	81	81	0	81	0	0	0
Other financial organisations	112.542	12.323	100.219	112.542	12.323	100.219	0	0	0	34	1	33	34	1	33	0	0	0
Non-financial companies	128.418	0	128.418	128.418	0	128.418	0	0	0	354	0	354	354	0	354	0	0	0
Off-balance-sheet exposures	**787.685**	**39.453**	**748.232**	**769.610**	**23.813**	**745.797**	**18.075**	**15.640**	**2.435**	**5.664**	**4.249**	**1.415**	**1.007**	**4**	**1.003**	**4.657**	**4.245**	**412**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	3.240	0	3.240	3.075	0	3.075	166	0	166	32	0	32	8	0	8	24	0	24
Credit institutions	30.228	81	30.147	30.228	81	30.147	0	0	0	1	0	1	1	0	1	0	0	0
Other financial organisations	11.172	4.364	6.808	10.448	3.643	6.805	724	721	3	152	139	13	13	0	13	139	139	1
Non-financial companies	535.254	34.964	500.291	518.546	20.045	498.501	16.708	14.919	1.789	5.255	4.110	1.145	836	4	832	4.420	4.107	313
Households	207.790	45	207.745	207.314	45	207.269	477	0	477	224	0	224	150	0	150	74	0	74
Total	**5.655.689**	**351.108**	**5.304.580**	**5.309.319**	**87.345**	**5.221.974**	**346.370**	**263.763**	**82.606**	**210.052**	**154.579**	**55.472**	**16.643**	**467**	**16.177**	**193.408**	**154.113**	**39.296**

e) Presentation of collective and individual impairments for performing and non-performing exposures by exposure class and sector for the Nova KBM Group as at 31/12/2018

€000

	a	b	c		d	e	f	g	h	i	j	k	l	m	n	o	p	r
	Gross carrying values of performing and non-performing exposures									Accumulated impairments and provisions								
		of which: individually impaired	of which: collectively impaired	of which: performing			of which: non-performing				of which: individually impaired	of which: collectively impaired	of which: performing			of which: non-performing		
					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired
Debt securities	**73.055**	**0**	**73.055**	**73.055**	**0**	**73.055**	**0**	**0**	**0**	**32**	**0**	**32**	**32**	**0**	**32**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	64.491	0	64.491	64.491	0	64.491	0	0	0	24	0	24	24	0	24	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	8.564	0	8.564	8.564	0	8.564	0	0	0	9	0	9	9	0	9	0	0	0
Loans and advances	**3.344.759**	**299.332**	**3.045.427**	**3.016.465**	**51.209**	**2.965.256**	**328.295**	**248.123**	**80.171**	**203.524**	**150.329**	**53.194**	**14.772**	**462**	**14.310**	**188.751**	**149.867**	**38.884**
Central bank	355.484	0	355.484	355.484	0	355.484	0	0	0	0	0	0	0	0	0	0	0	0
Government	83.467	589	82.878	82.763	0	82.763	704	589	115	1.469	587	882	781	0	781	689	587	102
Credit institutions	152.251	21.481	130.770	152.248	21.481	130.767	3	0	3	25	2	23	24	2	22	1	0	1
Other financial organisations	82.602	1.568	81.034	81.452	745	80.707	1.150	823	327	1.117	409	708	436	4	431	681	404	277
Non-financial companies	1.151.466	253.752	897.713	906.976	28.287	878.689	244.490	225.466	19.024	152.841	132.745	20.096	10.016	455	9.560	142.825	132.290	10.535
Households	1.519.490	21.942	1.497.548	1.437.542	696	1.436.846	81.948	21.246	60.702	48.071	16.587	31.484	3.516	0	3.516	44.555	16.586	27.969
Non-trading debt securities	**1.446.218**	**12.323**	**1.433.895**	**1.446.218**	**12.323**	**1.433.895**	**0**	**0**	**0**	**832**	**1**	**831**	**832**	**1**	**831**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	811.107	0	811.107	811.107	0	811.107	0	0	0	363	0	363	363	0	363	0	0	0
Credit institutions	394.151	0	394.151	394.151	0	394.151	0	0	0	81	0	81	81	0	81	0	0	0
Other financial organisations	112.542	12.323	100.219	112.542	12.323	100.219	0	0	0	34	1	33	34	1	33	0	0	0
Non-financial companies	128.418	0	128.418	128.418	0	128.418	0	0	0	354	0	354	354	0	354	0	0	0
Off-balance-sheet exposures	**787.685**	**39.453**	**748.232**	**769.610**	**23.813**	**745.797**	**18.075**	**15.640**	**2.435**	**5.664**	**4.249**	**1.415**	**1.007**	**4**	**1.003**	**4.657**	**4.245**	**412**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	3.240	0	3.240	3.075	0	3.075	166	0	166	32	0	32	8	0	8	24	0	24
Credit institutions	30.228	81	30.147	30.228	81	30.147	0	0	0	1	0	1	1	0	1	0	0	0
Other financial organisations	11.172	4.364	6.808	10.448	3.643	6.805	724	721	3	152	139	13	13	0	13	139	139	1
Non-financial companies	535.254	34.964	500.291	518.546	20.045	498.501	16.708	14.919	1.789	5.255	4.110	1.145	836	4	832	4.420	4.107	313
Households	207.790	45	207.745	207.314	45	207.269	477	0	477	224	0	224	150	0	150	74	0	74
Total	**5.651.717**	**351.108**	**5.300.609**	**5.305.348**	**87.345**	**5.218.003**	**346.370**	**263.763**	**82.606**	**210.052**	**154.579**	**55.472**	**16.643**	**467**	**16.177**	**193.408**	**154.113**	**39.296**

f) Presentation of delays for performing and non-performing exposures by exposure class and sector for the Biser Topco Group as at 31/12/2018

€000

	a	b	c		e	f	g	h	i	j	k	l	m
	Gross carrying values of performing and non-performing exposures												
		of which: performing			of which: non-performing								
			of which: not delayed	of which: less than 90 days		of which: not delayed	of which: less than 90 days	of which: 90 days to 180 days	of which: 180 days to 1 year	of which: 1 year to 2 years	of which: 2 years to 5 years	of which: 5 years to 7 years	of which: over 7 years
Debt securities	**75.495**	**75.495**	**75.495**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0		0								
Government	65.706	65.706	65.706		0								
Credit institutions	0	0	0		0								
Other financial organisations	0	0	0		0								
Non-financial companies	9.790	9.790	9.790		0								
Loans and advances	**3.346.291**	**3.017.996**	**2.971.892**	**46.104**	**328.295**	**98.192**	**34.990**	**9.617**	**5.451**	**10.348**	**53.446**	**73.017**	**43.235**
Central bank	355.484	355.484	355.484	0	0	0	0	0	0	0	0	0	0
Government	83.473	82.769	82.739	29	704	0	0	6	0	0	0	0	698
Credit institutions	153.802	153.800	153.800	0	3	3	0	0	0	0	0	0	0
Other financial organisations	82.576	81.426	81.425	1	1.150	201	443	0	0	382	102	21	0
Non-financial companies	1.151.466	906.976	888.222	18.754	244.490	75.274	30.049	5.880	1.394	2.043	33.018	59.661	37.171
Households	1.519.490	1.437.542	1.410.222	27.320	81.948	22.714	4.498	3.731	4.057	7.922	20.327	13.334	5.365
Non-trading debt securities	**1.446.218**	**1.446.218**	**1.446.218**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	811.107	811.107	811.107	0	0	0	0	0	0	0	0	0	0
Credit institutions	394.151	394.151	394.151	0	0	0	0	0	0	0	0	0	0
Other financial organisations	112.542	112.542	112.542	0	0	0	0	0	0	0	0	0	0
Non-financial companies	128.418	128.418	128.418	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**787.685**	**769.610**	**768.817**	**793**	**18.075**	**5.214**	**5.745**	**1.314**	**142**	**340**	**3.699**	**722**	**900**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	3.240	3.075	3.030	45	166	113	0	1	0	0	0	0	52
Credit institutions	30.228	30.228	30.228	0	0	0	0	0	0	0	0	0	0
Other financial organisations	11.172	10.448	10.448	0	724	724	0	0	0	0	0	0	0
Non-financial companies	535.254	518.546	518.377	168	16.708	4.136	5.708	1.232	63	307	3.691	722	848
Households	207.790	207.314	206.734	580	477	240	37	81	79	33	7	0	0
Total	**5.655.689**	**5.309.319**	**5.262.422**	**46.898**	**346.370**	**103.405**	**40.735**	**10.931**	**5.593**	**10.688**	**57.145**	**73.739**	**44.134**

g) Presentation of delays for performing and non-performing exposures by exposure category and sector for the Nova KBM Group as at 31/12/2018

€000

	a	b	c		e	f	g	h	i	j	k	l	m
	Gross carrying values of performing and non-performing exposures												
		of which: performing			of which: non-performing								
			of which: not delayed	of which: less than 90 days		of which: not delayed	of which: less than 90 days	of which: 90 days to 180 days	of which: 180 days to 1 year	of which: 1 year to 2 years	of which: 2 years to 5 years	of which: 5 years to 7 years	of which: over 7 years
Debt securities	**73.055**	**73.055**	**73.055**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	64.491	64.491	64.491	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	8.564	8.564	8.564	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3.344.759**	**3.016.465**	**2.970.360**	**46.104**	**328.295**	**98.192**	**34.990**	**9.617**	**5.451**	**10.348**	**53.446**	**73.017**	**43.235**
Central bank	355.484	355.484	355.484	0	0	0	0	0	0	0	0	0	0
Government	83.467	82.763	82.733	29	704	0	0	6	0	0	0	0	698
Credit institutions	152.251	152.248	152.248	0	3	3	0	0	0	0	0	0	0
Other financial organisations	82.602	81.452	81.451	1	1.150	201	443	0	0	382	102	21	0
Non-financial companies	1.151.466	906.976	888.222	18.754	244.490	75.274	30.049	5.880	1.394	2.043	33.018	59.661	37.171
Households	1.519.490	1.437.542	1.410.222	27.320	81.948	22.714	4.498	3.731	4.057	7.922	20.327	13.334	5.365
Non-trading debt securities	**1.446.218**	**1.446.218**	**1.446.218**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	811.107	811.107	811.107	0	0	0	0	0	0	0	0	0	0
Credit institutions	394.151	394.151	394.151	0	0	0	0	0	0	0	0	0	0
Other financial organisations	112.542	112.542	112.542	0	0	0	0	0	0	0	0	0	0
Non-financial companies	128.418	128.418	128.418	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**787.685**	**769.610**	**768.817**	**793**	**18.075**	**5.214**	**5.745**	**1.314**	**142**	**340**	**3.699**	**722**	**900**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	3.240	3.075	3.030	45	166	113	0	1	0	0	0	0	52
Credit institutions	30.228	30.228	30.228	0	0	0	0	0	0	0	0	0	0
Other financial organisations	11.172	10.448	10.448	0	724	724	0	0	0	0	0	0	0
Non-financial companies	535.254	518.546	518.377	168	16.708	4.136	5.708	1.232	63	307	3.691	722	848
Households	207.790	207.314	206.734	580	477	240	37	81	79	33	7	0	0
Total	**5.651.717**	**5.305.348**	**5.258.450**	**46.898**	**346.370**	**103.405**	**40.735**	**10.931**	**5.593**	**10.688**	**57.145**	**73.739**	**44.134**

23.3 Repayment of non-performing loans and other financial assets for the Biser Topco Group and the Nova KBM Group

€000

	Total Loans and advances	Households Loans and advances	Non-financial companies Loans and advances
Non-performing loans and advances as at 31/12/2017	**575,245**	**100,400**	**465,534**
Transfer to non-performing loans and advances (gross carrying amount)	**26,387**	**15,880**	**10,127**
Transfer from performing assets without using forbearance measure	16,465	10,919	5,515
Transfer from performing assets using forbearance measure	1,376	1,374	2
Transfer due to purchase of instruments	0	0	0
Transfer due to accrued interest	3,506	2,387	777
Transfer due to other conditions	5,040	1,200	3,834
Transfer from non-performing loans and advances (gross carrying amount)	**–273,337**	**–34,315**	**–231,188**
Transfer from non-performing assets without using forbearance measure	–17,624	–2,517	–15,107
Transfer from non-performing assets using forbearance measure	–15,625	–2,027	–13,598
Transfer due to repayment in full or in part	–34,824	–12,552	–22,271
Transfer due to liquidation of collateral	–14,543	–2,012	–12,531
Transfer due to accepting collateral	–264	–225	–38
Transfer due to sales of claims	–27,577	–438	–26,439
Transfer due to transfer of risk	0	0	0
Transfer due to write-offs	–111,396	–8,074	–100,834
Transfer due to other conditions	–51,484	–6,470	–40,370
Non-performing loans and advances as at 31/12/2018	**328,295**	**81,965**	**244,473**
Impairment of loans and advances as at 31/12/2017	**–365,813**	**–57,466**	**–303,350**
Increase in impairments within the period	–37,016	–11,684	–25,272
Decrease in impairments within the period	225,089	24,594	196,809
Effects of IFRS 9 introduction	–11,011	0	–11,011
Impairment of loans and advances as at 31/12/2018	**–188,751**	**–44,556**	**–142,824**

As at 31 December 2017, gross book value of non-performing loans and financial assets amounted to €575 million, and at the end of 2018, to €329 million, which means a decrease by €247 million. The largest decrease is recorded due to write-offs amounting to €111.4, which is followed by transfer from non-performing assets due to other conditions in the amount of €51.5 million(mainly due to disposal of subsidiaries), repayment of loans in the amount of €34.8 million, and sale of claims in the amount of €27.6 million.