Biser Topco Group

Disclosures 2019

(Under Pillar 3)

ITEM DESCRIPTION

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), together with its revisions (hereinafter: the Regulation), and the EBA Guidelines (EBA/GL/2016/11) on the disclosure of information referred to in Part 8 of the Regulation, 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 Eight 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 2019 by Nova KBM d.d., 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.à r.l., which is 100-percent owned by Biser Topco S.à r.l. The company Biser Topco S.à r.l. is a joint venture founded by Apollo holding an 80-percent equity share, and EBRD holding a 20-percent equity share.

On 20 June 2019, Nova KBM concluded a Share purchase agreement with the Republic of Slovenia represented by the Slovenian Sovereign Holding, d.d., for the purchase of a 100-percent interest in Abanka d.d. Upon receiving all necessary regulatory approvals and fulfilling all the conditions stipulated in the purchase agreement, the purchase was completed on 5^{th} of February 2020. Abanka, the third largest Slovenian bank in terms of total assets, provides for a comprehensive and full range of financial services, from traditional retail and corporate banking products to banking insurance and private banking. The reason for this business combination is based on synergy provided by the economy of scale.

Fair value of the aggregate of the consideration transferred at the acquisition date amounts to €444,242 thousand, and is fully made in cash.

At the date of approving these financial statements for release, initial accounting of business combination is not yet completed; therefore, no financial results of this business combination are available yet.

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 CRR Regulation (575/2013), Directive (EU) No 2013/36 (hereinafter: the Directive) and the Guidelines on Disclosure Requirements under Part 8 of the Regulation as well as other guidelines defining disclosure reguirements (Guidelines on Remuneration Policies, Guidelines on non-performing and forborne exposures, etc.) (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 Eight 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.

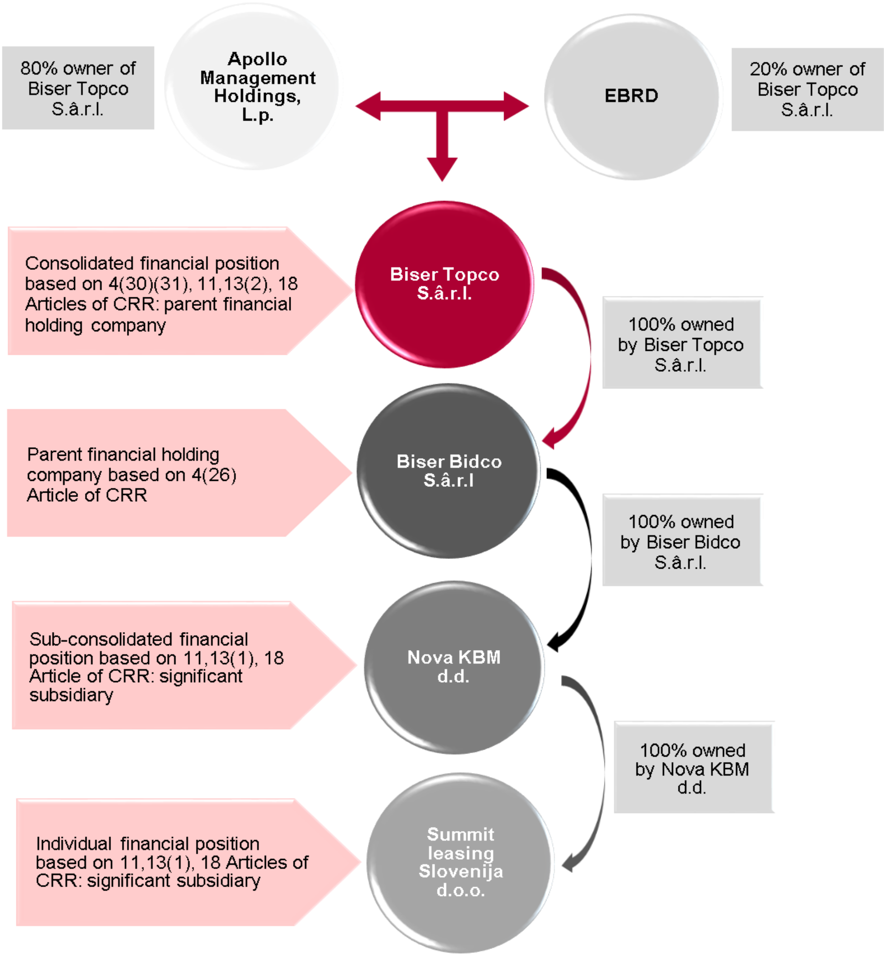
2.1.1 Risk management strategies and processes

(Article 435(1.a) 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 Group level

The disclosure is published in the Nova KBM Group and Nova KBM's 2019 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 risk profile, the anticipated and 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 appetite 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
- Generating profits while taking moderate credit risk
- Taking a material, but diversified sovereign default risk to maintain high liquidity of assets
- Maintaining low-level equity and liquidity risk
- Keeping all other type of risks to which the Group is exposed at moderate 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
- Implementation of stress tests, the results of which are used in the decision-making process and in taking strategic decisions
- Established system of limits with the early warning system and the 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, risk management policies, 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 each 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 setting up of an 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 the methods of reporting on each risk, 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.

2.1.1.2.1 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 separated in organisational terms 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 to which the Bank is exposed 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.
- Sovereign risk

- Real estate-related 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).

2.1.1.2.2 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 2019, the Bank upgraded its existing ILAAP by establishing the relevant internal Liquidity Adequacy Assessing Implementing Methodology, which represents the framework of ILAAP in the Nova KBM Group, along with the Policy. In the methodology, the Bank established and determined the identification of risks in terms of liquidity, with having them in the future measured and monitored by officers specialising in managing 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 separated in organisational terms from the risk-taking unit.

Furthermore, the Bank completely renewed its methodology on Contingency Liquidity Plan.

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 share information.

The purpose of the ILAAP carried out by the Group is to effectively manage and systematically identify, assess, measure and reduce the liquidity risks 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.

2.1.1.2.3 Implementation of contingency tests (stress tests)

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

- Scenarios
- Input data and time schedule
- Assumptions
- Portfolios included
- Risks covered
- Risk parameters
- Measurement techniques
- Limits.

The Group conducts the following stress test types:

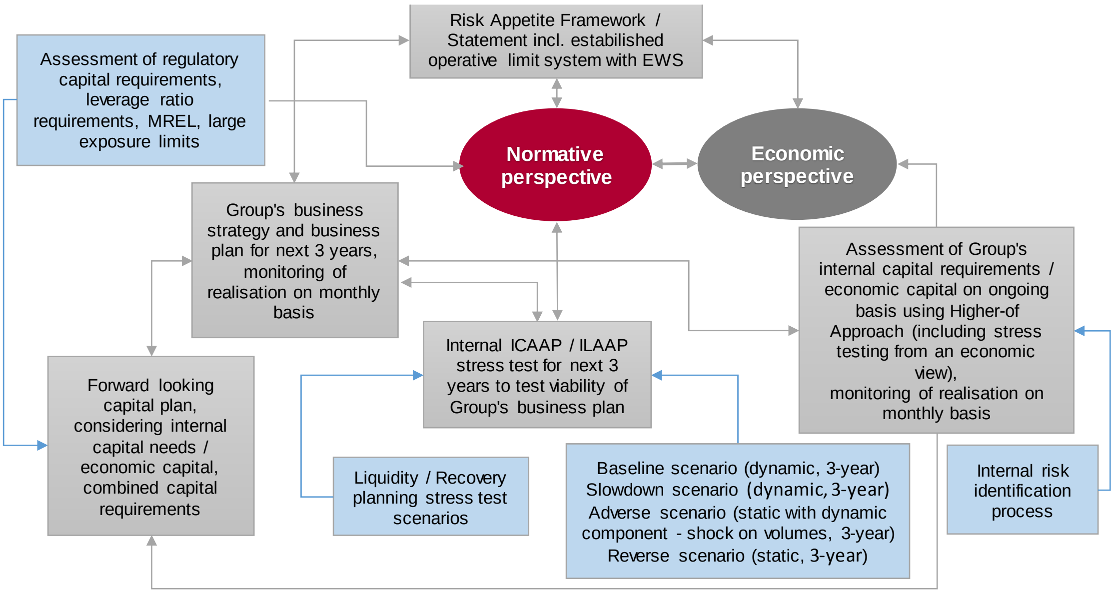
- EU-wide stress test,
- Stress tests at the request of the Bank of Slovenia/Central European Bank
- Stress tests conducted as part of ICAAP
- Stress tests conducted as part of ILAAP
- Stress tests conducted as part of implementing the Recovery Plan
- Other occasional internal stress tests (e.g. when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

The use of stress tests in decision-making process:
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.

Stress tests conducted as part of ICAAP

ICAAP stress tests are conducted on a regular basis, at least once a year, in order to assess the impact of a severe economic downturn on the Group's risk profile, capital and financial position. The ICAAP stress tests implementing process is shown in figure below.

Figure 2: Contingency test implementing process within the ICAAP normative and economic perspective



Within ICAAP, the Bank develops internal macroeconomic stress scenarios distinguishing from each other in terms of the intensity of an economic crisis and the impact of macroeconomic indicators on the risk parameters and portfolios covered by the stress test. Key assumptions of ICAAP stress scenarios include the following:

- Range of risks
  - Credit risk, covering a portion of assets through the impact on the credit portfolio's size, and capital through the effect of impairments in profit and loss statement, which is one of the components of equity
  - Market risk:
    - Debt securities held in the banking book shock (covering part of assets and equity through PPK effects)
    - Equity instruments held in the banking book shock (covering part of assets and equity through PPK effects)
    - Loans measured at fair value through profit or loss (covering part of assets, equity through effect on profit or loss)
  - Funding risk through the liabilities portfolio size, affecting profit or loss due to shocks on margins and volumes; the risk is also correlated with asset volumes and margins
  - Operational risk, affecting profit and loss items
  - Profitability risk, covering the impact on:
    - Net interest income – NII (as a result of total risks – covering part of profit or loss)
    - Net fee and commission income – NFCI (covering part of profit or loss)
    - Operating costs (covering part of profit or loss)
    - Losses arising from market risk (securities revaluation)
    - Losses arising from credit risk (impairments and provisions)
    - Operational risk losses
- Scenarios covering all of the above risks simultaneously:
  - Baseline scenario based on the business plan covers the planning of capital, capital requirements and capital adequacy based on a „top-down“ and „bottom-up“ business plan. A dynamic balance sheet assumption is used.

    - A slowdown scenario is a macroeconomic scenario that, according to the Bank, is most likely to realise, anticipating a slowdown in macroeconomic growth compared to the business plan. This scenario aims at testing the business plan in an economic environment less favourable than its forecast. A dynamic balance sheet assumption is used based on the fact that the adopted business plan is feasible also under changed macroeconomic conditions.
    - Such an unfavourable scenario anticipates economic downturn that simultaneously affects all risk factors. The unfavourable scenario sets out a series of systemic risks that may threaten the Group's financial stability and trigger special shocks, including the growth of gross domestic product (GDP) in the EU. The approach taken for the unfavourable scenario is static, because it is assumed that in case of a severe crisis, the Bank shall not follow the business plan adopted but seek to maintain the status quo. Notwithstanding the above, when stressing initial static volumes (new and renewed exposures) of credit and treasury portfolios, also in case of deposits and costs, the Bank shall incorporate a dynamic component in stress testing in subsequent years.
    - A reverse scenario is defined as determining the point of collapse where macro-prudential supervisory capital requirements are no longer met, and then by setting macroeconomic assumptions in a reverse direction.
- Macroeconomic assumptions: the Bank analyses forecasts of publicly announced key macroeconomic indicators provided by IMAD, the Bank of Slovenia, IMF, ECB, Bloomberg, etc.
- Risk parameters estimated on the basis of internal models:
    - Exposure at default (EAD)
    - Probability of default (PD)
    - Loss given default (LGD)
    - Average TTC matrix
- Time component: ICAAP stress test covers a period of 3 years. ICAAP stress tests are performed at a sub-consolidated level and at the highest consolidation level.
- Measurement techniques: the Bank has established an internal methodology using it to evaluate the impacts of each risk, risk parameters on the peak stress test results.
- Limits in place: the stress test is successfully completed when the minimum limits are exceeded for the following ratios:
    - Common equity Tier 1 capital ratio
    - Total capital ratio
    - Liquidity coverage ratio

  complying with minimum required macro-prudential regulatory limits of the above ratios.
- Evaluation of results: within the stress test results, the Bank presents the effects of:
    - Risk factors (risk parameters)
    - Effects on the balance sheet and profit or loss, including stress test effects on the size of each portfolio
    - Capital adequacy ratios, regulatory capital and risk-weighted assets
    - Sensitivity analysis following the assessment of all of the above impacts on the Group's key portfolios.
- The roles and responsibilities for conducting stress tests are determined in the Group's adopted internal acts.

In case of introducing new products/services, the Bank also conducts internal stress tests, if so required by the provisions of its internal rules.

The Bank hired independent external validators to validate its stress testing models. The validation process is defined in the „Model Validation Methodology".

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)

This section discloses the structure and organisation of the Group's risk management and risk management functions as required under Article 435(1)(b) of the Regulation. Additional information as required by the provisions of EBA Guidelines with regard to the contents of disclosures under Article 435(1)(b) of the Regulation is found in the following sections:

- 2.1.2 on the overall framework/organisation of internal controls in the institution, and the organisation of its control functions, including risk functions
- 2.1.6 in the context of the Concise risk statement by the management body concerning the approved risk limits to which the institution is exposed.

2.1.2.1 Disclosure of information at the Biser Topco Group level

Management board members of Biser Topco S.à r.l. are members of the Supervisory board of the Nova KBM Group as presented in section 2.1.2.2, and as owner representatives, they have a controlling function at the Nova KBM Group level.

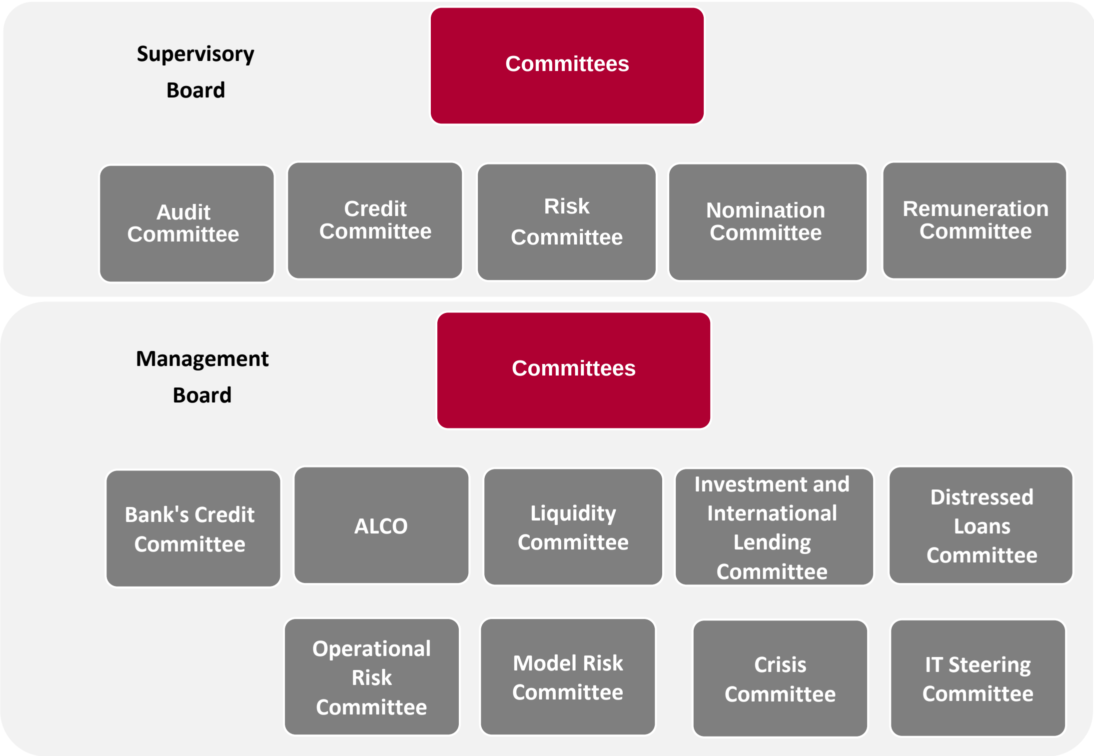
2.1.2.2 Disclosure of information at the Nova KBM Group level

The Group has set up a risk management structure, determining an active role of the Supervisory and Management Boards, while ensuring relevant organisation of the risk management function, which 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.

To ensure systematic control of exposure to material risks, the Group has set up a system of internal controls at all organisational structure levels. Responsibility for setting up and implementing internal controls lays with the persons in charge in respective fields of the Bank. Independent and impartial assessments 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 reporting systems in the Bank and in Group companies, work as internal control functions, namely as the three lines of defence that 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 impartial 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 management body, the Audit Committee and the senior management staff with opinions on the relevance 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 independent assessments of the risk management and compliance functions through its internal audit process.

Therefore, in terms of internal governance, the Bank has several governance levels in place to ensure effective management of risks, as illustrated by figures 2 and 3. Decisions related to managing and assuming material risks are adopted by the bodies presented below.

Figure 3: Governance of the Nova KBM Group



1. 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 established the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee, and the Credit Committee as a special expert body of the Supervisory Board. A 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 2019 financial year, the following committees carried out their work in accordance with the Companies Act (ZGD-1) and the Banking Act (ZBan-1): the Risk Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Supervisory Board Credit Committee.

Information about the composition of the Supervisory Board and the composition of the Supervisory Board committees are shown in the section on Corporate Governance.

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 resources issues relating to the exercise of the function of a member of the Management Board and a member of the Supervisory Board.

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

- **Supervisory Board 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.

2. Management Board

Committees of the Management Board

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

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 responsible for finance.

The ALCO meets once a month.

- **Operational Risk Committee**

The Operational Risk Committee is responsible for monitoring, measuring, assessing, and managing operational risks. The committee comprises seven 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 of the Bank, and Distressed Loans Committee**

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 operations.

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 securities 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 weekly basis.

- **Liquidity Committee**

The Liquidity Committee monitors the situation and adopts measures for the provision of short-term liquidity. The Committee comprises eight members. It is chaired by the Management Board member responsible for finance.

The Liquidity Committee meets daily.

- **Crisis Management Committee**

The Crisis Management Committee is a decision-making body responsible for crisis management.

The Crisis Management Committee takes independent decisions on all the proposals for immediate action aimed at crisis management, including decisions on the use of exceptional financial and other assets.

The Crisis Management Committee meets and acts in the events of crisis situations.

- **Model Risk Committee**

The Model Risk Committee is responsible for designing and implementing the model risk management framework and has a central coordinating role in ensuring compliance of model risk management stakeholder' conduct with the adopted standards. The Committee's tasks also include defining the foundations and processes in line with the Model Risk Management Policy and the development and coordination of the annual validation plan and validation approvals performed by other organisational units in accordance with the Model Risk Management Methodology. In particular, the Model Risk Committee is responsible for validating new models or amendments to existing models, having the role of the second validator.

- **IT Monitoring Committee**

The IT Monitoring Committee is responsible for steering the coordination of the IT field with the business plan for the purpose of identifying priority areas, selecting priority requirements and managing priority areas, while taking into account information technology capacities. The Committee acts as an escalation body for subordinate committees. The Committee also monitors the implementation of identified initiatives that include or affect the field of information technology or efficiency of information technology processes and services. The powers of the Committee are limited to validating the initiatives, architecture, standards and policies governing the field of information technology and to making decisions relating to the development and set of requirements.

3. Lines of defence

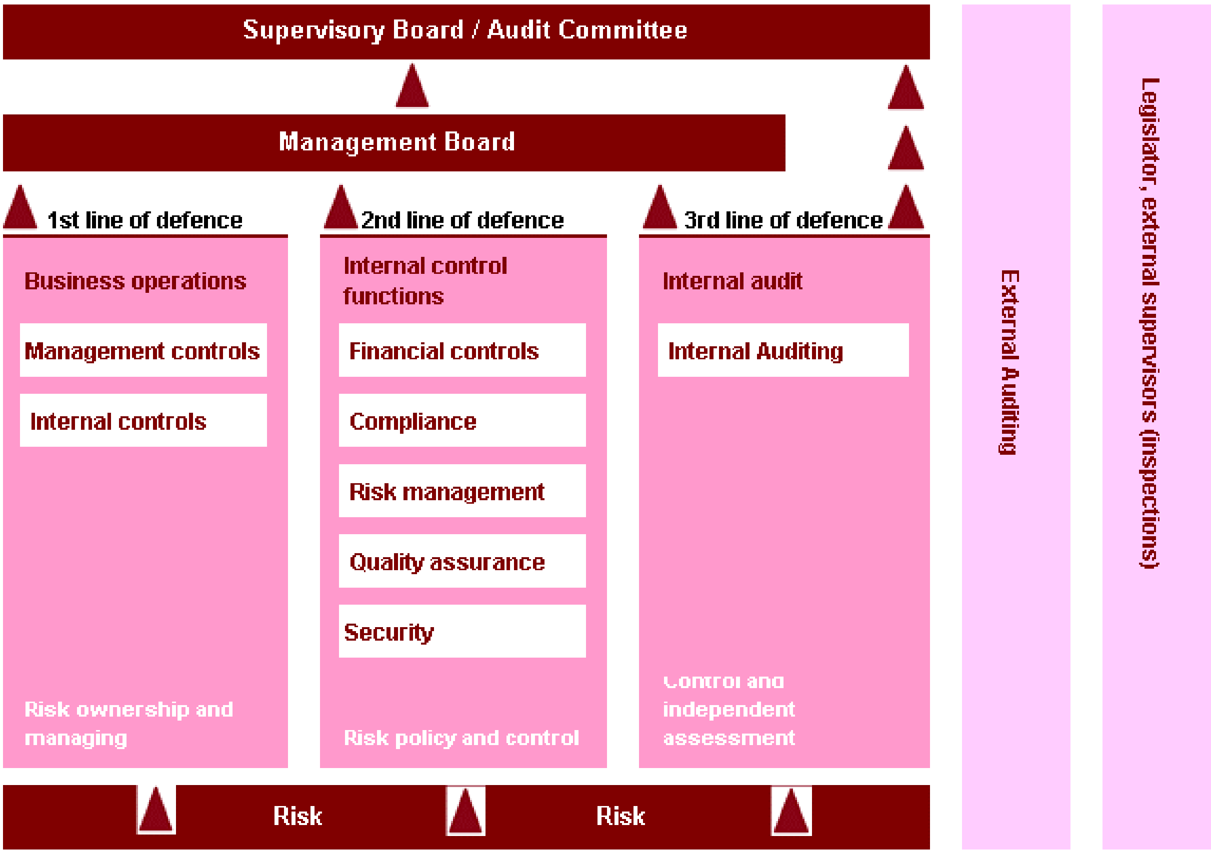
The Bank defined the organisation of internal control mechanisms – three lines of defence under the „Internal Control System Policy of Nova KBM d.d.“

Internal controls, the first line of defence, are the primary instrument for managing business risk. The main aim of internal controls is to reduce risks to an acceptable level (risk mitigation), and to prevent intentional and unintentional errors and irregularities. The Bank has internal controls in place at all organisational levels, including business, control, and support functions, and at the level of each product and service of the Bank, with a clear and documented decision-making process, a clear distribution of responsibilities and powers, and a clear work process defined by internal instructions.

Functions of internal controls, i.e. the second and third line of defence, provide an independent and objective assessment of the effectiveness and compliance of the Bank's internal governance arrangements, based on reviewing and evaluating the adequacy of the Bank's risk management strategies and policies, procedures, processes and methodologies, and risk reporting.

The figure below shows the lines of defence and the reporting process.

Figure 4: Organisation of internal control mechanisms in Nova KBM – three lines of defence



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
- Make a risk-related overview of consequences of new business activities proposed by commercial functions of the Bank

- Develop and maintain 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 restructuring 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 identification process includes the annual process of risk profile assessment, drawing up the register and set 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.

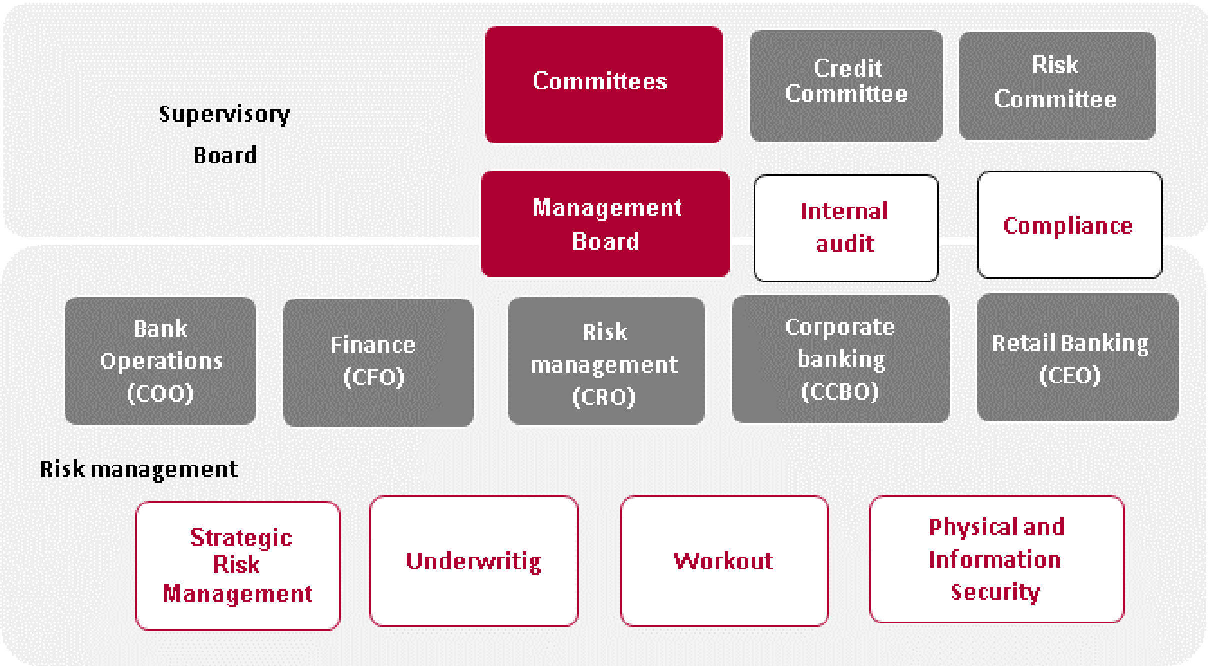
Risk appetite

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. Risk appetite is quantified by the Risk Appetite Statement, which is the basis to communicate the Group'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 Group 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.

The figure below shows the risk management organisation in Nova KBM d.d.

Figure 5: Risk management organisation in Nova KBM d.d.



Compliance function

As part of the system of internal control mechanisms, the compliance function is a function of compliance risk control, which is ensured through regular monitoring, assessment, action and reporting. The compliance function is directly subordinated to the Bank's Management Board, and in functional and organisational terms separated from other functions of the Bank, in which conflict with interests of the compliance function may occur. The compliance function has unlimited access to all the information it needs to carry out its tasks and responsibilities.

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 d.d. 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 and ethical standards, which ensures safeguarding of core values, integrity, ethics, and reputation of the Bank and its Group. In order to attain this objective, it is necessary to carry out continuous compliance risk management in this area, in particular by managing all the risks that may threaten the Bank or its Group in terms of their reputation, causing financial damage, bringing legal or regulatory sanctions, or affect their employees, customers, contractors, suppliers, shareholders, and any other stakeholders that work with the Bank or the Group or want to do so.

Part of preventive compliance risk management involves regular monitoring all changes in the field of applicable legislation and, on the other hand, ensuring their implementation in the Bank's internal acts and processes as well as establishing, disseminating and effectively implementing a culture of compliance and integrity within the Bank. The latter is based on the principle of honesty and fairness, and zero tolerance by the Bank to any illicit conduct.

For this purpose, the compliance function especially:

- Informs and educates employees about the company’s values, policies and processes helping the Bank to act in a responsible manner and meet all its valid obligations
- Provides advice and assistance at the level of the Bank and to its employees with regard to the measures helping to prevent non-compliance in advance
- Establishes internal controls and improves their effectiveness
- Governs compliance risk management systems and carries out identifying, assessment, monitoring, control, and reporting
- Considers any identified events indicating any violations of regulations in the broadest terms, or any ineffectiveness of security mechanisms (improper arrangements or security controls) that could represent a situation previously unknown that would be important in terms of compliance
- Considers 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
- Carries out regular checks and tests of internal controls and resilience to individual compliance risks
- Continuously monitors new and amended regulations and rules and implementation thereof
- Analyses 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.

The compliance function shall prepare a risk assessment of the Bank and its Group’s compliance at least annually or as necessary, for example, in case of significant changes in operations (geographical expansion, new products, new owner ...) or significant changes in the regulatory environment (new regulations). This assessment also determines planned management of identified risks, which takes into account already foreseen or planned measures and activities aimed at management/elimination of compliance risk. In this regard, it sets priorities according to the level of compliance risk identified. The compliance function shall regularly communicate this assessment, together with any proposed measures aimed at improving internal controls in the event of an increased compliance risk, to the management body and the organisational unit concerned. The compliance function shall communicate the annual report and the annual compliance risk assessment to the Management Board and the Supervisory Board of the Bank for information/approval.

Given the specific nature of the tasks and activities of the Bank's compliance function, a high level of professional competences is required in employees performing the compliance function, especially in the legal field in relation to relevant work experience. Knowledge of banking, economics (finance) and business processes at the bank is additionally appreciated. To this end, employees that perform the compliance function regularly attend various trainings in the field of compliance.

Internal audit function

Aimed at an effective management system, risk management, and efficient and effective internal control system, the Bank established a system of three lines of defence. The third line of defence is the Internal Audit Office, which is organised as a division.

The Internal Audit Office performs internal audit of operations in accordance with:
- Standards of professional conduct in internal audit
- Code of internal audit principles
- Code of internal auditors' professional ethics
- Fundamental Document on Internal Audit.

Internal Audit of Nova KBM d.d. is responsible for the internal audit function of Nova KBM d.d. and the Nova KBM Group. Subsidiaries of the Parent Bank may have their own internal audit function in line with regulatory requirements and/or in accordance with a decision taken by the owners. Internal Audit of Nova KBM d.d. is responsible for carrying out internal audit activities in all subsidiaries as part of its control activities. A decision on an audit in subsidiaries is taken on the basis of a completed risk-based annual planning. All subsidiaries must comply with the rules of the Fundamental Document on Internal Audit.

In order to fulfil its tasks, the Internal Audit has a full and unrestricted right to be provided with information and documents as well as the right of inspection and investigation.

Internal Audit's method of work:

- It is an independent organisational unit that is in functional and organisational terms separated from other organisational units of the Bank
- It reports directly to the entire Nova KBM's Management Board and the Supervisory Board
- It reports to President of the Management Board (CEO) in terms of discipline and organisational terms
- The manager of Internal Audit is responsible for performing audit tasks in line with the law
- It performs audit tasks in accordance with its annual audit plan submitted to the Supervisory Board/Audit Committee in accordance with the law.

Internal Audit's operating principles:

- Independence in internal audit planning. The Internal Audit independently draws up its annual plan based on risk assessment in accordance with the Risk-Based Internal Audit Planning Methodology for the Nova KBM Group. It is approved by the Management Board in agreement with the Supervisory Board.
- Independence in auditing, reporting and evaluating audit results. It is provided as part of the audit process. The Bank's Management Board receives the audit report following its harmonisation with auditees/the audited unit.
- Involvement of Internal Audit in other activities. Auditors shall carry out only audit activities. In case of other activities, it is necessary to ensure that auditor's impartiality is not impaired due to the performance of these tasks.
- Impartiality. Once a year, every internal auditor makes a statement on any conflict of interest that would impair their impartiality.
- Education and Training. According to the legislation, at least one internal auditor holding the title of a certified internal auditor has to be employed. In order to ensure the quality of internal auditing, it is necessary to recruit qualified personnel, which the Bank provides through its annual education and training plan.

The Internal Audit ensures the quality of internal audit through external audits performed every five years, and by annual internal audits. A completed external audit results in an assurance by the independent assessor that the work of Internal Audit complies with the standards and rules of the profession.

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 individual risks are independent of the organisational units assuming risks, which ensures 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	Super-visory 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 (KL, LCR, ALM)	Daily/ monthly		x	x	x	x	
ILAAP annual report	Annually	x	x			x	

REPORTS	Reporting frequency	Regulator	Super-visory 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	Monthly		x	x		x	

REPORTS	Reporting frequency	Regulator	Super-visory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
capital, and capital adequacy under Pillar 2							
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 includes:

- Risk appetite, in total and by each type of risk
- Precisely defined thresholds for key risk indicators
- Precisely defined exposure thresholds for each segment, product, etc., which are related to limits of risk appetite and key risk indicators
- Early Warning System, measures and responsibilities in case where thresholds are exceeded in their top values.

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 and micro enterprise's lending policy
  - Loan collateral policy
- Capital adequacy:
  - Capital and Capital Requirements Management Policy
- Market risks:
  - Market Risks Management Policy
  - Interest Risk Management Policy
- Operational risk:
  - Implementation Framework for Operational Risk Management Policy
  - Operational Risk Management Policy
  - Outsourcing Policy
- ILAAP:
  - ILAAP Policy in the Nova KBM Group
- ICAAP:
  - Internal Capital Adequacy Assessment Policy
  - Model Risk Management Policy
  - Stress Test Implementing Policy
- Other Group governance policies/strategies:
  - 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
  - Dividend Policy
  - The Nova KBM d.d. and Nova KBM Group Companies Governance Policy
  - Risk-weighted Pricing Policy
  - Disclosure Policy
  - Remuneration Policy
  - Anti-bribery Policy
  - Fraud Management Policy
  - Reputational Risk Management Policy
  - Outsourcing Policy
  - Internal Audit Policy
  - Data Management Policy
  - Information Security Policy
  - The Rules on Launching New Product and Altering an Existing One

  - Procurement policy
  - Drawing up the Nova KBM Group's Strategy, Plan and Assessment
  - Restructuring and Contingency Policy
  - Asset and Liability Management Policy
  - Business strategy

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 mitigation is carried out on the basis of:

- System of limits established
- Daily monitoring of EWSs
- 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 (OR) Loss and Event Data Rule Book set up

- 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 OR 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 2019 Annual Report, Chapter 7 of the Business Report thereof: Declaration on the adequacy of risk management.

For the purposes of Article 435 of CRR, the Management Board of the Bank confirms that the established risk management systems meet the institutions' profile and strategy.

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.

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.

In addition to the above statement, the risk profile, risk-bearing capacity, and risk appetite, the process of strategic planning and capital adequacy planning are presented below.

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 assessed under the risk profile development is confirmed by risk holders and other responsible persons, including the Management Board, and presents the risks to which the Group is exposed in its operations. The risks identified and assessed within the risk profile are further considered under the internal capital assessment process.

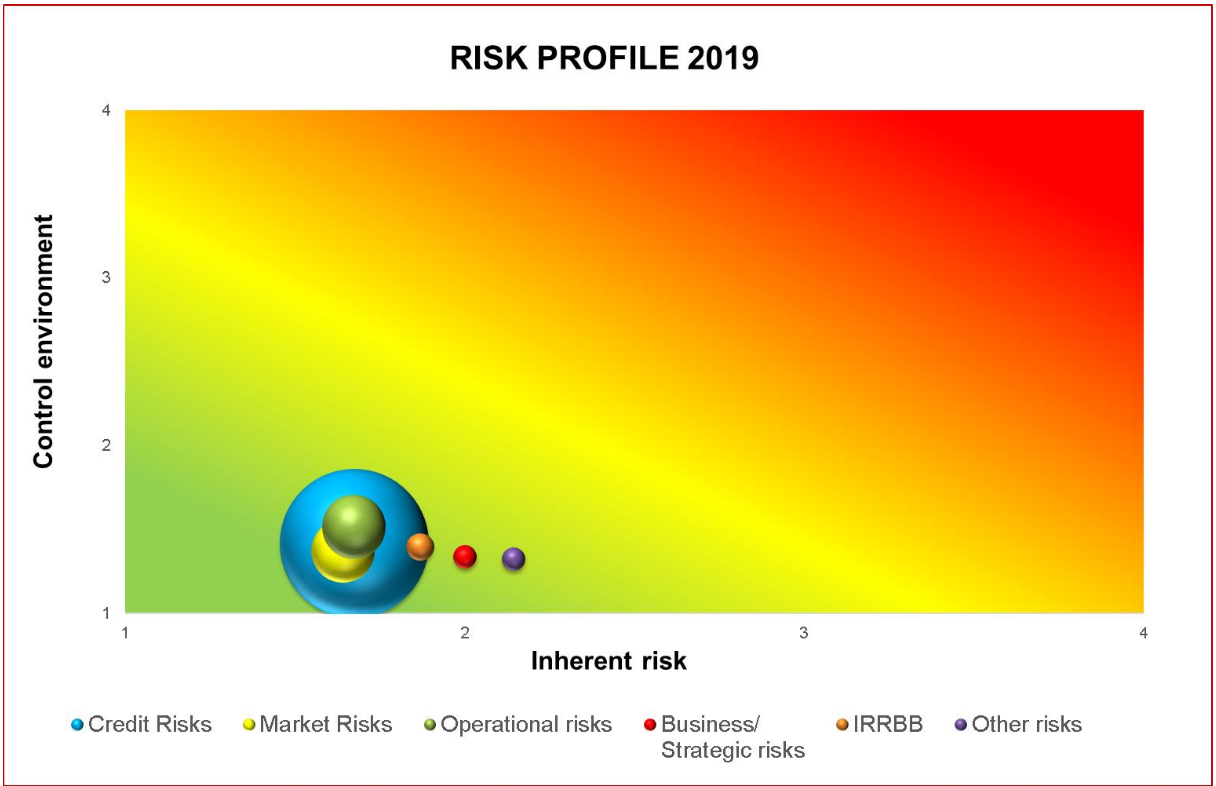
Under the 2019 risk profile assessment, the risks related to credit and treasury portfolios show the highest estimates, and the same applies to IT risk, profitability risk, and model risk. The results reflect the Business Strategy and Business Plan of the Group, the risk appetite, introduction of the IFRS 9 standard, and the expectations related to introducing a new CBS. The assessment of risk threats and of the established control environment 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 2019 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 6: Nova KBM Group’s risk profile by type of risk



Risk-bearing capacity and risk appetite, the system of limits established

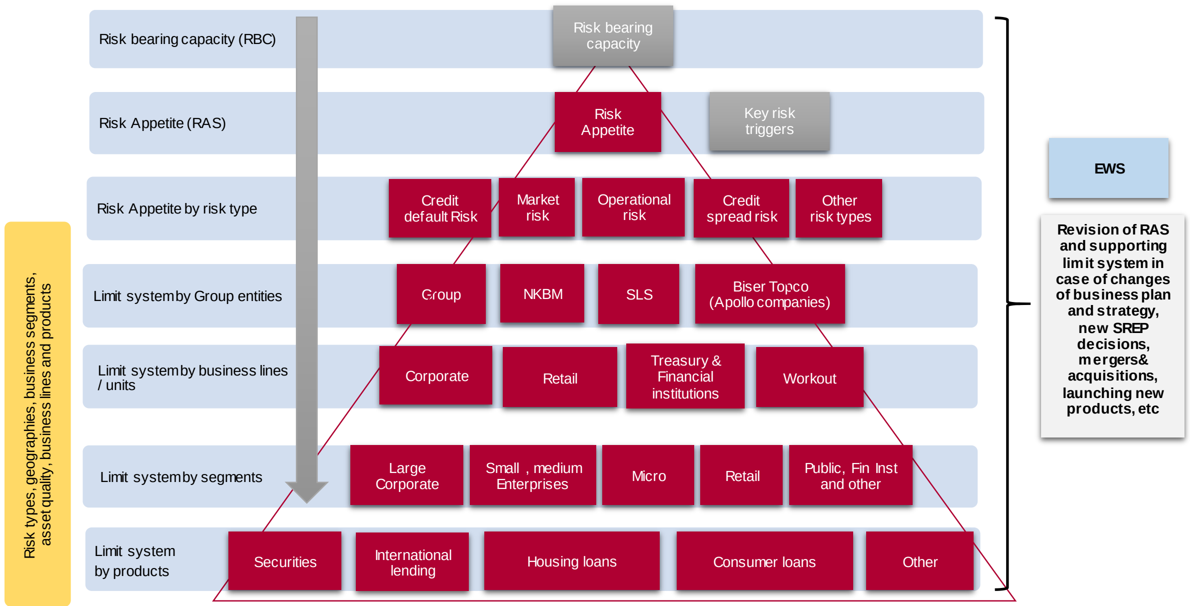
The Risk Appetite Statement is a statement in writing demonstrating the overall volume and type of risks, which the Group is willing to take or avoid in pursuing its business objectives. Risk Appetite Statement (RAS) expresses the capacity of wilful assumption of risks defined by a set of quantitative measurements and qualitative statements. Risk appetite is defined as the highest level of risk that the Group can assume with regard to the amount of capital and liquidity, its ability to manage and control risks, and to regulatory constraints.

Identifying the risk appetite is an integral part of business planning and planning of regulatory capital and capital requirements, planning of liquidity needs, and the process of implementing stress tests. Risk appetite is defined at the level of each type of risks with the need for capital allocation, and in total amount, as part of the risk-bearing capacity. The later is presented by the amount of common equity Tier 1 (CET1) capital.

Each year, or more often as appropriate, the Management Board approves the Risk Appetite Statement within the Risk Appetite Framework in order to ensure compliance with the business strategy, business and regulatory environments, and stakeholder requirements.

Risk Appetite Statement links the key risk indicators established, results of the ICAAP/ILAAP normative and economic perspectives, and the system of limits together with the early warning system. The Group has the limit system in place as shown below.

Figure 7: Structure of the Group's limit system



For the types of risk, where relevant and practicable, the above risk appetite is allocated to business areas/units (e.g. retail, corporate banking, treasury, subsidiaries), segments (e.g. large companies, financial institutions, micro-enterprises, etc.) and products/instruments (e.g. consumer loans, bonds, etc.). The table below shows the allocation of risk appetite and capital requirements under the second Pillar by type of each risk, business areas, segments and products.

Table 2: Risk appetite and allocation of capital in Pillar 2

	RAS	Business areas/units					Segments						Products/ instruments
		Corporates	Retail	Treasury and FI	Distressed loans	SLS	Large companies	Small, Medium enterprises	Micro	International lending	Sovereign, public s., fin.	Retail	
Credit risk	√	√	√	√	√	√	√	√	√	√	√	√	√
Credit spread risk	√			√			√				√		√
Interest rate risk of banking book	√			√									
Foreign exchange risk	√			√									
Market (position) risk	√			√									√
Credit migration risk	√												
Operational risk	√	√	√	√	√	√							
Project risk	√												
Reputational risk	√												
Model risk	√												
CVA	√												

The Group reports on the utilised limit system to relevant management bodies. Depending on the nature of each type of risk, such reports are drawn up on a daily, monthly or quarterly basis. Daily monitoring is published on the Intranet, while monthly and quarterly reports are drawn up and sent to relevant bodies at the Bank, which include the Management Board, the Audit Committee, and the Supervisory Board. Reports are also discussed at ALCO meetings or, in the case of operational risk, by the Operational Risk Committee.

The table below shows the risk exposure of the Group within ICAAP economic perspective of the Biser Topco Group as at 31 December 2019. Types of risks are grouped to the aggregated level of each risk.

Table 3: RAS and capital allocation in the second Pillar

€000	Capital requirements of Pillar 2
Credit risks	250,293
Market risks	39,956
Operational risks	26,699
Interest rate risk in the banking book	9,553
Total	**326,501**
Utilisation of risk appetite (in %)	**68.81 %**
Utilisation of risk-bearing capacity (in %)	**46.18 %**

Strategic planning and capital adequacy planning processes

At annual level, the Bank carries out the strategic planning process that defines the Group's future strategic orientations, and consists of two phases; „top-down“ and „bottom-up“. The strategic plan aims at establishing a comprehensive process, which also includes regulatory capital/capital requirements/capital adequacy, funding, and profitability plans.

Such an approach translates long-term strategic goals into measurable short-term and medium-term financial goals, and allows for monitoring and management of the business plan performance within a year.

The strategic planning process aims at achieving:

- Balanced risk-weighted operations across all business areas and organisational units
- High standards in risk management
- Compliance with regulatory requirements
- Stable capital and liquidity position.

The process of strategic and capital planning enables to:

- Evaluate key risk management indicators, taking into account strategic orientations and the business plan
- Assess the risk-bearing capacity against internal and regulatory requirements
- Assess risk appetite, thresholds of key risk indicators, and to set up a limit system for each type of risk, and to
- Conduct stress tests to assess the impact of stress scenarios on capital adequacy, capital, and liquidity.

The business plan for the consecutive three years is approved by the management body.

Template 1: EULIQ1

1. Quantitative information about LCR at the Biser Topco Group level

	Scope of consolidation (consolidated)	Total unweighted value				Total weighted value			
	Currency and units (million)								
	Quarter ending on (DD Month YYY)	31.3.2019	30.6.2019	30.9.2019	31.12.2019	31.3.2019	30.6.2019	30.9.2019	31.12.2019
	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1.400	1.361	1.329	1.348
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2.555	2.605	2.663	2.719	150	154	159	165
3	*Stable deposits*	2.170	2.201	2.223	2.219	108	110	111	111
4	*Less stable deposits*	384	403	438	498	41	43	47	53
5	Unsecured wholesale funding	474	476	456	424	229	230	220	205
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)*	474	476	456	424	229	230	220	205
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	498	508	517	537	59	63	62	65
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*	498	507	516	536	59	62	61	64
14	Other contractual funding obligations	41	43	40	39	41	43	40	39
15	Other contingent funding obligations	14	12	12	12	1	1	1	1
16	**TOTAL CASH OUTFLOWS**					480	490	482	475
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	155	158	178	184	128	133	149	151
19	Other cash inflows	4	4	5	5	4	4	5	5
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**	158	162	182	189	132	137	153	156
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***	158	162	182	189	132	137	153	156
21	**LIQUIDITY BUFFER**					**1.400**	**1.361**	**1.329**	**1.348**
22	**TOTAL NET CASH OUTFLOWS**					**348**	**353**	**329**	**319**
23	**LIQUIDITY COVERAGE RATIO (%)**					405%	389%	414%	434%

Qualitative information on LCR, which complements the LCR disclosure template:

Concentration of funding and liquidity sources	The Bank's business model is based on customers' deposits representing 74% 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	Liquidity risk is managed in line with Nova KBM's ILAAP policy. The Treasury Division manages operational liquidity, the Strategic Risk Division structurally, and the Controlling Division prepares regulatory reports. Roles and responsibilities are devided according to policy.
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 the 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 limit system, which is directly integrated 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 CRR Regulation. The above limit appropriately excludes exposures to the subsidiary Summit Leasing Slovenija in accordance with relevant regulations.

The total exposure, not only to 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 is 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 the established 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, where appropriate, and credit ratings.

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

The Bank accepts collateral as defined by CRR/CRD and the Decision on credit risk management of banks and savings banks. In addition, the Banks accepts also other collateral.

The type of collateral required depends on the Bank's strategy and the Bank's credit policies (corporate and retail) and is determined by taking into account:

- Loan type and maturity
- Debtor
- Debtor’s credit rating
- Degree of correlation between the collateral amount and the debtor’s credit rating
- Operational requirements for collateral effectiveness, including the costs associated with the establishment and redemption of collateral.

The Bank has defined the permitted level of unsecured investment by segment in its Corporate Lending Policy.

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 6 May 2019, the Management Board of the Bank comprised four members, namely: John Denhof, President of the Management Board, Jon Locke, Deputy President of the Management Board, Sabina Župec Kranjc, Management Board member, and Matej Falatov, Management Board member.

On 16 January 2019, the Supervisory Board of Nova KBM d.d. appointed a new Nova KBM Management Board member, Aytac Aydin. On 16 April 2019, Aytac Aydin received the authorisation from the ECB to act as a Management Board member. The office of the newly appointed member started on 18 April 2019 as per the decision took by the Supervisory Board on 6 May 2019. Before taking the office of a Management Board member, he held the office of an authorised representative (procurator) of Nova KBM d.d. since 11 February 2019.

On 16 November 2019, the office of the Management Board member, Sabina Župec Kranjc expired. On 9 September 2019, the Supervisory Board of Nova KBM reappointed Sabina Župec Kranjc for the next office of 3 years. Her office started on 17 November 2019.

As at 31 December 2019, the Management Board of Nova KBM comprised the following five members: John Denhof, President of the Management Board, Jon Locke, Deputy President of the Management Board, Sabina Župec Kranjc, Management Board member, Matej Falatov, Management Board member, and Aytac Aydin, Management Board member.

Table 4: Management Board membership in other entity's bodies

Membership in other entity's bodies as at 31/12/2019				
Management Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
John Denhof, Chair	Summit Leasing d.o.o.	Leasing		X
Sabina Župec Kranjc	Summit Leasing d.o.o.	Leasing		X
	Bank Association of Slovenia	Banking		X
Jon Locke – Deputy Chair	Summit Leasing d.o.o.	Leasing		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
Aytac Aydin	Bankart d.o.o.	Payment systems		X

Until 7 May 2019, the Supervisory Board comprised 6 members.
On 7 May 2019, the Nova KBM d.d. Shareholders' Meeting appointed Borut Jamnik a new member of the Supervisory Board. The office of the new Supervisory Board member commenced as at the day of being appointed by the Bank's Shareholders' Meeting, and shall expire within 5 years of this date.

As at 31 December 2019, the Supervisory Board comprised the following members: Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, Manfred Puffer, member, Michele Rabà, member, Andrea Moneta, member, Alexander Saveliev, member, and Borut Jamnik, member.

Table 5: Supervisory Board membership in other entity's bodies

Membership in other entity's bodies as at 31/12/2019				
Supervisory Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
Andrej Fatur, Chair	Odvetniška družba Fatur Menard, o.p., d.o.o.		X	
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
	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
	Biser Holdings Ltd.	Holding company		X
	Champ Luxembourg Holding S.à r.l.	Holding company		X
	Champ II Luxembourg Holding S.à r.l.	Holding company		X
	Jewel UK Topco Ltd.	Holding company		X
	Jewel Holdco S.à r.l.	Holding company		X
	Jewel Holdco 2 S.à r.l.	Holding company		X
	Gamenet SpA	Gaming		X
	Gamma Bidco SpA	Holding company		X

Membership in other entity's bodies as at 31/12/2019				
	Gamma Midco SpA	Holding company		X
Andrea Moneta	Amissima Group	Financial		X
	The Floow			X
	Gamenet SpA	Gaming		X
	Gamma Bidco SpA	Holding company		X
	Gamma Midco SpA	Holding company		X
Alexander Saveliev	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
Andrzej Klesyk, Deputy Chair	Play Communications SA	Mobile services provider		X
	Best SA	Purchase of non-performing exposures and restructuring (NPE)		X
Borut Jamnik	Modra zavarovalnica d.d.	Pension company	X	
	Krka d.d.	Manufacturing of pharmaceuticals		X

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 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.

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 make 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 d.d. (so-called Fit & Proper Policy), which sets out the key criteria that members of a management body as well as the 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, the criterion of management with a focus on managing conflict of interests and impartiality, and availability in terms of time; and assessments are carried out by the Nova KBM's 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.
The Policy also defines succession of the governing body members, on the basis of which the Bank takes care of an appropriate succession plan for the governing body members in order to ensure continuity of decision-making and prevent, where possible, any simultaneous replacement of too many members.

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, the Bank's Articles of Association, and the Policy on the Selection of Suitable Candidates for a Management Body of Nova KBM d.d.

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 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 d.o.o. Between 8 May 2018 and 11 June 2019, he performed the office of Deputy Chair of the KBM Infond's Supervisory Board.

Sabina Župec Kranjc, MSc in Economic and Business Sciences (major in Business Finance and Banking), has been a member of the Nova KBM Management Board since 17 November 2014 and has more than 20 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., first 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 d.d. 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. 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. Between 2014 and 11 June 2019, she performed the office of the KBM Infond's Supervisory Board member. Since 18 September 2017, she has been a member of the Supervisory Board of Summit Leasing Slovenija d.o.o. 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 South-east 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 Bucurest, 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 a 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, he 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 d.d. Between 8 May 2018 and 11 June 2019, he performed 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 had 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 d.o.o. Since 6 July 2018, he has been a member of the Management Board of Nova KBM d.d.

Aytac Aydin took the office of a Management Board member on 6 May 2019. He has over 17 years of international experience in banking, consulting, technology, and operational processes. He obtained a Master of Science in business administration and a Master of Science in electrical engineering degree from Penn State University of USA. In addition, he successfully completed his MBA from the Wharton Graduate School of Business Singapore, France and USA. In the past, he successfully managed several projects dealing with setting up and transforming IT functions, various development, operating and sales models, cost management, process management improvements, and other consulting projects.
Before that, he had held several management positions, including the office of an independent member of the board at P1M1, between 2016 and 2018, a member of the Operations Management Board (COO) at Odeabank, between 2014 and 2016, a board member in Bantas, between 2012 and 2014, and between 2010 and 2014, he was a member of the Management

Board of operations, strategy and business development at Finansbank. Since 2017, he was employed as Chief Executive Officer at CMC Turkey. Since 29 March 2019, Aytac Aydin has been a member of the Bankart d.o.o. Supervisory Board.

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 d.d.

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 Policy on assessing the suitability of members of the management bodies and officers holding key positions (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 at 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 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, over 37 years 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), now called Oldenburgische Landesbank.

Michele Rabà is a partner in the private equity company Apollo Management International, LLP, which is an affiliate of Apollo Global Management LLC. He performs several non-executive managerial functions related to equity investment in Nova KBM, and Watches of Switzerland. He has gained experience, especially in the field of banking and finance, by performing a supervisory office in various companies across Europe. He acquired special expert knowledge and experience in the banking area during his work at Nova KBM d.d., Bremer Kreditbank AG (BKB), and Oldenburgische Landesbank (OLB). He has acquired relevant additional knowledge and experience at Goldman Sachs International, and at the Financial Institutions Group, where he worked in the Investment Banking Division. Since 18 September 2017, he has been a member of the Supervisory Board of Summit Leasing d.o.o.

Andrea Moneta has worked as senior advisor in Italy and an operational partner of PE FS for Apollo since 2015. Under the performance of his function, he promotes and coordinates Apollo affiliated companies on the Italian market and performs management (the Amissima Group) or supervisory functions (Nova KBM).
Before joining Apollo, he had served as CEO of the division and CFO of the Group in leading financial services groups, including Aviva and UniCredit. He was also Head of Strategic Planning at the European Central Bank.
He has gained experience, especially in the financial field, by performing executive and non-executive functions in management boards and supervisory bodies in over thirty-five different companies in the countries of Western and Central Europe, Ukraine, Russia, Turkey, and the Middle East. He acquired also specific expertise in banking related areas, such as politics and economics, risk management, financial marketing, and business administration. He completed his postgraduate studies 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 an EBRD's representative, he has been performing office of supervisory board member in various banks.

Borut Jamnik holds a university degree of engineer in mathematics. Since 2011, he has acted as the President of the Management Board of Modra zavarovalnica d.d. He is an expert with over 20-year experience in business and corporate governance. During this time, he held numerous executive and non-executive positions in banking, insurance, and financial industries. In performing management functions in various commercial companies and institutions (including Kapitalska družba d.d., Probanka DZU, HIT d.d., Securities Market Agency of the RS, Restructuring and Privatisation Agency of the RS), he was in charge of asset management, corporate governance, development projects management, and business process design, the area ofperforming the regulatory function of the securities market, and other areas.
As a manager and member of supervisory boards of major Slovenian companies (he is a member of the Krka's Supervisory Board, between 2015 and 2019, he was Chairman of the Supervisory Board in Cinkarna Celje, between 2013 and 2017, Chairman of the Supervisory Board at Telekom Slovenije d.d., between 2011 and 2013, a member of the Supervisory Board of Pivovarna Laško d.d.), he is engaged in various forms of complex corporate actions, and by his many-year experience and negotiation skills, he contributes to solving complex business challenges.
He also performs the service of the President of the Association of Supervisory Boards' Members, and a Board member of the Slovenian Insurance Association.

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, distinguished 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 drawn up 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 take 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 highlights in particular 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), their geographical origin, and gender representation (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 d.d. (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 2019 Annual Report, section 4.3.3 Corporative Governance of Nova KBM, and section 13 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 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. Four meetings of the Risk Committee were held in 2019.

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 exposure to various types of risk, utilisation of the limit system and risk appetite, 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 Committee** 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 Topco 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 d.d. is drawn up and submitted monthly to the Management Board and to executive directors of relevant departments.

The Operational Risk Committee, which has been working since 2015, comprises the following members: President of the Bank's Management Board, Management Board member responsible for risks, Management Board member responsible for operational performance of the Bank, Management Board member responsible for finance, 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.

In 2019, the **Model Risk Committee** was established. The Model Risk Committee is responsible for designing and implementing the model risk management framework and has a central coordinating role in ensuring compliance of model risk management stakeholder' conduct with the adopted standards.

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 **Information Technology Committee** became operational in informal capacity at the end of 2019. Following its formal establishment in February 2020, this Committee was made responsible for a harmonised operation of the information technology area with the Bank's business plan. Within the range of its operation, the Committee considers the following topics: review of and decision-making on plan-related requirements; deciding on priorities in requests for change by business users; discussion of and decision-making on all current strategic IT requirements; review and consideration of external IT service providers' work; regular reporting on the area's operations, status of projects, status of requests for changes, and daily tasks, on a monthly basis.

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 Anti-Money Laundering Office 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 is Nova KBM d.d.

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 consists of a 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 d.d. is the parent company of the Nova KBM Group, which controlled one subsidiary company as at 31 December 2019.

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 2019, 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, the 100-percent owner of Nova KBM shares became the Biser Bidco S.à r.l. 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 6: 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
Summit Leasing Slovenija d.o.o.	subsidiary	100.00	Ljubljana, Slovenia

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 2018 individual financial statements of Nova KBM to non-current assets held for sale. As at the day when the Decision on cancelling the company from the court register of companies was final, the company M-Pay d.o.o. was deleted in February 2019.

Following a decision adopted by the management of Nova KBM on disposal of the equity stake in the subsidiary KBM Infond, in December 2018, all the suspensory conditions stipulated in the sales agreement were met in June 2019, the control ceased, and the company was deconsolidated.

On 20 June 2019, Nova KBM d.d. concluded a Share purchase agreement with the Republic of Slovenia represented by the Slovenian Sovereign Holding, d.d., for the purchase of a 100-percent interest in Abanka d.d. Upon receiving all necessary regulatory approvals and fulfilling all the conditions stipulated in the purchase agreement, the purchase was completed on 5th of February 2020. Abanka, the third largest Slovenian bank in terms of total assets, provides for a comprehensive and full range of financial services, from traditional retail and corporate banking products to banking insurance and private banking.

In August 2019, MB Finance B.V. company was deleted from the court register in the Netherlands.

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

€000

		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 CB, and demand deposits at banks	889,260	889,260	889,260				
3	Financial assets held for trading	2,933	2,933		2,933		9,744	–3
4	Non-trading financial assets at fair value through profit or loss	35,224	35,224	35,224			0	–35
5	Financial assets at fair value through other comprehensive income	1,150,991	1,150,991	1,150,991				–1,151
6	Financial assets at amortised cost	2,856,692	2,856,692	2,856,692				
7	Tangible assets	83,448	83,448	83,448				
8	Intangible assets	31,643	31,643					–31,643
9	Current income tax assets	24,999	24,999					–27,379
10	Other assets	20,800	20,800	20,800				
11	Non-current assets and disposal groups classified as held for sale	9,902	9,902	9,902				
13	**Total assets**	**5,105,892**	**5,105,892**	**5,046,317**	**2,933**	**0**	**9,744**	**–60,211**

		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
14	Liabilities							
15	Financial liabilities held for trading	3,561	3,561		3,561			
16	Financial liabilities designated at FVTPL	0	0					
17	Financial liabilities at amortised cost	4,286,640	4,286,640					
18	Provisions	27,106	27,106					
19	Tax liabilities	2,046	2,046					
20	Other liabilities	5,819	5,819					
21	**Total liabilities**	**4,325,172**	**4,325,172**	**0**	**3,561**			
22	Share capital	2,008	2,008					
23	Share premium	174,830	174,830					
24	Capital related to compound financial instruments	864	864					
25	Revaluation surplus	–8,213	–8,213					
26	Translation reserves	0	0					
27	Reserves from profit	271	271					
28	Retained earnings/losses	556,722	556,722					
29	Net profit/loss	54,238	54,238					
30	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT**	**780,720**	**780,720**	**0**	**0**			
31	Attributable to non-controlling interests	0	0					
32	**TOTAL EQUITY**	**780,720**	**780,720**	**0**	**0**			
33	**TOTAL LIABILITIES AND EQUITY**	**5,105,892**	**5,105,892**	**0**	**3,561**			

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

€000

		a	b	c	d	e
		Total	Items subject to			
			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)	5,105,892	5,046,317	2,933		9,744
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	5,105,892				
3	Total net amount under the regulatory scope of consolidation	5,105,892	5,046,317	2,933		9,744
4	Off-balance sheet amounts:	924,627	277,902	2,129		
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	*0*				
9	*Differences due to deductions*	*–59,022*				
10	Exposure amounts considered for regulatory purposes	**5,971,496**	**5,324,219**	**5,062**		**9,744**

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

Biser Topco Group

		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	
Summit Leasing Slovenija d.o.o.	Full consolidation	x				Leasing company
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

Nova KBM Group

		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	
Summit Leasing Slovenija d.o.o.	Full consolidation	x				Leasing company
Nova KBM d.d.	Full consolidation	x				Financial intermediation

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.

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 d.d.

4 Own Funds

This Chapter defines disclosure requirements referred to in Article 437(1) of Part Eight 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 Chapter 2, Part 1, Title II of CRR.

The table below shows the difference between the balance-sheet and regulatory capital of the Nova KBM Group as at 31 December 2019. Regulatory capital components and movement are explained in section 4.3.

Table 7: Reconciliation of regulatory capital items and the balance-sheet capital

€000	31/12/2019	
	Biser Topco Group	**Nova KBM Group**
Balance-sheet capital	**780,719**	**781,740**
Share capital	2,008	150,000
Share premium	174,830	403,302
Other capital instruments issued	864	0
Accumulated other comprehensive income (revaluation surplus)	–8,214	14,448
Reserves from profit	271	20,228
Retained gains/losses	556,722	131,415
Profit/loss from continuing operations	54,238	62,347
Equity attributable to non-controlling interests	0	0
Capital instruments and subordinated loans acceptable as Tier 2 capital	**53,718**	**90,400**
Adjustments	**–71,869**	**–67,928**
Share premium	0	0
Other capital instruments issued	–1,550	0
Intangible assets	–31,641	–31,644
Equity attributable to non-controlling interests	0	0
Profit/loss from continuing operations, not included	–5,105	–8,822
Profit for 2018 without ECB's permission	–5,000	0
Deferred tax assets	–27,379	–26,268
Other deductible items	–1,193	–1,193
Regulatory capital	**762,567**	**804,212**

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 2019 are detailed in the Nova KBM Group and Nova KBM's 2019 Annual Report, in Notes to financial statements, Note 9.6: Capital risk.

Table 8: Main features of the Nova KBM Group's capital instruments

Capital instruments main features template				
		Common equity Tier 1 capital		Tier 2 (T2) capital
1	Issuer	**Biser Topco S.à r.l.**	**Nova KBM d.d.**	NOVA KREDITNA BANKA MARIBOR d.d.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	/	SI0021116494	Identifier: KBM11, ISIN: SI0022103897
3	Governing law(s) of the instruments	Luxembourg, in the law on commercial companies of 1915, as amended	ZGD, ZTFI, ZNVP, ZBAN	ZBAN, BS decision
	Regulatory treatment	CRR	CRR	CRR
	Regulatory treatment			
4	Transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Tier 2 (T2) capital
5	Post transitional CRR rules	Common equity Tier 1 capital	Common equity Tier 1 capital	Tier 2 (T2) capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Consolidated	Solo and sub-consolidated	At solo (Nova KBM's), sub-consolidated (Nova KBM's), and consolidated (at Biser Topco S.à r.l. level) levels, as an instrument of Tier 2 capital in accordance with Article 63 of Regulation (EU) no 575/2013 (*Capital Requirements Regulation – „CRR"*)
7	Instrument type (to be specified by each jurisdiction)	Common equity Tier 1 capital	Common equity Tier 1 capital	Additional Tier 1 (AT1) capital
8	Amount recognised in the regulatory capital (€ million; as of the most recent reporting date)	€176 million	€553 million	€90.4 million at solo, sub-consolidated, and €53.7 million at consolidated basis
9	Nominal amount of instrument	Share: €2.0 million Share premium: €174.1 million	Share: €150 million Share premium: €403 million	€90.4 million
9a	Issue price	Share: €1 per share; share premium: €100.85 per share	€87 per share	€90.4 million (€0.1 million per bond)
9b	Redemption price	N/A	N/A	Bond's principal (€0.1 million) and accrued but unpaid interest on the principal by (excluding) the maturity date (or in the case of early redemption by the (excluding) date set for redemption)

Capital instruments main features template				
		Common equity Tier 1 capital		Tier 2 (T2) capital
10	Accounting classification	Equity	Equity	Financial liabilities
11	Original date of issuance	13/04/2016	19/12/2013	09/10/2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	N/A	N/A	09/10/2029
14	Issuer call subject to prior supervisory approval	N/A	N/A	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	The issuer may, with prior notice, redeem the bonds in full in advance, but not in instalments, in the amount payable, at any time on or after the fifth anniversary of the bond issue date. The amount payable on the bond is equal to the principal of such bond, together with accrued and unpaid interest on the principal by (excluding) the redemption date
16	Subsequent call dates, if applicable	N/A	N/A	See item 15 above
Coupons/dividends				
17	Fixed or floating dividend/coupon	N/A	N/A	By (excluding) 09/10/2024 fixed interest rate applies for bonds; since 09/10/2024, floating interest rate applies for bonds.
18	Coupon rate and any related index	N/A	N/A	Fixed: 4 % p.a. Floating: annual swap rate (expressed in percent) for swap transactions in EUR with a maturity of five years + 4.4 % p.a.
19	Existence of a dividend stopper	N/A	N/A	No
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A	Mandatory
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	No
22	Non-cumulative or cumulative	N/A	N/A	Non-cumulative
23	Convertible or non-convertible	N/A	N/A	Non-convertible[1]
24	If convertible, conversion trigger(s)	N/A	N/A	/[2]

[1]Note: Given that bonds are instruments of additional capital, substitutability and/or partial write-offs are possible in accordance with applicable law – (i) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010, and (EU) No 648/2012 of the European Parliament and of the Council (*Directive on banks recovery and resolution*); (ii) Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010; and (iii) the Resolution and Compulsory Winding-Up of Banks Act.
[2] See Note 1.

Capital instruments main features template				
		Common equity Tier 1 capital		Tier 2 (T2) capital
25	If convertible, fully or partially	N/A	N/A	/[3]
26	If convertible, conversion rate	N/A	N/A	/[4]
27	If convertible, mandatory or optional conversion	N/A	N/A	/[5]
28	If convertible, specify instrument type convertible into	N/A	N/A	/[6]
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	/[7]
30	Write-down features	N/A	N/A	/[8]
31	If write-down, write-down trigger(s)	N/A	N/A	/[9]
32	If write-down, full or partial	N/A	N/A	/[10]
33	If write-down, permanent or temporary	N/A	N/A	/[11]
34	If temporary write-down, description of write-up mechanism	N/A	N/A	/[12]
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Ordinary liabilities	Bonds represent direct, unsecured and subordinated liabilities of the Issuer and are considered as Tier 2 instruments In case of ordinary insolvency proceedings (bankruptcy or compulsory liquidation) of the issuer, claims from the bond principal shall be repaid in the following order: (a) upon payment of any present or future claims from: (i) the issuer's unsecured and non-subordinated instruments or liabilities; and (ii) instruments of the issuer's qualifying liabilities in accordance with Article 72b of CRR (b) in the same order (pari passu): (i) mutually; and (ii) with any other current or future receivables from: (x) issuer's Tier 2 instruments; and (y) all other issuer's instruments or liabilities that are or are designated to be repaid in the same order as bonds (except for the issuer's subordinated instruments and liabilities, which are or are designated to be repaid preferentially or subordinately in

[3] See Note 1.
[4] See Note 1.
[5] See Note 1.
[6] See Note 1.
[7] See Note 1.
[8] See Note 1.
[9] See Note 1.
[10] See Note 1.
[11] See Note 1.
[12] See Note 1.

Capital instruments main features template				
		Common equity Tier 1 capital		Tier 2 (T2) capital
				relation to bonds); and (c) before repayment of all current or future claims from: (i) issuer's additional Tier 1 instruments in accordance with Article 52 of CRR; (ii) issuer's ordinary shares and any other issuer's CET-1 instruments in accordance with Article 28 of CRR; and (iii) any other issuer's subordinated instruments or liabilities, which are or are designated to be repaid after issuer's liabilities from bonds Instrument immediately senior to bonds: Unsecured claims from debt instruments fulfilling certain conditions set out in the ninth item of the second paragraph of Article 207 of the Resolution and Compulsory Winding-Up of Banks Act
36	Non-compliant transitioned features	N/A	N/A	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

N/A — Question not relevant for this instrument

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, Regulatory capital is made up of two categories:

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

Common Equity Tier 1 capital of the two 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 Tier 1 capital.

Neither of the Groups has additional Tier 1 instruments.

All capital instruments of the Nova KBM Group included in the Group's common equity Tier 1 capital are eligible for inclusion, 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.

The 2018 annual profit and the 2019 mid-year profit are included in the calculation of common equity Tier 1 capital at all three reporting levels. The Bank includes profits based on the resolution of the Shareholders' Meeting. At the Biser Topco Group's level, the Bank does not include €5 million of 2018 net profit earmarked for dividend payments.

In 2019, the Bank issued equity instruments in the amount of €90.4 million acceptable as additional regulatory capital. The Bank includes issued equity instruments in full in additional capital at the level of Nova KBM and the Nova KBM Group, while applying the provisions of Articles 86 and 87 of CRR for inclusions at the level of the Biser Topco Group. Based on relevant legislation, the Bank obtained a relevant authorisation of the supervisory authority, the ECB, to include issued Tier 2 capital instruments in the calculation of regulatory capital.

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

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

In 2019, both Groups are disclosing the amount and items of their regulatory capital and capital requirements as at 31 December 2019, 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 9: Biser Topco Group's regulatory capital nature and amounts

€000

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(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	551,722	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–7,943	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	49,133	26(2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**769,064**	Sum of lines 1 to 5a

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–1,193	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–31,643	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)	–27,379	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**	**–60,215**	Sum of lines 7 to 20a, 21, 22 and 25a to 27
29	**Common equity Tier 1 capital**	**708,849**	Sum of lines 6, of which line 28 is deducted
Additional Tier 1 (AT1) capital: instruments			

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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
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 37–42
44	**Additional Tier 1 (AT1) capital**	**0**	Line 36, of which line 34 is deducted
45	**Tier 1 capital**	**708,849**	Sum of lines 29 and 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	53,718	62, 63

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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)
	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**	**53,718**	
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**	**0**	
58	**Tier 2 (T2) capital**	**53,718**	
59	**Total capital (TC = T1 + T2)**	**762,567**	
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)		

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	(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.)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	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**	**2,936,339**	
Capital ratios and buffers			
61	CET1 (as a percentage of risk exposure amount)	**24.14 %**	92(2)(a), 465
62	T1 (as a percentage of risk exposure amount)	**24.14 %**	92(2)(b), 465
63	Total capital (as a percentage of risk exposure amount)	**25.97 %**	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)	73,996	128, 129 and 130, (CRD)
65	Of which: capital conservation buffer requirement	73,408	
66	Of which: countercyclical buffer requirement	587	
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	762,567	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)	1,733	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)	2,444	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)	–2,611	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

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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)

Table 10: Nova KBM Group's regulatory capital nature and amounts

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	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(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	131,415	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	34,676	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	53,525	26(2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**772,918**	Sum of lines 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	–1,193	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–31,643	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)	–26,268	36(1)(c), 38, 472(5)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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		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**	–59,104	Sum of lines 7 to 20a, 21, 22 and 25a to 27
29	**Common equity Tier 1 capital**	**713,813**	Sum of lines 6, of which line 28 is deducted
Additional Tier 1 (AT1) 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)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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)		
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 37–42
44	**Additional Tier 1 (AT1) capital**	**0**	Line 36, of which line 34 is deducted
45	**Tier 1 capital**	**713,813**	Sum of lines 29 and 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	**90,400**	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**	**90,400**	
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)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
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)		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**90,400**	
59	**Total capital (TC = T1 + T2)**	**804,213**	
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) (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.)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (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.)		475, 475(2)(b), 475(2)(c), 475(4)(b)
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts) 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.)		477, 477(2)(b), 477(2)(c), 477(4)(b)
60	**Total risk-weighted assets**	**2,975,602**	
Capital ratios and buffers			
61	CET1 (as a percentage of risk exposure amount)	**23.99 %**	92(2)(a), 465
62	T1 (as a percentage of risk exposure amount)	**23.99 %**	92(2)(b), 465
63	Total capital (as a percentage of risk exposure amount)	**27.03 %**	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)	82,424	128, 129 and 130, (CRD)
65	Of which: capital conservation buffer requirement	74,390	
66	Of which: countercyclical buffer requirement	595	
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	7,439	131 (CRD)

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT 31/12/2019	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	**804,213**	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)	1,733	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)	2,444	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)	–2,611	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 to 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 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 section 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 has to comply with Pillar 1 minimum capital requirements set out in CRR that relate to the requirement for:

- Common equity Tier 1 ratio, and has to be at least 4.5 %
- Share capital ratio, and has to be at least 6.0 %
- Total capital ratio, and has to be at least 8.0 %

In addition to the above, the Group has to comply with Pillar 2 capital requirements determined under CRD and defined by the Joint Supervisory Board:

- Pillar 2 requirement, P2R
- Pillar 2 guidance, P2G
- Overall capital buffer requirements.

The table below shows the required capital requirements at the Biser Topco Group level (without P2G).

Table 11: Regulative capital requirements and buffers of the Biser Topco Group

	31/12/2019	31/12/2018
Minimum requirements according to CRR	**8.00 %**	**8.00 %**
Common equity Tier 1 capital ratio (CET1 ratio)	4.50 %	4.50 %
Additional Tier 1 capital ratio (AT1 ratio)	1.50 %	1.50 %
Additional capital ratio (T2 ratio)	2.00 %	2.00 %
Pillar 2 SREP requirement (*P2R)	**3.50 %**	**3.75 %**
Total capital SREP requirement (TSCR)	**11.50 %**	**11.75 %**
Common equity Tier 1 capital ratio (CET1 ratio)	8.00 %	8.25 %
Additional Tier 1 capital ratio (AT1 ratio)	1.50 %	1.50 %
Additional capital ratio (T2 ratio)	2.00 %	2.00 %
Capital buffer requirements	**2.52 %**	**1.90 %**
Capital conservation buffers (CCoB)	2.50 %	1.88 %
Countercyclical buffer (CCyB)	0.02 %	0.02 %
Other systemically important banks buffer (OSIB)	0.00 %	0.00 %
Overall capital SREP requirement (OCR)	**14.02 %**	**13.65 %**
Common equity Tier 1 capital ratio (CET1 ratio)	10.52 %	10.15 %
Additional Tier 1 capital ratio (AT1 ratio)	1.50 %	1.50 %
Additional capital ratio (T2 ratio)	2.00 %	2.00 %

*P2R requirement for 2020 equals to 3.00%

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. 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 capital requirements under Pillar 1 or an estimate of internal capital requirements, whichever is higher.

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

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

Table 12: Set of risks in 2019

Credit risks	Market risks	Operational risks	Other risks
Credit risk (risk of default)	Credit spread risk	Compliance risk	Business/strategic risk
Credit concentration risk	Credit valuation adjustment risk	Employee behaviour related risk	Capital risk
Counterparty risk	Foreign exchange risk	Internet crime risk	Funding risk/ liquidity risk
Country risk	Position risk	Data quality risk	Interest rate risk in the banking book
Foreign exchange lending risk		Risk of fraud (internal and external)	Profitability risk
Credit migration risk		Human resources management risk	
Other risk		Operational risk	
Special loan arrangements risk (project financing)		Outsourcing risk	
Variable lending risk		Project risk	
Real estate-related risk		Reputational risk	
Sovereign risk		Systemic/IT risk	

The Group discloses information about regulatory capital in Chapter 4, and on risk exposure under Pillar 2 in section 2.1.6.

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 Chapter 2 of Part Three, Title II, 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 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.

As at 31 December 2019, risk-weighted assets of the Biser Topco Group were lower by €14.2 million compared to the figure for the past period, as at 31 December 2018, while assets carrying value increased by €250 million. Changes in gross exposure, net exposure, and risk-weighted exposure at the reporting date, 31 December 2019, compared to 31 December 2018 are 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:
    - 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 sovereigns and central banks
- Change in the Group's investment policy
- Disposal of the defaulted exposure portfolio
- Movements in value adjustments of assets
- Movements in collateral, among others, inclusion of government guarantees in case of securities
- Disposal of strategically immaterial subsidiaries
- Implementation of the new CORE system, which also generated the effect of data cleaning on risk-weighted assets
- Lower capital requirement for operational risk, which was mainly affected by movements in profit and loss items during the last three years.

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

The table below shows the structure of risk-weighted exposure of both Groups as at 31 December 2019 and 31 December 2018.

Template 5: EU OV1 – Overview risk-weighted assets (RWAs) of the Biser Topco Group

€000

			RWAs		Minimum capital requirements
			31/12/2019	31/12/2018	31/12/2019
Article	**1**	**Credit risk (excluding counterparty credit risk – CCR)**	**2,645,772**	**2,641,402**	**211,662**
438(c)(d)	2	of which the standardised approach	2,645,772	2,641,402	211,662
438(c)(d)	3	of which the foundation IRB (FIRB) approach	0	0	0
438(c)(d)	4	of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	of which equity instruments under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c)(d)	**6**	**Counterparty credit risk (CCR)**	**4,798**	**1,501**	**384**
438(c)(d)	7	of which mark to market	0	0	0
438(c)(d)	8	of which original exposure	0	0	0
	9	of which the standardised approach	4,780	1,491	381
	10	of which internal model method (IMM)	0	0	0
438(c)(d)	11	of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c)(d)	12	of which credit value adjustment (CVA)	17	10	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**	**19,516**	**19,989**	**1,561**
	20	of which the standardised approach	19,516	19,989	1,561
	21	of which IMA	0	0	0
438(e)	**22**	**Large exposures**			
438(f)	**23**	**Operational risk**	**266,253**	**287,625**	**21,300**
	24	of which basic indicator approach	266,253	287,625	21,300
	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**	**2,936,339**	**2,950,517**	**234,907**

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

€000

			RWAs		Minimum capital requirements
			31/12/2019	31/12/2018	31/12/2019
CRR Article	**1**	**Credit risk (excluding counterparty credit risk – CCR)**	**2,651,148**	**2,638,710**	**212,092**
438(c)(d)	2	of which the standardised approach	2,651,148	2,638,710	212,092
438(c)(d)	3	of which the foundation IRB (FIRB) approach	0	0	0
438(c)(d)	4	of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	of which equity instruments under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c)(d)	**6**	**Counterparty credit risk (CCR)**	**4,798**	**1,501**	**384**
438(c)(d)	7	of which mark to market	0	0	0
438(c)(d)	8	of which original exposure	0	0	0
	9	of which the standardised approach	4,780	1,491	381
	10	of which internal model method (IMM)	0	0	0
438(c)(d)	11	of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c)(d)	12	of which credit value adjustment (CVA)	17	10	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**	**19,516**	**19,989**	**1,561**
	20	of which the standardised approach	19,516	19,989	1,561
	21	of which IMA	0	0	0
438(e)	**22**	**Large exposures**			
438(f)	**23**	**Operational risk**	**300,141**	**320,477**	**24,011**
	24	of which basic indicator approach	300,141	320,477	24,011
	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**	**2,975,602**	**2,980,677**	**238,048**

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 2019, none of the two Groups had significant equity investment in equity instruments of insurance and reinsurance companies, or insurance holding companies that is (not) deducted from regulatory capital of the Groups, but only an 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 Chapter 3 of Part Three, Title II, 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 the 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.

The template below discloses the data at the level of the Biser Topco Group as at 31 December 2019.

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	Risk-weighted exposures
1	Mark to market		3,091	2,129			4,780
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**						**4,780**

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 2019.

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 3x 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	316	17
5	Based on the original exposure method	0	0
6	**Total subject to the CVA capital charge**	**316**	**17**

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. The Group's minimum capital requirements are presented in Chapter 5. As at the reporting day, 31 December 2019, the regulatory overall capital buffer requirements include the following buffers:

- Capital conservation buffer equalling 2.5 %, as provided for under the transitional provisions of Article 391(1)(1) of the ZBan-2 and CRD
- Institution-specific countercyclical capital buffer in the amount as presented in the table in the next section. The Bank complies with the provisions of Article 391(1)(2) of the ZBan-2 and CRD – institution-specific countercyclical buffer does not exceed 2.5 % of the total risk exposure amount.
- In 2019, also an other systemically important institution's buffer at the Nova KBM Group level as determined for the Group by the Bank of Slovenia, in the amount of 0.25 %.

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

€000

Government	General credit exposures	Trading book exposures	Capital requirements			Capital requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100	110	120
ALBANIA	0	0	0	0	0	0.0	0.00
ARGENTINA	0	0	0	0	0	0.0	0.00
AUSTRALIA	2	0	0	0	0	0.0	0.00
AUSTRIA	13,250	0	625	0	625	0.3	0.00
AZERBAIJAN	0	0	0	0	0	0.0	0.00
BARBADOS	0	0	0	0	9	0.0	0.00
BELGIUM	11,348	0	907	0	907	0.4	0.00
BELARUS	4	0	0	0	1	0.0	0.00
BULGARIA	41	0	3	0	3	0.0	0.00
BOSNIA AND HERZEGOVINA	899	0	46	0	46	0.0	0.00
BRAZIL	8	0	0	0	0	0.0	0.00
CYPRUS	0	0	0	0	0	0.0	0.00
CZECH REPUBLIC	84	0	7	0	7	0.0	0.00
MONTENEGRO	4	0	0	0	0	0.0	0.00

Government	General credit exposures	Trading book exposures	Capital requirements			Capital requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100	110	120
DENMARK	3,233	0	259	0	259	0.1	0.00
EGYPT	2	0	0	0	2	0.0	0.00
FINLAND	0	0	0	0	0	0.0	0.00
FRANCE	25,471	0	2,038	0	2,038	1.0	0.00
GIBRALTAR	10,023	0	802	0	812	0.4	0.00
GREECE	1	0	0	0	0	0.0	0.00
CROATIA	17,084	0	1,244	0	1,244	0.6	0.00
INDIA	2	0	0	0	0	0.0	0.00
IRELAND	3,061	0	245	0	245	0.1	0.00
ITALY	21,875	0	1,721	0	1,721	0.9	0.00
JAPAN	3,087	0	247	0	247	0.1	0.00
SOUTH AFRICA	0	0	0	0	7	0.0	0.00
CANADA	3,197	0	128	0	128	0.1	0.00
KAZAKHSTAN	0	0	0	0	0	0.0	0.00
KYRGYZSTAN	0	0	0	0	3	0.0	0.00
CHINA	1	0	0	0	0	0.0	0.00
KOSOVO	84	0	5	0	5	0.0	0.00
LATVIA	0	0	0	0	0	0.0	0.00
LUXEMBOURG	29,631	0	2,531	0	2,531	1.3	0.00
HUNGARY	8,000	0	639	0	639	0.3	0.00
MACEDONIA	42	0	3	0	3	0.0	0.00
MEXICO	2	0	0	0	4	0.0	0.00
GERMANY	52,622	0	4,064	0	4,064	2.0	0.00
THE NETHERLANDS	66,617	0	5,515	0	5,515	2.7	0.00
NORWAY	2,066	0	33	0	38	0.0	0.00
PERU	6	0	0	0	6	0.0	0.00
POLAND	1	0	0	0	0	0.0	0.00
ROMANIA	21	0	1	0	1	0.0	0.00
RUSSIAN FEDERATION	33	0	2	0	2	0.0	0.00
SYRIA	0	0	0	0	11	0.0	0.00
SLOVAKIA	523	0	25	0	25	0.0	0.00
SLOVENIA	2,958,211	19,516	168,075	1,561	169,636	83.8	0.00
SERBIA	584	0	41	0	41	0.0	0.00
SPAIN	16,782	0	1,343	0	1,343	0.7	0.00
SWEDEN	3,125	0	250	0	250	0.1	0.00
SWITZERLAND	176	0	10	0	10	0.0	0.00
TURKEY	10	0	1	0	1	0.0	0.00
UKRAINE	89	0	4	0	4	0.0	0.00
UNITED KINGDOM	27,147	0	1,979	0	1,979	1.0	0.01
VENEZUELA	0	0	0	0	0	0.0	0.00
VIETNAM	1	0	0	0	8	0.0	0.00
UNITED STATES OF AMERICA	111,240	0	8,046	0	8,046	4.0	0.00
UNITED ARAB EMIRATES	96	0	11	0	11	0.0	0.00
Total	**3,389,784**	**19,516**	**200,848**	**1,561**	**202,576**	**100.0**	**0.02**

Table 14: Geographic distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of the Nova KBM Group

€000

Government	General credit exposures	Trading book exposures	Capital requirements			Capital requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100	110	120
ALBANIA	0	0	0	0	0	0.0	0.00
ARGENTINA	0	0	0	0	0	0.0	0.00
AUSTRALIA	2	0	0	0	0	0.0	0.00
AUSTRIA	13,250	0	625	0	625	0.3	0.00
AZERBAIJAN	0	0	0	0	0	0.0	0.00
BARBADOS	0	0	0	0	9	0.0	0.00
BELGIUM	11,348	0	907	0	907	0.4	0.00
BELARUS	4	0	0	0	1	0.0	0.00
BULGARIA	41	0	3	0	3	0.0	0.00
BOSNIA AND HERZEGOVINA	899	0	46	0	46	0.0	0.00
BRAZIL	8	0	0	0	0	0.0	0.00
CYPRUS	0	0	0	0	0	0.0	0.00
CZECH REPUBLIC	84	0	7	0	7	0.0	0.00
MONTENEGRO	4	0	0	0	0	0.0	0.00
DENMARK	3,233	0	259	0	259	0.1	0.00
EGYPT	2	0	0	0	2	0.0	0.00
FINLAND	0	0	0	0	0	0.0	0.00
FRANCE	25,471	0	2,038	0	2,038	1.0	0.00
GIBRALTAR	10,023	0	802	0	812	0.4	0.00
GREECE	1	0	0	0	0	0.0	0.00
CROATIA	17,084	0	1,244	0	1,244	0.6	0.00
INDIA	2	0	0	0	0	0.0	0.00
IRELAND	3,061	0	245	0	245	0.1	0.00
ITALY	21,875	0	1,721	0	1,721	0.8	0.00
JAPAN	3,087	0	247	0	247	0.1	0.00
SOUTH AFRICA	0	0	0	0	7	0.0	0.00
CANADA	3,197	0	128	0	128	0.1	0.00
KAZAKHSTAN	0	0	0	0	0	0.0	0.00
KYRGYZSTAN	0	0	0	0	3	0.0	0.00
CHINA	1	0	0	0	0	0.0	0.00
KOSOVO	84	0	5	0	5	0.0	0.00
LATVIA	0	0	0	0	0	0.0	0.00
LUXEMBOURG	38,226	0	3,219	0	3,219	1.6	0.00
HUNGARY	8,000	0	639	0	639	0.3	0.00
MACEDONIA	42	0	3	0	3	0.0	0.00

Government	General credit exposures	Trading book exposures	Capital requirements			Capital requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100	110	120
MEXICO	2	0	0	0	4	0.0	0.00
GERMANY	52,622	0	4,064	0	4,064	2.0	0.00
THE NETHERLANDS	66,617	0	5,515	0	5,515	2.7	0.00
NORWAY	2,066	0	33	0	38	0.0	0.00
PERU	6	0	0	0	6	0.0	0.00
POLAND	1	0	0	0	0	0.0	0.00
ROMANIA	21	0	1	0	1	0.0	0.00
RUSSIAN FEDERATION	33	0	2	0	2	0.0	0.00
SYRIA	0	0	0	0	11	0.0	0.00
SLOVAKIA	523	0	25	0	25	0.0	0.00
SLOVENIA	2,955,911	19,516	167,891	1,561	169,453	83.5	0.00
SERBIA	584	0	41	0	41	0.0	0.00
SPAIN	16,782	0	1,343	0	1,343	0.7	0.00
SWEDEN	3,125	0	250	0	250	0.1	0.00
SWITZERLAND	176	0	10	0	10	0.0	0.00
TURKEY	10	0	1	0	1	0.0	0.00
UKRAINE	89	0	4	0	4	0.0	0.00
UNITED KINGDOM	27,147	0	1,979	0	1,979	1.0	0.01
VENEZUELA	0	0	0	0	0	0.0	0.00
VIETNAM	1	0	0	0	8	0.0	0.00
UNITED STATES OF AMERICA	111,240	0	8,046	0	8,046	4.0	0.00
UNITED ARAB EMIRATES	96	0	11	0	11	0.0	0.00
Total	**3,396,079**	**19,516**	**201,352**	**1,561**	**203,079**	**100.0**	**0.02**

7.2 The amount of institution specific countercyclical capital buffer

(Article 440(b) of the Regulation)

Table 15: The amount of institution specific countercyclical capital buffer

€000

		Biser Topco Group	Nova KBM Group
1	Total risk exposure amount	2,936,339	2,975,602
2	Countercyclical capital buffer rate	0.02 %	0.02 %
3	Institution-specific countercyclical capital buffer	587	595

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.

The Group calculates 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.

Expected credit losses (ECLs) are probability-weighted estimate of credit losses over a specified period of time (over 12 months or the expected period) of a financial instrument. Given that expected credit losses take into account the amount and time of payments, a credit loss also occurs if the bank expects to receive a full payment, but later than specified in the contract. The subject of ECL estimate are financial instruments measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI). Financial instruments measured at fair value through profit or loss (FVTPL) are not subject to impairment through calculation of ECLs, but subject to estimate their fair value in accordance with the Loan Fair Value Determining Methodology.

When calculating ECL through risk parameters PD, LGD, EAD, CCF, the Group takes into account, as far as possible, relevant macroeconomic variables.

Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2019 Annual Report of the Nova KBM Group and Nova KBM, in the Notes to the financial statements, Chapter 8.5.6: 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 for sale 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.

The Group calculates 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 in which credit risk has increased significantly from 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, expected loss in case of 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 Bank estimates 12-month expected losses, while for exposures included in the other two stages, it 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 the 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)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 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	b
		Net exposure value	Average net exposures over the period
1	Sovereigns or central banks	1,356,308	1,252,633
2	Regional governments or local authorities	12,420	12,715
3	Public sector entities	98,551	105,659
4	Multilateral development banks	5,061	11,176
5	International organisations	18,768	21,932
6	Institutions	421,803	499,726
7	Corporates	1,367,124	1,370,492
8	of which: Small and medium enterprises (SMEs)	241,573	236,942
9	Retail exposures	1,577,897	1,543,395
10	of which: Small and medium enterprises (SMEs)	341,168	312,776
11	Exposures secured by mortgages on immovable property	703,726	646,769
12	of which: Small and medium enterprises (SMEs)	162,363	152,948
13	Exposures in default	95,714	103,838
14	Items associated with particular high risk	44,230	25,569
15	Covered bonds	0	0
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,899	27,958
18	Equity exposures	4,177	6,494
19	Other exposures	228,595	240,772
20	**Total standardised approach**	**5,962,273**	**5,869,128**

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

€000

		a	b
		Net exposure value	Average net exposures over the period
1	Sovereigns or central banks	1,355,860	1,251,918
2	Regional governments or local authorities	12,420	12,715
3	Public sector entities	98,551	105,659
4	Multilateral development banks	5,061	11,176
5	International organisations	18,768	21,932
6	Institutions	417,203	497,329
7	Corporates	1,366,143	1,369,425
8	of which: Small and medium enterprises (SMEs)	241,573	236,942
9	Retail exposures	1,577,897	1,543,395
10	of which: Small and medium enterprises (SMEs)	341,168	312,776
11	Exposures secured by mortgages on immovable property	703,726	646,769
12	of which: Small and medium enterprises (SMEs)	162,363	152,948
13	Exposures in default	95,714	103,838
14	Items associated with particular high risk	44,230	25,569
15	Covered bonds	0	0
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,899	27,958
18	Equity exposures	4,177	6,494
19	Other exposures	235,872	245,444
20	**Total standardised approach**	**5,963,520**	**5,869,622**

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)

Notes with regard to changes in exposure for the period of 31 December 2018 to 31 December 2019 are given under the section 5.3; but above all, the movement is associated with realisation of the investment strategy, disposal of the NPE portfolio as well as with the implementation of the new CORE system in connection with the quality of data.

In the Table below, 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 for the Biser Topco Group

€000

		a	b	c	d	e	f
		Net exposure value					
		Significant area 1 Member states by CRR	*Slovenia*	*Other member states by CRR*	Significant area 2: Other European countries	Other geographical areas	Total
1	Sovereigns or central banks	1,356,308	1,018,651	337,656	0	0	1,356,308
2	Regional governments or local authorities	3,633	3,633	0	0	8,787	12,420
3	Public sector entities	98,551	67,685	30,866	0	0	98,551
4	Multilateral development banks	5,061	0	5,061	0	0	5,061
5	International organisations	18,768	0	18,768	0	0	18,768
6	Institutions	389,583	23,636	365,947	469	31,751	421,803
7	Corporates	1,241,109	935,524	305,585	10,219	115,797	1,367,124
8	Retail exposures	1,575,932	1,569,692	6,240	1,790	175	1,577,897
9	Exposures secured by mortgages on immovable property	703,171	700,394	2,777	517	38	703,726
10	Exposures in default	95,503	92,333	3,169	117	94	95,714
11	Items associated with particular high risk	44,230	44,230	0	0	0	44,230
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	27,899	27,899	0	0	0	27,899
15	Equity exposures	2,552	2,543	10	0	1,625	4,177
16	Other exposures	228,594	228,541	53	1	0	228,595
17	**Total standardised approach**	**5,790,893**	**4,714,761**	**1,076,131**	**13,113**	**158,267**	**5,962,273**
18	**Total**	**5,790,893**	**4,714,761**	**1,076,131**	**13,113**	**158,267**	**5,962,273**

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

€000

		a	b	c	d	e	f
		Net amount					
		Significant area 1 Member states by CRR	*Slovenia*	*Other member states by CRR*	Significant area 2: Other European countries	Other geographical areas	Total
1	Sovereigns or central banks	1,355,860	1,018,204	337,656	0	0	1,355,860
2	Regional governments or local authorities	3,633	3,633	0	0	8,787	12,420
3	Public sector entities	98,551	67,685	30,866	0	0	98,551
4	Multilateral development banks	5,061	0	5,061	0	0	5,061
5	International organisations	18,768	0	18,768	0	0	18,768
6	Institutions	384,983	20,447	364,536	469	31,751	417,203
7	Corporates	1,240,128	934,543	305,585	10,219	115,797	1,366,143
8	Retail exposures	1,575,932	1,569,692	6,240	1,907	175	1,577,897
9	Exposures secured by mortgages on immovable property	703,171	700,394	2,777	517	38	703,726
10	Exposures in default	95,503	92,333	3,169	117	94	95,714
11	Items associated with particular high risk	44,230	44,230	0	0	0	44,230
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	27,899	27,899	0	0	0	27,899
15	Equity exposures	2,552	2,543	10	0	1,625	4,177
16	Other exposures	235,871	235,818	53	1	0	235,872
17	**Total standardised approach**	**5,792,141**	**4,717,420**	**1,074,721**	**13,113**	**158,267**	**5,963,520**
18	**Total**	**5,792,141**	**4,717,420**	**1,074,721**	**13,113**	**158,267**	**5,963,520**

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

(Article 442(e) of the Regulation)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 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 2019 (the same as at 31 December 2018), the Group discloses the highest net exposure to debtors without activity, which mostly include households. In the context of exposure to corporates, most exposure to debtors is classified to financial and insurance activities (mainly exposure to the banking sector, insurance companies and leasing companies), public administration (which mainly includes exposure to sovereigns) and the manufacturing industry. Compared to the previous year, the largest increase among investment in these activities was observed in exposure to financial and insurance activities. This is in line with the Group's policies identified in the context of its investment strategy and the implementation of the new CORE system.

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

€000

		Agriculture and hunting, forestry, fishing	Mining	Manufacturing iindustry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Catering	IT and communication	Financial and insurance sectors	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Health and social work	Cultural, entertainment and recreational activities	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	773,282	0	0	0	583,026	0	0	0	0	0	0	**1,356,308**
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,420	0	0	0	0	0	0	**12,420**
3	Public sector entities	0	0	0	0	0	0	17	10,460	0	8	10,213	0	1,827	62,748	10,418	304	2,356	201	0	0	0	**98,551**
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	5,061	0	0	0	0	0	0	0	0	0	0	**5,061**
5	International organisations	0	0	0	0	0	0	0	0	0	0	18,768	0	0	0	0	0	0	0	0	0	0	**18,768**
6	Insitutions	0	0	0	0	0	0	0	0	0	0	421,803	0	0	0	0	0	0	0	0	0	0	**421,803**
7	Corporates	3,467	20,398	390,936	93,068	20,674	68,197	168,467	63,801	14,378	59,653	210,811	44,052	137,270	34,924	0	5	19,222	17,775	27	0	0	**1,367,124**
8	Retail exposures	8,008	1,143	67,967	4,451	5,490	60,402	80,266	36,383	11,272	9,478	9,038	1,937	33,150	14,429	537	2,711	2,714	2,287	3,975	4,721	1,217,539	**1,577,897**
9	Exposures secured by mortgages on immovable property	13,153	4,484	110,492	303	5,597	25,196	32,958	13,669	19,444	4,167	4,519	5,963	8,982	2,947	169	1,381	8,250	29,411	698	1,182	410,760	**703,726**
10	Exposures in default	283	0	6,079	70	0	8,236	28,546	1,049	3,160	2,593	425	1,505	1,151	2,302	0	9	7,493	35	58	568	32,153	**95,714**
11	Items associated with particular high risk	0	0	4	0	0	32,763	0	0	4,051	0	0	6,516	895	1	0	0	0	0	0	0	0	**44,230**
12	Covered bonds																						
13	Exposure to institutions and corporates with a short-term credit assessment																						
14	Colective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,899	0	0	0	0	0	0	0	0	0	0	**27,899**
15	Equity exposures	0	0	0	0	0	0	0	0	0	2,444	1,733	0	0	0	0	0	0	0	0	0	0	**4,177**
16	Other exposures	3	0	49	2	5	49	4,158	87	11		216,852	87	34	42	3	3	8	4	4		7,194	**228,595**
17	**Total standardised approach**	**24,913**	**26,025**	**575,528**	**97,894**	**31,766**	**194,844**	**314,411**	**125,449**	**52,316**	**78,275**	**1,700,467**	**60,060**	**183,309**	**117,394**	**606,574**	**4,413**	**40,043**	**49,712**	**4,761**	**6,474**	**1,667,647**	**5,962,273**
18	**Total**	**24,913**	**26,025**	**575,528**	**97,894**	**31,766**	**194,844**	**314,411**	**125,449**	**52,316**	**78,275**	**1,700,467**	**60,060**	**183,309**	**117,394**	**606,574**	**4,413**	**40,043**	**49,712**	**4,761**	**6,474**	**1,667,647**	**5,962,273**

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

€000

		Agriculture and hunting, forestry, fishing	Mining	Manufacturing iindustry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Catering	IT and communication	Financial and insurance sectors	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Health and social work	Cultural, entertainment and recreational activities	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	773,282	0	0	0	582,578	0	0	0	0	0	0	**1,355,860**
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,420	0	0	0	0	0	0	**12,420**
3	Public sector entities	0	0	0	0	0	0	17	10,460	0	8	10,213	0	1,827	62,748	10,418	304	2,356	201	0	0	0	**98,551**
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	5,061	0	0	0	0	0	0	0	0	0	0	**5,061**
5	International organisations	0	0	0	0	0	0	0	0	0	0	18,768	0	0	0	0	0	0	0	0	0	0	**18,768**
6	Insitutions	0	0	0	0	0	0	0	0	0	0	417,203	0	0	0	0	0	0	0	0	0	0	**417,203**
7	Corporates	3,467	20,398	390,936	93,068	20,674	68,197	168,467	62,820	14,378	59,653	210,811	44,052	137,270	34,924	0	5	19,222	17,775	27	0	0	**1,366,143**
8	Retail exposures	8,008	1,143	67,967	4,451	5,490	60,402	80,266	36,383	11,272	9,478	9,038	1,937	33,150	14,429	537	2,711	2,714	2,287	3,975	4,721	1,217,539	**1,577,897**
9	Exposures secured by mortgages on immovable property	13,153	4,484	110,492	303	5,597	25,196	32,958	13,669	19,444	4,167	4,519	5,963	8,982	2,947	169	1,381	8,250	29,411	698	1,182	410,760	**703,726**
10	Exposures in default	283	0	6,079	70	0	8,236	28,546	1,049	3,160	2,593	425	1,505	1,151	2,302	0	9	7,493	35	58	568	32,153	**95,714**
11	Items associated with particular high risk	0	0	4	0	0	32,763	0	0	4,051	0	0	6,516	895	1	0	0	0	0	0	0	0	**44,230**
12	Covered bonds																						
13	Exposure to institutions and corporates with a short-term credit assessment																						
14	Colective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,899	0	0	0	0	0	0	0	0	0	0	**27,899**
15	Equity exposures	0	0	0	0	0	0	0	0	0	2,444	1,733	0	0	0	0	0	0	0	0	0	0	**4,177**
16	Other exposures	3	0	49	2	5	49	4,158	87	11	-68	224,193	87	34	42	3	3	8	4	4	3	7,194	**235,872**
17	**Total standardised approach**	**24,913**	**26,025**	**575,528**	**97,894**	**31,766**	**194,844**	**314,411**	**124,468**	**52,316**	**78,275**	**1,703,144**	**60,060**	**183,309**	**117,394**	**606,126**	**4,413**	**40,043**	**49,712**	**4,761**	**6,474**	**1,667,647**	**5,963,520**
18	**Total**	**24,913**	**26,025**	**575,528**	**97,894**	**31,766**	**194,844**	**314,411**	**124,468**	**52,316**	**78,275**	**1,703,144**	**60,060**	**183,309**	**117,394**	**606,126**	**4,413**	**40,043**	**49,712**	**4,761**	**6,474**	**1,667,647**	**5,963,520**

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

(Article 442(f) of the Regulation)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 are given in section 5.3.

In the Table below, the Group discloses all the net exposures classified in all the exposure classes.

As at 31 December 2019, the Group shows the highest net exposure in the residual maturity band of 1 to 5 years, which has not changed compared to the previous year.

Allocation of exposures increased the most in the residual maturity band above 5 years, within the exposures secured by real estate class. This partly results from the replacement of real estate valuations made by GURS and outdated valuations with valuations made certified valuators.

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	Sovereigns or central banks	107,728	28,894	439,774	5,466	774,446	1,356,308
2	Regional governments or local authorities	110	255	6,311	5,723	22	12,420
3	Public sector entities	659	2,543	95,124	0	225	98,551
4	Multilateral development banks	0	0	5,061	0	0	5,061
5	International organisations	0	4,074	14,694	0	0	18,768
6	Institutions	70,571	58,531	249,431	18,184	25,085	421,803
7	Corporates	93,126	342,958	492,445	438,595	0	1,367,124
8	Retail exposures	230,278	201,275	494,581	604,690	47,073	1,577,897
9	Exposures secured by mortgages on immovable property	15,177	38,702	128,303	521,111	433	703,726
10	Exposures in default	4,250	7,334	37,079	36,120	10,931	95,714
11	Items associated with particular high risk	0	895	39,279	0	4,056	44,230
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	25,337	2,562	27,899
15	Equity exposures	0	0	0	0	4,177	4,177
16	Other exposures	2,402	2,440	1,137	5,482	217,132	228,595
17	**Total standardised approach**	**524,300**	**687,902**	**2,003,219**	**1,660,708**	**1,086,144**	**5,962,273**
18	**Total**	**524,300**	**687,902**	**2,003,219**	**1,660,708**	**1,086,144**	**5,962,273**

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	Sovereigns or central banks	107,728	28,894	439,774	5,466	773,998	1,355,860
2	Regional governments or local authorities	110	255	6,311	5,723	22	12,420
3	Public sector entities	659	2,543	95,124	0	225	98,551
4	Multilateral development banks	0	0	5,061	0	0	5,061
5	International organisations	0	4,074	14,694	0	0	18,768
6	Institutions	70,571	58,531	249,431	18,184	20,485	417,203
7	Corporates	93,126	342,958	491,464	438,595	0	1,366,143
8	Retail exposures	230,278	201,275	494,581	604,690	47,073	1,577,897
9	Exposures secured by mortgages on immovable property	15,177	38,702	128,303	521,111	433	703,726
10	Exposures in default	4,250	7,334	37,079	36,120	10,931	95,714
11	Items associated with particular high risk	0	895	39,279	0	4,056	44,230
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	25,337	2,562	27,899
15	Equity exposures	0	0	0	0	4,177	4,177
16	Other exposures	2,402	2,440	1,137	5,482	224,409	235,872
17	**Total standardised approach**	**524,300**	**687,902**	**2,002,238**	**1,660,708**	**1,088,373**	**5,963,520**
18	**Total**	**524,300**	**687,902**	**2,002,238**	**1,660,708**	**1,088,373**	**5,963,520**

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)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 are given in section 5.3.

The Group discloses all gross exposures, adjustments, write-offs, and net exposures classified in all the exposure classes.

Notes with regard to movements in special value adjustments are given in section 9.2.10.

Movements in non-performing exposures and associated 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
		defaulted exposures	non-defaulted exposures					(a+b–c–d)
1	Sovereigns or central banks	0	1,356,507	199	0	30	-186	1,356,308
2	Regional governments or local authorities	0	12,966	546	0	0	-88	12,420
3	Public sector entities	0	98,655	104	0	0	-137	98,551
4	Multilateral development banks	0	5,061	0	0	0	0	5,061
5	International organisations	0	18,768	0	0	0	-1	18,768
6	Institutions	0	421,864	61	0	0	-43	421,803
7	Corporates	0	1,378,613	11,489	0	0	2,323	1,367,124
8	of which: Small and medium enterprises	0	244,374	2,801	0	0	-1,110	241,573
9	Retail exposures	0	1,585,379	7,482	0	-17	2,045	1,577,897
10	of which: Small and medium enterprises	0	344,802	3,634	0	-17	1,869	341,168
11	Exposures secured by mortgages on immovable property	0	705,247	1,521	0	0	713	703,726
12	of which: Small and medium enterprises	0	162,993	630	0	0	243	162,363
13	Exposures in default	157,955	80	62,322	0	149,089	-109,336	95,714
14	Items associated with particular high risk	4	44,392	167	0	8,044	-21,520	44,230
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	27,899	0	0	0	0	27,899
18	Equity exposures	0	4,177	0	0	0	0	4,177
19	Other exposures	0	228,826	231	0	0	229	228,595
20	**Total standardised approach**	**157,959**	**5,888,435**	**84,122**	**0**	**157,147**	**-126,001**	**5,962,273**
21	**Total**	**157,959**	**5,888,435**	**84,122**	**0**	**157,147**	**-126,001**	**5,962,273**
22	Of which: loans	132,424	2,485,457	70,751	0	157,147	-121,762	2,547,130
23	Of which: debt securities	0	1,162,785	368	0	0	-496	1,162,417
24	Of which: off- balance-sheet exposures	9,417	915,186	3,918	0	0	-1,746	920,685

Template 18: EU CR1-A – Credit quality of exposures by exposure class and instruments 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 (a+b–c–d)
		defaulted exposures	non-defaulted exposures					
1	Sovereigns or central banks	0	1,356,059	199	0	30	-186	1,355,860
2	Regional governments or local authorities	0	12,966	546	0	0	-88	12,420
3	Public sector entities	0	98,655	104	0	0	-137	98,551
4	Multilateral development banks	0	5,061	0	0	0	0	5,061
5	International organisations	0	18,768	0	0	0	-1	18,768
6	Institutions	0	417,264	61	0	0	-43	417,203
7	Corporates	0	1,377,632	11,489	0	0	2,323	1,366,143
8	of which: Small and medium enterprises	0	244,374	2,801	0	0	-1,110	241,573
9	Retail exposures	0	1,585,379	7,482	0	-17	2,045	1,577,897
10	of which: Small and medium enterprises	0	344,802	3,634	0	-17	1,869	341,168
11	Exposures secured by mortgages on immovable property	0	705,247	1,521	0	0	713	703,726
12	of which: Small and medium enterprises	0	162,993	630	0	0	243	162,363
13	Exposures in default	157,955	80	62,322	0	149,089	-109,336	95,714
14	Items associated with particular high risk	4	44,392	167	0	8,044	-21,520	44,230
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	27,899	0	0	0	0	27,899
18	Equity exposures	0	4,177	0	0	0	0	4,177
19	Other exposures	0	236,103	231	0	0	229	235,872
20	**Total standardised approach**	**157,959**	**5,889,683**	**84,122**	**0**	**157,147**	**-126,001**	**5,963,520**
21	**Total**	**157,959**	**5,889,683**	**84,122**	**0**	**157,147**	**-126,001**	**5,963,520**
22	Of which: loans	132,424	2,485,457	70,751	0	157,147	-121,762	2,547,130
23	Of which: debt securities	0	1,161,356	368	0	0	-496	1,160,988
24	Of which: off- balance-sheet exposures	9,417	915,186	3,918	0	0	-1,746	920,685

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)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 are given in section 5.3.

The Group discloses all the gross exposures, adjustments, write-offs, and net exposures classified by sectors of activity.

As at 31 December 2019, the Group discloses the highest net exposure to debtors without activity, which mostly include households. In the context of exposure to corporates, most exposure to debtors is classified to financial and insurance activities (mainly exposure to the banking sector, insurance companies and leasing companies), public administration (which mainly includes exposure to sovereigns) and the manufacturing industry. Compared to the previous year, the largest decrease among investment in these activities was observed in exposure to public administration, which mainly includes exposure to sovereigns. This is in line with the Group's policies identified in the context of its investment strategy.

Movements in the specific and general credit risk adjustments are detailed in chapter 9.2.10.

Movements in non-performing exposures and associated 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						
		defaulted exposures	non-defaulted exposures	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)
1	Agriculture and hunting, forestry, fishing	356	24,917	360	0	3,807	-4,180	**24,913**
2	Mining	0	26,087	62	0	0	25	**26,025**
3	Manufacturing industry	8,251	573,376	6,099	0	40,431	-41,485	**575,528**
4	Electricity, gas and steam supply	122	98,305	533	0	13	-313	**97,894**
5	Water supply	10	32,647	891	0	506	354	**31,766**
6	Construction	11,940	187,521	4,617	0	33,961	-23,174	**194,844**
7	Wholesale and retail trade	45,296	288,644	19,529	0	14,991	-19,542	**314,411**
8	Transportation and storage	1,740	124,960	1,250	0	465	-547	**125,449**
9	Catering	8,143	49,527	5,355	0	14,137	-5,208	**52,316**
10	IT and communication	3,834	76,687	2,246	0	1,512	-610	**78,275**
11	Financial and insurance sectors	917	1,701,969	2,419	0	380	425	**1,700,467**
12	Real estate activities	2,999	58,932	1,871	0	18,675	-16,899	**60,060**
13	Professional, scientific and technical activities	2,783	183,020	2,494	0	8,577	-6,681	**183,309**
14	Other various business activities	2,703	115,499	808	0	465	-85	**117,394**
15	Public administration and defence services, compulsory social security activities	0	607,322	749	0	285	-511	**606,574**
16	Education	31	4,442	61	0	1	-72	**4,413**
17	Health and social work	7,889	34,584	2,430	0	0	1,928	**40,043**
18	Cultural, entertainment and recreational activities	61	49,834	183	0	380	-303	**49,712**
19	Other activities	60,884	1,650,163	32,166	0	18,562	-9,124	**1,678,881**
20	**Total**	**157,959**	**5,888,435**	**84,122**	**0**	**157,147**	**-126,001**	**5,962,273**

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						
		defaulted exposures	non-defaulted exposures	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)
1	Agriculture and hunting, forestry, fishing	356	24,917	360	0	3,807	-4,180	**24,913**
2	Mining	0	26,087	62	0	0	25	**26,025**
3	Manufacturing industry	8,251	573,376	6,099	0	40,431	-41,485	**575,528**
4	Electricity, gas and steam supply	122	98,305	533	0	13	-313	**97,894**
5	Water supply	10	32,647	891	0	506	354	**31,766**
6	Construction	11,940	187,521	4,617	0	33,961	-23,174	**194,844**
7	Wholesale and retail trade	45,296	288,644	19,529	0	14,991	-19,542	**314,411**
8	Transportation and storage	1,740	123,978	1,250	0	465	-547	**124,468**
9	Catering	8,143	49,527	5,355	0	14,137	-5,208	**52,316**
10	IT and communication	3,834	76,687	2,246	0	1,512	-610	**78,275**
11	Financial and insurance sectors	917	1,704,646	2,419	0	380	425	**1,703,144**
12	Real estate activities	2,999	58,932	1,871	0	18,675	-16,899	**60,060**
13	Professional, scientific and technical activities	2,783	183,020	2,494	0	8,577	-6,681	**183,309**
14	Other various business activities	2,703	115,499	808	0	465	-85	**117,394**
15	Public administration and defence services, compulsory social security activities	0	606,874	749	0	285	-511	**606,126**
16	Education	31	4,442	61	0	1	-72	**4,413**
17	Health and social work	7,889	34,584	2,430	0	0	1,928	**40,043**
18	Cultural, entertainment and recreational activities	61	49,834	183	0	380	-303	**49,712**
19	Other activities	60,884	1,650,163	32,166	0	18,562	-9,124	**1,678,881**
20	**Total**	**157,959**	**5,889,683**	**84,122**	**0**	**157,147**	**-126,001**	**5,963,520**

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)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 are given in section 5.3.

The Group classifies among other Member States according to the 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.

Movements in the specific and general credit risk adjustments are detailed in chapter 9.2.10.

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

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 Member states by CRR	**157,656**	**5,716,781**	**83,533**	**0**	**145,318**	**-122,792**	**5,790,903**
2	Slovenia	152,367	4,639,236	76,831	0	126,793	-110,364	**4,714,772**
3	Other countries by CRR	5,289	1,077,545	6,702	0	18,525	-12,428	**1,076,131**
4	Significant area 2: Other European countries	202	13,213	302	0	11,829	-3,106	**13,113**
5	Other geographical areas	102	158,442	287	0	0	-103	**158,257**
19	**Total**	**157,959**	**5,888,435**	**84,122**	**0**	**157,147**	**-126,001**	**5,962,273**

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 Member states by CRR	**157,656**	**5,718,028**	**83,533**	**0**	**145,318**	**-122,792**	**5,792,151**
2	Slovenia	152,367	4,641,894	76,831	0	126,793	-110,364	**4,717,430**
3	Other countries by CRR	5,289	1,076,134	6,702	0	18,525	-12,428	**1,074,721**
4	Significant area 2: Other European countries	202	13,213	302	0	11,829	-3,106	**13,113**
5	Other geographical areas	102	158,442	287	0	0	-103	**158,257**
19	**Total**	**157,959**	**5,889,683**	**84,122**	**0**	**157,147**	**-126,001**	**5,963,520**

9.2.8 Disclosure of ageing of past-due exposures

(Article 442(a) of the Regulation)

The total amount of past-due exposures amounted in 2019 to €195.2 million; and compared to 2018, the amount decreased by €81.0 million. The most significant decrease in exposures in 2019 were recorded in the past-due band of 1 year and over (€124.3 million) as a result of active implementation of the strategy of reducing non-performing exposures as presented in section 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	100,129	12,372	13,733	6,230	7,054	55,701
2	Debt securities	0	0	0	0	0	0
3	**Total exposures**	**100,129**	**12,372**	**13,733**	**6,230**	**7,054**	**55,701**

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	1,163,145	0	0	0	0	0	0	369	0	0	0	0	0
020	Loans and advances	3,711,981	23,291	74,227	148,396	148,396	124,452	58,532	19,349	3,277	60,409	17,382	56,725	31,096
030	Off-balance-sheet exposures	924,617	0	3,544	9,417	9,417	9,417	180	2,064	1	1,871	75	611	105

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	1,161,716	0	0	0	0	0	0	369	0	0	0	0	0
020	Loans and advances	3,707,381	23,291	74,227	148,396	148,396	124,452	58,532	19,349	3,277	60,409	17,382	56,725	31,096
030	Off-balance-sheet exposures	924,617	0	3,544	9,417	9,417	9,417	180	2,064	1	1,871	75	611	105

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 2019, the amount of non-performing exposures in the Nova KBM Group decreased from €346.4 million to €157.8 million. At the end of 2019, the Group had €66.3 million less non-performing forborne exposures than at the end of 2018. 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 change in accumulated specific credit risk adjustments in 2019 is mainly due to the implementation of the non-performing exposures reduction 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**	–193,360	–
2	Increases due to amounts set aside for estimated loan losses during the period	–9,870	–
3	Decreases due to amounts reversed for estimated loan losses during the period	22,450	–
4	Decreases of write-offs taken against accumulated credit risk adjustments	100,471	–
5	Transfers between credit risk adjustments	5,358	–
6	Impact of exchange rate differences	0	–
7	Business combinations, including acquisitions and disposals of subsidiaries	0	–
8	Other adjustments	5	–
9	**Closing balance**	–74,946	–
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss	–	–
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	–19,470	–

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**	–193,360	–
2	Increases due to amounts set aside for estimated loan losses during the period	–9,870	–
3	Decreases due to amounts reversed for estimated loan losses during the period	22,450	–
4	Decreases of write-offs taken against accumulated credit risk adjustments	100,471	–
5	Transfers between credit risk adjustments	5,358	–
6	Impact of exchange rate differences	0	–
7	Business combinations, including acquisitions and disposals of subsidiaries	0	–
8	Other adjustments	5	–
9	**Closing balance**	–74,946	–
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss	–	–
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	–19,470	–

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 2019, the total volume of defaulted exposures declined by €180 million. The largest portion of decline is taken by the item Other changes, where the amount decreased by €197 million for the reasons, such as repayment of claims by €42 million, sales of claims in the amount of €133 million, repayments from liquidation and bankruptcy proceedings of €22 million. They are followed by write-offs the amount of which decreased by €15 million, and customers that became profitable, in the amount of €10 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**	**328,295**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	42,152
3	Returned to non-defaulted status	–10,326
4	Amounts written off	–14,661
5	Other changes	–197,064
6	**Closing balance**	**148,396**

10 Unencumbered and encumbered assets

(Article 443 of the Regulation)

This Chapter defines disclosure requirements referred to in Part Eight 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**	234,341	234,341			4,861,727	1,526,573		
030	Equity instruments	0	0			48,280	0		
040	Debt securities	234,341	234,341	231,066	231,066	1,018,953	830,468	1,022,709	835,159
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	66,042	66,042	62,622	62,622	594,457	593,746	598,109	597,841
080	of which: issued by financial corporations	149,049	149,049	149,066	149,066	314,343	192,340	314,365	192,351
090	of which: issued by non-financial corporations	19,249	19,249	19,379	19,379	110,154	44,382	110,235	44,967
120	Other assets	0	0			3,794,494	696,105		

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 elligible 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	234,341	234,341		

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 ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**197,619**	**234,341**
011	of which: central banks	197,619	234,341

The Bank provides insurance in line with applicable regulations and legislation. The main reason of asset encumbrance arises from rental 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 4.6 % on average. This percentage is made by securities. Compared to 2018, 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 d.d. The largest item among unencumbered assets is „Other assets“ (79 %).

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 2019, the Bank did not change the appointed reference external credit assessment agencies for the purpose of calculating capital requirements. It appointed Moody's as a reference external credit assessment agency for the exposure classes as defined in section 11.2.

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 of the Group appointed Moody's as a reference external credit assessment institution (ECAI) to calculate risk-weighted exposure amounts for the following exposure classes:

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

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 and the debtor or 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 later 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 2018 and 31 December 2019 are given in section 5.3.

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

€000

	Exposure classes	Risk weight															Deducted	Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other			
1	Sovereigns or central banks	1,384,477	0	0	92,799	0	0	0	0	0	0	0	0	0	0	17,679	0	**1,494,955**	4,595
2	Regional governments or local authorities	0	0	0	0	12,354	0	0	0	0	0	0	0	0	0	0	0	**12,354**	3,567
3	Public sector entities	20,406	0	0	0	10,460	0	0	0	0	3,813	0	0	0	0	0	0	**34,679**	3,813
4	Multilateral development banks	5,061	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**5,061**	0
5	International organisations	658	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**658**	0
6	Institutions	0	0	0	0	245,038	0	135,686	0	0	958	0	0	0	0	0	-60,215	**321,466**	10,550
7	Corporates	0	0	0	0	2,066	0	76,135	0	0	899,722	42,237	0	0	0	0	0	**1,020,159**	718,580
8	Retail exposures	0	0	0	0	0	0	0	0	1,319,184	0	0	0	0	0	0	0	**1,319,184**	1,319,184
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	419,586	250,685	0	0	0	0	0	0	0	0	0	**670,272**	670,272
10	Exposures in default	0	0	0	0	0	0	0	0	0	60,310	29,286	0	0	0	0	0	**89,597**	89,596
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	25,492	0	0	0	0	0	**25,492**	25,492
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	2,562	0	0	0	0	25,337	0	**27,899**	2,562
15	Equity instruments	0	0	0	0	0	0	0	0	0	1,733	0	2,444	0	0	0	0	**4,177**	4,177
16	Other items	50,020	0	0	0	41,272	0	0	0	0	136,809	0	0	0	0	0	0	**228,101**	2,676
17	**Total**	**1,460,621**	**0**	**0**	**92,799**	**311,190**	**419,586**	**462,506**	**0**	**1,319,184**	**1,105,909**	**97,014**	**2,444**	**0**	**0**	**43,016**	**-60,215**	**5,254,054**	**2,855,066**

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	Sovereigns 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	316	0	0	0	0	0	0	316	0
7	Corporates	0	0	0	0	0	0	0	0	3,915	0	0	3,915	3,915
8	Retail exposures	0	0	0	0	0	0	0	909	0	0	0	909	909
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	80
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**	**316**	**0**	**0**	**909**	**3,915**	**80**	**0**	**5,220**	**4,904**

12 Market risk

(Article 445 of the Regulation)

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

The table below presents risk-weighted exposure to market risk at the reporting date, 31 December 2019. The change in risk-weighted exposure to market risk that occurred in 2019 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 and Nova KBM Groups

€000

		RWAs	Capital requirements
1	Outright products		
2	Interest rate risk (general and specific)	27	2
3	Equity risk (general and specific)	19,489	1,559
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**	**19,516**	**1,561**

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, the operational risk management by 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 CRR), 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, outsourcing risk, and data quality 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 (more than one financial year). The Bank defined as 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 that produced no direct financial impact on PLA, but produced an effect of regulatory nature, or an effect relating to customers, market/competitors, and/or reputation with no financial effects, while having the potential to cause such effects.

A potential operational risk event is the event with no financial effects, while having the potential to cause such effects.

The Nova KBM Group calculates capital requirements for operational risk in line with Pillar 1 using the Basic Indicator Approach (BIA), and in line with Pillar 2 on the basis of the Group's own models derived from operational risk loss events, non-financial and potential operational risk events, and self-assessments of operational risk carried out, and from key operational risk indicators. 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, and on a quarterly basis, it is dealt with by the Operational Risk Committee, which is an advisory body to the Management Board, and the task of which is to 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 is ensured to take action even in case of high level of risks identified. Additional information on the powers, responsibilities and members of the Operational Risk Committee is available in section 2.1.2.2 of this report.

In 2019, the Bank switched to a new core information system, which influenced the mitigation of operational risk in various areas. The Bank paid particular attention to the quality of data about operational risk events, quality of reports, upgrade of the operational risk event reporting application, operational risk management measures, upgrade of ICAAP internal models, risk appetite, outsourcing of services, and operational risk education.

Operational risk under Pillar 1 for the Biser Topco and Nova KBM Groups

The Group calculates capital requirements for operational risk under Pillar 1 in line with Article 315 of CRR using a simple approach. In accordance with the provisions of CRR, the Group calculates the relevant indicator once a year, and its trend results from movements of relevant items of profit and loss taken into account when calculating the indicator concerned.

Table 16: Exposure and risk management reporting

€000

		Risk-weighted exposures	Capital requirements
1	Biser Topco Group	266,253	**21,300**
2	Nova KBM Group	300,141	**24,011**

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 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 17: Investment value of equity instruments by purpose

€000

Type of investment	Investment value as at 31/12/2019	Investment value as at 31/12/2018
Investments needed for regular operations of the Group	29,415	27,713
Investments in equities and funds with an exit strategy	16,461	18,048
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions	0	0
Total	**45,876**	**45,762**

The accounting techniques and valuation methodologies used, including key assumptions and practices, are set out in the 2019 Annual Report of the Nova KBM Group and Nova KBM d.d., in Note 10: 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 2019, the Group's balance sheet value of financial instruments traded on the stock market was €9.8 million.

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 18: Investment value of equity instruments by instrument type

€000

Exposure types	Exposure amount as at 31/12/2019	Exposure amount as at 31/12/2018
Quoted shares	9,843	11,792
Unquoted shares	5,680	4,082
Mutual fund units	2,562	2,277
Investments in non-public companies	2,455	2,390
Bank Resolution Fund	25,337	25,222
Total	**45,876**	**45,762**

As at 31 December 2019, equity portfolio exposure remained almost unchanged compared to the previous year, although there were some changes within portfolio. The shares of Intereuropa d.d. (IEKG and IEKN) were sold. The value of the investment in Petrol d.d. has increased. Following a revaluation, the value of the investment in Terme Olimia d.d. also increased.

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 2019 Nova KBM completed the sale of 77 % of its equity interest in KBM Infond d.o.o. to Sava Re company.

The net effect from the sale of KBM Infond d.o.o. on Nova KBM 's net profit for the financial year amounts to €20,758 thousand (including corporate income tax). The effect from the sale at the consolidated level amounts to €16,531 thousand. The difference of €4,227 thousand represents the post acquisition reserve of the subsidiary KBM Infond d.o.o.

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)

As at 31 December 2019, in accordance with the applicable legislation, the Group included in its CET1 capital 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 2019.

Table 19: Amounts deducted from common equity Tier 1 capital

€000

Item	Biser Topco Group
Unrealised gains or losses on revaluation of financial instruments	**–8,214**
Deductions	**–54,810**
Loss reported for the current financial year	0
Intangible assets	–31,643
Deferred tax assets that are attributable to future profits and do not arise from temporary differences	–27,379
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. As many as 98 % 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 kreditna banka Maribor 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 options in the management of interest rate risk. In 2019, the Group allocated additional capital for option risk and will keep allocating it al long as it puts in place the model to account for early repayment of loans. The Group calculates a 1-year impact of prepaid loans on net interest income, and took this effect into account in the capital requirement for interest rate risk. For the euro currency, the Group classifies demand deposits into core deposits and non-core deposits based on the results of the 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 separate models for the corporate sector and households. Based on the models referred to above, the Group classified as core deposits 42.1 % of demand deposits from households and 35 % corporate demand deposits as at 31 December 2019. 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 to be classified into a particular time bucket is calculated at least twice 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 properly manage interest rate risk, the Group calculates monthly the impact of various curve shifts on its economic value of equity (EVE) to determine whether, under the stress test scenario, which is based on a +/–200 basis points change, the loss is within the limits and if it 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 EUR, USD, and CHF interest rates 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 Group uses in interest rate risk monitoring and management the basis point value method. 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 needs 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 (NII), where it takes into account the interest rate floor by each product in cases of sudden shifts in the yield curve (day-to-day internal management scenarios): The Group distinguishes among quantitative and qualitative shocks.

The Group has identified the following scenarios:

- Shock on the basis of past market data
- Shock on the basis of predicted market data
- VaR based upward and downward shock (yield curve shift based on its volatility during the previous year, with 95 % confidence interval)
- Parallel shift upwards and downwards (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)
- Flattener yield curve scenario (the Group 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)
- Steepener yield curve scenario (increase in long-term interest rates with a slight rise in short-term interest rates).

The result of the scenario with the worst impact on the sum min(0;ΔEVE) and min(0;ΔNII) is one portion of the capital requirement for interest rate risk, while the another portion is additional capital that the Bank will keep allocating as long as it puts in place the model to account for early repayment of loans.

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 yield curve shift by +/–200 basis points, the Group carries out also other upward and downward shifts in the yield curves of various proportions in line with the EBA Guidelines on interest rate risk management arising from non-trading activities (July 2018).

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
- 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 9.3.2 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 by time buckets, which are set separately for each key currency (EUR, USD and CHF). 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 of Regulation (EU) No 575/2013.

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 issued its first Remuneration Policy 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.

The amendments updating Annex I and Annex II – the adjustment of variable remuneration requiring deferral of payment, and the Identification of employees whose professional activities have a significant impact on the Bank's risk profile – the basis for the 2018 and 2019 annual self-assessments, which became effective on 1 January 2019, were discussed by the Management Board on 17 December 2018, the Supervisory Board's Remuneration Committee at its first by-correspondence session, on 19 December 2018, and they were approved at the 95th Supervisory Board by-correspondence session, on 20 December 2018.

In 2019, amendments to the Remuneration Policy were discussed two more times.
The first amendments concerned the revisions in section 4.4.3.2, where the factors to be considered in deciding on change, reduction or non-payment of variable remuneration, and an increase in variable remuneration, regardless of the assessment obtained, were included. Annex I increased the level of variable remuneration for categories I, II, and III of identified employees. In Annex II, the following were added to the identified persons: Director of the Physical and Information Security Management Department and Personal Data Protection Officer. These amendments were discussed by the Bank's Management Board on its 9th meeting held on 16 April 2019, the Supervisory Board's Remuneration Committee at its 3rd by-correspondence session, on 18 April 2019, and the Supervisory Board approved them at its 114th by-correspondence session held on 23 and 24 April 2019.

Under the second amendments, a member of the Management Board in charge of risk management was included in the control functions, while Director of the Strategic Risk Management Department was cancelled. Annex I increased the amount of variable remuneration for control functions and procurators as well as other identified employees. These amendments were discussed by the Bank's Management Board as its daily decision issued on 6 September 2019, the Supervisory Board's Remuneration Committee discussed them at its 8th regular meeting held on 8 September 2019, and the Supervisory Board approved them at its 24th regular meeting held on 9 September 2019.

In 2019, the Supervisory Board's Remuneration Committee held two regular meetings and four by-correspondence sessions. In 2019, the Remuneration Committee comprised the following persons:
- Andrzej Klesyk, Chair
- Alexander Saveliev, Deputy Chair, and
- Michele Rabà, member.

All Remuneration Committee members are members of the Supervisory Board. In 2019, the Remuneration Committee did not used external expert services in its work.

In accordance with the ZBan-2, the Supervisory Board's 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 other 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 remuneration of identified employees in independent control functions, which include: a member of the Management Board responsible for risk management, the Internal Audit Office, and the 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, and the Controlling Department in relevant fields of expertise and, if necessary, seek advice from external consultants.

The role of independent control functions:
The Strategic Risk Management Department participates in defining of and informs on the definition of performance criteria that take into account assumed risks (including ex-post adjustments), and assesses how the structure of variable remuneration affects the risk profile and risk-assuming culture of the Bank. The Strategic Risk Management Department approves

and evaluates risk adjustment data and is invited to participate at the Remuneration Committee meetings when these topics are discussed.

The Compliance Office analyses how the remuneration policy affects the Bank's compliance with the laws, regulations, internal policies, and the risk-assuming culture, and has to report to the Management Board and the Supervisory Board on all identified compliance risks and non-compliance issues. Findings of the Compliance Office have to be taken into account by the Supervisory Board in Remuneration Policy approvals, review procedures, and monitoring.

At least once a year, **the Internal Audit Office** conducts an independent review of the design, implementation, and effects of the Bank's Remuneration Policies on its risk profile and the method of addressing these effects – in accordance with 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.

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, 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 applies to all income of employees in the Bank (fixed and variable), with a focus on the categories of employees whose professional activities have a significant impact on Bank’s risk profile.

The Policy complies with the Bank’s performance targets (as reflected in the Bank's annual Business Plan, which is reasonably considered an integral part of this Remuneration Policy), for business areas and employees of the Bank, its business strategy and risk management strategy, corporate culture and values, long-term interests of the Bank, and the measures taken to prevent conflicts of interests. The goal of this area is to put in place 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 an irresponsible manner, disproportionately excessive risks or the risks exceeding the Bank’s risk-bearing capacity.

The variable remuneration awarded is based on the performance of the Bank, its business units and its employees, and takes into account the risks assumed. The Remuneration policy related to the variable remuneration and performance assessment clearly distinguishes between the effects of business units operations and the corporate and control functions. The Remuneration policy helps the Bank achieve and maintain its target capital base.

Principles of the Remuneration Policy apply to all documents governing the rewarding of performance of Nova KBM d.d. employees. These are: The Rules on Monitoring, Assessing and Rewarding Performance of Nova KBM d.d. Employees, with the following supplements: SIP schemes for employees in the areas of retail banking, corporate banking, and the Workout Department. Principles of the Remuneration Policy are also incorporated in remuneration policies of subsidiaries.

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 achieving the objectives related to their functions, independently of the performance of the business areas they control.

The Bank includes the effect of variable remuneration – both immediate and deferred amounts – in its capital and liquidity planning and in its overall assessment of adequate internal capital.

The total variable remuneration awarded by the Bank cannot restrict the Bank's ability to maintain or renew its capital base in the long run in line with the Group's Risk Appetite Framework; and has to take account of the interests of shareholders and owners, depositors, investors, and other stakeholders. Variable remuneration may not be awarded or paid if it would make the capital base to fall below the minimum capital requirement as set out in the SREP decision.
The Bank takes these requirements into account when determining:

- The total amount of variable remuneration that may be awarded for the particular year, and
- The amount of variable remuneration paid or due in that year

If the Bank has no solid capital base or the soundness of the capital base is at risk, the following measures have to be taken with respect to variable remuneration:

- Reducing the budget for variable remuneration, including the possibility of reducing this remuneration to zero
- Taking necessary measures to adjust the performance, in particular maluses
- Using the Bank's net profit for that year and possibly for subsequent years for the purpose of strengthening the capital base. In subsequent years, the Bank may neither substitute any reduction in variable remuneration made in order to provide a solid capital base nor replace it with other payments, instruments or methods that may result in avoiding this provision

Once a year, the Bank shall conduct a self-assessment of the adequacy of identification of employees having a significant impact on the risk profile of the Bank, based on qualitative and quantitative criteria referred to in Commission Delegated Regulation (EU) No 604/2014. In order to be included in the list of identified employees, an individual has to be a senior manager, a key function holder, or identified staff member, and has to fulfil an additional condition, i.e. to be considered an employee whose professional activities have a significant impact on the Bank's risk profile for at least three months of the financial year.

In Nova KBM d.d., the category of employees whose professional activities have a significant impact on the Bank's 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 Information Technology Management
- Director of Operations
- Director of Strategic Risk Management
- Director of Corporate Communications and Strategic Marketing
- Director of Business Analytics, Planning and Unit Profitability
- Director of Physical and Information Security Management
- Personal Data Protection Officer
- 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.

In 2019, the list of directors, senior managers, key function holders, and identified employees was amended twice.
The first amendment was made with effect of 1 May 2019 and concerned two additionally identified functions. The following were added to the list of identified employees:
- Personal Data Protection Officer, and
- Director of Physical and Information Security Management.

The list of directors, senior managers, key function holders, and identified employees was discussed by the Bank's Management Board on 6 May 2019. Based on that, the Remuneration Policy of Nova KBM d.d., Annex II thereof: Definition of employees whose professional activities have a significant impact on the Bank's risk profile, was revised. This Remuneration Policy of Nova KBM d.d. was discussed by the Supervisory Board's Remuneration Committee, and the Supervisory Board approved it at its 114th by-correspondence session held on 25 April 2019.

The second amendment was made with effect of 19 October 2019 and resulted from reorganisation, which came into effect on 1 October 2019.
Data Quality Management Department and Central Operations Department were deleted from the list. The following two departments were added to the list:
- Information Technology Management, and
- Real Estate Management.

The following department names were changed:
- Retail Product and Segment Development Department changed its name into Retail and Corporate Product and Segment Development
- Administrative Support was renamed to Operations Department.

The Management Board of the Bank discussed these corrections on 14 November 2019, and they have been in effect since 19 October 2019. The Remuneration Policy of Nova KBM d.d., Annex II thereof: Identification of employees whose professional activities have a significant impact on the Bank's risk profile, will be revised at the first Remuneration Policy update.

In order to be included in the list of identified employees, an individual has to be:

1. Senior Manager – these are directors that manage organisational units, independently make decisions regarding personnel and organisation, and enter into legal transactions in accordance with their powers, and additionally fulfil the following two conditions:
    - Report directly to the Management Board, and
    - Perform an executive function.

2. Key Function Holders – These are directors that manage organisational units, independently make decisions regarding personnel and organisation, and enter into legal transactions in accordance with their powers, and additionally fulfil one of the following two conditions:
   - Are part of senior management
   - Manage internal control functions and appropriate internal control mechanisms, including appropriate administrative and accounting procedures

3. Identified Staff – These are directors that manage organisational units, independently make decisions regarding personnel and organisation, and enter into legal transactions in accordance with their powers, and additionally fulfil one of the following two conditions:
   - Are part of senior management
   - Manage control and other functions under which they have an impact on the preparation of bases (strategies, policies) for making important decisions by the Bank's Management Board

At the same time, they have to fulfil an additional condition, i.e. to be considered an employee whose professional activities have a significant impact on the Bank's risk profile for at least three months of the financial year.

Additional criteria considered in identifying employees who have a significant impact on the Bank's risk profile included the employee's influence on the preparation of bases (strategies, policies) for making important decisions by the Bank's Management Board. Consequently, based on these criteria, the following functions in the Bank were additionally identified:
- Authorised representatives (procurators)
- Director of Anti-Money Laundering Office
- Director of Administrative Support/Director of Operations
- Director of Central Operations
- Director of Workout
- Director of Corporate Communications and Strategic Marketing
- Personal Data Protection Officer, and
- Director of Physical and Information Security Management.

In KBM Infond d.o.o. between 1 January 2019 and 11 June 2019, when the sale of 77-percent interest in the company was completed, the list of employees whose professional activities significantly influenced the Bank's risk profile included the following categories:
- Chair and members of the Supervisory Board
- Management Board members
- Director of Investment Management
- Director of Accounting
- Director of Marketing and Sales
- Legal adviser
- Compliance Officer
- Risk Officer
- Employees in the area of investment management.

In Summit Leasing Slovenia, d.o.o., the category of employees whose professional activities have a significant impact on the Bank's risk profile comprises:
- Chair and members of the Supervisory Board
- Director
- Deputy Director
- Area director in the organisation unit Management
- Head of Compliance and AML office.

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)

In 2017, the Bank launched the project called „Performance Management Framework“, in which, also in 2019, all employees were provided with the organisation’s objectives by their superiors (Growth and Profitability, Client Excellence, Risk Management and Compliance, Operational Efficiency, and Culture and Talents), organisational goals of the unit, and individual goals for each employee, all of them 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.

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)

The Bank's Management Board will be assessed by the Supervisory Board.
The President of the Bank's Management Board will provide the Supervisory Board with a proposal assessment for the other members of the Management Board on the basis of performance management indicators.
The variable component of remuneration provided to Management Board members is determined by a decision of the Supervisory Board following the approval of annual report.
Depending on the percentage achieved, the amount of variable remuneration of an identified employee according to this item is up to (percentage of the gross annual salary of the employee to which the criteria apply):

Table 20: Amount of variable remuneration for the Management Board (excluding the Management Board member responsible for risk management)

	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 %–80 %
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 € 75,000.00 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 approval of the annual report, 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.

For awards in excess of € 250,000.00 gross, the proportion referenced above reverts to 40% paid in cash and 60% paid in share-linked instruments or other equivalent non-cash instruments.

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: Management Board member responsible for risk management, Director of Compliance Office, and Director of Internal Audit Office (to be adopted by the Bank’s Management Board; and in case of the Management Board member responsible for risk management, to be discussed by the Remuneration Committee and adopted by the Supervisory Board)

Remuneration of employees engaged in control functions is mostly fixed, reflecting the nature of their responsibility, and has 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 identified employee according to this item is up to (percentage of the gross annual salary of the employee to which the criteria apply):

Table 21: Amount of variable remuneration for staff engaged in control functions

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96 %–100 %)	30 %–80%
Very good, above expectations (achieving the goals in 86 %–95 %)	20 %–60 %
Good, expected, successful (achieving the goals in 76 %–85 %)	3 %–40 %
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 upper limit for exceptional performance of staff engaged in control functions is set on 80 %.

Notwithstanding the provisions of this item, the Management Board member responsible for risk management will be assessed by the Supervisory Board. Like other Management Board members, the risk officer is subject to the same provisions regarding deferral of payment and payment in ordinary or preferred shares of the Bank, or share-linked instruments or equivalent non-cash instruments – Deferred Payment Scheme, and maluses and return of payments.
The amount of variable remuneration is determined by a decision of the Management Board following the approval of the annual report, when the Supervisory Board takes a decision on variable remuneration for Management Board members.

III. Procurators and other identified employees on individual contract in line with additional criteria of the Bank, members of CC, DLC, IILC, ALCO, and Liquidity Committee (to be adopted by the Management Board of the Bank)

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

Table 22: Amount of variable remuneration for procurators and other identified employees on individual contract

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96 %–100 %)	40 %–90 %
Very good, above expectations (achieving the goals in 86 %–95 %)	20 %–60 %
Good, expected, successful (achieving the goals in 76 %–85 %)	3 %–40 %
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 amount of variable remuneration is determined by a decision of the Management Board following the approval of the annual report, 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 € 75,000.00 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 approval of the annual report, 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 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.

Malus and repayment of remuneration – for Sets II and III

The Management Board of the Bank may deprive employees of the right to variable 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 on grounds that 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.

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 beneficiary may only transfer such shares or instruments with the Bank's permission, which may not be issued for at least two years following the acquisition.

A decision on whether 50 % of the variable remuneration of a particular Management Board member or an identified employee comprising 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 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.

The process of adjusting variable remuneration to risks includes a performance and risk measurement process, a granting process and the payout process. The variable remuneration is adjusted for all current (ICAAP) and future assumed risks (stress tests) at all stages of the risk adjustment process. In the process of adjusting variable component of remuneration, appropriate combinations of quantitative and qualitative criteria in the form of absolute and relative criteria are used to ensure that all the risks, performance and necessary adjustments are taken into account.

The Bank determines the budget of variable remuneration and the variable remuneration to be granted based on an assessment of performance and the risks assumed. Adjustment of variable remuneration to risks before awarding („ex-ante adjustment to risks") is based on risk indicators, and ensures that the variable remuneration awarded takes a full account of the risks assumed. When calculating the variable remuneration budget, the Bank shall make ex-ante adjustments to risks at the Bank level and possibly at the organisational unit level.

The Bank classifies the type of remuneration into the category of fixed or variable remuneration. Criteria for classifying remuneration in the fixed remuneration category:

- They take into account, in a uniform manner, the level of professional experience and seniority of employees
- They are transparent in terms of the amount awarded to each employee
- They are permanent, i.e. they are maintained in the period relating to a particular role and organisational responsibility
- They are irrevocable; the fixed amount is only changed on the basis of collective bargaining
- They cannot be decreased, suspended or cancelled by the Bank
- They provide no incentive to take risks
- They do not depend on the performance of the Bank, organisational unit and employee
- They are assigned in the form that cannot be deferred
- They are part of a normal employment package
- They are tied to the role or organisational responsibility and be awarded until there is no significant change in terms of responsibilities and powers of the role that would result in employees having actually a different role or organisational responsibility
- The amount does not depend on other factors but only on the performance of a particular role or a specific organisational responsibility
- All other employees that perform the same role or have the same organisational responsibility and are in a comparable position would be entitled to comparable compensation.

Remuneration that cannot be qualified as fixed remuneration using the criteria set out in the previous paragraphs shall be classified as variable remuneration.

In developing and implementing its Remuneration Policy, the Bank shall comply with the principle of proportionality. It means that this Remuneration Policy and its implementation are aligned with the Bank's risk profile, risk appetite, and the Bank's strategy. In assessing proportionality, the Bank considers criteria related to actual conditions of the Bank's operations, such as the size and internal organisation, and the nature, volume and complexity of Bank's activities, including risk factors resulting from the amount of variable remuneration of each identified employee.

For determining variable remuneration for the purposes referred to in points 7 and 8 of the first paragraph of Article 170 of the ZBan-2, the bottom threshold is defined in such a way that the total variable remuneration of an identified employee, which does not exceed the amount of €75,000.00 gross in a specific year, is not considered variable remuneration for the purposes of that provision. Consequently, variable remuneration falling in the bottom threshold is not subject to restrictions referred to in the basic principles of points 7 and 8 of the first paragraph of Article 170 of the ZBan-2 (awarding variable part in shares or relevant instruments and deferred payment of a portion of variable remuneration).
The amount of variable remuneration determined in line with the guidance referred to in the previous item does not represent a material risk factor at the level of an identified employee, or such variable remuneration is negligible in terms of its risk to the Bank.

The maximum amount that can be awarded as severance pay to employees is fixed to 12 salaries, unless otherwise stipulated by law, sectoral collective agreement or enterprise collective agreement, or the severance pay exceeds the fixed-to-variable remuneration ratio determined for each employee. Severance pay is usually regulated by law or defined in a sectoral collective agreement or entrepreneurial collective agreement.
The severance pay may not constitute a disproportionate remuneration but an adequate remuneration for employees in case of early termination of the contract. It has to reflect achieved performance in a specific period of time and must not reward failure or misconduct. Severance pay cannot be granted when an employee terminates their job voluntarily

(termination of an employment contract by the employee, termination of employment in agreement) as they accept a job with another entity.
In 2019, the Bank did not provide discretionary pension benefits.

Implementation of the Remuneration Policy is subject to an independent internal review once a year. Central review of compliance with regulations, group policies, procedures, and internal rules is conducted by the Internal Audit Office.

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

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

The Remuneration Policy reflects a close relation between remuneration and prudent risk taking, and is not designed as to encourage employees to engage in excessive risk taking or to act in 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 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 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 restrict 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.

Specific ratios between variable and fixed components of remuneration are approved by the Supervisory Board, and they can amount to maximum 1 (fixed remuneration): 1 (variable remuneration).
Ratios between variable and fixed components of remuneration for employees whose professional activities have a significant impact on the Bank's risk profile are set out in Performance Assessment Criteria for Variable Component of Remuneration (Attachment I to Remuneration Policy). This ratio is:
- For the Management Board – 1 (fixed remuneration): maximum 1 (variable remuneration)
- For control functions: Management Board member responsible for risk management, Director of Compliance Office, and Director of Internal Audit Office – 1 (fixed remuneration): maximum 0.8 (variable remuneration)
- For procurators and other identified employees on individual contract in line with additional criteria of the Bank, members of CC, DLC, IILC, ALCO, and Liquidity Committee 1 (fixed remuneration): maximum 0.9 (variable remuneration)

For all other employees, the ratio is 1 (fixed remuneration): maximum 0.4 (variable remuneration).

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

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)

For determining variable remuneration for the purposes referred to in points 7 and 8 of the first paragraph of Article 170 of the ZBan-2, the Bank defined the bottom threshold in such a way that the total variable remuneration of an identified employee, which does not exceed the amount of €75,000.00 gross in a specific year, is not considered variable remuneration for the purposes of that provision. Consequently, variable remuneration falling in the bottom threshold is not subject to restrictions referred to in the basic principles of points 7 and 8 of the first paragraph of Article 170 of the ZBan-2 (awarding variable part in shares or relevant instruments and deferred payment of a portion of variable remuneration).
The amount of variable remuneration determined in line with the guidance referred to in the previous item does not represent a material risk factor at the level of an identified employee, or such variable remuneration is negligible in terms of its risk to the Bank.

In 2019, 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. For the amount awarded to members of the Management Board, the Bank used deferral, and the amount will be paid after the deferral period expires. There was no need for deferred payment for other employees.
The aggregate quantitative information on deferrals is shown in the table in section 17.7.

The calculation of amounts will be performed using the Apollo Global Management (AGM) methodology. This methodology and associated processes are supported by accounting estimates that are integral part of financial statements of AGM, which holds all SEC licenses, while its accounting estimates are subject to external audit. Valuations are conducted quarterly and will be used as a basis for determining the value of „non-cash“ deferred remuneration.
The basis for determining the value is Nova KBM's average annual value, namely the average of the last four valuations made before the remuneration payment date.
Calculation of the number of shares that will be used as the basis for „non-cash“ deferred remuneration at the date of payment is carried out by an independent external company that will receive valuations prepared by AGM under the procedure indicated above.

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, and other employees on individual contracts, will be approved by the Management Board. The set of non-cash benefits is part of the standard employment package and depends on the standard packages for senior managers, key function holders, identified employees and directors, depending on the range of employee’s responsibilities. They cover the following:

- Company car (for office/private use)
- Laptop and mobile phone
- Payment of accommodation rent

- Payment of education expenses for minors
- Nova KVM business card MasterCard
- Accident and health insurance
- Supplementary pension insurance
- Manager health examination
- Education
- Liability insurance
- Airfare
- Business entertainment flat rate
- Parking
- Paid removal expenses

17.7 Disclosure of the aggregate quantitative information on remuneration

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

17.7.1 Remuneration amounts for identified employees in 2019, broken down to fixed and variable remuneration, and the number of beneficiaries (h/i)

Data are shown in the table below. Remuneration is expressed in gross amounts.

Biser Topco Group €000

Business area	Fix component	Variable component		Awarded for 2019	Other remuneration	Total	No of recipients
		Paid	Deferred				
Supervisory Board	629	0	0	0	1	**630**	7
Management Board (excluding the Management Board member responsible for risk management)	2,195	543	1,090	1,328	0	**5,156**	4
Sales – retail banking and other sales areas	350	31	0	52	0	**433**	3
Independent control functions (including the Management Board member responsible for risk management)	1,203	223	527	410	0	**2,363**	3
Corporate functions and asset management	1,155	272	0	322	0	**1,749**	12
Other departments(including subsidiaries)	1,545	399	0	133	61	**2,138**	27
Total	**7,077**	**1,468**	**1,618**	**2,244**	**62**	**12,469**	**56**

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, 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.
The Bank did not pay severance pays agreed in advance.

17.7.2 Amounts of non-paid deferred remuneration broken down to the portion with and without the right to receive payment (h/ii, iii)

The table shows awarded and deferred variable remuneration payments for 2019 – for Management Board members, in gross amounts.

Variable remuneration payout model	Variable 2019: awarded by years	Cash/ non-cash instruments	% of total amount	Amount (in €, gross)
40.00 % advance payments	2020	Cash	20.00%	338,292.81
		Non-cash instruments	20.00%	338,292.81
60.00 % deferred payments in 5-year period	2021	Cash	6.00%	101,487.84
		Non-cash instruments	6.00%	101,487.84
	2022	Cash	6.00%	101,487.84
		Non-cash instruments	6.00%	101,487.84
	2023	Cash	6.00%	101,487.84
		Non-cash instruments	6.00%	101,487.84
	2024	Cash	6.00%	101,487.84
		Non-cash instruments	6.00%	101,487.84
	2025	Cash	6.00%	101,487.84
		Non-cash instruments	6.00%	101,487.84
Total			**100.00 %**	**1,691,464.02**

According to the payout model, 60 % of the variable remuneration were deferred for five Management Board members who exceeded the amount of €250,000.00, and 50 % of the variable remuneration were deferred for one Management Board member.

The table shows awarded and deferred variable remuneration payments for 2018 – for Management Board members, in gross amounts.

Variable remuneration payout model	Variable 2018: awarded by years	Cash/ non-cash instruments	% of total amount	Amount (in €, gross)
37.17 % advance payments	2019	Cash	15.31%	292,500.00
		Non-cash instruments	21.86%	417,700.00
62.83 % deferred payments in 5-year period	2020	Cash	6.28%	120,060.00
		Non-cash instruments	6.28%	120,060.00
	2021	Cash	6.28%	120,060.00
		Non-cash instruments	6.28%	120,060.00
	2022	Cash	6.28%	120,060.00
		Non-cash instruments	6.28%	120,060.00
	2023	Cash	6.28%	120,060.00
		Non-cash instruments	6.28%	120,060.00
	2024	Cash	6.28%	120,060.00
		Non-cash instruments	6.28%	120,060.00
Total			**100.00 %**	**1,910,800.00**

The ratio between advance payments and deferred payments is lower than 40/60 since variable part in amount of €125,200.00 was already paid in 2019 and because of that included in the table on page 145 under column Variable paid.

According to the payout model, 60 % of the variable remuneration were deferred for three Management Board members who exceeded the amount of €250,000.00, and 50 % of the variable remuneration were deferred for one Management Board member.

The methodology for calculating the value of non-monetary instruments and the value of Nova KBM is set out in section 17.5.

17.7.3 Deferred remuneration amounts granted in the financial year, paid and reduced by performance adjustment (h/iv)

In 2019, one Management Board member and one former employee were paid deferred variable remuneration from 2016 in total amount of €17,525.66.

The Bank also paid to the former management of KBS banka the retained portion of 2015 bonus in total amount of €14,655.33, and the retained portion of the retention bonus in the amount of €22,667.00, which was awarded in 2015.

17.7.4 New variable contractual remuneration agreed in advance and severance pay in the financial year, and number of beneficiaries to these payments (h/v)

On the basis of a special decision taken by the Supervisory Board, the Bank compensated a member of the Management Board for the lost deferred variable remuneration, which he would have otherwise received from his previous employer, in the amount of €201,408.95.

In addition, two members of the Management Board were provided with compensations from previous employment contracts, which were awarded in 2016 and deferred, in total amount of €85,340.00.

17.7.5 Severance pay amounts awarded during the financial year, the number of beneficiaries, and maximum respective award per person (h/vi)

The Bank paid a total of €160,714.43 to two beneficiaries, and the maximum award to an individual was €89,574.46.

17.7.6 Aggregated data on the total number of employees and their total remuneration broken down into fixed and variable remuneration components

Remuneration is shown in gross amounts in the table below.

€000

Number of employees	Fixed remuneration	Variable remuneration	Total
1616	**48,822**	**6,300**	**55,122**

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 total remuneration for the 2019 financial year, at the Biser Topco Group Level two individuals in range of €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 8 of CRR and in Commission implementing regulation (EU) No 2016/200.

18.1 Leverage ratio

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

When calculating leverage ratio exposure measure, the Bank includes:

- Balance sheet exposures, without taking into account capital deductions and part of derivative exposures
- Relevant portion of off-balance sheet exposures, i.e. including conversion factors and excluding value adjustments
- Relevant derivative exposures

Movements in exposure measure and Tier 1 capital are explained in sections 4, 5.3 and 18.3 of this document.

Below, the Bank discloses information on the leverage ratio based on the provisions and requirements set out in Commission Implementing Regulation (EU) 2016/200 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

18.1.1 The Biser Topco Group's leverage ratio

Template 32: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		Amounts as at 31/12/2019
1	Total assets as per published financial statements	6,030,518
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	5,220
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)	–645,436
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	–57,193
8	**Total leverage ratio exposures**	**5,333,110**

Template 33: LRCom: Leverage ratio common disclosure

		€000 Amounts as at 31/12/2019
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	5,108,938
2	(Asset amounts deducted in determining Tier 1 capital)	–60,215
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**5,048,722**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3,091
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,129
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)**	**5,220**
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 429b(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	924,603
18	(Adjustments for conversion to credit equivalent amounts)	–645,436
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**279,167**
Exempted exposures in accordance with 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	**708,849**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,333,110**
Leverage ratio		

		Amounts as at 31/12/2019
22	**Leverage ratio**	**13.29 %**
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 34: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

€000

		Amounts as at 31/12/2019
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5,108,938**
EU-2	Trading book exposures	9,744
EU-3	Non-trading book exposures, of which:	5,099,193
EU-4	*Covered bonds*	0
EU-5	*Exposures treated as sovereigns*	1,376,671
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	112,545
EU-7	*Institutions*	391,271
EU-8	*Exposures secured by mortgages on immovable property*	658,037
EU-9	*Retail exposures*	1,247,860
EU-10	*Institutions*	892,404
EU-11	*Exposures in default*	88,088
EU-12	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	332,319

18.1.2 The Nova KBM Group's leverage ratio

Template 35: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		Amounts as at 31/12/2019
1	Total assets as per published financial statements	6,030,655
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	5,220
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)	–645,436
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	–56,082
8	**Total leverage ratio exposures**	**5,334,357**

Template 36: LRCom: Leverage ratio common disclosure

		€000 Amounts as at 31/12/2019
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	5,109,074
2	(Asset amounts deducted in determining Tier 1 capital)	–59,104
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**5,049,970**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3,091
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,129
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)**	**5,220**
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 429b(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	924,603
18	(Adjustments for conversion to credit equivalent amounts)	–645,436
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**279,167**
(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	**713,813**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,334,357**
Leverage ratio		
22	**Leverage ratio**	**13.38 %**
Choice on transitional arrangements and the amount of derecognised fiduciary items		

		Amounts as at 31/12/2019
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 37: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

€000

		Amounts as at 31/12/2019
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5,109,074**
EU-2	Trading book exposures	9,744
EU-3	Non-trading book exposures, of which:	5,099,330
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	*1,396,629*
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*92,139*
EU-7	Institutions	*386,671*
EU-8	Exposures secured by mortgages on immovable property	*658,037*
EU-9	Retail exposures	*1,247,860*
EU-10	Institutions	*891,422*
EU-11	Exposures in default	*88,088*
EU-12	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*338,485*

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 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 threshold value is exceeded, the ALCO has to adopt a decision on the management of the excessive leverage ratio risk. In case of exceeding the red threshold value, decision shall be adopted by the Crisis Committee, which is aligned with the Recovery Plan indicators escalation management process.

As at 31 December 2019, the financial leverage ratio stood respectively for Biser Topco Group at 13.29 % and for the Nova KBM group at 13.38 %, 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 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 2019. The following factors had the most significant impact on the calculation of the financial leverage ratio in 2019:

- In Tier 1 capital ratio:
  - Inclusion of 2018 profit and mid-year 2019 profit
  - Change in the amount of deductions from regulatory capital, as a result from the financial statements
  - Dividend policy
- For the changes of the exposure please see the explanations provided in chapter 5.3 of this document.

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.

The IRB approach is not used in the process of calculating capital requirements under Pillar 1, where the standardised approach remains in use. A „IRB-like“ approach is used to calculate capital requirements under 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 the 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 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 and Allocation. Until transferring the contents into other internal acts of the Bank, the valuation of movable and immovable property is determined by the Nova KBM Group's Methodology for Valuation of Movable and Immovable Property.

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 loan collateral 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 specialised department, primarily with a view to establish its credibility and compliance 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 specialised 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 by internal guidance.

During the contractual relationship, the Group monitors the adequacy of collateral, provides 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 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 23: Value adjustments in each type of collateral

Type of collateral	HC range in %
Bank deposits	0
Guarantees/sureties	0–100
Real estate	30–50
Movable property	50–100
Securities	30–100
Business interest	100
Receivables	75–100
Life insurance policies	50–100
Other types of collateral.	100

The Bank has a credit portfolio limit system in place that limits credit exposures to individual segments, business areas and products. The limit system is defined in the Operational Limitations Manual of the Nova KBM Group, which is a separate document to the Statement of Indication.

In addition to the credit portfolio limits, the portfolio concentration risk limit is monitored monthly using the Herfindahl-Hirschmann index.

In the case of exposures to a single client / group of related parties, the Bank follows a policy of limiting / reducing large exposures, where it exceeds 10 % of the Bank's capital, also limits the occurrence of large exposures to other clients. The recommended maximum permissible exposure to a group of related parties is EUR 80 million, with deviations possible in accordance with the decision of the Bank's Supervisory Board.

The Bank also manages the risk of exposure by investing (Long-term loans for commercial real estate, machinery, equipment and other movable property) by requiring the client to secure its own sources of financing.

<u>Loan to value (LTV) for Consumers and Micro Businesses:</u>

For consumers, LTVs are set out in the Housing Credit Approval Guidelines, with up to 80 % for dedicated home loans and up to 65 % for cash loans.

Maximum allowed LTV ratio for long-term credit – micro is up to 80 %.

The maximum expected LTVs for revolving loans and payment guarantees, as well as for service guarantees and service guarantee frameworks are the same for micro companies as for corporate.

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 collateral in accordance with the provisions of the Bank of Slovenia's Decision on 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, 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 sovereigns and local governments and central banks
- Insurance 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 for which the Bank uses a measure of the unsecured portion of investment, 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 bills of exchange, together with respective bill of exchange statements.

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 24: Value of exposure by type of collateral

€000

Type of collateral		Amount	Structure
1	Deposits	40,798	2.73 %
2	Guarantees	26,289	1.76 %
3	Sureties	224,240	15.00 %
4	Securities and pledge of receivables from points of mutual funds	15,255	1.02 %
5	Mortgages	936,837	62.65 %
6	Pledge of inventories and movable property	84,668	5.66 %
7	Pledge of receivables and assignment of claims	27,792	1.86 %
8	Pledge of interest in equity	1,741	0.12 %
9	Reserve fund assets	0	0.00 %
10	Insurance company	123,415	8.25 %
11	Pledge of claims from insurances with insurance company	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 insurance provided in the form of sureties, guarantees, and insurance by insurance companies. As eligible guarantee issuers can be accepted the following entities:

- Sovereigns 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 sovereigns
- Institutions (export agencies and insurance companies), institutions (credit institutions and investment firms) and financial institutions the exposure of which to financial

institution (the Bank) are treated as exposures to institutions in line with Article 119(5) CRR

- Other commercial companies, including those that are controlled by the institution, subordinated to or associated with the institution in another way
- Central counterparties.

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 unfunded credit protection, but the value of this insurance is zero.

Table 25: Important types of guarantors broken down by the type of collateral:

Guarantees €000

ISSUER	INTERNAL CREDIT RATING	AMOUNT	STRUCTURE
Banks	1.3	3,671	100.00 %
TOTAL		**3,671**	**100.00 %**

Sureties

€000

ISSUER	INTERNAL CREDIT RATING	AMOUNT	STRUCTURE
Sovereign	0	18,110	11.23 %
	2	120,468	74.73 %
Slovene Enterprise Fund	3	21,357	13.25 %
Others (municipalities, funds, ...)	0–3	1,136	0.70 %
	5	84	0.05 %
	n.a.	48	0.03 %
TOTAL		**161,203**	**100.00 %**

Loans insured with insurance companies

€000

ISSUER	INTERNAL CREDIT RATING	AMOUNT	STRUCTURE
Insurance companies	1	72,723	100 %
TOTAL		**72,723**	**100 %**

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. 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 26: Value of collateral by type of collateral

€000

		31/12/2019		31/12/2018	
	Type of collateral	**Amount**	**Structure**	**Amount**	**Structure**
1	Bank deposits	16,909	0.60 %	23,019	0.87 %
2	Irrevocable RS guarantees	120,468	4.28 %	143,112	5.39 %
3	Equity instruments	40,578	1.44 %	58,752	2.21 %
4	Debt securities	0	0.00 %	0	0.00 %
5	Collective investment undertaking units	420	0.02 %	0	0.00 %
6	Commercial property	1,014,240	36.06 %	783,604	29.54 %
7	Residential property	1,409,359	50.11 %	1,189,067	44.82 %
8	Insurance company	72,723	2.58 %	128,716	4.85 %
9	Other types of collateral	138,006	4.91 %	326,652	12.31 %
	Total	**2,812,703**	**100.00 %**	**2,652,922**	**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)

Notes with regard to changes in exposure for the period between 31 December 2018 and 31 December 2019 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 insurance instruments
   - Commercial and residential real estate
   - Financial collateral (e.g. bank deposits, debt securities issued by various issuers, equity instruments, pledge of business interests)
2. Unfunded insurance instruments
   - Joint and several guarantees provided by natural or legal persons

- Guarantees of prime banks
- Guarantees provided by sovereigns and local governments and central banks.

The collaterals mentioned above are only considered eligible in the context of calculations of risk-weighted assets if they meet all the provisions of the relevant legislation. In this area, the Group uses the simple method as a suitable technique to reduce its exposure to risks.

The table below presents a breakdown of the (gross) book value of exposures, net of value adjustments/impairments, by secured/unsecured exposure and by type of collateral. Changes in secured/unsecured exposures are related to the factors identified in section 5.3. In 2019, the Bank did not change the set of eligible collateral for risk mitigation; therefore, changes in the amount of collateral taken into account are related only to the exposure trend, and changes in collateral with financial assets, as well as to the replacement of GURS real estate valuations with valuation of appraisers and activities for monitoring the conditions for listing adequate CRR insurance (monitoring of maturity and valuation maturity and replacement with new ones).

Template 38: EU CR3 – CRM Techniques – overview for the Biser Topco Group

€000

		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	2,284,453	794,478	727,129	67,349	0
2	Total debt securities	1,103,104	59,681	0	59,681	0
3	**Total exposures ***	**5,192,236**	**854,159**	**753,269**	**128,087**	**0**
4	Of which defaulted	125,996	31,963	31,963	0	0

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

Template 39: EU CR3 – CRM Techniques – overview for the Nova KBM Group

€000

		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	2,284,453	794,478	727,129	67,349	0
2	Total debt securities	1,101,675	59,681	0	59,681	0
3	**Total exposures ***	**5,193,484**	**854,159**	**753,269**	**128,087**	**0**
4	Of which defaulted	125,996	31,963	31,963	0	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 40: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Biser Bidco Group

		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	Sovereigns or central banks	1,356,464	43	1,493,464	1,491	13,700	**1 %**
2	Regional governments or local authorities	12,882	83	12,337	17	2,471	**20 %**
3	Public sector entities	96,878	1,777	34,146	534	5,905	**17 %**
4	Multilateral development banks	5,061	0	5,061	0	0	**0 %**
5	International organisations	18,768	0	658	0	0	**0 %**
6	Institutions	391,330	30,218	375,262	6,420	117,935	**31 %**
7	Corporates	902,619	472,080	855,076	165,083	1,004,505	**98 %**
8	Retail exposures	1,254,752	329,718	1,246,111	73,073	948,021	**72 %**
9	Exposures secured by mortgages on immovable property	659,531	45,716	658,037	12,235	261,236	**39 %**
10	Exposures in default	148,538	9,417	88,066	1,531	104,481	**117 %**
11	Items associated with particular high risk	9,463	34,933	8,096	17,395	38,237	**150 %**
12	Covered bonds						
13	Exposure to institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	27,899	0	27,899	0	5,934	**21 %**
15	Equity instruments	4,177	0	4,177	0	7,843	**188 %**
16	Other items	228,208	617	227,978	123	145,064	**64 %**
17	**Total**	**5,116,571**	**924,603**	**5,036,367**	**277,902**	**2,655,333**	**50 %**

Template 41: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Nova KBM Group

€000

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Sovereigns or central banks	1,356,016	43	1,493,016	1,491	13,700	**1 %**
2	Regional governments or local authorities	12,882	83	12,337	17	2,471	**20 %**
3	Public sector entities	96,878	1,777	34,146	534	5,905	**17 %**
4	Multilateral development banks	5,061	0	5,061	0	0	**0 %**
5	International organisations	18,768	0	658	0	0	**0 %**
6	Institutions	386,730	30,218	370,662	6,420	116,889	**31 %**
7	Corporates	901,638	472,080	854,095	165,083	995,695	**98 %**
8	Retail exposures	1,254,752	329,718	1,246,111	73,073	946,658	**72 %**
9	Exposures secured by mortgages on immovable property	659,531	45,716	658,037	12,235	261,236	**39 %**
10	Exposures in default	148,538	9,417	88,066	1,531	104,240	**116 %**
11	Items associated with particular high risk	9,463	34,933	8,096	17,395	38,237	**150 %**
12	Covered bonds						
13	Exposure to institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	27,899	0	27,899	0	5,934	**21 %**
15	Equity instruments	4,177	0	4,177	0	7,843	**188 %**
16	Other items	235,485	617	235,255	123	152,340	**65 %**
17	**Total**	**5,117,819**	**924,603**	**5,037,615**	**277,902**	**2,651,148**	**50 %**

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 and the Nova KBM Groups

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

€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	**132,759**	**74,227**	**58,532**	**58,532**	**34,588**	**20,659**	**3,277**	**17,382**	**89,658**
Central banks	0	0	0	0	0	0	0	0	0
Government	120	120	0	0	0	1	1	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial organisations	2,409	2,013	396	396	396	357	1	356	0
Non-financial companies	100,979	55,483	45,496	45,496	21,552	14,337	3,039	11,298	71,453
of which: Small and medium enterprises (SME)	34,966	14,114	20,852	20,852	20,852	6,939	1,182	5,757	19,460
Of which: insured by business premises	88,122	50,789	37,333	37,333	13,961	9,513	2,762	6,751	71,148
Households	29,251	16,611	12,640	12,640	12,640	5,964	236	5,728	18,205
Of which: insured by residential property	19,838	12,202	7,636	7,636	7,636	2,088	97	1,991	17,453
Of which: consumer loans	6,195	2,426	3,769	3,769	3,769	2,879	68	2,811	169
Given liabilities from loans granted	**3,724**	**3,544**	**180**	**180**	**180**	**76**	**1**	**75**	**3,644**
Total exposures, including forbearing measures	**136,483**	**77,771**	**58,712**	**58,712**	**34,768**	**20,735**	**3,278**	**17,457**	**93,302**

As at 31 December 2019, the total amount of forborne exposures amounted to €136 million and decreased by €75 million compared to the balance as at 31 December 2018. The most significant decrease was recorded in non-performing forborne exposures, which decreased by €66 million compared to 2018 as a result of active implementation of the non-performing exposures reduction strategy.

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

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 €1.5 million of forborne exposures.

€000

	Forborne exposures
Forborne twice	36,605
Restructured more than twice	19,677
Repeated default in the last 12 months	1,554

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

Table below shows the time elapsed since the last approved forbearance date until 31 December 2019. 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 €68 million compared to the balance as at 31 December 2018 as a result of active implementation of the non-performing exposures reduction strategy.

€000

	<3 months	3–6 months	6–12 months	>12 months
Total exposures, including forbearing measures	**9,572**	**1,404**	**800**	**124,707**
of which: performing	8,762	1,201	586	67,222
of which non-performing	810	204	215	57,484

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

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
- When calculating delays of marginal material amount, the overall exposure in the Nova KBM Group is taken into account.

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. In this case, the delay of the marginal material amount at the customer level is taken into account. At this event, the debtor's rating category is worsened to the rating category 10 at least.

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.

The 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 active 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 December 2019

€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	**41,209**	**0**	**41,209**	**41,209**	**0**	**41,209**	**0**	**0**	**0**	**9**	**0**	**9**	**9**	**0**	**9**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	31,661	0	31,661	31,661	0	31,661	0	0	0	8	0	8	8	0	8	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	9,548	0	9,548	9,548	0	9,548	0	0	0	1	0	1	1	0	1	0	0	0
Loans and advances	**3,711,981**	**66,374**	**3,645,607**	**3,563,585**	**1,380**	**3,562,205**	**148,396**	**64,994**	**83,402**	**79,758**	**30,482**	**49,276**	**19,349**	**38**	**19,311**	**60,409**	**30,444**	**29,965**
Central bank	773,307	0	773,307	773,307	0	773,307	0	0	0	0	0	0	0	0	0	0	0	0
Government	69,083	0	69,083	68,966	0	68,966	117	0	117	707	0	707	597	0	597	110	0	110
Credit institutions	72,592	0	72,592	72,570	0	72,570	22	0	22	192	0	192	177	0	177	16	0	16
Other financial organisations	119,230	783	118,447	118,335	0	118,335	895	783	112	1,777	377	1,400	1,301	0	1,301	476	377	99
Non-financial companies	1,077,563	49,924	1,027,639	995,682	1,366	994,316	81,882	48,558	33,324	42,111	19,372	22,739	12,860	34	12,826	29,251	19,338	9,913
Households	1,600,205	15,667	1,584,538	1,534,725	15	1,534,710	65,480	15,653	49,827	34,970	10,733	24,237	4,414	4	4,410	30,557	10,729	19,828
Non-trading debt securities	**1,121,936**	**0**	**1,121,936**	**1,121,936**	**0**	**1,121,936**	**0**	**0**	**0**	**360**	**0**	**360**	**360**	**0**	**360**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	569,914	0	569,914	569,914	0	569,914	0	0	0	194	0	194	194	0	194	0	0	0
Credit institutions	353,596	0	353,596	353,596	0	353,596	0	0	0	46	0	46	46	0	46	0	0	0
Other financial organisations	85,471	0	85,471	85,471	0	85,471	0	0	0	31	0	31	31	0	31	0	0	0
Non-financial companies	112,955	0	112,955	112,955	0	112,955	0	0	0	89	0	89	89	0	89	0	0	0
Off-balance-sheet exposures	**924,617**	**6,450**	**918,167**	**915,200**	**0**	**915,200**	**9,417**	**6,450**	**2,967**	**3,935**	**1,523**	**2,412**	**2,064**	**0**	**2,064**	**1,871**	**1,523**	**348**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	1,708	0	1,708	1,537	0	1,537	171	0	171	16	0	16	11	0	11	5	0	5
Credit institutions	30,219	0	30,219	30,219	0	30,219	0	0	0	3	0	3	3	0	3	0	0	0
Other financial organisations	31,444	0	31,444	31,444	0	31,444	0	0	0	244	0	244	244	0	244	0	0	0
Non-financial companies	650,959	6,450	644,509	642,234	0	642,234	8,725	6,450	2,275	3,342	1,523	1,819	1,580	0	1,580	1,763	1,523	240
Households	210,286	0	210,286	209,765	0	209,765	520	0	520	331	0	331	227	0	227	104	0	104
Total	**5,799,743**	**72,824**	**5,726,919**	**5,641,930**	**1,380**	**5,640,550**	**157,813**	**71,443**	**86,370**	**84,062**	**32,005**	**52,057**	**21,782**	**38**	**21,744**	**62,280**	**31,967**	**30,313**

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 December 2019

€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	**39,780**	**0**	**39,780**	**39,780**	**0**	**39,780**	**0**	**0**	**0**	**9**	**0**	**9**	**9**	**0**	**9**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	31,213	0	31,213	31,213	0	31,213	0	0	0	8	0	8	8	0	8	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	8,567	0	8,567	8,567	0	8,567	0	0	0	1	0	1	1	0	1	0	0	0
Loans and advances	**3,707,381**	**66,374**	**3,641,007**	**3,558,985**	**1,380**	**3,557,605**	**148,396**	**64,994**	**83,402**	**79,758**	**30,482**	**49,276**	**19,349**	**38**	**19,311**	**60,409**	**30,444**	**29,965**
Central bank	773,307	0	773,307	773,307	0	773,307	0	0	0	0	0	0	0	0	0	0	0	0
Government	69,083	0	69,083	68,966	0	68,966	117	0	117	707	0	707	597	0	597	110	0	110
Credit institutions	67,992	0	67,992	67,970	0	67,970	22	0	22	192	0	192	177	0	177	16	0	16
Other financial organisations	119,230	783	118,447	118,335	0	118,335	895	783	112	1,777	377	1,400	1,301	0	1,301	476	377	99
Non-financial companies	1,077,563	49,924	1,027,639	995,682	1,366	994,316	81,882	48,558	33,324	42,111	19,372	22,739	12,860	34	12,826	29,251	19,338	9,913
Households	1,600,205	15,667	1,584,538	1,534,725	15	1,534,710	65,480	15,653	49,827	34,970	10,733	24,237	4,414	4	4,410	30,557	10,729	19,828
Non-trading debt securities	**1,121,936**	**0**	**1,121,936**	**1,121,936**	**0**	**1,121,936**	**0**	**0**	**0**	**360**	**0**	**360**	**360**	**0**	**360**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	569,914	0	569,914	569,914	0	569,914	0	0	0	194	0	194	194	0	194	0	0	0
Credit institutions	353,596	0	353,596	353,596	0	353,596	0	0	0	46	0	46	46	0	46	0	0	0
Other financial organisations	85,471	0	85,471	85,471	0	85,471	0	0	0	31	0	31	31	0	31	0	0	0
Non-financial companies	112,955	0	112,955	112,955	0	112,955	0	0	0	89	0	89	89	0	89	0	0	0
Off-balance-sheet exposures	**924,617**	**6,450**	**918,167**	**915,200**	**0**	**915,200**	**9,417**	**6,450**	**2,967**	**3,935**	**1,523**	**2,412**	**2,064**	**0**	**2,064**	**1,871**	**1,523**	**348**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	1,708	0	1,708	1,537	0	1,537	171	0	171	16	0	16	11	0	11	5	0	5
Credit institutions	30,219	0	30,219	30,219	0	30,219	0	0	0	3	0	3	3	0	3	0	0	0
Other financial organisations	31,444	0	31,444	31,444	0	31,444	0	0	0	244	0	244	244	0	244	0	0	0
Non-financial companies	650,959	6,450	644,509	642,234	0	642,234	8,725	6,450	2,275	3,342	1,523	1,819	1,580	0	1,580	1,763	1,523	240
Households	210,286	0	210,286	209,765	0	209,765	520	0	520	331	0	331	227	0	227	104	0	104
Total	**5,793,714**	**72,824**	**5,720,890**	**5,635,901**	**1,380**	**5,634,521**	**157,813**	**71,443**	**86,370**	**84,062**	**32,005**	**52,057**	**21,782**	**38**	**21,744**	**62,280**	**31,967**	**30,313**

f) Presentation of delays for performing and non-performing exposures by exposure class and sector for the Biser Topco Group as at 31 December 2019

€000

	a	b	c	d	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 past due	of which: less than 90 days		of which: not past due	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	**41,209**	**41,209**	**9,548**	**31,661**	**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	31,661	31,661	0	31,661	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	9,548	9,548	9,548	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,711,981**	**3,563,585**	**3,466,606**	**96,979**	**148,396**	**50,155**	**29,256**	**6,230**	**7,054**	**7,060**	**14,142**	**14,925**	**19,573**
Central bank	773,307	773,307	773,307	0	0	0	0	0	0	0	0	0	0
Government	69,083	68,966	68,930	36	117	1	5	2	0	0	0	0	109
Credit institutions	72,592	72,570	71,283	1,288	22	22	0	0	0	0	0	0	0
Other financial organisations	119,230	118,335	87,549	30,786	895	410	0	0	2	2	480	0	0
Non-financial companies	1,077,563	995,682	955,586	40,096	81,882	37,401	25,344	876	992	1,940	2,463	1,761	11,105
Households	1,600,205	1,534,725	1,509,953	24,773	65,480	12,321	3,907	5,352	6,060	5,118	11,200	13,165	8,358
Non-trading debt securities	**1,121,936**	**1,121,936**	**908,840**	**213,095**	**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	569,914	569,914	356,819	213,095	0	0	0	0	0	0	0	0	0
Credit institutions	353,596	353,596	353,596	0	0	0	0	0	0	0	0	0	0
Other financial organisations	85,471	85,471	85,471	0	0	0	0	0	0	0	0	0	0
Non-financial companies	112,955	112,955	112,955	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**924,617**	**915,200**	**871,649**	**43,551**	**9,417**	**1,275**	**338**	**921**	**1,206**	**3,821**	**435**	**756**	**664**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	1,708	1,537	1,511	26	171	0	1	119	0	0	0	0	52
Credit institutions	30,219	30,219	30,219	0	0	0	0	0	0	0	0	0	0
Other financial organisations	31,444	31,444	27,895	3,549	0	0	0	0	0	0	0	0	0
Non-financial companies	650,959	642,234	603,008	39,226	8,725	1,070	298	715	1,062	3,789	422	756	612
Households	210,286	209,765	209,014	751	520	204	39	87	144	32	13	0	0
Total	**5,799,743**	**5,641,930**	**5,256,643**	**385,287**	**157,813**	**51,430**	**29,594**	**7,151**	**8,261**	**10,881**	**14,577**	**15,682**	**20,237**

g) Presentation of delays for performing and non-performing exposures by exposure class and sector for the Nova KBM Group as at 31 December 2019

€000

	a	b	c	d	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 past due	of which: less than 90 days		of which: not past due	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	**39,780**	**39,780**	8,567	31,213	**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	31,213	31,213	0	31,213	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	8,567	8,567	8,567	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,707,381**	**3,558,985**	**3,462,007**	**96,979**	**148,396**	**50,155**	**29,256**	**6,230**	**7,054**	**7,060**	**14,142**	**14,925**	**19,573**
Central bank	773,307	773,307	773,307	0	0	0	0	0	0	0	0	0	0
Government	69,083	68,966	68,930	36	117	1	5	2	0	0	0	0	109
Credit institutions	67,992	67,970	66,683	1,288	22	22	0	0	0	0	0	0	0
Other financial organisations	119,230	118,335	87,549	30,786	895	410	0	0	2	2	480	0	0
Non-financial companies	1,077,563	995,682	955,586	40,096	81,882	37,401	25,344	876	992	1,940	2,463	1,761	11,105
Households	1,600,205	1,534,725	1,509,953	24,773	65,480	12,321	3,907	5,352	6,060	5,118	11,200	13,165	8,358
Non-trading debt securities	**1,121,936**	**1,121,936**	**908,840**	**213,095**	**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	569,914	569,914	356,819	213,095	0	0	0	0	0	0	0	0	0
Credit institutions	353,596	353,596	353,596	0	0	0	0	0	0	0	0	0	0
Other financial organisations	85,471	85,471	85,471	0	0	0	0	0	0	0	0	0	0
Non-financial companies	112,955	112,955	112,955	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**924,617**	**915,200**	**871,649**	**43,551**	**9,417**	**1,275**	**338**	**921**	**1,206**	**3,821**	**435**	**756**	**664**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	1,708	1,537	1,511	26	171	0	1	119	0	0	0	0	52
Credit institutions	30,219	30,219	30,219	0	0	0	0	0	0	0	0	0	0
Other financial organisations	31,444	31,444	27,895	3,549	0	0	0	0	0	0	0	0	0
Non-financial companies	650,959	642,234	603,008	39,226	8,725	1,070	298	715	1,062	3,789	422	756	612
Households	210,286	209,765	209,014	751	520	204	39	87	144	32	13	0	0
Total	**5,793,714**	**5,635,901**	**5,251,062**	**384,839**	**157,813**	**51,430**	**29,594**	**7,151**	**8,261**	**10,881**	**14,577**	**15,682**	**20,237**

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

€000

	Total	Households	Non-financial companies
	Loans and advances	Loans and advances	Loans and advances
Non-performing loans and advances as at 31/12/2018	**328,295**	**81,965**	**244,473**
Transfer to non-performing loans and advances (gross carrying amount)	**42,152**	**24,600**	**17,552**
Transfer from performing assets without using forbearance measure	20,657	14,059	6,597
Transfer from performing assets using forbearance measure	868	818	49
Transfer due to purchase of instruments	0	0	0
Transfer due to accrued interest	3,928	1,803	2,125
Transfer due to other conditions	16,699	7,919	8,780
Transfer from non-performing loans and advances (gross carrying amount)	**–222,051**	**–41,085**	**–180,143**
Transfer from non-performing assets without using forbearance measure	0	0	0
Transfer from non-performing assets using forbearance measure	–10,326	–3,709	–6,617
Transfer due to repayment in full or in part	–41,865	–20,903	–20,139
Transfer due to liquidation of collateral	–22,423	–1,856	–20,567
Transfer due to accepting collateral	0	0	0
Transfer due to sales of claims	–132,777	–11,206	–121,571
Transfer due to transfer of risk	0	0	0
Transfer due to write-offs	–14,661	–3,412	–11,249
Transfer due to other conditions	0	0	0
Non-performing loans and advances as at 31/12/2019	**148,396**	**65,480**	**81,882**
Impairment of loans and advances as at 31/12/2018	**–188,751**	**–44,556**	**–142,824**
Increase in impairments in the period	–44,926	–16,274	–28,371
Decrease in impairments within the period	173,268	30,273	141,945
Effects of IFRS 9 introduction	0	0	0
Impairment of loans and advances as at 31/12/2019	**–60,409**	**–30,557**	**–29,251**

As at 31 December 2018, gross book value of non-performing loans and financial assets amounted to €328 million, and at the end of 2019, to €148 million, which means a decrease by €180 million. The largest decreases result from sales of receivables in the amount of €132.8 million, followed by repayment of loans in the amount of €41.9 million, and liquidation of collateral of €22.4 million.

24 Coronavirus-COVID-19

The outbreak of the coronavirus COVID-19 will most likely have an impact on the economies in which the Group is doing business. The Government of Slovenia declared COVID-19 an epidemic on 12 March 2020 and has since taken a number of measures to counteract the impact of the virus on public health.

On 20 March 2020 the Slovenian Parliament has adopted a Law on Intervention on the Deferred Payments of Liabilities (the Law). The Law which came into effect on 29 March 2020 is designed to mitigate the impact of COVID-19 epidemic and allows borrowers who are not able to settle their liabilities due to the negative effects of the epidemic to defer the repayment of their liabilities for a period of up to 12 months. Borrowers can request this deferral with a reasoned application and if granted by the Bank the Borrower is required to update the Bank on a regular basis and if the conditions that caused the granting of the application of the law no longer apply then the Bank can terminate the deferral or moratorium.

On 2 April 2020 the Slovenian Parliament adopted a law on Intervention Measures to Mitigate the Effects of the COVID-19 Infectious Disease Epidemic on Citizens and the Economy Act, the so-called first large package of anti coronavirus measures. This package of laws will become effective shortly after the date of this report although certain measures will be effective as from the date of the declaration of the epidemic on 12 March 2020.

The impacts on the Group of these laws and other measures taken and to be taken by the Government of Slovenia are unknown at the date of this report. The Group will closely monitor the development and will work to address them to the best of its ability during the course of the year.

In accordance with Government measures, the Bank continues to provide services to its customers via across all its existing channels, including its branch network. Given that other Government measures have led to restrictions in movement which has impacted demand for branch based services, the Bank operates directly through a more limited number of branches for a more limited time period than prior to the Government's declaration of an epidemic on 12 March 2020. The Bank has taken steps to ensure that those staff who do not need to be present in its offices can work from home and has provided its staff with regular communication on how to act during the period of the epidemic. This has also included access to disinfectants and handwashes.

As of the date of this report, the Bank has adequate liquidity to support its operations. The Bank also has access to liquidity via the refinancing of its treasury portfolio and via facilities that would be made available to it via the ECB. Management considers that the quantum of these facilities are adequate to support its operations.

In respect of the law on deferral of liabilities, the Bank has been monitoring the inquiries and requests of its customers across all segments. As of the date of this report, the Bank has begun to process initial requests although this number remains low. It remains uncertain has to how many of its customers will apply for this relief. The Bank will continue to monitor requests. Further the Bank will continue to monitor the impact of the epidemic on the creditworthiness of its customers and will take actions accordingly. As of the date of this report, the Bank has not made any adjustments to its expected credit loss calculation methodology and will follow regulatory guidance in doing so.