

Biser Topco Group

Disclosures June 2021

(Under Pillar 3)

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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 CRR), and the EBA Guidelines, Nova KBM d.d. (hereinafter also „the 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 CRR Regulation, institutions owned by an EU parent financial holding company meet the obligations referred to in Part Eight of the CRR 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 (hereinafter also “the Group”), and where relevant, also at the Nova KBM Group level. Disclosures are prepared as at 30 June 2021 by Nova KBM d.d., the largest financial institution in the Biser Topco Group. 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 perform 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.

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, d.d. concluded an agreement on the purchase of a 100-percent interest in Abanka d.d. with the Republic of Slovenia represented by the Slovenian Sovereign Holding, d.d. On 30 January 2020, Nova KBM d.d. received a European Central Bank’s regulatory licence to acquire a direct qualifying holding in Abanka d.d.. Upon receiving all necessary regulatory approvals and fulfilling all the conditions stipulated in the purchase agreement, Abanka d.d. became a member of the Nova KBM Group on 5 February 2020. On 15 March 2020, Nova KBM d.d. filed with the Bank of Slovenia a Request for permission to merge Abanka into Nova KBM d.d. Nova KBM d.d. received the approval to merge on 4 August 2020. Upon the received permission, Abanka d.d. has been legally merged with Nova KBM d.d. from 1 September 2020. The merged banks represent the second largest, systemically important bank in Slovenia. The operational merger of the two banks took place on 1 January 2021.

The Coronavirus pandemic

In order to ensure that these Disclosures reflect the up-to-date information on the current status of the Group, the evolution of the Coronavirus pandemic and the measures taken by the Government of the Republic of Slovenia to combat the spread of the virus that are being implemented have been taken into account.

With the improvement in the epidemiological situation and the lifting of containment measures, the economic situation gradually began improving bank’s operating conditions. The Bank is closely monitoring the outlook of the economic environment in relation to Coronavirus impacts on the Combined Group performance, capital and liquidity position. The Bank notes that the

quality of the Group's loan portfolio is stable, with an emphasis on the continuous provision of services to clients and their monitoring.

During the first half of 2021 the Bank continued with a series of exercises designed to assess the impact of the pandemic on individual corporate borrowers and to identify actions to be taken in respect of each of them, including, where appropriate, re-rating, review of forbearance status, and staging and provisioning. The Bank expects that such reviews will be necessary and appropriate also in the second half of 2021. According to the analysis most borrowers resume payments when their legislative or bilateral moratoria expire, and only limited number of clients are facing payment difficulties.

Due to the significance of the current macroeconomic situation as a result of COVID-19 the Bank updated macroeconomic scenarios for the purpose of the calculation of expected credit losses from 30 June 2021 onwards.

Further, the Bank will continue to monitor the impact of the pandemic on the creditworthiness of its customers and will take actions accordingly.

Both capital and liquidity positions of the Group remain at adequate levels.

Publication

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 disclosure in line with the Regulation CRR. The Bank discloses most of the information in its Annual Report, in accordance with the requirements of the legislation and International Financial Reporting Standards.

Disclosure of information

This document aims at disclosing information under the Pillar 3 supervisory requirements. In this context, the Bank followed the provisions of the Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (CRR) supplemented by Regulation (EU) 2019/876 (CRR 2) and Regulation (EU) 2020/873 (CRR QF) (hereinafter: all three documents as the Regulation CRR), Directive (EU) No 2013/36 (hereinafter: the Directive) and the Commission Implementing Regulation EU No 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part 8 of the Regulation (EU) No 575/2013 as well as the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) and other guidelines defining disclosure requirements (Guidelines on the importance, business secrets and confidentiality and frequency of disclosures, Guidelines on Remuneration Policies etc.) (hereinafter: the Guidelines).

In this document, the Group does not disclose any Group-irrelevant disclosures.

Audit

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 Disclosure of key metrics

(Article 447 of the Regulation CRR)

The template EU KM1 provides a high-level presentation of the key metrics, referred to in Article 447 of the Regulation CRR, of Biser Topco Group as at the end of June 2021 in comparison to the end of December 2020 and to the end of June 2020.

Both capital and liquidity remain at adequate levels, ensuring the Group's continuing planned operation.

Template EU KM1 - Key metrics template of Biser Topco Group

€000, %

		30.6.2021	31.12.2020	30.6.2020
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	914.535	907.523	903.385
2	Tier 1 capital	914.535	907.523	903.385
3	Total capital	984.255	975.549	973.368
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	4.974.500	4.853.477	4.981.630
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	18,38%	18,70%	18,13%
6	Tier 1 ratio (%)	18,38%	18,70%	18,13%
7	Total capital ratio (%)	19,79%	20,10%	19,54%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,00%	3,00%	3,00%
EU 7b	Of which: to be made up of CET1 capital (percentage points)	1,69%	1,69%	1,69%
EU 7c	Of which: to be made up of Tier 1 capital (percentage points)	2,25%	2,25%	2,25%
EU 7d	Total SREP own funds requirements (%)	11,00%	11,00%	11,00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,00%
EU 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	2,51%	2,51%	2,50%
EU 11a	Overall capital requirements (%)	13,51%	13,51%	13,50%
12	CET1 capital available after meeting the total SREP own funds requirements	606.615	587.272	574.840
Leverage ratio				
13	Total exposure measure	10.350.672	9.732.425	9.503.084
14	Leverage ratio (%)	8,84%	9,32%	9,51%

Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU 14b	Of which: to be made up of CET1 capital (percentage points)	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	-	-
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	3.359.832	2.850.170	1.997.675
EU 16a	Cash outflows - Total weighted value	1.088.775	1.064.343	769.897
EU 16b	Cash inflows - Total weighted value	228.377	260.293	229.474
16	Total net cash outflows (adjusted value)	860.398	797.254	540.425
17	Liquidity coverage ratio (%)	390%	361%	411%
Net Stable Funding Ratio				
18	Total available stable funding	8.323.600	7.864.119	7.681.772
19	Total required stable funding	4.679.067	4.381.683	4.498.265
20	NSFR ratio (%)	178%	179%	171%

2.1 Capital ratios

The total capital (TC) ratio of Biser Topco Group remained strong and was 19,79% at the end of June 2021. The Common Equity Tier 1 capital (CET1) ratio was 18,38%. In comparison to 31 December 2020, both TC ratio and CET1 ratio were lower by 31 bps mostly because of the growth in the loan portfolio.

Table 1 below shows the detailed composition of the own funds of the Group at the end of 2020 and 30.6.2021. Out of the overall Biser Topco Group's own funds 92,9% relates to CET1 and 7,1% to Tier 2 capital. Tier 1 capital consisted fully of CET1. CET1 capital consisted of equity instruments in the amount of 176 million EUR issued by Biser Topco. Tier 2 capital consisted of equity instruments in the amount of 90,4 million EUR issued by Nova KBM. Applying the provisions of Articles 86 and 87 of CRR for inclusions at the level of Biser Topco Group 20,7 million EUR were not eligible for inclusion as at 30.6.2021.

Table 1: Overview of Own funds of the Biser Topco Group

		€000	
		Own funds	
		30/06/2021	31/12/2020
1	Common Equity Tier 1 capital (CET 1)	914.537	907.524
2	Capital instruments	176.153	176.153
3	Retained earnings	797.615	800.064
4	Accumulated other comprehensive income	4.521	-827
5	Capital deductions	-64.239	-68.092
6	Other reserves	487	271
7	Additional Tier 1 capital (AT1)	0	0

		Own funds	
		30/06/2021	31/12/2020
8	Tier 2 capital (T2)	69.720	68.026
9	Total regulatory capital (own funds)	984.256	975.550

In comparison to the end of December 2020, the increase in total regulatory capital of the Group as at 30 June 2021 was mainly the result of:

- higher valuation in the FVOCI portfolio by 5,4 million EUR;
- lower deduction item arising from the intra-year recognized impairments and provisions, which have not been audited yet, by 6,3 million EUR. The 2020 figures have been audited and, thus, removed from the deduction item;
- lower retained earnings due to the expected payment of dividends in the amount of 8,1 million EUR, which was taken into account.

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

The template EU OV1 below shows the detailed composition of the capital requirements of the Group at the end of 2020 and 30.6.2021. Out of the overall Biser Topco Group's capital requirements 89,8% relates to credit risk positions, 9,7% to operational risk and 0,5% to market risk positions.

Template EU OV1 – Overview of RWA of the Biser Topco Group

€000

		RWAs		Minimum capital requirements	
		30/06/2021	31/12/2020	30/06/2021	
	1	Credit risk (excluding counterparty credit risk – CCR)	4.458.251	4.317.005	356.660
Article 438(c)(d)	2	Of which the standardised approach	4.458.251	4.317.005	356.660
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
Article 107, Article 438(c)(d)	6	CCR	12.969	12.550	1.038
Article 438(c)(d)	7	Of which mark to market	0	0	0
Article 438(c)(d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	10.384	10.384	831
	10	Of which internal model method (IMM)	0	0	0
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Article 438(c)(d)	12	Of which credit value adjustment (CVA)	2.585	2.166	207
438(e)	13	Settlement risk	0	0	0
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	0	0	0

			RWAs		Minimum capital requirements
			30/06/2021	31/12/2020	30/06/2021
	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
Article 438(e)	19	Market risks	23.693	16.991	1.895
	20	Of which the standardised approach	23.693	16.991	1.895
	21	Of which IMA	0	0	0
Article 438(e)	22	Large exposures			
Article 438(f)	23	Operational risk	479.586	506.933	38.367
	24	Of which basic indicator approach	479.586	506.933	38.367
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250 % risk weight)	0	0	0
Article 500	28	Floor adjustment	0	0	0
	29	Total	4.974.500	4.853.479	397.960

Risk-weighted assets of the Biser Topco Group as at 30 June 2021 were higher by 121 million EUR compared to December 2020, primarily as a result of:

- lower capital requirement for operational risk, which was, in line with the methodology, mainly affected by movements in profit and loss items during the last three years;
- higher credit risk RWA mainly due to increased exposures to corporates (new exposures in the international lending portfolio and large corporate) on one hand and the reduction in the Group's NPE portfolio due to the sale of non-retail NPE portfolio of ex-Abanka ("ABA Lent") and the sale of the NPL retail claims via a tender process ("City II" project) on the other;
- higher market value of equity instruments in the trading book.

As at 30 June 2021 the required minimum TSCR of Biser Topco Group was 11,00% and the OCR 13,51%. The combined minimum and prudential capital requirements represent the total supervisory capital requirement – TSCR, combined minimum, prudential and buffer requirements represent the overall capital requirements – OCR the Group must fulfil. Additionally, the Group must also fulfil the P2G requirement, which is required to be met by Common Equity Tier 1 capital. At the reporting date of 30 June 2021 the Group fulfils all requirements imposed by the ECB's legislation rules (CRR, CRD) or supervisory authorities:

- the minimum capital requirements, comprised of:
 - Common Equity Tier 1 capital requirements of 4,5%
 - Total Tier 1 capital requirements of 6,0%
 - Total capital requirements of 8,0%
- The prudential / supervisory capital requirements, comprised of:
 - Pillar 2 requirement (P2R) of 3,0%
 - Pillar 2 guidance (P2G) of 1,8%
 - Overall capital buffer requirements of 2,51%.

The Group's CET1 clearly exceeded the total minimum required TSCR to be made up of CET1 capital by 606,6 million EUR.

2.2 Leverage ratio

The Group's leverage ratio is presented in accordance with the Regulation CRR and the figure describes the ratio of the Group's Tier 1 capital to the total exposure measure. The Group does not apply the option of the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic in the scope of Leverage Ratio as proposed in Regulation (EU) 2020/873.

The Group's leverage ratio on 30 June 2021 was at 8,84%. The CRR 2 Regulation requires the maintenance of a leverage ratio of a minimum of 3%. The binding application of the requirement began on 28 June 2021.

2.3 Liquidity ratios

LCR (Liquidity Coverage Ratio) refers to the proportion of highly liquid assets held by financial institutions, to ensure the ongoing ability to meet short-term obligations. The objective of LCR is that the Bank meets its liquidity needs for a 30 calendar day liquidity stress scenario. The minimum requirement for LCR is 100%. Changes in LCR on the Biser Topco Group level are mainly due to the following reasons: the acquisition of Abanka, operational merger of both banks at the end of 2020 and COVID pandemic. As a result of COVID measures, the retail consumption decreased, which resulted in the increase of retail deposits. Following the tightened conditions due to COVID, the Bank increased moratoriums on loans, which resulted in a decrease of the average LCR ratio from 411% to 361% between 30.06.2020 and 31.12.2020. Most of the Bank's liabilities are non-banking sector deposits. The trend of the increase in retail deposits is still present in 2021, but with the increase of high-quality liquid assets, the average LCR ratio increased to 390% in the period from 31.12.2020 to 30.06.2021. On average, the Bank still exceeds the regulatory minimum by more than three times.

NSFR (Net Stable Funding Ratio) is a proportion of available stable funding and required stable funding. It is required that the Bank holds enough stable funding to cover the duration of its long-term assets. The Bank's NSFR ratio must be at least 100%, which became a regulatory requirement in June 2021. The Bank monitors the ratio on a quarterly basis. At the end of December 2020 the NSFR ratio was 179% and 178% at the end of June 2021, which means that the Bank meets the regulatory requirement of the minimum ratio value.

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

(Article 473a of the CRR 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.

2.5 Disclosure in respect to transitional arrangements for mitigating the impact of the COVID-19 pandemic on own funds

(Article 468 of the CRR Regulation)

Disclosure does not apply to the Group because the Group currently does not apply any transitional arrangements for the calculation of regulatory capital as proposed within Regulation (EU) 2020/873 implementing the “CRR 2” Quick Fix (QF) legislation package implementing COVID-19 pandemic relief measures.

3 COVID-19 related disclosures

The government of the Republic of Slovenia declared the COVID-19 epidemic for the first time on 12 March 2020, and since then, it has taken several measures to combat the impact of the epidemic on public health and actions to mitigate effects on the economy. On 18 October 2020, the government re-declared the COVID-19 epidemic until 17 March 2021, which was extended every month until 15 June 2021, when officially ended. The government of the Republic of Slovenia has passed several mitigation laws and measures to address the impact of the COVID-19 pandemic, which are detailed in chapter 4 below, including their impacts on the operation of banks.

On 20 March 2020, the Slovenian Parliament adopted the Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities (hereinafter: ZIUOPOK). The Act entered into force on 29 March 2020, and it was a part of (PKP1) so-called First Package of measures against coronavirus. It was designed to mitigate effects of the COVID-19 epidemic, allowing borrowers who were unable to meet their obligations due to adverse effects of the epidemic to defer the payment of their obligations for a period of up to 12 months. Borrowers were able to request this deferral with a reasoned application form and, if it was approved by the Bank, the borrower had to or still must keep the Bank regularly informed.

On 2 April 2020, the Slovenian Parliament adopted the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, the so-called first major package of measures against coronavirus or PKP1. By the date of this report additional eight PKPs had been adopted.

As part of the Sixth Package of measures (PKP6), the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 epidemic (hereinafter: ZIUOPDVE) entered into force on 28 November 2020, allowing a new deferral of payments from credit agreements under PKP1 or a deferral of payments from new credit agreements to mitigate the negative effects of the second wave of COVID-19 epidemic on the economy and on the retail borrowers. According to the ZIUOPDVE, the Bank was able to grant the borrower a deferral of payment of obligations under the loan agreement no later than 31 January 2021. In addition, the Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (hereinafter: ZDLGPE) has also come into force to provide an ex lege guarantee of the Republic of Slovenia for the borrowing of borrowers.

As part of the Seventh Package of measures against coronavirus (PKP7), the Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic (hereinafter: ZIUOPDVE) entered in force on 31 December 2020. According to ZIUOPDVE the borrowers were able to request for a deferral for a period of up to 9 months no later than 26 February 2021 however, the moratorium had to enter into force on 31 March 2021 at the latest.

The PKP8 was adopted on 5 February 2021, which provided additional measures to preserve jobs and help the economy in aggravated conditions of the COVID-19 epidemic. In May 2021, the assistance in the form of partial reimbursement of wages to workers on temporary waiting for work was extended for another month up to 30 June 2021.

On 14 July 2021 two new intervention laws entered into force, namely the Intervention Measures to Assist the Economy and Tourism Sector (ZIUPGT) in mitigating the consequences of the COVID-19 epidemic and Healthcare Intervention Measures Act (ZNUPZ), which are included in PKP9.

In line with government measures, the Bank continued to provide services to its clients through all its existing channels, including the branch network. With its measures, the Bank allowed for the staff whose presence in the Bank's premises is not necessary to work from home, while the Bank regularly informs its staff on how to act during the epidemic at home and in the Bank's premises, and how to provide necessary documents related to State measures. The Bank provided the staff with several free COVID-19 rapid antigen tests and organized COVID-19 vaccination appointments for the staff at several locations.

In light of the pandemic, the Bank responded with a coordinated programme of activities that remain in operation to ensure proper management of credit risk. The Bank kept the ECB regularly informed about its response to the pandemic under the SREP cycle through its supervisory team. COVID-19 credit exposure related data are quarterly reported to ECB and monthly to Bank of Slovenia, while COVID-19 report presentation is reported to the Management Board on a monthly basis.

The Bank responded to borrowers with both legislative and non-legislative (bilateral) moratoriums, and updated its methodologies used in the decision-making process, and instructions aimed at identifying financial difficulties faced by borrowers.

During the first half of 2021 the Bank continued with a series of exercises designed to assess the impact of the pandemic on individual corporate borrowers and to identify actions to be taken in respect of each of them, including, where appropriate, re-rating, review of forbearance status, and staging and provisioning. The Bank reviews individual cases and actions thereto at its weekly Distressed Loans Committee meetings. The Bank expects that such reviews will be necessary and appropriate also in the second half of 2021.

The Bank has specifically analyzed potentially increased credit risk in the industries most affected in Slovenia, mainly because the government measures related to containing the virus spread forced companies to reduce or cease operations, such as tourism and leisure, nonfood retail, and automotive supply sectors. The Bank paid special attention to assessing collateral in the industries most affected by the pandemic. Based on the analysis, the Bank estimates that credit risk has not significantly deteriorated in those industries that restarted operations after the second lockdown and that the valuation of collateral in these industries remains has not materially deteriorated.

The Bank continues to monitor clients' unlikeliness to pay on a case-by-case basis, without any automation of the classification of larger clients. This is done by applying Bank's existing rules regulating default identification in combination with the client's existing financial information as well as forward-looking signals provided via EWS system as well as COVID-19 Watch list. In summary, the Bank is applying an expert-based approach and takes into account all available reliable information related to (i) the client's current and likely future financial standing & liquidity position as well as (ii) various support measures (client's, government's as well as bank's) that are put in place and impact the creditworthiness of customer.

In the retail sector, the Bank is conducting an overview of its retail portfolio in order to assess whether these clients may encounter payment issues once moratoriums offered by the Intervention Acts in Slovenia under PKP1, PKP6 and PKP7 expire. As at 30 June 2021, the share of the retail loan portfolio in the active loan portfolio of loans and advances subject to COVID-19-related measures was 5,1%. As at the date of this report, the Bank has not identified

a material increase in defaults or other specific patterns in the entire portfolio that would indicate a significant increase in credit risk related to the pandemic. The Bank also acknowledges that the State has provided targeted support measures which have enabled individuals employed in sectors directly impacted by the containment measures to maintain their income and that these measures have contributed to retail borrowers continuing capacity to service their debts. The Bank also assumes that the State will continue to provide support to those sectors impacted directly (ie closed) by its containment measures beyond the date of this report.

According to the analysis most borrowers resume payments when their legislative or bilateral moratoria expire, and only limited number of clients are facing payment difficulties. Up to 30 June 2021 574 million EUR of total moratoria (legislative, bilateral and newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis) were granted, of which 447 million EUR already expired. After 30 September 2020 all moratoria application forms are tested against Forborne status. As at 30 June 2021 the total amount of active non expired loans and other financial assets subject to COVID-19-measures represented 2,59% of the total loan book, while legislative moratoria represented 1,52% in the nonfinancial and household portfolio and bilateral moratoria 0,75% in the same portfolio.

Due to the significance of the current macroeconomic situation as a result of COVID-19 the Bank updated macroeconomic scenarios for the purpose of the calculation of expected credit losses from 30 June 2021 onwards. The Bank relies on forecast published by relevant source bodies (i.e., UMAR, Bank of Slovenia, ECB etc.) The changes refer to new macroeconomic scenarios as well as new scenario weights, recalculated Post Model Adjustment (PMA) based on the same rule, but with more recent data, estimated Default Rates and calibration. As at 30 June 2021 the total impact of the changes in the scenarios and the weights on P&L resulted in impairment release of 2 million EUR.

Further, the Bank will continue to monitor the impact of the pandemic on the creditworthiness of its customers and will take actions accordingly.

As at the date of this report, the Bank considers that it has adequate liquidity to support its operations. Access to liquid assets is also available through refinancing its treasury portfolio and through instruments to be available by the ECB. The management considers that the amount of these funds is appropriate to support operations of the Bank.

The Bank's Management and Supervisory Boards assess that the Bank's response to the pandemic is appropriate and met supervisory expectations. The Bank reviewed and continues to review the assessment of the COVID-19 pandemic impact on the current and future economic and business environments.

Templates 1, 2 and 3 below present exposures approved under the public moratoria in line with the Slovene state intervention law.

Biser Topco Group Disclosures June 2021

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

€000

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount	
	Total	Performing			Non-performing			Total	Performing			Non-performing			Inflows to non-performing exposures	
		Total	Of which: exposures with forbearance measures	Of which Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Total	Of which: exposures with forbearance measures	Of which*: Unlikely to pay that are not past-due or past-due <= 90 days		Total	Total	of which: forbore exposures	of which instruments with a significant increase in credit risk since initial recognition, but not impaired (Stage 2)	Total	Of which: exposures with forbearance measures		Of which*: Unlikely to pay that are not past-due or past-due <= 90 days
1	Loans and other financial assets under moratorium	67.081	63.841	589	47.378	3.240	2.797	3.053	(1.662)	(1.149)	(75)	(1.068)	(514)	(402)	(441)	27
2	of which households	5.362	3.668	486	1.589	1.694	1.620	1.558	(461)	(95)	(54)	(91)	(366)	(339)	(346)	27
3	of which: insured by residential property	2.560	1.383	331	622	1.178	1.178	1.178	(258)	(44)	(33)	(43)	(214)	(214)	(214)	0
4	of which non-financial companies	61.720	60.173	103	45.790	1.546	1.176	1.494	(1.201)	(1.054)	(21)	(977)	(147)	(63)	(95)	0
5	of which SMEs	10.130	8.583	103	5.520	1.546	1.176	1.494	(549)	(402)	(21)	(374)	(147)	(63)	(95)	0
6	of which: insured by business premises	51.958	50.495	0	43.088	1.462	1.176	1.462	(794)	(712)	0	(675)	(81)	(63)	(81)	0

*The columns "g" and "n" includes outstanding non-performing exposures or past due up to 90 days.

As at 30 June 2021 the Group's active loans and other financial assets under EBA moratorium, which had not expired by then, amounted to 67.081 thousand EUR. The share of 92% of which relate to non-financial corporations. The largest shares within non-financial corporations are represented by moratoria given to the service sectors, such as: Accommodation and food service activities (34,2%), Arts, entertainment and

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recreation (33,0%) and moratoria given to Manufacturing (27,0%). In the manufacturing sector, 56% of loans related to COVID-19 measures relate to newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis.

Most of the moratoria relates to the deferral of interest and principal payments.

The accumulated impairments created for the loans and other financial assets subject to EBA-compliant moratorium as at 30 June amounted to 1.662 thousand EUR.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

€000

	a	b	c	d	e	f	g	h	i
	Number of obligors	Gross carrying amount							
		Total	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	2.334	400.128						
2	Loans and advances subject to moratorium (granted)	2.334	400.128	400.128	333.046	24.835	41.534	711	0
3	of which: Households		81.547	81.547	76.186	4.205	1.157	0	0
4	of which: Collateralised by residential immovable property		47.201	47.201	44.641	1.838	722	0	0
5	of which: Non-financial corporations		318.572	318.572	256.853	20.631	40.377	712	0
6	of which: Small and Medium-sized Enterprises		138.206	138.206	128.076	5.729	3.689	712	0
7	of which: Collateralised by commercial immovable property		257.940	257.940	205.982	17.283	33.963	712	0

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Moratoria given in accordance with intervention laws were granted for a maximum of 12 months. Of the 67.081 thousand EUR of active loans and other financial assets with the EBA-compliant moratorium, as at 30 June 2021, the amount of residual maturity of moratoria up to 3 months amounted to 24.835 thousand EUR and from 3 to 6 months to 41.534 thousand EUR. Of the gross carrying amount of loans and other financial assets subject to EBA-compliant moratorium, which amounted to 400.128 thousand EUR up to 30 June 2021, 64.593 thousand EUR was subject to extension, of which 90% related to non-financial corporations.

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

		€000			
		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forbore	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	26.475	0	18.111	0
2	of which: Households	88			0
3	of which: Collateralised by residential immovable property	0			0
4	of which: Non-financial corporations	26.387	0	18.042	0
5	of which: Small and Medium-sized Enterprises	535			0
6	of which: Collateralised by commercial immovable property	6.627			0

As at 30 June 2021, the Group disclosed 26.475 thousand EUR of loans and other financial assets subject to public guarantee scheme under the Intervention law, which was introduced to mitigate the consequences of the COVID-19 epidemic. The majority of which relate to performing loans given to non-financial corporations. Only 163 thousand EUR relates to outstanding non-performing exposures or past due up to 90 days. 97% of assets subject to public guarantees have a residual maturity from 2 to 5 years. The accumulated impairments created for the newly originated loans and other financial assets subject to public guarantee schemes as at 30 June 2021 amounted to 771 thousand EUR.

4 Actions taken by the Government of the Republic of Slovenia in a response to the COVID-19 pandemic

This chapter provides an overview of the measures and laws that have been passed by the Slovenian State in a response to the COVID-19 pandemic and its impacts on the operation of banks.

4.1 Chronological summary of COVID State acts

ACT	DATE OF ADOPTION	DATE OF ENTRY INTO FORCE
1st Anti-Corona Package		
Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities Slovene: Zakon o interventnem ukrepu odloga plačila obveznosti kreditojemalcev ("ZIUOPOK", Official Gazette RS, no. 36/20, 49/20 – ZIUZEOP, 175/20 – ZIUOPDVE and 203/20 - ZIUOPDVE)	20.03.2020	29.03.2020
Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy Slovene: Zakon o interventnih ukrepih za zajezitev epidemije COVID-19 in omilitev njenih posledic za državljane in gospodarstvo ("ZIUZEOP", Official Gazette RS, no. 49/20, 61/20, 67/20, 80/20 – ZIUOOPE, 101/20 – skl. US, 152/20 – ZZUOOP, 175/20 – ZIUOPDVE, 203/20 – ZIUPOPDVE, 15/21 - ZDUOP)	02.04.2020	11.04.2020
Act Amending the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy Slovene: Zakon o spremembah in dopolnitvah Zakona o interventnih ukrepih za zajezitev epidemije COVID-19 in omilitev njenih posledic za državljane in gospodarstvo ("ZIUZEOP-A", Official Gazette RS, no. 61/20)	28.04.2020	01.05.2020
2nd Anti-Corona Package		
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic Slovene: Zakon o zagotovitvi dodatne likvidnosti gospodarstvu za omilitev posledic epidemije COVID-19 ("ZDLGPE", Official Gazette RS, no. 61/20, 152/20 – ZZUOOP, 175/20 - ZIUOPDVE)	28.04.2020	01.05.2020
3rd Anti-corona Package		
Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic ("ZIUOOPE", Official Gazette of RS, No. 80/20)	29.05.2020	31.05.2020
Intervention act on removing obstacles to the implementation of significant investments to recover the economy after the COVID-19 epidemic ("IZOOPIZG", Official Gazette of RS, No. 80/20)	29/05/2020	31.05.2020
Act Regulating the Guarantee of the Republic of Slovenia in European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak ("ZPEIPUTB", Official Gazette of RS, No. 80/20)	29.05.2020	31.05.2020
4th Anti-corona Package		
Act Determining Intervention Measures to Prepare for the Second Wave of COVID-19 ("ZIUOPDV", Official Gazette of RS, No. 98/20, and 152/20)	09.07.2020	11.07.2020
5th Anti-corona Package		

Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 (“ZZUOP”, Official Gazette of RS, No. 152/20, and 175/20 – ZIUOPDVE)	15.10.2020	24.10.2020
6th Anti-corona Package		
Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (“ZIUOPDVE”, Official Gazette of RS, No. 175/20, and 203/20 – ZIUOPDVE)	25.11.2020	28.11.2020
7th Anti-corona Package		
Act Determining Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic (“ZIUOPDVE”, Official Gazette of RS, No. 203/20)	29.12.2020	31.12.2020
8th Anti-corona Package		
Act on Additional Measures for Mitigation of Consequences COVID-19 (“ZDUOP”, Official Gazette of RS, No. 15/21)	03.02.2021	05.02.2021
9th Anti-corona Package		
Act on Intervention Measures to Assist the Economy and Tourism Sector (“ZIUPGT”, Official Gazette of RS, No. 112/21)	07.07.2021	14.07.2021

4.2 Effects of COVID State Acts on banks

ACT	EFFECTS
Act Determining the Intervention Measure of Deferred Payment of Borrowers’ Liabilities (hereinafter: ZIUOPOK)	<p>Grantors</p> <p>Deferral of payment obligations shall be granted by banks and savings banks established under the laws of Republic of Slovenia and/or branches of banks of European Union Member States with their seats in the Republic of Slovenia, which, in accordance with the law governing banking, are allowed to provide banking services in the territory of the Republic of Slovenia (hereinafter: “the bank”).</p> <p>Beneficiaries</p> <p>Beneficiaries of measures under the Act are (i) companies with their seats in the Republic of Slovenia, (ii) cooperatives, societies, institutions, foundations and natural persons who employ workers according to the Employment Relationships Act and self-employed persons with their seats or habitual residence in the Republic of Slovenia, as well as (iii) holders of agricultural holdings and holders of supplementary agricultural activities according to the Agriculture Act and (iv) natural persons who are nationals of the Republic of Slovenia, with their habitual residence in the Republic of Slovenia (hereinafter: “the borrower”). The deferral of payment shall be granted by the bank based on borrower’s application, which must be filed not later than 6 months following the declaration of outbreak of epidemic. It is intended that the Act also applies to the credit agreements concluded during the period of validity of the Act, i.e. credit agreements concluded between the next day after publication of the Act and expiry of 18 months following the day of declaration of an ending of the epidemic situation.</p> <p>Characteristics of deferral</p> <p>The borrower and bank may agree on deferred payments with an annex to the credit agreement under condition that borrower has outstanding payment obligations which did not fall due until the declaration of an outbreak of epidemic. The deferral of payment obligation may last for 12 months, if not agreed otherwise, whereby the amount of outstanding installments remains unchanged. The final maturity date of the credit agreement is, therefore, extended for 12 months.</p> <p>Deferral conditions</p> <p>In order to benefit a deferral of payment obligation, the borrower, who does not qualify as a natural person, has to demonstrate that it generally fulfils all its tax</p>

ACT	EFFECTS
	<p>obligations, contributions and any other charges or that he was given a right to installment payment of those obligations, however, he is not able to perform his current payment obligations under the credit agreement due to reasons which are a consequence of the epidemic crisis. Additionally, a borrower classified as a large company must also demonstrate that performance of mentioned payment obligations would cause its liquidity problems which could also lead to potential insolvency. Also, the borrower who is a natural person has to demonstrate that he is temporarily not able to perform his payment obligations due to circumstances which are a consequence of the epidemic crisis and are affecting his financial position. Note that borrowers whose business activities were suspended under governmental or municipal decrees shall be subject to less severe terms and conditions.</p> <p>It should be emphasized that, according to the Act, borrowers who do not qualify as natural persons also have an obligation to regularly notify banks about the implemented measures to establish their liquidity and other relevant changes related to their business situation. If the borrower fails to perform his notification obligations or provides the bank with false application information, the bank shall be entitled to suspend or shorten a deferral. The bank shall be also entitled to suspend or shorten a deferral when, on the basis of the information available, it deems that such measure is justified.</p>
<p>Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter: ZIUZEOP)</p>	<p>Deferral of borrower's payment obligations</p> <p>The Act is amending the Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (Official Gazette RS, no. 36/20; hereinafter: ZIUOPOK) which further defines the definition of the deferral of payment. Definition states that the deferral also applies to agreements which serve as collateral for a credit agreement. Furthermore, the Act also clarifies and enacts that during the deferral period a debtor is obliged to pay interest rate agreed upon when the credit agreement is concluded.</p> <p>In addition to the aforementioned, the Act also enacts a new measure available to borrowers based on ZIUOPOK, i.e. a state guarantee for performance of borrowers' payment obligations with the following characteristics.</p> <p>The amount of the state guarantee</p> <p>The guarantee of the Republic of Slovenia shall cover 25% of the amount of deferred monthly installments which would mature within deferred period.</p> <p>Please note that with respect to the borrowers, whose business activities were suspended under governmental or municipal decrees or borrowers who qualify as natural persons, the guarantee of the Republic of Slovenia shall cover 50% of the amount of deferred monthly installments which would mature within deferred period.</p> <p>The state guarantee will be irrevocable, unconditional and enforceable at the bank's first written request and shall be granted for borrowers' liabilities in the total amount of EUR 200 million.</p> <p>Guarantee for obligations arising from newly concluded credit agreements</p> <p>According to the Act, the state guarantee shall also apply for those credit agreements which will be concluded during the validity of ZIUOPOK with the purpose to ensure liquidity during the epidemic.</p> <p>In this case, a newly concluded credit agreement must also contain compulsory covenants such as (i) pari passu clause (i.e. bank's claim under the credit agreement shall rank at least pari passu to all other borrower's obligations which he entered into after the guarantee has been issued) and (ii) negative pledge clause (i.e. borrower shall not create or incur any additional security interest over its assets). Please note that, with regard to newly concluded credit agreements, the Act prohibits cross default clauses, however, an exception applies in those cases when cross default is envisaged in other credit agreements concluded between the parties.</p> <p>Termination of the guarantee</p>

ACT	EFFECTS
	<p>A state guarantee shall be terminated in case when (i) the deferral of payment obligation has been granted contrary to the terms of the ZIUOPOK, whereas the violation can be contributed to the bank and (ii) bank fails to notify the state with regards to initiation of the borrower's bankruptcy proceedings at least 14 days prior the expiry of the deadline to file claims.</p> <p>Borrowers' Restrictions</p> <p>A borrower who qualifies as company and has been granted the deferred payment of the credit obligation in accordance with the provisions of the ZIUOPOK is prohibited to pay out any profit payments, business performance awards to members of management and employees, and payment of other financial liabilities to parent or affiliated companies or owners. The parties shall include borrower's restrictions with the annex to the credit agreement.</p> <p><u>Deferred payment of credits and other liabilities arising from acts regulating aid and restructuring of distressed companies and cooperatives</u></p> <p>In addition to deferral of borrower's payment obligations pursuant to the ZIUOPOK, the Act also regulates a deferral of credit payments and other liabilities arising from:</p> <ul style="list-style-type: none"> • Act Governing Rescue and Restructuring Aid for Companies and Cooperatives in Difficulty (Official Gazette RS, no. 5/17), • Act Governing the Rescue and Restructuring Aid for Companies in Difficulty (Official Gazette RS, no. 44/07 – official consolidated text, 51/11, 39/13, 56/13, 27/16 – ZFPPIPP-G and 5/17 – ZPRPGDZT) and • related deferral and installment payment approved in accordance with Article 77 of the Public Finance Act (Official Gazette RS, no. 11/11 – official consolidated text, 14/13 – corr., 101/13, 55/15 – FISP, 96/15 – ZIPRS1617 and 13/18). <p>Borrower</p> <p>Eligible borrower under the Act is a company established under the law governing companies and a cooperative established under the law governing cooperatives.</p> <p>Characteristics of deferral</p> <p>Deferral of payment obligations shall be granted for a period of 12 months, provided that the individual payment obligation has not yet matured until the declaration of the epidemic.</p> <p>Deferral of payment obligations constitutes the termination of the maturity of all obligations under a credit or other agreement for a duration of the deferral period. In this regard the parties conclude an annex to the credit agreement. The final maturity date of the credit agreement is, therefore, extended for 12 months.</p> <p>Please note that credit agreements granted through public tenders by Public Funds of the Republic of Slovenia may be subject to reprogram. This measure is applicable when the borrower defaulted on his payment obligation before the declaration of the epidemic. In such case the amount of individual installment increases for applicable amount.</p> <p>Borrower's obligations</p> <p>The borrower who has been granted a deferred payment is obliged to report to the competent ministry quarterly on its business position.</p> <p>The competent ministry may suspend or shorten the deferral period, (i) if the borrower is found to be in breach of its reporting obligations, (ii) if its financial position improves and the conditions for deferred payment are no longer met, or (iii) if it is found that the borrower stated false information in the application.</p> <p><u>Employment and social security contributions</u></p> <p>Employers are exempted from paying pension and disability insurance contributions for employees from the first to fourth paragraphs and from the sixth paragraph of Article 14 of the Pension and Disability Insurance Act</p>

ACT	EFFECTS
	<p>(Official Gazette of the Republic of Slovenia, No. 96/12 et seq.; hereinafter: ZPIZ-2) for the months of April and May 2020.</p> <p>Pension and disability insurance contribution (of the employer and the insured) is fully paid by the Republic of Slovenia.</p> <p>The exemption applies to those employees (the insured) who continue to work and receive a salary during the application of emergency measures under the Act. For the period when an employee is on leave and is thus entitled to a full wage compensation, the employer shall also be granted exemption from the payment of pension and disability insurance contributions.</p> <p><u>Exemption from the payment of contributions does not apply to those insured whose employers are direct or indirect users of the budget of the Republic of Slovenia or that of a municipality (it is, therefore, only applicable to employees employed by private sector companies) and financial and insurance activities that fall under Group K according to the standard classification of activities.</u></p>
<p>Act Amending the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (hereinafter: ZIUZEOP-A)</p>	<p>State guarantee</p> <p>A guarantee of the Republic of Slovenia is granted to the bank (as defined in ZIUOPOK) for the fulfilment of obligations of borrowers (defined in ZIUOPOK), for 25% of the amount of deferred instalment that would be due within a period of maximum 12 months, for which the deferral was agreed, or 50% in the case of: (i) borrowers engaged in an activity for which the government or municipal decree stipulates that the provision of services or sale of goods is temporarily prohibited due to the COVID-19 epidemic; (ii) borrowers, who are natural persons.</p> <p>The amendment is intended to prevent any misinterpretation regarding the number of instalments of the loan in the event the instalments is not calculated on a monthly basis, but e.g. quarterly.</p> <p>The State guarantee is limited with substantive and quantitative restrictions that have been adopted by the European Commission in the Temporary Framework for State aid measures to support the economy in the current COVID19 outbreak. More detailed rules will be defined in a Government decree.</p> <p>The borrower is subject to a prohibition on the distribution of profits, rewards for business performance to the members of the management board and to the employees, and payment of other financial liabilities to parent or related entities or owners, for the time period from the application for the deferral to the termination of the bank's right to exercise its right arising from the guarantee.</p> <p><u>Deferred payment of credits and other obligations based on the act regulating rescue and restructuring aid to the companies and cooperatives in economic difficulties</u></p> <p>The Act stipulates that, depending on the extension of the maturity of the last installment of the basic credit (or other) contract, the act governing the insurance of payment of obligations under this contract is automatically extended. In addition, the ultimate deadline for the deferral of the payment obligations, which can exceptionally be agreed between the competent ministry and the debtor, is also defined. The maximum payment deferral is set at 24 months.</p> <p>The possibility of rescheduling the loan agreement as such does not change, however, it is available to borrowers who were not late in fulfilling their obligations for more than 90 days before the declaration of an epidemic.</p> <p>Notwithstanding Article 10 ZPreZP-1, the payment deadlines are prolonged to 60 days in instances, where the creditor is the Republic of Slovenia or a local community, public fund, public agency, public institute or public economic institute and the debtor is a private entity.</p> <p>That payment deadline remains in force for 1 year after the declaration of the expiry of the epidemic.</p> <p><u>Employment and social security contributions</u></p>

ACT	EFFECTS
	<p><u>Employers carrying out financial or insurance activities falling within Group K according to the standard activity classification, are eligible for the aid, if on 13 March 2020 they have less than 10 employees.</u> The Act thus widens the circle of beneficiaries to the aid.</p>
<p>Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (hereinafter: ZDLGPE)</p>	<p>Measures to provide additional liquidity to the economy</p> <p>The subject of the measures is to provide an <i>ex lege</i> guarantee of the Republic of Slovenia for the borrowing of borrowers. The guarantee is provided to cover the risk of banks and savings banks established in the Republic of Slovenia, or branches of banks of Member States established in the Republic of Slovenia, which, in accordance with the ZBan-2, may provide banking services in the territory of the Republic of Slovenia.</p> <p>Borrowers secured by a state guarantee</p> <p>Any legal or natural person engaged in an economic activity, regardless of legal form, shall be considered a borrower whose guarantee may be secured by a state guarantee. However, credit and financial institutions as defined in ZBan-2, ZZavar-1 and ZPIZ-2, are not eligible for collateral with a state guarantee.</p> <p>To obtain a guarantee, the borrower must meet the following criteria:</p> <ul style="list-style-type: none"> • on 31 December 2019 it was not considered to be an undertaking in difficulty as defined in point 18 of Article 2 of Regulation 651/2014/EU; • it has been facing liquidity problems since after 31 December 2019 due to business reasons related to the consequences of COVID-19 in the territory of the Republic of Slovenia; • it is not considered as a defaulter in accordance with the provisions of Regulation (EU) No. 575/2013 as amended, whereby the borrower as at 12 March 2020 should not have significant delays in settlement of its obligations to the bank as defined in the guidelines of the European Banking Authority; • it does not operate and is not registered in a country from the European Union's List of jurisdictions that are not willing to participate for tax purposes and it does not have an owner in such country; • on the day of the application, outstanding liabilities arising from compulsory contributions, taxes and other charges have been settled, or the borrower is, on that day, in a situation where, in accordance with the law, the obligation for the payment of compulsory contributions, taxes and other charges has been differed, or instalment payments have been enabled. <p>Conditions</p> <p>A state guarantee is intended for loan agreements that meet the following criteria:</p> <ul style="list-style-type: none"> • they are concluded after 12 March 2020 and no later than 30 June 2021; • the maturity of the loan does not exceed 5 years; • the loan is intended solely to finance the borrower's core business (financing of new and completion of already started investments, working capital financing or financing of a repayment of liabilities stemming from loan agreements which were concluded in a period from 12 March 2020 until the entry into force of this Act and that fulfil the conditions under this Act); • the loan is not intended for financing affiliated companies or companies with financing abroad. <p>The maximum permissible total amount of the principal value of the loan, for which the Republic of Slovenia is responsible with its guarantee, is defined as up to 25% of sales revenue in 2019 and may not exceed the amount of labour costs for 2019. If the borrower is granted a deferral of payment of its liabilities for newly concluded loan agreements in accordance with the ZIUOPOK, the maximum permissible total amount of an individual borrower's liability is the amount of its deferred liabilities.</p>

ACT	EFFECTS
	<p>Application of the borrower</p> <p>In the application the borrower must submit the following:</p> <ul style="list-style-type: none"> • latest financial statements; • a description of its business position as a result of the consequences of COVID-19, together with an indication of the amount of total sales revenue in 2019 and the amount of labour costs for 2019; • the amount and maturity of the loan requested; • the purpose of the loan; • if it also has a loan which is subject to deferral under the act governing emergency measures on deferral of borrowers' payment obligations, information about the amount of the borrower's obligations under this loan; • a statement that the loan will be intended for financing in accordance with the conditions laid down for credit agreements in accordance with the Act. <p>Duration and amount</p> <p>A guarantee is an accessory legal transaction that follows the principal obligation. It is therefore logical that the duration of a single guarantee should not exceed the maturity of the loan (5 years), including any subsequent extensions in respect of which it was granted.</p> <p>The amount of the guarantee depends on the classification of each borrower according to its size and number of employees. Entities having fewer than 250 employees and an annual turnover not exceeding 50 million EUR and/or annual balance sheet total not exceeding 43 million EUR and are classified as micro, small and medium entities in accordance with Regulation 651/2014/EU companies are entitled to a guarantee of 80% of the principal value. All other entities that do not meet the above conditions are considered as large companies and are entitled to a guarantee of 70% of the principal value.</p> <p>In Article 6 the Act also stipulates that the request for the fulfilment of the guarantee obligation of the Republic of Slovenia is justified only if the bank and the Republic of Slovenia suffer proportional losses on equal terms. This provision of the Act is unclear and not specified any further.</p> <p>Key features of the guarantee</p> <p>The Republic of Slovenia is, as a guarantor, responsible to the bank for fulfilling the borrowers' obligations. Some general and specific restrictions apply in that regard. An essential general restriction is that the total amount of principal values of all loan agreements subject to the guarantee of the Republic of Slovenia may not exceed 2 billion EUR (guarantee quota). Specific restrictions apply to specific loan agreements concluded in accordance with the Act (Article 5). The guarantee is irrevocable, unconditional and is redeemed at the bank's first written demand.</p> <p>Fee</p> <p>Pursuant to the Act no fee will be charged or paid. However, the Act provides for an obligation to pay a "guarantee premium", which is an annual premium, the amount of which is determined by the type of entities (whether it is a micro, small, medium-sized enterprise or a large enterprise) and by the duration of the loan (for the first year, for the second and third year, and for the fourth and fifth year). The amount of the premium is set according to the "basis points" as set out in Article 8 of the Act (from 25 basis points for micro, small or medium-sized enterprises or from 50 basis points for large enterprises for the first year up to 100 basis points for micro, small or medium-sized enterprises or up to 200 basis points for large enterprises for the fourth and fifth year). "Base Point" means 1/100 of a percentage point of the outstanding principal value of the loan.</p> <p>Fulfilment of the State's guarantee</p>

ACT	EFFECTS
	<p>Pursuant to the Act, the Republic of Slovenia authorizes SID Bank - Slovenian Export and Development Bank, d.d., Ljubljana (SID Bank) to carry out certain operations related to guarantees on its behalf and for its account.</p> <p>In accordance with Article 9 of the Act, the guarantee obligation will be primarily fulfilled in cash, however the Act also provides for the issuance of bonds of the Republic of Slovenia or SID Bank, provided that these meet the conditions of an instrument by which the bank can safeguard its liability to the European Central Bank. To this end, the Government of the Republic of Slovenia will, with prior opinion from the Bank of Slovenia, issue a decree within 3 months from the day of the entry into force of the Act, which will prescribe the criteria according to which the said bonds will be considered an acceptable instrument.</p> <p>In the case of borrowers classified as micro, small or medium-sized enterprises, forfeiture of the guarantee may be effected by payment from the budget of the Republic of Slovenia or by submission of a bond of the Republic of Slovenia, or, in the case of borrowers classified as large enterprises by payment from the budget of the Republic Slovenia or by submission of a SID Bank bond. The decision on the manner of execution of the guarantee obligation is at the discretion of the Republic of Slovenia, which in particular considers the liquidity capabilities of the budget of the Republic of Slovenia.</p> <p>In addition to the method for the forfeiture of the guarantee, Article 9 of the Act provides for the possibility of transferring receivables. In the event that a default event has not yet occurred, the bank may offer SID Bank to purchase its receivables against the borrower in the amount of the unpaid nominal amount of the principal value of each loan, in the part covered by the guarantee of the Republic of Slovenia. If SID Bank accepts such an offer, it will fulfil the obligation by submitting the SID Bank bond.</p> <p>Role of the bank</p> <p>A bank which approves a loan in accordance with the Act, submits a loan application together with a copy of a loan agreement and other necessary or required documentation to SID Bank.</p> <p>In order to redeem the guarantee, the bank shall submit a request for fulfilment of the guarantee obligation of the Republic of Slovenia to SID Bank no later than 6 months after the occurrence of the default event.</p> <p>The Republic of Slovenia shall fulfil the guarantee obligation no later than 15 working days after receiving a formally complete claim for its fulfilment.</p> <p>The Act also sets out a bank's obligation to notify the borrower on filed request for a guarantee within 3 days after filing.</p> <p>Recovery and the management of claims</p> <p>SID Bank is responsible for the recovery of individual claims from redeemed guarantees on behalf of the Republic of Slovenia and for the management of the acquired claims, even if SID Bank consensually transfers the management or recovery of the claims to the bank. SID Bank monitors and controls the procedures of the recovery and the management of claims and participates with banks on behalf and for the account of the Republic of Slovenia in important decisions in the process of the recovery or the management of the claim.</p> <p>The recovery and the management can be carried out through a bank that has received a guarantee for a redeemed or transferred claim. In the proportion to the assumed risk, the bank shall transfer any amount of recovered recourse and received payment to the Republic of Slovenia, when recovering the claims from redeemed guarantees and managing individual claims.</p> <p>SID Bank may recover the redeemed guarantee directly from the debtor if, such recovery is faster or more economical than the recovery which would be otherwise managed by the bank according to the estimation of SID Bank.</p> <p>Insolvency or liquidation</p>

ACT	EFFECTS
	<p>If proceedings for insolvency or liquidation are brought against the borrower, the bank must notify SID Bank of any claim it declares in proceedings and of the initiation of proceedings no later than 14 days before the deadline for declaring claims.</p> <p>Restrictions for borrowers</p> <p>The following applies to the borrowers from time of the application for the loan until the cessation of the bank's right to exercise the right to a guarantee:</p> <ul style="list-style-type: none"> • the distribution of profits is prohibited; • business performance rewards for the members of the management are prohibited; • the purchase of treasury shares and ownership interest is prohibited; • payment of other financial liabilities to the parent or affiliated companies or owners is prohibited. <p>In case of an approved guarantee the bank includes a disclaimer on the prohibition of payments in the loan agreement.</p> <p>Cease of the guarantee</p> <p>Conditions in respect of a loan as well as of a borrower for granting a loan are laid down. The bank is responsible for the assessment if these conditions are met in the process of deciding whether to grant a loan secured by a guarantee of the Republic of Slovenia.</p> <p>The guarantee shall cease:</p> <ul style="list-style-type: none"> • if the loan agreement was concluded in contravention with terms of this act and the violation occurred on the bank's side; • if the bank determines that the borrower has provided false information in the application (in which case the bank establishes a claim of recourse against the borrower, since the violation has not occurred on the bank's side); • or if the bank does not notify SID Bank of the initiation of insolvency or liquidation proceedings of the borrower no later than 14 days before the deadline for declaring claims. <p>In case that the guarantee has already been redeemed the bank must reimburse all received amounts with statutory default interest from the date of receipt of the guarantee payment until the date of the repayment.</p> <p>All provisions regarding the cessation of the guarantee shall also apply in case of delivery of bonds of the Republic of Slovenia or SID Bank. The obligation arising from the bonds does not expire. The bank is obliged to reimburse the Republic of Slovenia and SID Bank the amount equal to the obligation of the issuer of the bond with default interest from the date of delivery of the bond.</p> <p>Recourse claims of the Republic of Slovenia towards the borrowers arising from redeemed guarantees and bank's claims arising from loan liabilities have the status of priority claim in the part where they represent unsecured claims as defined by the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act.</p>
Intervention Measures Act to prepare for the second wave of COVID-19 (ZIUPDV)	<p>Any employer in the Republic of Slovenia who is temporarily unable to provide work for workers due to the consequences of the epidemic may exercise the right to a measure of partial reimbursement of wage compensation to workers on temporary waiting for work, except:</p> <ul style="list-style-type: none"> • direct or indirect user of the budget of the Republic of Slovenia or the budget of the municipality, whose share of revenues from public sources in 2019 was higher than 70%, • an employer performing financial or insurance activity, which belongs to group K according to the standard classification of activities, and has more than ten employees on 13.3.2020, • foreign diplomatic missions and consulates, international organizations, missions of international organizations and institutions, bodies and agencies of the European Union in the Republic of Slovenia.

ACT	EFFECTS
Act on Intervention Measures to Assist the Economy and Tourism Sector (ZIUPGT)	<p>ZIUPGT introduces a refund of salary compensation for shortened full-time work for the period 1 July 2021-30 September 2021. According to ZIUPGT, an employer that engages in a financial or insurance activity that is classified in Group K according to the Standard Classification of Activities ("SKD") and has more than 10 employees is no longer expressly exempt from eligibility for this temporary measure. The foregoing notwithstanding, the employer needs to meet all of the following measures on a cumulative basis:</p> <ul style="list-style-type: none"> ▪ The employer is a legal or natural person that was registered in the Slovenian Business Register before 31 December 2020 and employs workers based on a full-time employment contract or is a natural person engaging in a farming activity and was registered in the Farming Economy Register by no later than 31 December 2020, and ▪ According to the employer's estimate, it is not able to ensure at least 90 percent of work per month to at least 10 percent of employees, and ▪ Its economic activity was restricted or prevented by a Government-issued regulation.