Biser Topco Group
Disclosures for the Financial Year 2016

Maribor, September 2017

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1. Preliminary observations

In accordance with Part Eight 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 (hereafter: the Regulation), Nova KBM is, on the basis of its consolidated financial position, obliged to disclose important information that could, if omitted or misstated, change or influence the assessment or decision of a user relying on that information to make business decisions. The legislation gives reporting entities the option of not disclosing confidential information or business secrets.

Nova KBM is owned by Biser Bidco S.r.l., which is financial holding company. According to Article 13 of CRR Regulation, institutions owned by EU parent financial holding company shall comply with the obligations laid down in Part Eight of the CRR Regulation on their consolidated financial position. Therefore, where appropriate, information and data within this document are presented on Biser Topco Group level as a highest consolidated basis.

In addition, Nova KBM, as a significant subsidiary of EU parent institution, as well as subsidiary of material significance for Slovenian market, discloses information and data within this document on Nova KBM Group level.

Nova KBM (as parent of Nova KBM Group) was privatised in 2016. The sale process was completed on 21 April 2016 when the Republic of Slovenia sold its 100% of Bank's share capital to Biser Bidco S.r.l, owned by Biser Topco S.r.l., which is set up jointly by Apollo and the EBRD. Apollo provided 80% of the funds for the acquisition, remaining 20% provided EBRD.

Biser Topco S.r.l. and Biser Bidco S.r.l. are holding companies set-up with the purpose of acquiring stake in Nova KBM. d.d. Neither of the companies are performing any licenced and commercial activities that would cause additional risk exposure. Operations of both companies bear only certain costs appropriate for their function as a holding company.

In accordance with the above the risk governance policies are relevant on the level of Nova KBM Group.

For the period from 30 April 2016 to 31 December 2016 data and figures presented in this document refer to results on the consolidated level of Biser Topco Group where relevant.

Furthermore, the data and figures presented in this document refer to the year ending 31 December 2016 and include, where applicable, the results of the operations of KBS banka d.d. (hereafter: KBS banka) for the period from 1 July 2016 to 31 December 2016, as well as some other information concerning KBS banka (see below for reasons for this).

The method and frequency of disclosing important information, as well as the method used to verify this information, are set out in the Nova KBM Disclosure Policy. Considering the options available, Nova KBM has decided to publish the required disclosures in a separate document in which it has described each individual disclosure in accordance with the Regulation. The majority of requested information is disclosed by Nova KBM in its annual report, in compliance with the applicable legislation and International Financial Reporting Standards. The disclosures, which form an integral part of the annual report and must, in addition, be published under the Regulation, are not contained herein; only a reference is given in this document to the relevant disclosures in the 2016 Annual Report of the Nova KBM Group and Nova KBM.

During 2016, Nova KBM acquired Poštna banka Slovenije d.d. (hereafter: PBS), its wholly-owned subsidiary and a member of the Nova KBM Group, fully integrating PBS's operations into its own. Furthermore, at the beginning of 2017, it acquired KBS banka. Consequently, this document and the 2016 Annual Report of the Nova KBM Group and Nova KBM include,

where appropriate, the results of KBS banka's operations for the period from 1 July 2016 (given that 30 June 2016 was determined as the accounting date of the acquisition) to 31 December 2016; however, KBS banka remained a standalone bank run independently of Nova KBM until the end of 2016. KBS banka ceased to exist as an independent legal entity on 3 January 2017 when the decision on its merger with Nova KBM was registered with the court.

2. Risk management objectives and policies

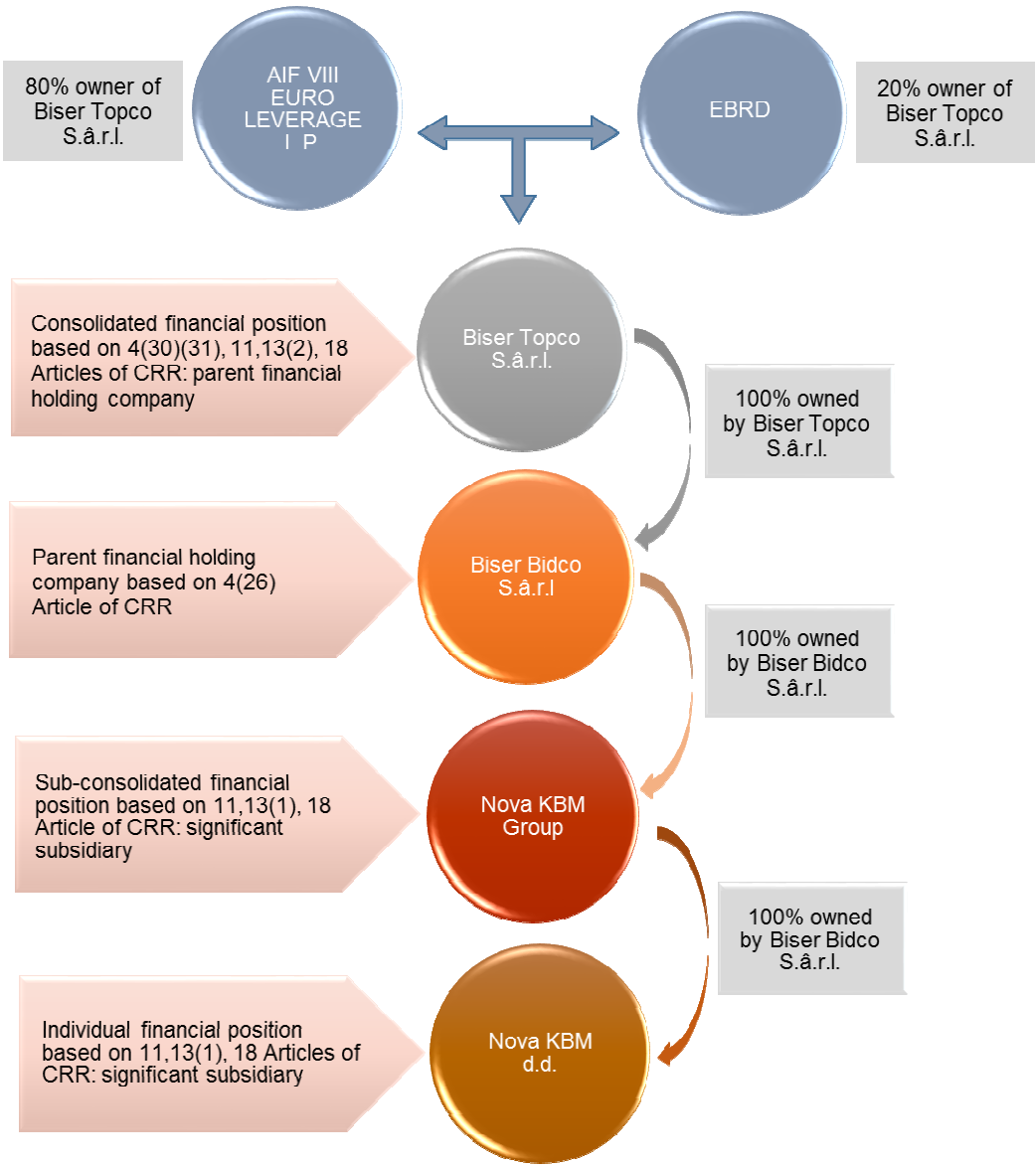
2.1 Strategies and processes to manage risks

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

2.1.1 Biser Topco Group level

As Nova KBM is owned by EU parent financial holding company, it shall disclose relevant information and data laid down in Part Eight of the CRR Regulation on consolidated financial position. Picture below is presenting group structure on Biser Topco EU parent financial holding company level.

Picture 1: Ownership structure of Biser Topco Group



Biser Topco S.â.r.l. and Biser Bidco S.â.r.l. are financial holding companies pertinent to Apollo and EBRD's investment in Nova KBM d.d. and do not perform any licensed and/or commercial activities. They bear only operating costs, appropriate to their function as holding companies.

To be compliant with the obligations required in legislation, Nova KBM d.d., where relevant, incorporated risk management and reporting obligations on consolidated level basis into its own methodological approach presented in picture 2 within subparagraph 2.1.2.

Notwithstanding the above, Risk appetite statement incorporated in Risk appetite framework of Nova KBM Group, is based on risk bearing capacity and ICAAP results calculated on highest consolidation level.

Nevertheless, given the current organizational structure of Biser Topco Group, all of risk management and governance processes are established on Nova KBM Group level, as presented within this document.

2.1.2 NOVA KBM Group level

This disclosure is included in the 2016 Annual Report of the Nova KBM Group and Nova KBM; an overview of strategies and processes with respect to risk management is presented in the business part of the annual report (Section 8: 'Risk Management'), while the disclosures made by individual types of risk are set out in the notes to the financial statements (Note 4: 'Risk review').

It is the mission of the Nova KBM Group to ensure the security of its operations, assume risk in a thoughtful and responsible manner, and comply with the highest standards of risk management. The strategy of the Nova KBM Group defines the amount of risk the Nova KBM Group is capable and willing to accept in order to manage it successfully. The Nova KBM Group is aware of all material risks to which it is exposed in its operations, and categorises these according to the type of risk, individual organisational units, business processes, and employees.

In 2016, the Nova KBM Group adopted the Risk Management Strategy, along with the Risk Appetite Statement, thereby ensuring that the material risks to which it is exposed in its operations, as well as the risks which it takes on, are managed in a comprehensive manner. The strategy, which takes into consideration the business policy of the Nova KBM Group, defines long-term objectives of risk management, as well as the Nova KBM Group's general approach to risk taking, and its risk-taking propensity.

The Risk Management Strategy pursues the following objectives:

- to ensure moderate, stable and long-term profitability of the Nova KBM Group
- to ensure profitable operations of the Nova KBM Group at a moderate exposure to credit risk
- to accept greater, but well-diversified country risk exposure, with a view to ensuring that the Nova KBM Group has at all times a sufficient volume of highly liquid assets
- to maintain a low level of the Nova KBM Group's exposure to capital and liquidity risks
- to maintain the level of other risks to which the Nova KBM Group is exposed in its operations at a moderate level

The Nova KBM Group uses a systematic approach for measuring risk. It identifies and assesses each type of risk. Based on appropriate risk assessments, measures are adopted to mitigate the identified risks, with the forward-looking analysis being used as the basis for proactive risk management.

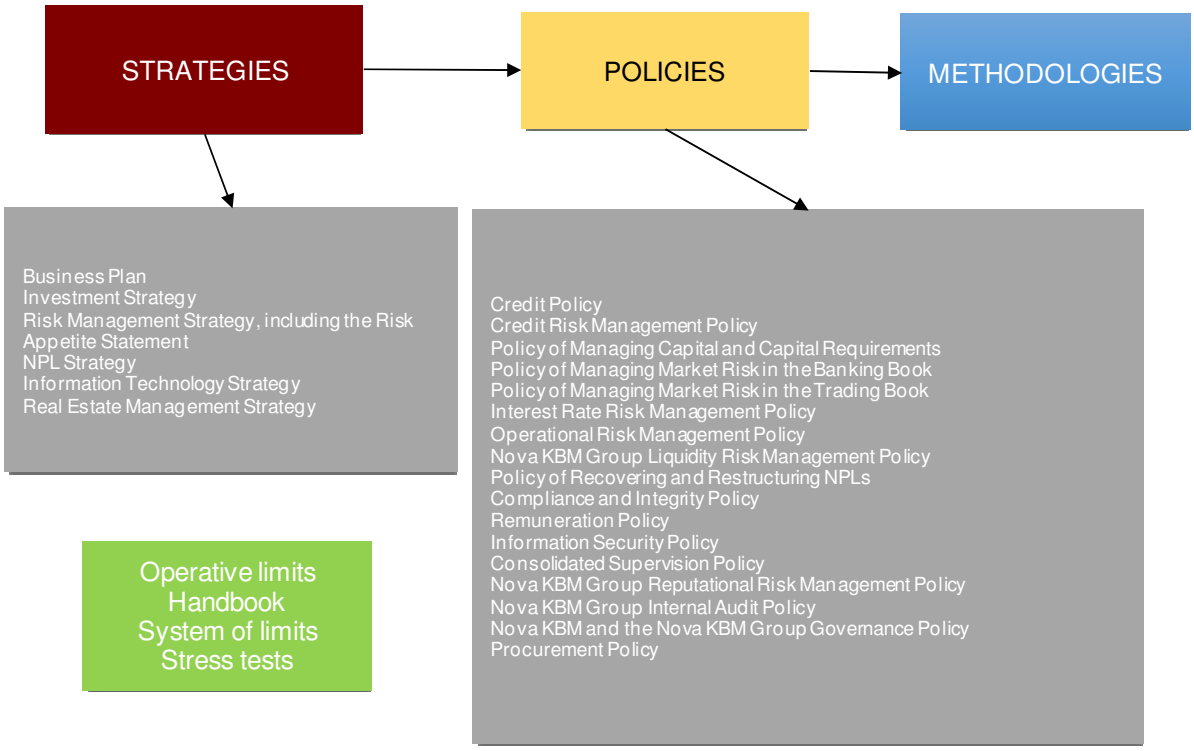
The management of individual types of risk is regulated by the respective risk management methodologies that set out the acceptable level of risk exposure. Last year, the Nova KBM Group adopted the Risk Appetite Statement to formalise its risk-taking propensity, in addition to upgrading its risk management system by integrating operational risk limits into the system of limits.

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

- the identification, measurement and assessment of all types of risk to which the Nova KBM Group is exposed
- determination of the materiality of each type of risk
- the monitoring of risk factors using internal methodologies
- the continuous monitoring of exposure to risk and consideration of established limits
- adapting risk management methodologies, procedures and processes used to mitigate risk to the evolving business environment

In the second half of 2016, as part of its preparations for the merger with KBS banka, Nova KBM ensured that the risk management processes implemented by KBS banka were the same as those of other companies within the Nova KBM Group, in order to provide for accurate reporting on risk exposure at the level of the Nova KBM Group. To ensure that the pending merger between the banks ran as smoothly as possible, the risk policies and methodologies of both banks had been harmonised by the end of last year.

Picture 2: Methodological approach to risk management within the Nova KBM Group



ICAAP

The types of risk the Nova KBM Group is exposed to in its operations, and the methods for measuring exposure to individual types of risk are presented in Point 5.1 of this document. The following types of risk are considered by the Nova KBM Group as being material: credit risk, credit spread risk, strategic risk, operational risk, reputational risk, residual risk and real estate risk. The amount of internal capital required to cover material risks is calculated based on the 'going-concern' approach.

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

- concentration risk
- foreign exchange lending risk
- country risk
- settlement risk
- credit migration risk
- counterparty risk

Implementation of stress tests

As part of its risk management processes, the Nova KBM Group conducts, or is subject to, the following stress tests that are designed to assess an institution's ability to continue as a going concern:

- EU-wide stress tests
- stress tests conducted at the request of the Bank of Slovenia
- stress tests conducted as part of the ICAAP calculations
- liquidity stress tests

Nova KBM conducts stress tests using the methodologies prescribed by the relevant regulators, as well as its own methodologies that set out various stress test scenarios. While stress tests are usually performed on the entire portfolio of the Nova KBM Group, their results are taken into consideration when making decisions about the day-to-day operations of the Nova KBM Group and in the development of its business and financial projections.

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

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

2.2.1 Biser Topco Group level

Management board members of Biser Topco S.â.r.l. are members of Supervisory board of Nova KBM Group as presented in chapter 2.2.2. and have as owners controlling function on Nova KBM Group level.

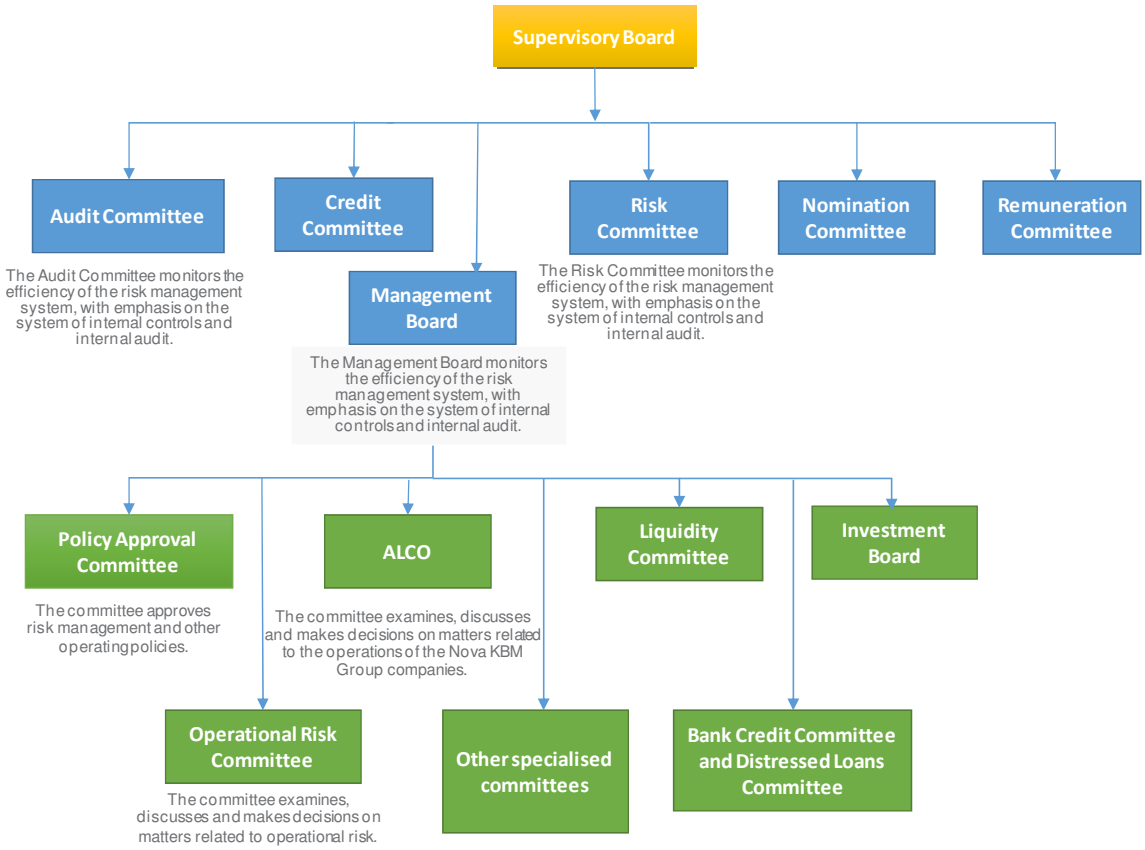
2.2.2 Nova KBM Group level

The Nova KBM Group has set up a risk management structure that requires an active role of the Supervisory and Management Boards, while ensuring that risk management is an independent function, organisationally segregated from business functions. Key decisions in respect of risk management are made by the Management and Supervisory Boards. In order to comply with Article 138 of the Banking Act (hereafter: the ZBan-2), the Executive Director of the Risk Management Division is provided with direct access to the Supervisory Board. The established risk management framework ensures a clear demarcation of responsibilities, with the independent Risk Management Division having a complete overview of the exposure to all types of risk and being responsible for their effective management, while the business functions, where most of the decisions that affect the Nova KBM Group's exposure to risk are made, are responsible for taking risk in a thoughtful manner.

To ensure systematic control of exposure to material risks, a system of internal controls has been set up at all organisational levels, with managers being charged with the task of implementing appropriate internal controls in their respective departments. Risk management strategies, policies, procedures, processes, methodologies and reporting systems adopted by Nova KBM and other companies within the Nova KBM Group are, in terms of their efficiency and compliance with the established internal governance structures, verified and assessed by the Internal Audit Centre and the Compliance Office, two functions that are independent of other functions, including the risk management function. While the duty of the Compliance Office is to ensure proper management of compliance risk by adhering to the applicable regulations, legislation and standards of good business practice, the Internal Audit Centre is responsible for providing the Management Board, the Audit Committee and the senior management personnel with an impartial assessment of the effectiveness and efficiency of the internal governance frameworks, including the risk management systems and processes and the systems of internal controls. In addition, the Internal Audit Centre provides support and assistance to the Management Board in protecting the long-term interests of Nova KBM and its reputation. As part of the assessment of the internal governance frameworks, the Internal Audit Centre conducts an independent assessment of the compliance and risk management functions.

As presented in the picture below, Nova KBM's governance structure has several levels, which is to ensure effective management of risk. Decisions in respect of risk management and significant risk taking are made by the bodies presented on the following pages.

Picture 3: Governance of the Nova KBM Group



Supervisory Board

The Supervisory Board is regularly informed of the performance of Nova KBM, significant risks to which Nova KBM is exposed in its operations, and measures taken to effectively manage those risks. It is also informed of any significant legal and reputational risks to which Nova KBM is exposed. To perform its function in the most efficient way, the Supervisory Board is assisted by the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee and the Credit Committee. The Executive Director of the Risk Management Division reports on Nova KBM's exposure to credit, operational, market, liquidity, profitability and capital risks at each meeting of the Risk Committee. The Risk Committee and the Supervisory Board regularly consider the loan portfolio reports, and the Supervisory Board gives consent to any transaction based on which Nova KBM's total exposure to an individual customer or a group of related customers would exceed 10% of Nova KBM's capital.

Risk Committee

The Risk Committee provides advice regarding Nova KBM's current and future risk-taking propensity and regarding its risk management strategy, in addition to providing assistance with respect to the implementation of the risk management strategy. It devotes particular attention to monitoring, analysing and assessing risks to which Nova KBM is exposed in its operations. The area and the method of work of the Risk Committee, its decision-making process and all other issues important for its work are regulated in its rules of procedure. The Risk Committee meets frequently and on a regular, almost monthly basis, before each meeting of the Supervisory Board.

Audit Committee

The Management Board regularly reports to the Audit Committee on the performance and results of Nova KBM, while the Internal Audit Centre reports to the Audit Committee on the

implementation of recommendations given by the former to individual business segments of Nova KBM. The reports presented to the Audit Committee are prepared in such a way as to ensure proper monitoring of the effectiveness of the risk management system and the functioning of the system of internal controls.

The Nova KBM Management Board is responsible for governing the Nova KBM Group and for setting up an organisational structure that enables effective management of risk. The systematic reports on risks taken by the Nova KBM Group make it possible for the Management Board to reach decisions in respect of any changes to the adopted risk management strategies, methodologies, instructions and processes, if this proves necessary.

In order to manage risks and resources in the most effective manner, the Management Board has, among other committees, set up the Policy Approval Committee and the Operational Risk Committee.

At the Nova KBM Group level, Nova KBM manages risks on the basis of monthly reporting provided by each company within the Nova KBM Group. Through its representatives on supervisory boards of subsidiary companies, Nova KBM regularly controls the operations of the Nova KBM Group companies.

Nomination Committee

The Nomination Committee is responsible for selecting and recommending to the Supervisory Board candidates for membership of the Management Board, and for selecting and recommending to the Shareholders' Meeting candidates for membership of the Supervisory Board, taking into account policies on the selection of suitable candidates, as set out in the ZBan-2. Moreover, the Nomination Committee defines the tasks and required conditions for a specific appointment, including an assessment of the time envisaged for the performance of the function in question.

Remuneration Committee

The Remuneration Committee carries out technical and independent assessments of remuneration policies and practices, and formulates initiatives for measures on the basis thereof with the aim of improving the management of the risks to which Nova KBM is exposed, as well as its capital and liquidity. Furthermore, the Remuneration Committee draws up proposals for decisions by the governing bodies regarding the remuneration of employees, including remuneration that impacts the risks to which Nova KBM is exposed and the management thereof, and controls the remuneration of members of senior management who perform risk management functions and ensure the compliance of operations.

Supervisory Board Credit Committee

In accordance with Nova KBM's Articles of Association, the Supervisory Board has 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.

Assets and Liabilities Committee (ALCO)

The ALCO is responsible for reviewing, discussing and reaching decisions on the following issues related to the operations of the Nova KBM Group companies:

- movements in assets and liabilities
- movements in the statement of financial position and the income statement items
- results and projections of interest income
- capital position and capital adequacy
- movements in the loan portfolio quality
- liquidity position and liquidity ratios
- market (interest rate, foreign exchange and position) risks
- implementation of the adopted policies and methodologies

- exposure to financial risks

In addition to the competences listed in the previous paragraph, the ALCO may also decide on other issues related to Nova KBM's management of assets, liabilities and risks.

Members of the ALCO are members of the Nova KBM Management Board, Nova KBM's executive directors and managers of the areas concerned, and representatives and members of management boards of the Nova KBM Group companies. Each member of the ALCO has a deputy. The Chair of the ALCO may invite other officers to present reports on specific topics at the meetings of the ALCO. The Chair of the ALCO is the Management Board member responsible for financial management (Chief Financial Officer), while the Deputy Chair is the Management Board member responsible for risk management (Chief Risk Officer).

Operational Risk Committee

The Operational Risk Committee is responsible for reviewing, discussing and reaching decisions on the following issues related to the operations of Nova KBM:

- quarterly, semi-annual and annual operational risk management reports
- opinions regarding the monitoring, measurement, assessment and management of operational risk
- initiatives regarding the monitoring, measurement, assessment and management of operational risk
- reasons for and consequences of material loss events
- assessments of the exposure to operational risk made by other organisational units (e.g. the Internal Audit Centre, the Legal Office, the Compliance and Integrity Department, the Information Technology Department, the Human Resources Department, etc.)
- requirements of regulators (the Bank of Slovenia, the ECB and external auditors) regarding operational risk management

In addition to the competences listed in the previous paragraph, the Operational Risk Committee may, based on a decision of the Management Board, discuss and decide on other issues related to Nova KBM's management of operational risk.

Members of the Operational Risk Committee are members of the Nova KBM Management Board, executive directors, managers of the areas concerned, and three representatives of commercial departments. The Chair and the Deputy Chair of the committee are appointed by its members for a period of one year.

Policy Approval Committee

The Policy Approval Committee, set up at the senior management level, is responsible for approving business policies and strategies, as well as for reconciling open issues with regard to business policies.

Members of the Policy Approval Committee are members of the Nova KBM Management Board, executive directors, policy holders and officers responsible for assessing individual types of risk. The Chair of the committee is the President of the Nova KBM Management Board, while the Deputy Chair of the committee is a Nova KBM Management Board member. The chief internal auditor may vote only on policies of which he/she is the holder.

The committee has the following powers:

- to make proposals for, or give consent to, new policies
- to periodically discuss the existing policies and to make sure they are reconciled with each other
- to approve new and amendments to the existing policies
- to consider policies the approval of which falls within the competence of the Supervisory Board or any of its committees

The range of tasks performed by the committee may be extended, changed or reduced by amending its rules of procedure. Any such amendment must be approved by the Nova KBM Management Board.

As a rule, the committee meets once a year, typically before the planning begins of business and internal development objectives for the next year, and each time there is a significant change in the operations of Nova KBM or the Nova KBM Group.

Following each meeting of the committee, the strategy and policy schemes of Nova KBM and the Nova KBM Group, as well as all currently applicable strategies, policies and methodologies, are published on Nova KBM's intranet site. The intranet site may be accessed by all Nova KBM employees.

The Management Board delegates risk management to the senior management. Senior managers are responsible for developing risk management policies that must set out the method of measuring individual risks, the acceptable level of risk, and the method of monitoring exposure to risk.

Each risk management policy has to be approved by the Policy Approval Committee and, in addition, agreed by the President of the Management Board or his deputy. The adopted risk management policies constitute the basis for managing individual types of risk across the entire Nova KBM Group.

Subject to the approval by Nova KBM, the Nova KBM Group companies may use their own approach to managing individual risks, taking into consideration the volume of their operations.

Bank Credit Committee and the Distressed Loans Committee
These two committees make decisions on granting loans to customers, within their powers and in accordance with Nova KBM's rules governing the powers, procedures and decision-making with respect to loan approvals. The committees hold regular meetings once a week.

Bank Investment Board
The Bank Investment Board is responsible for discussing and deciding on the debt portfolio investments for Nova KBM's proprietary account.

Liquidity Committee
The Liquidity Committee, which meets daily, reviews the provision of short-term liquidity.

2.3 Scope and nature of risk reporting and measurement systems

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

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

REPORTS	SUPERVISORY BOARD	RISK COMMITTEE	ALCO	MANAGEMENT BOARD	OPERATIONAL RISK COMMITTEE
Loan portfolio quality	x	x	x	x	
Capital, capital adequacy and economic capital	x	x	x	x	
Financial restructuring ratios	x	x	x	x	
Limits by business lines			x	x	
Changes to credit rating classification and movements in the level of impairments and provisions			x	x	
Newly-approved on- and off-balance-sheet transactions			x	x	
Exposures to customers belonging to groups of related customers				x	
Monthly risk management reports	x	x	x	x	
Results of stress tests and the level of liquidity reserves	x	x	x	x	
Operational risk reports prepared by: - Risk Management Division - Corporate Governance Division					x
'Red Alert Reports' prepared in cases where a loss event or aggregate loss events exceed the set limit (as specified in the Recovery Plan)	x	x		x	x
Operational risk reports				x	x
Risk profile of the Nova KBM Group	x	x		x	

The risk reports comply with the requirements in respect of impartial, informative and transparent reporting on individual risks. The regular reports are standardised. For the purpose of compiling consolidated accounts, an automated system for collecting data has been set up at the Nova KBM Group level.

2.4 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)

As all of commercial and risk-taking activities, and the consequent risk management processes are taking place on Nova KBM Group level, and given that Biser Topco S.â.r.l. is financial holding without any subsidiary other than Nova KBM Group, disclosures within this chapter refer only to risk management processes established in Nova KBM Group. Where relevant, policies and methodologies set in Nova KBM Group also cover risk management, monitoring and reporting obligations on level of Biser Topco Group.

In 2016, Nova KBM drafted an umbrella document governing risk management and risk taking, the Risk Management Strategy, and the Risk Appetite Statement.

The monitoring and managing of specific types of risk is described in detail in the respective risk management policies that take into account specific characteristics of individual risk types. For each risk management policy, one person is responsible. This person must also take care of adjusting the respective policy to other policies, taking into account the applicable legislation and best banking practice. The minimum scope of risk management

policies has been determined; each policy must set out the activities to be undertaken in the current year, and must include the definition of risk, the method for measuring risk and reporting on risk, the method for limiting risk exposure, and a clear definition of responsibilities of individual persons.

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

- Corporate Lending Policy
- Credit Risk Management Policy
- Policy of Managing Capital and Capital Requirements
- Policy of Managing Market Risk in the Banking Book
- Policy of Managing Market Risk in the Trading Book
- Interest Rate Risk Management Policy
- Operational Risk Management Policy
- Nova KBM Group Liquidity Risk Management Policy
- Policy of Recovering and Restructuring NPLs
- Compliance and Integrity Policy
- Remuneration Policy
- Information Security Policy
- Consolidated Supervision Policy
- Nova KBM Group Reputational Risk Management Policy
- Nova KBM Group Internal Audit Policy
- Nova KBM and the Nova KBM Group Governance Policy
- Procurement Policy

Risk management policies form the basis for managing respective risks across the entire Nova KBM Group. Considering the volume of their operations, the companies within the Nova KBM Group may use their own approach to managing risk, but must in each case receive approval from the officer at Nova KBM responsible for the risk management in question.

Risk management reports are reviewed by the ALCO and the Risk Committee on a monthly basis. Key performance indicators of the Nova KBM Group are monitored in the form of a semaphore system. If a yellow or red alert is triggered, the ALCO or the Risk Committee must, based on the report provided by the responsible officer, adopt measures necessary to deal with the situation.

Nova KBM manages its exposure to credit risk using the following tools:

- statistical credit rating models that are used to accurately assess the creditworthiness of counterparties (their probability of default)
- statistical credit rating models that are used to accurately assess the loss given default
- monitoring of early warnings on a daily basis
- appropriate classification of collateral in terms of type, legal certainty and techniques applicable to its valuation
- indirect (through a loan-approval model) and direct participation of representatives of the Risk Management Division in decision-making on loan approvals
- clear guidelines and rules applicable to the loan approval process
- adoption of appropriate strategies for counterparties experiencing financial difficulties
- risk assessment methodologies, risk reporting, adoption of measures to mitigate risks and the monitoring of their implementation
- appropriate technological support for the needs of data documentation and effective management of operational risk

Exposure to liquidity and market risks is managed and mitigated using the following tools:

- the systems of limits
- monitoring of early warnings on a daily basis
- implementation of stress scenarios
- risk assessment methodologies, risk reporting, adoption of measures to mitigate risks and the monitoring of their implementation
- appropriate technological support for the needs of data documentation and effective management of operational risk

2.5 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)

Nova KBM d.d. as a credit institution controlled by an EU parent financial holding company is obligated to fulfil the reporting obligations on a consolidated basis for Biser Topco to the extent and in the manner laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) and Directive 2013/36/EU of the European Parliament and of the Council (CRD).
Pursuant to the CRR and the CRD, Nova KBM d.d. assumes the role of the rapporteur at a consolidated level for the Biser Topco Group, but not the management and supervisory functions.

In the preparation of risk management reports and other data and information required by the supervisory institutions, Nova KBM d.d. shall use the mechanisms and systems that were developed for the implementation of the management and supervisory functions in the Nova KBM Group.

A declaration approved by the management body on the adequacy of risk management arrangements in Nova KBM is included in Section 7 of the 2016 Annual Report of the Nova KBM Group and Nova KBM.

2.6 Concise risk statement approved by the management body

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

Business strategy and key performance indicators

Biser Topco S.â.r.l. and Biser Bidco S.â.r.l. are financial holding companies pertinent to Apollo and EBRD's investment in Nova KBM d.d. and do not perform any licensed and/or commercial activities. They bear only operating costs, appropriate to their function as holding companies. Therefore, a separate Business strategy is not incorporated.

The adopted strategic development programme, the Restructuring Programme and the management of the key strategic project provide a framework for the execution of the adopted strategic directions of Nova KBM and the Nova KBM Group. This framework makes it possible for Nova KBM and the Nova KBM Group to focus on the set strategic goals, while at the same time ensuring that they strategically adapt to new market opportunities, changes and requirements arising from their business environment.

The adopted strategic directions have been adjusted to the development and business strategy developed by Nova KBM in cooperation with its owners, namely Apollo Global Management (Apollo), a global investment manager, and the European Bank for Reconstruction and Development (EBRD).

Nova KBM and the Nova KBM Group are executing their current mission and are promoting their vision and values within the strategic framework described above.

Mission
Nova KBM, as the leading company within the Nova KBM Group, operates as a modern, stable and safe bank, and has more than 150 years of tradition of providing contemporary banking and other financial services that help it establish successful partnerships with its customers, other stakeholders, and its broader environment. It considers the satisfaction of its customers, owners and all other stakeholders as well as proper management of all types of banking risks to be the core principles of its business.

Vision
Nova KBM will preserve its status as one of the leading, systemically important banks in Slovenia. It will ensure the stability of the business it conducts in the local area and the region in which it is present, this being supported by strong operational efficiency in all key segments, and by its ability to generate a steady return.

Nova KBM will favour stability (i.e. ensuring the quality of its loan portfolio and proper management of all types of banking risks) over business growth as this will increase its safety and the safety of all its stakeholders.

Nova KBM will continue doing business with trustworthy stakeholders to whom it will provide contemporary products and services. It will perform successfully and profitably.

Corporate culture
The corporate culture of Nova KBM and the Nova KBM Group is built on the following values: unconditional honesty and integrity, commitment to work, positive approach, responsibility, excellence, confidence, loyalty and zero tolerance towards any kind of fraud or illegal conduct.

Principal strategic directions and their implementation in 2016
As Biser Topco S.â.r.l. is financial holding with capital investment only in Nova KBM Group, separated business strategy or risk strategy on highest consolidation level is not incorporated. Key risk triggers and risk appetite set on Nova KBM Group level are also relevant on Biser Topco Group level.

The strategy of Nova KBM and the Nova KBM Group is based on the following strategic directions:

- Focus on customers:
  - Development and strengthening of relationships with retail customers, in particular young people, the most important customers, more demanding customers and users of contemporary banking services.
  - Development and strengthening of relationships with corporate customers, in particular SMEs.
  - Development of lasting relationships with customers, and strengthening of their loyalty.
  - Development and introduction of new and upgraded services and the provision to customers of a wide range of appropriate value-added services.
- European orientation and compliance with European banking standards.
- Consolidation of the Nova KBM Group and focus on principal activities – mainly banking:
  - Efficient management of strategic equity investments with the aim of maximising the return generated by the Nova KBM Group.
  - Divestment and liquidation of non-performing investments.
  - Introduction of Nova KBM's operating standards in investments that are regarded as strategic ones.

- Efficiency, profitability and stability of operations:
  - Attainment of target values set for key performance indicators.
  - Withdrawal from markets and from the provision of services that do not generate a sufficient return and do not constitute the basis for profitable growth.
  - Focus on markets and services where Nova KBM can demonstrate competitive advantages and achieve above-average growth.
  - Increase in non-interest income.
  - Strengthening of the funding base, with focus on retail and corporate deposits.
  - Safety and stability of operations and safety of customer deposits.
  - Strengthening of lending and other investment activities at an acceptable level of risk exposure.
- Streamlining of operations and cost-efficiency:
  - Concern for cost-efficiency and management of costs at all operating levels.
  - Optimisation and upgrade of Nova KBM's branch office network and opening of new branch offices in market-attractive locations.
- Effective process organisation and information technology infrastructure.
- Effective management of all types of risk.
- Concern for development of employees.
- Enhancement of reputation.

As regards corporate banking, Nova KBM will continue to focus on developing and strengthening operations with small and medium-sized companies, including sole proprietors and micro enterprises. This will make it possible for Nova KBM to minimise its exposure to credit risk by properly diversifying its loan portfolio.

In the retail banking segment, Nova KBM will invest a great deal of energy into continual upgrades of its product offerings. It will strengthen and set up long-lasting professional relationships with its customers, thereby bolstering their confidence in and loyalty to its products and services.

In the area of finance and risk management, an improvement will be made to the management of all types of material risks to which Nova KBM is exposed, with emphasis on credit, liquidity, interest rate, foreign exchange and operational risks.

Risks the Nova KBM Group is exposed to are identified through its risk profile and a risk identification procedure carried out as part of the ICAAP. Existing and potential risks that the Nova KBM Group is exposed to are subject to both quantitative and qualitative assessment, taking into consideration the findings obtained in the development of its risk profile, as well as its business plans and strategy, and the macroeconomic projections. The Risk Management Strategy stipulates the key risk indicators and their threshold values (red, yellow and green thresholds), in order to make it possible for the Nova KBM Group to monitor its exposure to risk in an effective manner.

Relevant thresholds have been set for the following risk indicators:

1. Risk indicators in respect of the level of regulatory capital:
   a. Common Equity Tier 1 capital ratio (CET1 ratio).
   b. Overall Capital Requirements ratio (OCR).
   c. Leverage ratio.
2. Risk indicators in respect of liquidity:
   a. Liquidity Coverage Ratio (LCR).
   b. Net Stable Funding Ratio (NSFR).
   c. Liquidity ratio (Category I).
3. Risk indicators in respect of profitability:
   a. Cost of Risk (COR).
   b. Net operating margin.
4. Risk indicators in respect of asset quality:
   a. NPLs as a proportion of the gross loan portfolio.

In 2017, Nova KBM plans to make the following upgrades to its risk management framework:

- an upgrade to its operational risk management process by setting up a system for identifying, managing, measuring, monitoring and controlling operational risk in accordance with the adopted risk appetite
- an upgrade to its interest rate risk management process in order to improve its risk measuring, monitoring and reporting methods

Risk profile

The Biser Topco Group level risk inventory currently does not differ from the risk inventory of Nova KBM Group, thus the bank does not have a separate Risk profile assessment on Biser Toco Group level established. Therefore, this chapter presents conclusions of the Risk profile assessment of Nova KBM Group.

A risk profile is a documented and categorised collection of quantitative and/or qualitative assessments of measurable and non-measurable risks which Nova KBM takes within the scope of its operations.

The risk profile of Nova KBM is derived from a self-assessment. The purposes of evaluating the overall risk profile are to gain an overview of the management of individual types of risk in the Nova KBM Group, to determine the key risk areas, and to identify priorities with respect to risk management. While the overall numerical assessment of the risk profile depends on various subjective assessments, a more accurate value is obtained if risks are monitored and assessed over a long period of time. Important parts of the risk assessment are the process of identifying threats, the assessment of threats in terms of their probability of occurrence and their impact on the operations, and the assessment of established controls.

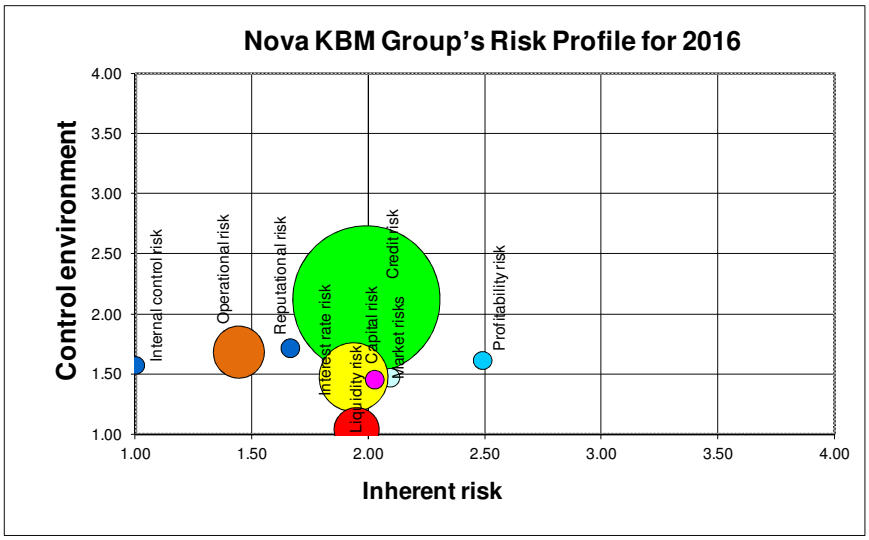
The assessment of Nova KBM's risk profile is conducted according to a standardised procedure. The information needed to assess the risk profile is obtained through web-based questionnaires that must be completed by managers of the selected organisational units in Nova KBM and in all companies within the Nova KBM Group.

A schematic presentation of risks subject to assessment is provided in the picture below. The areas of circles are used to present the proportion of the Nova KBM Group's internal capital needed to support individual types of risk as of 30 September 2016.

Picture legend:

- **X-axis:** assessment of inherent risk
- **Y-axis**: assessment of control environment
- **Area of a circle:** the proportion of the Nova KBM Group's internal capital needed to support individual types of risk as of 30 September 2016

Picture 4: Nova KBM Group's risk profile for 2016



Management Board of Nova KBM d.d.

Josef Gröblacher Member	Jon Locke Member	Sabina Župec Kranjc Member	Robert Senica Deputy President	John Denhof President

Supervisory Board of Nova KBM d.d.

Andrej Fatur, Chair

2.7 Information about the number of directorships held by members of the management body

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

Positions of Management Board members in other entities (31.12.2016)				
Management Board	**Name of the entity**	**Activity**	**Management Board**	**Supervisory Board**
Robert Senica, President	Bank Association of Slovenia	Banking		X
	Moja naložba d.d. (since 25 May 2016)	Pension fund management		X
	KBM Infond d.o.o. (since 27 October 2016)	Investment fund management		X
Sabina Župec Kranjc, Member	PBS d.d. (until 31 August 2016)	Banking		X
	KBM Infond d.o.o.	Investment fund management		X
	Terme Olimia d.d.	Health resort		X

In 2016, up until 21 April when Nova KBM passed into the hands of new owners, the Supervisory Board comprised the following members: Peter Kukovica (Chair), Niko Samec (Deputy Chair), Andrej Fatur, Miha Glavič and Peter Kavčič.

Positions of Supervisory Board members in other entities (until 21 April 2016)				
Supervisory Board	**Name of the entity**	**Activity**	**Management Board**	**Supervisory Board**
Peter Kukovica, Chair	Gorenje d.d.	Production of appliances	Member	
Niko Samec, Deputy Chair	University of Maribor – Faculty of Mechanical Engineering	Education	Dean	
Andrej Fatur, Member	Fatur Legal Office		Director	
Miha Glavič, Member	Public Intermunicipal Housing Fund of Maribor	Management of real estate owned by municipalities	Deputy Director	
Peter Kavčič, Member	ComTEC d.o.o. – Visual Solutions	Communications	Authorised representative	

On 21 April 2016, the then members of the Supervisory Board presented their resignation notices, and the Shareholders' Meeting of Nova KBM appointed a new Supervisory Board consisting of the following members: Andrej Fatur, Manfred Puffer, Michele Rabà, Gernot Lohr, Andrea Moneta and Alexander Saveliev.

Positions of Supervisory Board members in other entities (31 December 2016)				
Supervisory Board	**Name of the entity**	**Activity**	**Management Board**	**Supervisory Board**
Andrej Fatur, Chair	Fatur Legal Office		Director	
	KCL Svetovanje d.o.o.	Advisory services		X
	KBS banka d.d.	Banking		X
Manfred Puffer, Deputy Chair	Bremer Kreditbank AG	Banking		X
	KBS banka d.d.	Banking		X
	Athene Life Holding Bermuda	Financial services		X
	Athene Life RE Bermuda			X
	Athene Lebensversicherung AG	Insurance		X
	Infineon Technologies			X
Michele Rabà, Member	KBS banka d.d.	Banking		X

	Biser Topco S.à r.l.	Project company		Non-Executive Director
	Biser Bidco S.à r.l.	Project company		Non-Executive Director
	Champ Luxembourg Holding S.à r.l.	Financial services		Non-Executive Director
	Champ II Luxembourg Holding S.à r.l.	Financial services		Non-Executive Director
	Jewel UK Midco Ltd.			Non-Executive Director
	Jewel UK Topco Ltd.			Non-Executive Director
	Jewel UK Bidco Ltd.			Non-Executive Director
	Aurum Holdings Ltd.			Non-Executive Director
Andrea Moneta, Member	KBS banka d.d.	Banking		X
	Amissima Group, Amissima Holdings S.r.l	Financial services	Non-Executive Chair of the Board of Directors	
	Amissima Group, Amissima Assicurazioni SPA	Insurance	Non-Executive Chair of the Board of Directors	
	Amissima Group, Amissima Vita SPA		Non-Executive Chair of the Board of Directors	
	The Floow		Non-Executive Chair of the Board of Directors	
Gernot Lohr, Member	Bremer Kreditbank AG	Banking		X
	KBS banka d.d.	Banking		X
	Financial Credit 1 Ltd.	Financial services		Non-Executive Director
	Financial Credit 2 Ltd.			Non-Executive Director
	Athene Life RE, Athene Asset Management, Athene Holdings	Insurance and financial services		Non-Executive Director
	Athene Deutschland			Non-Executive Director
	Catalina Holdings	Financial services		Non-Executive Director
	Companhia de Seguros Tranquilidade SA	Insurance		Non-Executive Director
	Amissima Group, Amissima Holdings S.r.l	Insurance		Non-Executive Director
	Amissima Group, Amissima Assicurazioni SPA	Insurance		Non-Executive Director
	Amissima Group, Amissima Vita SPA			Non-Executive Director
	AP Alternative Assets LP	Financial services		Non-Executive Director
Alexander Saveliev, Member	KBS banka d.d.	Banking		X

2.8 Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise

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

In 2016, Nova KBM drafted the Policy on the Selection of Suitable Candidates for a Management Body. This policy, which has been approved by all competent authorities of Nova KBM, takes account of the second paragraph of Article 34 of the ZBan-2, according to which a bank must set up and implement an appropriate policy on the selection of suitable candidates that ensures:

- that a management body as a whole takes into account the wide range of knowledge,

skills and experience of its members
- initiatives are implemented to achieve diversity within a management body, including the appropriate representation of both genders and policies to achieve these objectives by increasing the number of members of an under-represented gender on the management body
- conditions are defined for the performance of a specific function, including the required profile of members of a management body before they are appointed

Given that the members of the Nova KBM Management Board have a crucial role in safeguarding the interests of Nova KBM, they must be properly qualified and experienced, as well as sufficient in number, to be able to execute in a reliable manner, both individually and collectively as a body, the tasks entrusted to them, while ensuring that their private interests are aligned with the long-term interests of Nova KBM. In view of their responsibility for running and supervising the operations of Nova KBM, the members of the Management Board are expected to have specific professional and personal competence. The required knowledge, skills and experience of each member of the Management Board separately and in combination with other members of the Management Board must be such as to ensure that the transactions carried out by Nova KBM, the risks to which it is exposed, and its governance structure are understood to the extent necessary to reach professional, well-thought-out and competent decisions for the purpose of properly managing and supervising Nova KBM.

Apart from the policy referred to above, Nova KBM has adopted the Policy on the Assessment of the Suitability of Members of the Management Bodies and Key Function Holders (Fit and Proper Policy), which sets out the key criteria that members of a governance body, as well as members of a body assessing the fulfilment of criteria, must meet. These criteria are as follows: experience (education, work experience and expertise in pivotal areas), personal reliability, reputation and management capability. Assessment of governance body members and of candidates for the governance bodies is carried out by the Nova KBM Fit and Proper Committee. Special requirements apply to the president and members of a governance body. In addition, the Fit and Proper Policy stipulates that members of each of the Supervisory Board committees must 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. Hence, the composition of each of the committees must be such that its members can cover all relevant professional areas in a systemic manner, thereby ensuring that the committee can carry out its work in a thoughtful and prudent manner.

The implementation of the policies described above makes it possible for Nova KBM to ensure that members selected for its governance bodies possess the skills, knowledge and experience necessary to perform their work in a reliable way.

Nova KBM Management Board

Irrespective of the above, in appointing the President and members of the Management Board, the Supervisory Board observes the provisions of the Companies Act (hereafter: the ZGD-1), the ZBan-2, implementing regulations of the Bank of Slovenia, Nova KBM's Articles of Association and the Corporate Governance Code for Public Limited Companies.

Profile of the Management Board

Robert Senica has been the President of the Nova KBM Management Board since 28 February 2015. He holds a BSc in Economics (major in Finance) and has more than 15 years of work experience in the banking, commercial activities, and finance. He started his career in 2000 at Banka Celje. Between 2007 and 2013, he held various management positions at Hypo Leasing: initially, he served as the Manager of the Celje business unit, and later, from 2011 onwards, as the Director of Sales and the authorised representative of the company. His main focus in the latter position was on crisis management. From January

2013 to July 2014, a period in which the banking system was faced with numerous challenges, he acted as the President of the Management Board of PBS, a Nova KBM Group company, with his duties including crisis management, market repositioning of PBS, and the management of its 242 employees. He has developed his professional skills by attending various training programmes, seminars and conferences, both in Slovenia and abroad (the IEDC Business School, the training programmes Leading from the Middle, and Risk Analysis for Corporate Banking, among others). In 2015, the Shareholders' Meeting of the Bank Association of Slovenia appointed him as a member of the Supervisory Board of this association, and he was later, based on the results of his work, promoted to the position of Deputy Chair of the Supervisory Board. In addition, Robert Senica is a member of the Supervisory Board of Moja naložba, as well as the Chair of the Supervisory Board of KBM Infond.

On 28 February 2017, after Robert Senica presented his resignation notice, the Supervisory Board appointed John Denhof as the new President of the Management Board. Robert Senica was appointed as a member of the Management Board in the capacity of its Deputy President (Deputy CEO), with effect from 1 March 2017.

Sabina Župec Kranjc has been a member of the Nova KBM Management Board since 17 November 2014. She holds an MSc in Economic and Business Sciences (major in Business Finance and Banking) and has more than 17 years of work experience in banking. She began her career in 1998 in the Treasury Department of Abanka Vipa, later advancing to become the Manager of the Customer Trading Desk, a position she held from 2003 to 2004. Between 2004 and 2008, she worked at Raiffeisen banka Slovenija, initially as the Head of Trading, and later as the Manager of the Treasury Department, after which, from 2008 to 2013, she headed the Treasury Department of Abanka Vipa. She joined Nova KBM in July 2013 as the Executive Director for Financial Markets, with her responsibilities including the Asset Quality Review project and Nova KBM's privatisation process. She has developed her expertise by regularly participating in investment conferences and meetings, both in Slovenia and abroad (Euromoney Conferences in the years 2009–2016, the EBRD's Annual Meetings, SIBOS Conferences, seminars at the Bank Association of Slovenia, among others). She is a member of the Treasury Committee at the Bank Association of Slovenia, as well as of several working groups and the FOREX Association. In addition, she regularly participates in professional gatherings on financial and risk-related topics. Until 31 August 2016, when PBS was integrated into Nova KBM, Sabina Župec Kranjc was the Chair of the PBS Supervisory Board. Currently, she is a member of the Supervisory Boards of KBM Infond and Terme Olimia.

Josef Gröblacher was appointed as an authorised representative of Nova KBM on 15 September 2016. After he had been granted relevant approvals by the Bank of Slovenia and the ECB, Josef Gröblacher took up the role of member of the Management Board on 1 January 2017. He has more than 15 years of leadership and management experience, especially in the areas of strategic management of information technology, banking operations, business process digitisation, project and change management, and cost optimisation. In the past, he successfully managed several projects of setting up and implementing new core banking systems. Prior to joining Nova KBM, he worked at Sberbank Europe in Vienna as the Senior Adviser on Information Technology, in which position he provided assistance to the Sberbank Group Executive Operating Director. Between 2010 and 2015, he was a member of the Executive Board of Sberbank Hungary, prior to which, between 2007 and 2010, he acted as a member of the Executive Board of Volksbank Serbia (the predecessor of Sberbank). Before joining Volksbank Serbia, he worked at Hypo Alpe Adria Bank for nine years, performing a number of responsible tasks, including the development and implementation of a five-year information technology strategy, the standardised information technology controlling and planning process, as well as a project management system.

Jon Locke was appointed as an authorised representative of Nova KBM on 15 October 2016. After he had been granted relevant approvals by the Bank of Slovenia and the ECB, Jon Locke took up the role of member of the Management Board 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 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 data integration. From 2013 until joining Nova KBM, he served as the Chief Risk Officer at Banca Comercială Română, the leading bank in Romania and a member of the Erste Group. Between 2003 and 2013, he held Management Board positions in three of the Central European subsidiaries of the Intesa Sanpaolo Group: he was the Chief Workout Officer at CIB Bank in Hungary until 2013, prior to which he was the Deputy CEO and the Chief Risk Officer at Privredna banka Zagreb, and before that he 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 PwC for ten years, being based in London, Prague and Moscow and serving the firm's financial institution customers.

John Denhof was appointed by the Supervisory Board as the new President of the Management Board on 14 November 2016, subject to receipt of relevant approvals. John Denhof is a highly experienced financial executive having held various leadership positions at Citibank in emerging and developed markets including Singapore, the United Kingdom, Turkey, the Czech Republic and Spain. During his 25 years in the financial services industry, he planned and implemented the repositioning of several commercial banks for sustainable growth and profitability, worked on the development of banking distribution channels, improved digital servicing capabilities and enhanced the value proposition for customers, among other things. On 28 February 2017, after he received the relevant approval from the ECB, the Supervisory Board appointed him as the new President (CEO) of the Management Board for a period of five years starting on 1 March 2017. From the date of his appointment to the Management Board in November 2016 until taking up the role of its President, John Denhof acted as an authorised representative of Nova KBM.

Information about the composition of the KBS banka Management Board

In 2016, up until 30 June, the Management Board of Raiffeisen banka (which was later renamed to KBS banka) comprised Gvido Jemenšek as the President and Werner Georg Mayer as a member, the latter resigning on 30 June 2016. To fill the vacancy arising as a result of his resignation, the Supervisory Board appointed Marija Brenk as a Management Board member. The KBS banka Management Board was dissolved on 3 January 2017 when KBS banka ceased to exist as an independent legal entity.

Supervisory Board

Relevant provisions of the following documents are consulted in the appointment of Supervisory Board members: the ZGD-1, the ZBan-2, implementing regulations of the Bank of Slovenia, Nova KBM's Articles of Association, the Corporate Governance Code for Public Limited Companies, and the Nova KBM Policy on the Selection of Suitable Candidates for a Management Body.

Nova KBM has adopted the Nova KBM and the Nova KBM Group Governance Policy, which sets out the division of responsibilities and powers between members of the Management Board and the Supervisory Board.

To support the decision-making process regarding the assessment of suitability and the selection of officers holding key positions, including members of the Management and Supervisory Boards, Nova KBM has drafted the Fit and Proper Policy and has set up the Fit and Proper Committee. In addition, within its powers, the Supervisory Board has extended

the competences of the Nomination Committee with respect to the selection and appointment of members of management and supervisory bodies.

In 2016, up until the change of Nova KBM's ownership, the Supervisory Board was composed of the following members:

Peter Kukovica, who served as the Chair of the Supervisory Board, holds a PhD in Management and Organisation. He has more than 25 years of experience in junior and senior management positions. Between 1991 and 1994, he was a department manager at Nissan Adria, after which, until 2001, he acted as the Manager of Panadria, a company of which he was also a co-founder. In 2001, he was appointed as the Deputy Manager of the Strategic Development and Marketing Department at ACH, while between 2007 and 2009 he was the Deputy Director at AMZS. He joined Iskra MIS as a member of the Management Board in 2009. From 2010 to 2012, he held the position of the President of the Management Board of this company, with his responsibilities including sales, research and development, finance, accounting, controlling, investments, general services and human resources management. At the beginning of 2012, he was appointed as the President of the Management Board of Iskra Sistemi. In Gorenje, which he joined in 2013, he first acted as an adviser to the President of the Management Board, and has been acting as a member of the Management Board since 2014, with his responsibilities including the coordination of the supply chain, logistics, quality, organisation, information technology, and the Strategic Business Office. He has completed training for supervisory board members. He participated in a seminar on negotiation tactics, held at the London Business School, in addition to taking part in numerous other training programmes and seminars on topics relevant to his field of work. Between 2003 and 2008, Peter Kukovica acted as a lecturer at the Faculty of Economics in Ljubljana, during which time he wrote the chapter titled 'Strategic Management for Supervisors' for the book 'Knowledge for Supervisors', published by the Slovene Directors' Association. While he was a member of the Supervisory Boards of Pošta Slovenije, ACH and several subsidiaries of ACH in the past, he now holds positions on several corporate governance bodies of the Gorenje Group.

Niko Samec, who served as the Deputy Chair of the Nova KBM Supervisory Board, holds a PhD from the Faculty of Mechanical Engineering of the University of Maribor, where he had been acting from 1992 to 2015, first as a young researcher, later as a university professor, and in the last ten years as the Dean. He is currently acting as the Vice-Chancellor at the University of Maribor, responsible for scientific and research work as well as the financial supervision of research activities carried out by faculties of the University of Maribor. During his career, he has given lectures at numerous foreign universities and has managed various project teams as well as research and development projects from an organisational and financial point of view. He was a member of the Supervisory Board of Paloma and the Chair of the Supervisory Board of KIV.

Peter Kavčič, who was a member of the Supervisory Board and the Chair of its Audit Committee, holds an MSc in Strategic Management and Finance and a BSc in Economics. He also studied mechanical engineering and is now pursuing doctoral studies in Economic and Business Sciences. Peter Kavčič has over 20 years of work experience in the commercial sector. He started his career and is still acting as an independent adviser on strategic management and finance, in addition to being a founder and an authorised representative of ComTEC Visual Solutions, a company that has been awarded numerous times for its extraordinary commercial and entrepreneurial achievements. Since 2011, he has been heading a research team engaged in the fundamental econometric and industry research and experimental development, the purpose of which is to enable the transfer of knowledge and innovations to the business environment. During his career, he has widened his skills at numerous training programmes, seminars and conferences, both at home and abroad, on corporate governance, banking, automation, and informatics. Since 2004, he has been a member of the Slovene Directors' Association, holding an 'A' certificate as an expert supervisory board member. He regularly participates in seminars, mainly on banking

supervision, the functioning of audit committees, and risk management. He is involved in the work of the Bank Association of Slovenia, and is a holder of the Excellence in Corporate Governance certificate (I and II), bestowed by Deloitte Academy. The Bank of Slovenia granted him a licence to act as a bank supervisor in 2012. Peter Kavčič is a member of the programme council of the PODIM conference and an assessor and mentor of business plans developed by start-ups working within the Enterprise Incubator of the University of Maribor. He is also engaged in the Start:up Slovenia initiative. Being a recipient of numerous awards and recognitions for his achievements and innovations in industry, Peter Kavčič is frequently invited as a guest lecturer on his work.

Miha Glavič, who served as a member of the Supervisory Board, holds a BSc in Civil Engineering. He started his career in 1996 in Opifex, a company active in the manufacturing industry, as a work manager. In 1999, he took the position of assistant professor at the Faculty for Civil Engineering, where he stayed for eight years before taking the role of an adviser to the mayor of the Duplek municipality. Since 2008, he has been serving as the Deputy Director of the Public Intermunicipal Housing Fund of Maribor, with his responsibilities including management and organisation of the work, representation and presentation of the fund, and development strategy and policy. He has completed training for supervisory board members, and has been the Chair of the Supervisory Board of Snaga and a member, and later the Chair, of the Supervisory Board of Dom pod Gorco.

Andrej Fatur, PhD in Law, served as a Supervisory Board member. His CV is set out below.

Upon the change of Nova KBM's ownership on 21 April 2016, the then members of the Supervisory Board presented their resignation notices, and the Shareholders' Meeting of Nova KBM appointed a new Supervisory Board consisting of the following members:

Andrej Fatur (Chair) holds a PhD from 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, and the manager of, as well as a period adviser to, NEOS Business Consulting, London). After completing a traineeship at a court, he started his career as an attorney, a profession he resumed after having worked abroad for several years. He has his own legal office and serves as an attorney in corporate law. In the past, he acted for several months as a legal adviser to the Bank of Slovenia, primarily in the area of banking supervision and regulation. He is the author of numerous professional papers on corporate law, particularly competition law. As a lecturer on this subject, he has participated in several important conferences, both in Slovenia and abroad.

Manfred Puffer (Deputy Chair) has more than 30 years of experience in the finance industry, having held a broad range of investment banking and finance-related leadership positions. Since 2008, he has been employed as an Operating Partner at Apollo Global Management, LLC, focusing primarily on the European banking sector. He has acquired relevant supervisory experience by serving on the board of various companies in Europe and the United States, in particular at regulated banking and insurance companies.

Michele Rabà is a Principal at Apollo Management International, LLP, a leading global private equity company, where he is responsible for originating, executing and managing investments in Europe, in particular the banking sector. In addition to acting as a Non-Executive Director at Biser Bidco S.à r.l, he has acquired relevant supervisory experience by acting as a supervisor at the holding companies for Apollo affiliated funds' investment in various European companies. He previously worked in the Investment Banking Division – Financial Institutions Group of Goldman Sachs International.

Gernot Lohr serves as a Senior Partner of Private Equity, Co-Head of Strategic Planning and Co-Head of Financial Services at Apollo Management International, LLC. He is a financial services professional with 20 years of experience, with particularly deep expertise in banking and insurance. Having worked across Europe, North and Latin America, Gernot Lohr has

acquired relevant supervisory experience by serving as a supervisor of various European companies, particularly regulated banking and insurance companies.

Andrea Moneta serves as the President of the Management Board of Amissima, an insurance company owned by funds affiliated with Apollo Global Management, LLC. He has gained relevant supervisory experience by serving as a supervisor of various European companies, particularly in the area of banking and insurance. Andrea Moneta has gained in-depth experience through various senior management positions he has held at leading European financial institutions. He completed post-graduate studies in risk management and financial markets.

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

Information about the composition of the KBS banka Supervisory Board

In 2016, up until 30 June, the Supervisory Board of Raiffeisen banka (which was later renamed to KBS banka) comprised the following three members: Kurt Bruckner, Hannes Mösenbacher and Georg Feldscher.

On 30 June 2016, the Shareholders' Meeting of Raiffeisen banka appointed a new Supervisory Board consisting of the following members: Andrej Fatur, Manfred Puffer, Michele Rabà, Gernot Lohr, Andrea Moneta and Alexander Saveliev.

The KBS banka Supervisory Board was dissolved on 3 January 2017 when KBS banka ceased to exist as an independent legal entity.

2.9 Policy on diversity with regard to 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 Nova KBM has not adopted a formal diversity policy for the selection of members of its management bodies, this area is fully covered in substance by the Policy on the Selection of Suitable Candidates for a Management Body, which was drafted and adopted by Nova KBM in 2016. This policy takes account of the second paragraph of Article 34 of the ZBan-2, according to which a bank must set up and implement an appropriate policy on the selection of suitable candidates that ensures:

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

The suitability of members of a management body is assessed based on the following criteria: experience (education, work experience and expertise in pivotal areas), personal reliability, reputation and management capability.

The policy referred to above aims to ensure 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 the age (meaning that a management body should comprise senior and less senior members), nationality and gender (at least one member of the Management Board should be female) of its members. Given that this policy was adopted only after the change of Nova KBM's ownership in April 2016, the first assessment of the extent to which its objectives have been accomplished cannot be made before the end of 2017.

Apart from the Policy on the Selection of Suitable Candidates for a Management Body, Nova KBM has in place the Fit and Proper Policy. This policy includes provisions setting out the criteria regarding experience that Supervisory Board members must meet in order to ensure that the Supervisory Board as a whole meets the requirements concerning suitability. To that effect, the composition of the Supervisory Board must be such that, taking into consideration the desirable diversity of professional and educational backgrounds of its members, any lack of specific knowledge shown by any of its members can be compensated for by the professional expertise of other members.

As regards the process of selecting suitable candidates for its governance bodies, Nova KBM fully observes the relevant regulatory provisions, the provisions of Nova KBM's Articles of Association, the provisions of various corporate governance codes, and best practice recommendations on corporate governance. Further details in this regard are set out in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in Section 5.4.3 (Corporate governance) and Section 13 (Corporate governance statement).

2.10 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)

Establishment of risk committee on Biser Topco Group level

Biser Topco S.â.r.l. has not set its own risk committee, as it has only one subsidiary.. Management board of Biser Topco S.â.r.l. is, based on mentioned, represented in Risk Committee of Nova KBM Group as an advisory body of the Supervisory Board.

Establishment of risk committee on Nova KBM Group level

At the beginning of September 2015, Nova KBM set up the Risk Committee as an advisory body of the Supervisory Board, charged with the task of supervising the implementation of risk management strategies by the senior management of Nova KBM and the Nova KBM Group. The Risk Committee also provides advice regarding Nova KBM's current and future risk-taking propensity. Three meetings of the Risk Committee were held in 2016.

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

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

2.11.1 Biser Topco Group level

The Risk Management Division and the Finance Division of Nova KBM prepare and present to the Supervisory Board and Risk Committee of Nova KBM various risk management reports on highest consolidation level. Owners of Nova KBM Group receive required information on highest consolidated level through regular monthly reports.

2.11.2 Nova KBM Group level

The Risk Management Division and the Finance Division prepare and present to the Management and Supervisory Boards and the Risk Committee various risk management reports. The reporting on risk management is carried out on a daily, monthly, quarterly and annual basis. Risk reports are also discussed at the monthly meetings of the ALCO.

Respective risk management policies set out the frequency of reporting and identify the officers responsible for the reporting on risk.

The Risk Management Division publishes on the intranet site, on a daily basis, the most important ratios in respect of liquidity, interest rate and market risks. This intranet site is meant to be reviewed by the Management Board, the management of the Financial Markets Division, and the management of the Support to Financial Markets Department. The monthly reports on risk management are submitted to the Management Board, executive directors and department managers.

The monthly reports on NPLs, the management of distressed loans, and the performance of Nova KBM are presented to the Management and Supervisory Boards, the Risk Committee and the Audit Committee.

In April 2015, Nova KBM set up the Operational Risk Committee, members of which are executive directors and managers of departments involved in the management of operational risk. The Operational Risk Committee has the task of assessing and discussing operational risks to which Nova KBM is exposed in its operations, as well as making decisions on operational risk-related issues. The committee meets on a quarterly basis, or more frequently if required.

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, on the measures taken to mitigate the consequences and risks arising from incidents, and on the progress made to remedy the consequences of 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 regularly informed of any newly-identified risks.

The officer responsible for the prevention of money laundering and terrorist financing reports monthly to the Management Board on any suspicious transactions identified within Nova KBM, while reports on the functioning of internal controls in the areas of the prevention of money laundering and terrorist financing, as well as the implementation of the applicable restrictive measures, are presented to the Management Board on a quarterly basis. A report on measures taken in the areas described above in accordance with the relevant implementing regulations is produced on an annual basis.

The Risk Management Division assesses once a year the risk profile of Nova KBM and the Nova KBM Group, the report on which is discussed by the Management and Supervisory Boards and the Audit Committee.

3. Scope of application

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 Biser Topco Group and Nova KBM Group is Nova KBM. The data, information and figures presented in this document include, where appropriate, relevant information concerning KBS banka, which Nova KBM acquired at the beginning of 2017.

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)

Biser Topco Group consists of a parent company Biser Topco S. à.r.l. and its direct and indirect subsidiaries. These are currently Biser Bidco S. à.r.l. company and Nova KBM Group.
Nova KBM is the parent company of the Nova KBM Group which, as of 31 December 2016, comprised the parent company and eight subsidiary companies.

Nova KBM is a commercial bank with a tradition of understanding and supporting its retail and corporate customers to whom it provides standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2000 Maribor, Republic of Slovenia.

As of 31 December 2016, Nova KBM's share capital totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

On 30 June 2015, the Slovene Sovereign Holding (SSH), Apollo and the EBRD signed the agreement concerning the sale of the Republic of Slovenia's 100% shareholding in Nova KBM.

After all conditions precedent stipulated in the sale agreement had been met, the process of selling Nova KBM was completed on 21 April 2016 when the buyers, Apollo and the EBRD, paid the agreed purchase consideration, based upon which Nova KBM shares were registered in the name of the new shareholder. The acquisition of Nova KBM was financed through Biser Topco S.à r.l., a special project company established jointly by the buyers, with Apollo providing 80% of the funds (through the company AIF VIII Euro Leverage, L.P.) and the EBRD the remaining 20%.

The acquisition of a 100% equity stake in Nova KBM (and of all of its subsidiaries within the Nova KBM Group) was executed through Biser Bidco S.à r.l., a wholly-owned subsidiary of Biser Topco S.à r.l.

By disposing of all of the 10,000,000 shares (with the ticker symbol KBMS) in Nova KBM, the SSH's proportion of voting rights in Nova KBM was reduced from 100.00% to 0.00%, while the proportion of voting rights in Nova KBM by Biser Bidco S.à r.l., the purchaser of all of the 10,000,000 Nova KBM shares (with the ticker symbol KBMS), was increased from 0.00% to 100.00%.

The buyers of Nova KBM will endeavour to ensure its further growth, while developing its services and broadening its offerings. Moreover, they will make every effort to strengthen the relationships with Nova KBM's corporate and retail customers, as well as its other stakeholders.

Nova KBM is obliged to prepare consolidated financial statements for the Nova KBM Group as well for the Biser Topco Group.
Nova KBM as credit institution, which is controlled by an EU financial holding, prepares on basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) and Directive 2005/36/EC of the European Parliament and of the Council (CRD), also annual report for the Biser Topco Group.

Definition of the Nova KBM Group

The Nova KBM Group comprises the parent bank (Nova KBM) and its subsidiary companies.

Company	Position in the Nova KBM Group	Nova KBM Group's voting rights in the company (%)	Registered office (country of incorporation)
Nova KBM d.d.	parent bank		Maribor, Slovenia
KBM Infond d.o.o.	subsidiary company	72.73[1]	Maribor, Slovenia
KBM Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Maribor, Slovenia
KBM Invest d.o.o.	subsidiary company	100.00	Maribor, Slovenia
Gorica Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Nova Gorica, Slovenia
M-PAY d.o.o.	subsidiary company	50.00	Maribor, Slovenia
KBM Leasing Hrvatska d.o.o. (in liquidation)	subsidiary company	100.00	Zagreb, Croatia
KBM Asco d.o.o.	subsidiary company	100.00	Belgrade, Serbia
MB Finance B.V.	subsidiary company	00.00[2]	Netherlands

[1] The Nova KBM Group's stake in the share capital of KBM Infond accounts for 72.00%. Because KBM Infond holds a certain number of its own shares, the Nova KBM Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

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

In August 2014, the Adria Bank Supervisory Board reached a decision to start the procedures to terminate the operations of Adria Bank. Adria Bank returned its licence for providing banking services to the Austrian Financial Market Authority (FMA) on 23 March 2015, the same day on which it ceased its banking operations and met the conditions to wind up its business. On 11 June 2015, Adria Bank was legally transformed from a joint-stock company into a limited liability company (GmbH) named 'Adria Abwicklungs', which filed for controlled liquidation on 26 June 2015, in accordance with a ruling made by the relevant court. On 3 September 2015, the Shareholders' Meeting of Adria Abwicklungs took the decision to reduce the share capital of the company by €8,860,000 and to repay this amount to Nova KBM, pursuant to the agreement between the two regarding the repayment of capital. The decision to reduce the share capital was entered into the records kept by the competent Registration Court in Vienna on 18 December 2015. Of the amount specified above, a total of €3,715,000 was repaid in December 2015, while the remaining balance that was to be repaid to Nova KBM is secured by bonds issued by the Bank Assets Management Company (BAMC). In October 2016, after Adria Abwicklungs had fulfilled all its obligations, the final meeting of its shareholders took place, and a request was submitted to the competent Registration Court to delete the company from the register of companies. Adria Abwicklungs was deleted from the register of companies on 31 January 2017.

In accordance with the commitments made to the European Commission regarding the restructuring of the Nova KBM Group, the controlled liquidation of KBM Leasing and Gorica Leasing started at the end of 2014, while that of KBM Leasing Hrvatska started in April 2015, based on appropriate decisions made by Nova KBM. While these three companies are still controlled by Nova KBM and are therefore fully consolidated in the Nova KBM Group's accounts, their financial statements have been prepared on a non-going concern basis. A non-going concern assumption has been taken into consideration in the valuation of the

investments in, and credit exposures to, these companies. The liquidation proceedings against KBM Leasing Hrvatska are expected to be completed by the end of 2017, while those against KBM Leasing and Gorica Leasing are planned to be concluded within the next three years.

On 17 February 2016, based on the prior consent of the Supervisory Board, Nova KBM signed the agreement concerning the sale of its 546,683 shares in KBM Banka to a new investor. The number of shares sold by Nova KBM accounted for 89.53% of the total outstanding shares of KBM Banka. The sale of KBM Banka was completed on 14 April 2016, after all conditions precedent stipulated in the sale agreement had been met.

On 23 February 2016, as part of the Nova KBM Group's restructuring and to facilitate the completion of the sale of its investment in the equity of KBM Banka, Nova KBM set up a project company KBM Asco as its wholly-owned subsidiary. Certain assets of KBM Banka, primarily its NPLs and real estate, were transferred to this company at the end of February 2016. The transfer value of the NPLs was determined based on their (audited) net book value at the end of 2015, while the transfer value of real estate items was determined based on their fair value valuations made for the end of 2015 by a certified real estate appraiser.

In 2015, Nova KBM started taking steps towards fully merging the operations of PBS with its own. The merger between Nova KBM and PBS was one of the strategically most important projects undertaken as part of the restructuring and consolidation of the Nova KBM Group. On 29 March 2016, Nova KBM acquired a 0.8844% equity stake in PBS from Pošta Slovenije, thereby becoming its 100% owner. On the same day, based upon the prior consent of the Supervisory Boards of both banks, the Management Boards of Nova KBM and PBS signed the agreement concerning the acquisition of PBS by Nova KBM. Approval of the merger between Nova KBM and PBS was given by the ECB on 26 July 2016, and the merger became legally effective on 1 September 2016, when the District Court of Maribor issued a decision on registering the merger. As a result, PBS ceased to exist as an independent legal entity, and all its assets, liabilities and rights were transferred to Nova KBM, its legal successor, which took over the obligations and rights under all transactions concluded by PBS prior to the merger. Nova KBM, now merged with PBS, continues to operate under its current name, with its headquarters remaining in Maribor.

Istra Plan, a project finance company that is 100% owned by KBM Invest, liquidated all its assets in August 2016 as part of the process of closing its business, so none of its assets are included in the consolidated financial statements of the Nova KBM Group for the end of 2016. The company, which will probably be subject to bankruptcy proceedings, is not regarded as a business entity. Consequently, only its assets were included in the consolidated financial statements for previous reporting periods.

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 the Nova KBM Group companies, there are no legal impediments to the transfer of own funds or repayment of liabilities between Nova KBM and its subsidiaries. Currently, particular attention is being devoted to the Nova KBM Group leasing companies that are undergoing liquidation proceedings. While Nova KBM is making every effort, during their liquidation processes, to conclude as many as possible of the transactions and court actions these companies are parties to, the conclusion of this work by Nova KBM represents a significant practical obstacle to completing the liquidation proceedings and transferring the remaining assets of the companies to Nova KBM.

KBM Leasing Hrvatska, a Croatia-based subsidiary of Nova KBM undergoing liquidation, is obliged to have its operations comply with Croatian legislation. According to Article 30 of the Croatian Leasing Act, any transfer of outstanding lease transactions must be approved by the Croatian Financial Services Supervisory Agency (HANFA).

A company subject to liquidation proceedings must have sufficient funds available to discharge its liabilities, if any, to plaintiffs/creditors under pending judicial actions. Any early repayment of liabilities to its parent undertaking could give rise to bankruptcy of the company and, consequently, impose the obligation on its parent undertaking to return the funds received from the company.

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)

All subsidiaries of Biser Topco Group are included in the supervision on a highest consolidation level.

All subsidiaries of Nova KBM Group are included in the supervision on a sub-consolidated basis. The data, information and figures presented in this document and in the 2016 Annual Report of the Nova KBM Group and Nova KBM include, where appropriate, relevant information concerning KBS banka, which Nova KBM acquired at the beginning of 2017.

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 requirement is not applicable to Biser Topco Group or Nova KBM Group.

4. Own funds

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 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 the method of consolidation set out in Chapter II, Part One, Title II of the Regulation.

€000

	Amount 31.12.2016	
Capital items	**Nova KBM Group**	**Biser Topco Group**
Shareholders' equity	**683,361**	**702,735**
+/- Adjustments		
Capital instruments without ECB's permission for inclusion in regulatory capital	-	(270,686)
Other capital instruments	-	(451)
Net profit for the financial year without ECB's permission for inclusion in regulatory capital	(27,459)	(27,878)
Intangible assets	(18,463)	(18,403)
Deferred tax assets	(8,087)	(7,968)
Translation reserves	(95)	(84)
Non-controlling interests	(2,874)	(2,874)
Accumulated other comprehensive (loss)	(33,476)	368
Revaluation surplus in respect of available-for-sale financial assets	2,886	(3,175)
Other deductible items	(2,131)	(1,899)
Common Equity Tier 1 capital	**593,662**	**369,685**

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)

Capital instruments main features template ([1])			
1	**Issuer**	**Nova KBM d.d.**	**Biser Topco S.à r.l.**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SI0021116494	
3	Governing law(s) of the instruments	The Companies Act (ZGD-1), the Financial Instruments Market Act (ZTFI) and the Book-Entry Securities Act (ZNVP)	Grand Duchy of Luxembourg, in particular the law of August 10, 1915 on commercial companies, as amended
	Regulatory treatment	CRR	CRR
4	Transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital
5	Post transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital

Capital instruments main features template ([1])			
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Solo and sub-consolidated	Consolidated
7	Instrument type (to be specified by each jurisdiction)	Common Equity Tier 1 capital	Common Equity Tier 1 capital
8	Amount recognised in the regulatory capital (€million; as of the most recent reporting date)	EUR 511 million	EUR 220 million
9	Nominal amount of instrument	EUR 150 million	Share: EUR 2,2 million, Share premium: EUR 217,8 million
9a	Issue price	EUR 87 per share	Shares: EUR 1 per share; Share Premium: EUR 100.85 per share
9b	Redemption price	N/A	N/A
10	Accounting classification	Equity	Equity
11	Original date of issuance	December 19, 2013	April 13, 2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends	N/A	N/A
17	Fixed or floating dividend / coupon	N/A	N/A
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A

Capital instruments main features template (1)			
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ordinary liabilities	
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

(1) Insert N/A if the question is not applicable.

A more detailed description of Biser Topco's capital and its movements in 2016 is provided in the 2016 Annual Report of the Biser Topco Group, in the notes to the financial statements (Note 4.6: Capital risk).

A more detailed description of Nova KBM's capital and its movements in 2016 is provided in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in the notes to the financial statements (Note 4.6: Capital risk).

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

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

With respect to their characteristics, own funds on individual, sub-consolidated and highest consolidation level are made up of two categories:

- Tier 1 capital, which comprises:
  - Common Equity Tier 1 capital
  - Additional Tier 1 capital
- Tier 2 capital

Common Equity Tier 1 capital comprises capital instruments, paid-in 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, deductions for intangible fixed assets and deferred tax assets, and other adjustments to Common Equity Tier 1 capital.

Biser Topco S.â.r.l. issued compound financial instruments in amount of 451 EUR that are not eligible for own funds calculation.

The Nova KBM Group has not issued any additional Tier 1 or Tier 2 capital instruments.

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

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

4.4.1 Biser Topco Group

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
1	Capital instruments and the related share premium accounts	0	26(1), 27, 28, 29, 26(3), EBA list	0
	Of which: paid-in capital instruments	0	26(3), EBA list	0
	Of which: paid-in share premium	0	26(3), EBA list	0
2	Retained earnings	4,014	26(3), EBA list	0
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2	26(1)(c)	151
3a	Funds for general banking risk		26(1)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		26(1)(f)	
	Public sector capital injections grandfathered until 1 January 2018		286(2)	
5	Minority interests (amount allowed in consolidated CET1)		283(2)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		84, 479, 480	
6	CET1 capital before regulatory adjustments	405,060	26(2)	151
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)		34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	(18,403)	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	(7,968)	36(1)(c), 38, 472(5)	(5,312)

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	38(3) are met) (negative amount)			
11	Fair value reserves 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)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1)(k)	
20b	Of which: qualifying holdings outside the financial sector (negative amount)		36(1)(k)(i), 89 to 91	
20c	Of which: securitisation positions (negative amount)		36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	Of which: free deliveries (negative amount)		36(1)(k)(iii), 379(3)	
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 entitie		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)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative		36(1)(l)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	amount)			
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(717)		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(5,761)		
	Of which: ...filter for unrealised loss 1		467	
	Of which: ...filter for unrealised loss 2		467	
	Of which: ...filter for unrealised gain 1		468	
	Of which: ...filter for unrealised gain 2		468	
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre-CRR		481	
	Of which: ...		481	
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**	(35,375)		(5,161)
29	**Common Equity Tier 1 (CET1) capital**	369,686		364,525
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts		51, 52	
31	Of which: classified as equity under aplicable 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 AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	Public sector capital injections grandfathered until 1 January 2018		483(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		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**			
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		56(d), 59, 79, 475(4)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	positions) (negative amount)			
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	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc. 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)	
	Of which 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, etc			
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	Of which: ...possible filter for unrealised		468	
	Of which: ...		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**			
44	**Additional Tier 1 (AT1) capital**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	369,686		364,525
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase-out from T2		486(4)	
	Public sector capital injections grandfathered until 1 January 2018		483(4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)	
50	Credit risk adjustments		62(c) and (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**			
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
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)			

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.			
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**			
58	**Tier 2 (T2) capital**			
59	**Total capital (TC = T1 + T2)**	369,686		364,525
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in			

	Common Equity Tier 1 (CET1) capital: instruments and reserves	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
	Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	(items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)			
	Of which: ...items not deducted from AT1 items (Regulation (EU) No. 575/2013 residual amounts)		475, 475(2)(b), 475(2)(c), 475(4)(b)	
	(items to be detailed line by line, e.g. reciprocal crossholdings 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**	2,506,162		2,500,850
Capital ratios and buffers				

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
61	CET1 (as a percentage of risk exposure amount)	14.75%	92(2)(a), 465	14.58%
62	T1 (as a percentage of risk exposure amount)	14.75%	92(2)(b), 465	14.58%
63	Total capital (as a percentage of risk exposure amount)	14.75%	92(2)(c)	14.58%
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)	15,664	128, 129 and 130 (CRD)	15,630
65	Of which: capital conservation buffer requirement	15,664		15,630
66	Of which: countercyclical buffer requirement	0		0
67	Of which: systemic risk buffer requirement			
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		131 (CRD)	
68	CET1 available to meet buffers (as a percentage of risk exposure amount)		128 (CRD)	
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
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)	95	36(1)(h), 45, 46, 472(10)56(c), 59, 60, 475(4), 66(c),69, 70, 477(4)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	516	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)	(4,955)	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)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	

4.4.2 Nova KBM Group

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Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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 share premium	403,302	26(3), EBA list	
2	Retained earnings	49,719	26(3), EBA list	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	20,545	26(1)(c)	29,361
3a	Funds for general banking risk		26(1)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		26(1)(f)	
	Public sector capital injections grandfathered until 1 January 2018		286(2)	
5	Minority interests (amount allowed in consolidated CET1)		283(2)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		84, 479, 480	
6	CET1 capital before regulatory adjustments	623,566	26(2)	29,361

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(2,505)	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	(18,463)	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)	(8,087)	36(1)(c), 38, 472(5)	(5,391)
11	Fair value reserves 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			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1)(k)	
20b	Of which: qualifying holdings outside the financial sector (negative amount)		36(1)(k)(i), 89 to 91	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
20c	Of which: securitisation positions (negative amount)		36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	Of which: free deliveries (negative amount)		36(1)(k)(iii), 379(3)	
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)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)	
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(949)		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	101		
	Of which: ...filter for unrealised loss 1		467	
	Of which: ...filter for unrealised loss 2		467	
	Of which: ...filter for unrealised gain 1		468	
	Of which: ...filter for unrealised gain 2		468	
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre-CRR		481	
	Of which: ...		481	
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**	(29,904)		23,970
29	**Common Equity Tier 1 (CET1) capital**	593,662		617,632
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			

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	
	Public sector capital injections grandfathered until 1 January 2018		483(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**			
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)	
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.			

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	
	Of which 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, etc.			
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		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**			
44	**Additional Tier 1 (AT1) capital**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	593,662		617,632
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase-out from T2		486(4)	
	Public sector capital injections grandfathered until 1 January 2018		483(4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)	
50	Credit risk adjustments		62(c) and (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**			
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
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)	
	Of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.			
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
57	**Total regulatory adjustments to Tier 2 (T2) capital**			
58	**Tier 2 (T2) capital**			
59	**Total capital (TC = T1 + T2)**	593,662		617,632
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	(items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)			
	Of which: ...items not deducted from AT1 items (Regulation (EU) No. 575/2013 residual amounts)		475, 475(2)(b), 475(2)(c), 475(4)(b)	
	(items to be detailed line by line, e.g. reciprocal crossholdings 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**	2,475,576		2,470,185
Capital ratios and buffers				
61	CET1 (as a percentage of risk exposure amount)	23.98%	92(2)(a), 465	25.00%
62	T1 (as a percentage of risk exposure amount)	23.98%	92(2)(b), 465	25.00%
63	Total capital (as a percentage of risk exposure amount)	23.98%	92(2)(c)	25.00%

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)	15,472	128, 129 and 130 (CRD)	15,439
65	Of which: capital conservation buffer requirement	15,472		15,439
66	Of which: countercyclical buffer requirement	0		0
67	Of which: systemic risk buffer requirement	0		0
67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	131 (CRD)	0
68	CET1 available to meet buffers (as a percentage of risk exposure amount)		128 (CRD)	
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
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)	95	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)	516	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)	(5,036)	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	

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) No. 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No. 575/2013
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)

The required data is presented in the table included in Point 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)

This disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group.

5. Capital requirements

The Nova KBM uses Standardised Approach to calculate its capital requirements on individual, sub-consolidated and highest consolidation level for credit and market risks, while the Basic Indicator Approach is used to calculate the capital requirements for operational risk.

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

(Article 438(a) of the Regulation)

As Nova KBM Group is currently the only subsidiary of Biser Topco / Bidco, a separate Risk Management strategy is not stipulated on highest consolidation level. Nevertheless, Risk Appetite, set within Risk Management Strategy and ICAAP process of Nova KBM Group is also set on Biser Topco Group level and is presented in detail below.

In 2016, the Nova KBM Group set up the Risk Management Strategy, as part of which it drafted the Risk Appetite Statement setting out its risk-taking capacity and, based on this, risk-taking propensity.

The Nova KBM Group has in place the Policy of Managing Capital and Capital Requirements under the Basel Pillar I and Pillar II capital frameworks.

In addition, as part of the ICAAP, the Nova KBM Group has set up a methodology for measuring risk and a methodology for conducting stress tests.

The internal capital estimate specifies the level of capital that the Nova KBM Group believes to be appropriate to cover all expected and unexpected losses arising from material risks to which it is exposed in its operations. While the amount of internal capital required to cover material risks is calculated using the going concern approach, its total level equals the sum of the minimum regulatory capital, as calculated under the Basel Pillar I capital framework, an assessment of capital requirements, as calculated under the Basel Pillar II capital framework, and a capital buffer calculated in accordance with Article 253(2) of the ZBan-2.

The calculation of internal capital takes the following types of risk into account separately:

Type of risk	Pillar I calculation	Pillar II calculation
Credit risk	Standardised Approach	IRB-like calculation on the basis of internal assessments of PD and LGD
Concentration risk		Bank of Slovenia's methodology – HHI approach
Foreign exchange lending risk		Identified risk, but its level does not exceed the materiality threshold
Country risk		Identified risk, but its level does not exceed the materiality threshold
Settlement risk		Identified risk, but its level does not exceed the materiality threshold
Residual risk		Identified risk, which is managed through internal processes
Credit migration risk		Identified risk for exposures with external ratings; its level is calculated using the MC simulation
Counterparty risk		Identified risk; its level is assessed using the VaR methodology
Position risk in the trading book	Standardised Approach	Identified risk; its level is assessed using the VaR methodology

Type of risk	Pillar I calculation	Pillar II calculation
Foreign exchange risk		Identified risk; its level is assessed using the VaR methodology
Credit spread risk		Identified risk; its level is assessed on the basis of historical data and using the VaR methodology
Credit valuation adjustment risk	Standardised Approach	Identified risk, but its level does not exceed the materiality threshold and is therefore assessed under Pillar I
Operational risk	Basic Indicator Approach	Identified risk; its level is assessed using the MC simulation and the VaR methodology
Reputational risk		Identified risk; its level is assessed based on Nova KBM's own scenario
Interest rate risk in the banking book		Identified risk; its level is assessed based on stress testing
Pension risk		Identified risk, but its level does not exceed the materiality threshold
Profitability risk		Identified risk; its level is assessed using the MC simulation and the VaR methodology
Real estate risk		Identified risk; its level is assessed based on Nova KBM's own scenario
Strategic risk		Identified risk; its level is assessed based on Nova KBM's own scenario
Sovereign risk		Identified risk; its level is assessed using an IRB-like method of calculating exposures to central governments with a risk weight of 0%, pursuant to Article 114(4) of the Regulation
Liquidity risk		Identified risk; its level is assessed based on stress testing

The target values of capital components for the Nova KBM Group as a whole are determined by Nova KBM in its annual plans. The levels of the Nova KBM Group's regulatory and internal capital are monitored by the ALCO, the Risk Committee and the Supervisory Board.

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)

Nova KBM is not obliged to disclose the results of internal capital adequacy assessment process on individual, sub-consolidated or on highest consolidation level.

5.3 Information regarding 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112 of the Regulation

(Article 438 (c) of the Regulation)

€000

Exposure classes	Capital requirements 31.12.2016 Nova KBM Group	Capital requirements 31.12.2016 Biser Topco Group
Exposures to central governments or central banks	431	429
Exposures to regional governments or local authorities	934	934
Exposures to public sector entities	91	91
Exposures to multilateral development banks	0	0
Exposures to international organisations	0	0
Exposures to institutions	22,133	22,977
Exposures to corporates	39,841	40,270
Exposures to retail	58,897	58,897
Exposures secured by mortgages on immovable property	8,528	8,601
Exposures in default	22,853	22,836
Items associated with particular high risk	3,026	3,026
Covered bonds	0	0
Exposures to institutions and corporates with short-term credit assessment	0	0
Collective investment undertakings	627	627
Equity	165	165
Other items	12,905	13,101
Total	**170,431**	**171,954**

5.4 Disclosure of 8% of the risk-weighted exposure amounts for each type of the exposure classes specified in Article 147 of the Regulation, if the institution calculates risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II of the Regulation

(Article 438(d) of the Regulation)

The disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group as IRB Approach is not used to calculate capital requirements for credit risk.

5.5 Information about own funds requirements calculated in accordance with Points (b) and (c) of Article 92(3) of the Regulation

(Article 438(e) of the Regulation)

€000

Type of capital requirements	Capital requirements 31.12.2016 Nova KBM Group	Capital requirements 31.12.2016 Biser Topco Group
Capital requirements for market risks	3,346	4,232
Capital requirements for position risk	3,346	3,346
of which: for debt securities	0	0
of which: for equity instruments	3,346	3,346
Capital requirements for foreign exchange risk	0	886
Capital requirements for commodities risk	0	0
Capital requirements for settlement risk	0	0
Capital requirements for large exposures	0	0
Total capital requirements	**3,346**	**4,232**

5.6 Information about own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 of the Regulation

(Article 438(f) of the Regulation)

The Nova KBM Group uses the Basic Indicator Approach to calculate its requirements for operational risk, in accordance with Article 315 of the Regulation.

€000

Type of capital requirements	Capital requirements 31.12.2016 Nova KBM Group	Capital requirements 31.12.2016 Biser Topco Group
Capital requirements for operational risk	24,268	24,306
Total	**24,268**	**24,306**

5.7 Disclosure of the exposures assigned to each category in Table 1 of Article 152(5), or to each risk weight mentioned 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)

The disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group as IRB Approach is not used to calculate capital requirements for credit risk.

6. Exposure to counterparty credit risk

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. The calculation of internal capital for the transactions referred to above is made in accordance with an internal model based on the VaR methodology.

Under the Basel 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 Nova KBM has set up a system of limits to control its exposure to counterparty credit risk on individual level as there are no additional exposures on sub-consolidated and highest consolidation level. Exposures to counterparties and the levels up to which the exposure limits determined for counterparties are utilised are monitored on a daily basis. The system of limits has been developed to set 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 data on exchange rates for a one-year period 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)

To be able to conclude transactions in derivatives outside the regulated markets, Nova KBM has signed the ISDA (International Swaps and Derivatives Association) Master Agreement. In addition, it has signed the Credit Support Annex (CSA) to the ISDA Master Agreement, which defines the rules under which collateral must be provided between counterparties in order to mitigate credit risk arising from unfavourable movements in the market.

Transactions in derivatives with non-bank customers are contracted by Nova KBM 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.

It is only to customers with the highest credit rating that Nova KBM offers transactions in derivatives without requesting collateral; the exposure to credit risk under these transactions is included in the calculation of the total exposure to a customer. Transactions in derivatives entered into with all other customers are subject to approval by the competent authority of Nova KBM and the customers providing eligible collateral.

6.3 Description of policies with respect to Wrong-Way risk exposures

(Article 439(c) of the Regulation)

For repo transactions, Nova KBM 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, Nova KBM requests the counterparty to provide additional collateral. A failure on the side of the counterparty to meet such a request may result in Nova KBM closing the position. Counterparty credit risk is monitored daily on the basis of available market prices or prices calculated according to an internal methodology, the input data of which are the prevailing market prices.

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 that the volume of derivatives constitutes only a small proportion of the Nova KBM trading portfolios, any additional collateral that the Nova KBM might be requested to provide would not have a material impact on its financial position.

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

€000

Type of derivatives	Total gross positive value of contracts or net credit exposure 31.12.2016
Currency forwards	350
Derivatives on securities	159
Interest rate swaps	657
Total	**1,166**

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 Nova KBM monitors counterparty credit risk exposure using the mark-to-market method, in accordance with Article 274 of the Regulation on individual, sub-consolidated and highest consolidation level. 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 collateral instrument). The maximum exposure must be within the set credit limits, and additional collateral must be provided if the set limits are exceeded. Counterparty exposure is monitored in accordance with the provisions set out in 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.

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)

This disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group because it 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)

This disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group because it 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 Biser Topco Group or Nova KBM Group because it does not use the Internal Model Methodology to calculate exposures.

7. Capital buffers

(Article 440 of the Regulation)

In accordance with Capital Requirements Directive (CRD), in 2016 Nova KBM on individual, sub-consolidated and on highest consolidation reporting level introduced overall capital buffer requirements above the minimum capital requirement.

The overall capital buffer in 2016 is made up of the following components:

- a capital conservation buffer equal to 0.625% of the total risk exposure amount, as provided for under the transitional provisions of Article 391(1)(1) of the ZBan-2
- an institution-specific countercyclical capital buffer in the amount as presented in the table included in Point 6.2; according to the transitional provisions of Article 391(1)(2) of the ZBan-2, this buffer was not to exceed 0.625% of the total risk exposure amount in 2016.

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

(Article 440(a) of the Regulation)

7.1.1 Biser Topco Group

€ 000

Breakdown of relevant credit exposures by country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value of general credit exposures for SA	Exposure value of general credit exposures for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value of securitisation exposures for SA	Exposure value of securitisation exposures for IRB	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
Združeni Arabski Emirati	110	0	0	0	0	0	0	0	0	0	0.0	0.0
ALBANIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Argenitna	5	0	0	0	0	0	0	0	0	0	0.0	0.0
AVSTRIJA	440	0	0	0	0	0	19	0	0	19	0.0	0.0
AVSTRALIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
BOSNA IN HERCEGOVINA	220	0	0	0	0	0	0	0	0	0	0.0	0.0
BELGIJA	6,845	0	0	0	0	0	544	0	0	544	0.4	0.0
BOLGARIJA	2	0	0	0	0	0	0	0	0	0	0.0	0.0
BRAZILIJA	7	0	0	0	0	0	0	0	0	0	0.0	0.0
BELORUSIJA	1	0	0	0	0	0	0	0	0	0	0.0	0.0
BELIZE	0	0	0	0	0	0	0	0	0	0	0.0	0.0
KANADA	13	0	0	0	0	0	0	0	0	0	0.0	0.0
ŠVICA	3,808	0	0	0	0	0	13	0	0	13	0.0	0.0
KITAJSKA	3	0	0	0	0	0	0	0	0	0	0.0	0.0
CIPER	1	0	0	0	0	0	0	0	0	0	0.0	0.0
ČEŠKA REPUBLIKA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
NEMČIJA	62	0	0	0	0	0	3	0	0	3	0.0	0.0
DANSKA	879	0	0	0	0	0	40	0	0	40	0.0	0.0
Dominikanska republika	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Alžirija	3	0	0	0	0	0	0	0	0	0	0.0	0.0
EKVADOR	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ESTONIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
EGIPT	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ŠPANIJA	88	0	0	0	0	0	10	0	0	10	0.0	0.0
FINSKA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
FRANCIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ZDRUŽENO KRALJESTVO	236	0	0	0	0	0	6	0	0	6	0.0	0.0
GRČIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
HRVAŠKA	110,008	0	0	0	0	0	2,352	0	0	2,352	1.6	0.0
MADŽARSKA	13	0	0	0	0	0	0	0	0	0	0.0	0.0
IRSKA	2	0	0	0	0	0	0	0	0	0	0.0	0.0
IZRAEL	1	0	0	0	0	0	0	0	0	0	0.0	0.0
INDIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ITALIJA	622	0	0	0	0	0	29	0	0	29	0.0	0.0
Jordanija	0	0	0	0	0	0	0	0	0	0	0.0	0.0
JAPONSKA	3,142	0	0	0	0	0	251	0	0	251	0.2	0.0
SAINT KITTS IN NEVIS	0	0	0	0	0	0	0	0	0	0	0.0	0.0
LIHTENŠTAJN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
LITVA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
Libija	1	0	0	0	0	0	0	0	0	0	0.0	0.0
ČRNA GORA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MAKEDONIJA, REPUBLIKA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MALTA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MEHIKA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MALEZIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
NIGERIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
NIZOZEMSKA	3	0	0	0	0	0	0	0	0	0	0.0	0.0
POLJSKA	5	0	0	0	0	0	0	0	0	0	0.0	0.0
ROMUNIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SRBIJA	51,307	0	0	0	0	0	1,863	0	0	1,863	1.2	0.0
RUSKA FEDERACIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ŠVEDSKA	0	0	0	0	0	0	0	0	0	0	0.0	1.5
SINGAPUR	4	0	0	0	0	0	0	0	0	0	0.0	0.0
SLOVENIJA	3,095,210	0	19,144	0	0	0	138,750	3,062	0	141,813	94.2	0.0
SLOVAŠKA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SAN MARINO	0	0	0	0	0	0	0	0	0	0	0.0	0.0
TUNIZIJA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
UKRAJINA	8	0	0	0	0	0	0	0	0	0	0.0	0.0
STRANSKI ZUNANJI OTOKI ZDR.DRŽ.	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ZDRUŽENE DRŽAVE	45,501	0	0	0	0	0	3,639	0	0	3,639	2.4	0.0
Uzbekistan	0	0	0	0	0	0	0	0	0	0	0.0	0.0
VENEZUELA	2	0	0	0	0	0	0	0	0	0	0.0	0.0
KOSOVO	0	0	0	0	0	0	0	0	0	0	0.0	0.0

7.1.2 Nova KBM Group

€000

Breakdown of relevant credit exposures by country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value of general credit exposures for SA	Exposure value of general credit exposures for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value of securitisation exposures for SA	Exposure value of securitisation exposures for IRB	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures	Total	Own funds requirements weights	Countercyclical capital buffer rate
	10	20	30	40	50	60	70	80	90	100	110	120
United Arab Emirates	110	0	0	0	0	0	0	0		0	0.0	0.0
Albania	0	0	0	0	0	0	0	0		0	0.0	0.0
Argentina	5	0	0	0	0	0	0	0		0	0.0	0.0
Austria	440	0	0	0	0	0	19	0		19	0.0	0.0
Australia	0	0	0	0	0	0	0	0		0	0.0	0.0
Bosnia and Herzegovina	220	0	0	0	0	0	0	0		0	0.0	0.0
Belgium	6,845	0	0	0	0	0	544	0		544	0.4	0.0
Bulgaria	2	0	0	0	0	0	0	0		0	0.0	0.0
Brazil	7	0	0	0	0	0	0	0		0	0.0	0.0
Belarus	1	0	0	0	0	0	0	0		0	0.0	0.0
Belize	0	0	0	0	0	0	0	0		0	0.0	0.0
Canada	13	0	0	0	0	0	0	0		0	0.0	0.0
Switzerland	3,808	0	0	0	0	0	13	0		13	0.0	0.0
China	3	0	0	0	0	0	0	0		0	0.0	0.0
Cyprus	1	0	0	0	0	0	0	0		0	0.0	0.0
Czech Republic	0	0	0	0	0	0	0	0		0	0.0	0.0
Germany	62	0	0	0	0	0	3	0		3	0.0	0.0
Denmark	879	0	0	0	0	0	40	0		40	0.0	0.0
Dominican Republic	0	0	0	0	0	0	0	0		0	0.0	0.0
Algeria	3	0	0	0	0	0	0	0		0	0.0	0.0
Ecuador	0	0	0	0	0	0	0	0		0	0.0	0.0
Estonia	0	0	0	0	0	0	0	0		0	0.0	0.0
Egypt	0	0	0	0	0	0	0	0		0	0.0	0.0
Spain	88	0	0	0	0	0	10	0		10	0.0	0.0
Finland	0	0	0	0	0	0	0	0		0	0.0	0.0
France	0	0	0	0	0	0	0	0		0	0.0	0.0
United Kingdom	236	0	0	0	0	0	6	0		6	0.0	0.0
Greece	0	0	0	0	0	0	0	0		0	0.0	0.0
Croatia	110,008	0	0	0	0	0	2,352	0		2,352	1.6	0.0
Hungary	13	0	0	0	0	0	0	0		0	0.0	0.0
Ireland	2	0	0	0	0	0	0	0		0	0.0	0.0
Israel	1	0	0	0	0	0	0	0		0	0.0	0.0
India	0	0	0	0	0	0	0	0		0	0.0	0.0
Italy	622	0	0	0	0	0	29	0		29	0.0	0.0
Jordan	0	0	0	0	0	0	0	0		0	0.0	0.0
Japan	3,142	0	0	0	0	0	251	0		251	0.2	0.0
Saint Kitts and Nevis	0	0	0	0	0	0	0	0		0	0.0	0.0
Liechtenstein	0	0	0	0	0	0	0	0		0	0.0	0.0
Lithuania	0	0	0	0	0	0	0	0		0	0.0	0.0
Libya	1	0	0	0	0	0	0	0		0	0.0	0.0
Montenegro	0	0	0	0	0	0	0	0		0	0.0	0.0
Macedonia, the former Yugoslav Republic	0	0	0	0	0	0	0	0		0	0.0	0.0
Malta	0	0	0	0	0	0	0	0		0	0.0	0.0
Mexico	0	0	0	0	0	0	0	0		0	0.0	0.0
Malaysia	0	0	0	0	0	0	0	0		0	0.0	0.0
Nigeria	0	0	0	0	0	0	0	0		0	0.0	0.0
Netherlands	3	0	0	0	0	0	0	0		0	0.0	0.0
Poland	5	0	0	0	0	0	0	0		0	0.0	0.0
Romania	0	0	0	0	0	0	0	0		0	0.0	0.0
Serbia	51,307	0	0	0	0	0	1,863	0		1,863	1.2	0.0
Russian Federation	0	0	0	0	0	0	0	0		0	0.0	0.0
Sweden	0	0	0	0	0	0	0	0		0	0.0	1.5
Singapore	4	0	0	0	0	0	0	0		0	0.0	0.0
Slovenia	3,091,043	0	19,144	0	0	0	138,069	3,062		141,131	94.1	0.0
Slovakia	0	0	0	0	0	0	0	0		0	0.0	0.0
San Marino	0	0	0	0	0	0	0	0		0	0.0	0.0
Tunisia	0	0	0	0	0	0	0	0		0	0.0	0.0
Ukraine	8	0	0	0	0	0	0	0		0	0.0	0.0
United States Minor Outlying Islands	0	0	0	0	0	0	0	0		0	0.0	0.0
United States	45,501	0	0	0	0	0	3,639	0		3,639	2.4	0.0
Uzbekistan	0	0	0	0	0	0	0	0		0	0.0	0.0
Venezuela, Bolivarian Republic of	2	0	0	0	0	0	0	0		0	0.0	0.0
Kosovo	0	0	0	0	0	0	0	0		0	0.0	0.0
Total	**3,314,383**	**0**	**19,144**	**0**	**0**	**0**	**146,841**	**3,062**	**0**	**149,904**	**100.0**	

7.2 Information about the amount of the institution-specific countercyclical capital buffer

(Article 440(b) of the Regulation)

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	31.12.2016 Nova Kbm Group	31.12.2016 Biser Topco Group
Total risk exposure amount	2,475,576	2,506,162
Institution-specific countercyclical buffer rate	0	0
Institution-specific countercyclical buffer requirements	0	0

8. Indicators of global systemic importance

(Article 441 of the Regulation)

The disclosure requirement is not applicable to Biser Topco S.â.r.l. or Nova KBM as they are not identified as a global systemically important institution.

9. Credit risk adjustments

9.1 Definition of 'past due' and 'impaired' for accounting purposes

(Article 442(a) of the Regulation)

Given that no commercial and risk-raking activities are performed at the Biser Topco Group level and the fact that all past due and impaired items belong to items at Nova KBM Group level, all definitions of procedures used to manage past due and impaired items are identical to those of Nova KBM and are described below.

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

Impaired items for accounting purposes are all non-performing on- and off-balance-sheet exposures for which the Nova KBM Group has recognised impairments or provisions. Impairments and provisions are also recorded on performing exposures. Performing exposures are impaired using the collective impairment rates applicable to the respective groups of financial assets and commitments.

Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in the notes to the financial statements (Note 3.4.6: Impairments of financial assets).

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

(Article 442(b) of the Regulation)

Specific and general credit risk adjustments of Biser Topco Group pertain to those of Nova KBM Group. The description of the approaches and methods adopted for determining specific and general credit risk adjustments are described below.

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

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

The fair value of a financial asset equals its current market value. If the market price of a financial asset cannot be determined, Nova KBM applies the fair value hierarchy, in accordance with International Accounting Standards. If the market price of a financial asset is not available for one month, the fair value of such an asset is determined using a model that takes into consideration market prices. If the value of a financial asset cannot be determined according to this model, the acquisition cost of a financial asset is regarded as its fair value, or the financial asset is valued according to a model that does not entirely take into consideration data derived from the market.

The Nova KBM Group assesses on a daily basis whether impartial evidence exists, or events have occurred since recognition of an asset, and whether these events have an impact on the future cash flows of a financial asset or a group of financial assets, or off-balance-sheet commitments, which can be reliably assessed. Significant information that indicates impairment of a financial asset or the possibility of a loss under off-balance-sheet items includes: non-fulfilment of obligations to the Nova KBM Group companies, significant

financial difficulties of the debtor, and the likelihood of bankruptcy, compulsory composition or a financial reorganisation of the debtor. Nova KBM has determined events and factors that indicate impairment of financial assets.

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

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

Individually insignificant financial assets and off-balance-sheet items are assessed collectively for impairment. The collective impairment rates applicable to homogeneous asset classes are determined in accordance with the Nova KBM Group Methodology for Assessing Credit Risk Losses.

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

- a three-year average of the 12-month default rates of D- and E-rated customers (customers classified in the credit rating categories 10, 11 and 12)
- an assessment of default rates (LGD)

If the level of impairment decreases in the subsequent period, the previously recognised loss due to impairment shall be reversed. The amount of reversed loss is recognised through profit or loss.

9.3 Disclosure of the total amount of exposures after accounting for 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)

9.3.1 Biser Topco Group level

€000

Exposure classes	31.12.2016	Average in 2016
Exposures to central governments or central banks	1,904,585	1,816,499
Exposures to regional governments or local authorities	12,974	11,383
Exposures to public sector entities	54,976	154,798
Exposures to multilateral development banks	15,911	12,680
Exposures to international organisations	12,613	12,708
Exposures to institutions	614,095	550,951
Exposures to corporates	756,098	731,814
Exposures to retail	1,199,029	1,226,676
Exposures secured by mortgages on immovable property	300,262	306,528
Exposures in default	271,643	308,226
Items associated with particular high risk	25,214	26,880
Covered bonds	0	0
Exposures to institutions and corporates with short-term credit assessment	0	0
Collective investment undertakings	29,816	29,328
Equity	1,293	3,391
Other items	223,673	230,227
Total	**5,422,182**	**5,422,089**

9.3.2 Nova KBM Group level

€000

Exposure classes	31.12.2016	Average in 2016
Exposures to central governments or central banks	1,898,516	1,606,070
Exposures to regional governments or local authorities	12,974	11,050
Exposures to public sector entities	54,976	166,486
Exposures to multilateral development banks	15,911	12,270
Exposures to international organisations	12,613	12,700
Exposures to institutions	593,005	465,113
Exposures to corporates	754,427	691,867
Exposures to retail	1,198,987	1,094,670
Exposures secured by mortgages on immovable property	300,262	293,173
Exposures in default	271,643	291,049
Items associated with particular high risk	25,214	29,447
Covered bonds	0	0
Exposures to institutions and corporates with short-term credit assessment	0	0
Collective investment undertakings	29,816	22,552
Equity	1,293	1,181
Other items	221,228	212,120
Total	**5,390,865**	**4,909,748**

9.4 Disclosure of the geographic distribution of the exposures, broken down in significant areas by material exposure classes

(Article 442(d) of the Regulation)

9.4.1 Biser Topco Group level

€000

Exposure classes	Slovenia	EU countries other than Slovenia	Non-EU European countries	Other countries	Total 31.12.2016
Exposures to central governments or central banks	1,381,464	503,951	14	19,157	**1,904,585**
Exposures to regional governments or local authorities	9,861	0	0	3,113	**12,974**
Exposures to public sector entities	54,976	0	0	0	**54,976**
Exposures to multilateral development banks	0	15,911	0	0	**15,911**
Exposures to international organisations	0	12,613	0	0	**12,613**
Exposures to institutions	4,889	533,770	36,841	38,594	**614,095**
Exposures to corporates	678,426	29,514	325	47,833	**756,098**
Exposures to retail	1,193,808	3,704	1,430	87	**1,199,029**
Exposures secured by mortgages on immovable property	293,319	6,942	0	0	**300,262**
Exposures in default	251,512	8,517	11,394	221	**271,643**
Items associated with particular high risk	12,343	12,871	0	0	**25,214**
Covered bonds	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	**0**
Collective investment undertakings	29,816	0	0	0	**29,816**
Equity	516	0	0	777	**1,293**
Other items	214,269	589	8,815	0	**223,673**
Total	**4,125,200**	**1,128,382**	**58,818**	**109,782**	**5,422,182**

9.4.2 Nova KBM Group level

€000

Exposure classes	Slovenia	EU countries other than Slovenia	Non-EU European countries	Other countries	Total 31.12.2016
Exposures to central governments or central banks	1,375,795	503,550	14	19,157	**1,898,516**
Exposures to regional governments or local authorities	9,861	0	0	3,113	**12,974**
Exposures to public sector entities	54,976	0	0	0	**54,976**
Exposures to multilateral development banks	0	15,911	0	0	**15,911**
Exposures to international organisations	0	12,613	0	0	**12,613**
Exposures to institutions	4,889	512,681	36,841	38,594	**593,005**
Exposures to corporates	655,510	50,759	325	47,833	**754,427**
Exposures to retail	1,193,546	3,924	1,430	87	**1,198,987**
Exposures secured by mortgages on immovable property	293,319	6,942	0	0	**300,262**
Exposures in default	251,512	8,517	11,394	221	**271,643**
Items associated with particular high risk	12,343	12,871	0	0	**25,214**
Covered bonds	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	**0**
Collective investment undertakings	29,816	0	0	0	**29,816**
Equity	516	0	0	777	**1,293**
Other items	211,823	589	8,815	0	**221,228**
Total	**4,093,908**	**1,128,357**	**58,818**	**109,781**	**5,390,865**

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

(Article 442(e) of the Regulation)

9.5.1 Biser Topco Group level

€000

Exposure classes	Central governments	Regional governments	Public sector	Institutions	Corporates	Retail	Funds	Total 31.12.2016
Exposures to central governments or central banks	1,904,585	0	0	0	0	0	0	**1,904,585**
Exposures to regional governments or local authorities	0	12,974	0	0	0	0	0	**12,974**
Exposures to public sector entities	0	0	54,976	0	0	0	0	**54,976**
Exposures to multilateral development banks	0	0	0	15,911	0	0	0	**15,911**
Exposures to international organisations	0	0	0	0	12,613	0	0	**12,613**
Exposures to institutions	0	0	0	611,046	3,049	0	0	**614,095**
Exposures to corporates	0	0	0	0	749,108	6,990	0	**756,098**
Exposures to retail	0	0	0	0	249,725	949,304	0	**1,199,029**
Exposures secured by mortgages on immovable property	0	0	0	0	112,152	188,110	0	**300,262**
Exposures in default	0	0	0	2	229,078	42,563	0	**271,643**
Items associated with particular high risk	0	0	0	0	25,214	0	0	**25,214**
Covered bonds	0	0	0	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	0	0	0	**0**
Collective investment undertakings	0	0	0	0	0	0	29,816	**29,816**
Equity	0	0	0	0	0	0	1,293	**1,293**
Other items	0	0	0	122,595	101,078	0	0	**223,673**
Total	**1,904,585**	**12,974**	**54,976**	**749,554**	**1,482,017**	**1,186,967**	**31,109**	**5,422,182**

9.5.2 Nova KBM Group level

€000

Exposure classes	Central governments	Regional governments	Public sector	Institutions	Corporates	Retail	Funds	Total 31.12.2016
Exposures to central governments or central banks	1,898,516	0	0	0	0	0	0	**1,898,516**
Exposures to regional governments or local authorities	0	12,974	0	0	0	0	0	**12,974**
Exposures to public sector entities	0	0	54,976	0	0	0	0	**54,976**
Exposures to multilateral development banks	0	0	0	15,911	0	0	0	**15,911**
Exposures to international organisations	0	0	0	0	12,613	0	0	**12,613**
Exposures to institutions	0	0	0	589,956	3,049	0	0	**593,005**
Exposures to corporates	0	0	0	0	747,437	6,990	0	**754,427**
Exposures to retail	0	0	0	0	249,683	949,304	0	**1,198,987**
Exposures secured by mortgages on immovable property	0	0	0	0	112,152	188,110	0	**300,262**
Exposures in default	0	0	0	1	229,079	42,563	0	**271,643**
Items associated with particular high risk	0	0	0	0	25,214	0	0	**25,214**
Covered bonds	0	0	0	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	0	0	0	**0**
Collective investment undertakings	0	0	0	0	0	0	29,816	**29,816**
Equity	0	0	0	0	0	0	1,293	**1,293**
Other items	0	0	0	120,150	101,078	0	0	**221,228**
Total	**1,898,516**	**12,974**	**54,976**	**726,018**	**1,480,305**	**1,186,967**	**31,109**	**5,390,865**

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

(Article 442(f) of the Regulation)

9.6.1 Biser Topco Group level

€000

Exposure classes	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total 31.12.2016
Exposures to central governments or central banks	693,331	194,103	134,989	600,219	281,943	**1,904,585**
Exposures to regional governments or local authorities	602	1,182	1	2,027	9,162	**12,974**
Exposures to public sector entities	1,810	104	315	52,667	81	**54,976**
Exposures to multilateral development banks	0	0	0	10,938	4,974	**15,911**
Exposures to international organisations	0	0	0	8,464	4,149	**12,613**
Exposures to institutions	95,819	79,916	59,344	234,444	144,572	**614,095**
Exposures to corporates	20,024	40,587	235,278	288,674	171,535	**756,098**
Exposures to retail	272,592	42,363	187,201	256,291	440,583	**1,199,029**
Exposures secured by mortgages on immovable property	906	4,126	25,659	58,616	210,954	**300,262**
Exposures in default	92,181	3,071	7,503	114,183	54,705	**271,643**
Items associated with particular high risk	21,422	0	143	792	2,858	**25,214**
Covered bonds	0	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	0	**0**
Collective investment undertakings	11,902	0	0	0	17,914	**29,816**
Equity	46	0	0	0	1,247	**1,293**
Other items	223,673	0	0	0	0	**223,673**
Total	**1,434,309**	**365,452**	**650,432**	**1,627,313**	**1,344,676**	**5,422,182**

9.6.2 Nova KBM Group level

€000

Exposure classes	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total 31.12.2016
Exposures to central governments or central banks	687,262	194,103	134,989	600,219	281,943	**1,898,516**
Exposures to regional governments or local authorities	602	1,182	1	2,027	9,162	**12,974**
Exposures to public sector entities	1,810	104	315	52,667	81	**54,976**
Exposures to multilateral development banks	0	0	0	10,938	4,974	**15,911**
Exposures to international organisations	0	0	0	8,464	4,149	**12,613**
Exposures to institutions	74,729	79,916	59,344	234,444	144,572	**593,005**
Exposures to corporates	18,324	40,587	235,307	288,674	171,535	**754,427**
Exposures to retail	272,579	42,363	187,171	256,291	440,583	**1,198,987**
Exposures secured by mortgages on immovable property	906	4,126	25,659	58,616	210,954	**300,262**
Exposures in default	92,181	3,071	7,503	114,183	54,705	**271,643**
Items associated with particular high risk	21,422	0	143	792	2,858	**25,214**
Covered bonds	0	0	0	0	0	**0**
Exposures to institutions and corporates with short-term credit assessment	0	0	0	0	0	**0**
Collective investment undertakings	11,902	0	0	0	17,914	**29,816**
Equity	46	0	0	0	1,247	**1,293**
Other items	221,228	0	0	0	0	**221,228**
Total	**1,402,991**	**365,452**	**650,432**	**1,627,313**	**1,344,676**	**5,390,865**

9.7 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)

€000

Industry	Impaired exposures 31.12.2016	Past-due impaired exposures 31.12.2016	Specific and general credit risk adjustments 31.12.2016	Charges for specific and general credit risk adjustments during 2016
Households	68,743	40,969	34,350	(6,448)
Agriculture and hunting, forestry, fishing	14,898	9,475	10,065	(1,803)
Mining	1,266	87	964	(925)
Manufacturing industry	120,778	60,516	72,098	(12,129)
Electricity, gas and steam supply	347	9	139	(16,147)
Water supply, waste and sewage management, rehabilitation of the environment	2,903	2,585	1,884	(4,631)
Construction	116,103	82,717	73,303	(37,259)
Trade, maintenance and repair of motor vehicles	143,949	61,150	87,758	(43,599)
Transportation and storage	27,531	1,010	12,048	4,526
Accommodation and food service activities	45,272	37,268	28,484	(4,741)
Information and communication activities	34,811	32,834	27,299	40
Financial intermediation	39,664	6,620	25,431	(13,589)
Real estate activities	92,321	65,445	65,077	(3,332)
Professional, scientific and technical activities	38,141	31,608	25,878	(8,081)
Other various business activities	10,977	2,970	9,087	4,437
Public administration and defence services, compulsory social security activities	235	235	235	136
Education	29	7	28	(8)
Health and welfare security	9,545	44	674	(2,278)
Arts, entertainment and recreation	1,216	1,043	604	(327)
Other activities	7,369	1,121	6,620	5,649
Total	**776,100**	**437,712**	**482,026**	**(140,508)**

9.8 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)

€000

Geographical area	Impaired exposures 31.12.2016	Past-due impaired exposures 31.12.2016	Specific and general credit risk adjustments 31.12.2016	Charges for specific and general credit risk adjustments during 2016
Slovenia	623,535	323,616	360,551	(109,093)
EU countries other than Slovenia	106,997	100,930	87,176	(36,773)
Republics of the former Yugoslavia	41,870	13,166	30,601	5,161
Other countries	3,698	1	3,698	198
Total	**776,100**	**437,712**	**482,026**	**(140,508)**

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

(Article 442(i) of the Regulation)

Credit risk adjustments for impaired exposures of Biser Topco Group pertain to adjustments of Nova KBM Group, and are provided below.

The Nova KBM Group recognises collective impairments and provisions (credit risk adjustments) for homogeneous asset classes. If impartial evidence exists that a financial asset is impaired, Nova KBM assesses the replacement value of the respective asset based on the expected discounted cash flows generated from any of the following:

- the operations of the debtor
- the realisation of collateral
- a combination of the aforementioned

The total volume of impaired exposures declined from €1,036,098,000 at the end of 2015 to €776,100,000 at the end of 2016, while the total level of impairments and provisions recorded on impaired exposures declined by €140,508,000 in the same period.

€000

Changes in specific and general credit risk adjustments for impaired exposures in 2016	Amount
Credit risk adjustments at the end of 2015	622,534
Change in credit risk adjustments in 2016	(140,508)
Credit risk adjustments at the end of 2016	**482,026**

10. Unencumbered assets

(Article 443 of the Regulation)

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

Disclosure on asset encumbrance €000

Template A - Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	150,661		4,693,418	
030	Equity instruments	0	0	53,029	53,029
040	Debt securities	144,036	145,780	1,573,059	1,572,607
120	Other assets	0		219,650	

Tamplate B - Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	0	0
150	Equity instruments	0	0
160	Debt securities	0	0
230	Other collateral received	0	0
240	**Own debt securities issued other than own covered bonds or ABSs**	0	0

Template C - Sources of encumbrance

		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**	2,743,087	150,661

Not to be filed

D - Information on importance of encumbrance

For funds totalling €148,000,000 borrowed through TLTRO, Biser Topco Group pledged debt securities worth €147,780,000 in total.

11. Use of ECAIs

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

(Article 444(a) of the Regulation)

For the calculation of risk-weighted exposure amounts on individual, sub-consolidated and on highest consolidation reporting level, Nova KBM has nominated SID Banka as a reference Export Credit Agency (ECA) and Moody's Investors Service as a reference External Credit Assessment Institution (ECAI).

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

(Article 444(b) of the Regulation)

The Nova KBM calculates capital requirements for credit risk on individual, sub-consolidated and on highest consolidation reporting level using the Standardised Approach. For calculating risk-weighted exposure amounts for the exposure class 'Central governments or central banks', Nova KBM has nominated SID Banka as a reference ECA, while Moody's Investors Service has been nominated as a reference ECAI for calculating risk-weighted exposure amounts for the following exposure classes:

- exposures to regional governments and local authorities
- exposures to public sector entities
- exposures to institutions
- exposures to corporates
- exposures to covered bonds
- exposures to collective investment undertakings

11.3 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)

€000

Exposure types	Exposure amount Nova KBM Group 31.12.2016	Exposure amount Biser Topco Group 31.12.2016
Quoted shares	95	95
Unquoted shares	2,352	2,352
Mutual fund units	4,546	4,546
Investments in non-public companies	738	738
Bank Resolution Fund	25,270	25,270
Total	**33,001**	**33,001**

All of the exposures listed above are included in the portfolio of available-for-sale financial assets.

11.4 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 rating of the financial instrument. If the financial instrument is not rated, the long-term credit rating of the issuer of the respective financial instrument (debtor) is used to assign the appropriate risk weight. If none of these ratings is available, the sovereign rating of the country in which the debtor is domiciled is taken into consideration in the assignment of risk weights.

11.5 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 requirement is not relevant because the Biser Topco Group and Nova KBM Group comply with the standard association published by the competent authority.

11.6 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)

11.6.1 Biser Topco Group level

€000

Credit quality step		Exposure values 31.12.2016	Exposure values after credit risk mitigation 31.12.2016
MEIP	ECAI		
0,1	1 (Aaa to Aa3)	1,689,652	1,689,652
2	2 (A1 to A3)	280,491	280,491
3	3 (Baa1 to Baa3)	53,938	53,938
4	4 (Ba1 to Ba3)	30,491	30,491
5,6	5 (B1 to B3)	2,856	2,856
7a, 7b	6 (Caa1 and below)	0	0
Total		**2,057,428**	**2,057,428**

11.6.2 Nova KBM Group level

€000

Credit quality step		Exposure values 31.12.2016	Exposure values after credit risk mitigation 31.12.2016
MEIP	ECAI		
0,1	1 (Aaa to Aa3)	1,993,379	1,993,379
2	2 (A1 to A3)	309,529	309,529
3	3 (Baa1 to Baa3)	69,372	69,372
4	4 (Ba1 to Ba3)	30,491	30,491
5,6	5 (B1 to B3)	2,968	2,968
7a, 7b	6 (Caa1 and below)	0	0
Total		**2,405,739**	**2,405,739**

12. Exposure to market risk

(Article 445 of the Regulation)

The Nova KBM uses on individual, sub-consolidated and on highest consolidation reporting level the Standardised Approach to calculate the capital requirements for market risk. The required disclosure is provided in Point 5.5.

The Nova KBM does not hold securitisation positions on any of consolidated levels.

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13. Operational risk

(Article 446 of the Regulation)

The Biser Topco Group level operetional risk currently does not differ from the operational risk of Nova KBM Group, therefore, this chapter presents manage of operational risk of Nova KBM Group.

Operational risk, which includes legal risk, is the risk of loss arising from inappropriate or failed implementation of internal processes, the actions of people, the functioning of systems or due to external factors.

Both the Nova KBM Group and Nova KBM calculate capital requirements for operational risk in accordance with the Basic Indicator Approach. In 2016, as part of the ICAAP, Nova KBM implemented a system to calculate capital requirements for operational risk using its own model that takes into account all operational risk loss events occurring in its operations.

The Non-Credit Risk Management Department is responsible for ensuring that operational risk loss events are registered in a systematic fashion.

The reporting on loss events captures all costs centres of Nova KBM and is carried out on a monthly, quarterly, half-yearly and annual basis. While the companies within the Nova KBM Group report to Nova KBM on operational risk loss events on a regular basis, the reports on loss events registered across the entire Nova KBM Group are reviewed by the 2015-formed Operational Risk Committee, which meets at least once every quarter.

The committee referred to above works with organisational units at all hierarchical levels of Nova KBM to ensure an appropriate flow of information needed to manage operational risk in a comprehensive manner. Operational risk management reports are discussed by the committee, but also by the Management Board and senior management of Nova KBM, which provides assurance that immediate action can be taken to deal with any operational risk-related issues. The Operational Risk Committee reviews, on a quarterly or more frequent basis, the reports on incidents recorded by all most important business segments. It then adopts necessary measures in this regard, and monitors their implementation.

The Operational Risk Committee is responsible for dealing with the following matters:

- operational risk loss events recorded across the Nova KBM Group
- technical security incidents
- information security incidents
- operational disruptions and business continuity plans of Nova KBM
- compliance and integrity of operations
- prevention of money laundering and terrorist financing

Nova KBM has defined as an operational risk loss event any event that has a negative material effect on its operations and is recorded in its accounts. Operational risk loss events may also be non-financial in nature. Since it is not possible to measure all operational risk losses, a separate assessment of these losses is made when determining the annual risk profile of Nova KBM. The determination of the risk profile with respect to operational risk is of particular importance, given that the operational risk loss events make up the largest proportion of loss events suffered by Nova KBM that cannot be reliably measured; they can only be, and must be, assessed.

Operational risk loss events are classified by Nova KBM by operating segments and type of loss events, in accordance with the guidelines of the Basel capital framework and the Regulation.

The companies within the Nova KBM Group report on a monthly basis on all operational risk loss events recorded by them.

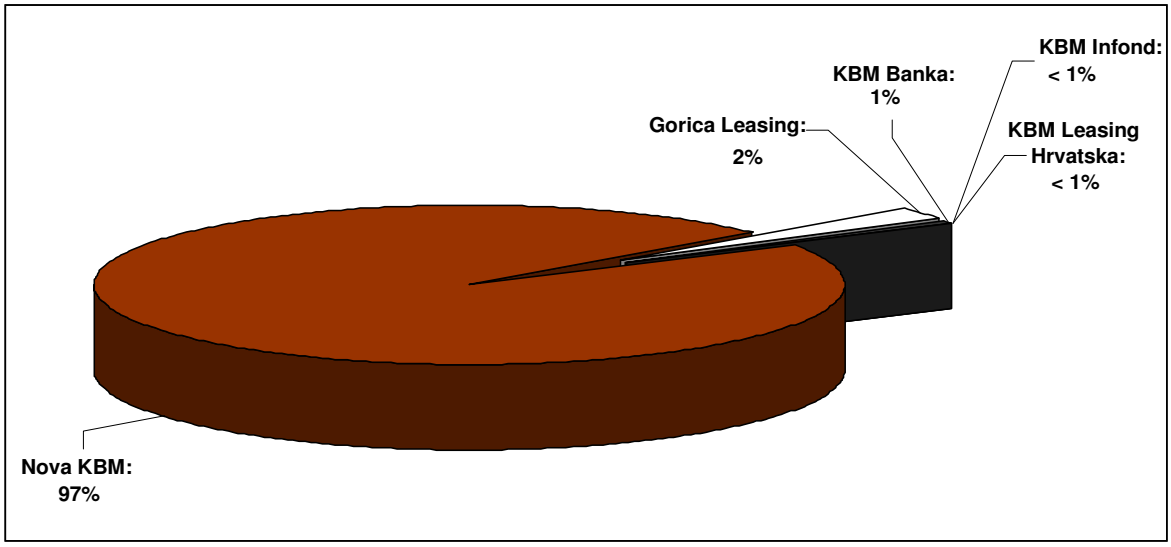
Of the total estimated gross amount of all operational risk losses suffered by the Nova KBM Group in 2016, €5,254,740 was attributable to Nova KBM, with a single large loss event of €3,700,000, which took place in March, accounting for the largest proportion of this figure.

The scope of operational risk losses suffered by the Nova KBM Group companies in 2016 is presented in the following table:

Nova KBM Group company	Nova KBM	Gorica Leasing	KBM Banka	KBM Leasing Hrvatska	KBM Infond	Total
Scope of operational risk loss (€)	5,254,740	130,874	27,084	1,927	88	5,414,713
Compensation (€)	1,277,629	1,488	915	1,927	0	1,281,958
Compensation as a % of loss	24	1	3	100	0	24

The total operational risk loss suffered by the Nova KBM Group in 2016 amounted to €5,414,713 gross, of which €1,281,958, or 24%, was covered by compensation.

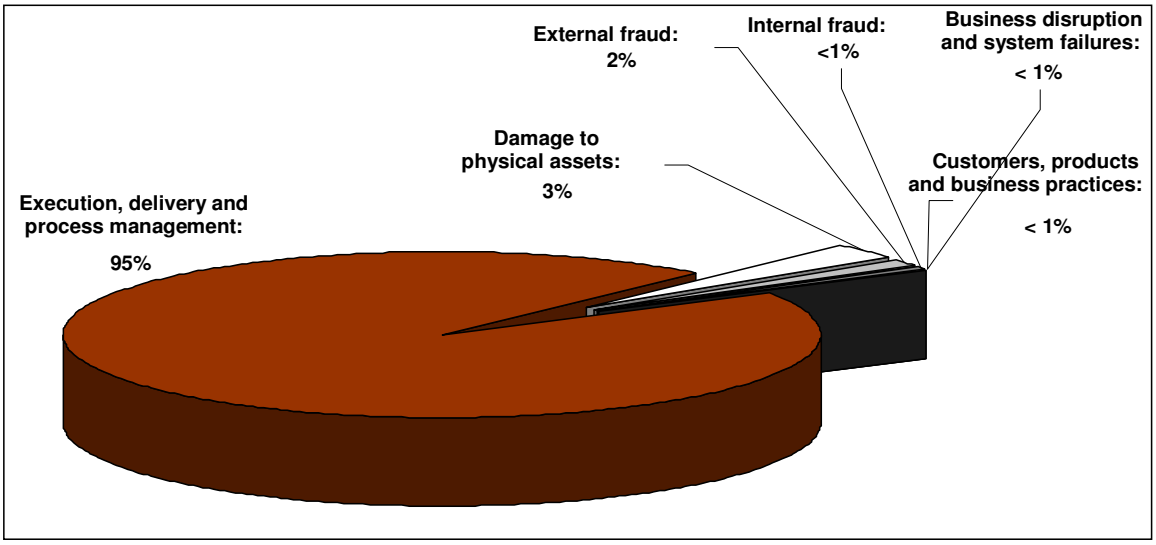
Picture 4: The proportions of operational risk losses suffered by individual Nova KBM Group companies within the total scope of operational risk loss suffered by the Nova KBM Group in 2016



Structure of operational risk loss events recorded by the Nova KBM Group in 2016

In terms of type, the majority of loss events recorded by the Nova KBM Group in 2016 related to (according to the definition of the Basel capital framework) 'Execution, Delivery and Process Management' (95%), followed by 'Damages to Physical Assets' (3%), 'External Fraud' (2%) and 'Business Disruption and System Failures' (<1%).

Picture 5: The structure of operational risk loss events recorded by the Nova KBM Group in 2016



A detailed analysis of operational risk loss events recorded by the Nova KBM Group in accordance with the classification provided by the Basel capital framework is presented in the table below.

€

OPERATIONAL LOSS EVENT CATEGORIES (Basel capital framework)	Nova KBM	Gorica Leasing	KBM Banka	KBM Leasing Hrvatska	KBM Infond	Total
1. Internal fraud	0	0	26,229	0	0	26,229
2. External fraud	82,892	0	42	0	0	82,935
3. Employment practices and workplace safety	0	0	0	0	0	0
4. Customers, products and business practices	2,886	0	0	0	0	2,886
5. Damage to physical assets	30,067	130,872	0	1,927	0	162,866
6. Business disruption and system failures	89	0	0	0	0	89
7. Execution, delivery and process management	5,138,806	2	813	0	88	5,139,708
Total operational risk loss	**5,254,740**	**130,874**	**27,084**	**1,927**	**88**	**5,414,713**

By ensuring systematic reporting on operational risk loss events through the APIS application, the Nova KBM Group successfully accomplished its short-term objective in respect of operational risk management. The mid-term objective, which was to develop software to support the assessment of the risk profile of the Nova KBM Group, was also accomplished, while the development of software that will enable separate assessment of operational risk for the purpose of the Risk Control Self-Assessment (RCSA) process still has to be done.

The Nova KBM Group's long-term objective in respect of operational risk remains unchanged: to create an appropriate risk management culture and to limit the scope and the amount of losses to an acceptable level.

The work of the Corporate Governance Division related to the management of operational risk concentrated in 2016 on the following tasks: fraud detection, proper treatment of risks arising from Nova KBM's integration with PBS and KBS banka, and improvement of the control environment in the areas of business continuity, information security, the protection of people and assets, as well as the automatic exchange of financial account information.

The management of operational risk in the area of corporate security within Nova KBM comprises the following: (1) prevention of unlawful practices and fraud, (2) business continuity management, (3) information security management, (4) protection of people and assets and (5) implementation of requirements arising from the OECD's Common Reporting Standard (CRS) and the FATCA.

Ad 1: With its constant desire to adhere to the highest risk management standards, Nova KBM devotes particular attention to the prevention, identification and treatment of unlawful practices, fraud and other illegal actions. Last year, Nova KBM upgraded its system for managing unlawful practices, set up an automated fraud detection system, and started to set up a system for preventing any unauthorised leakage of data, the aim of which is to improve internal controls and bolster the corporate culture. By developing appropriate software and providing relevant training to its employees and partners, Nova KBM seeks to strengthen its position as a prudent organisation and a trustworthy partner.

Ad 2: Nova KBM has in place a business continuity management system to deal with any extraordinary events that might cause disruption to its operations, such as breakdowns of information and communication flows, natural disasters and other undesired impacts from the environment. This system makes it possible for Nova KBM to take effective action to protect its services, business-critical processes, operations and assets. The business continuity system was developed by Nova KBM based on its Business Continuity Management Policy and the related documents, taking into consideration the applicable regulations. As part of the established governance system of Nova KBM, the Corporate Governance Division is required to conduct, on an annual basis, the business impact analysis, in addition to being responsible for risk assessments, maintenance and testing of business continuity plans, and reporting to the Operational Risk Committee on any exceptional events and identified risks. The division also provides assistance to other Nova KBM Group companies. In 2016, Nova KBM teamed up with an outside contractor to start the process of upgrading its business continuity management system.

Ad 3: Nova KBM has set up an information security management system with the aim of protecting the confidentiality (of business information from unauthorised access and interception), integrity (i.e. accuracy and completeness of information and business software) and availability of information (i.e. provision of business information and information technology services to intended users to enable them to carry out their day-to-day operations). In 2016, Nova KBM started to work with several outside contractors towards overhauling its information security management system, as part of its project to improve its control environment. Furthermore, Nova KBM started to implement a centralised security information and event management system.

Ad 4: Services related to the protection of people and assets are carried out in accordance with the applicable regulations and standards, as well as the relevant internal policy and procedures. In ensuring technical, mechanical and physical protection, as well as protection of cash transports, Nova KBM cooperates with several contractors that provide a high level of private protection services. In addition to delivering regular internal training on the protection of people and assets, Nova KBM ensures that preventive measures addressed in risk assessment reports are promptly implemented.

Through the provision to the Operational Risk Committee of reports on the work in each of the four above-described areas, Nova KBM has ensured that the reporting on all operational risks to which it is exposed is carried out in an integrated and systematic fashion.

Ad 5: As part of the implementation of requirements arising from the FATCA and the OECD's CRS in respect of the automatic exchange of financial account information, all necessary measures were taken in 2016 to ensure proper customer identification, including through the establishment of controls that reduce to a minimum the risk of improper identification of customers subject to CRS requirements.

Development of and investments in Nova KBM's information technology in 2016

Nova KBM develops technological support for its business processes in accordance with its information technology strategy. In-house development of the key components of its information systems, a complete control over the system architecture and systematic management of

outsourcers enables Nova KBM to take a focused approach to the design of the entire infrastructure at different levels: from processes and business software to system infrastructure.

The action plan for the implementation of the adopted information technology strategy, the development of which was based on a thorough analysis of Nova KBM's business requirements, was put in place in 2016.

In line with the strategy referred to above, in 2016 Nova KBM continued to work on the optimisation and upgrading of its development procedures, with the purpose of improving the quality of its information solutions.

A decision was made last year to launch a tender for the replacement of the core banking system in order to provide better support to business-critical processes and consolidate individual systems now used by Nova KBM, thereby making its operations more flexible and cost efficient. Nova KBM is aware that in the era of digitisation, it can only remain competitive by having in place systems enabling the rapid development of applications used to support ever-changing products and processes.

With regard to the development of application solutions, a system for recording software performance metrics was set up and an enterprise service bus was implemented.

Consolidation of the information technology infrastructure in the area of virtualisation of branch office servers was successfully completed last year, as was the upgrade of the Microsoft Windows operating system by installing the latest Office software.

In the area of server infrastructure, Intel servers were replaced with more recent models, the virtualisation capacity of back-office servers was increased, and the virtualisation system was upgraded to a more recent version, all of which ensured better availability and quality of service.

The first phase of the server infrastructure overhaul, involving an analysis of the current situation, the development of the overhaul concept and the defining of the target data warehouse system architecture, was also completed last year.

At the end of 2016, after agreeing with the respective supplier to provide the relevant technical support, Nova KBM purchased communication equipment to connect its business premises (branch offices and buildings housing its back-office departments) with both of its data centres. This equipment will be installed in 2017.

The active directory was upgraded and overhauled to include additional functionalities needed to manage the latest versions of the Microsoft Windows operating system.

Work related to the review and upgrade of the process for managing licensed software started in 2016, with a relevant gap analysis and the preparation of implementation guidelines for improving the process being successfully completed by the end of the year.

To ensure licence compliance and reduce costs associated with the use of licensed software, a three-year licence agreement was concluded with IBM last year. Furthermore, the procedure for managing information technology changes was enhanced, and the system and procedures for storing software components (applications) were upgraded to ensure better management of software provided to Nova KBM.

Following the acquisition of PBS, work started to integrate its information systems into those of Nova KBM. While retail and corporate accounts maintained by the former PBS had been successfully migrated to Nova KBM's systems by the end of 2016, the archiving of its systems and the physical relocation of its information technology equipment still have to be carried out.

The process of systematic collection, evaluation and prioritisation of requirements (i.e. the demand management process) was introduced last year to improve the efficiency of the business planning process and the process of planning human and financial resources, as well as to monitor the utilisation ratios for these resources.

Current and future work related to operational risk management

- Nova KBM has made some changes in the staffing of its organisational units responsible for managing key operational risks, thereby ensuring that there is no longer any duplication of work concerning operational risk management and that there are no gaps in the risk management process, two problems that were present before 2016 when the management of operational risk was carried out by two divisions (the Risk Management Division and the Corporate Governance Division).
- In 2017, Nova KBM will draft a comprehensive training plan for employees involved in operational risk management in order to raise control awareness of all employees, but especially department managers.
- Appropriate information systems are being set up to provide support to the procedures relating to the identification, assessment, measurement, management and monitoring of operational risks.
- An organisational structure will be set up that will ensure effective communication and cooperation at all organisational levels, as well as an adequate flow of information.

14. Exposure in equities not included in the trading book

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, Biser Topco Group and Nova KBM Group's portfolio of equity instruments is divided into the following three sub-portfolios:

- investments needed for regular operations of the Nova KBM Group (Bankart, S.W.I.F.T., the SISBON credit bureau, the Bank Resolution Fund)
- investments in equities and funds for which the Nova KBM Group, as an investor, has adopted appropriate exit strategies to be carried out once the financial objectives are achieved
- temporary investments in equities which result from the realisation of collateral or debt-to-equity conversions and which the Nova KBM Group intends to sell within a short period of time

€000

Type of investment	Investment value 31.12.2016
Investments needed for regular operations of the Nova KBM Group	25,743
Investments in equities and funds with an exit strategy	7,217
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions	41
Total	**33,001**

The accounting techniques and valuation methodologies used by the Nova KBM, including key assumptions and practices affecting valuation, are set out in the 2016 Annual Report, in the notes to the financial statements (Note 5: Fair value of financial assets and financial liabilities).

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

(Article 447(b) of the Regulation)

Biser Topco Group and Nova KBM Group have adopted a policy that a fair value of an exchange-traded financial instrument must generally equal its market price. Nova KBM's balance sheet value of exchange-traded financial instruments was €95,000 at the end of 2016.

Shares of the company Intereuropa (ticker symbol: IEKG), which Nova KBM holds in its portfolio, were valued at €0 per share, although their market price quoted on the Ljubljana Stock Exchange stood at €1.18 per share at the end of 2016.

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)

Exposure types	Exposure amount Nova KBM Group 31.12.2016	Exposure amount Biser Topco Group 31.12.2016
Quoted shares	95	95
Unquoted shares	2,352	2,352
Mutual fund units	4,546	4,546
Investments in non-public companies	738	738
Bank Resolution Fund	25,270	25,270
Total	**33,001**	**33,001**

All of the exposures listed above are included in the portfolio of available-for-sale financial assets

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 2016, Nova KBM Group generated gains of €4,972 thousands on the sale of equity instruments that were held in its banking book.

In 2016, Biser Topco Group generated gains of €4,834 thousands on the sale of equity instruments that were held in its banking book.

14.5 Information about the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Tier 1 or Tier 2 capital

(Article 447(e) of the Regulation)

In accordance with the applicable legislation, deductions from the total amount of Biser Topco's Group or Nova KBM Group's Tier 1 capital, accordingly to phase-in period for year 2016, at the end of year 2016 included 60% of the amount of the following items:

- total unrealised gains and losses generated on equity instruments and non-sovereign debt securities held in the banking book and, pursuant to the discretionary power of the Bank of Slovenia to determine which items may be deducted from Tier 1 capital, unrealised gains or losses generated on sovereign debt securities
- unrealised gains or losses generated in respect of investment property
- loss for the current financial year
- intangible assets
- deferred tax assets

€000

Item description	Amount 31.12.2016 Nova KBM Group	Amount 31.12.2016 Biser Topco Group
Unrealised gains or losses	**(196)**	**5,845**
Unrealised gains	(4,320)	(1,574)
Unrealised losses	3,243	3,356
Unrealised gains on the exposure to central governments classified into the category of available-for-sale financial instruments	0	0
Unrealised losses on the exposure to central governments classified into the category of available-for-sale financial instruments	881	4,063
Deductions	**26,645**	**26,287**
Loss reported for the current financial year	0	0
Intangible assets	18,463	18,403
Deferred tax assets that are attributable to future profits and do not arise from temporary differences	8,087	7,968
Translation reserves	95	(84)

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

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

Nova KBM assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk, and monitors interest rate risk in accordance with the Interest Rate Risk Management Policy. As many as 97% of Nova KBM's assets are denominated in euros. Nova KBM provides its customers with the option to repay early the loans they have taken out, subject to paying loan prepayment costs, including the anticipated interest. Given that the total volume of prepaid loans is not material, Nova KBM does not take into account the effects of this option in the management of interest rate risk. Nova KBM uses its own model for determining the proportion of stable demand deposits in each of the time buckets. The calibration of the model and the calculation of the proportion of stable demand deposits across all time buckets are typically carried out once a month. Both Nova KBM and the Nova KBM Group manage their exposure to interest rate risk on a monthly basis. Biser Topco Group manage their exposure to interest rate risk on a semi-annual basis as the difference compared to Nova KBM Group is immaterial.

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, Nova KBM calculates monthly the impact on its net interest income and net present value of interest-sensitive items of interest rate changes in the next three months, as well as of the parallel shift in the yield curve by 200 basis points. The impact of changes in interest rates on Nova KBM's profit or loss is measured for a one-year period. In addition, Nova KBM regularly calculates the impact of interest rate changes on its net interest income and net present value of interest-sensitive items to determine whether, under the stress test scenario which takes into account a +/- 200 basis points change in interest rates, as well as the assumption that interest rates cannot go below zero (i.e. the zero-interest-rate floor), this value accounts for more than 20% of its equity. For the purpose of these calculations, demand deposits are distributed across various time buckets in accordance with the relevant internal models.

Stress tests are carried out separately for interest rates for euro, US dollar and Swiss franc. In addition, Nova KBM conducts stress tests on 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.

For internal purposes, as well as for the purpose of calculating capital requirements for interest rate risk, the Nova KBM Group regularly calculates the impact on the net present value (NPV) of its interest-sensitive items, as well as its interest income, of the following shock scenarios:

- a parallel upward shift in the yield curve by 200 basis points
- a parallel downward shift in the yield curve by 200 basis points
- steepening of the yield curve (resulting from a decline in short-term interest rates and an increase in long-term interest rates)
- flattening of the yield curve (resulting from an increase in short-term interest rates and a decline in long-term interest rates)
- an increase in short-term interest rates
- a decline in short-term interest rates

The scenario that produces the greatest loss is taken as the basis for calculating the capital requirements for interest rate risk.

Nova KBM carries out the following three different calculations of a change in the NPV of its interest-sensitive items:

- a change in the NPV of all interest-sensitive items (other than trading items) and in interest income resulting from each of the yield shifts described above
- a change, as a proportion of its regulatory capital, in the NPV of all interest-sensitive items and in interest income resulting from a +/- 200 basis points change in the yield curve, taking into consideration the assumption that interest rates cannot go below zero
- a change in the NPV of the portfolio of available-for-sale financial assets resulting from a +/- 200 basis points change in the yield curve, taking into consideration the assumption that interest rates cannot go below zero

An analysis of the impact of changes in interest rates on net interest income and NPV of interest-sensitive items is presented in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in the notes to the financial statements (Note 4.3.2: Interest rate risk).

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

Nova KBM manages interest rate risk by setting allowable exposure limits for each individual time bucket, separately for each key currency (euro, US dollar and Swiss franc). Allowable limits for individual time buckets are determined based on an analysis of the potential impact of changes in interest rates on the NPV of on- and off-balance-sheet items, interest income and, indirectly, equity.

Nova KBM manages Biser Topco Group in terms of interest rate risk on a semi-annual basis as the difference compared to Nova KBM Group is immaterial.

16. Exposure to securitisation positions

(Article 449 of the Regulation)

This disclosure requirement is not applicable to the Nova KBM Group or to the Biser Topco Group because it does not hold securitisation positions.

17. Remuneration policy

This disclosure requirement is not relevant for Biser Topco Group because Biser Topco does not have any employees. Therefore the remuneration policy and the remuneration system including information on the criteria used for performance measurement and risk adjustment are on the Nova KBM Group level and are presented below.

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 Nova KBM Remuneration Policy was issued in 2012 and has been revised on an annual basis ever since. The last revision of the Remuneration Policy, which the Supervisory Board approved on 22 September 2016, was made based on the instructions provided by the Bank of Slovenia on 29 January 2016 with the aim of assisting banks and savings banks in strengthening their internal governance arrangements.

In October 2016, based on the Guidelines on Sound Remuneration Policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and Disclosures under Article 450 of the Regulation, Nova KBM nominated a team responsible for setting up a new Remuneration Policy. Members of the team were representatives of various organisational units of Nova KBM, such as the Human Resources Department, the Management Board Office, the Compliance Office, the Accounting Department and the Non-Credit Risk Management Department. The draft Remuneration Policy was approved by the Management Board at its 49th meeting held on 21 December 2016, after which it was submitted to the Remuneration Committee for review. Once the Remuneration Policy has been discussed by the Remuneration Committee, it will be submitted to the Supervisory Board for approval.

On 21 April 2016, the Supervisory Board appointed a new Remuneration Committee consisting of the following members: Gernot Lohr (Chair), Alexander Saveliev (Deputy Chair) and Michele Rabà. All Remuneration Committee members are members of the Supervisory Board, which is in compliance with the ZBan-2.

The Remuneration Committee serves as an advisory body to the Supervisory Board and performs the following tasks:

- carries out technical and independent assessments of the Remuneration Policy and remuneration practices, and formulates initiatives for measures on the basis thereof with the aim of improving the management of the risks to which Nova KBM is exposed, its capital and liquidity
- draws up proposals for decisions by the governing body regarding the remuneration of employees, including remuneration that impacts the risks to which Nova KBM is exposed, and the management thereof
- controls the remuneration of members of senior management who perform risk management functions and ensure the compliance of operations
- prepares proposals on general principles of the Remuneration Policy, including formulation of positions on individual aspects of the Remuneration Policy
- assesses remuneration system methodologies that are designed to encourage appropriate management of risk, capital and liquidity

- prepares reports for the Supervisory Board regarding the implementation of the Remuneration Policy
- prepares proposals on the remuneration of employees, including those that are involved in risk taking and risk management
- verifies the suitability of external consultants whose services the Supervisory Board may use in determining the Remuneration Policy

Two meetings of the Remuneration Committee took place in 2016 – one was held in its previous formation and one in its new formation.

17.2 Information on link between pay and performance

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

The Nova KBM Remuneration Policy was issued on 16 January 2012 and has been revised on an annual basis ever since. In 2016, the Remuneration Policy was revised twice – on 22 September and on 21 December. The latest revision has not been discussed by the Remuneration Committee or approved by the Supervisory Board.

In accordance with the ZBan-2 and the Bank of Slovenia's Regulation Governing the Internal Governance, the Governing Body and the ICAAP for Banks and Savings Banks, Nova KBM has, at the level of the Nova KBM Group, set up and is implementing a remuneration policy for the categories of employees whose work is of a specific nature that encourages these employees to manage risks in an appropriate and effective manner.

The Nova KBM Remuneration Policy sets out the categories of employees whose actions have a significant impact on Nova KBM's risk profile, the type of remuneration those employees are entitled to, general and specific principles applicable to the adjustment of remuneration to risk, and the persons responsible for setting up, amending and supervising the implementation of the policy, and for reporting on the policy implementation.

The Nova KBM Remuneration Policy is designed in such a way that it ensures appropriate motivation of employees, but does not encourage them to take disproportionately excessive risks. Remuneration is formulated in a manner that discourages the employees from irresponsibly engaging in excessive risk-taking or to take a level of risk that exceeds Nova KBM's risk-taking capacity. This is ensured by having an appropriate balance between the fixed and variable components of remuneration, taking into consideration that any variable component can only make up a small proportion of the total remuneration. In addition, no bonuses are paid on pre-agreed variable components of remuneration.

The Remuneration Policy is applicable to all Nova KBM employees, with emphasis on the categories of employees whose actions have a significant impact on Nova KBM's risk profile.

The category of employees whose actions have a significant impact on Nova KBM's risk profile comprises:

- members of the Management Board
- executive directors, i.e. employees of Nova KBM who hold executive functions and are accountable to the Management Board for carrying out day-to-day operations
- advisers to and authorised representatives of the Management Board
- Manager of the Compliance Office and Manager of the Internal Audit Centre
- managers of organisational units that report directly to the Management Board

The employee category referred to above includes employees who are subject to a Fit and Proper assessment prior to their appointment and the conclusion of employment contracts with them.

While employees working in control functions are independent in carrying out their work, they have been conferred relevant powers to execute their tasks. Remuneration provided to this

category of employees depends on the objectives achieved by the control functions and is independent of the performance of the business units they control.

The Remuneration Policy is aligned with the Slovene labour legislation, the collective bargaining agreements, internal acts of Nova KBM, and resolutions of the Supervisory Board.

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)

A. Remuneration of the Management Board

The following ratios and weights are taken into consideration in assessing the performance of the Management Board:

1. Common financial ratios (30 points):

- a year-on-year increase in the pre-tax profit (5 points)
- a year-on-year increase in the pre-tax, pre-provision profit (5 points)
- the achieved ROAA before tax vs. the projection
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- the achieved ROAE before tax vs. the projection
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- the achieved CIR vs. the projection
  (if it equals the projection: 3 points; if it is better than projected: 7 points)
- comparison with the banking system of the level of operating costs as a proportion of the average total assets
  (if the ratio is equal to that of the banking system: 1 point; if the ratio is better than that of the banking system: 3 points)

2. Asset quality, provisions and capital adequacy (30 points):

- improvement or preservation of the loan portfolio quality measured as a year-on-year increase in the proportion of loans outstanding to A- and B-rated customers within the total loan portfolio (10 points)
- market share in the level of provisions: if it is larger or equal to the market share in customer loans (10 points)
- compliance with Articles 129 to 133 of the ZBan-2 (capital adequacy) (5 points)
- compliance with the EBA's recommendations on capital adequacy (5 points)

3. Increase in the volume of loans and deposits (20 points):

- a year-on-year increase in the volume of customer deposits (5 points)
- a year-on-year increase in market share in customer deposits (5 points)
- a year-on-year increase in the volume of customer loans (5 points)
- a year-on-year increase in market share in customer loans (5 points)

4. Qualitative ratios – to be determined by the Supervisory Board on the basis of the following assessments (20 points):

- an assessment of the functioning of the internal control and risk management systems
- an assessment of reputation of Nova KBM, its management and succession systems
- an assessment of the information system quality
- an assessment of communication and reporting systems
- an assessment of the contribution of operations to social responsibility
- an assessment of cooperation between the Management Board and the Supervisory Board

Depending on the total points achieved, the variable component of the total remuneration of Management Board members is determined as presented in following table:

Variable component of remuneration[1]	
Up to and including 50 points	7.5%
Above 50 and up to and including 70 points	15%
Above 70 and up to and including 90 points	22.5%
Above 90 points	30%

The variable component of remuneration provided to Management Board members is determined by a decision of the Supervisory Board at the end of each financial year. The variable component of remuneration is paid to Management Board members in two parts: the first part is paid after the end of the accounting period, while the second part is paid at the end of the deferral period (after three years).

In determining the variable component of remuneration, Nova KBM fully observes the applicable remuneration principles and guidelines, according to which at least 50% of the variable remuneration of a Management Board member shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, where the acquirer may only transfer such shares or instruments with the company's permission, which may not be issued for at least two years following acquisition. A decision on whether 50% of the variable remuneration of a Management Board member shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, shall be made by the Supervisory Board.

The total amount of the variable component of remuneration, as determined by a decision of the Supervisory Board, shall be paid out as follows:

- the first half of the variable component of remuneration is provided after the end of the financial year, with 50% paid out in cash and the remaining 50% provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments
- the second half of the variable component of remuneration is deferred and provided after the deferral period (after three years). Of this amount, 50% is paid out in cash, while the other 50% is provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments

If the term of office of a Management Board member ends before the payment deferral period, the second half of the 50% of the variable component of remuneration is paid out upon the termination of his/her term of office. Members of the Management Board who have held their office for less than two years are not entitled to receive the second half of the 50% of the variable component of remuneration.

The variable component of remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of Nova KBM as a whole, and justified on the basis of the performance of Nova KBM and Management Board members.

Remuneration provided to Management Board members is limited based on a decision of the European Commission on State Aid No. SA.35709 (2013/N) – Slovenia, Restructuring of Nova Kreditna banka Maribor d.d. (NKBM) – Slovenia, and is regulated in accordance with the commitments made by Nova KBM for the period of its restructuring, i.e. from 2013 to 31 December 2017. Nova KBM is obliged to carry out a prudent and sound incentive and remuneration policy, focused on ensuring sustainability, while at the same time encouraging Management Board members to implement the planned measures. The variable component of remuneration provided to a Management Board member in an individual year should not exceed his/her five-monthly salary.

[1] As a proportion of the basic annual remuneration.

During the entire restructuring period (until 31 December 2017), the total remuneration provided to a Management Board member in an individual year should not exceed 15 times the average salary in Slovenia or 10 times the average salary of Nova KBM employees.

The Supervisory Board may request Management Board members to return, in whole or in part, the variable component of remuneration 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
- 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

Management Board members are requested to avoid using personal hedging strategies or remuneration- and liability-related insurance which may undermine the risk alignment effects embedded in their variable remuneration.

B. Remuneration of employees who are holders of key positions within Nova KBM and whose basic salary is determined in their individual employment contracts

The remuneration package of employees whose basic salary is determined in their individual employment contracts and who are appointed by the Management Board, such as managers with specific powers and responsibilities, including executive directors, advisers to and authorised representatives of the Management Board, Manager of the Compliance Office, Manager of the Internal Audit Centre, and department managers who report directly to the Management Board, has the following components:

- a fixed component of remuneration, which represents the agreed basic salary and is determined based on the complexity and amount of work done, taking into consideration that it must correlate to the level of responsibility assumed, the targets set and the risk taken (the fixed component of remuneration cannot exceed 85% of the basic remuneration paid to the President of the Management Board)
- seniority bonus
- a variable component of the remuneration, which depends on the results of Nova KBM and the respective manager's performance and contribution to these results, as determined based on the criteria adopted by the Management Board, taking into consideration that the variable component of remuneration provided to a manager in an individual year cannot exceed his/her three-monthly salary

The amount of variable remuneration paid to employees who are holders of key positions within Nova KBM and whose basic salary is determined in their individual employment contracts is determined on the basis of a balanced system of performance indicators, which is such that it stimulates employees to strive for an equal growth in assets and deposits, and to achieve profits, efficiently manage costs, preserve a low level of impairments, and maintain a robust control environment.

Following the end of each financial year, the Management Board makes a decision on the variable component of remuneration to be paid to employees who are holders of key positions within Nova KBM.

The variable component of remuneration is paid in two parts: the first part is paid after the end of the accounting period, while the second part is paid at the end of the deferral period (after three years).

In determining the variable component of remuneration, Nova KBM fully observes the applicable remuneration principles and guidelines, according to which at least 50% of the variable remuneration shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, where the acquirer may only transfer such shares or instruments with the company's permission, which may not be issued for at least two years following acquisition. A decision on

whether 50% of the variable remuneration shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, shall be made by the Supervisory Board at the time of determining the amount of variable remuneration of Management Board members.

The total amount of the variable component of remuneration, as determined by a decision of the Management Board, shall be paid out as follows:

- the first half of the variable component of remuneration is provided after the end of the financial year, with 50% paid out in cash and the remaining 50% provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments
- the second half of the variable component of remuneration is deferred and provided after the deferral period (after three years). Of this amount, 50% is paid out in cash, while the other 50% is provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments

If the term of office of the respective employee ends before the payment deferral period, the second half of the 50% of the variable component of remuneration is paid out upon the termination of his/her term of office. Employees who have held their office for less than two years are not entitled to receive the second half of the 50% of the variable component of remuneration.

The variable component of remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of Nova KBM as a whole, and justified on the basis of the performance of Nova KBM.

The Management Board may request an employee to return, in whole or in part, the variable remuneration (malus) in cases where the employment relationship with the respective employee is terminated based on the conclusions of the relevant investigation committee, which has been appointed to establish whether the employee was involved in or responsible for actions leading to significant losses for Nova KBM, or if the consensual termination of the employment relationship is the result of irregularities found in the work of the employee.

Holders of key positions are requested to avoid using personal hedging strategies or remuneration- and liability-related insurance which may undermine the risk alignment effects embedded in their variable remuneration.

C. Remuneration of other employees whose basic salary is determined in their individual employment contracts (department managers who are subordinates of executive directors)

The remuneration package of employees whose basic salary is determined in their individual employment contracts and who are appointed by the Management Board, such as department managers who are direct subordinates of executive directors, and deputy department managers, has the following components:

- a fixed component of remuneration, which represents the agreed basic salary and is determined based on the complexity and amount of work done, taking into consideration that it must correlate to the level of responsibility assumed, the targets set and the risk taken (the fixed component of remuneration cannot exceed 70% of the basic remuneration paid to the President of the Management Board)
- seniority bonus
- a variable component of the remuneration, which depends on the results of Nova KBM and the respective manager's performance and contribution to these results, as determined based on the criteria adopted by the Management Board, taking into consideration that the variable component of remuneration provided to a manager in an individual year cannot exceed his/her two-monthly salary

The amount of variable remuneration paid to employees who are subordinates of executive directors and whose basic salary is determined in their individual employment contracts is

determined on the basis of a balanced system of performance indicators, which is such that it stimulates employees to strive for an equal growth in assets and deposits, and to achieve profits, efficiently manage costs, preserve a low level of impairments, and maintain a robust control environment.

Following the end of each financial year, the Management Board makes a decision on the variable component of remuneration to be paid to employees who are subordinates of executive directors.

The variable component of remuneration is paid in two parts: the first part is paid after the end of the accounting period, while the second part is paid at the end of the deferral period (after three years).

In determining the variable component of remuneration, Nova KBM fully observes the applicable remuneration principles and guidelines, according to which at least 50% of the variable remuneration shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, where the acquirer may only transfer such shares or instruments with the company's permission, which may not be issued for at least two years following acquisition. A decision on whether 50% of the variable remuneration shall comprise ordinary and preference shares of a company, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, shall be made by the Supervisory Board at the time of determining the amount of variable remuneration of Management Board members.

The total amount of the variable component of remuneration, as determined by a decision of the Management Board, shall be paid out as follows:

- the first half of the variable component of remuneration is provided after the end of the financial year, with 50% paid out in cash and the remaining 50% provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments
- the second half of the variable component of remuneration is deferred and provided after the deferral period (after three years). Of this amount, 50% is paid out in cash, while the other 50% is provided in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments

If the term of office of the respective employee ends before the payment deferral period, the second half of the 50% of the variable component of remuneration is paid out upon the termination of his/her term of office. Employees who have held their office for less than two years are not entitled to receive the second half of the 50% of the variable component of remuneration.

The variable component of remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of Nova KBM as a whole, and justified on the basis of the performance of Nova KBM.

The Management Board may request an employee to return, in whole or in part, the variable remuneration (malus) in cases where the employment relationship with the respective employee is terminated based on the conclusions of the relevant investigation committee, which has been appointed to establish whether the employee was involved in or responsible for actions leading to significant losses for Nova KBM, or if the consensual termination of the employment relationship is the result of irregularities found in the work of the employee.

Employees who are subordinates of executive directors are requested to avoid using personal hedging strategies or remuneration- and liability-related insurance which may undermine the risk alignment effects embedded in their variable remuneration.

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)

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

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

The fixed component of remuneration constitutes the basic salary the employees are entitled to. While the fixed component of remuneration depends on the complexity and amount of work done, it is also correlated to the responsibilities assumed, the targets set, and the risk taken (the maximum amount of the fixed component of remuneration cannot exceed 85% of the monthly basic salary of the President of the Management Board).

Employees working in control functions are independent in carrying out their work. Remuneration provided to this category of employees depends on the objectives achieved by the control functions and is independent of the performance of the business units they control.

Management Board members have a specific position in the category of employees whose work is of a specific nature. The variable component of remuneration is paid to Management Board members in two parts: the first part is paid after the end of the accounting period, while the second part is paid at the end of the deferral period, as described in detail in Point 17.3.

The variable component of remuneration paid to employees working under collective bargaining agreements depends on meeting the criteria set out in the relevant internal document and cannot exceed 30% of the annual basic salary of an employee.

The variable component of remuneration paid in an individual year to employees who are holders of key positions within Nova KBM and whose basic salary is determined in their individual employment contracts cannot exceed their three-monthly salaries (so it cannot exceed 25% of their fixed remuneration), while the variable component of remuneration paid in an individual year to employees whose basic salary is determined in their individual contracts (department managers who are subordinates of executive directors) cannot exceed their two-monthly salaries (so it cannot exceed 16.67% of their fixed remuneration). The variable component of remuneration paid to the categories of employees referred to in this paragraph depends on the results of Nova KBM and the respective manager's performance and contribution to these results, as determined based on the criteria adopted by the Management Board.

The variable component of remuneration paid in an individual year to a Management Board member cannot exceed his/her five-monthly salary (so it cannot exceed 41.67% of his/her fixed 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)

In 2016, Nova KBM did not provide variable component of remuneration in ordinary or preference shares, share-linked instruments or other equivalent non-cash instruments. The performance criteria applicable to the variable component of remuneration are set out in Point 17.3.

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)

Up until the adoption of the revised Remuneration Policy on 18 December 2015, Nova KBM waived the implementation of the Remuneration Policy as regards the remuneration of employees working on collective or individual agreements, with the exception of Management Board members. Since 18 December 2015, the principles of remuneration set out in the Remuneration Policy have been applied to all employees. Further details in this regard are disclosed in Point 17.3.

17.7 Disclosure of the aggregate quantitative information on remuneration, broken down by business area

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

The information about the aggregate amount of remuneration provided in 2016 to the Nova KBM Group employees whose actions have a significant impact on the Nova KBM Group's risk profile is presented in the tables below.

Nova KBM d.d. €000

Business area	Number of employees	Gross remuneration (salary + pay for annual leave)	Variable component	Bonuses	Supplementary pension insurance premiums	Other remuneration	Total remuneration
Commercial departments	5	407	0	17	2	156	582
Other departments	20	1,603	18	108	17	163	1,909
Total	**25**	**2,010**	**18**	**125**	**19**	**319**	**2,491**

Nova KBM Group €000

Business area	Number of employees	Gross remuneration (salary + pay for annual leave)	Variable component	Bonuses	Supplementary pension insurance premiums	Other remuneration	Total remuneration
Commercial departments	5	407	0	17	2	156	582
Other departments	23	1,823	62	120	24	164	2,193
Total	**28**	**2,230**	**62**	**137**	**26**	**320**	**2,775**

17.8 Disclosure of the aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution

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

Nova KBM d.d. €000

Management level	Number of employees	Remuneration – fixed component	Remuneration – variable component
Management Board	2	372	18
Senior management (executive directors, authorised representatives, and managers of departments reporting directly to the Management Board)	23	2,101	0
Total	**25**	**2,473**	**18**

Nova KBM Group €000

Management level	Number of employees	Remuneration – fixed component	Remuneration – variable component
Management Board	2	372	18
Senior management (executive directors, authorised representatives, and managers of departments reporting directly to the Management Board)	26	2,385	0
Total	**28**	**2,757**	**18**

Remuneration paid to Management Board members comprises: salary, bonuses, incentives and the payment of supplementary pension insurance premiums.

Remuneration paid to other Nova KBM Group employees working on individual contracts comprises: salary, bonuses, compensation for lost income, allowance for bonuses, the payment of supplementary pension insurance premiums, and other remuneration under employment contracts.

17.9 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)

No employee of Nova KBM received remuneration of €1 million or more in 2016.

17.10 Information about the total remuneration for each member of the management body or senior management, if so requested by the Member State or competent authority

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

Given that Nova KBM is regarded as a bank that is important to the Slovene banking system, in accordance with the third paragraph of Article 7 of the ZBan-2, it must disclose separately the information about the total remuneration paid to each member of the Management Board. Remuneration paid in 2016 to Management Board members is disclosed in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in the notes to the financial statements (Note 58: Remuneration).

17.11 Disclosure to the public of quantitative information regarding remuneration at the level of members of the management body of the institution, if the institution is significant in terms of its size, internal organisation and the nature, scope and the complexity of its activities

(Article 450 (2) of the Regulation)

The required data is disclosed in the 2016 Annual Report of the Nova KBM Group and Nova KBM, in the notes to the financial statements (Note 58: Remuneration).

18. Financial leverage

(Article 451 of the Regulation)

18.1 Leverage ratio

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

18.1.1 Biser Topco Group level

€000

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
1	Total assets as per published financial statements	5,491,791
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 on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	1,308
5	Adjustments for securities financing transactions "SFTs"	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-488,259
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-22,331
8	**Total leverage ratio exposure**	**4,982,509**

€000

Table LRCom: Leverage ratio common disclosure		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,853,430
2	(Asset amounts deducted in determining Tier 1 capital)	(31,682)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**4,821,747**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	228
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	1,080
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 CCP leg of client-cleared trade exposures)	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)**	**1,308**
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 CCP leg of client-cleared SFT exposure)	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	647,712
18	(Adjustments for conversion to credit equivalent amounts)	(488.259)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**159,453**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup 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**	**369,686**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**4,982,509**
Leverage ratio		
22	**Leverage ratio**	**7.42%**
Choice on transitional arrangements and 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

€000

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

Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures)		CRR leverage ratio exposure 31.12.2016
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4.821.747
EU-2	Trading book exposures	4.141
EU-3	Banking book exposures, of which:	4.496.835
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1,903,967
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	93,040
EU-7	Institutions	581,254
EU-8	Secured by mortgages of immovable properties	271,679
EU-9	Retail exposures	451,871
EU-10	Corporate	971,079
EU-11	Exposures in default	223,620
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	329

18.1.2 Nova KBM Group level

€000

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amounts 31.12.2016
1	Total assets as per published financial statements	5,471,162
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 on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	0
4	Adjustments for derivative financial instruments	1,291
5	Adjustments for securities financing transactions (SFTs)	0
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	(488,259)
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	0
7	Other adjustments	(32,170)
8	**Total leverage ratio exposure**	**4,952,024**

€000

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures 31.12.2016
	On-balance-sheet exposures (excluding derivatives and SFTs)	
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,823,222
2	(Asset amounts deducted in determining Tier 1 capital)	(31,941)
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	4,791,280
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	228
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1,063
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 CCP leg of client-cleared trade exposures)	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)**	**1,291**
	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 CCP leg of client-cleared SFT exposure)	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	647,712
18	(Adjustments for conversion to credit equivalent amounts)	(488,259)
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	159,453
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on- and off-balance sheet)	
EU-19a	(Exemption of intragroup 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**	593,662
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**4,952,024**
	Leverage ratio	
22	**Leverage ratio**	**11.99%**
	Choice on transitional arrangements for the definition of the capital measure	
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

€000

Table LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)		
Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures)		**CRR leverage ratio exposures 31.12.2016**
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4,791,280
EU-2	*Trading book exposures*	4
EU-3	Banking book exposures, of which:	4,855,159
EU-4	*Covered bonds*	0
EU-5	*Exposures treated as sovereigns*	1,897,898
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	93,040
EU-7	*Institutions*	560,164
EU-8	*Secured by mortgages of immovable properties*	271,679
EU-9	*Retail exposures*	450,160
EU-10	*Corporate exposures*	971,077
EU-11	*Exposures in default*	223,620
EU-12	*Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)*	387,522

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

(Article 451(d) of the Regulation)

As total assets of Biser Topco Group are mainly pertain to total assets of Nova KBM Group, description of procedures used to manage the risk of excessive exposure are met as described below.

Movements in the Nova KBM Group's financial leverage ratio are, along with movements in other capital ratios, monitored on a regular basis, in accordance with the requirements set out in the Nova KBM Risk Management Strategy and the Nova KBM Group Recovery Plan. The value of the financial leverage ratio is reported by the competent departments to the following bodies:

- Supervisory Board
- Management Board
- various internal committees (e.g. the ALCO)

Nova KBM's ALCO is responsible for dealing with situations of excessive leverage ratio. The Nova KBM Risk Management Strategy and the Nova KBM Group Recovery Plan stipulate the red, yellow and green threshold values for the financial leverage ratio of the Nova KBM Group. When the yellow or red threshold value is exceeded, the ALCO must reach a decision on the effective management of the excessive leverage ratio.

At the end of 2016, the Nova KBM Group's financial leverage ratio stood at 11.99%, which was fully in compliance with the financial plan of the Nova KBM Group, partially reflecting its focus on the provision of mainstream lending products (including to the corporate segment to which high exposure risk-weights apply), and partially its 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 leverage ratio for 2016 was calculated by taking into account the relevant amount of the Biser Topco's Group or Nova KBM Group's on- and off-balance-sheet exposures as well as the level of its Tier 1 capital at the end of 2016. The following factors had the most significant impact on the calculation of the leverage ratio in 2016 on individual, sub-consolidated and on highest consolidation reporting level:

- amendments to the regulations governing the calculation of the leverage ratio, particularly as regards the level of off-balance-sheet exposures included in the calculation
- amendments to the regulations governing the calculation of regulatory capital and deductions from it
- disposal of non-traded securities
- a change in dividend policy
- the process of selling or liquidating Nova KBM's subsidiaries, as well as integrating a subsidiary
- the process of acquiring PBS and KBS banka by Nova KBM

19. Use of the IRB Approach to credit risk

(Article 452 of the Regulation)

The disclosure requirement is not applicable to Biser Topco Group or Nova KBM Group as it does not use the IRB Approach to calculate capital requirements for credit risk.

With that said, Nova KBM is in the process of setting up an IRB-compliant credit rating system, which will be fully operational at the end of 2018. While this system will be used for the purpose of classifying customers and in the processes linked to the process of calculating capital requirements, the actual capital requirement for credit risk will still be calculated based on the Standardised Approach.

20. Use of credit risk mitigation techniques

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)

This disclosure requirement is not applicable to the Biser Topco Group or Nova KBM Group because it 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

Given that Biser Topco S.â.r.l. is a financial holding without any subsidiary other than Nova KBM Group, all collateral valuation and management processes pertain to Nova KBM Group level. Consequently, disclosures within this chapter refer to collateral valuation and management processes established in Nova KBM Group. Where relevant, policies and methodologies set in Nova KBM Group also cover risk management, monitoring and reporting obligations on the Biser Topco Group level.

The Nova KBM Group Credit Risk Management Policy is the umbrella document that governs the secured lending of Nova KBM and the Nova KBM Group, in addition to setting out the principal guidelines regarding the acceptance and valuation of collateral, the monitoring of the adequacy of collateral, and the reporting on collateral, with the aim of mitigating credit risk.

The conditions that must be met in order for a certain type of collateral to be accepted by Nova KBM are specified in the Nova KBM Regulations on Secured Lending, which also set out the obligation to monitor the adequacy of collateral. Valuation of collateral is described in the Nova KBM Methodology for Loan Collateral Valuation, while the valuation of real estate is described in the Nova KBM Group Methodology for Real Estate Valuation, which is, mutatis mutandis, also applicable to the valuation of movable property.

The principal objective of the implementation of the Loan Collateral Policy is to mitigate credit risk. Collateral provided as security for loans is used as a secondary source for the repayment of contractual obligations; it is liquidated 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, Nova KBM pursues the policy of having its lien registered as a priority creditor.

Prior to entering into a credit relationship, Nova KBM and the Nova KBM Group must obtain appropriate documentation for each type of collateral, which ensures adequate legal protection in case the secondary repayment source needs to be utilised. In accordance with the applicable legislation, Nova KBM has set up a system for monitoring the adequacy of, and reporting on, collateral. Valuation of property to be provided as security for a loan is carried out prior to the loan being granted. 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. Nova KBM has signed agreements with several external appraisers for real estate and movable property in order to have access to up-to-date valuation reports. Each valuation report drafted by an external appraiser is checked by the competent department, primarily with a view to establishing its credibility and whether its complies with the International

Valuation Standards. The verified and approved value assessment forms the basis for making the necessary collateral arrangements. Particular attention is devoted to the legal certainty, integrity and saleability of assets to be provided as collateral, the verification of which is carried out by the competent departments prior to making collateral arrangements. The fair value of quoted financial instruments is determined based on their market value, while that of unquoted instruments is determined using an internal methodology.

During the credit relationship with the customer, Nova KBM monitors the adequacy of collateral and the collateral coverage, while ensuring that it has up-to-date valuation reports available. The monitoring of the value of collateral during the loan repayment period is carried out in accordance with internal methodologies, taking into consideration the legal requirements in respect of the monitoring frequency. For example, the value of real estate provided as collateral is checked at least once a year, either via a valuation report prepared by an external appraiser or by using an internal methodology that determines the value on the basis of 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, Nova KBM 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, Nova KBM also takes into consideration 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 for credit risk, Nova KBM uses value adjustments as prescribed by the regulator for individual types of assets.

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

(Article 453(c) of the Regulation)

The collateral taken by Biser Topco Group pertains to collateral of Nova KBM Group, the description of which is provided below.

To reduce its exposure to credit risk, Nova KBM accepts as collateral all types of collateral that meet the minimum requirements to recognise the effects of collateral. Nova KBM accepts as collateral different types of funded and unfunded credit protection instruments.

Nova KBM regards as eligible collateral those types of collateral that are classified as such in accordance with the provisions of the Bank of Slovenia's Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks. Corporate loans and loans approved to sole proprietors may also be secured by funded and unfunded credit protection instruments for which it is assessed that, in case of need, they can generate a cash flow and therefore 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 probability that any such collateral instrument may generate cash flow, Nova KBM applies the conservative principle and does not accept such collateral. Other funded and unfunded protection instruments are accepted only if they meet the following minimum requirements to recognise the effects of collateral:

- legal certainty
- quality
- operational requirements

Nova KBM accepts as collateral the following funded credit protection instruments:

- commercial and residential real estate
- movable property
- monetary claims

- financial collateral (e.g. bank deposits, investment gold, debt securities issued by various issuers, investment fund units, equity instruments, pledge of a business interests)
- pledge or cession of receivables
- pledge of other assets (e.g. trademarks, inventory)
- other types of funded credit protection (e.g. unit linked insurance policies)

The following unfunded credit protection instruments are accepted by Nova KBM as collateral:

- joint and several guarantees provided by natural or legal persons
- guarantees provided by banks and state-owned entities
- guarantees provided by the central and local governments and central banks
- insurance provided by insurance companies

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

Nova KBM aims to have its loan portfolio adequately secured, while at the same time having legal certainty in case of realisation of collateral. Internal instructions set out the general principles and recommendations regarding the collateral to be provided for securing loans. The decision regarding the type of collateral to be provided and the collateral coverage depends on the assessment of the respective customer's creditworthiness and the maturity of the loan, and on whether the loan is to be approved to a retail or corporate customer. Corporate customers and private undertakings must present a bill of exchange, together with the bill of exchange statement, when applying for a loan.

The largest proportion of Nova KBM's loan portfolio is secured by real estate, state guarantees and guarantees provided by other issuers, movable property, bank deposits and warranties, while a certain proportion of the loan portfolio is insured with an insurance company. Other types of collateral make up only a small proportion of collateral possessed by Nova KBM.

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

(Article 453(d) of the Regulation)

The main types of guarantor and credit derivative counterparties of Biser Topco Group pertain to those of Nova KBM Group. The information about the main types of guarantors and credit derivative counterparties is provided below.

Insurance provided by insurance companies and guarantees are regarded by Nova KBM as eligible forms of collateral. To be accepted by Nova KBM, a guarantee must be issued by any of the following entities:

- central governments or central banks
- regional governments or local authorities
- multilateral development banks
- international organisations to which a 0% risk weight applies according to the Standardised Approach
- public sector entities, claims against which are treated as claims against institutions or central governments
- institutions (export agencies and insurance companies)
- other commercial companies, including those that are controlled by, or exert control over, Nova KBM

Also accepted as collateral are guarantees issued by the following counterparties acting as guarantors:

- individuals, provided the repayment capability of the respective guarantor is ensured
- sole proprietors, provided the value of the respective guarantor's property is sufficient to cover the obligations of the debtor

Nova KBM regards unfunded credit protection (guarantees) as an acceptable type of collateral only if the issuer of the guarantee is solvent and classified into the credit rating category A or B. Personal guarantees issued by customers rated lower than that are regarded as having no value.

The tables below present the most important types of guarantors and their creditworthiness, broken down by the type of collateral accepted by Nova KBM.

Guarantees

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Banks	A	0
	A	1,2,3
	B	4,5
Slovene Enterprise Fund, the Rod Development Agency and the Maribor Development Agency	A	N/A
The Regional Development Agency for Koroška	B	N/A
Other	A	N/A
	B	N/A

Warranties

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Central governments	A	1
	A	3
Companies and sole proprietors	A	N/A
	B	N/A
Individuals	A	N/A
	B	N/A

Loans insured with insurance companies

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Insurance companies	A	N/A

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

(Article 453(e) of the Regulation)

The market and credit risk concentration of Biser Topco Group pertains to that of Nova KBM Group, so the disclosure provided below is also relevant to Biser Topco Group.

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

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

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

The Nova KBM Group monitors the market risk concentration within the credit mitigation taken from the point of view of liquidity of securities received as collateral. With the support of specialised departments, the Nova KBM Group assesses the liquidity of securities taken as

protection on the basis of regular turnover in securities and the amount of securities received. In the same way, it also assesses value adjustments to be made as a result of reduced liquidity in securities received as collateral.

Nova KBM monitors the value of collateral by individual types of collateral, and reports thereon to the competent authorities.

20.6 Disclosure of the total exposure value (after, where applicable, on- or off-balance-sheet netting) 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) of the Regulation)

20.6.1 Biser Topco Group level

€000

Exposure classes	Secured by financial collateral 31.12.2016
Exposures to central governments or central banks	0
Exposures to regional governments or local authorities	0
Exposures to public sector entities	0
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	0
Exposures to corporates	29
Exposures to retail	2,288
Exposures secured by mortgages on immovable property	2,039
Exposures in default	1
Items associated with particular high risk	0
Covered bonds	0
Exposures to institutions and corporates with short-term credit assessment	0
Collective investment undertakings	0
Equity	0
Other items	0
Total	**4,357**

20.6.2 Nova KBM Group level

€000

Exposure classes	Secured by financial collateral 31.12.2016
Exposures to central governments or central banks	0
Exposures to regional governments or local authorities	0
Exposures to public sector entities	0
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	0
Exposures to corporates	29
Exposures to retail	2,288
Exposures secured by mortgages on immovable property	2,039
Exposures in default	0
Items associated with particular high risk	0

Covered bonds	0
Exposures to institutions and corporates with short-term credit assessment	0
Collective investment undertakings	0
Equity	0
Other items	0
Total	**4,356**

20.7 Disclosure of the total exposure (after, where applicable, on- or off-balance-sheet netting) 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

(Article 453(g) of the Regulation)

€000

Exposure classes	Unfunded credit protection (personal guarantees) 31.12.2016 Nova KBM Group	Unfunded credit protection (personal guarantees) 31.12.2016 Biser Topco Group
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to public sector entities	52,483	52,483
Exposures to multilateral development banks	0	0
Exposures to international organisations	8,049	8,049
Exposures to institutions	0	0
Exposures to corporates	30,518	30,518
Exposures to retail	18	18
Exposures secured by mortgages on immovable property	0	0
Exposures in default	0	0
Items associated with particular high risk	0	0
Covered bonds	0	0
Exposures to institutions and corporates with short-term credit assessment	0	0
Collective investment undertakings	0	0
Equity	0	0
Other items	0	0
Total	**91,068**	**91,068**

The Biser Topco Group or Nova KBM Group does not use credit derivatives to mitigate its exposure to credit risk.

21. Use of advanced measurement approaches to operational risk

(Article 454 of the Regulation)

This disclosure requirement is not applicable to the Biser Topco or Nova KBM Group because they do not use advanced measurement approaches to operational risk.

22. Use of internal market risk models

(Article 455 of the Regulation)

This disclosure requirement is not applicable to the Biser Topco or Nova KBM Group because they do not use internal market risk models.