

**Disclosures made by Nova KBM on the basis of
its consolidated financial position for
the year 2014**

Maribor, March 2015

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1. Preliminary observations

In accordance with Part 8 of Regulation (EU) No. 575/2013 of the European Parliament and the European Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (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.

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 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 Nova KBM's annual report.

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

2. Risk management objectives and policies

2.1 Strategies and processes to manage risks

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

This disclosure is included in the Nova KBM Group's annual report for 2014; 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 exposure').

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

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

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

- the identification of all risks that arise in the operations of the Nova KBM Group
- the evaluation of the extent of risk as well as the method of monitoring individual risk factors
- the continuous monitoring of the Nova KBM Group companies' exposure to a specific risk and consideration of established limits, and
- learning and adapting to the changed business environment, which includes re-assessment of limits and methodologies for setting up limits as the conditions change.

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)

The Nova KBM Management Board has delegated risk oversight and management to the senior management (policy holders). The policy holders, together with officers responsible for particular policies, determine the method of measuring respective risks. The responsible officers are specialised in defining, measuring and controlling individual types of risk. The organisational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organisationally separate from the unit it monitors. In accordance with the rules of procedure, each risk management policy has to be approved by the Policy Approval Committee and, in addition, agreed by the president of the Management Board or his deputy. Risk management policies form the basis for managing risks across the entire Nova KBM Group. Considering the volume of their operations, the Nova KBM Group companies may use their own approach to managing risk, but must in each case receive approval from the person at Nova KBM responsible for the risk management in question.

Risk management is conducted in accordance with established and approved risk management policies. The methods of managing risks, the system of limits and the limits themselves are proposed by organisational units that are specialised in managing individual risks and are organisationally independent of the units accepting risks, whereas the approval lies with decision-making bodies or the Management Board. Organisational units specialising in managing individual risks report periodically on risk exposure and possible violation of limits.

At the Nova KBM Group level, Nova KBM (as the parent company) 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.

The Policy Approval Committee, set up at the senior management level, is responsible for: approving business policies and strategies, reconciling open issues with regard to business policies, methodologies for the calculation of adequate economic capital of Nova KBM, the risk matrix, assessment matrix and the risk profile, and the assessment of Nova KBM's economic capital.

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 member of the Nova KBM Management Board. The chief internal auditor may vote only on policies of which he/she is a holder. The manager of the Risk Management Department has no voting right in the committee.

The committee has the following powers:

- to make proposals for, or give consent to, new policies
- to discuss new strategies and policies and to align any new policy or strategy with the applicable legislation as well as other strategies and policies of Nova KBM
- to periodically discuss the existing policies and strategies and to make sure they are reconciled with each other
- to approve new and existing strategies and policies
- to discuss and approve the methodologies used for calculating Nova KBM's adequate economic capital
- to discuss and approve the assessment of Nova KBM's economic capital used for covering risks for which Nova KBM does not calculate the adequate internal capital
- to discuss and approve the risk matrix, assessment matrix and Nova KBM's risk profile
- to register the adopted methodologies and regulations.

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.

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. 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.

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

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 the exposure, and a clear definition of responsibilities of individual persons.

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

- Policy of Managing Capital and Capital Requirements
- Policy of Managing Market Risks Arising From the Banking Book
- Policy of Managing Market Risks Arising From the Trading Book
- Interest Rate Risk Management Policy
- Operational Risk Management Policy
- Liquidity Risk Management Policy
- Policy of Recovering and Restructuring NPLs
- Credit Risk Management Policy
- Loan Collateral Policy
- Compliance and Security Policy
- Information Security Policy
- Consolidated Supervision Policy
- Reputational Risk Management Policy
- Internal Audit Policy
- Nova KBM and the Nova KBM Group Governance Policy
- Nova KBM Group 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 Nova KBM Group

companies 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.

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)

A declaration approved by the management body on the adequacy of risk management arrangements in Nova KBM is included in Section 7 of the business part of the Nova KBM Group's annual report for 2014.

2.6 Concise risk statement approved by the management body

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

Business strategy and key performance indicators

Mission

Nova KBM, as the leading company within the Nova KBM Group, operates as a modern, stable and reliable bank. It builds its reputation on its 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. At the same time, it considers the satisfaction of its shareholder, investors and all other stakeholders as well as proper management of all types of banking risks to be the core principles of its business.

Vision

The vision of Nova KBM is to 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, as the leading company within the Nova KBM Group, would like to continue doing business with trustworthy stakeholders to whom it will endeavour to provide contemporary products and services. In its efforts to perform successfully and profitably, Nova KBM will favour stability (i.e. ensuring the quality of its loan portfolios 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.

Corporate culture

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

Strategic directions

The strategy of Nova KBM and the Nova KBM Group gives absolute priority to corporate and retail banking, taking into consideration the following corporate strategic directions:

- focus on customers
- European orientation and consistent compliance with banking industry commitments
- safety and stability of operations and deposits
- application of advanced business models
- efficiency and profitability of operations
- achievement of target key performance indicators (set on the basis of appropriate criteria)

- provision of resources necessary to accomplish strategic objectives (capital, funding, human resources)
- formulation and implementation of measures to achieve short-term objectives
- social responsibility.

As regards corporate banking, Nova KBM will 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 minimize its exposure to credit risk by properly dispersing all types of risk arising from its credit relationships.

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 risk, with emphasis on credit, liquidity, interest rate, foreign exchange and operational risks.

Key performance indicators of Nova KBM and the Nova KBM Group are presented in Section 1 of their annual report.

Risk profile

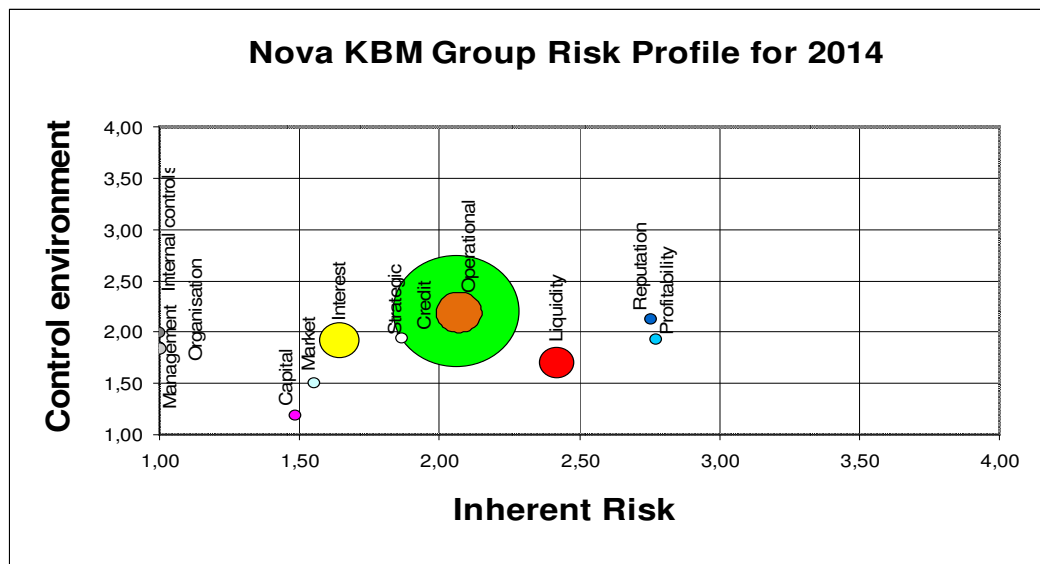
A *risk profile* is a documented and categorised collection of quantitative and/or qualitative assessments of measurable and non-measurable risks which Nova KBM takes within the scope of its operations. The presentation of risks that are subject to the assessment is given in the graph below. The areas of circles have been used to graphically depict the proportion of the Nova KBM Group's economic capital as of 30 September 2014 needed to support individual types of risk.

The 2014 risk profile of Nova KBM was derived from a self-assessment. The purposes of evaluating the overall risk profile on a regular basis 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 risk profile depends on various subjective assessments, it provides a more accurate value if risks are monitored and assessed over a long period of time. More important than 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 risk profile of Nova KBM is assessed once a year by the Risk Management Department in accordance with an internal methodology, taking into consideration the provisions of the Bank of Slovenia Regulation on Risk Management and Implementation of the Internal Capital Adequacy Assessment Process (ICAAP) for Banks and Savings Banks, and the risk profile report is discussed and approved by the Policy Approval Committee. 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 questionnaires that must be completed by managers of the selected organisational units in Nova KBM and in all companies within the Nova KBM Group. The information so obtained is used as input data for questionnaires to be completed by the officers responsible for managing individual types of risks. Depicted in the graph below is the Nova KBM Group's risk profile for 2014, including the relationships between individual types of risks.

Graph 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 economic capital as of 30 September 2014 needed to support individual types of risk



Management Board of Nova KBM d.d.

Supervisory Board of Nova KBM d.d.

Sabina Župec Kranjc
Member

Robert Senica
President

Peter Kukovica, Chair

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

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

Membership in bodies of other entities (31.12.2014)			
Management Board	Name of entity	Management Board	Supervisory Board
Aleš Hauc	PBS d.d.		X
	Moja naložba d.d.		X
	Bank Association of Slovenia		X
	KBM Banka a.d., Kragujevac		X
Robert Senica	Moja naložba d.d.		X
Sabina Župec Kranjc	PBS d.d.		X
	KBM Infond d.o.o.		X
Supervisory Board	Name of entity	Management Board	Supervisory Board
Peter Kukovica, Chair	Gorenje d.d.	Member	
Niko Samec, Deputy Chair	University of Maribor – Faculty of Mechanical Engineering	Dean	
Andrej Fatur, member	Fatur Law Firm	Senior Partner	
Miha Glavič, member	Public Intermunicipal Housing Fund, Maribor	Deputy Manager	
Peter Kavčič, member	ComTEC Vizualne komunikacije d.o.o.	Legal Representative	

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)

Nova KBM Management Board

Nova KBM has not adopted a specific recruitment policy to govern the selection of members of the management body.

In appointing the president and members of the Management Board, the Supervisory Board fully observes the provisions of the Companies Act (ZGD-1), the Banking Act (ZBan-1), the implementing regulations of the Bank of Slovenia, Nova KBM's Articles of Association, and the Corporate Governance Code for Public Limited Companies.

Nova KBM Supervisory Board

The following documents are consulted in the appointment of Supervisory Board members: the Companies Act (ZGD-1); the Banking Act (ZBan-1); the implementing regulations of the Bank of Slovenia; Nova KBM's Articles of Association; the Corporate Governance Code for Public Limited Companies; the Slovene Sovereign Holding (SSH) Governance Policy; and the Rules Governing the Conditions, Criteria, Procedures and Evaluation for Determining Suitability and Selecting Potential Candidates for Members of Supervisory Bodies of Companies with Capital Assets of the State.

The actual knowledge, skills and experience of the Nova KBM Management Board are disclosed in the Nova KBM Group's annual report.

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

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)

Nova KBM has not adopted a separate policy that would set out the requirements with respect to the diversity in the selection of members of the management body. However, 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 are fully observed in the selection process.

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)

Nova KBM has not set up a separate risk committee. Matters relating to risk management are discussed at the meetings of the Audit Committee and the Supervisory Board.

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

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

The Finance and Risk Management Division, of which the Risk Management Department is part, prepare and present to the Management and Supervisory Boards various risk management reports. The reporting on risk management is carried out on a daily, monthly, quarterly and annual basis.

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

The Risk Management Department publishes on the intranet site on a daily basis the most important elements 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 report on risk management is submitted to the Management Board, executive directors and department managers.

A monthly report on NPLs, the management of loans at increased risk, and the performance of Nova KBM is presented to the Management and Supervisory Boards and the Audit Committee.

The Corporate Security, Compliance and Control Department reports to the Management Board on the management of risks related to business continuity and information security on a monthly or quarterly basis, depending on the importance of risk factors.

The adviser on the prevention of money laundering and terrorism financing reports quarterly and annually to the Management Board on any suspicious transactions identified within Nova KBM.

The Risk Management Department produces once a year the document 'Risk Profile of Nova KBM and the Nova KBM Group', 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 Nova KBM Group is Nova Kreditna banka Maribor d.d. (Nova KBM).

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

(Article 436(b) of the Regulation)

The calculation of the Nova KBM Group's capital adequacy is based on its consolidated financial statements.

Moja naložba, an associated company within the Nova KBM Group, is not included in the supervision on a consolidated basis.

In accordance with the requirements of International Financial Reporting Standards, all subsidiaries, associates and joint ventures must be included in the consolidated financial statements; the subsidiaries are fully consolidated, while the associates are included in the consolidation using the equity method (Nova KBM does not have any joint ventures). Nova KBM has set up a reporting, controlling and risk monitoring system for all Nova KBM Group companies through their integration in the risk assessment system.

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

Company	Position in the Group	Group's voting rights in the company (%)	Registered office (country of incorporation)
Nova Kreditna banka Maribor d.d.	parent bank		Maribor, Slovenia
Poštna banka Slovenije d.d.	subsidiary bank	99.12	Maribor, Slovenia
Adria Bank AG	subsidiary bank	100	Vienna, Austria
KBM Banka a.d.	subsidiary bank	89.53	Kragujevac, Serbia
KBM Infond d.o.o.	subsidiary company	72.73 ¹	Maribor, Slovenia
KBM Leasing d.o.o. (in liquidation) ²	subsidiary company	100.00	Maribor, Slovenia
KBM Invest d.o.o.	subsidiary company	100.00	Maribor, Slovenia
Gorica Leasing d.o.o. (in liquidation) ³	subsidiary company	100.00	Maribor, Slovenia
M-PAY d.o.o.	subsidiary company	50.00	Maribor, Slovenia
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00	Zagreb, Croatia
MB Finance B.V.	subsidiary company	00.00 ⁴	The Netherlands

¹ The Nova KBM Group's stake in the share capital of KBM Infond accounts for 72.00%. Due to KBM Infond holding a certain amount of its own shares, the Nova KBM Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

^{2,3} In accordance with the adopted restructuring programme and commitments given to the European Commission by the Republic of Slovenia and Nova KBM regarding the restructuring of the Nova KBM Group, the controlled liquidation of KBM Leasing and Gorica Leasing started on 31 December 2014. Both of these companies are still controlled by Nova KBM and are therefore fully consolidated in the financial statements of the Nova KBM Group.

⁴ 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.

Nova KBM holds a 45% equity stake in the associated company Moja naložba.

In May 2014, Nova KBM recapitalised Adria Bank with €12,200,000, thereby increasing its shareholding to 100%. In addition, Nova KBM recapitalised KBM Leasing Hrvatska in both 2014 and 2013. The 2014 recapitalisation, which took place in July, was worth €7,485,000, while the recapitalisation in 2013 totalled €5,477,000, with the proceeds of this recapitalisation being used by KBM Leasing Hrvatska to repay a loan to Nova KBM.

Liquidation proceedings against KBM Fineko were completed on 30 September 2014. Being the single shareholder of KBM Fineko (in liquidation), on 1 October 2014 Nova KBM took over its assets worth €4,139,000, at which time it recognised a gain of €3,285,000 resulting from the difference between the assets received and the value of the equity investment. KBM Fineko (in liquidation) was deleted from the court register in December.

In December 2014 and 2013, Nova KBM recapitalised the following of its subsidiaries through debt-to-equity conversions:

- KBM Leasing (in liquidation), in the amount of €56,699,000 (2013: €25,000,000)
- Gorica Leasing (in liquidation), in the amount of €46,894,000 (2013: €22,000,000)
- KBM Invest, in the amount of €19,000,000 (2013: €21,000,000).

Following unsuccessful attempts to ensure the capital adequacy of KBM Banka, in December 2014 Nova KBM initiated the process of directly selling its equity investment in KBM Banka. In accordance with International Financial Reporting Standards, KBM Banka is still fully consolidated in the Nova KBM Group's accounts. In the Nova KBM Group's consolidated statement of financial position, the assets and liabilities of KBM Banka are presented separately in the items 'Non-current assets held for sale and discontinued operations' and 'Liabilities included in disposal groups classified as held for sale and discontinued operations', respectively, while in the consolidated income statement the effects of this transaction are included in the item 'Total loss after tax from discontinued operations'.

Istra Plan, a company 100% owned by KBM Fineko (in liquidation), is not regarded as a business entity, as a result of which only assets of this company, totalling €711,000, are included in the 2014 consolidated financial statements of the Nova KBM Group.

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.

An exception applies to KBM Banka which, because it has not complied with the minimum capital adequacy requirements, is not allowed to meet its obligations arising from the subordinated loan provided by Nova KBM.

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

(Article 436(d) of the Regulation)

The company Moja naložba is not included in the supervision on a consolidated basis. As of 31 December 2014, this company complied with the minimum capital requirements applicable to its operations, meaning that it had no capital shortfall.

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 Nova KBM.

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	
Capital items	Amount 31.12.2014
Shareholders' equity	616,357
+/- Adjustments	
Intangible assets	(25,483)
Deferred tax assets	(2,352)
Translation reserves	3,208
Non-controlling interests	(2,919)
Revaluation surplus related to available-for-sale financial assets	(48,028)
Difference arising from the revaluation of investment property	9,041
Common Equity Tier 1 capital	549,824

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 Kreditna banka Maribor d.d.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SI0021116494
3	Governing law(s) of the instruments	The Companies Act, the Financial Instruments Market Act and the Book-Entry Securities Act
	Regulatory treatment	CRR
4	Transitional CRR rules	Common Equity Tier 1 capital
5	Post transitional CRR rules	Common Equity Tier 1 capital
6	Eligible at solo/(sub-)consolidated / solo and (sub-)consolidated	Solo and consolidated
7	Instrument type (to be specified by each jurisdiction)	Common Equity Tier 1 capital
8	Amount recognised in the regulatory capital (€million; as of the most recent reporting date)	€511 million
9	Nominal amount of instrument	€150 million

9a	Issue price	€87 per share
9b	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	19.12.2013
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ordinary liabilities
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
(*) Insert N/A if the question is not applicable.		

A more detailed description of capital and its movements in 2014 is provided in the 2014 annual report of the Nova KBM Group, 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, the own funds of a bank are made up of two categories: Tier 1 capital and Tier 2 capital. The characteristics of individual categories are set out in the Regulation.

Tier 1 capital is the sum of Common Equity Tier 1 and Additional Tier 1 capital.

Common Equity Tier 1 capital comprises capital instruments, share premium, retained earnings, accumulated other comprehensive income, other reserves, and funds for general banking risks.

Additional Tier 1 capital comprises capital instruments of Additional Tier 1 capital and the related share premium. The Nova KBM Group has no such instruments.

Tier 2 capital comprises capital instruments of Tier 2 capital and the related share premium, and any credit risk adjustments. The Nova KBM Group has no such instruments.

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

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

Separate disclosures must be made of the following:

- (i) each prudential filter applied pursuant to Articles 32 to 35
- (ii) each deduction made pursuant to Articles 36, 56 and 66
- (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79.

Common Equity Tier 1 (CET1) capital: instruments and reserves		(A) AMOUNT AT DISCLOSURE DATE 31.12.2014	(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	510,572	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	360,572	26(3), EBA list	
			26(3), EBA list	
2	Retained earnings	50,122	26(1)c	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	27,895	26(1)	51,792
3a	Funds for general banking risk		26(1)(f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		286(2)	
	Public sector capital injections grandfathered until 1 January 2018		283(2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26(2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	588,589		51,792
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)	(25,483)	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)	(2,352)	36(1)(c), 38, 472(5)	(9,408)
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	
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)	(5,187)	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
	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 Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	(38,765)	481	(9,408)
	Of which: ...	549,824	481	(42,384)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	(5,187)	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)			
29	Common Equity Tier 1 (CET1) capital			
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts		51, 52	
31	Of which: classified as equity under applicable accounting standards			
32	Of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)	
	Public sector capital injections grandfathered until 1 January 2018		483(3)	
34	Qualifying Tier 1 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		486 (3)	

	phase-out			
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 additional Tier 1 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 Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 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.			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 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 Tier 2 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 Additional Tier 1 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)	549,824		42,384
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)	
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		66(c), 69, 70, 79, 477(4)	

	entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
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 Tier 2 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 Tier 2 capital with regard to deduction from Common Equity Tier 1 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 Tier 2 capital with regard to deduction from Additional Tier 1 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 Tier 2 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)	549,824		42,384
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	Of which: ...items not deducted from AT1 items (Regulation (EU) No. 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475(2)(b), 475(2)(c), 475(4)(b)	
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477(2)(b), 477(2)(c), 477(4)(b)	
60	Total risk weighted assets	2,359,915		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	23.30%	92(2)(a), 465	25.09%
62	Tier 1 (as a percentage of risk exposure amount)	23.30%	92(2)(b), 465	25.09%
63	Total capital (as a percentage of risk exposure amount)	23.30%	92(2)(c)	25.09%
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)		128, 129 and 130, (CRD)	
65	Of which: capital conservation buffer requirement			
66	Of which: countercyclical buffer requirement			

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	Common Equity Tier 1 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)	7,742	36(1)(h), 45, 46, 472(10) 56(c), 59, 60, 475(4) 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,585	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)	(570)	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 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under 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 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 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 are 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 Nova KBM.

5. Capital requirements

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 part of the internal capital adequacy assessment process, Nova KBM has set up a methodology to calculate the available and adequate economic capital.

The available economic capital is the Nova KBM Group's own estimate of the amount of available capital. The amount of available economic capital equals the amount of regulatory available capital, increased by a certain proportion of the profit for the current year.

The adequate economic capital is the Nova KBM Group's own estimate of the amount of capital needed to cover any unexpected risks the Nova KBM Group is exposed to in its operations. The amount of adequate economic capital equals the amount of minimum capital as prescribed by the regulator (Pillar I), taking into account additional capital requirements.

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

- credit risk: in accordance with Pillar I
- market risks (other than foreign exchange risk): in accordance with Pillar I
- operational risk: in accordance with Pillar I
- interest rate risk arising from the banking book: an internal methodology based on stress tests
- foreign exchange risk: an internal methodology based on VaR
- liquidity risk: an internal methodology based on the calculation of costs of substituting an unexpected loss of liquidity
- capital risk: availability of fresh capital
- reputational risk: an expert assessment
- strategic risk: an expert assessment
- profitability risk: an internal methodology that takes into consideration the changes in deposit interest rates
- control environment adjustment factor and factors arising from external environment: stress tests.

The target values of capital components for the Nova KBM Group as a whole are determined by Nova KBM in its annual plans. The ALCO is responsible for reviewing available and regulatory minimum capital as well as available and adequate economic capital.

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)

This disclosure requirement is not applicable to Nova KBM.

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

(Article 438 (c) of the Regulation)

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Exposure classes	Risk adjusted exposures 31.12.2014
Exposures to central governments or central banks	11,822
Exposures to regional governments or local authorities	1,497
Exposures to public sector entities	1,305
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	101,892
Exposures to corporates	424,425
Exposures to retail	676,203
Exposures secured by mortgages on immovable property	54,636
Exposures in default	532,059
Items associated with particular high risk	59,067
Covered bonds	0
Exposures to institutions and corporates with short-term credit assessment	0
Collective investment undertakings	6,155
Equity	16,854
Other items	144,060
Total	2,029,975

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)

This disclosure requirement is not applicable to Nova KBM because it does not use the IRB Approach 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 requirement 31.12.2014
Capital requirement for market risks	3,246
Capital requirement for position risk	3,246
<i>of which: for debt securities</i>	123
<i>of which: for equity instruments</i>	3,123
Capital requirement for foreign exchange risk	0
Capital requirement for commodities risk	0
Capital requirement for settlement risk	0
Capital requirement for large exposure risk	0
Total capital requirements	3,246

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)

This disclosure requirement is not applicable to Nova KBM because it uses the Basic Indicator Approach to calculate capital requirements for operational risk.

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)

This disclosure requirement is not applicable to Nova KBM because it does not use the IRB Approach 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 adequate economic capital needed to support the transactions in derivatives, repo transactions and securities lending transactions is carried out in accordance with an internal methodology that defines the method of calculating available and adequate economic capital. The calculation of adequate economic capital for the transactions referred to above is made in accordance with Pillar I and is the same as prescribed by the regulator for the calculation of capital requirements for credit risk.

The Nova KBM Group has set up a system of limits to control its exposure to counterparty credit risk. Exposures to counterparties and the levels up to which the exposure limits 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 or transaction to be entered into.

Limits for currency forward transactions are determined based on the value-at-risk 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, the Nova KBM Group has signed the ISDA (International Swaps and Derivatives Association) Master Agreement. In addition, the Nova KBM Group has signed, along with several other banks, 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 the Nova KBM Group 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.

Nova KBM offers transactions in derivatives without requesting collateral only to customers with the highest credit rating; the exposure to credit risk under these transactions is included in the calculation of the total exposure to a customer. Transactions in derivatives entered into with all other customers are subject to providing prime 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 prime 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)

In case of a downgrade in the credit rating of Nova KBM, some of its counterparty financial institutions may request it to provide additional collateral for the transactions entered into.

Considering that the volume of derivatives constitutes only a small proportion of the Nova KBM Group's trading portfolios, any additional collateral that the Nova KBM Group 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 Group does not use netting contracts. The gross positive value of contracts equals the net credit exposure in derivatives.

€000	
Type of derivative	Total gross positive value of contracts or net credit exposure 31.12.2014
Currency forwards	686
Derivatives on securities	159
Interest rate swaps	178

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

Repo transactions are valued as the difference between the current value of investment (nominal amount plus accrued interest) and the current value of collateral (market value of the 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 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 the 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 the 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)

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

7. Capital buffers

(Article 440 of the Regulation)

This disclosure requirement is not relevant because the capital buffers must be disclosed for the first time for the year 2016.

8. Indicators of global systemic importance

(Article 441 of the Regulation)

This disclosure requirement is not applicable to Nova KBM because it is 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)

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 items for which the Nova KBM Group has recognised impairment losses. Individually impaired items and collectively impaired items are treated separately.

Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2014 annual report of the Nova KBM Group, in the notes to the financial statements (Note 3.4.6: Impairment 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)

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 impairment losses recognised in accordance with the Nova KBM Group Methodology for Assessing 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 values. 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 continuously, or at least quarterly, assesses whether impartial evidence exists, or events have occurred since recognition of an asset, and whether these events have an impact on the future cash flows of a financial asset or a group of financial assets, or off-balance sheet commitments, which can be reliably assessed. Significant information that indicates impairment of a financial asset or the possibility of a loss under off-balance sheet items includes: non-fulfilment of obligations to 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. 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 Methodology for Assessing Credit Risk Losses.

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

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

If the level of impairment decreases in the subsequent period, the previously recognised loss due to impairment will 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)

€000

Exposure classes	31.12.2014	Average 2014
Exposures to central governments or central banks	1,512,931	1,575,753
Exposures to regional governments or local authorities	7,549	9,401
Exposures to public sector entities	385,553	399,077
Exposures to multilateral development banks	12,991	8,979
Exposures to international organisations	8,464	2,116
Exposures to institutions	195,942	196,352
Exposures to corporates	680,550	721,158
Exposures to retail	1,128,171	1,200,406
Exposures secured by mortgages on immovable property	147,664	129,716
Exposures in default	512,847	494,491
Items associated with particular high risk	39,378	69,969
Covered bonds	0	0
Exposures to institutions and corporates with short-term credit assessment	0	0
Collective investment undertakings	6,155	6,824
Equity	11,586	14,086
Other items	204,405	200,042
Total	4,854,186	5,028,369

9.4 Disclosure about the geographic distribution of the exposures, broken down in significant areas by material exposure classes, as of 31.12.2014

(Article 442(d) of the Regulation)

€000

Exposure classes	Slovenia	Other EU countries	Non-EU European countries	Other countries	TOTAL
Exposures to central governments or central banks	1,145,660	344,048	23,223	0	1,512,931
Exposures to regional governments or local authorities	7,515	0	33	0	7,549
Exposures to public sector entities	385,553	0	0	0	385,553
Exposures to multilateral development banks	0	12,991	0	0	12,991
Exposures to international organisations	0	8,464	0	0	8,464
Exposures to institutions	84,821	102,459	4,839	3,823	195,942
Exposures to corporates	656,183	17,563	6,804	0	680,550
Exposures to retail	1,094,031	9,812	24,169	159	1,128,171
Exposures secured by mortgages on immovable property	147,519	144	0	0	147,664
Exposures in default	478,200	16,977	17,669	0	512,847
Items associated with particular high risk	24,823	14,511	44	0	39,378
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	6,155	0	0	0	6,155
Equity	11,586	0	0	0	11,586
Other items	201,964	2,441	0	0	204,405
Total	4,244,010	529,412	76,782	3,982	4,854,186

9.5 Disclosure about the distribution of the exposures by industry or counterparty type, broken down by exposure classes, as of 31.12.2014

(Article 442(e) of the Regulation)

€000

Exposure classes	Central government	Regional government	Public sector	Institutions	Corporates	Retail	Funds	TOTAL
Exposures to central governments or central banks	1,512,931	0	0	0	0	0	0	1,512,931
Exposures to regional governments or local authorities	0	7,549	0	0	0	0	0	7,549
Exposures to public sector entities	0	0	385,553	0	0	0	0	385,553
Exposures to multilateral development banks	0	0	0	12,991	0	0	0	12,991
Exposures to international organisations	0	0	0	0	8,464	0	0	8,464
Exposures to institutions	0	0	0	178,315	17,627	0	0	195,942
Exposures to corporates	0	0	0	0	676,365	4,185	0	680,550
Exposures to retail	0	0	0	0	201,416	926,755	0	1,128,171
Exposures secured by mortgages on immovable property	0	0	0	0	37,882	109,782	0	147,664
Exposures in default	0	0	0	944	460,442	51,461	0	512,847
Items associated with particular high risk	0	0	0	0	39,378	0	0	39,378
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	6,155	6,155
Equity	0	0	0	0	11,586	0	0	11,586
Other items	0	0	0	183,660	20,745	0	0	204,405
Total	1,512,931	7,549	385,553	375,910	1,473,905	1,092,183	6,155	4,854,186

9.6 Disclosure of the residual maturity breakdown of all the exposures, broken down by exposure classes, as of 31.12.2014

(Article 442(f) of the Regulation)

€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
Exposures to central governments or central banks	329,963	92,149	167,375	729,917	193,527	1,512,931
Exposures to regional governments or local authorities	849	4	711	1,524	4,461	7,549
Exposures to public sector entities	652	115	194,301	190,157	327	385,553
Exposures to multilateral development banks	2,001	0	0	10,990	0	12,991
Exposures to international organisations	0	0	0	4,143	4,320	8,464
Exposures to institutions	132,992	7,001	38,937	16,998	14	195,942
Exposures to corporates	16,160	60,651	215,670	185,556	202,514	680,550
Exposures to retail	56,513	61,604	259,622	277,908	472,524	1,128,171
Exposures secured by mortgages on immovable property	1,447	6,467	4,795	15,304	119,650	147,664
Exposures in default	153,079	12,841	60,513	139,285	147,128	512,847
Items associated with particular high risk	30,658	523	1,723	964	5,510	39,378
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	3,341	0	0	0	2,814	6,155
Equity	926	0	0	0	10,660	11,586
Other items	204,405	0	0	0	0	204,405
Total	932,986	241,355	943,647	1,572,746	1,163,449	4,854,186

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 31.12.2014	Past due impaired loans 31.12.2014	Specific and general credit risk adjustments 31.12.2014	Charges for specific and general credit risk adjustments during 2014
Households	70,097	39,099	35,683	4,092
Agriculture and hunting, forestry, fishing	17,977	11,144	9,395	3,412
Mining	2,561	1,379	1,885	768
Manufacturing industry	262,325	116,677	95,001	6,114
Electricity, gas and steam supply	21,858	19,731	17,910	8,685
Water supply, waste and sewage management, rehabilitation of the environment	2,084	1,515	1,092	168
Construction	176,981	121,305	122,876	8,346
Trade, maintenance and repair of motor vehicles	206,328	117,307	126,451	14,088
Transportation and storage	13,129	5,384	6,266	1,292
Accommodation and food service activities	50,810	30,094	31,417	5,223
Information and communication activities	35,098	23,571	20,028	4,841
Financial intermediation	137,851	41,888	49,821	20,840
Real estate activities	91,351	76,136	60,099	1,380
Professional, scientific and technical activities	57,444	32,227	30,193	3,301
Other various business activities	6,091	4,356	3,328	(83)
Public administration and defence services, compulsory social security activities	227	225	42	5
Education	1,066	542	674	(45)
Health and welfare security	11,855	50	3,150	138
Arts, entertainment and recreation	49,210	764	10,883	(9,283)
Other activities	1,560	1,130	933	(181)
Total	1,215,904	644,524	627,129	73,103

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)

Geographical area	Impaired exposures 31.12.2014	Past due impaired loans 31.12.2014	Specific and general credit risk adjustments 31.12.2014	Charges for specific and general credit risk adjustments during 2014
Slovenia	969,218	477,837	481,653	107,751
EU countries	152,105	133,551	120,641	(18,022)
Republics of the former Yugoslavia	94,581	33,136	24,835	(16,626)
Total	1,215,904	644,524	627,129	73,103

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

(Article 442(i) of the Regulation)

The Nova KBM Group recognises collective impairment losses 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 this 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.

In 2014, impairment losses and provisions of €73,103,000 were set aside by the Nova KBM Group for impaired exposures.

€000

Changes in specific and general credit risk adjustments for impaired exposures in 2014	Amount
Credit risk adjustments as of 31.12.2013	554,026
Credit risk adjustments made during 2014	73,103
Credit risk adjustments as of 31.12.2014	627,129

10. Unencumbered assets

(Article 443 of the Regulation)

Disclosure on asset encumbrance					€000
Template A - Assets					31.12.2014
		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	178,296		4,190,714	
030	Equity instruments	0	0	38,525	38,520
040	Debt securities	151,655	154,039	1,517,992	1,522,205
120	Other assets	0		311,592	
Template 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	5,202		
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	2,841,736	155,591		
		Not to be filled			
D - Information on importance of encumbrance					
For funds totalling €98,006,000 borrowed in TLTRO, the Nova KBM Group pledged debt securities worth €94,115,000.					
As a coverage for deposits totalling €2,743,730,000 that are guaranteed up to €100,000, the Nova KBM Group pledged debt securities worth €57,540,000.					

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, 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 Group calculates capital requirements for credit risk under 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 Export Credit Agency (ECA). For calculating risk-weighted exposure amounts for the exposure class 'Institutions', Nova KBM has nominated Moody's Investors Service as a reference External Credit Assessment Institution (ECAI).

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

(Article 444(c) of the Regulation)

For exposure classes for which the ECAI has been nominated, the assignment of risk weights depends on the rating of a financial instrument. If the financial instrument is not rated, the long-term credit rating of the customer or of a comparable financial instrument issued by the respective customer is used to assign the appropriate risk weight. If none of these ratings is available, the sovereign rating of the country in which the customer is domiciled is taken into consideration in the assignment of risk weights.

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

(Article 444(d) of the Regulation)

This disclosure requirement is not relevant because the Nova KBM Group complies with the standard association published by the competent authority.

11.5 Information about the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 of the Regulation as well as those deducted from own funds, as of 31.12.2014

(Article 444(e) of the Regulation)

€000

Credit quality step		Exposure values	Exposure values after credit risk mitigation
MEIP	ECAI		
0,1	1 (Aaa to Aa3)	1,500,210	1,500,210
2	2 (A1 to A3)	39,357	39,357
3	3 (Baa1 to Baa3)	57,825	57,825
4	4 (Ba1 to Ba3)	0	0
5,6	5 (B1 to B3)	23,223	23,223
7a, 7b	6 (Caa1 and below)	34,164	34,164
Total		1,654,779	1,654,779

12. Exposure to market risk

(Article 445 of the Regulation)

The required disclosure is provided in Point 5.5.

The Nova KBM Group does not hold securitisation positions.

13. Operational risk

(Article 446 of the Regulation)

During the year ended 31 December 2014, the Nova KBM Group monitored operational risk and calculated capital requirements for operational risk in accordance with the Basic Indicator Approach.

The Nova KBM Group has adopted the Operational Risk Management Policy based on recommendations of the Basel capital standards and the local regulator. The Nova KBM Group companies report on the operational risk loss events on a monthly basis (through the APIS application).

All organisational units of Nova KBM and all Nova KBM Group companies are responsible for identifying, assessing and managing operational risk – each unit for the cost centres that are headed by the manager of the respective unit. The main aim of this is to ensure the functioning of the system of internal controls. In assessing the risk profile of the Nova KBM Group as a whole, each Nova KBM Group company has to give its subjective assessment of operational risk on an annual basis.

Operational risk is managed on a decentralised basis by each organisational unit of Nova KBM and each Nova KBM Group company, with the following Nova KBM officers being responsible for all the procedures in this regard:

- The **operational risk analyst** working in the Risk Management Department (i) is the administrator of the operational risk loss events data base; (ii) prepares monthly, quarterly, half-yearly and annual reports for the Nova KBM Management Board; (iii) guides the self-assessment of operational risk by individual organisational units, products and business processes; (iv) calculates the capital requirement for operational risk on an annual basis; and (v) conducts interim assessments of operational risk (simulations). In addition, the analyst must once a year produce the document Risk Profile of Nova KBM, taking account of all twelve types of risk according to the regulation of the Bank of Slovenia, including operational risk.
- The **head of the information system security**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for all the activities set out in the Information Protection Policy of Nova KBM (e.g. prevention of information security-related incidents and attacks, prevention of data misuse and viruses, etc).
- The **business continuity administrator**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for coordinating activities related to business continuity, as well as for analysing reasons for operational disruptions and drawing up contingency and/or recovery plans.
- The **adviser on the prevention of money laundering and terrorism financing**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for assuring operational compliance with regulations governing this issue and for reporting to the Office for Money Laundering Prevention and the Nova KBM Management Board on any suspicious transactions.
- The **compliance officer**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for ensuring Nova KBM adheres to applicable regulations, for conducting investigations of reports regarding suspicion of prohibited practices taking place in Nova KBM, and for reporting to the Nova KBM Management and Supervisory Boards on compliance activities.
- The **adviser on security**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for physical and technical protection of Nova KBM's facilities, for filing damage claims with insurance companies, and for reporting to the relevant authorities.

- The **officer authorised for the implementation of the FATCA**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for the maintenance and administration of the FATCA system, which includes the preparation of guidelines, methodologies and regulations with respect to the implementation of the FATCA, as well as control of risks and the implementation of the internal system of controls.
- The **adviser on internal controls**, whose position falls under the Corporate Security, Compliance and Control Department, is responsible for assessing the performance of the system of internal controls at the governance and management level, and for monitoring the efficiency of the established internal controls.

In terms of type, the majority of loss events recorded by the Nova KBM Group in 2014 related to (according to the Basel capital standards) **'Execution, Delivery and Process Management' (53%)**, followed by **'Damages to Physical Assets' (19%)** and **'External Fraud' (13%)**. In 2013, the majority of loss events related to 'Execution, Delivery and Process Management' (48%), followed by 'External Fraud' (29%) and 'Damages to Physical Assets' (10%).

Most loss events recorded in 2014 by the Nova KBM Group were attributable to **Poštna banka Slovenije (65%)**, followed by **Nova KBM (15%)** and **KBM Banka (12%)**. In 2013, the majority of loss events occurred in Poštna banka Slovenije (46%), followed by Nova KBM (34%) and KBM Banka (15%).

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 remains the development of software to produce all the data needed to assess operational risk and prepare the document Risk Profile of the Nova KBM Group.

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

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, the 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.)
- 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 31.12.2014
Investments needed for regular operations of the Nova KBM Group	426
Investments in equities and funds with an exit strategy	17,362
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions	1,226
Total	19,014

As of 31 December 2014, the equity investment in the associated company Moja naložba totalled €2,237,000.

The accounting techniques and valuation methodologies used by the Nova KBM Group, including key assumptions and practices affecting valuation, are set out in the 2014 annual report of the Nova KBM Group, in Section 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)

The Nova KBM Group has adopted a policy that a fair value of a financial instrument that is traded on the stock market must equal its market price. The Nova KBM Group's balance sheet value of financial instruments that are traded on the stock market was €9,759,000 at the end of 2014.

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)

€000

Exposure types	Exposure value 31.12.2014
Quoted shares	9,759
Unquoted shares	2,410
Mutual fund units	6,155
Investments in non-public companies	690
Total	19,014

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 2014, the Nova KBM Group generated gains of €5,085,000 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, the Nova KBM Group deducts from its Tier 1 capital 20% of the total unrealised losses incurred on equity instruments and non-sovereign debt securities held in the banking book. Gains realised on the instruments referred to in the previous sentence were not allowed to be included in the Nova KBM Group's capital in 2014. In addition, in accordance with the discretionary powers of the Bank of Slovenia to determine which items may be included in the calculation of capital, the Nova KBM Group did not include in its capital the unrealised gains or losses generated on sovereign securities.

€000

Item	Value 31.12.2014
Unrealised gains or losses	
Unrealised gains	0
Unrealised losses	1,979
Unrealised gains on the exposure to central governments or central banks classified into the category of available-for-sale financial instruments	0
Unrealised losses on the exposure to central governments or central banks classified into the category of available-for-sale financial instruments	0
Deductions	
Loss reported for the current financial year	5,743
Intangible assets	25,483
Deferred tax assets that are dependent on future profitability and arise from temporary differences	2,352
Translation reserves	3,208

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. Nova KBM provides its customers with the option to repay early the loan they have taken, subject to paying loan prepayment costs, including the anticipated interest. Exposure to interest rate risk is measured monthly for Nova KBM, and quarterly for the Nova KBM Group.

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)

Using the Basis-Point Value (BPV) method, Nova KBM assesses a change in the market value of the banking book position as a result of a parallel shift in the yield curve. The BPV method is a measure of the sensitivity of the value of financial instruments to market interest rates – i.e. to a change in the required yield.

Nova KBM calculates the impact on its results of a change in the NPV as a result of a parallel shift of the yield curve by +/- 200 basis points. Stress tests are carried out separately for interest rates for EUR, USD and CHF. 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.

Nova KBM carries out the following three different calculations of a change in the NPV:

- a change in the NPV of all banking book items, taking into consideration the level of stability of demand deposits under a +/- 200 basis points stress test (this calculation is conducted for the purpose of calculating the economic capital and for comparing the calculated level of economic capital with the regulatory capital)
- a change in the NPV of all banking book items on the basis of an internally determined movement in the yield curve
- a change in the NPV of the portfolio of available-for-sale financial assets under a +/- 200 basis points stress test.

Taking into consideration the stability of its demand deposits, Nova KBM regularly verifies whether, under the +/- 200 basis points stress test, a change in the NPV of all interest-sensitive items (other than trading items) exceeds 20% of its equity.

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 (EUR, USD and CHF). Allowable limits for individual time buckets are proposed 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.

16. Exposure to securitisation positions

(Article 449 of the Regulation)

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

17. Remuneration policy

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 has been formulated in accordance with the Banking Act, the Regulation on Risk Management and Implementation of the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, and the 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 and amending Regulation (EU) No 648/2012.

Technical support in the drafting of the Remuneration Policy has been provided by the Human Resource Department and the Bank Secretariat. No external consultants were engaged in the preparation of the Remuneration Policy.

In accordance with the second paragraph of Article 75 of the Banking Act, Nova KBM is regarded as a bank that is important to the banking system of the Republic of Slovenia. Therefore, on 30 August 2012, the Nova KBM Supervisory Board set up the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee discusses and monitors the effects of the Remuneration Policy. The main duties of the Remuneration and Nomination Committee in this regard are as follows:

- preparation of proposals on general principles of the Remuneration Policy, including formulation of positions on individual aspects of the Remuneration Policy
- assessment of remuneration system methodologies that are designed to encourage appropriate management of risk, capital and liquidity
- preparation of reports for the Supervisory Board regarding the implementation of the Remuneration Policy
- preparation of proposals on the remuneration of employees, including those that are involved in risk taking and risk management
- verification of the suitability of external consultants whose services the Supervisory Board may use in determining the Nova KBM Remuneration Policy
- verification of the suitability of general principles of the Remuneration Policy, and of their implementation
- verification of the Remuneration Policy's consistency with Nova KBM's business policy over a prolonged period of time.

The Remuneration and Nomination Committee held four meetings during 2014.

17.2 Information on link between pay and performance

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

The Nova KBM Remuneration Policy, which was adopted on 16 January 2012, is formulated in such a way that it is compatible and interacts with the following elements of Nova KBM's governance system:

- the organisational structure
- the risk management system
- the system of internal controls
- the remuneration system applicable to all employees of Nova KBM
- the mission
- the business strategy
- the adopted values
- the business and financial objectives.

The Nova KBM Remuneration Policy sets out the categories of employees whose work is of a specific nature; 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. This is ensured by:

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

The appropriateness of the Remuneration Policy is reviewed annually, in accordance with its provisions.

The Remuneration Policy is applicable to all Nova KBM employees, with emphasis on the categories of employees whose work is of a specific nature (Nova KBM has waived the variable component of remuneration for all employees, with the exception of the Management Board).

The categories of employees whose work is of a specific nature are: the Nova KBM Management Board, senior management, the management bodies of the system of internal control functions and of other independent control functions, direct risk-takers (the employees who are authorised to take business decisions that have an impact on the risk profile of Nova KBM), and other employees whose total remuneration, including special pension benefits, is at or exceeds the level of remuneration provided to senior management or direct risk-takers. According to the adopted criteria, employees whose work is of a specific nature are employees who may, within the scope of their duties and functions, have a significant influence on Nova KBM's risk profile.

The Remuneration Policy is aligned with the Slovene labour legislation, the collective agreements, internal acts of Nova KBM, and resolutions of the Supervisory Board. Furthermore, in view of the specific ownership structure of Nova KBM, its Remuneration Policy has also been adjusted to conform to the Act Fixing the Reimbursement Amounts for Work Related Expenses and Certain Other Receipts, and the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities.

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 conflict 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 annual amount of a variable component of remuneration the employees may receive shall not exceed their monthly salary. This non-binding variable remuneration is paid for extraordinary performance, to be assessed at the discretion of the Management Board in accordance with internal documents, taking into account quantitative and qualitative criteria. Any variable component of remuneration is paid by Nova KBM after the end of the accounting period, without any deferral.

The entire variable component of remuneration is determined on the basis of the performance of an employee, an employee's organisational unit and the general operating results of 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 a Management Board member).

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.

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

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 during the deferral period. Nova KBM has ensured that the variable component of remuneration is paid during the deferral period in proportionate amounts depending on the length of the deferral period (but not more than once a year) or in a lump sum at the end of the deferral period.

In accordance with the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities, the variable component of remuneration paid to

members of the Management Board shall be determined by a resolution of the Supervisory Board at the end of each financial year, and paid out in accordance with the said act, provided that the annual variable remuneration shall not exceed 30% of the basic salary paid to a member of the Management Board in one year. The method of paying any variable component of remuneration (criteria, restrictions, whether in the form of a financial instrument or cash, payment deferral, reimbursement) is laid down in the act referred to above, the Corporate Governance Code for Public Limited Companies, and resolutions of the Supervisory Board. The amount of variable remuneration paid to Management Board members is determined on the basis of a balanced system of performance indicators, which is such that it stimulates members of the Management Board to strive for an equal growth in assets and deposits, and to achieve profits, efficiently manage costs, preserve a low level of provisioning, and maintain a robust control environment.

In accordance with the act referred to in the previous paragraph, the variable component of remuneration paid to members of the Management Board is determined by a resolution of the Supervisory Board at the end of each financial year. The payment of 50% of the variable component of remuneration is deferred for at least two years, or is paid out upon the termination of the term of office of a Management Board member if his/her term of office ends before the payment deferral period. Members of the Management Board who have held their office for less than two years are not entitled to receive 50% of the variable component of remuneration.

Apart from the fixed and any variable component of remuneration, members of the Nova KBM Management Board are entitled to bonuses to be determined by the Supervisory Board and specified in their employment contracts.

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)

The required data are disclosed in Point 17.2.

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

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

The required data are disclosed in Point 17.2.

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)

Nova KBM does not provide the variable component of remuneration in the form of financial instruments (shares or options). As regards other non-cash benefits (bonuses), which do not have a material impact on the amount of remuneration, Nova KBM employees are entitled to such benefits in accordance with their employment contracts and Nova KBM's internal rules.

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

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

The required data are disclosed in Point 17.2.

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 2014 to employees whose work is of a specific nature is presented in the following table:

€

Business area	Number of employees	Gross remuneration (salary + pay for annual leave)	Variable component	Bonuses	Supplementary pension insurance premiums	Other remuneration	Total remuneration
Investment banking	2	117,947	0	597	1,200	0	119,745
Retail banking	12	794,715	0	24,039	6,600	0	825,355
Other employees	38	2,004,434	0	43,793	23,028	199,294	2,270,548
Total	52	2,917,097	0	68,429	30,828	199,294	3,215,648

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, as of 31.12.2014

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

€

Business area	Number of employees	Remuneration – fixed component	Remuneration – variable component
Management Board	3	374,300	0
Senior management	18	1,170,165	0
Other employees	31	1,671,182	0
Total	52	3,215,647	0

In 2014, Nova KBM paid severance benefits to five employees whose work was of a specific nature. One of these was a Management Board member and the other four worked in other areas. The total amount paid in the form of severance benefits in 2014 was €199,294.22, of which €60,388.38 was paid to an ex-member of the Management Board.

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 has received remuneration of €1 million or more in a financial year.

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 second paragraph of Article 75 of the Banking Act, it must disclose separately the information about the total remuneration paid to each member of the Management Board. Remuneration paid in 2014 to Management Board members is disclosed in the 2014 annual report of the Nova KBM Group, 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 are disclosed in Point 17.10.

18. Leverage

(Article 451 of the Regulation)

This disclosure requirement is not yet relevant given that the leverage must be disclosed for the first time in the annual disclosures for 2015.

19. Use of the IRB Approach to credit risk

(Article 452 of the Regulation)

This disclosure requirement is not applicable to the Nova KBM Group because it does not use the IRB Approach to credit risk.

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)

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

20.2 Policies and processes for collateral valuation and management

(Article 453(b) of the Regulation)

The Nova KBM Group Loan Collateral Policy sets out the rules governing the types of collateral accepted by Nova KBM, the procedures used to establish collateral, and the obligation to monitor the adequacy of collateral during the life of a credit relationship.

The principal objective of the Loan Collateral Policy is to determine techniques to reduce Nova KBM's exposure to 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.

Prior to entering into a credit relationship, 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. For each type of collateral to be provided as security for a loan, the customer must present a valuation report. This report is checked by the competent department, primarily with a view to establishing its credibility and whether it complies with the International Valuation Standards. The verified and approved value assessment forms the basis for making the necessary collateral arrangements.

During the credit relationship with the customer, Nova KBM regularly monitors the collateral coverage ratio and, where appropriate, requests that additional collateral be provided if there is a drop in the value of the collateral.

The value of instruments to be provided as collateral is determined on the basis of their market value. However, in the loan approval process and in the assessment of impairment of financial assets, as well as for reporting purposes, Nova KBM takes into consideration expertly determined adjustments of the value of collateral instruments that reflect Nova KBM's expectations regarding anticipated cash flows generated in the case of the liquidation of collateral. In the process of calculating capital requirements, Nova KBM takes into consideration the regulatory-prescribed value adjustments for each type of collateral.

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

(Article 453(c) of the Regulation)

The Nova KBM Group Loan Collateral Policy sets out the following acceptable types of collateral:

- prime collateral
- adequate collateral
- pledge of real estate and movable property

- other types of collateral.

The following types of collateral are considered to be of prime quality:

- bank deposits
- securities issued by the Republic of Slovenia, the Bank of Slovenia as well as governments and central banks of other A-zone countries
- irrevocable guarantees of the Republic of Slovenia
- irrevocable guarantees payable at first demand given by the banks that have obtained the Bank of Slovenia authorisation to provide banking services, or given by investment grade banks of the Member States and other investment grade foreign banks
- prime non-subordinated debt securities of banks that are traded on financial markets.

The following types of collateral are considered to be of adequate quality:

- independent guarantees given by companies of good financial standing that meet the criteria to be assigned the A credit rating and generate sufficient cash flows to pay off their debts
- insurance with an insurance company registered in the Republic of Slovenia or any other A-zone country
- securities for which an active market exists.

Movable and immovable property is accepted as collateral and taken into consideration in the calculation of the recoverable amount of a financial asset only if all the documentation is provided to establish whether the pledged movable or immovable property can be used as an efficient and adequate secondary repayment source.

Other types of collateral accepted by Nova KBM are the following:

- borrower's drafts (accepted only as a basic form of collateral)
- pledge of industrial property rights.

Nova KBM aims to have its loan portfolio adequately secured, while at the same time having legal certainty in case of realisation of collateral.

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

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

(Article 453(d) of the Regulation)

This disclosure requirement is not applicable to the Nova KBM Group because it does not hold credit derivatives in its portfolios.

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

(Article 453(e) of the Regulation)

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

In monitoring large exposures, the 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 obligor 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 considering the individual types of collateral, and reports this 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)

€000

Exposure classes	Secured by financial collateral 31.12.2014
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	2,168
Exposures to retail	8,334
Exposures secured by mortgages on immovable property	36
Exposures in default	18
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	10,555

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	Personal guarantees 31.12.2014
Exposures to central governments or central banks	0
Exposures to regional governments or local authorities	0
Exposures to public sector entities	378,533
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	18,858
Exposures to corporates	56,854
Exposures to retail	58
Exposures secured by mortgages on immovable property	0
Exposures in default	8,515
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	462,818

The Nova KBM Group does not enter into credit derivative transactions.

21. Use of advanced measurement approaches to operational risk

(Article 454 of the Regulation)

This disclosure requirement is not applicable to the Nova KBM Group because it does 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 Nova KBM Group because it does not use internal market risk models.