Biser Topco Group

2017 Disclosures
(Under Pillar 3)

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1. Introduction

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

Nova KBM d.d. is owned by a financial holding company, Biser Bidco S.â.r.l. In accordance with Article 13 of the CRR Regulation, institutions owned by an EU parent financial holding company meet the obligations referred to in Part 8 of the CRR Regulation at their consolidated financial position where it is also relevant at the sub-consolidated position. Consequently, data in the document are disclosed at the Biser Topco Group level, and where relevant, also at the Nova KBM Group level. Disclosures are prepared as at 31 December 2017 by Nova KBM d.d., the largest financial institution in the Biser Topco Group.

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

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

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

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

At the beginning of 2017, Nova KBM d.d. acquired KBS banka d.d. KBS banka operated independently until 3 January 2017, when the banks merged. The decision on merging KBS banka with Nova KBM was entered in the court register on 3 January 2017, and since then, KBS banka ceased it operations as an independent legal entity. In September 2017, Summit Leasing Slovenija d.o.o., one of the leading leasing companies in Slovenia (hereinafter: SLS). joined the Nova KBM Group. Acquisition of the 100-percent stake of the company was completed on 18 September 2018.

This document aims at disclosing information under the Pillar 3. In this context, the Bank followed the provisions of the CRR Regulation (575/2013), Directive (EU) No. 2013/36 (hereinafter: the Directive) and the Guidelines on Disclosure Requirements under Part 8 of Regulation (hereinafter: the Guidelines).
In this document, the Group does not disclose non-relevant disclosures.
Disclosures of the Group are not audited. In accordance with its Disclosure Policy, the Group has internal controls and procedures in place to ensure the correctness of disclosed information.

2. Risk management objectives and policies

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

2.1 General information on risk management objectives and policies

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

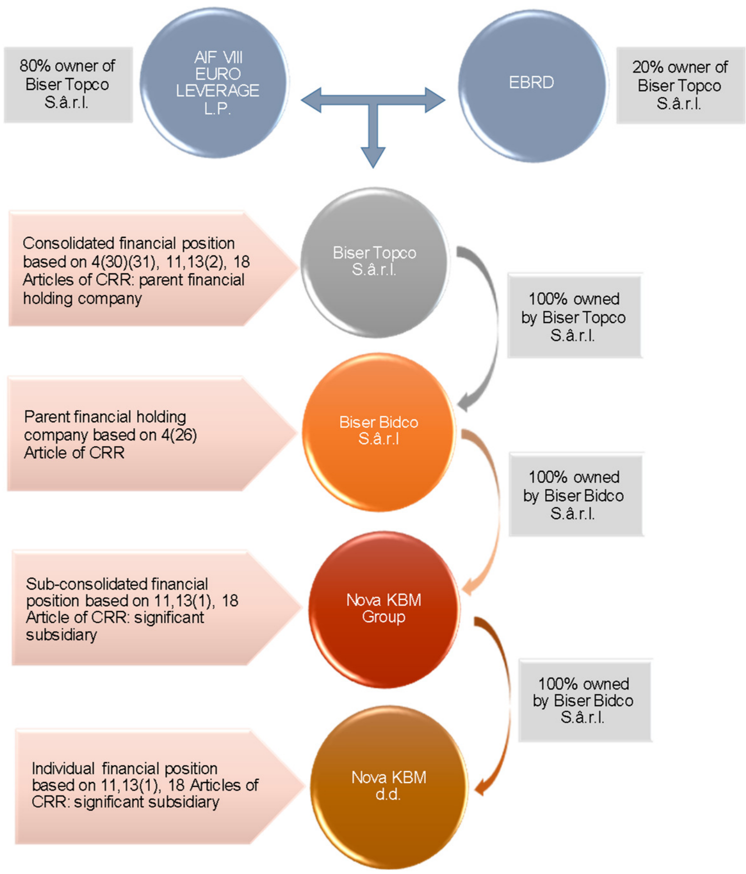
2.1.1 Risk management strategies and processes

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

2.1.1.1 Disclosure of information at the Biser Topco Group level

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

Figure 1: Biser Topco Group ownership structure



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

2.1.1.2 Disclosure of information at the Nova KBM level

The disclosure is published in the Nova KBM Group and Nova KBM d.d. 2017 Annual Report, where the aspect of strategies and processes is treated in a comprehensive manner in the context of its business part, Section 8: Risk management, and separately by individual types of risks in the notes to the Nova KBM Group and Nova KBM d.d. Financial Statements, Section 4: Exposure to various types of risk

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

In 2017, the Group updated its Risk Appetite Framework, including the Risk Appetite Statement, and the Operative Limits Handbook, and therefore defined, in a comprehensive manner, assuming and managing the risks to which it is significantly exposed in its operations. In this context, it took account of the Group's business focus, its long-term aims, it defined the objectives and its general approach to risk assumption, including the definition of its risk appetite

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

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

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

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

The Group uses a systematic approach in measuring risks. First, the risks are identified, assessed, materiality thresholds and the capital allocation are determined. Based on the risk assessment, measures are taken to reduce risks. The Group is focused on active risk management based on forward-looking analyses.

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

- Risk type management policy,
- Risk management methodology where an acceptable level of risk appetite is determined,

- Risk Appetite Statement defining the appetite for particular type of risk,
- A comprehensive limit system, including operating limits and the early warning system.

The risk management process reflects the Group's comprehensive approach in terms:

- Defining, measuring and assessing all types of risks to which it is exposed,
- Determining the materiality of particular type of risk,
- Risk factors monitoring methods,
- Continuous monitoring of individual types of risks and compliance with the limits set,
- Adapting policies, methodologies, rules, and risk-reduction processes in a changing business environment.

During the second half of 2017, under the process of integrating the Summit Leasing Slovenija d.o.o. (SLS) into the Nova KBM Group, the Bank The risk management and governance method integrated with the Bank. By these procedures, it also provided reporting on risk exposure at the Group level. In the context of integration, relevant policies and methodologies for managing individual types of risks were unified in SLS.

ICAAP process

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

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

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

ILAAP process

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

In order to ensure adequate liquidity position, the Bank assesses, measures, manages and monitors the liquidity risk, which includes:

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

The objectives of liquidity risk management include:

- Continuous provision of liquidity;
- Daily settlement of all on- and off-balance sheet liabilities in various currencies;
- Compliance with regulatory requirements (providing obligatory deposits and liquidity ratios, which include KL-1, LCR and NSFR);
- Managing an adequate pool of financial assets used as collateral for central bank's claims;
- Efficient management of daily liquidity surpluses and setting up an adequate liquidity reserve;
- Controlling the liquidity gap.

Implementation of stress tests

As part of its risk management processes, the Group conducts the following stress tests, which are used to assess its ability to continue as a going concern:

- EU-wide stress test,
- Stress tests at the request of the Bank of Slovenia,
- Stress tests conducted as part of the ICAAP,
- Liquidity stress tests conducted as part of the ILAAP.

The Group conducts stress tests using the methodologies prescribed by regulators, and in conducting internal stress tests, the Group uses its own methodologies that set out various stress test scenarios, the assumptions used and the limits set up. As a rule, stress tests are performed on the entire portfolio, and their results are taken into consideration when making decisions about the Group's business and financial operations and planning.

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

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

2.1.2.1 Disclosure of information at the Biser Topco Group level

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

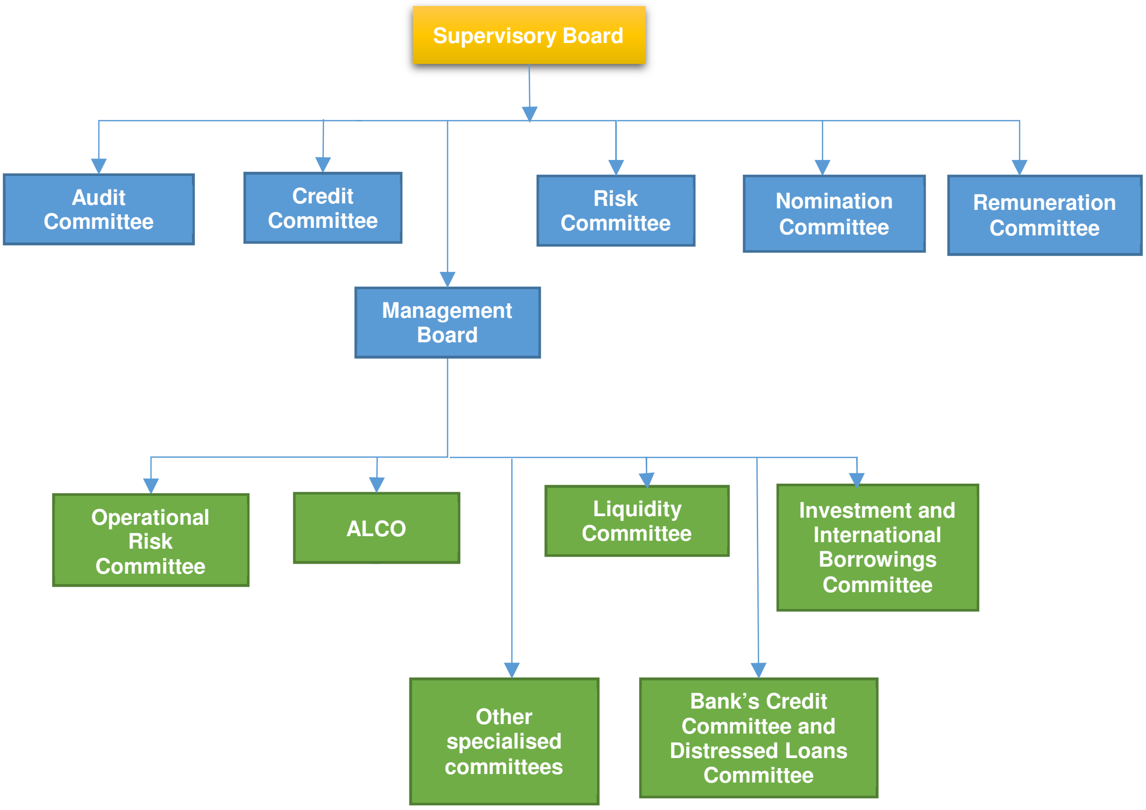
2.1.2.2 Disclosure of information at the Nova KBM level

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

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

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

Figure 2: Governance of the Nova KBM Group



Supervisory Board

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

Risk Committee

The Risk Committee provides advice regarding the Bank's current and future risk appetite and regarding its risk management strategy. The area and the method of work of the Risk Committee, its decision-making process, and all other issues important for its work are regulated by the Rules of Procedure of the Risk Committee. Since its establishment, the Risk Committee has met frequently and periodically, before each meeting of the Supervisory Board. Pursuant to the ZBan-2, the responsibilities of the Risk Committee are as follows:

- To provide advice regarding the Bank's current and future risk appetite and regarding its risk management framework;
- To provide assistance in the supervision of senior management with respect to the implementation of the risk management framework;

- To verify, without encroaching on the tasks of the Remuneration Committee, whether the forms of stimulation provided for by the remuneration system take into account the risks, capital, liquidity and the likelihood and allocation of the Bank's revenue, with the aim of formulating prudent remuneration policies and practices;
- To verify whether the prices of the Bank's products are fully compatible with the adopted business model and risk management strategy, and to propose measures for the elimination of identified discrepancies, and to submit those proposals to the Management and Supervisory Boards.

Audit Committee

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

- To monitor the financial reporting procedures and make recommendations and proposals to ensure their integrity,
- To monitor the efficiency and effectiveness of the Company's internal controls, the internal audit, if any, and risk management systems,
- To monitor the statutory audits of annual and consolidated financial statements, in particular the effectiveness of the statutory audit, taking into account all the findings and conclusions of the competent authority,
- To examine and monitor the independence of the auditor appointed for the review of the Annual Report, especially regarding the provision of additional non-audit services,
- To be responsible for the auditor selection process and propose to the Supervisory Board the appointment of the auditor for the review of the Company's Annual Report,
- To control the integrity of financial information provided by the Company,
- To assess the composition of the Annual Report, including drafting the proposal for the Supervisory Board,
- To participate in determining the major areas subject to audit,
- To participate in the preparation of the agreement between the auditor and the Company, which must not include any provisions that would restrict the Shareholders' Meeting choice regarding the appointment of the auditor; any such provisions would be null and void,
- To report to the Supervisory Board on the results of the statutory audit, including notes on how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in the process,
- To carry out other tasks as stipulated by the Articles of Association or a resolution of the Supervisory Board,
- To cooperate with the auditor in auditing the Company's annual reports, in particular by exchanging information about the major audit-related issues, and
- To cooperate with the internal auditor, in particular by exchanging information about the major internal audit-related issues.

Nomination Committee

The Nominations Committee selects the candidates for Management Board members, recommends them to the Supervisory Board, and selects candidates for members of the Supervisory Board, and recommends them to the Shareholders' Meeting, where taking into account the policies on the selection of suitable candidates in line with the ZBan-2. The Committee defines the tasks and required conditions for a particular appointment, including an assessment of the time envisaged for the performance of the function. Pursuant to the ZBan-2, the responsibilities of the Nomination Committee are as follows:

- To select and recommend to the Supervisory Board candidates for members of the Management Board, and to select and recommend to the Shareholders' Meeting candidates for members of the Supervisory Board, while taking into account policies on the selection of suitable candidates, as set out in the ZBan-2;
- To define the tasks and required conditions for a particular appointment, including an assessment of the time envisaged for the performance of the function in question;
- To define the target number of the under-represented gender in the Management Board and the Supervisory Board, and to draw up an associated policy on how to increase the number of members of the under-represented gender in the Management and Supervisory Board in order to achieve that target;
- To assess, at least once a year, the structure, size, composition, and performance of the Management and Supervisory Boards, and to draw up recommendations detailing any changes;
- To assess, at least once a year, the knowledge, skills and experience of each member of the Management and Supervisory Boards, and of the body as a whole, and to report to the Supervisory and Management Boards accordingly;
- To regularly review the Management Board's policy on the selection and appointment of suitable candidates for the Bank's senior management positions, and to draw up recommendations detailing any changes;
- To actively contribute to the fulfilment of the Bank's obligation to adopt appropriate policies on the assessment of the suitability of the governing body's members.

Remuneration Committee

The area and the method of work of the Remuneration Committee, its decision-making process, and all other issues important for its work are regulated by the Rules of Procedure of the Remuneration Committee. Pursuant to the ZBan-2, the responsibilities of the Remuneration Committee are as follows:

- To select and recommend to the Supervisory Board candidates for members of the Management Board, and to select and recommend to the Shareholders' Meeting candidates for members of the Supervisory Board, while taking into account policies on the selection of suitable candidates, as set out in the ZBan-2;
- To define the tasks and required conditions for a particular appointment, including an assessment of the time envisaged for the performance of the function in question;
- To define the target number of the under-represented gender in the Management Board and the Supervisory Board, and to draw up an associated policy on how to increase the number of members of the under-represented gender in the Management and Supervisory Board in order to achieve that target;
- To assess, at least once a year, the structure, size, composition, and performance of the Management and Supervisory Boards, and to draw up recommendations detailing any changes;

- To assess, at least once a year, the knowledge, skills and experience of each member of the Management and Supervisory Boards, and of the body as a whole, and to report to the Supervisory and Management Boards accordingly;
- To regularly review the Management Board's policy on the selection and appointment of suitable candidates for the Bank's senior management positions, and to draw up recommendations detailing any changes;
- To actively contribute to the fulfilment of the Bank's obligation to adopt appropriate policies on the assessment of the suitability of the governing body's members.

Supervisory Board's Credit Committee

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

Assets and Liabilities Committee (ALCO)

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

Operational Risk Committee

The Committee is responsible for examination, discussion, and decision-making on the issues relating to the following fields of the Bank's operations:

- To review operational risk policy, operational risk framework, risk appetite and assumption of risks from the area of operational risks, and the statement on operational risk management;
- To improve the operational risk management culture and to increase awareness of regulatory requirements;
- To review all operational risk management reports;
- To exchange and study expert positions with respect of operational risk identification, monitoring, measurement, assessment, and management;
- Monitoring loss events of Nova KBM and the Nova KBM Group;
- To monitor incidents in the Physical and Information Security Management Department;
- To take account of all current initiatives with regard to operational risk monitoring, measuring, assessing, and managing, and ensuring that all relevant functions in the Bank implement the recommendations adopted by the committee;
- To analyse and validate completed operational risk self-assessments used to identify weaknesses and trends of operational risks;
- To examine the causes and consequences of extremely large and significant loss events;
- To assess exposure to operational risk in accordance with the principles of risk, risk appetite, and limits;
- To review and assess outsourcing contracts, to classify the properly, and to monitor the quality of outsourced services;

- To identify any new risks, to which the Bank or the Group might be exposed.

Notwithstanding the competencies referred to in the previous paragraphs, the Risk Committee may, based on a decision of the Management Board, consider and decide also on other issues relating to the area of managing operational risks in the Bank. The Operational Risk Committee meets at least on a quarterly basis.
The Committee members comprise: President of the Bank's Management Board, Management Board member responsible for risks, Management Board member responsible for the operational performance of the Bank, Director of the Strategic Risk Management, Director of the Physical and Information Security Management, Director of the Operational Risk Management; with the following persons constantly invited to attend the Committee meetings: Director of the Information Technology, Director of the Internal Audit Centre, Director of the Compliance Office.

Credit Committee and Distressed Loans Committee of the Bank

The two credit committees make decisions on granting all loans to customers within their powers, in accordance with the rules governing the powers, procedures and decision-making with respect to loan approvals in Nova KBM d.d. Regular meetings of these committees are called on a weekly basis.

Investment and International Borrowings Committee

The Investment and International Borrowings Committee deals with and decides on debt portfolio investments and international borrowings portfolio on behalf and in the name of the Bank. The Committee comprises five members The Committee is chaired by the Management Board member responsible for the area of finance. The committee meets on weekly basis.

Liquidity Committee

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

Risk management tasks

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

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

- Define the risks to which the bank is exposed;
- Develop methods and models for risk assessment and measurement;
- Develop, maintain and monitor the risk management strategy, risk appetite framework, and risk management policies;
- Develop, maintain and monitor the lending policy, the internal capital adequacy assessment process (ICAAP) and the development of forward-looking capital management, and capacity planning using appropriate methodologies and tools;

- Manage the internal capital adequacy assessment process (ICAAP) (including the implementation of contingency testing (stress test), and a regular (at least once a year) overview of the risks to which the Bank is exposed in performing its economic activity;
- To make a risk-related overview of consequences of new economic activities proposed by commercial functions of the Bank;
- To develop and keep reports and analyses relating to the risks to which the Bank is exposed, including credit, market, interest, liquidity, operational, and strategic risks, and reputational risk;
- Implement the recovery and resolution of credit institutions directive (BRRD), and the processes of the Bank and the Bank's Group; development and maintenance of recovery and contingency plans.

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

Risk identification

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

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

Risk communication

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

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

Compliance

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

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

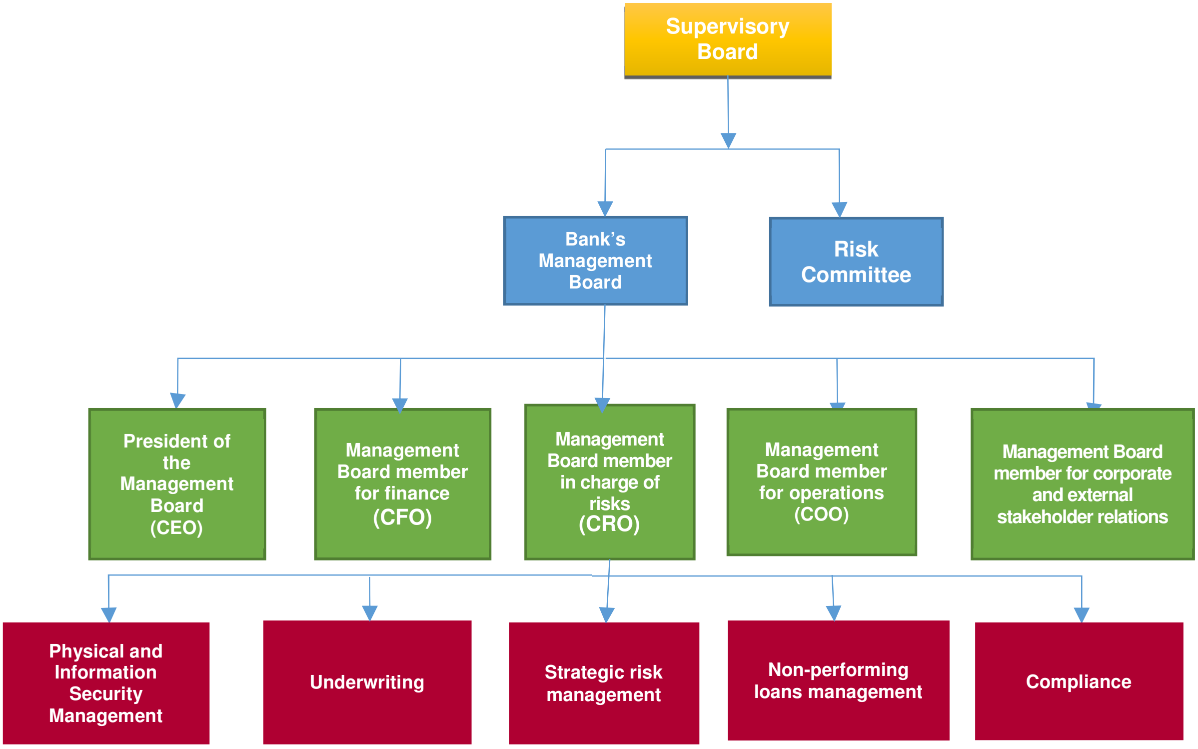
Part of the preventive compliance risk management includes also establishment, communication, and actual implementation of the compliance culture and integrity in the Bank. The latter is based on the principle of honesty and fairness, and the zero tolerance to illicit conduct in the Bank.

For this purpose, the compliance function will especially:

- Inform and educate employees about the company's values, policies and processes helping the Bank to act in a responsible manner and meet all its valid obligations;
- Provide advice and assistance at the level of the Bank and its employees with regard to the measures helping to prevent non-compliance in advance;
- Establish internal controls and improve their effectiveness;
- Govern compliance risk management systems and carry out identifying, assessment, monitoring, control, and reporting;
- Consider any identified events indicating any violations of regulations in the broadest sense, or any ineffectiveness of security mechanisms (improper arrangements or security controls), or representing a situation previously unknown that would be important in terms of compliance;
- Consider any adverse or unplanned events that cause or could cause an unwanted situation in the Bank. Adverse events include in particular errors (the aspect of an event) and illicit conduct.
- Carry out regular checks and tests of internal controls and resilience to individual compliance risks;
- Continuously monitor new and amended regulations and rules and implementation thereof;
- Analyse compliance risk through active engaging in verification that launching of new products is in line with applicable regulations, standards, and internal documents of the Bank.

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

Figure 3: Risk Management Organisation in Nova KBM d.d.



2.1.3 The scope and nature of risk reporting and measuring systems

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

The Group has established a systematic approach to regular updating and assessing the relevance of the content of strategies, policies, methodologies and instructions that have been put in place. Documents are verified and updated at least once a year. The Group regularly monitors and measures risk exposure both within Pillar 1 and Pillar 2.

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

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

Table 1: Exposure and risk management reporting

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
CREDIT RISK							
Credit portfolio quality	Monthly		x	x		x	
Financial restructuring indicators	Monthly		x	x	x	x	
Limits by activity	Monthly		x	x		x	
Changes in debtors' credit ratings and movement of impairments and provisions	Monthly		x	x		x	
Newly approved on-balance and off-balance assets	Monthly		x	x		x	
Exposure to debtors within a group of related parties	Monthly	x	x	x		x	
LIQUIDITY (ILAAP) AND MARKET RISKS							
Liquidity position, stress-test results and the amount of liquidity reserves	Monthly		x	x	x	x	
Liquidity indicators	Daily/monthly		x	x	x	x	
ILAAP annual report	Annually	x	x			x	
IRRBB current and stress tests	Monthly		x	x	x	x	
IRRBB position and limit system	Monthly		x	x	x	x	
Securities and derivatives banking and trading books and the system of limits	Daily/monthly		x	x	x	x	
OPERATIONAL RISK							
Reports on operational risk management: - Operating risk management reports - Reports on incidents in physical and IT security area	Quarterly						x

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
- Operating risk management self-assessment reports							
Red alarm – where a particular loss event or loss event sum exceeds the limits according to the Recovery Plan	In case of exceeded limits		x	x		x	x
Capital adequacy under Pillar 1							
Capital, capital adequacy and capital adequacy ratio	Monthly	x	x	x	x	x	
Monitoring the limits set	Daily/ Monthly		x	x	x	x	
Reporting on long-term capital, capital adequacy and capital adequacy ratio planning	Monitoring monthly, calculation at least once a year		x	x	x	x	
ICAAP							
Report on the Nova KBM Group's risk profile	At least once a year		x	x		x	
Report on stress tests carried out	At least once a year		x	x		x	
Monitoring of capital allocation, regulatory capital, and capital adequacy under Pillar 2	Monthly		x	x		x	
Monitoring key risk indicators and limits by types of risk	Monthly		x	x		x	
Reporting on long-term capital, capital adequacy and capital adequacy ratio planning	Monitoring monthly, calculation at least once a year		x	x		x	
ICAAP annual report	Annually	x	x			x	
COMMON REPORTS							
Reporting on exposure and risk type management	Monthly		x	x	x	x	
Reporting on the value of key risk indicators in the form of TRAFFIC	Monthly		x	x	x	x	

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
LIGHTS and measures proposed							
COREP reporting	Quarterly	x					

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

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

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

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

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

  - Credit risk: Credit Risk Management Policy
  - Corporate Lending Policy
  - Non-performing Loan Collection and Restructuring Policy
- Capital adequacy:
  - Capital and Capital Requirements Management Policy
- Market risks:
  - Market Risks Management Policy
  - Interest Risk Management Policy
- Operational risk:
  - Operational Risk Management Policy
- ILAAP
  - Liquidity Risk Management Policy
- ICAAP:
  - Internal Capital Adequacy Assessment Process Implementing Policy
  - Stress Test Implementation Framework
- Other Group governance policies:

- Compliance policy
- Internal Control System Policy
- Governance Policy
- Policy on assessing the suitability of members of the management bodies and officers holding key positions (Fit & Proper Policy)
- Information Security Policy
- Consolidated Control Policy
- Disclosure Policy
- Remuneration Policy
- Anti-bribery Policy
- Fraud Management Policy
- Reputational Risk Management Policy
- Outsourcing Policy
- Internal Audit Policy
- Data Management Policy
- Procurement policy.

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

Credit risk management is carried out on the basis of:

- Statistical credit rating models used to assess the debtor's risk status (the probability of default),
- Statistical credit rating models used to assess the loss at default,
- Daily monitoring of EWSs,
- Classification of appropriate collateral in terms of type, legal certainty and techniques applicable to its valuation,
- Indirect (through loan-approval models) and direct participation of representatives of the Risk Management Department in decision-making on loan approvals,
- Clear guidelines and rules applicable to the loan approval process,
- Adoption of appropriate strategies for the debtor experiencing financial difficulties,
- Risk assessment methodologies, risk reporting, adoption of measures and monitoring their performance,
- The system of limits for the loan portfolio, which is incorporated in the Risk Appetite Framework and the ICAAP;
- IT support for the needs of relevant data documentation and prevention of operational risk.

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

- The systems of limits,
- Daily monitoring of the liquidity position and liquidity indicators,
- Implementation of stress scenarios,

- Liquidity risk management contingency plan methodologies,
- Other risk assessment methodologies, risk reporting, adoption of measures and monitoring their performance,
- IT support for the needs of relevant data documentation and prevention of operational risk.

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

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

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

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

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

- System of limits and EWS, where appropriate,
- Implementation of stress scenarios, where appropriate,
- Risk assessment and measuring methodologies,
- Risk reporting and suggesting necessary measures aimed at reducing the exposure and monitoring their performance,
- Established internal controls system,
- The established system of determining the role and responsibilities of the persons in charge of managing particular type of risks.

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

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

Declaration by the management body on the adequacy of risk management arrangements is included in the Business Report of the Nova KBM Group and Nova KBM d.d. 2017 Annual Report, section 7. Declaration of the management body on the adequacy of risk management arrangements

2.1.6 Concise risk statement approved by the management body

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

Statement by the Nova KBM d.d. Management Board describes Business model of the Bank and the Group is an integral part of the Annual report of the Bank and the Group within Business Report section number 2. The Strategic directions which are as well available in the Annual Report of the Bank and the Group are presented in the Business report under section number 4 and give an overview of the Strategic programmes that were launched in Nova KBM Group in 2017.

The risk statement of the Management Board describes the risk management system of the Bank and confirms its adequacy with regards to the Risk profile, Strategy and Risk Appetite Framework. The statement is an integral part of the Annual report of the Bank and the Group within Business report section number 7.

Risk Profile

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

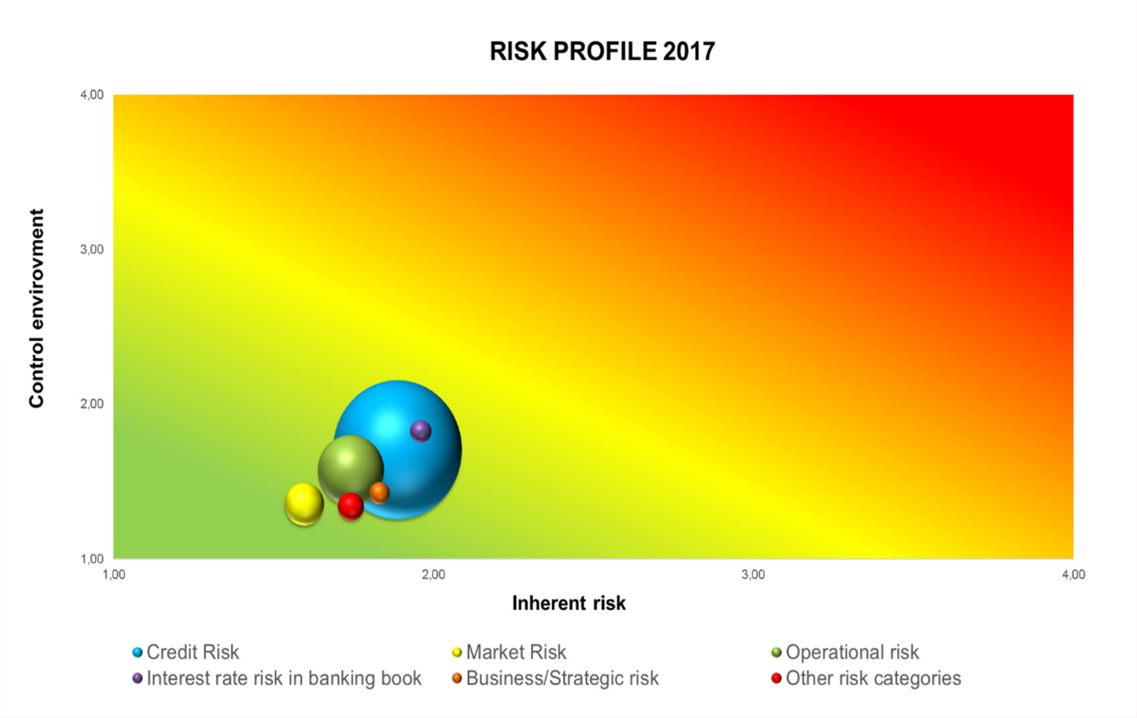
In 2017, the Bank renewed the process of identifying risks and assessing the risk profile. It has established a comprehensive process of identifying types of risks and accordingly, increased the set of risks to which it is exposed in its operations. The Bank monitors the identified in the form of the risk register. A narrower set of risks confirmed by risk holders and other responsible persons includes the risks to which the Group is exposed in its operations. Under the renewal of the risk profile assessment, the Bank renewed its approach to the range of assessors, risks, determination of weights, and aggregation of the assessments obtained. The risks identified within the risk profile are further considered under the internal capital assessment process.

The Group’s risk profile for 2017 is shown the figure below. Credit risks, together with the interest rate risk of the banking book, remain, as in previous years, assessed worse, which is in line with the Business Strategy of the Bank/Group. According to the assessment obtained, credit risk and interest rate risk of the banking book are followed by operational risks arising from the operations of the Bank/Group.

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

- X-axis: assessment of inherent risk,
- Y-axis: assessment of the control environment,
- Area of the circle: the proportion of the Group’s internal capital as at 31 August 2017.

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



The risk profile defines the level of risk acceptable to the Bank. The risk profile is important for the appropriate allocation of capital for each type of risk to which the Bank is exposed. In this regard, the key role is played by the regular annual process of assessing the profile and threats, respectively, on the basis of which the Bank takes necessary measures to reduce and effectively manage the risks occurred and any new risks. In 2017, the process of the risk profile assessment for the Nova KBM Group differs from the past especially in the following ways:

- In the process established to identify new types of risks,
- The process established to define new types of risks that are assessed in the context of the risk profile,
- A larger set of assessed and identified types of risks,
- A renewed set of business areas reflecting the current organisational structure,
- Renewed approach to identifying the assessors, risk holders, and companies involved in the risk profile assessment,
- In a revised approach to calculating the overall risk and risk assessment by business areas under the risk profile assessment, which now includes both assessments made by risk assessors and risk holders.

Template: EULIQ1:
1. Quantitative information about Liquidity Coverage Ratio (LCR)

Scope of consolidation (consolidated)		Total unweighted value (average)				Total weighted value (average)			
Currency and units (million)									
Quarter ending on (DD Month YYY)		31/03/2017*	30/06/2017**	30/09/2017	31/12/2017	31/03/2017*	30/06/2017**	30/09/2017	31/12/2017
Number of data points used in the calculation of averages									
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,833	1,851	1,847	1,800
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,240	2,254	2,283	2,326	140	138	138	137
3	*Stable deposits*	1,835	1,873	1,911	1,978	92	94	96	99
4	*Less stable deposits*	403	379	371	346	47	43	41	37
5	Unsecured wholesale funding	382	390	393	410	183	190	194	204
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	382	390	393	410	183	190	194	204
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	346	352	355	378	41	41	40	42
11	*Outflows related to derivative exposures and other collateral requirements*	2	2	2	2	2	2	2	2
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	344	351	353	376	39	39	38	40
14	Other contractual funding obligations	46	49	53	64	46	49	53	64
15	Other contingent funding obligations	43	33	28	14	16	11	8	1
16	**TOTAL CASH OUTFLOWS**					426	429	433	448
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	203	201	190	176	33	22	168	156
19	Other cash inflows	2	3	3	5	0	0	3	5
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	204	204	193	180	33	22	171	161
EU-20a	***Fully exempt inflows***	0	0	0	0	0	0	0	0
EU-20b	***Inflows Subject to 90 % Cap***	0	0	0	0	0	0	0	0
EU-20c	***Inflows Subject to 75 % Cap***	204	204	193	180	33	22	171	161
21	**LIQUIDITY BUFFER**					**1,833**	**1,851**	**1,847**	**1,800**
22	**TOTAL NET CASH OUTFLOWS**					**248**	**249**	**262**	**287**
23	**LIQUIDITY COVERAGE RATIO (%)**					738 %	742 %	704 %	627 %

* Due to the modified methodology, LCR items are calculated as a simple average of observations as at the last calendar day of each month, for the period of 6 months before the end of the quarter.
** Due to the modified methodology, LCR items are calculated as a simple average of observations as at the last calendar day of each month for the period 9 months before the end of the quarter.

Template on qualitative information on LCR, which complements the LCR disclosure template.

Concentration of funding and liquidity sources	The Bank's business model is based on customers' deposits representing 75 % of total liabilities.
Derivative exposures and potential collateral calls	The Bank's is slightly exposed to derivative instruments, which are not expected to be additionally secured by collateral.
Currency mismatch in the LCR	Foreign-exchange or FX risk is defined as the risk of losses resulting from the potential change of exchange rates from all on- and off-balance sheet FX positions. FX risk is not material risk type. Nova KBM maintains a closed currency position on a daily level, therefore, in accordance with the CRR, it is not obliged to calculate the capital requirement for foreign exchange risk. Other Group Members have small open FX positions. Foreign exchange risk from liquidity point of view represents a potential inability to meet any FX demand of particular currency. Nova KBM controls daily exposure to foreign exchange risk by maintaining the spot demand and seasoned demand, respectively. FX risk is immaterial from liquidity point of view.
A description of the degree of centralisation of liquidity management and interaction between the Group's units	The Group's liquidity is managed in line with the annual financial plan. which is approved by the Bank's Management and Supervisory Boards.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	/

Liquidity risk management is explained in more detail in Chapter 2.1

2.2 Information on risk management objectives and policies by risk categories

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

2.2.1 General qualitative information about credit risk

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

Credit risk is the risk of loss arising from the failure of counterparty to meet its financial obligations to a company in the Group. Credit risk is a basic risk to which the Group is exposed in performing its activity. In the scope of the Nova KBM Group's Risk Appetite Strategy, which is an umbrella document, the Group has quantified its strategic objectives for assuming credit risk.

The management of credit risk is carried out at the customer level, by each Group company, as well as at the level of the entire Group.

The Group monitors, limits and manages credit risk by:

- Identifying the risk related to customers and recognising impairments of financial assets and provisions for off-balance-sheet liabilities in accordance with the International Accounting Standards (IAS);
- Providing capital to ensure sufficient capital coverage of credit risks;
- Setting exposure limits under the limit system, which is directly integrated into the Risk Appetite Framework and the ICAAP process;
- Properly securing its financial assets.

To ensure that credit risk is properly limited, officers working in the risk management division are involved in loan approval processes (decisions are made based on the four-eye principle). The Group's exposure to credit risk arising from loans and advances given to banks and customers is described below.

2.2.1.1 Non-performing exposures

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

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

- Exposures classified as „defaulted“ or „impaired“ according to the Group's Methodology for Assessing Credit Risk Losses;
- Material exposures which are more than 90 days past due
- Exposures, which have been subject to restructuring that caused the Group to incur significant economic losses, or which are unlikely to be repaid – restructured exposures with a low repayment probability;
- NPEs that do not meet the applicable exit criteria.

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

- During the probation period, the exposure is more than 30 days past due or has been restructured once again.

The portfolio of customers classified into the credit rating categories D and E is managed by the Non-performing Loans Management Department and the Legal Office.

2.2.1.2 Interest rates and loan approval fees

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

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

2.2.1.3 Exposure limits

With respect to limiting large exposures, the Group complies with all regulatory requirements setting out that the exposure to a particular customer and their related parties shall not exceed 25 % of the Group's equity.

In order to reduce its credit risk, the Group, using its Methodology for Determining Upper Lending Limits by Products, defines an acceptable level of exposure for the customer or a group of related customers.

2.2.1.4 Loan collateral policy

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

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

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

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

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

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

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

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

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

2.2.3 Qualitative disclosure requirements related to market risk

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

Market risk management are additionally included in section 2.1 and section 12.

2.2.4 Qualitative disclosure requirements related to liquidity risk

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

Liquidity risk management is detailed in section 2.1.

2.3 Information on governance arrangements

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

2.3.1 Number of directorships held by members of the management body

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

Membership in other entity bodies as at 31 December 2017				
Management Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
John Michael Denhof, Chair	Summit Leasing d.o.o., since 18 September 2017	Leasing		X
Robert Senica, Deputy President	Bank Association of Slovenia	Banking		X
	Sava pokojninska družba d.d. (Since 25 May 2016)	Pension fund management		X
	KBM Infond d.o.o. (Since 27 October 2016)	Asset management company		X
Sabina Župec Kranjc	Summit Leasing d.o.o. – Since 18 September 2017	Leasing		X
	KBM Infond d.o.o.	Asset management company		X
Jonathan Locke	Summit Leasing d.o.o. – Since 18 September 2017	Leasing		X
	British–Slovenian Chamber of Commerce – since 8 May 2017	Economy		X
Josef Gröblacher	Bankart d.o.o. since 2 June 2017	Payment instrument processing		X

Until 1 September 2017, the Supervisory Board comprised the following members: Andrej Fatur, Chair, Manfred Puffer, Deputy Chair, Michele Rabà, Gernot Wilhelm Friedrich Lohr, Andrea Moneta, and Alexander Saveliev.
On 23 August 2017, Andrzej Klesyk was appointed as a new member of the Supervisory Board; his term of office started on 1 September 2017.
As at 28 September 2017, the Supervisory Board discharged the then Deputy Chair Michele Rabà and appointed Andrzej Klesyk a new member and Deputy Chair of the Audit Committee.

As at 31 December 2017, the Supervisory Board comprised the following members: Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, Manfred Puffer, member, Michele Rabà, member, Gernot Wilhelm Friedrich Lohr, member, Andrea Moneta, member, and Alexander Saveliev, member.

Membership in other entity bodies as at 31 December 2017				
Supervisory Board	**Other entity name**	**Activity**	**Management Board**	**Supervisory Board**
Andrej Fatur, Chair	Fatur Law Firm		Director	
	KCL Svetovanje d.o.o.	Consulting		X
Manfred Puffer, Deputy Chair – until 28 September 2017	Bremer Kreditbank AG	Banking		X
	Athene Life Holding Bermuda	Financial		X
	Athene Life RE Bermuda			X
	Athene Lebensversicherung AG	Insurance		X
	Infineon Technologies			X
Michele Rabà	Summit Leasing d.o.o.	Leasing		X
	Biser Topco S.à r.l.	Project management		Non-executive director
	Biser Bidco S.à r.l.	Project management		Non-executive director
	Champ Luxembourg Holding S.à r.l.	Financial		Non-executive director
	Champ II Luxembourg Holding S.à r.l.	Financial		Non-executive director
	Jewel UK Midco Ltd.			Non-executive director
	Jewel UK Topco Ltd.			Non-executive director
	Jewel UK Bidco Ltd.			Non-executive director
	Aurum Holdings Ltd.			Non-executive director
Andrea Moneta	Amissima Group, Amissima Holdings S.r.l	Financial	President of the Board of Directors (non-executive)	
	Amissima Group, Amissima Assicurazioni SPA	Insurance	President of the Board of Directors (non-executive)	
	Amissima Group, Amissima Vita SPA		President of the Board of Directors (non-executive)	
	The Floow		President of the Board of Directors (non-executive)	
Gernot Wilhelm Friedrich Lohr	Bremer Kreditbank AG	Banking		X
	Financial Credit 1 Ltd.	Financial		Non-executive director
	Financial Credit 2 Ltd.			Non-executive director
	Athene Life RE, Athene Asset Management, Athene Holdings	Insurance, financial		Non-executive director
	Athene Deutschland			Non-executive director
	Catalina Holdings	Financial		Non-executive director
	Companhia de Seguros Tranquilidade SA	Insurance		Non-executive director
	Amissima Group, Amissima Holdings S.r.l	Insurance		Non-executive director
	Amissima Group, Amissima Assicurazioni SPA	Insurance		Non-executive director
	Amissima Group, Amissima Vita SPA			Non-executive director
	AP Alternative Assets LP	Financial		Non-executive director
Alexander Saveliev	-	-		-
Andrzej Klesyk, Deputy Chair – since 28 September 2017	-	-		-

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

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

In 2016, the Policy on the Selection of Suitable Candidates for a Management Body was drafted by the Bank and adopted by all its responsible decision-making bodies; this policy takes account of the second paragraph of Article 34 of the Banking Act (ZBan-2) and envisages setting up and implementing an appropriate policy on the selection of suitable candidates, providing:

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

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

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

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

Bank's Management Board

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

Presentation of the Management Board:

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

Robert Senica has been a member and Deputy President of the Nova KBM d.d. Management Board since 1 March 2017. He holds a BSc in Economics (major in Finance) and has more than 15 years of work experience in the banking, commercial activities, and finance. He started his career in 2000 at Banka Celje. Between 2007 and 2013, he held various management positions at Hypo Leasing: initially, he served as the Manager of the Celje business unit, and later, from 2011 onwards, as the Director of Sales and the authorised representative of the company. His main focus in the latter position was on crisis management. From January 2013 to July 2014, a period in which the banking system faced numerous challenges, he acted as the President of the Management Board of Poštna banka Slovenije d.d. (PBS), a Nova KBM Group company, with his duties including crisis management, market repositioning of PBS, and the management of its 242 employees. He has developed his professional skills by attending various training programmes, seminars and conferences, both in Slovenia and abroad (the IEDC Business School, the training programmes Leading from the Middle, and Risk Analysis for Corporate Banking, among others). In 2015, the Shareholders' Meeting of the Bank Association of Slovenia appointed him as a member of the Supervisory Board of this association, and he was later, based on the results of his work, promoted to the position of Deputy Chair of the Supervisory Board. In addition, Robert Senica is a member of the Supervisory Board of Sava, pokojninska družba, d.d., and the Chair of the Supervisory Board of KBM Infond DZU d.o.o.

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

Josef Gröblacher took up the role of a member of the Management Board on 1 January 2017. He has more than 15 years of leadership and management experience, especially in the areas of strategic management of information technology, banking operations, business process digitalisation, project and change management, and cost optimisation. In the past, he successfully managed several projects of setting up and implementing new core IT systems in banking operations. In 2016, he worked at Sberbank Europe in Vienna as the Senior Adviser on Information Technology. Between 2010 and 2015, he was a member of the Management Board of Sberbank Hungary, prior to which, between 2007 and 2010, he was a member of the Management Board of Volksbank Serbia (the predecessor of Sberbank). Before joining Volksbank Serbia, he worked at Hypo Alpe Adria Bank for nine years, performing a number of responsible tasks, including the development and implementation of a five-year IT strategy, the standardised IT controlling and planning process, as well as a project management system. Since 2 June 2017, Josef Gröblacher has been a member of the Bankart d.o.o. Supervisory Board.

Jon Locke took up the role of a member of the Management Board on 1 January 2017. He has more than 20 years of management and advisory experience in banking, especially in the areas of risk management and the management of NPLs in banks in Central and South East Europe. During his career, he has been a leading management team member in a number of bank transformation programmes, with specific emphasis on credit risk, NPL management and data integration. From 2013, he served as the Chief Risk Officer at Banca Comercială Română, Bucurest, the leading bank in Romania and a member of the Erste Group. Between 2003 and 2013, he held senior management positions in three larger banks, Central European subsidiaries of the Intesa Sanpaolo Group: he was the Chief Workout Officer at CIB Bank in Hungary. Before that, he was the Deputy CEO and the Chief Risk Officer at Privredna banka Zagreb, and before that he held the same positions at VUB Banka in Slovakia. Jon Locke also gained management, professional and advisory experience with Deloitte, where he was a Partner from 2001 until joining VUB Banka in 2003. Prior to joining Deloitte, he worked for Coopers & Lybrand and PricewaterhouseCoopers for ten years, being based in London, Prague and Moscow and serving the firm's financial institution customers. Since 18 September 2017, Jon Locke has been a member of the Summit Leasing d.o.o. Supervisory Board. Since May 2017, has acted as a member and Deputy Chair of the Supervisory Board at British–Slovenian Chamber of Commerce.

Supervisory Board

Relevant provisions of the following documents are consulted in the appointment of Supervisory Board members: the Companies Act (ZGD-1), the Banking Act (ZBan-2), implementing regulations of the Bank of Slovenia, EU regulations, the Bank's Articles of Association, and the Nova KBM d.d. Policy on the Selection of Suitable Candidates for a Management Body.

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

With regard to the strategy and criteria for the selection of Management Board and Supervisory Board members and officers holding key positions, the Bank has adopted the 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 Committees.

As at 31 December 2017, the Supervisory Board comprised the following members: Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, Manfred Puffer, member, Michele Rabà, member, Gernot Wilhelm Friedrich Lohr, member, Andrea Moneta, member, and Alexander Saveliev, member.

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

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

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

Michele Rabà is employed with Apollo Management International, LLP – Private Equity, which is an affiliate to the company Apollo Global Management LLC. He holds the function of a Non-Executive Director at Biser Bidco S.à r.l. He has acquired experience by performing a supervisory role in supervisory boards of various companies in Europe, in particular in the area of finance.
He has acquired special (expert) knowledge and experience in the banking area during his work at Bremer Kreditbank AG (BKB), and additional relevant knowledge and skills during his work at Goldman Sachs International – Investment Banking Division – Financial Institutions Group.

Gernot Wilhelm Friedrich Lohr serves as a Senior Partner of Private Equity, Co-Head of Strategic Planning and Co-Head of Financial Services at Apollo Management International, LLC.
He is an expert with international experience of more than 18 years in total in the entire range of financial services in Europe, North and Latin America. He has acquired experience by

performing a supervisory role in supervisory boards of various companies in Europe, in particular in the area of finance.

Andrea Moneta is the President of the Board of Directors of Amissima, the insurance company of the Apollo Global Management fund. He has acquired experience by performing a supervisory role in supervisory boards of various companies in Europe, in particular in the area of finance. He also acquired special (expert) knowledge and experience in banking-related areas, such as politics and economy, risk management, financial marketing and business administration, and completed his post-graduate education in risk management and financial market management.

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

Changes in the Management Board and the Supervisory Board of Nova KBM after 31 December 2017

In the Supervisory Board meeting on 21 March 2018, Robert Senica, member and deputy president of the Management Board of Nova KBM, announced his resignation from the position of member of the Management Board. The resignation took effect on 31 March 2018. As of 31 March 2018, his function as member of the Management Board ceased as well.
In the same meeting of 21 March 2018, the Supervisory Board appointed Matej Falatov as the new member of the Management Board. Matej Falatov must obtain authorization of the Bank of Slovenia and the ECB prior to him taking the office of member of the Management Board. In the interim, i.e. prior to obtaining the license to serve as a member of the Management Board, Falatov will act as a procurator of Nova KBM. For this purpose, the Supervisory Board appointed him procurator of the Bank in the meeting of 21 March 2018. His term of office as the Bank's procurator started 1 April 2018.

On 26 March 2018, member of the NKBM Supervisory Board Gernot Wilhelm Friedrich Löhr announced his resignation from the position of member of the Supervisory Board.

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

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

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

- That a management body as a whole takes into account a wide range of knowledge, skills and experience of its members;

- Initiatives are implemented to achieve diversity within a management body, including the appropriate representation of both genders, and policies to achieve these objectives by increasing the number of members of an under-represented gender in the management body;
- Conditions are defined for the performance of a specific function, including the required profile of members of the management body before they are appointed.

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

The policy referred to above aims to ensure that members of a management body have different professional and educational backgrounds and that a management body as a whole is diversified in terms of the age (meaning that its should comprise senior and less senior members), nationality and gender (at least one member of the Management Board should be female). The above-mentioned targets provide a basis for actual objectives of this new policy; however, given that this policy was adopted only after the change of the ownership in April 2016, the first assessment of the extent to which its objectives have been accomplished will only be feasible in the next year.

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

Notwithstanding the above, as regards the process of selecting members for its management bodies, the Bank has to observe the relevant regulatory provisions, the provisions of the Bank's Articles of Association and of various corporate governance codes, and best practice recommendations on corporate governance. Further details in this regard are included in the Business Report of the Nova KBM Group and Nova KBM d.d. 2017 Annual Report, section 5.3.3 Corporative Governance of Nova KB, and section 11 Nova KBM d.d. Corporate Governance Statement.

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

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

The Bank has the Risk Committee in place, which serves as an advisory body to the Nova KBM d.d. Supervisory Board and has the mission of supervising the implementation of risk management strategies by the senior management of the Bank and the Group. The Risk Committee also provides advice regarding the Bank's current and future risk appetite. Three meetings of the Risk Committee were held in 2017.

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

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

The Risk Management Department and the Finance Department prepare and present to the Management Board, the Risk Committee and the Supervisory Board various risk management reports. Risk reports are also discussed on a monthly basis by the ALCO. The reporting is carried out on a daily, monthly, quarterly and annual basis. The Risk Management Department reports at the Nova KBM Group and the Biser Group levels separately.

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

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

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

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

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

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

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

3. The scope of application of the regulatory framework

This section defines disclosure requirements referred to in Article 436 of Part 8 of CRR.

3.1 Name of the institution to which the requirements apply

(Article 436 (a) of the Regulation)

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

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

(Article 436 (b) of the Regulation)

Biser Topco Group consists of a parent company Biser Topco S.à.r.l. and its direct and indirect subsidiaries. These are Biser Bidco S.à.r.l. company and the Nova KBM Group. Nova KBM d.d. is the parent company of the Nova KBM Group, which, as at 31 December 2017, controlled eight subsidiary companies.

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

As at 31 December 2017, the Parent Bank's share capital totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

Apollo Global Management, LLC (Apollo), and the European Bank for Reconstruction and Development (EBRD) financed the acquisition of the 100-percent share of Nova KBM d.d. (and all of the subsidiaries in the Nova KBM Group) through the joint venture, Biser Topco S.à r.l., a special project company, or Biser Bidco S.à r.l. company, the only owner of which is Biser Topco S.à r.l.

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

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

The Group comprises of the Parent Bank and its subsidiary companies.

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

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

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

On 3 January 2017, based on a decision taken by the District Court of Maribor, the merger by acquisition of KBS banka to Nova KBM was entered into the court register. As of the date of the final decision, KBS banka ceased its operations as an independent legal entity, with all its assets, including all liabilities and rights, transferred to Nova KBM, its legal successor, which recognised in its books the assets and liabilities acquired from KBS banka as per 1 July 2016. The merged bank operates under the name Nova KBM, with its registered office remained in Maribor.

In accordance with the commitments made to the European Commission regarding the restructuring of the Nova KBM Group, the controlled liquidation of KBM Leasing d.o.o. and Gorica Leasing d.o.o. started at the end of 2014, while that of KBM Leasing Hrvatska d.o.o. started in April 2015, based on appropriate decision made by shareholders.

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

Completion of the liquidation of KBM Leasing d.o.o. – in liquidation and Gorica Leasing d.o.o. – in liquidation is foreseen within two years, which depends mostly on the litigations still pending and strategic decisions of the Parent Bank. In December 2017, with an aim to optimise the liquidation process, the Parent Bank took a decision to merge by acquisition Gorica Leasing d.o.o. – in liquidation to KBM Leasing d.o.o. – in liquidation. Based on the final decision on the merger by acquisition of Gorica Leasing d.o.o. – in liquidation to the acquiring company, KBM Leasing d.o.o. – in liquidation, Gorica Leasing d.o.o. – in liquidation has been deleted from the court register since 26 January 2018. The merger cut-off date is 1 January 2018.

The companies in liquidation are still controlled by the Parent Bank and are therefore fully consolidated in the Group's accounts. Financial statements of subsidiaries have been prepared under a non-going concern basis, and this assumption has been taken into consideration also in the valuation of the investments in and exposure to subsidiaries.

On 22 May 2017, Nova KBM as the sole shareholder of KBM Invest, made a decision on launching the activity of summary winding up of KBM Invest d.o.o. without liquidation. In accordance with the instructions set out in the decision, activities were carried out to regulate the relations with the company's creditors and employees. On 31 August 2017, the Management Board of the Bank made a decision on winding up of the company and signed a notarial statement on the summary winding up of KBM Invest d.o.o. without liquidation. The company was deleted from the court register on 13 October 2017.

On 10 March 2017, Nova KBM and the sellers, Sumitomo Corporation and Sumitomo Corporation Europe Limited, entered into the Contract on purchasing a 100-% equity stake in Summit Leasing Slovenija (hereinafter SLS). After all necessary regulatory approvals had been obtained and all the conditions from the sales contract met, Nova KBM completed the acquisition on 18 September 2017.

Istra Plan d.o.o., the project finance company which was 100 % owned by the subsidiary, KBM Invest d.o.o, was sold in August 2017.

Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

€000

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
1	Assets							
2	Cash, cash balances at central banks and demand deposits at banks	547,408	547,408	547,408				-547
3	Financial assets held for trading	1,524	1,524		510		1,174	-2
4	Financial assets designated at fair value through profit or loss	17,237	17,237	3,264			13,973	-17
5	Available-for-sale financial assets	1,621,581	1,621,581					-1,622
6	Loans	2,464,427	2,464,427	2,464,427				
7	Held-to-maturity financial assets	94,640	94,640	94,640				
8	Non-current assets held for sale and discontinued operations	8,602	8,602	8,602				
9	Property, plant and equipment	61,223	61,223	61,223				
10	Investment property	28,576	28,576	28,576				-29
11	Intangible assets	27,197	27,197					-27,197
12	Long-term investments in the equity of subsidiaries, associates and joint ventures	0	0					
13	Current income tax assets	21,087	21,087	5,129				-20,516
14	Other assets	35,566	35,566	35,566				-8
15	**Total assets**	**4,929,068**	**4,929,068**	**3,248,836**	**510**	**0**	**15,147**	**-49,937**

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
16	Liabilities	0						
17	Financial liabilities held for trading	1,024	1,024		1,024			-1
18	Financial liabilities measured at amortised cost	4,168,064	4,168,064					
19	Provisions	49,445	49,445					
20	Current income tax liabilities	393	393					
21	Other liabilities	13,709	13,709					
22	**Total liabilities**	**4,232,634**	**4,232,634**	**0**	**1,024**	**0**	**0**	**-1**
23	Share capital	2,160	2,160					
24	Share premium	218,526	218,526					-686
25	Capital related to compound financial instruments	714	714					-714
26	Revaluation surplus	-271	-271					-5,457
27	Translation reserves	-5	-5					
28	Reserves from profit	271	271					
29	Retained earnings/losses	430,400	430,400					
30	Net profit/loss	41,614	41,614					-41,614
31	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT**	**693,408**	**693,408**	**0**	**0**	**0**	**0**	**-48,470**
32	Equity attributable to non-controlling interests	3,025	3,025					-3,025
33	**TOTAL EQUITY**	**696,434**	**696,434**	**0**	**0**	**0**	**0**	**-51,496**
34	**TOTAL LIABILITIES AND EQUITY**	**4,929,068**	**4,929,068**	**0**	**1,024**	**0**	**0**	**-51,497**

Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

€000

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**4,929,068**	**3,248,836**	**510**		**15,147**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	4,929,068		1,024		
3	Total net amount under the regulatory scope of consolidation	4,929,068	3,248,836	1,534		15,147
4	Off-balance-sheet amounts	702,097	207,692	1,824		297
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions					
8	Differences due to prudential filters	-7,682				
9	*Differences due to deductions*	-93,751				
10	**Exposure amounts considered for regulatory purposes**	**3,968,710**	**3,456,528**	**2,334**	**0**	**15,444**

Template 3: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

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

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

(Article 436 (c) of the Regulation)

Subject to observance of regulatory requirements applicable to the operations of each Group company within the Group, there are no legal impediments to the transfer of own funds or repayment of liabilities between the Parent Company and its subsidiaries. Currently, particular attention is being devoted to the companies that are undergoing liquidation proceedings, where the target is to conclude as many as possible of the transactions and court actions during the liquidation proceedings, which represents a significant practical and legal obstacle to completing the liquidation proceedings and transferring the remaining assets to Nova KBM d.d.

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

(Article 436 (d) of the Regulation)

The Bank includes all the subsidiaries in the consolidation based supervision, including the company SLS d.o.o. acquired in 2017.

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

(Article 436 (e) of the Regulation)

This disclosure is not applicable for Nova KBM d.d.

4. Own Funds

This section defines disclosure requirements referred to in Article 436(1) of Part 8 of CRR and in Commission implementing regulation (EU) No 1423/2013 of 20 December 2013.

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

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

The scope of consolidation and the method used to consolidate the statement of financial position are the same as the scope and the method of consolidation set out in Chapter 2, Part One, Title II of the Regulation.
The table below shows the difference between the balance sheet and regulatory capital of Nova KBM as at 31 December 2017.

Table 2: Reconciliation of regulatory capital items and the balance sheet capital

€000

	Item	Biser Topco Group	Nova KBM Group
1.	Shareholders' equity	699,434	700,414
2.	+/- Adjustments	-104,433	-126,021
3.	Net profit for the financial year without ECB's permission for inclusion in regulatory capital	-44,614	-49,089
4.	Intangible assets	-27,197	-27,197
5.	Deferred tax assets	-20,516	-20,211
6.	Translation reserves	-5	-184
7.	Non-controlling interests	-3,025	-3,025
8.	Revaluation surplus in respect of available-for-sale financial assets	-5,451	-24,091
9.	Other revaluations/deductions	-1,400	0
10.	Other deductible items	-2,225	-2,224
11.	**Common equity Tier-1 capital (1–2)**	**595,001**	**574,393**

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

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

Table below presents the data on equity instruments of the Biser Topco Group and the Nova KBM Group.

The composition of capital and changes in 2017 are detailed in the Nova KBM Group and Nova KBM d.d. 2017 Annual Report, in notes to financial statements, Note 4.6 Capital risk

Table 3: Main features of the Nova KBM Group's capital instruments

	Capital instruments main features template ([1])		
1	Issuer	Biser Topco S.à r.l.	Nova KBM d.d.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)		SI0021116494
3	Governing law(s) of the instruments	Grand Duchy of Luxembourg, in particular the law of August 10, 1915 on commercial companies, as amended	ZGD, ZTFI, ZNVP
	Regulatory treatment	CRR	CRR
4	Transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital
5	Post transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated	Consolidated	Solo and sub-consolidated
7	Instrument type (to be specified by each jurisdiction)	Common equity Tier-1 capital	Common equity Tier-1 capital
8	Amount recognised in the regulatory capital (€million; as of the most recent reporting date)	€220 million	€553 million
9	Nominal amount of instrument	Share: €2.2 million Share premium: €217.8 million	€150 million
9a	Issue price	Shares: €1 per share; Share premium; €100.85 per share	€87 per share
9b	Redemption price	N/A	N/A
10	Accounting classification	Equity	Equity
11	Original date of issuance	13 April 2016	19 December 2013
12	Perpetual or dated	N/A	Perpetual
13	Original date of issuance	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends	N/A	N/A
17	Fixed or floating dividend/coupon	N/A	N/A
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	N/A

Capital instruments main features template ([1])			
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)		Ordinary liabilities
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A

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

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

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

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

Common Equity Tier 1 capital comprises:

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

Neither of the Groups has additional Tier-1 instruments.

Neither of the Groups has Tier-2 instruments.

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

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

In 2017, the Groups are disclosing the amount of regulatory capital as at 31 December 2017, and regulatory capital items for which transitional periods apply in accordance with CRR and other regulations. The group is disclosing the following:

(i) Prudential filters used in accordance with Articles 32 to 35;
(ii) Deductions in accordance with Articles 36, 56 and 66;
(iii) Non-deducted items in accordance with Articles 47, 48, 56, 66 and 79;

Table 4: Biser Topco Group's regulatory capital nature and amounts

€000

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(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	220,000	26(1), 27, 28, 29, 26(3), EBA list	
	Of which: Paid-in capital instruments	2,160	26(3), EBA list	
	Of which: Paid-in capital surplus	217,840	26(3), EBA list	
2	Retained earnings	430,400	26(1)c	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	271	26/1	5,420
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 (CET-1) capital: regulatory adjustments	650,671		5,420
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-2,225	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-27,197	36(1)(b), 37, 472(4)	
9	Empty Set in the EU			

Common Equity Tier-1 (CET-1) capital: instruments and reserves		(A) Amount 31/12/2017	(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
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)	-20,516	36(1)(c), 38, 472(5)	-5,129
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)	

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(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
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38,48(1)(a), 470, 472(5)	
22	Amount exceeding the 15 % threshold (negative amount)		48(1)	
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(ii), 48(1)(b), 470, 472(11)	
24	Empty Set in the EU			
25	Of which: deferred tax assets arising from temporary differences		36(1)(c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)	
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-5,732		
	Of which: ... filter for unrealised loss 1		467	
	Of which: ... filter for unrealised loss 2		467	
	Of which: ... filter for unrealised gain 1		468	
	Of which: ... filter for unrealised gain 2		468	
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre-CRR	0	481	
	Of which: ...		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) capital**	-55,670		291
29	**Common equity Tier-1 capital**	595,001		595,292
Additional Tier-1 (AT 1) capital: instruments				
30	Capital instruments and the related share premium accounts		51, 52	
31	Of which: classified as equity under applicable accounting standards			

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(B) Regulation (EU) No 575/2013 Article reference	(C) Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013
32	Of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)	
	Public sector capital injections grandfathered until 1 January 2018		483(3)	
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**			
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79, 475(4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to AT1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts deducted from AT1 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(B) Regulation (EU) No 575/2013 Article reference	(C) Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013
	Of which: 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 AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		477, 477(3), 477(4)(a)	
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.			
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	595,001		595,292
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				

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(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
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79, 477(4)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79, 477(4)	
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	Of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)	
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.			
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(B) Regulation (EU) No 575/2013 Article reference	(C) Amounts subject to pre-Regulation (EU) No 575/2013 treatment or prescribed residual amount of Regulation (EU) No 575/2013
	Of which: ...possible filter for unrealised 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)**	595,001		595,292
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 crossholdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		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**	2,818,878		2,813,749
Capital ratios and buffers				
61	CET1 (as a percentage of risk exposure amount)	21.11 %	92(2)(a), 465	21.16 %
62	T1 (as a percentage of risk exposure amount)	21.11 %	92(2)(b), 465	21.16 %

	Common Equity Tier-1 (CET-1) capital: instruments and reserves	(A) Amount 31/12/2017	(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
63	Total capital (as a percentage of risk exposure amount)	21.11 %	92(2)(c)	21.16 %
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	CET1 available to meet buffers (as a percentage of risk exposure amount)		128 (CRD)	
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	90	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)	511	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)	-8,039	36(1)(c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 capital in respect of exposures subject to the Standardised Approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 capital under the Standardised Approach		62	

Common Equity Tier-1 (CET-1) capital: instruments and reserves		(A) Amount 31/12/2017	(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
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 capital under the internal ratings-based approach		62	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)	
82	Current cap on AT1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)	
84	Current cap on T2 instruments subject to phase-out arrangements		484(3), 486(2) and (58)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)	

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

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

Data are presented in Table in section 4.4.

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

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

This disclosure is not applicable for Nova KBM d.d.

5. Capital requirements

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

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

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

(Article 438 (a) of the Regulation)

The Group has the Risk Appetite Strategy, including the Risk Appetite Statement in place at the levels of the Nova KBM Group the Biser Topco Group. The Bank drafted in the document the Risk Appetite Statement setting out its risk-taking capacity.

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

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

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

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

Table 5: Identified and assessed risks

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

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

(Article 438 (b) of the Regulation)

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

5.3 Information regarding 8 % of the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 3 for each of the exposure classes specified in Article 112 of the Regulation

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

The Group discloses the amounts according to the provisions of Chapter 46, paragraph 69 of the Guidelines. As at the date of reporting, capital requirements exceed the respective amount for the previous period by €324.3 million. The change in risk-weighted exposure at the reporting date of 31 December 2017 compared to 31 December 2016 is primarily associated with:

- Implementation of legislative amendments and business decisions of the Bank under the new methodology used to calculate capital requirements for credit risk,
- The authorisation to include equity instruments in the regulatory capital of the Biser Topco Group obtained from the ECB,

- Acquisition of KBS banka d.d. at the beginning of 2017 and the merger by acquisition of Summit Leasing Slovenia d.o.o. in September 2017,
- Migration of data on collateral for the loan portfolio of KBS banka,
- Modification in the Group's investment policy focusing on assuming higher risks,
- Reducing the default exposure portfolio,
- Movements in value adjustments of investments,
- Liquidation, merger and sale of strategically immaterial subsidiaries.

Template 4: EU OV1 – Overview of RWAs of the Biser Topco Group

€000

			RWAs		Minimum capital requirements
			31/12/2017	31/12/2016	31/12/2017
	1	**Credit risk (excluding counterparty credit risk – CCR)**	**2,445,813**	**2,148,570**	**195,665**
Article 438(c)(d)	2	Of which the standardised approach	2,445,813	2,148,570	195,665
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
Article 107, Article 438(c)(d)	**6**	**CCR**	**1,318**	**859**	**105**
Article 438(c)(d)	7	Of which mark to market	1,294	841	103
Article 438(c)(d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	0	0	0
	10	Of which internal model method (IMM)	0	0	0
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Article 438(c)(d)	12	Of which credit value adjustment (CVA)	24	18	2
438(e)	**13**	**Settlement risk**	0	0	0
Article 449(o)(i)	**14**	**Securitisation exposures in the banking book (after the cap)**	0	0	0
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0

			RWAs		Minimum capital requirements
			31/12/2017	31/12/2016	31/12/2017
	18	Of which the standardised approach	0	0	0
Article 438(e)	**19**	**Market risks**	**47,594**	**52,909**	**3,808**
	20	Of which the standardised approach	47,594	52,909	3,808
	21	Of which IMA	0	0	0
Article 438(e)	**22**	**Large exposures**			
Article 438(f)	**23**	**Operational risk**	**324,153**	**303,824**	**25,932**
	24	Of which basic indicator approach	324,153	303,824	25,932
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
Article 437(2), Article 48 and Article 60	**27**	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	0	0	0
Article 500	**28**	**Floor adjustment**	0	0	0
	29	**Total**	**2,818,878**	**2,506,162**	**225,510**

Template 5: EU OV1 – Overview of RWAs of the Nova KBM Group

€000

			RWAs		Minimum capital requirements
			31/12/2017	31/12/2016	31/12/2017
	1	**Credit risk (excluding counterparty credit risk – CCR)**	**2,442,750**	**1,920,711**	**195,420**
Article 438(c)(d)	2	Of which the standardised approach	2,442,750	1,920,711	195,420
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	0	0	0
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
Article 107, Article 438(c)(d)	**6**	**CCR**	**1,318**	**1,001**	**105**
Article 438(c)(d)	7	Of which mark to market	0	0	0

			RWAs		Minimum capital requirements
			31/12/2017	31/12/2016	31/12/2017
Article 438(c)(d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	1,294	983	103
	10	Of which internal model method (IMM)	0	0	0
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Article 438(c)(d)	12	Of which credit value adjustment (CVA)	24	18	2
Article 438(e)	**13**	**Settlement risk**	**0**	**0**	**0**
Article 449(o)(i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**0**	**0**	**0**
	15	Of which IRB approach	0	0	0
	16	Of which IRB supervisory formula approach (SFA)	0	0	0
	17	Of which internal assessment approach (IAA)	0	0	0
	18	Of which the standardised approach	0	0	0
Article 438(e)	**19**	**Market risks**	**47,594**	**41,829**	**3,808**
	20	Of which the standardised approach	47,594	41,829	3,808
	21	Of which IMA	0	0	0
Article 438(e)	**22**	**Large exposures**			
Article 438(f)	**23**	**Operational risk**	**356,382**	**259,323**	**28,511**
	24	Of which basic indicator approach	356,382	259,323	28,511
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	0	0	0
Article 437(2), Article 48 and Article 60	**27**	**Amounts below the thresholds for deduction (subject to 250 % risk weight)**	0	0	0
Article 500	**28**	**Floor adjustment**	0	0	0
	29	**Total**	**2,848,043**	**2,222,864**	**227,843**

Both groups have the same portfolio of capital investments, since the Biser Topco Group has no authorisations or licences to carry out any activity. As at 31 December 2017, the two Groups have a significant equity investment in the insurance company Skupina prva zavarovalnica not deducted from regulatory capital. For this investment, the Group calculates risk-weighted exposure for credit risk. The investment is classified in equity exposures and assigned the risk weight of 250 %.

Template 6: EU INS1 – Non-deducted participations in insurance undertakings

€000

	Values
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	90
Total RWAs	225

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

(Article 438 (d) of the Regulation)

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

5.5 Disclosure of the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight 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 does not apply to the Group, because it does not use the IRB approach in calculating capital requirements for credit risk.

6. Exposure to counterparty credit risk (CCR)

This section defines disclosure requirements referred to in Article 439 of Part 8 of CRR and the Chapter 4.11 of the Guidelines

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

(Article 439 (a) of the Regulation)

The calculation of internal capital needed to support the transactions in derivatives, repo transactions and securities lending transactions is carried out in accordance with an internal methodology determining the method of internal capital calculation. In 2017, the calculation of internal capital for the transactions referred to above was carried out in accordance with an internal model based on the VaR methodology.

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

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

6.2 Description of policies for securing collateral and establishing credit reserves

(Article 439 (b) of the Regulation)

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

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

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

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

(Article 439 (c) of the Regulation)

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

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

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

(Article 439 (d) of the Regulation)

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

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

(Article 439 (e) of the Regulation)

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

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

(Article 439 (f) of the Regulation)

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

Repo transactions are valued as the difference between the current value of investment (nominal amount plus accrued interest) and the current value of collateral (market value of the securities). The maximum exposure may be in the agreed amount, and additional collateral must be provided if the set limits are exceeded. Counterparty exposure is 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.

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

€000

		a	b	c	d	e	f
		Notional	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure (hereinafter: EEPE)	Multiplier	RWAs
1	Mark to market		510	1,824			1,294
2	Original exposure						
3	Standardised approach						
4	Internal model method (IMM) (for derivatives and SFT)						
5	Of which securities financing transactions (SFT)						
6	Of which derivatives and long settlement transactions						
7	Of which from contractual cross-product netting						
8	Financial collateral simple method (for SFTs)						
9	Financial collateral comprehensive method (for SFTs)						
10	VaR for SFTs VaR for SFTs:						
11	**Total**						**1,294**

Credit value adjustment – CVA

„Credit value adjustment" (CVA) means the adjustment of the counterparty transactions portfolio to the valuation at the mean market value. The said adjustment made for the institution reflects the current market value of counterparty credit risk, but does not reflect the current market value of the institution's credit risk to the counterparty. The template below discloses the data at the level of the Biser Topco Group as at 31 December 2017.

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

€000

		Exposure value	RWAs
1	Total portfolios subject to the advanced method		0
2	(i) VaR component (including the 3x multiplier)		0
3	(ii) Stress value at risk component (hereinafter: SVaR) (including the 3× multiplier):		0
4	All portfolios subject to the standardised method	457	24
5	Based on the original exposure method		0
6	Total subject to the CVA capital charge	**457**	**2**

Exposure to central counterparties

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

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

(Article 439 (g) of the Regulation)

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

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

(Article 439 (h)of the Regulation)

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

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

(Article 439 (i) of the Regulation)

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

7. Capital buffers

(Article 440 of the Regulation)

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

The Group calculates the overall capital buffer above the minimum capital adequacy ratio. As at the reporting date, 31 December 2017, the Group included in the overall buffer the following components:

- A capital conservation buffer equalling 1.25 %, as provided for under the transitional provisions of Article 391(1)(1) of the ZBan-2 and CRD,
- An institution-specific countercyclical capital buffer in the amount as presented in Table in section 7.1. The Bank complies with the provisions of Article 391(1)(2) of the ZBan-2 – institution-specific countercyclical buffer does not exceed 1.25 % of the total risk exposure amount.

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

(Article 440 (a) of the Regulation)

Table 6: Geographic distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of the Biser Topco Group

€000

By country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for standardised approach (SA)	Exposure value for internal rating approach (IRB)	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total	Own funds requirements weights	Countercyclical capital buffer rate
	10	20	30	40	50	60	70	80	90	100	110	120
UNITED ARAB EMIRATES	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ALBANIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ARGENTINA	4	0	0	0	0	0	0	0	0	0	0.0	0.0
AUSTRIA	5,895	0	0	0	0	0	460	0	0	460	0.3	0.0
AUSTRALIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
AZERBAIJAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
BOSNIA AND HERZEGOVINA	59	0	0	0	0	0	4	0	0	4	0.0	0.0
BELGIUM	5,177	0	0	0	0	0	414	0	0	414	0.2	0.0
BULGARIA	9	0	0	0	0	0	1	0	0	1	0.0	0.0
BRAZIL	42	0	0	0	0	0	3	0	0	3	0.0	0.0
BELIZE	0	0	0	0	0	0	0	0	0	0	0.0	0.0
CANADA	3,231	0	0	0	0	0	129	0	0	129	0.1	0.0
SWITZERLAND	158	0	0	0	0	0	9	0	0	9	0.0	0.0
CHINA	0	0	0	0	0	0	0	0	0	0	0.0	0.0

By country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for standardised approach (SA)	Exposure value for internal rating approach (IRB)	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total	Own funds requirements weights	Countercyclical capital buffer rate
	10	20	30	40	50	60	70	80	90	100	110	120
CYPRUS	3	0	0	0	0	0	0	0	0	0	0.0	0.0
CZECH REPUBLIC	4	0	0	0	0	0	0	0	0	0	0.0	0.5
GERMANY	22,931	0	0	0	0	0	1,874	0	0	1,874	1.0	0.0
DENMARK	3,324	0	0	0	0	0	266	0	0	266	0.1	0.0
DOMINICAN REPUBLIC	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ECUADOR	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ESTONIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SPAIN	25	0	0	0	0	0	3	0	0	3	0.0	0.0
FINLAND	0	0	0	0	0	0	0	0	0	0	0.0	0.0
FRANCE	14,999	0	0	0	0	0	1,200	0	0	1,200	0.7	0.0
UNITED KINGDOM	24,688	0	0	0	0	0	1,786	0	0	1,786	1.0	0.0
GHANA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
GAMBIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
GREECE	128	0	0	0	0	0	8	0	0	8	0.0	0.0
HONG KONG	1	0	0	0	0	0	0	0	0	0	0.0	1.3
CROATIA	19,155	0	0	0	0	0	2,044	0	0	2,044	1.1	0.0
HUNGARY	388	0	0	0	0	0	30	0	0	30	0.0	0.0
IRELAND	3,074	0	0	0	0	0	246	0	0	246	0.1	0.0
ISRAEL	1	0	0	0	0	0	0	0	0	0	0.0	0.0
INDIA	7	0	0	0	0	0	0	0	0	0	0.0	0.0
ISLAND	0	0	0	0	0	0	0	0	0	0	0.0	1.3
ITALY	393	0	0	0	0	0	21	0	0	21	0.0	0.0
JORDAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
JAPAN	3,144	0	0	0	0	0	126	0	0	126	0.1	0.0
KUWAIT	0	0	0	0	0	0	0	0	0	0	0.0	0.0
KAZAKHSTAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
LUXEMBOURG	14,636	0	0	0	0	0	1,350	0	0	1,350	0.7	0.0
LATVIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MOLDOVA, REPUBLIC OF	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MONTENEGRO	5	0	0	0	0	0	0	0	0	0	0.0	0.0
MADAGASCAR	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MACEDONIA	17	0	0	0	0	0	1	0	0	1	0.0	0.0
MALAYSIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MOZAMBIQUE	0	0	0	0	0	0	0	0	0	0	0.0	0.0
NIGERIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
THE NETHERLANDS	15,683	0	0	0	0	0	1,255	0	0	1,255	0.7	0.0
NEW ZEALAND	0	0	0	0	0	0	0	0	0	0	0.0	0.0
POLAND	1	0	0	0	0	0	0	0	0	0	0.0	0.0
PORTUGAL	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ROMANIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0

By country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for standardised approach (SA)	Exposure value for internal rating approach (IRB)	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total	Own funds requirements weights	Countercyclical capital buffer rate
	10	20	30	40	50	60	70	80	90	100	110	120
SERBIA	11,531	0	0	0	0	0	1,087	0	0	1,087	0.6	0.0
RUSSIAN FEDERATION	15	0	0	0	0	0	1	0	0	1	0.0	0.0
SAUDI ARABIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SWEDEN	3,138	0	0	0	0	0	251	0	0	251	0.1	1.3
SLOVENIA	2,640,683	0	32,001	0	0	0	161,011	2,560	0	163,571	90.3	0.0
SLOVAKIA	561	0	0	0	0	0	34	0	0	34	0.0	0.0
SAN MARINO	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SOMALIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
TUNIS	0	0	0	0	0	0	0	0	0	0	0.0	0.0
TURKEY	2	0	0	0	0	0	0	0	0	0	0.0	0.0
UKRAINE	29	0	0	0	0	0	2	0	0	2	0.0	0.0
UNITED STATES MINOR OUTLYING ISLANDS	0	0	0	0	0	0	0	0	0	0	0.0	0.0
UNITED STATES OF AMERICA	68,526	0	0	0	0	0	4,898	0	0	4,898	2.7	0.0
VENEZUELA, BOLIVARIAN REPUBLIC OF	0	0	0	0	0	0	0	0	0	0	0.0	0.0
KOSOVO	16	0	0	0	0	0	1	0	0	1	0.0	0.0

Table 7: Geographic distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of the Nova KBM Group

€000

By country	General credit exposures		Trading book exposure		Securitisation exposure		Capital requirements				Own funds requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Exposure value for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
UNITED ARAB EMIRATES	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ALBANIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ARGENTINA	4	0	0	0	0	0	0	0	0	0	0.0	0.0
AUSTRIA	5,895	0	0	0	0	0	460	0	0	460	0.3	0.0
AUSTRALIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
AZERBAIJAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
BOSNIA AND HERZEGOVINA	59	0	0	0	0	0	4	0	0	4	0.0	0.0
BELGIUM	5,177	0	0	0	0	0	414	0	0	414	0.2	0.0
BULGARIA	9	0	0	0	0	0	1	0	0	1	0.0	0.0
BRAZIL	42	0	0	0	0	0	3	0	0	3	0.0	0.0
BELIZE	0	0	0	0	0	0	0	0	0	0	0.0	0.0
CANADA	3,231	0	0	0	0	0	129	0	0	129	0.1	0.0
SWITZERLAND	158	0	0	0	0	0	9	0	0	9	0.0	0.0
CHINA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
CYPRUS	3	0	0	0	0	0	0	0	0	0	0.0	0.0
CZECH REPUBLIC	4	0	0	0	0	0	0	0	0	0	0.0	0.5
GERMANY	22,931	0	0	0	0	0	1,874	0	0	1,874	1.0	0.0
DENMARK	3,324	0	0	0	0	0	266	0	0	266	0.1	0.0
DOMINICAN REPUBLIC	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ECUADOR	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ESTONIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SPAIN	25	0	0	0	0	0	3	0	0	3	0.0	0.0
FINLAND	0	0	0	0	0	0	0	0	0	0	0.0	0.0
FRANCE	14,999	0	0	0	0	0	1,200	0	0	1,200	0.7	0.0
UNITED KINGDOM	24,688	0	0	0	0	0	1,786	0	0	1,786	1.0	0.0
GHANA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
GAMBIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
GREECE	128	0	0	0	0	0	8	0	0	8	0.0	0.0
HONG KONG	1	0	0	0	0	0	0	0	0	0	0.0	1.3
CROATIA	19,155	0	0	0	0	0	2,044	0	0	2,044	1.1	0.0
HUNGARY	388	0	0	0	0	0	30	0	0	30	0.0	0.0
IRELAND	3,074	0	0	0	0	0	246	0	0	246	0.1	0.0
ISRAEL	1	0	0	0	0	0	0	0	0	0	0.0	0.0
INDIA	7	0	0	0	0	0	0	0	0	0	0.0	0.0
ISLAND	0	0	0	0	0	0	0	0	0	0	0.0	1.3

By country	General credit exposures		Trading book exposure		Securitisation exposure		Capital requirements				Own funds requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Exposure value for IRB	Sum of long and short positions of trading book exposures	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	Of which: general credit exposures	Of which: trading book exposure	Of which: securitisation exposure	Total		
	10	20	30	40	50	60	70	80	90	100	110	120
ITALY	393	0	0	0	0	0	21	0	0	21	0.0	0.0
JORDAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
JAPAN	3,144	0	0	0	0	0	126	0	0	126	0.1	0.0
KUWAIT	0	0	0	0	0	0	0	0	0	0	0.0	0.0
KAZAKHSTAN	0	0	0	0	0	0	0	0	0	0	0.0	0.0
LUXEMBOURG	14,659	0	0	0	0	0	1,352	0	0	1,352	0.7	0.0
LATVIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MOLDOVA, REPUBLIC OF	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MONTENEGRO	5	0	0	0	0	0	0	0	0	0	0.0	0.0
MADAGASCAR	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MACEDONIA	17	0	0	0	0	0	1	0	0	1	0.0	0.0
MALAYSIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
MOZAMBIQUE	0	0	0	0	0	0	0	0	0	0	0.0	0.0
NIGERIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
THE NETHERLANDS	15,683	0	0	0	0	0	1,255	0	0	1,255	0.7	0.0
NEW ZEALAND	0	0	0	0	0	0	0	0	0	0	0.0	0.0
POLAND	1	0	0	0	0	0	0	0	0	0	0.0	0.0
PORTUGAL	0	0	0	0	0	0	0	0	0	0	0.0	0.0
ROMANIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SERBIA	11,531	0	0	0	0	0	1,087	0	0	1,087	0.6	0.0
RUSSIAN FEDERATION	15	0	0	0	0	0	1	0	0	1	0.0	0.0
SAUDI ARABIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SWEDEN	3,138	0	0	0	0	0	251	0	0	251	0.1	1.3
SLOVENIA	2,638,095	0	4,056	0	0	0	160,805	2,560	0	163,365	90.3	0.0
SLOVAKIA	561	0	0	0	0	0	34	0	0	34	0.0	0.0
SAN MARINO	0	0	0	0	0	0	0	0	0	0	0.0	0.0
SOMALIA	0	0	0	0	0	0	0	0	0	0	0.0	0.0
TUNIS	0	0	0	0	0	0	0	0	0	0	0.0	0.0
TURKEY	2	0	0	0	0	0	0	0	0	0	0.0	0.0
UKRAINE	29	0	0	0	0	0	2	0	0	2	0.0	0.0
UNITED STATES MINOR OUTLYING ISLANDS	0	0	0	0	0	0	0	0	0	0	0.0	0.0
UNITED STATES OF AMERICA	68,526	0	0	0	0	0	4,898	0	0	4,898	2.7	0.0
VENEZUELA, BOLIVARIAN REPUBLIC OF	0	0	0	0	0	0	0	0	0	0	0.0	0.0
KOSOVO	16	0	0	0	0	0	1	0	0	1	0.0	0.0

7.2 The amount of institution-specific countercyclical capital buffer

(Article 440 (b) of the Regulation)

Table 8: The amount of institution-specific countercyclical capital buffer

€000

	31/12/2017 Biser Topco Group	31/12/2017 Nova KBM Group
Total risk exposure amount	2,818,878	2,848,043
Countercyclic capital buffer rate	0	0
Institution-specific countercyclical capital buffer	0	0

8. Indicators of global systemic importance

(Article 441 of the Regulation)

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

9. Credit risk adjustments

9.1 General qualitative information about credit risk

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

(Article 442 (a) of the Regulation)

The Group treats as past due items all on- and off-balance-sheet items for which a counterparty has not met its contractual obligations on time and within the agreed scope.
Impaired items for accounting purposes are all non-performing on- and off-balance-sheet exposures for which the Group has recognised impairments or provisions. Impairments and provisions are also recorded on performing exposures, which are impaired using the collective impairment rates applicable to the respective groups of performing financial assets and commitments.
Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2017 Annual Report of the Nova KBM Group and Nova KBM d.d., in the notes to the financial statements (Note 3.4.6: Impairments of financial assets.

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

(Article 442 (b) of the Regulation)

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

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

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

The Group assesses on a daily basis whether impartial evidence exists, or events have occurred since recognition of an asset, and whether these events have an impact on the future cash flows of a financial asset or a group of financial assets, or assessed future payments for off-balance-sheet commitments. Significant information that indicates impairment of a financial asset or the possibility of a loss under off-balance-sheet commitments includes: non-fulfilment of obligations to the Group companies, significant financial difficulties of the debtor, and the likelihood of their bankruptcy, compulsory composition or a financial reorganisation.

Each significant financial asset and off-balance-sheet item are assessed individually for impairment.

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

Individually insignificant financial assets and off-balance-sheet commitments 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 methodology for assessing collective impairment and provisioning rates is based on:

- A 3-year average of the 12-month default rates of D- and E-rated customers (customers classified in the credit rating categories 10, 11 and 12),
- An assessment of default rates (LGD).

9.2 General quantitative information about credit risk

This section defines requirements referred to in Article 442(c) of Part 8 of CRR and the Chapter 4.8 of the Guidelines.
Notes regarding exposure changes or risk-weighted assets for disclosures under this chapter as at 31 December 2017 compared to the previous reporting date, 31 December 2016, are given under Chapter 5.3.

9.2.1 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)

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

€000

		a Net exposure value	b Average net exposures over the period
1	Central governments or central banks	1,473,519	1,715,332
2	Regional governments or local authorities	17,051	16,957
3	Public sector entities	130,756	70,631
4	Multilateral development banks	15,764	15,845
5	International organisations	12,462	12,507
6	Institutions	539,162	555,986
7	Corporates	1,010,470	872,000
8	Of which: SMEs	971,727	829,878
9	Retail exposures	1,515,492	1,266,069
10	Of which: SMEs	203	1,802
11	Exposures secured by mortgages on immovable property	320,433	411,178

12	Of which: SMEs	85,375	95,017
13	Exposures in default	206,755	228,380
14	Items associated with particular high risk	27,679	29,144
15	Covered bonds	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,727	29,286
18	Equity exposures	1,504	1,361
19	Other exposures	261,736	254,874
20	**Total standardised approach**	**5,560,509**	**5,479,552**

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

€000

		a Net exposure value	b Average net exposures over the period
1	Central governments or central banks	1,468,984	1,710,161
2	Regional governments or local authorities	17,051	16,957
3	Public sector entities	130,756	70,631
4	Multilateral development banks	15,764	15,845
5	International organisations	12,462	12,507
6	Institutions	538,275	537,634
7	Corporates	1,009,024	870,267
8	Of which: SMEs	970,282	828,145
9	Retail exposures	1,515,492	1,266,246
10	Of which: SMEs	203	1,979
11	Exposures secured by mortgages on immovable property	320,433	411,178
12	Of which: SMEs	85,375	95,017
13	Exposures in default	206,755	228,380
14	Items associated with particular high risk	27,679	29,144
15	Covered bonds	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	27,727	29,286
18	Equity exposures	1,504	1,362
19	Other exposures	260,618	253,756
20	**Total standardised approach**	**5,552,523**	**5,453,356**

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

(Article 442 (d) of the Regulation)

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

€000

		a	b	c	d	e	f
		Net amount					
		Significant area 1 EU countries by CRR	*Slovenia*	*EU Countries other than Slovenia by CRR*	Significant area 2 Other European countries	Other geographical areas	Total
1	Central governments or central banks	1,462,564	887,180	575,384	95	10,860	1,473,519
2	Regional governments or local authorities	8,276	8,276	0	0	8,774	17,051
3	Public sector entities	130,756	99,886	30,870	0	0	130,756
4	Multilateral development banks	15,764	0	15,764	0	0	15,764
5	International organisations	12,462	0	12,462	0	0	12,462
6	Institutions	500,662	4,069	496,593	335	38,165	539,162
7	Corporates	936,589	813,280	123,309	8	73,873	1,010,470
8	Retail exposures	1,514,500	1,510,758	3,742	867	125	1,515,492
9	Exposures secured by mortgages on immovable property	320,421	320,112	309	13	0	320,433
10	Exposures in default	197,247	194,072	3,175	9,508	0	206,755
11	Items associated with particular high risk	27,679	13,885	13,793	0	0	27,679
12	Covered bonds	0	0	0	0	0	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	27,727	27,727	0	0	0	27,727
15	Equity exposures	511	511	0	0	992	1,504
16	Other exposures	260,303	259,873	431	1,433	0	261,736
17	**Total standardised approach**	**5,415,460**	**4,139,628**	**1,275,832**	**12,258**	**132,791**	**5,560,509**
18	**Total**	**5,415,460**	**4,139,628**	**1,275,832**	**12,258**	**132,791**	**5,560,509**

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

€000

		a	b	c	d	e	f
		Net amount					
		Significant area 1 EU countries by CRR	*Slovenia*	*EU Countries other than Slovenia by CRR*	Significant area 2 Other European countries	Other geographical areas	Total
1	Central governments or central banks	1,458,028	882,854	575,174	95	10,860	1,468,984
2	Regional governments or local authorities	8,276	8,276	0	0	8,774	17,051
3	Public sector entities	130,756	99,886	30,870	0	0	130,756
4	Multilateral development banks	15,764	0	15,764	0	0	15,764
5	International organisations	12,462	0	12,462	0	0	12,462
6	Institutions	499,775	4,069	495,706	335	38,165	538,275
7	Corporates	935,143	811,811	123,333	8	73,873	1,009,024
8	Retail exposures	1,514,500	1,510,758	3,742	867	125	1,515,492
9	Exposures secured by mortgages on immovable property	320,421	320,112	309	13	0	320,433
10	Exposures in default	197,247	194,072	3,175	9,508	0	206,755
11	Items associated with particular high risk	27,679	13,885	13,793	0	0	27,679
12	Covered bonds	0	0	0	0	0	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	27,727	27,727	0	0	0	27,727
15	Equity exposures	511	511	0	0	992	1,504
16	Other exposures	259,185	258,755	431	1,433	0	260,618
17	**Total standardised approach**	**5,407,474**	**4,132,715**	**1,274,759**	**12,258**	**132,791**	**5,552,523**
18	**Total**	**5,407,474**	**4,132,715**	**1,274,759**	**12,258**	**132,791**	**5,552,523**

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

(Article 442 (e) of the Regulation)

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

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	419,648	0	0	36,012	1,012,742	0	0	0	0	0	5,118	1,473,519
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17,051	0	0	0	0	0	0	17,051
3	Public sector entities	0	0	0	0	0	0	22	10,837	30	3	9,968	0	296	95,316	10,106	1,011	2,917	253	0	0	0	130,756
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	15,764	0	0	0	0	0	0	0	0	0	0	15,764
5	International organisations	0	0	0	0	0	0	0	0	0	0	8,355	0	4,106	0	0	0	0	0	0	0	0	12,462
6	Institutions	0	0	0	0	0	0	0	0	0	0	539,162	0	0	0	0	0	0	0	0	0	0	539,162
7	Corporates	10,512	15,205	309,360	86,335	33,345	80,547	123,743	55,414	11,336	45,609	145,043	6,940	44,446	9,070	0	9,036	12,795	11,732	1	0	0	1,010,470
8	Retail exposures	8,080	78	53,819	4,672	2,438	34,684	57,253	21,240	12,661	7,403	1,163	3,200	21,115	9,720	1,039	2,597	4,171	1,807	3,939	2,398	1,262,013	1,515,492
9	Exposures secured by mortgages on immovable property	5,192	4,228	31,882	565	6,704	16,532	23,096	5,550	10,494	2,220	4,261	2,028	5,860	2,313	13	750	1,137	21,869	555	322	174,862	320,433
10	Exposures in default	2,682	0	34,710	167	811	20,130	46,337	14,746	11,164	2,391	9,479	10,891	7,029	2,247	0	1	8,489	610	248	97	34,526	206,755
11	Items associated with particular high risk	0	0	177	0	0	7,372	3,305	0	3,338	1,774	10	10,697	911	1	1	94	0	0	0	0	0	27,679
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,727	0	0	0	0	0	0	0	0	0	0	27,727
15	Equity exposures	0	0	0	0	0	0	0	0	0	421	1,083	0	0	0	0	0	0	0	0	0	0	1,504
16	Other exposures	0	0	0	0	0	0	0	0	0	0	129,237	1,433	0	0	0	0	0	0	-6	0	131,072	261,736
17	Total standardised approach	26,466	19,511	429,947	91,738	43,299	159,264	253,757	107,786	49,024	59,820	1,310,900	35,189	83,763	154,680	1,040,951	13,489	29,510	36,271	4,737	2,817	1,607,591	5,560,509
18	Total	26,466	19,511	429,947	91,73	43,299	159,264	253,757	107,786	49,024	59,820	1,310,900	35,189	83,763	154,680	1,040,951	13,489	29,510	36,271	4,737	2,817	1,607,591	5,560,509

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

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	419,648	0	0	36,012	1,008,271	0	0	0	0	0	5,053	**1,468,984**
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17,051	0	0	0	0	0	0	**17,051**
3	Public sector entities	0	0	0	0	0	0	22	10,837	30	3	9,968	0	296	95,316	10,106	1,011	2,917	253	0	0	0	**130,756**
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	15,764	0	0	0	0	0	0	0	0	0	0	**15,764**
5	International organisations	0	0	0	0	0	0	0	0	0	0	8,355	0	4,106	0	0	0	0	0	0	0	0	**12,462**
6	Institutions	0	0	0	0	0	0	0	0	0	0	538,275	0	0	0	0	0	0	0	0	0	0	**538,275**
7	Corporates	10,512	15,205	309,360	86,335	33,345	80,547	123,743	53,945	11,336	45,609	145,067	6,940	44,446	9,070	0	9,036	12,795	11,732	1	0	0	**1,009,024**
8	Retail exposures	8,080	78	53,819	4,672	2,438	34,684	57,253	21,240	12,661	7,403	1,163	3,200	21,115	9,720	1,039	2,597	4,171	1,807	3,939	2,398	1,262,013	**1,515,492**
9	Exposures secured by mortgages on immovable property	5,192	4,228	31,882	565	6,704	16,532	23,096	5,550	10,494	2,220	4,261	2,028	5,860	2,313	13	750	1,137	21,869	555	322	174,862	**320,433**
10	Exposures in default	2,682	0	34,710	167	811	20,130	46,337	14,746	11,164	2,391	9,479	10,891	7,029	2,247	0	1	8,489	610	248	97	34,526	**206,755**
11	Items associated with particular high risk	0	0	177	0	0	7,372	3,305	0	3,338	1,774	10	10,697	911	1	1	94	0	0	0	0	0	**27,679**
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
		Agriculture and hunting, forestry, fishing	Mining	Manufacturing industry	Electricity, gas and steam supply	Water supply	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities	Information and communication activities	Finance and insurance activities	Real estate activities	Professional, scientific and technical activities	Other various business activities	Public administration and defence services, compulsory social security activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other activities	Rest of the world	No activity	Total
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	27,727	0	0	0	0	0	0	0	0	0	0	**27,727**
15	Equity exposures	0	0	0	0	0	0	0	0	0	421	1,083	0	0	0	0	0	0	0	0	0	0	**1,504**
16	Other exposures	0	0	0	0	0	0	0	0	0	0	128,119	1,433	0	0	0	0	0	0	-6	0	131,072	**260,618**
17	**Total standardised approach**	**26,466**	**19,511**	**429,947**	**91,738**	**43,299**	**159,264**	**253,757**	**106,317**	**49,024**	**59,820**	**1,308,918**	**35,189**	**83,763**	**154,680**	**1,036,481**	**13,489**	**29,510**	**36,271**	**4,737**	**2,817**	**1,607,526**	**5,552,523**
18	**Total**	**26,466**	**19,511**	**429,947**	**91,738**	**43,299**	**159,264**	**253,757**	**106,317**	**49,024**	**59,820**	**1,308,918**	**35,189**	**83,763**	**154,680**	**1,036,481**	**13,489**	**29,510**	**36,271**	**4,737**	**2,817**	**1,607,526**	**5,552,523**

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

(Article 442 (f) of the Regulation)

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

€000

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	36,308	109,403	678,762	212,925	436,122	1,473,519
2	Regional governments or local authorities	1,608	79	1,013	13,422	929	17,051
3	Public sector entities	1,675	7,232	99,733	21,600	517	130,756
4	Multilateral development banks	0	0	8,292	4,972	2,500	15,764
5	International organisations	0	0	8,338	4,123	0	12,462
6	Institutions	109,837	8,577	340,381	77,043	3,324	539,162
7	Corporates	71,399	261,849	437,941	218,348	20,933	1,010,470
8	Retail exposures	185,418	61,395	289,787	566,098	412,795	1,515,492
9	Exposures secured by mortgages on immovable property	6,146	17,157	72,241	223,981	908	320,433
10	Exposures in default	59,123	7,476	78,362	41,620	20,174	206,755
11	Items associated with particular high risk	18,494	3,902	297	3,225	1,760	27,679
12	Covered bonds	0	0	0	0	0	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	27,727	0	27,727
15	Equity exposures	0	0	0	1,504	0	1,504
16	Other exposures	416	27	421	2,034	258,838	261,736
17	**Total standardised approach**	**490,424**	**477,096**	**2,015,568**	**1,418,620**	**1,158,801**	**5,560,509**
18	**Total**	**490,424**	**477,096**	**2,015,568**	**1,418,620**	**1,158,801**	**5,560,509**

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

€000

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or central banks	36,308	109,403	678,762	212,925	431,586	1,468,984
2	Regional governments or local authorities	1,608	79	1,013	13,422	929	17,051
3	Public sector entities	1,675	7,232	99,733	21,600	517	130,756
4	Multilateral development banks	0	0	8,292	4,972	2,500	15,764
5	International organisations	0	0	8,338	4,123	0	12,462
6	Institutions	109,837	8,577	340,381	77,043	2,438	538,275
7	Corporates	71,399	261,849	437,941	218,348	19,488	1,009,024
8	Retail exposures	185,418	61,395	289,787	566,098	412,795	1,515,492
9	Exposures secured by mortgages on immovable property	6,146	17,157	72,241	223,981	908	320,433
10	Exposures in default	59,123	7,476	78,362	41,620	20,174	206,755
11	Items associated with particular high risk	18,494	3,902	297	3,225	1,760	27,679
12	Covered bonds	0	0	0	0	0	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	27,727	0	27,727
15	Equity exposures	0	0	0	1,504	0	1,504
16	Other exposures	416	27	421	2,034	257,720	260,618
17	**Total standardised approach**	**490,424**	**477,096**	**2,015,568**	**1,418,620**	**1,150,815**	**5,552,523**
18	**Total**	**490,424**	**477,096**	**2,015,568**	**1,418,620**	**1,150,815**	**5,552,523**

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

(Article 442 (g) of the Regulation)

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b–c–d)
1	Central governments or central banks	0	1,473,519	0	0	0	0	1,473,519
2	Regional governments or local authorities	0	17,066	15	0	0	3	17,051
3	Public sector entities	0	131,076	320	0	0	-318	130,756
4	Multilateral development banks	0	15,764	0	0	0	0	15,764
5	International organisations	0	12,462	0	0	0	0	12,462
6	Institutions	0	539,366	205	0	0	11,155	539,162
7	Corporates	0	1,027,241	16,771	0	0	2,430	1,010,470
8	Of which: SMEs	0	987,735	16,008	0	0	-11,048	971,727
9	Retail exposures	0	1,524,594	9,101	0	46	-549	1,515,492
10	Of which: SMEs	0	203	0	0	0	4,774	203
11	Exposures secured by mortgages on immovable property	0	322,966	2,532	0	0	-406	320,433
12	Of which: SMEs	0	86,901	1,526	0	0	-546	85,375
13	Exposures in default	518,118	0	311,363	0	51,273	63,853	206,755

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
14	Items associated with particular high risk	83,961	7,542	63,823	0	14,019	42,595	27,679
15	Covered bonds	0	0	0	0	0	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investment undertakings	0	27,727	0	0	0	0	27,727
18	Equity exposures	0	1,504	0	0	0	0	1,504
19	Other exposures	0	261,739	3	0	0	-3	261,736
20	**Total standardised approach**	**602,078**	**5,362,565**	**404,134**	**0**	**65,339**	**118,761**	**5,560,509**
21	**Total**	**602,078**	**5,362,565**	**404,134**	**0**	**65,339**	**118,761**	**5,560,509**
22	Of which: Loans	576,856	2,740,833	391,685	0	65,339	57,185	2,926,003
23	Of which: Debt securities	0	1,592,389	0	0	0	0	1,592,389
24	Of which: Off- balance-sheet exposures	23,151	678,946	13,241	0	0	14,810	688,856

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Central governments or central banks	0	1,468,984	0	0	0	0	1,468,984
2	Regional governments or local authorities	0	17,066	15	0	0	2	17,051
3	Public sector entities	0	131,076	320	0	0	-318	130,756
4	Multilateral development banks	0	15,764	0	0	0	0	15,764
5	International organisations	0	12,462	0	0	0	0	12,462
6	Institutions	0	538,479	205	0	0	10,932	538,275
7	Corporates	0	1,025,795	16,771	0	0	2,274	1,009,024
8	Of which: SMEs	0	986,289	16,008	0	0	-11,049	970,282
9	Retail exposures	0	1,524,594	9,101	0	46	-1,807	1,515,492
10	Of which: SMEs	0	203	0	0	0	4,334	203
11	Exposures secured by mortgages on immovable property	0	322,966	2,532	0	0	-406	320,433
12	Of which: SMEs	0	86,901	1,526	0	0	-546	85,375
13	Exposures in default	518,118	0	311,363	0	51,273	19,491	206,755
14	Items associated with particular high risk	83,961	7,542	63,823	0	14,019	42,595	27,679
15	Covered bonds	0	0	0	0	0	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
17	Collective investment undertakings	0	27,727	0	0	0	0	27,727
18	Equity exposures	0	1,504	0	0	0	0	1,504
19	Other exposures	0	260,621	3	0	0	-3	260,618
20	**Total standardised approach**	**602,078**	**5,354,579**	**404,134**	**0**	**65,339**	**72,761**	**5,552,523**
21	**Total**	**602,078**	**5,354,579**	**404,134**	**0**	**65,339**	**72,761**	**5,552,523**
22	Of which: Loans	576,856	2,739,969	391,685	0	65,339	57,185	2,925,140
23	Of which: Debt securities	0	1,592,389	0	0	0	0	1,592,389
24	Of which: Off- balance-sheet exposures	23,151	678,946	13,241	0	0	14,810	688,856

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

(Article 442 (g) of the Regulation)

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b–c–d)
1	Agriculture and hunting, forestry, fishing	10,927	24,463	8,924	0	0	1,561	**26,466**
2	Mining	1,272	20,112	1,874	0	0	-654	**19,511**
3	Manufacturing industry	100,242	405,335	75,630	0	3,278	7,719	**429,947**
4	Electricity, gas and steam supply	372	92,708	1,342	0	0	1,023	**91,738**
5	Water supply	2,601	43,059	2,362	0	0	208	**43,299**
6	Construction	78,990	133,917	53,643	0	14,325	21,022	**159,264**
7	Wholesale and retail trade	121,809	206,995	75,047	0	4,936	15,992	**253,757**
8	Transportation and storage	25,225	93,896	11,335	0	0	1,592	**107,786**
9	Accommodation and food service activities	30,732	38,246	19,953	0	8,777	9,069	**49,024**
10	Information and communication activities	21,551	55,998	17,729	0	2,512	9,156	**59,820**
11	Finance and insurance activities	28,330	1,302,858	20,288	0	2,857	17,225	**1,310,900**
12	Real estate activities	54,519	17,839	37,170	0	28,594	28,248	**35,189**
13	Professional, scientific and technical activities	28,534	76,662	21,433	0	1	5,107	**83,763**
14	Other various business activities	4,828	152,839	2,987	0	10	6,275	**154,680**

		a	b	c	d	e	f	g
		Gross carrying values of						Net values
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	(a+b–c–d)
15	Public administration and defence services, compulsory social security activities	236	1,040,972	257	0	0	4	**1,040,951**
16	Education	57	13,628	197	0	0	-148	**13,489**
17	Human health services and social work activities	9,110	21,524	1,125	0	0	148	**29,510**
18	Arts, entertainment and recreation	1,257	36,549	1,535	0	0	1,282	**36,271**
19	Other activities	81,487	1,584,964	51,306	0	49	-6,069	**1,615,145**
20	**Total**	**602,078**	**5,362,565**	**404,134**	**0**	**65,339**	**118,761**	**5,560,509**

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of						
		Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b–c–d)
1	Agriculture and hunting, forestry, fishing	10,927	24,463	8,924	0	0	1,560	**26,466**
2	Mining	1,272	20,112	1,874	0	0	-654	**19,511**
3	Manufacturing industry	100,242	405,335	75,630	0	3,278	2,468	**429,947**
4	Electricity, gas and steam supply	372	92,708	1,342	0	0	1,022	**91,738**
5	Water supply	2,601	43,059	2,362	0	0	-685	**43,299**
6	Construction	78,990	133,917	53,643	0	14,325	11,629	**159,264**
7	Wholesale and retail trade	121,809	206,995	75,047	0	4,936	12,277	**253,757**
8	Transportation and storage	25,225	92,427	11,335	0	0	-3,584	**106,317**
9	Accommodation and food service activities	30,732	38,246	19,953	0	8,777	6,752	**49,024**
10	Information and communication activities	21,551	55,998	17,729	0	2,512	6,219	**59,820**
11	Finance and insurance activities	28,330	1,300,876	20,288	0	2,857	14,530	**1,308,918**
12	Real estate activities	54,519	17,839	37,170	0	28,594	26,081	**35,189**
13	Professional, scientific and technical activities	28,534	76,662	21,433	0	1	2,539	**83,763**
14	Other various business activities	4,828	152,839	2,987	0	10	6,263	**154,680**
15	Public administration and defence services, compulsory social security activities	236	1,036,502	257	0	0	2	**1,036,481**
16	Education	57	13,628	197	0	0	-151	**13,489**
17	Human health services and social work activities	9,110	21,524	1,125	0	0	139	**29,510**
18	Arts, entertainment and recreation	1,257	36,549	1,535	0	0	811	**36,271**
19	Other activities	81,487	1,584,899	51,306	0	49	-14,458	**1,615,080**
20	**Total**	**602,078**	**5,354,579**	**404,134**		**65,339**	**72,761**	**5,552/52**

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

(Article 442 (h)of the Regulation)

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Significant area 1 EU countries by CRR	**572,182**	**5,226,984**	**383,706**	**0**	**56,454**	**104,855**	**5,415,460**
2	Slovenia	505,473	3,967,156	333,001	0	25,550	68,144	**4,139,628**
3	EU Countries other than Slovenia by CRR	66,709	1,259,828	50,705	0	30,904	36,711	**1,275,832**
4	Significant area 2 Other European countries	29,788	2,771	20,300	0	8,885	13,922	**12,258**
5	Other geographical areas	109	132,809	127	0	0	-16	**132,791**
19	**Total**	**602,078**	**5,362,565**	**404,134**	**0**	**65,339**	**118,761**	**5,560,509**

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b–c–d)
1	Significant area 1 EU countries by CRR	**572,182**	**5,218,998**	**383,706**	**0**	**56,454**	**59,180**	**5,407,474**
2	Slovenia	505,473	3,960,243	333,001	0	25,550	22,500	**4,132,715**
3	EU Countries other than Slovenia by CRR	66,709	1,258,756	50,705	0	30,904	36,680	**1,274,759**
4	Significant area 2 Other European countries	29,788	2,771	20,300	0	8,885	13,598	**12,258**
5	Other geographical areas	109	132,809	127	0	0	-17	**132,791**
19	**Total**	**602,078**	**5,354,579**	**404,134**	**0**	**65,339**	**72,761**	**5,552,523**

9.2.8 Disclosure of ageing of past-due exposures

(Article 442(a) of the Regulation)

The total amount of past-due defaulted exposures amounted in 2017 to €403.4 million; and compared to 2016, the amount decreased by €81.8 million. In 2017, the largest decrease in past due defaulted exposures was recorded in the past due band of 1 year (€34.6 million) and in the past-due band from 180 days to 1 year (€78.4 million) and resulted from the implementation of the non-performing exposures reduction strategy

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

€000

		a	b	c	d	e	f
		Gross carrying values of					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans and other financial assets	25,051	25,722	8,002	4,159	10,340	330,108
2	Debt securities	0	0	0	0	0	0
3	**Total exposures**	**25,051**	**25,722**	**8,002**	**4,159**	**10,340**	**330,108**

9.2.9 Disclosure of non-performing and forborne exposures

(Article 442(a) of the Regulation)

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

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		Of which forborne
010	Debt securities	1,687,029	0	0	0	0	0	0	0	0	0	0	0	0
020	Loans and advances	3,317,704	11,312	85,324	575,245	573,576	573,576	240,646	25,869	4,336	365,813	136,614	87,052	43,465
030	Off-balance-sheet exposures	702,097	52	4,030	20,951	20,944	20,944	816	4,320	56	8,921	398	1,466	53

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

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		Of which forborne
010	Debt securities	1,681,089	0	0	0	0	0	0	0	0	0	0	0	0
020	Loans and advances	3,316,840	11,312	85,324	575,245	573,576	573,576	240,646	25,869	4,336	365,813	136,614	87,052	43,465
030	Off-balance-sheet exposures	702,097	52	4,030	20,951	20,944	20,944	816	4,320	56	8,921	398	1,466	53

Data on non-performing exposures refer to the Nova KBM Group companies, as Biser Topco and Biser Bidco companies do not have non-performing and forborne exposures because they do not perform any activity. In 2017, the amount of non-performing exposures in the Nova KBM Group decreased from €740 million to €575 million. At the end of 2017, the Group had €75.1 million less non-performing forborne exposures than at the end of 2016, which was the result of the implementation of the non-performing exposures reduction strategy.

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

(Article 442 (i) of the Regulation)

Template 266: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Biser Group

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	**-525,737**	**--**
2	Increases due to amounts set aside for estimated loan losses during the period	-4,627	
3	Decreases due to amounts reversed for estimated loan losses during the period	32,566	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	**90,414**	**-**
5	Transfers between credit risk adjustments	-834	-
6	Impact of exchange rate differences	-581	-
7	Business combinations, including acquisitions and disposals of subsidiaries	**-5,979**	**-**
8	Other adjustments	9,845	-
9	**Closing balance**	**-404,934**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**9,863**	**-**
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	**-3,674**	**-**

Note: The minus sign is an increase in value adjustments.

Template 277: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Nova KBM Group

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	**-479,738**	**--**
2	Increases due to amounts set aside for estimated loan losses during the period	-4,627	
3	Decreases due to amounts reversed for estimated loan losses during the period	32,651	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	**90,414**	**-**
5	Transfers between credit risk adjustments	-834	-
6	Impact of exchange rate differences	-581	-
7	Business combinations, including acquisitions and disposals of subsidiaries	**-52,064**	**-**
8	Other adjustments	9,845	-
9	**Closing balance**	**-404,934**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**9,863**	**-**
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	**-3,674**	**-**

Note: The minus sign is an increase in value adjustments.

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

Template 288: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities for the Biser Group and Nova KBM Group

€000

		a
		Gross carrying value defaulted exposures
1	**Opening balance**	**740,134**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	38,388
3	Returned to non-defaulted status	-33,317
4	Amounts written off	-74,009
5	Other changes	-95,951
6	**Closing balance**	**575,245**

In 2017, the total volume of defaulted exposures declined by €164,889 thousand. The largest share of decline is taken by the item other changes, where the amount decreased by €95,951 thousand for the reasons, such as repayment of claims by €50,722 thousand, sales of claims in the amount of €26,232 thousand, repayments from liquidation and bankruptcy proceedings of €7,894 thousand, and other changes in the amount of €11,103 thousand. They are followed by write-offs the amount of which decreased by €74,009 thousand, and customers that became profitable in the amount of €33,317 thousand.

10. Encumbered and unencumbered assets

(Article 443 of the Regulation)

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

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

€000

Template A – Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	214,726	214,726	0	0	4,667,600	2,066,770	0	0
030	Equity instruments	0	0	0	0	53,092	0	0	0
040	Debt securities	204,375	204,375	206,352	206,369	1,485,136	1,383,828	1,487,163	1,389,761
050	of which: covered bonds	0	0	0	0	0	0	0	0
060	of which: asset-backed securities	0	0	0	0	0	0	0	0
070	of which: issued by general governments	94,448	94,448	96,232	96,249	1,007,955	980,643	1,011,731	985,183
080	of which: issued by financial corporations	106,667	106,667	106,667	106,667	407,561	376,051	405,721	376,051
090	of which: issued by non-financial corporations	3,260	3,260	3,453	3,453	69,621	27,134	69,711	28,528
120	Other assets	10,351	10,351	~~0~~	~~0~~	3,129,372	682,942	~~0~~	~~0~~

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**				
240	**Own debt securities issued other than own covered bonds or asset-backed securities**				
241	**Own covered bonds and asset-backed securities issued and not yet pledged**				
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	214,726	214,726		

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**	**3,024,006**	**214,726**
011	of which: central banks	200,000	214,726

The Bank provides insurance in accordance with the applicable regulations and legislation. The main cause of the burden on assets comes from hiring targeted long-term refinancing operations (TLTRO). The Bank charges funds in accordance with internal methodology in a way that allows the free availability of the highest quality assets.

11. Use of ECAIs

The section defines disclosure requirements referred to in Article 444 of Part 8 of CRR and the Chapter 4.9 of the Guidelines.

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

(Article 444 (a) of the Regulation)

In 2017, due to changes in the investment policy, the Bank changed also its approach to determining risk weights for exposures for which risk-weighted assets for credit risk are calculated. For this reason, the Bank as a parent financial institution in the Group appointed in 2017 as a reference external credit assessment institution the agencies Moody's and Standard and Poor's. Previous arrangements in assigning the weights are detailed in the next section.
The supervisory authorities were duly notified of the change.

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

(Article 444 (b) of the Regulation)

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

- Exposure to central governments and central banks,
- Exposure to regional governments or local authorities,
- Exposure to public sector entities,
- Exposure to institutions.

In the exposure class to corporates, in addition to the external credit assessment agency, the Bank nominated as reference external credit assessment institution Standard and Poor's. In determining risk weights, the Group uses the worse of both external credit ratings if both are available.

Before 2017, the Bank nominated SID Banka as a reference Export Credit Agency (ECA) for the exposure class „Exposure to Central Governments or Central Banks". The Moody's has been nominated as a reference external credit assessment institution for calculating risk-weighted exposure amounts for the following exposure classes:

- Exposure to regional governments or local authorities,
- Exposure to public sector entities,
- Exposure to institutions,
- Exposures to corporates,
- Exposures to covered bonds,
- Exposures to collective investment undertakings.

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 the financial instrument and the debtor or the issuer of the financial instrument. If the financial instrument is not rated, the long-term credit rating of the debtor is used. If long-term rating of the debtor is not available, the sovereign rating of the country is used or the risk weight is assigned for unrated exposures to the debtor.

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

(Article 444 (d) of the Regulation)

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

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

(Article 444 (e) of the Regulation)

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

€000

	Exposure classes	Risk weight																Total	Of which unrated
		0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Others	Deducted		
1	Central governments or central banks	1,531,073	0	0	0	0	0	0	0	0	5,213	0	0	0	0	0	0	**1,536,285**	60,245
2	Regional governments or local authorities	0	0	0	0	15,566	0	0	0	0	0	0	0	0	0	0	0	**15,566**	6,791
3	Public sector entities	20,036	0	0	0	102,004	0	0	0	0	0	0	0	0	0	0	0	**122,040**	91,169
4	Multilateral development banks	15,764	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**15,764**	0
5	International organisations	4,413	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**4,413**	4,106
6	Institutions	0	0	0	0	258,909	0	259,047	0	0	5,636	0	0	0	0	0	0	**523,592**	41,811
7	Corporates	0	0	0	0	0	0	40,328	0	0	642,344	20,138	0	0	0	0	0	**702,810**	560,401
8	Retail exposures	0	0	0	0	0	0	0	0	1,340,669	0	0	0	0	0	0	0	**1,340,669**	1,340,669
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	172,556	131,605	0	0	0	0	0	0	0	0	0	**304,162**	304,162
10	Exposures in default	0	0	0	0	0	0	0	0	0	158,176	37,945	0	0	0	0	0	**196,121**	196,121
11	Items associated with particular high risk	0	0	0	0	0	0	0	0	0	0	27,543	0	0	0	0	0	**27,543**	27,543
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	2,488	0	0	0	0	25,239	0	**27,727**	2,488
15	Equity instruments	0	0	0	0	0	0	0	0	0	992	0	511	0	0	0	0	**1,504**	1,504
16	Other items	52,132	0	0	0	21,875	0	0	0	0	187,143	0	0	0	0	0	0	**261,151**	33,622
17	**Total**	**1,623,418**	**0**	**0**	**0**	**398,353**	**172,556**	**430,981**	**0**	**1,340,669**	**1,001,993**	**85,626**	**511**	**0**	**0**	**25,239**	**0**	**5,079,346**	2,670,633

Template 290: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk for the Biser Topco Group

€000

	Exposure classes	Risk weight											Total	Of which unrated
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Others		
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	**0**	0
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	**0**	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	**0**	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	**0**	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	**0**	0
6	Institutions	0	0	0	0	337	626	0	0	0	0	0	**963**	0
7	Corporates	0	0	0	0	0	0	0	0	717	0	0	**717**	717
8	Retail	0	0	0	0	0	0	0	20	0	0	0	**20**	20
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	**0**	0
10	Exposures in default	0	0	0	0	0	0	0	0	0	124	0	**124**	124
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	0	**0**	0
12	Other items	0	0	0	0	0	0	0	0	0	0	0	**0**	0
13	**Total**	**0**	**0**	**0**	**0**	**337**	**626**	**0**	**20**	**717**	**124**	**0**	**1,824**	**861**

12 Exposure to market risk

(Article 445 of the Regulation)

This section defines disclosure requirements referred to in Article 445 of Part 8 of CRR and the Chapter 4.13 of the Guidelines.

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

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

The table below presents risk-weighted exposure to market risk at the reporting date, 31 December 2017. The change in risk-weighted exposure for market risks, in particular foreign exchange risk, in the period between 31 December 2016 and 31 December 2017 relates primarily to the acquisition of the ECB' authorisation to include equity instruments into the regulatory capital of the Biser Topco Group and into a modified calculation of the Group's total position in currency other than domestic.

Template 301: EU MR1 – Market risk under the standardised approach for the Biser Topco Group

€000

		RWAs	Capital requirements
1	Outright products		
2	Interest rate risk (general and specific)	0	0
3	Equity risk (general and specific).	32,001	2,560
4	Foreign exchange risk	15,593	1,247
5	Commodity risk	0	0
6	Options		
7	Simplified approach	0	0
8	Delta-plus method	0	0
9	Scenario approach	0	0
10	Securitisation (specific risk)	0	0
11	**Total**	**47,594**	**3,808**

13 Operational risk

(Article 446 of the Regulation)

This section defines disclosure requirements referred to in Article 446 of Part 8 of CRR.
Operational risk at the Biser Topco Group level is not different from the operational risk management in the Nova KBM Group; therefore, management of the Nova KBM Group is presented in this section.

The official definition of the operational risk determined by Basel II is as follows: *„a risk of loss arising from inappropriate or failed internal processes, people and systems or external events"*. This definition includes legal risk (in accordance with CRR regulation), while excluding the strategic risk and the risk of losing business reputation. It is known, however, that some operational risks can lead to subsequent issues related to loss of reputation. Although operational risk may have a number of sub-categories, such as legal risk, risk of conduct, and information and communication technology (ICT) risk, Nova KBM treats all these risks as a general operational risk.

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

- Financial loss events,

Loss events arising from operational risk and resulting either in financial loss (impact on the profit and loss account [IPI]) or misstatement of items in IPI.
Total amount of loss is the sum of direct costs incurred in relation to elimination of the effects suffered by the affected areas, and indirect costs arising from compensations for damages, penalties and court expenses.

- Non-financial and potential events.

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

The Parent Bank calculates capital requirements for operational risk for the whole Group in accordance with the Basic Indicator Approach**.** In 2017, the Bank introduced under the ICAAP Project an internal capital requirement for operational risk based on its own model resulting from financial loss events of operational risk, non-financial and potential events of operational risk, and operational risk self-assessments. The Bank includes in the operational risk inventory for the needs of ICAAP the following risks:

- Operational risk
- Reputational risk
- Model risk
- Employee behaviour related risk
- Systemic/IT risk
- Project risk
- Compliance risk
- Risk of fraud
- Internet crime risk

The Operational Risk Department coordinates systematic capturing of all operational risk events.

The reporting system on loss events includes all cost centres of the entire Bank and is carried out on a monthly and quarterly basis. Companies of the Group regularly report operational risk loss events to the Bank's system. Quarterly reports for the whole Nova KBM Group are discussed by the Operational Risk Committee, which meets at least once every quarter.

The committee works with all organisational levels in order to ensure an appropriate flow of information, providing thereby that operational risks are managed in a comprehensive manner. Consequently, it is assured that actions can be taken, as the reports are discussed by the Management Board and senior management dealing with any operational risks. Additional information on the powers, responsibilities and members of the Operational Risk Committee is available in section 2.2 of this report.

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

The Parent Bank classifies operational risk loss events of the Group in accordance with the guidelines of the Basel capital standards, i.e. by operating segments and type of loss events in line with Regulation (EU) No 575/2013.
The Group successfully achieved the following short-term objectives:

- To ensure more adequate staffing;
- To prepare a comprehensive training plan on operational risk management for employees;
- To establish adequate information support for the identification, measurement, assessment, management and monitoring operational risks;
- To set up effective communications and information flow at all organisational levels,

which were related to operational risk management in 2017.
The Group's long-term objective in respect of operational risk remains unchanged: to create an appropriate risk management culture and to limit the scope and the amount of losses to an acceptable level.

In the field of managing risks arising from fraud, the Bank, through adopting appropriate guidelines and establishing the system of responsibility for the development of internal controls and carrying out investigations, plans to establish an organisational culture complying with the internal documents and objectives of the Bank. To this end, the Bank established a separate organisational unit, the Fraud Prevention Department. The fraud management policy has been set up, which requires the Bank, in relation to owners and other stakeholders, to take necessary measures to prevent fraud, which could arise from prohibited conduct by employees, business partners or suppliers, or the conduct of other legal entities or natural persons. The Bank manages fraud and the risks arising from fraud or suspected fraud through the process of fraud prevention, detection and response, which involves establishing a solid ethical culture, identifying and assessing the risk of fraud, education and awareness raising in the area of risks arising from fraud, the development of mechanisms for reporting, disclosing and dealing with fraud, and the development of new products.

The management of operational risk in the area of physical and information security within the Bank includes the following areas: (1) protection of people and assets, (2) information security management, (3) business continuity management**.**

Ad 1: Services related to the protection of people and assets are carried out in accordance with the applicable regulations and standards. In the area of protecting people and assets, internal training courses and measures based on risk assessments are carried out. The area is defined by the Policy and associated documents. In ensuring technical, mechanical and physical protection, as well as protection of cash transports, the Bank cooperates with several contractors that provide a high level of private protection services.

Ad 2: The Bank has introduced an information security management system with the aim of protecting sensitive information from unauthorised access and interception (confidentiality), protecting accuracy and completeness of business information and business software (integrity), and ensuring availability of business information and information technology services to users, whenever and wherever they may use them to manage their day-to-day operations (availability).

In 2017, the Bank, working with external providers, renewed the information security management system, which allows improvement of the control environment and compliance of policies with the legislation. Furthermore, the Bank successfully introduced a centralised and documented security incident management system in 2017, and instructed all key users accordingly. The Bank carried out e-training for all employees of the Bank, and introduced regular information about news and threats in the area of information technology through the Intranet.

Ad 3: The Bank has in place a business continuity management system aimed at managing extraordinary events in line with the adopted Business Continuity Strategy, i.e. for breakdowns of key buildings, information and communication resources of the Bank, staff, or in case of failure in key suppliers. The system is designed to enable effective action with the aim to fully protect key services and processes and the related Bank's resources. The system is based on the regulatory framework, and on the Business Continuity Management Strategy and Policy and the related documents developed by the Bank. The Bank carries out, on an annual basis, a business impact analysis (BIA), risk assessment, maintenance and testing of business continuity plans, and reporting to the Operational Risk Committee on any extraordinary events and identified risks. The Bank provides assistance to other companies in the Group. In 2017, the Bank, working with an external contractor, carried out a renewal of its business continuity management system.

14 Exposure in equities not included in the trading book

This section defines disclosure requirements referred to in Article 447 of Part 8 of CRR.

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

(Article 447 (a) of the Regulation)

With respect to the investment purpose, the Group's portfolio of equity instruments is divided into the following three sub-portfolios:

- Investments needed for regular operations of the Group (Bankart, S.W.I.F.T., the Bank Resolution Fund),
- Investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies 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 Group intends to sell within a short period of time.

Table 9: Investment value of equity instruments by purpose

€000

Type of investment	Investment value 31/12/2017	Investment value 31/12/2016
Investments needed for regular operations of the Group	25,760	25,743
Investments in equities and funds with an exit strategy	6,655	7,217
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions	41	41
Total	**32,456**	**33,001**

The accounting techniques and valuation methodologies used, including key assumptions and practices, are set out in the 2017 Annual Report of the Nova KBM Group and Nova KBM d.d., in Note 5: Fair value of financial assets and financial liabilities.

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

(Article 447 (b) of the Regulation)

As a rule, fair value of a financial instrument that is traded on a stock market in the Group equals its market price. As at 31 December 2017, the Group's balance sheet value of financial instruments traded on the stock market was €90 thousand.

The Bank values the shares of Intereuropa d.d. (IEKG) at €0 per share, although their market price quoted on the Ljubljana Stock Exchange stood at €2.00 per share as at 31 December 2017.

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

(Article 447 (c) of the Regulation)

Table 10: Investment value of equity instruments by instrument type

€000

Exposure types	Exposure amount 31/12/2017	Exposure amount 31/12/2016
Quoted shares	90	95
Unquoted shares	3,943	2,352
Mutual fund units	2,488	4,546
Investments in non-public companies	696	738
Bank Resolution Fund	25,239	25,270
Total	**32,456**	**33,001**

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

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

(Article 447 (d) of the Regulation)

In 2017, the Group generated gains of €73 thousand on the sale of equity instruments that were held in its banking book.

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

(Article 447 (e) of the Regulation)

In accordance with the applicable legislation, deductions from the total amount of the Group's Tier-1 capital as at 31 December 2017 included the following items:

- 80 % of total unrealised gains and losses generated on equity instruments and debt securities held in the banking book. In line with the discretionary power, the Group does not include the total of unrealised gains generated on sovereign debt securities,

- Loss for the current financial year should it occur,
- Intangible assets, including goodwill,
- 80 % of deferred tax assets.

The Group includes among deductions also deductible item for prudent valuation and a deductible item for impairments and provisions recognised when the financial statements are not audited. None of the above deductions is subject to required disclosures.
The table below shows deductions and prudential filters on regulatory capital at the reporting date, 31 December 2017.

Table 51: Amounts deducted from common equity Tier-1 capital

€000

Item description	Biser Topco Group
Unrealised gains or losses	**5,618**
Unrealised gains	6,601
Unrealised losses	-638
Unrealised gains on the exposure to central governments classified into the category of „available-for-sale" financial instruments	0
Unrealised losses on the exposure to central governments classified into the category of „available-for-sale" financial instruments	-345
Deductions	**-47,592**
Loss reported for the current financial year	0
Intangible assets	-27,197
Deferred tax assets that are attributable to future profits and do not arise from temporary differences	-20,211
Translation reserves	-184

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

This section defines disclosure requirements referred to in Article 448 of Part 8 of CRR.

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

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

(Article 448 (a) of the Regulation)

Interest rate risk is a risk of loss arising due to unexpected changes in market interest rates, and derives from maturity mismatches of interest-sensitive assets and liabilities, which form the largest proportion of the Bank's total assets and liabilities. In addition, interest rate risk may derive from a shift in the yield curve, from the basis risk, or from the risk resulting from options embedded in interest-rate sensitive items.

The Group assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk in the Nova KBM Group, and monitors the exposure in accordance with the Interest Rate Risk Management Policy in the Nova KBM Group. As many as 97 % of the Group's interest-rate sensitive assets are denominated in euros. The Bank provides its customers with the option to repay early the loans they have taken out, subject to paying any costs in line with the Consumer Credit Act and respective applicable Nova kreditna banka Maribor d.d. Service Fees Tariff, or an extract from the Nova KBM d.d. Pricelist. Given that the total volume of prepaid loans is not material, the Bank does not take into account the effects of this option in the management of interest rate risk. For the euro, the Group, on the basis of results from the econometric stability model designed for demand deposits, allocate demand deposits to stable and unstable demand deposits according to the time buckets. In other currencies, demand deposits remain in the demand time bucket. The Group has developed a separate model for the corporate sector and households. In line with the Basel standards on the interest rate risk management in the banking book, the Group classifies as stable demand deposits 70 % of demand deposits from households and 50 % of those from the corporate segment. Unstable deposits remain in the demand time bucket, and stable deposits are allocated into adequate time buckets based on the stability levels. The proportion of stable demand deposits to be classified into a particular time bucket is calculated at least once a year, when the model is calibrated. Both the Bank and the Group manage their exposure to interest rate risk on a monthly basis.

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

(Article 448 (b) of the Regulation)

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

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

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

For its internal needs and to calculate capital requirements for the interest rate risk, the Group implements interest rate scenarios aimed at day-to-day management of the interest rate risk:

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

The capital requirement for the interest rate risk is determined by the scenario producing the greatest negative impact on the economic value of equity (EVE) and on net interest income (NII).

The Group regularly performs also stress testing scenarios, using them to measure its vulnerability in stressful market conditions. In addition to the standardised stress test in the form of a parallel shift in the yield curve by +/-200 basis points using the zero-interest-rate floor, the Bank carries out also other upward and downward yield curve shifts of various proportions that were summarised by the Bank in line with the *Basel standards on the interest rate risk management in the banking book*.

For internal purposes, the Group carries out the following stress test interest rate scenarios and calculates the impact of the change in the economic value of equity (EVE) and net interest income (NII):

- A parallel upward shift in the yield curve by 200 basis points;
- A parallel downward shift in the yield curve by 200 basis points using the zero-interest-rate floor;
- Steepening of the yield curve shock (resulting from a decline in short-term interest rates and an increase in long-term interest rates);
- Flattening of the yield curve shock (resulting from an increase in short-term interest rates and a decline in long-term interest rates);
- An increase in short-term interest rates shock;
- A decline in short-term interest rates shock.

The Group carries out the following calculations of a change in the economic value of equity and net interest income:

- A change in the economic value of equity (EVE) and net interest income (NII) of all items (other than trading items) and in all shifts in the yield curve (day-to-day management scenarios), which are detailed above;
- A change in the economic value of equity resulting from a +/-200 basis points shift, taking into consideration the zero interest rate floor compared to the Bank's regulatory capital;
- A change in the economic value of equity in all yield curve shifts in line with the Basel standards on the interest rate risk management in the banking book (6 stress test scenarios).

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

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

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

16 Exposure to securitisation positions

(Article 449 of the Regulation)

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

17 Remuneration Policy

This section defines disclosure requirements referred to in Article 450 of Part 8 of CRR.

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

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

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

The Bank's Remuneration Policy was issued in 2012. The document is reviewed and updated on an annual basis.
The decision-making process in respect of changes in and amendments to the remuneration policy involves relevant departments and Management Board of the Bank, the Supervisory Board's Remuneration Committee, and the Supervisory Board that approves the remuneration policy.
The last revision of the Remuneration Policy was discussed at the 49th Management Board meeting, on 21 December 2016, and the Criteria for Assessing Performance for the purpose of variable component of remuneration and the ratio between the fixed and variable component, and the Definition of employees which significantly influence the Bank's risk profile were discussed and approved at the 3rd Management Board meeting, on 18 January 2017.
Following that, the Remuneration Policy was discussed at the 2nd regular meeting of the Supervisory Board's Remuneration Committee, on 24 May 2017. At its 12th meeting, on 24 May 2017, the Supervisory Board approved the Remuneration Policy with period of effect since 1 January 2017.

The most recent amendments to the Remuneration Policy relating to the corrections in the performance criteria (from 4 to 3 sets, a member of the Management Board responsible for risks and the Director of the Workout were deleted from the control function; the amount of the variable component of remuneration for authorised representatives – procurators and other determined employees under individual contracts pursuant to additional Bank's criteria, members of the Bank's committees KOB, KOTN, IILC, ALCO, and the Liquidity Committee were increased from 40 % to 60 %, the scheme of deferrals (payment model) and early termination of employment were added) were discussed by the Bank's Management Board on 22 December 2017 and submitted to discussion to the Supervisory Board's Remuneration Committee to be further submitted to the Supervisory Board for approval.

In 2017, the Supervisory Board's Remuneration Committee held two meetings. In 2017, the Remuneration Committee comprised: Gernot Wilhelm Friedrich Lohr, Chair, Alexander Saveliev, Deputy Chair, and Michele Rabà, member. All Committee members are members of the Supervisory Board. In 2017, the Remuneration Committee did not used external expert services in its work.

N accordance with the ZBan-2, the Remuneration Committee serves as an advisory body to the Nova KBM d.d. Supervisory Board, performing the following tasks:

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

17.2 Information on link between pay and performance

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

In accordance with the Banking Act (ZBan-2) and the Regulation on internal governance arrangements, the governing body and the internal capital adequacy assessment process for banks and savings banks, Decision on the Application of the Guidelines on Prudent Remuneration Policies in line with Articles 74(3) and 75(2) of Directive 2013/36/EU, and disclosures in accordance with Article 450 of Regulation (EU) No. 575/2013, EBA Guidelines, No. EBA/GL/2015/22 of 27 June 2016, and the Bank of Slovenia's Guidelines regarding the application of the principle of proportionality in the implementation of remuneration policies of 22 November 2016, the Bank is obliged to set up and implement at the Group's level the remuneration policy for the categories of employees the work of which is of a specific nature that encourages these employees to manage risks in an appropriate and effective manner.
The Remuneration Policy supports the business strategy, objectives, organisation culture and long-term interests of the Bank.
The goal of the Remuneration Policy is to ensure the remuneration structure and method of payment in the Bank in such a way that it ensures appropriate motivation of employees, while not encouraging them to take, in the context of their work assignments and in irresponsible

manner, disproportionately excessive risks or the risks exceeding the Bank's risk appetite capacity.
The Remuneration Policy is applicable to all income of employees in the Bank, with a focus on the categories of employees whose professional activities have a significant impact on Bank's risk profile.

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

- President and members of the Management Board,
- Authorised representatives (procurators),
- Director of Compliance Office,
- Director of Internal Audit Centre,
- Director of Legal Office,
- Director of Accounting,
- Director of HR Development,
- Director of Workout,
- Director of Anti-Money Laundering Office,
- Director of Corporate Banking,
- Director of Retail Banking,
- Director of Treasury,
- Director of Controlling,
- Director of Underwriting,
- Director of Information Technology,
- Director of Banking Operations,
- Director of Organisation and Process Management,
- Director of Strategic Risk Management,
- Director of Business Analytics, Planning and Unit Profitability,
- Members of the Bank's Credit Committee (KOB),
- Members of the Distressed Loans Committee (KOTN),
- Members of Investment and International Lending Committee (IILC),
- Members of the Assets and Liabilities Committee (ALCO),
- Members of the Liquidity Committee.

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

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

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

In KBM Infond, the category of employees the actions of which have a significant impact on the Bank's risk profile comprises:
- Supervisory Board,
- Management Board,
- Director of Investment Management,
- Director of Accounting,
- Director of Marketing and Sales,
- Legal adviser,
- Chief Compliance Officer,
- Chief Risk Officer,

In Summit Leasing Slovenia, the category of employees, the actions of which have a significant impact on the Bank's risk profile comprises:
- Supervisory Board,
- Members of the management.

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

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

Performance assessment criteria for variable component of remuneration and the ratios between the fixed and variable component were divided into 4 sets:

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

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

1. Common financial indicators (30 points):

- A year-on-year increase in the pre-tax profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- A year-on-year increase in the pre-tax, pre-provision and pre-impairment profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- The achieved ROAA before tax vs. the projection:

(if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- The achieved ROAE before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- Decreased CIR vs. the projection:
  (if it equals the projection: 3 points; if it falls below the projection: 7 points)
- Comparison with the Bank system of the level of operating costs as a proportion of the average total assets
  (if it equals the projection: 1 points; if it falls below the projection: 3 points).

2. Asset quality, provisions and capital adequacy (30 points):
- Improvement or preservation of the loan portfolio quality measured as a year-on-year increase in the proportion of loans outstanding to A- and B-rated customers within the total loan portfolio – (10 points),
- Market share in the level of provisions: if it is larger or equal to the market share in customer loans – (10 points),
- Compliance with Articles 129 to 133 of the ZBan-2 (capital adequacy) – (5 points),
- Compliance with the EBA's recommendations on capital adequacy – (5 points).

3. Increase in the volume of loans and deposits (20 points):
- A year-on-year increase in the volume of customer deposits – (5 points)
- A year-on-year increase in market share in customer deposits – (5 points),
- A year-on-year increase in the volume of customer loans – (5 points)
- A year-on-year increase in market share in customer loans – (5 points).

4. Qualitative ratios – to be determined by the Supervisory Board on the basis of reports (20 points):
- Functioning of the internal control and risk management systems,
- Reputation of the Bank, management and succession systems,
- Information system quality,
- Communication and reporting systems,
- Contribution of operations to social responsibility,
- Cooperation between the Management Board and the Supervisory Board.

Depending on the total points achieved, the variable component of the total remuneration of Management Board members equals:

	Variable component of remuneration – up to
Up to 50 points	1 salary
Over 50 to 70 points	2 salaries
Over 70 to 90 points	3.5 salaries
Over 90 points	5 salaries

The variable component of remuneration provided to Management Board members is determined by a decision of the Supervisory Board at the end of each financial year.

II. EXECUTIVE DIRECTORS, CHIEF OFFICES FOR PROCESS OPTIMISATION AUTHORISED BY THE MANAGEMENT BOARD, AUTHORISED REPRESENTATIVES - PROCURATORS AND OTHER DETERMINED EMPLOYEES UNDER INDIVIDUAL CONTRACTS IN ACCORDANCE WITH ADDITIONAL CRITERIA OF THE BANK (to be adopted by the Management Board of the Bank)

Their performance is assessed on the basis of the following indicators and weights:

1. Common financial indicators (30 points):

- A year-on-year increase in the pre-tax profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- A year-on-year increase in the pre-tax, pre-provision and pre-impairment profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- The achieved ROAA before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- The achieved ROAE before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- Decreased CIR vs. the projection:
  (if it equals the projection: 3 points; if it falls below the projection: 7 points)
- Comparison with the Bank system of the level of operating costs as a proportion of the average total assets
  (if it equals the projection: 1 points; if it falls below the projection: 3 points).

2. Qualitative criteria (15 points)

- Management performance (5 points)
- Cooperation with the Bank's Management Board
- Meeting individual objectives determined in annual interviews (5 points)

	Variable component of remuneration – up to
Up to 30 points	1 salary
Over 30 to 40 points	2 salaries
Over 40 points	3 salaries

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

III. CONTROL FUNCTIONS: CHIEF RISK OFFICER, EXECUTIVE DIRECTOR OF RISK MANAGEMENT, DIRECTOR OF COMPLIANCE OFFICE, DIRECTOR OF INTERNAL AUDIT CENTRE (to be adopted by the Management Board of the Bank)

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

Their performance is assessed on the basis of the following indicators and weights:

I. Common financial indicators (30 points):

- A year-on-year increase in the pre-tax profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- A year-on-year increase in the pre-tax, pre-provision and pre-impairment profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- The achieved ROAA before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- The achieved ROAE before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- Decreased CIR vs. the projection:
  (if it equals the projection: 3 points; if it falls below the projection: 7 points)
- Comparison with the Bank system of the level of operating costs as a proportion of the average total assets
  (if it equals the projection: 1 points; if it falls below the projection: 3 points).

II. Qualitative criteria (15 points)

- Management performance (5 points)
- Cooperation with the Bank's Management Board
- Meeting individual objectives determined in annual interviews (5 points)

	Variable component of remuneration – up to
Up to 35 points	1 salary
Over 35 points	2 salaries

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

IV. MEMBERS OF KOB, KOTN, NPB, ALCO COMMITTEES AND THE LIQUIDITY COMMITTEE

Their performance is assessed on the basis of the following indicators and weights:

1. Common financial indicators (30 points):

- A year-on-year increase in the pre-tax profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- A year-on-year increase in the pre-tax, pre-provision and pre-impairment profit (5 points)

Increase in the pre-tax profit in %	Number of points
up to 3	0
Over 3 to 6	1
Over 6 to 9	2
Over 9 to 12	3
Over 12	5

- The achieved ROAA before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- The achieved ROAE before tax vs. the projection:
  (if it equals the projection: 3 points; if it exceeds the projection: 5 points)
- Decreased CIR vs. the projection:
  (if it equals the projection: 3 points; if it falls below the projection: 7 points)
- Comparison with the Bank system of the level of operating costs as a proportion of the average total assets
  (if it equals the projection: 1 points; if it falls below the projection: 3 points).

	Variable component of remuneration – up to
Up to 20 points	1 salary
Over 20 points	2 salaries

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

V. DEFERRED PAYMENT AND PAYMENT IN ORDINARY OR PREFERENCE SHARES OF THE BANK OR SHARE-LINKED INSTRUMENTS OR EQUIVALENT NON-CASH INSTRUMENTS –- DEFERRED PAYMENT SCHEME

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

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

„Pro-rata“ payment is also possible.

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

A decision on whether 50 % of the variable remuneration shall comprise ordinary or preference shares of the Bank, or share-linked instruments or equivalent non-cash instruments, if the shares are not listed on a regulated market, shall be made by the Supervisory Board by its resolution; and the same body makes also a decision of whether the delay will be three/five years or a „pro-rata“ annual payment will be made.
Before the payment of a deferred portion of cash or the maturity of deferred instruments for payment is made, the performance has to be reassessed and, if necessary, a prior adjustment of the variable component of remuneration has to be made in order to align the variable remuneration with additional risks that have been identified or realised after the remuneration was granted.

VI. MALUS AND RETURN PAYMENT – for Management Board members

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

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

however, only during the deferred payment and retention period.

VII. MALUS AND RETURN PAYMENT – for other determined employees

The Management Board of the Bank may deprive employees of the right to variable component of remuneration or request them to return it, in whole or in part, within the period of 3/5 years after receipt in cases where the employment relationship with the respective employee is terminated based on the conclusions of the relevant investigation committee, which has been appointed to establish whether the employee was involved in or responsible for actions leading to significant losses for the Ban, or if the employee acted intentionally or in gross negligence contrary to the internal rules, values or procedures.

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

In 2017, variable component of remuneration was only paid to Management Board members in accordance with the criteria set in the Remuneration Policy.

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

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

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

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

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

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

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

The ratio according to the criteria for the Bank's Management Board is 1 (fixed remuneration) : maximum 1 (variable remuneration); for employees the professional activities of which have a significant impact on the Bank's risk profile and employees under individual contracts, the ratio is 1 (fixed remuneration) : maximum 0.4 (variable remuneration).
For employees under collective agreements, the ratio is 1 (fixed remuneration) : maximum 0.25 (variable remuneration).

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

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

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

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

In 2017, the Bank did not provide variable component of remuneration in ordinary or preference shares of the Bank, in share-linked instruments or other equivalent non-cash instruments, and did subject the amount paid to any delay that would made the payment effective after the period of delay.

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

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

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

Remuneration of Management Board members has been subject to restrictions arising from the received State Aid No. SA.35709 (2013/N) – Slovenia, Restructuring of Nova Kreditna banka Maribor d.d. (NKBM) – Slovenia based on the Commitments made by NKBM for the period of its restructuring, i.e. from 2013 to 31 December 2017.

During the entire restructuring period – until 31 December 2017, the total remuneration of Management Board members was additionally limited on an individual basis, namely, it did not exceed 15-times the average salary in Slovenia or 10-times the average salary in Nova KBM d.d.

Other non-cash benefits are determined by individual employment contracts, which are approved by the Supervisory Board for Management Board members, while non-cash benefits for employees the professional activities of which have a significant impact on the Bank's risk profile are approved by the Management Board. The set of non-cash benefits includes:
- Company car (for office/private use),
- Company car with a driver,
- Notebook,
- Mobile phone,
- Accommodation in Maribor, Ljubljana or Graz,
- Payment of education expenses for minors
- Nova KBM d.d. business card, MasterCard,
- Accident Insurance,
- Health insurances,
- Supplementary pension insurance,
- Manager health examination,
- Education,
- Liability insurance,
- Air travel,
- Business entertainment flat rate,
- Pay for annual leave
- Parking
- Paid removal expenses.

17.7 Disclosure of the aggregate quantitative information on remuneration

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

The information about the aggregate amount of remuneration provided in 2017 to employees the professional activities of which have a significant impact on the Bank's risk profile is presented in tables below.

Nova KBM Group €000

Business area	Fixed component	Variable component		Other remuneration	Total	No of recipients
		Paid	Deferred			
Supervisory Board	138	0	0	0	138	7
Bank's Management Board	1,646	80	0	0	1,726	5
Commercial (profit) departments	378	0	0	16	394	4
Independent control functions	908	0	0	140	1,048	14
Other departments	935	53	0	40	1,028	15
Total	**4,005**	**133**	**0**	**196**	**4,334**	**45**

Remuneration paid to Management Board members comprises: salary, bonuses, incentives, pay for annual leave, payment of supplementary pension insurance premiums, and allowance for bonuses.

Remuneration paid to Management Board members has increased in 2017 primarily due to the increase in the number of Management Board members from two in 2016 to five in 2017 (as of 1 March 2017).

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

Remuneration paid to other employees working on individual contracts comprises: salary, bonuses, pay for annual leave, supplementary pension insurance premiums, and other remuneration under employment contracts.

The total amount paid in 2017 as attendance fee to Robert Senica, Management Board member of the Parent Bank's, and Sabina Župec Kranjc, Management Board member, for the performance of their functions in the Supervisory Board of the subsidiary KBM Infond d.o.o. was €8,520,00 and €6,590.04, respectively.

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

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

In 2017, no employee of Nova KBM d.d. received remuneration of €1 million or more.

18 Financial leverage

(Article 451 of the Regulation)

This section defines disclosure requirements referred to in Article 451 of Part 8 of CRR and in Commission implementing regulation (EU) No 2016/200.

18.1 Leverage ratio

(451.a) of the Regulation)

18.1.1 The Biser Topco Group's leverage ratio

Table 1: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		Applicable amounts 31/12/2017
1	Total assets as per published financial statements	5,631,165
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised in the statement of financial position in accordance with Article 429(13) of Regulation	0
4	Adjustments for derivative financial instruments	0
5	Adjustments for securities financing transactions (SFTs)	0
6	(Adjustment for intra-group exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation)	-491,153
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation)	0
EU-6b	Excluded exposures meeting the conditions in accordance with Article 429(14) of Regulation	0
7	Other adjustments	-41,918
8	**Total leverage ratio exposure**	**5,098,094**

Template 312: LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposures
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,932,529
2	(Asset amounts deducted in determining Tier 1 capital)	-47,713
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**4,884,817**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	510

5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1,824
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted client-cleared trade exposures CCP leg)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,333**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No. 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted client-cleared SFT exposure through CCP leg)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	702,097
18	(Adjustments for conversion to credit equivalent amounts)	-491,153
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**210,944**
Exempted exposures in accordance with CRR Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)		
EU-19a	(Exemption of intra-group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	0
Capital and total exposures		
20	Tier-1 capital	595,001
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,098,094**
Leverage ratio		
22	**Leverage ratio**	**11.67%**
Choice on transitional arrangements for the definition of the capital measure		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	0

Template 323: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

		€000 CRR leverage ratio exposures
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4,884,817
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	4,884,817
EU-4	*Covered bonds*	*0*
EU-5	*Exposures treated as sovereigns*	*1,472,903*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*171,796*
EU-7	*Institutions*	*508,149*
EU-8	*Secured by mortgages on immovable property*	*297,300*
EU-9	*Retail exposures*	*615,046*
EU-10	*Corporate exposures*	*1,294,511*
EU-11	*Exposures in default*	*165,075*
EU-12	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*360,037*

18.1.2 The Nova KBM Group's leverage ratio

Table 2: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		€000 Applicable amounts 31/12/2017
1	Total assets as per published financial statements	5,631,926
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised in the statement of financial position in accordance with Article 429(13) of Regulation	0
4	Adjustments for derivative financial instruments	0
5	Adjustments for securities financing transactions (SFTs)	0
6	(Adjustment for intra-group exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation)	-491,153
EU-6a	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation)	0
EU-6b	Excluded exposures meeting the conditions in accordance with Article 429(14) of Regulation	0
7	Other adjustments	-50,665
8	**Total leverage ratio exposures**	**5,090,108**

Template 34: LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposures
On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,924,238
2	(Asset amounts deducted in determining Tier 1 capital)	-47,408
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**4,876,831**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	510
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1,824
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted client-cleared trade exposures CCP leg)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**2,333**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No. 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted client-cleared SFT exposure through CCP leg)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	702,097
18	(Adjustments for conversion to credit equivalent amounts)	-491,153
19	**Other off-balance-sheet exposures (sum of lines 17 to 18)**	**210,944**
Exempted exposures in accordance with CRR Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)		
EU-19a	(Exemption of intra-group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	0
Capital and total exposures		
20	Tier-1 capital	574,393
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**5,090,108**

Leverage ratio		
22	**Leverage ratio**	**11.28%**
Choice on transitional arrangements for the definition of the capital measure		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	0

Template 335: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

		€000 CRR leverage ratio exposures
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4,876,831
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	4,876,831
EU-4	*Covered bonds*	0
EU-5	*Exposures treated as sovereigns*	1,468,367
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	171,796
EU-7	*Corporate exposures*	507,262
EU-8	*Secured by mortgages on immovable property*	297,300
EU-9	*Retail exposures*	613,600
EU-10	*Corporate exposures*	1,294,511
EU-11	*Exposures in default*	165,075
EU-12	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	358,919

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

(451.d) of the Regulation)

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

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

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

As at 31 December 2017, the Group's financial leverage ratio stood at 11.28 %, which was fully in compliance with the financial plan of the Group reflecting its focus on the provision of mainstream lending products (including to the corporate segment to which high exposure risk-weights apply). A high financial leverage ration also results from a high level of Tier 1 capital.

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

(451.e) of the Regulation)

The financial leverage ratio for was calculated by taking into account the relevant amount of the Group's on- and off-balance-sheet exposures as well as the level of its Tier 1 capital as at 31 December 2017. The following factors had the most significant impact on the calculation of the financial leverage ratio in 2017:

- In Tier 1 capital ratio:
    - A change in % of including deductible items in regulatory capital,
    - A change in the amount of deductions from regulatory capital, as result from the financial statements,
    - Dividend policy,
- In the exposure:
    - A change in the Group's investment policy,
    - The process of sale or liquidation of subsidiaries,
    - The process of merging KBS banka d.d. to Nova KBM d.d., and merger with acquisition of SLS d.o.o. to the Nova KBM Group.

19 Use of the IRB Approach to credit risk

(Article 452 of the Regulation)

The Bank uses its IRB-compliant credit rating system, which is used for the purpose of classifying customers and in other related processes; but the Bank will continue to use the Standardised Approach for the calculation of capital requirements.

20 Use of credit risk mitigation techniques

This section defines disclosure requirements referred to in Article 453 of Part 8 of CRR and the Chapter 4.8 of the Guidelines.

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

(Article 453 (a) of the Regulation)

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

20.2 Policies and processes for collateral valuation and management

(Article 453 (b) of the Regulation)

The Nova KBM Group Credit Risk Management Policy is the umbrella document that governs the secured lending of the Bank and the Group. The policy summarises the principal guidelines regarding the acceptance, valuation, monitoring, and the reporting on collateral, with the aim of mitigating credit risk.
The conditions that must be met in order for a certain type of collateral to be accepted by the Bank are specified in the Nova KBM d.d. Regulations on Secured Lending, which also sets out the obligation to monitor collateral. Valuation of collateral is described in the Methodology for Loan Collateral Valuation. The valuation of real estate is determined by the Nova KBM Group's Methodology for Real Estate Valuation, which is, mutatis mutandis, also applicable to the valuation of movable property.
The principal objective of the implementation of the Loan Collateral Policy is to mitigate credit risk. Collateral is used as a secondary source for the repayment of contractual obligations, if a debtor, for whatever reason, ceases to pay its debts, or if there is a change in the circumstances that prevailed at the time the loan was approved.
In cases where a loan is to be secured by the pledge of property, in particular real estate, movable property or financial instruments, the Bank pursues the policy of having its lien registered as a priority creditor.
When entering into a credit relationship, the Bank or the Group obtains relevant documents, which ensures adequate legal protection in case the secondary repayment source needs to be utilised. In accordance with the applicable legislation, the Group has set up a system for monitoring of and reporting on collateral. Valuation of property to be provided as security for a loan is carried out prior to the loan being approved. The information about the market value of the majority of the pledged real estate units and movable assets is taken from the assessment reports drawn up by certified external appraisers. The Group has prepared the list of external appraisers for real estate and movable property the valuation of which are accepted by the Group, and signed agreements with them. Each valuation report drafted by an external appraiser is checked by the competent department, primarily with a view to establishing its credibility and whether it complies with the International Valuation Standards. The verified and approved value assessment forms the basis for making the necessary collateral arrangements. Particular attention is devoted to the legal certainty, integrity and saleability of assets to be accepted as collateral. To this end, the competent departments verify the suitability of the collateral in terms of its legal certainty, integrity and saleability before the asset is used as collateral. The market value of quoted financial instruments is based on their value on the organised market – stock exchange, while that of unquoted instruments is determined using an internal methodology.
During the contractual relationship, the Group monitors the adequacy of collateral, providing relevant value assessments and takes care of having the investments covered by collateral.

The monitoring of the value of collateral during the loan repayment period is carried out in accordance with the periods prescribed by law, and internal methodologies. For example, the value of real estate provided as collateral is checked at least once a year, either by a valuation report prepared by an external appraiser or by using an internal methodology that is based on publicly available data on transactions in real estate and the achieved prices, which are published by the competent government institutions (the Surveying and Mapping Authority of the Republic of Slovenia, and the Statistical Office of the Republic of Slovenia). Where appropriate, the Group may request that additional collateral be provided if there is a drop in the value of the collateral.
While the market value of the asset to be provided as collateral is used to determine the value of collateral, in the loan-approval process, the process of assessing impairments of financial assets, and in the reporting process, the Group also uses expert adjustments to asset valuations, which reflect its expectations regarding the cash flow to be generated on a potential realisation of collateral. For the purpose of calculating capital requirements, the Group uses value adjustments as prescribed by the regulator for individual types of assets.

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

(Article 453 (c) of the Regulation)

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

- Legal certainty,
- Quality,
- Operational requirements.

The Group accepts as collateral the following funded credit protection instruments:

- Commercial and residential real estate,
- Movable property,
- Monetary claims,
- Financial collateral (e.g. bank deposits, investment gold, debt securities issued by various issuers, investment fund units, equity instruments, pledge of business interests),
- Pledge or cessation of receivables,
- Pledge of other assets (e.g. trademarks, inventory),
- Other types of funded credit protection (e.g. unit linked insurance policies).

The Group accepts as collateral the following unfunded credit protection instruments:

- Joint and several guarantees provided by natural or legal persons,
- Guarantees provided by banks, governmental fund,

- Guarantees provided by the central and local governments and central banks,
- Insurance provided by insurance companies.

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

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

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

20.4 Information about the main types of guarantor and credit derivative counter-party and their creditworthiness

(Article 453 (d) of the Regulation)

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

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

The group also accept the following issuers of guarantees:

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

The Group regards unfunded credit protection (guarantee) as an acceptable type of collateral only if its issuer is solvent and classified by the Group into the credit rating category A or B. Personal guarantees issued by customers rated lower than A or B are regarded as having no value.
Important types of guarantors broken down by the type of collateral:

Guarantees

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Banks	A	n.a.
	A	2, 3, 4
	B	3, 4
Slovene Enterprise Fund, Rod Development Agency	A	n.a.
MRA d.o.o., RRA Koroška d.o.o.	B	n.a.
Other	A	n.a.
	B	n.a.

Warranties

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Central governments	A	1
	A	3
Companies and sole proprietors	A	n.a.
	A	2
	B	n.a.
Individuals	A	n.a.
	B	n.a.

Loans insured with insurance companies

ISSUER	INTERNAL CREDIT RATING	CREDITWORTHINESS
Insurance companies	A	n.a.

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

(Article 453 (e) of the Regulation)

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

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

The Group limits the amount guarantees given by a guarantor, as the amount of warranty is included in the indirect exposure of the guarantor and reduces the difference to the lending limit. The amount of the guarantee is weighted depending on the rating of the underlying debtor for whom the guarantor gives a guarantee.
The Group monitors the market risk concentration within the accepted collateral in terms of assessing the liquidity of securities received as collateral. With the support of specialised departments, the Group assesses the liquidity of received securities on the basis of regular turnover in securities and the amount of securities received, or assesses value adjustments to be made as a result of reduced liquidity.
The Group monitors the value of collateral by individual types and reports thereon.

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

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

Template 346: EU CR3 – CRM Techniques – overview for the Biser Topco Group

€000

		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	3,983,803	35,982	10,773	25,209	0
2	Total debt securities	1,564,803	27,586	27,586	0	0
3	**Total exposures ***	**5,892,500**	**72,144**	**46,934**	**25,209**	**0**
4	Of which defaulted	602,078	0	0	0	0

*The total exposures amount represent the total exposures of the Credit Risk Group calculated in accordance with the CRR.

Template 357: EU CR3 – CRM Techniques – overview for the Nova KBM Group

€000

		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	3,982,940	35,982	10,773	25,209	0
2	Total debt securities	1,564,803	27,586	27,586	0	0
3	**Total exposures ***	**5,884,514**	**72,144**	**46,934**	**25,209**	**0**
4	Of which defaulted	602,078	0	0	0	0

*The total exposures amount represent the total exposures of the Credit Risk Group calculated in accordance with the CRR.

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

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

€000

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	1,472,903	617	1,535,944	341	5,213	**0 %**
2	Regional governments or local authorities	15,093	1,973	15,080	485	3,016	**19 %**
3	Public sector entities	128,807	2,269	121,552	488	20,303	**17 %**
4	Multilateral development banks	15,764	0	15,764	0	0	**0 %**
5	International organisations	12,462	0	4,413	0	0	**0 %**
6	Institutions	508,346	30,057	508,149	14,480	183,384	**35 %**
7	Corporates	628,633	397,891	568,566	133,528	553,431	**79 %**
8	Retail exposures	1,302,777	221,796	1,293,011	47,638	935,812	**70 %**
9	Secured by mortgages on immovable property	299,633	23,332	297,227	6,935	116,748	**38 %**
10	Exposures in default	494,843	23,151	192,482	3,515	210,660	**107 %**
11	Items associated with particular high risk	91,224	278	27,408	136	41,111	**149 %**
12	Covered bonds	0	0	0	0	0	**0 %**
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0 %**
14	Collective investment undertakings	27,727	0	27,727	0	5,353	**19 %**
15	Equity instruments	1,504	0	1,504	0	2,271	**151 %**
16	Other items	261,007	732	261,004	146	191,372	**73 %**
17	**Total**	**5,260,723**	**702,097**	**4,869,830**	**207,692**	**2,268,673**	**45 %**

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

€000

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	1,468,367	617	1,531,408	341	5,148	**0 %**
2	Regional governments or local authorities	15,093	1,973	15,080	485	3,016	**19 %**
3	Public sector entities	128,807	2,269	121,552	488	20,303	**17 %**
4	Multilateral development banks	15,764	0	15,764	0	0	**0 %**
5	International organisations	12,462	0	4,413	0	0	**0 %**
6	Institutions	507,459	30,057	507,262	14,480	182,941	**35 %**
7	Corporates	627,187	397,891	567,120	133,528	551,985	**79 %**
8	Retail exposures	1,302,777	221,796	1,293,011	47,638	935,812	**70 %**
9	Secured by mortgages on immovable property	299,633	23,332	297,227	6,935	116,748	**38 %**
10	Exposures in default	494,843	23,151	192,482	3,515	210,668	**107 %**
11	Items associated with particular high risk	91,224	278	27,408	136	41,111	**149 %**
12	Covered bonds	0	0	0	0	0	**0 %**
13	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0 %**
14	Collective investment undertakings	27,727	0	27,727	0	5,353	**19 %**
15	Equity instruments	1,504	0	1,504	0	2,271	**151 %**
16	Other items	259,889	732	259,886	146	190,254	**73 %**
17	**Total**	**5,252,737**	**702,097**	**4,861,844**	**207,692**	**2,265,610**	**45 %**

21 Use of advanced measurement approaches to operational risk

(Article 454 of the Regulation)

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

22 Use of internal market risk models

(Article 455 of the Regulation)

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

23 Summary disclosure related non-performing exposures

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

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

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

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	Total forborne exposures					Impairments for forborne exposures			Collateral and financial guarantees received for forborne exposures
	Total forborne exposures	of which: performing	of which: non-performing	Of which: non-defaulted	Of which impaired	Total forborne exposures	Performing forborne exposures	Non-performing forborne exposures	
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0	0
Government	0	0	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0
Non-financial companies	0	0	0	0	0	0	0	0	0
Loans and advances	**325,970**	**85,324**	**240,646**	**240,646**	**240,646**	**-140,950**	**-4,336**	**-136,614**	**106,744**
Central banks	0	0	0	0	0	0	0	0	0
Government	240	240	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0
Other financial organisations	7,180	3,970	3,210	3,210	3,210	-3,270	-417	-2,853	3,556
Non-financial companies	275,190	61,880	213,310	213,310	213,310	-126,747	-3,589	-123,158	79,777
Of which: SME	130,404	8,014	122,391	122,391	122,391	-78,162	-680	-77,482	32,683
Of which: insured by business premises	123,420	46,570	76,851	76,851	76,851	-42,006	-2,464	-39,542	68,549
Households	43,359	19,233	24,126	24,126	24,126	-10,933	-329	-10,603	23,411
Of which: insured by residential property	25,008	12,091	12,918	12,918	12,918	-3,920	-96	-3,824	20,744
Of which: consumer loans	9,981	4,167	5,814	5,814	5,814	-3,345	-151	-3,193	680
Debt securities other than held for trading	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Given liabilities from loans granted	**4,846**	**4,030**	**816**	**816**	**816**	**-454**	**-56**	**-398**	**3,589**
Total exposures, including forbearing measures	**330,816**	**89,354**	**241,462**	**241,462**	**241,462**	**-140,496**	**-4,280**	**-136,216**	**110,333**

As at 31 December 2017, the total amount of forborne exposures amounted to €330,816 thousand and decreased by €69,435 thousand compared to the balance as at 31 December 2016. The most significant decrease was recorded in non-performing forborne exposures, which decreased by €75,035 thousand compared to 2016.

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

For repeated defaulted customers that were recorded as defaulted customers at least once in the past 12 months, the Biser Topco Group and the Nova KBM Group recorded €2,518 thousand of forborne exposures.

€000

	Forborne exposures
Restructured more than once	142,080
Restructured more than twice	60,829
Repeated default in the last 12 months	2,518

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

The table below shows the time elapsed since the last approved forbearance date until 31 December 2017. According to the table, the Group records in its portfolio the majority of forborne exposures, which were approved more than a year ago.

€000

	<3 months	3-6 months	6-12 months	>12 months
Total exposures, including forbearing measures	**4,006**	**980**	**14,209**	**311,620**
of which: performing	2,042	532	5,358	81,421
of which non-performing	1,964	448	8,851	230,199

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

The Group defines default in accordance with the CRR regulation. The Group considers as NPEs those exposures that satisfy any of the following criteria:

- Material exposures which are more than 90 days past due,
- Termination of the contract due to defaulted financial liabilities,
- Restructured contracts resulting for financial difficulties of the debtor,
- Exposure already treated as NPE, exit criteria are not met,
- Significant credit quality deterioration leading to impairment,
- Total or partial outstanding loan write-off,
- Insolvency proceeding initiated against the default customer.

Material amount past due:

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

In accordance with the regulations, the Group has defined also the minimum exit criteria to be meet by a defaulted customer in order to be reconsidered as a payer. In order to be reclassified as a payer, the default customer has to meet exit criteria for all default indicators.

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

- During the probation period, the exposure is more than 30 days past due or has been restructured once again.

The Group defines a credit loss when there is objective evidence that financial assets are impaired, as set out in the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks. In case where objective evidence is met by at least one debtor's financial instrument, the total exposure to that debtor is deemed to be impaired, and the Group classifies the debtor as a defaulted customer.

The Group reverses impairments when all objective evidence of impairment of a financial asset is eliminated. The status of impaired exposures is directly related to the defaulting status; therefore, in the event that all objective evidence is eliminated, the Bank grants the customer a non-defaulted status.

In case of collective impairments and provisions, the Bank classifies financial instruments into homogeneous groups based on segments and credit ratings of debtors, and the collateral coverage. The Group records collective impairments and provisions on the basis of historical data on default and loss rates in the event of default.

d) Presentation of collective and individual impairments for performing and non-performing exposures by exposure class and sector for the Biser Topco Group

€000

	a	b	c		d	e	f	g	h	i	j	k	l	m	n	o	p	r
	Gross carrying values of performing and non-performing exposures									Accumulated impairment and provisions								
		of which: individually impaired	of which: collectively impaired	of which: performing			of which non-performing				of which: individually impaired	of which: collectively impaired	of which: performing			of which non-performing		
					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired
Debt securities	**94,640**	**0**	**94,640**	**94,640**	**0**	**94,640**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	84,595	0	84,595	84,595	0	84,595	0	0	0	0	0	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	10,045	0	10,045	10,045	0	10,045	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,317,703**	**618,295**	**2,699,408**	**2,742,459**	**136,278**	**2,606,180**	**575,245**	**482,017**	**93,228**	**391,682**	**315,727**	**75,956**	**25,869**	**878**	**24,992**	**365,813**	**314,849**	**50,964**
Central bank	419,648	0	419,647	419,648	0	419,647	0	0	0	0	0	0	0	0	0	0	0	0
Government	135,784	646	135,138	135,083	533	134,550	700	113	587	985	71	914	329	2	327	656	69	587
Credit institution	136,600	136,600	0	131,932	131,932	0	4,668	4,668	0	1,370	1,370	0	200	200	0	1,169	1,169	0
Other financial organisations	50,347	4,289	46,058	46,405	560	45,844	3,942	3,729	213	4,068	2,979	1,089	897	1	895	3,171	2,978	194
Non-financial companies	1,122,391	444,294	678,098	656,857	2,068	654,789	465,534	442,225	23,309	321,957	287,405	34,553	18,607	272	18,336	303,350	287,133	16,217
Households	1,452,934	32,467	1,420,468	1,352,535	1,185	1,351,350	100,400	31,282	69,118	63,303	23,903	39,400	5,837	402	5,434	57,466	23,500	33,966
Debt securities other than held for tra	**1,592,389**	**438,246**	**1,154,143**	**1,592,389**	**438,246**	**1,154,143**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	950,243	0	950,243	950,243	0	950,243	0	0	0	0	0	0	0	0	0	0	0	0
Credit institution	438,246	438,246	0	438,246	438,246	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	103,490	0	103,490	103,490	0	103,490	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	100,410	0	100,410	100,410	0	100,410	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**702,097**	**49,274**	**652,822**	**681,146**	**30,370**	**650,775**	**20,951**	**18,904**	**2,047**	**13,241**	**8,554**	**4,687**	**4,320**	**7**	**4,313**	**8,921**	**8,546**	**375**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	4,904	499	4,406	4,710	305	4,406	194	194	0	168	163	6	6	0	6	163	163	0
Credit institution	30,057	30,057	0	30,057	30,057	0	0	0	0	7	7	0	7	7	0	0	0	0
Other financial organisations	13,414	0	13,414	13,410	0	13,410	3	0	3	186	0	186	184	0	184	2	0	2
Non-financial companies	478,493	18,696	459,797	458,084	8	458,076	20,408	18,688	1,721	12,364	8,369	3,995	3,781	0	3,781	8,583	8,369	214
Households	175,229	23	175,206	174,884	1	174,883	345	22	323	516	15	501	342	0	342	174	15	159
Total	**5,706,829**	**1,105,816**	**4,601,014**	**5,110,634**	**604,895**	**4,505,739**	**596,196**	**500,921**	**95,275**	**404,923**	**324,280**	**80,643**	**30,189**	**885**	**29,304**	**374,734**	**323,395**	**51,339**

e) Presentation of collective and individual impairments for performing and non-performing exposures by exposure class and sector for the Nova KBM Group

€000

	a	b	c		d	e	f	g	h	i	j	k	l	m	n	o	p	r
	Gross carrying values of performing and non-performing exposures									Accumulated impairment and provisions								
		of which: individually impaired	of which: collectively impaired	of which: performing			of which non-performing				of which: individually impaired	of which: collectively impaired	of which: performing			of which non-performing		
					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired					of which: individually impaired	of which: collectively impaired		of which: individually impaired	of which: collectively impaired
Debt securities	**88,700**	**0**	**88,700**	**88,700**	**0**	**88,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	80,124	0	80,124	80,124	0	80,124	0	0	0	0	0	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	8,576	0	8,576	8,576	0	8,576	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,316,840**	**617,408**	**2,699,432**	**2,741,595**	**135,392**	**2,606,204**	**575,245**	**482,017**	**93,228**	**391,682**	**315,727**	**75,956**	**25,869**	**878**	**24,992**	**365,813**	**314,849**	**50,964**
Central bank	419,648	0	419,647	419,648	0	419,647	0	0	0	0	0	0	0	0	0	0	0	0
Government	135,784	646	135,138	135,083	533	134,550	700	113	587	985	71	914	329	2	327	656	69	587
Credit institution	135,713	135,713	0	131,045	131,045	0	4,668	4,668	0	1,370	1,370	0	200	200	0	1,169	1,169	0
Other financial organisations	50,370	4,289	46,081	46,428	560	45,868	3,942	3,729	213	4,068	2,979	1,089	897	1	895	3,171	2,978	194
Non-financial companies	1,122,391	444,294	678,098	656,857	2,068	654,789	465,534	442,225	23,309	321,957	287,405	34,553	18,607	272	18,336	303,350	287,133	16,217
Households	1,452,934	32,467	1,420,468	1,352,535	1,185	1,351,350	100,400	31,282	69,118	63,303	23,903	39,400	5,837	402	5,434	57,466	23,500	33,966
Debt securities other than held for tra	**1,592,389**	**438,246**	**1,154,143**	**1,592,389**	**438,246**	**1,154,143**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	950,243	0	950,243	950,243	0	950,243	0	0	0	0	0	0	0	0	0	0	0	0
Credit institution	438,246	438,246	0	438,246	438,246	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	103,490	0	103,490	103,490	0	103,490	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	100,410	0	100,410	100,410	0	100,410	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**702,097**	**49,274**	**652,822**	**681,146**	**30,370**	**650,775**	**20,951**	**18,904**	**2,047**	**13,241**	**8,554**	**4,687**	**4,320**	**7**	**4,313**	**8,921**	**8,546**	**375**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	4,904	499	4,406	4,710	305	4,406	194	194	0	168	163	6	6	0	6	163	163	0
Credit institution	30,057	30,057	0	30,057	30,057	0	0	0	0	7	7	0	7	7	0	0	0	0
Other financial organisations	13,414	0	13,414	13,410	0	13,410	3	0	3	186	0	186	184	0	184	2	0	2
Non-financial companies	478,493	18,696	459,797	458,084	8	458,076	20,408	18,688	1,721	12,364	8,369	3,995	3,781	0	3,781	8,583	8,369	214
Households	175,229	23	175,206	174,884	1	174,883	345	22	323	516	15	501	342	0	342	174	15	159
Total	**5,700,026**	**1,104,929**	**4,595,097**	**5,103,831**	**604,008**	**4,499,823**	**596,196**	**500,921**	**95,275**	**404,923**	**324,280**	**80,643**	**30,189**	**885**	**29,304**	**374,734**	**323,395**	**51,339**

f) Presentation of delays for performing and non-performing exposures by exposure class and sector for the Biser Topco Group

€000

	a	b	c		e	f	g	h	i	j	k	l	m
	Gross carrying values of performing and non-performing exposures												
		of which: performing			of which non-performing								
			of which: not delayed	of which: less than 90 days		of which: not delayed	of which: less than 90 days	of which: 90 days to 180 days	of which: 180 days to 1 year	of which: 1 year to 2 years	of which: 2 years to 5 years	of which: 5 years to 7 years	of which: over 7 years
Debt securities	**94,640**	**94,640**	**94,640**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	84,595	84,595	84,595	0	0	0	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	10,045	10,045	10,045	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,317,703**	**2,742,459**	**2,704,267**	**38,191**	**575,245**	**210,054**	**20,592**	**4,159**	**10,340**	**49,319**	**144,923**	**101,032**	**34,825**
Central bank	419,648	419,648	419,648	0	0	0	0	0	0	0	0	0	0
Government	135,784	135,083	135,077	7	700	1	0	0	0	0	0	112	586
Credit institution	136,600	131,932	131,775	157	4,668	4,668	0	0	0	0	0	0	0
Other financial organisations	50,347	46,405	46,401	4	3,942	654	12	0	385	5	2,886	0	0
Non-financial companies	1,122,391	656,857	645,895	10,961	465,534	176,142	16,459	833	3,708	38,258	114,502	88,851	26,781
Households	1,452,934	1,352,535	1,325,472	27,063	100,400	28,589	4,121	3,326	6,246	11,057	27,535	12,069	7,457
Debt securities other than held for tra	**1,592,389**	**1,592,389**	**1,592,389**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	950,243	950,243	950,243	0	0	0	0	0	0	0	0	0	0
Credit institution	438,246	438,246	438,246	0	0	0	0	0	0	0	0	0	0
Other financial organisations	103,490	103,490	103,490	0	0	0	0	0	0	0	0	0	0
Non-financial companies	100,410	100,410	100,410	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**702,097**	**681,146**	**680,330**	**816**	**20,951**	**4,114**	**68**	**1,517**	**112**	**538**	**9,015**	**5,180**	**408**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	4,904	4,710	4,705	5	194	113	0	0	0	0	0	81	0
Credit institution	30,057	30,057	30,057	0	0	0	0	0	0	0	0	0	0
Other financial organisations	13,414	13,410	13,410	0	3	3	0	0	0	0	0	0	0
Non-financial companies	478,493	458,084	457,751	333	20,408	3,790	36	1,479	73	528	8,996	5,098	408
Households	175,229	174,884	174,406	478	345	207	32	38	39	10	19	0	0
Total	**5,706,829**	**5,110,634**	**5,071,626**	**39,008**	**596,196**	**214,168**	**20,660**	**5,676**	**10,451**	**49,858**	**153,938**	**106,212**	**35,233**

g) Presentation of delays for performing and non-performing exposures by exposure class and sector for the Nova KBM Group

€000

	a	b	c		e	f	g	h	i	j	k	l	m
	Gross carrying values of performing and non-performing exposures												
		of which: performing			of which non-performing								
			of which: not delayed	of which: less than 90 days		of which: not delayed	of which: less than 90 days	of which: 90 days to 180 days	of which: 180 days to 1 year	of which: 1 year to 2 years	of which: 2 years to 5 years	of which: 5 years to 7 years	of which: over 7 years
Debt securities	**88,700**	**88,700**	**88,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	80,124	80,124	80,124	0	0	0	0	0	0	0	0	0	0
Credit institution	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial companies	8,576	8,576	8,576	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	**3,316,840**	**2,741,595**	**2,703,404**	**38,191**	**575,245**	**210,054**	**20,592**	**4,159**	**10,340**	**49,319**	**144,923**	**101,032**	**34,825**
Central bank	419,648	419,648	419,648	0	0	0	0	0	0	0	0	0	0
Government	135,784	135,083	135,077	7	700	1	0	0	0	0	0	112	586
Credit institution	135,713	131,045	130,888	157	4,668	4,668	0	0	0	0	0	0	0
Other financial organisations	50,370	46,428	46,424	4	3,942	654	12	0	385	5	2,886	0	0
Non-financial companies	1,122,391	656,857	645,895	10,961	465,534	176,142	16,459	833	3,708	38,258	114,502	88,851	26,781
Households	1,452,934	1,352,535	1,325,472	27,063	100,400	28,589	4,121	3,326	6,246	11,057	27,535	12,069	7,457
Debt securities other than held for tra	**1,592,389**	**1,592,389**	**1,592,389**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	950,243	950,243	950,243	0	0	0	0	0	0	0	0	0	0
Credit institution	438,246	438,246	438,246	0	0	0	0	0	0	0	0	0	0
Other financial organisations	103,490	103,490	103,490	0	0	0	0	0	0	0	0	0	0
Non-financial companies	100,410	100,410	100,410	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**702,097**	**681,146**	**680,330**	**816**	**20,951**	**4,114**	**68**	**1,517**	**112**	**538**	**9,015**	**5,180**	**408**
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	4,904	4,710	4,705	5	194	113	0	0	0	0	0	81	0
Credit institution	30,057	30,057	30,057	0	0	0	0	0	0	0	0	0	0
Other financial organisations	13,414	13,410	13,410	0	3	3	0	0	0	0	0	0	0
Non-financial companies	478,493	458,084	457,751	333	20,408	3,790	36	1,479	73	528	8,996	5,098	408
Households	175,229	174,884	174,406	478	345	207	32	38	39	10	19	0	0
Total	**5,700,026**	**5,103,831**	**5,064,823**	**39,008**	**596,196**	**214,168**	**20,660**	**5,676**	**10,451**	**49,858**	**153,938**	**106,212**	**35,233**

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

€000

	Total		Non-financial companies		Households	
	Loans and advances	Impairments for loans and advances	Loans and advances	Impairments for loans and advances	Loans and advances	Impairments for loans and advances
Non-performing loans and advances as at 31 December 2016	**740,134**	**-469,036**	**623,319**	**-405,795**	**100,459**	**-53,845**
Transfer to non-performing loans and advances (gross carrying amount)	38,388	-24,657	16,896	-12,542	20,866	-11,878
Transfer from performing non-restructured exposure	11,866	-4,004	2,679	-1,311	8,808	-2,693
Transfer from performing non-restructured exposure	1,369	-510	443	-298	926	-212
Transfer to defaulted due to other situations	25,153	-20,143	13,774	-10,933	11,132	-8,973
Transfer from non-performing loans and advances (gross carrying amount)	203,277	-127,880	174,681	-114,987	20,925	-8,257
Write-offs	74,009	-71,350	69,951	-67,489	1,629	-1,432
Sales of claims	26,232	-21,193	26,232	-21,193	0	0
Capture of real estate/conversion of debt to equity	229	-73	120	-14	109	-59
Realisation of collateral	4,703	-2,451	4,193	-2,280	509	-171
Inflow from court proceedings (compulsory composition, bankruptcies)	7,894	-3,540	7,209	-3,199	635	-341
Transfer to performing forborne exposures	17,719	-6,760	10,005	-3,527	3,744	-970
Transfer to performing non-restructured exposures	15,598	-2,816	11,354	-1,825	4,227	-980
Loan repayment (in part or in full)	50,722	-13,696	39,446	-9,459	10,072	-4,304
Transfer to non-defaulted due to other situations	6,171	-6,001	6,171	-6,001	0	0
Nen-performing loans and advances as at 31 December 2017	**575,245**	**-365,813**	**465,534**	**-303,350**	**100,400**	**-57,466**

As at 31 December 2016, gross book value of non-performing loans and financial assets amounted to €740 million, and at the end of 2017, to €575 million, which means a decrease by €165 million. The largest decreases were recorded as a result of write-offs in the amount of €74 million, which was followed by repayment of loans in the amount of €50.7 million, and sales of claims by €26 million.