

Biser Topco Group

# Disclosures 2020

(Under Pillar 3)

Nova   
KBM



ovaKBM 

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## Index of abbreviations

Abanka	- Abanka d.d.
AC	- Financial instruments measured at amortised cost
AIRB	- Advanced IRB approach
ALCO	- Assets and Liabilities Committee
AT1	- Additional Tier-1 capital
BIA	- Basic Indicator Approach
BRRD	- Resolution of credit institutions Directive
BS	- Bank of Slovenia
CCF	- Credit Conversion Factor
CCO	- Credit Committee
CCoB	- Capital conservation buffers
CCR	- Credit risk (excluding counterparty credit risk)
CCyB	- Countercyclical buffer
CEO	- President of the Management Board
CET1	- Common equity Tier-1 capital
CNS	- Central counterparty
COREP	- Common Reporting Standards
COVID-19	- CoronaVirus Infectious Disease
CRD	- Capital Requirements Directive
CRM	- Credit Risk Mitigation
CRO	- Management Board member responsible for risk management
CRR	Regulation or CRR - Capital Requirements Regulation
CUSIP code	- International Securities Identification Number for North America
CVA	- Credit value adjustment
DSPI	- Other systematically important institutions
EAD	- Exposure at default
EBA	- European Banking Authority
ECAI	- External Credit Assessment Institutions
ECB	- European Central Bank
ECL	- Expected credit loss
EHQLA	- Extremely high liquidity and credit quality
EVE	- Economic value of equity
EWS	- Early Warning System
FINREP	- Financial Reporting Standards
FIRB	- Foundation IRB approach
FLI	- Forward looking information
FO	- Consumers
FTE	- Full-time equivalent
FURS	- Tax Office of the Republic of Slovenia
FVOCI	- Financial instruments measured at fair value through other comprehensive income
FVTPL	- Financial instruments measured at fair value through profit or loss
GDP	- Gross domestic product
GSPI	- Global systematically important institutions
HQLA	- High-quality liquid assets
IAA	- Internal assessment approach
ICAAP	- Internal Capital Adequacy Assessment Process
IFRS 9	- International Financial Reporting Standards 9
IILC	- Investment and International Lending Committee
ILAAP	- Internal Liquidity Adequacy Assessment Process



IMA - Internal model approach  
IMM - Internal model method  
IPI - Income statement  
IRB approach - Advanced internal rating-based approach  
ISDA - International Swaps and Derivatives Association  
ISIN code - International Securities Identification Number  
LCR - Liquidity Coverage Ratio  
LGD - Loss Given Default  
LRCom - Leverage ratio common disclosure  
LRSpl - Split-up of on-balance-sheet exposures  
LRSum - Summary reconciliation of accounting assets and leverage ratio exposures  
LTV - Loan to value  
NFCI - Net fee and commission income  
NII - Net interest income  
Nova KBM - Nova KBM d.d.  
NPE - Non performing exposures  
NSFR - Net Stable Funding Ratio  
OCR - Overall capital SREP requirement  
OR - Operational Risk  
OSIB - Other systemically important banks buffer  
P2G - Pillar 2 Guidance  
P2R - Pillar 2 Requirement  
PD - Probability of Default  
PKP - The Act Determining the Intervention Measures to Contain the COVID-19 Epidemic  
PLC - Problem Loans Committee  
PPDFT - Area of anti-money laundering and counter terrorist financing  
PPE - Property, plant and equipment  
PPK - Capital revaluation adjustment  
QCCP - Qualifying central counterparties  
RAF - Risk Appetite Framework  
RBC - Risk Bearing Capacity  
RWA - Risk Weighted Assets  
SA - Standardised approach  
SFA - IRB supervisory formula approach  
SICR - Significant increase in credit risk  
SISBON - Slovenian customer credit rating information system  
SLS - Summit Leasing Slovenija d.o.o.  
SMEs - Small and medium-sized enterprises  
SREP - Supervisory Review and Evaluation Process  
Tier-2 - Additional capital  
TLTRO - Targeted longer-term refinancing operations  
TSCR - Total SREP Capital Requirements  
ZBan-2 - The Banking Act  
ZBS - Association of Slovenian Banks  
ZDR-1 - The Employment Relationships Act  
ZFisP - The Public Finance Act  
ZGD-1 - The Companies Act  
ZIUOPOK - Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities  
ZPIZ-2 - The Pension and Disability Insurance Act  
ZZavar-1 - The Insurance Act

# 1 Introduction

In accordance with Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and the European Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR), together with its revisions (hereinafter: the Regulation), and the EBA Guidelines (EBA/GL/2016/11) on the disclosure of information referred to in Part Eight of the Regulation, Nova KBM d.d. (hereinafter also “the Bank” or “Parent bank” or “Nova KBM”) is required to disclose essential information that would, if omitted or misstated, change or affect an assessment or decision of the user using this information to make business decisions. The laws allow a possibility for the liable person not to disclose information that has a characteristic of confidential information or business secret.

Nova KBM is owned by a financial holding company, Biser Bidco S.à r.l.(hereinafter also Biser Bidco). In accordance with Article 13 of the CR Regulation, institutions owned by an EU parent financial holding company meet the obligations referred to in Part Eight of the CR Regulation at their consolidated financial position where it is also relevant at the sub-consolidated position. Consequently, data in the document are disclosed at the Biser Topco Group level, and where relevant, including at the Nova KBM Group level. Disclosures are prepared as at 31 December 2020 by Nova KBM, the largest financial institution in the Biser Topco Group.

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

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

On 20 June 2019, Nova KBM, d.d. concluded an agreement on the purchase of a 100-percent interest in Abanka d.d. with the Republic of Slovenia represented by the Slovenian Sovereign Holding, d.d. On 30 January 2020, Nova KBM d.d. received a European Central Bank’s regulatory licence to acquire a direct qualifying holding in Abanka d.d. (“Abanka”). Upon receiving all necessary regulatory approvals and fulfilling all the conditions stipulated in the purchase agreement, Abanka d.d. became a member of the Nova KBM Group on 5 February 2020. On 15 March 2020, Nova KBM d.d. submitted to the Bank of Slovenia a Request for authorisation for the merger by absorption of Abanka into Nova KBM. Nova KBM d.d. received the ECB’s authorisation for merger by absorption on 4 August 2020. Upon the received permission, Abanka d.d. has been legally merged with Nova KBM d.d. from 1 September 2020. The merged banks represent the second largest, systemically important bank in Slovenia. The operational merger of the two banks took place on 1 January 2021.

Under Pillar 3, these disclosures cover Nova KBM d.d., including former Abanka d.d., and the companies in the Biser Topco Group.

The Nova KBM Group obtained the ECB’s permission to include mid-year profit for the period ended 31 January 2020 in the calculation of its common equity Tier-1 capital.

Operations of the Nova KBM Group in 2020 during the pandemic of the coronavirus disease, COVID-19, are presented in the Annual Report.

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

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

This document aims at disclosing information under the Pillar 3. In this context, the Bank followed the provisions of the CR Regulation (575/2013), Directive (EU) No 2013/36 (hereinafter: the Directive) and the Guidelines on Disclosure Requirements under Part Eight of the Regulation, and other guidelines determining disclosure requirements (e.g., on remuneration policy, defaulted exposures, etc.) (hereinafter: guidelines).

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

Disclosures of the Group are not audited. In accordance with its Disclosure Policy, the Group has internal controls and procedures in place to ensure the correctness of disclosed information.

## 2 Risk management objectives and policies

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

### 2.1 General information on risk management objectives and policies

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

#### 2.1.1 Risk management strategies and processes

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

##### 2.1.1.1 Disclosure of information at the Biser Topco Group level

Since Nova KBM is owned by the EU parent financial holding company, it has to disclose relevant information and data on the consolidated financial position as set out in Part Eight of CR Regulation. Detailed ownership structure is presented in the Annual Report.

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

##### 2.1.1.2 Disclosure of information at the Nova KBM Group level

The disclosure is published in the Nova KBM Group and Nova KBM’s 2020 Annual Report, where the aspect of strategies and processes is treated in a comprehensive manner in the context of its business part, Section 10: Risk management, and separately by individual types of risks in the Notes to the Nova KBM Group and Nova KBM’s Financial Statements, Section 9: Exposure to various types of risk.

It is the mission of the Group to ensure the security of its operations and assuming risks in a thoughtful and responsible manner, and comply with the highest standards of risk management. Under the Risk Appetite Framework, the Group has defined the objectives of future risk appetite and management, taking into account the risk profile, foreseen and expected development of the Group’s operations, its business and investment strategies, the Assets and Liabilities Management (ALM) Strategy, including the IT Security Strategy, Non-performing Loan Management Strategy, and the Recovery Plan. The Group carries out a regular process of identification and measurement of various types of risks arising from its operations.

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

- Risk identification and measurement process
- Risk Appetite Framework
- Risk Appetite Statement
- Risk-bearing capacity, establishing risk limits and capital allocation, and monitoring capital utilisation
- Risk management
- Definition of roles and responsibilities.

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

- Moderate, sustainable and long-term profitability
- Generating profits while taking moderate credit risk
- Assuming a larger yet diversified risk from the exposure to governments and investment grade financial institutions and corporates in order to ensure high liquidity of assets
- Maintaining low-level foreign exchange, market, equity and liquidity risk
- Keeping all other type of risks to which the Group is exposed at low or moderate level.

The risk management process reflects the Group's overall approach and includes the following:

- Identification of the risks to which the Group is exposed via its operations
- Risk measurement and the methods of monitoring risk factors
- Continuous monitoring of the exposure to individual risks, and systematic and comprehensive reporting on risk exposure
- Implementation of stress tests, the results of which are used in the decision-making process and in taking strategic decisions
- Established system of limits with the early warning system and the specified risk appetite
- Learning from and adapting to the evolving business environment, which includes re-assessment of limits and methodologies for establishing limits in order to ensure stable and secure operations of the Nova KBM Group in the long run.

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

- Risk type management policy
- Risk type management methodology
- Risk Appetite Statement defining the appetite for particular type of risk as well as the levels of key risk indicators
- A comprehensive limit system, including operating limits and the early warning system.

The decision-maker in respect of the risk appetite strategy, setting the system of limits, risk management policies, methodologies for measuring, monitoring, and managing risks in the Nova KBM Group is Nova KBM as the credit institution in the Group. All companies within the Group manage risks in accordance with legal requirements and internal policies or methodologies that reflect their activities and the size of operations. Persons responsible for each risk policy and methodology in the Bank are familiar with the method of managing respective risks to be covered across all companies of the Group, and have the opportunity and obligation to influence the setting up of the adequate method of managing and measuring each risk in the Group's companies. Risk management procedures are conducted independently at the level of each company. The Group has set up methods of reporting on individual risks, which stipulate the content, the frequency, and recipients of reports.

All of the companies in the Nova KBM Group consider risk management as a continuous process of identifying, measuring, and managing the risks that arise in their operations.

#### **2.1.1.2.1 Internal Capital Adequacy Assessment Process (ICAAP)**

Identification of risks to which the Group is exposed in its operations is an integral part of ICAAP. It is the responsibility of each Group's employee to identify risks. The acceptable level and the method of measuring and monitoring each type of risks are defined by officers who

specialise in dealing with each type of risk. The organisational unit responsible for defining the acceptable level of risks and the method of measuring and monitoring the risks is organisationally separated from the risk-taking unit.

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

Credit risk is the most significant risk 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
- Credit migration risk
- Special loan arrangements risk
- Non-fixed lending interest rate risk
- Counterparty risk
- Sovereign risk
- Real estate-related risk.

In 2020, the Bank identified and included in its Register of Risks climate-related and environmental, social, and governance risks, and intends to include them in the Risk Appetite Framework, the Risk Appetite Statement in 2021, and to establish the management process with a clear definition of roles and responsibilities.

In ICAAP, the Bank calculates capital requirements under Pillar 1 and Pillar 2, capital and capital ratios, it determines its risk appetite, key risk indicators, namely in the context of the planning process as well as in the process of carrying out internal contingency testing (stress tests).

#### **2.1.1.2.2 Internal Liquidity Adequacy Assessment Process (ILAAP)**

In accordance with the Capital Requirements Directive IV and the European Banking Authority (EBA) guidelines referring to SREP, the Bank carries out the Internal Liquidity Adequacy Assessing Process (ILAAP).

The Parent Bank carries out the Internal Liquidity Adequacy Assessing Process (ILAAP). Reliable, effective, and comprehensive ILAAP is based on two pillars, economic perspective and normative perspective that complement each other. The purpose of the ILAAP carried out by the Group is to effectively manage and systematically identify, assess, measure, and mitigate the risks to which the Group is exposed in its operations.

ILAAP follows the Bank's business model, size, complexity, risk, market expectations, etc. It includes all qualitative and quantitative information on which the risk appetite is based, including a description of the systems, processes, and methodology used to measure and manage liquidity and financing risks.

The main objectives of the ILAAP include:

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

In 2020, the Bank continued with upgrading the ILAAP process, and integrating Abanka. The ILAAP Policy and Methodology were further updated. In these areas, the Bank used the best practices of both banks merged in 2020. The most significant progress was made in conducting liquidity stress tests that were completely renovated. The Bank also established new indicators for the economic perspective, set up separate monitoring of market liquidity risk and funding liquidity risk, and updated the roles and responsibilities of certain organisational units and committees. It also updated and upgraded the Contingency Liquidity Plan.

#### **2.1.1.2.3 Implementation of contingency tests (stress tests)**

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

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

The Group conducts the following stress test types:

- EU-wide stress test
- Stress tests at the request of the Bank of Slovenia/European Central Bank
- Stress tests conducted as part of the ICAAP

- Stress tests conducted as part of the ILAAP
- Stress tests conducted as part of implementing the Recovery and Resolution Plan
- Other occasional internal stress tests (e.g. when launching a new product).

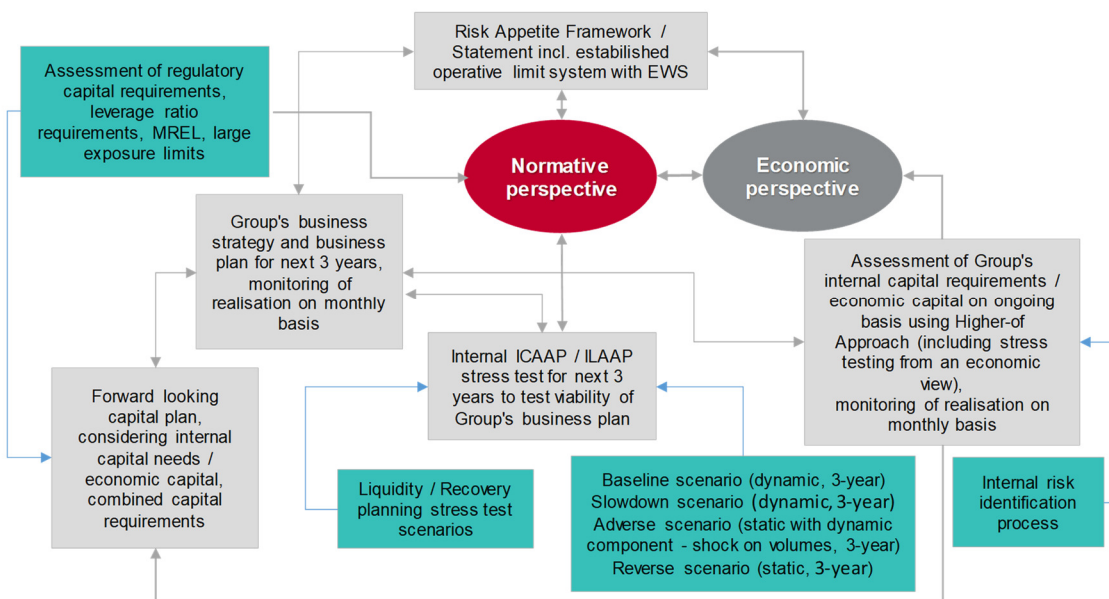
The use of stress tests in decision-making process:

The Group presents the results of stress tests to the Supervisory Board, the Bank's Management Board, and to other relevant decision-making levels, in order to take into account the results and findings in further operations of the Group. In case of conducting ICAAP reverse stress tests and stress tests performed under the Recovery Plan, the Group established a uniform methodology for determining minimum capital adequacy ratios, and a uniform escalation process.

### Stress tests conducted as part of the ICAAP

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

**Figure 1: Contingency test implementing process within ICAAP normative and economic perspective**



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

- Range of risks
  - Credit risk, covering a portion of assets through the impact on the credit portfolio's size, and capital through the effect of impairments in profit and loss statement, which is one of the components of equity
  - Market risk, covering a portion of assets through the following:
    - Debt securities held in the banking book shock (covering part of assets and equity through PPK effects)
    - Equity instruments held in the banking book shock (covering part of assets and equity through PPK effects)



- Loans measured at fair value through profit or loss (covering part of assets, equity through effect on profit or loss)
  - Funding risk through the liabilities portfolio size, affecting profit or loss due to shocks on margins and volumes; the risk is also correlated with asset volumes and margins
  - Operational risk, affecting profit and loss items
  - Profitability risk, covering the impact on:
    - Net interest income – NII (as a result of total risks – covering part of profit or loss)
    - Net fee and commission income – NFCI (covering part of profit or loss)
    - Operating costs (covering part of profit or loss)
    - Losses arising from market risk (securities revaluation)
    - Losses arising from credit risk (expected losses from credit risk)
    - Operational risk losses
- Scenarios covering all of the above risks simultaneously include:
  - Baseline scenario based on the business plan covers the planning of capital, capital requirements and capital adequacy based on a “top-down” and “bottom-up” business plan. A dynamic balance sheet assumption is used.
  - A slowdown scenario is a macroeconomic scenario that, according to the Bank, is most likely to realise, anticipating a slowdown in macroeconomic growth compared to the business plan. This scenario aims at testing the business plan in an economic environment less favourable than its forecast. A dynamic balance sheet assumption is used because of the fact that the adopted business plan is feasible also under changed macroeconomic conditions.
  - An adverse scenario envisages an economic downturn or an even deeper downturn if the economy is already in recession, which simultaneously affects all risk factors. The adverse scenario sets out a series of systemic risks that may threaten the Group’s financial stability and trigger special shocks, including the growth of gross domestic product (GDP) in the EU. The approach taken for the adverse scenario is static, because it is assumed that in case of a severe crisis, the Bank shall not follow the business plan adopted but seek to maintain the status quo. Notwithstanding the above, when stressing initial static volumes (new and renewed exposures) of credit and treasury portfolios, also in case of deposits and costs, the Bank shall incorporate a dynamic component in stress testing in subsequent years.
  - Reverse scenario is defined as determining the point of collapse where macroprudential supervisory capital requirements are no longer met. Based on an inverse loop, the Bank determines the macroeconomic assumptions corresponding to such a point of collapse.
- Macroeconomic assumptions: the Bank analyses forecasts of key macroeconomic indicators provided publicly by various local and international organisations, and it predicts the values of macroeconomic assumptions in various stress scenarios using internal tools and expert judgement.
- Risk parameters estimated on the basis of internal models:
  - Exposure at default (EAD)
  - Probability of default (PD)
  - Loss given default (LGD)
  - Average TTC matrix
- Time component: ICAAP stress test covers a period of 3 years. ICAAP stress tests are performed at a sub-consolidated level.
- Measurement techniques: the Bank has established an internal methodology using it to evaluate the impacts of each risk, risk parameters on the peak stress test results.
- Limits in place: The stress test is successfully completed when the minimum limits are exceeded for the following ratios:

- Common equity Tier-1 capital ratio
  - Total capital ratio
  - Liquidity coverage ratio
- complying with minimum required macro-prudential regulatory limits of the above ratios.
- Evaluation of results: within the stress test results, the Bank presents the effects of:
    - Risk factors (risk parameters)
    - Effects on the balance sheet and profit or loss, including stress test effects on the size of each portfolio
    - Capital adequacy ratios, regulatory capital and risk-weighted assets
    - Sensitivity analysis following the assessment of all the above impacts on the Group's key portfolios.
  - The roles and responsibilities for conducting stress tests are determined in the Group's adopted internal acts.

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

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

### Stress tests conducted as part of the ILAAP

Conducting ILAAP stress tests is an integral part of the Group's overall risk management. Results of stress tests affect a decision-making process and taking strategic decisions. The aim of conducting stress tests is to ensure sufficient liquidity even in stressful conditions.

The main assumption of measuring and managing liquidity risk is the **survival period** in stressful situations, i.e., that the Bank can survive a pre-determined period of stressful conditions without taking additional measures, thereby providing sufficient time to take necessary measures in accordance with its risk appetite strategy and ensuring long-term viability. The period of survival is defined in line with the **internal liquidity buffer** and **cumulative net funding gap**.

The Bank regularly implements various liquidity management scenarios, including the use of liquidity risk mitigation methods, and, based on results of stress tests, it reviews the assumptions on which decisions regarding the maintaining of adequate liquidity of both the Bank and the Group are based.

Based on these scenarios, the Bank determines the method of providing adequate liquidity, whereby it takes into account the following:

- Normal course of operations (baseline scenario), and
- Liquidity emergency (emergency scenario).

Stress scenarios are divided into three main groups:

- Scenario adapted to its own liquidity situation or an **idiosyncratic** scenario, assuming a failure to renew major sources of liquidity (e.g. institutional investors, large companies) with no collateral by the Bank, and a decline in retail deposits
- Scenario conditioned by the market situation or **market scenario** assuming a decline in the liquidity of assets and a deterioration in the conditions for obtaining liquidity on the market
- Scenario based on a **combination** of both scenarios indicated in the previous two indents.

Stress scenarios are based on different levels of difficulty and different length of liquidity stress period. Scenarios take into account impacts on on-balance sheet and off-balance sheet items and other contingent liabilities. The Bank implements each of these stress scenarios (idiosyncratic, market, combined) at two levels of difficulty determined based on a pre-determined quantile of an empirical distribution of each risk factor. Key risk factors analysed by the Bank include downgrade in credit ratio, change in market value of investments, outflows of sight and time deposits, or a larger volume of realisation of off-balance sheet items and lower inflows from loans. Assumptions for scenarios based on statistical analysis can be revised according to expert opinion, especially where the time-window for a statistical analysis is narrow; therefore, an expert opinion allows historical events to be considered.

A stress test on the Liquidity contingency plan and the Recovery plan is also carried out at least once a year.

The Bank regularly reports on implemented stress tests to the ALCO Committee and under the CRO report.

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

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

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

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

### **2.1.2.1 Disclosure of information at the Biser Topco Group level**

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

### **2.1.2.2 Disclosure of information at the Nova KBM Group level**

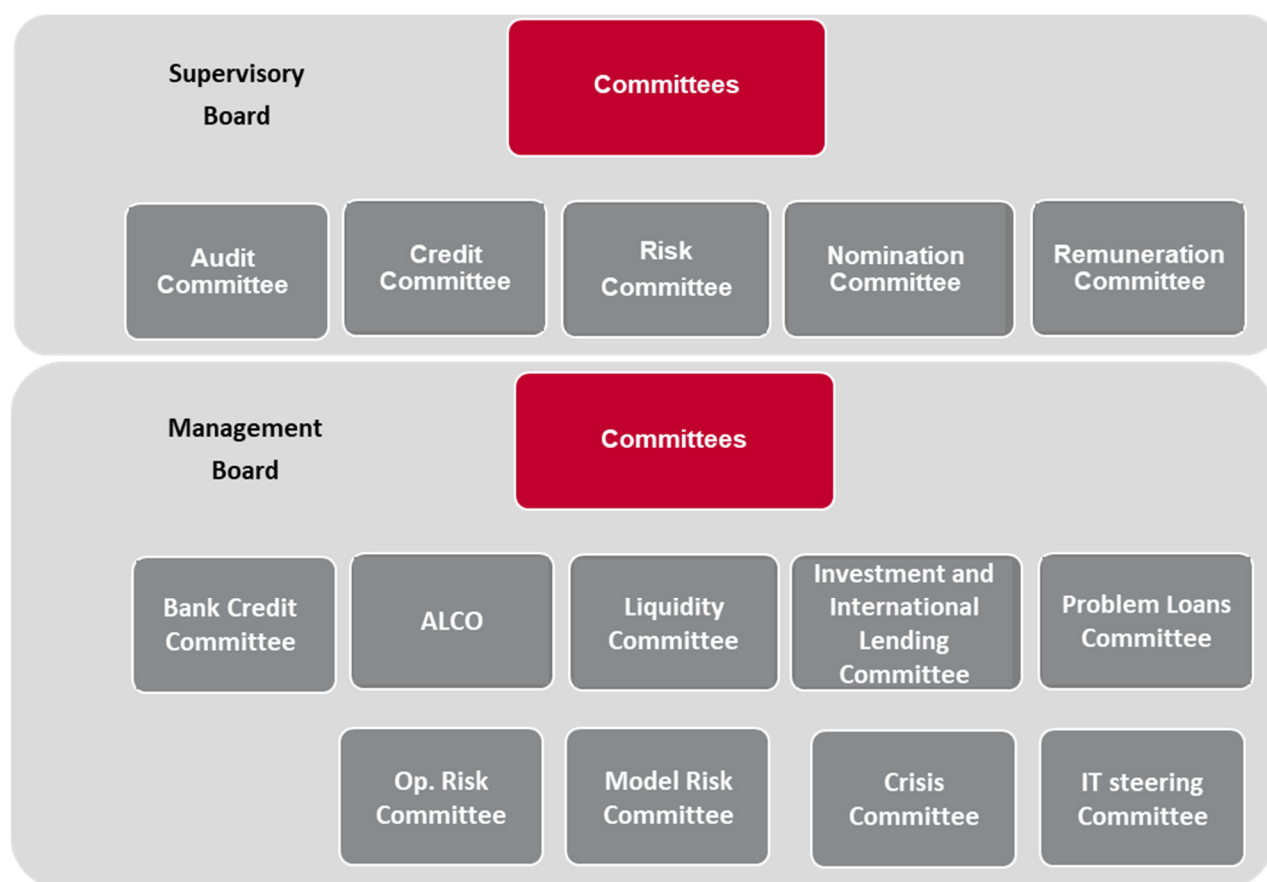
The Group has set up a risk management structure, determining an active role of the Supervisory and Management Boards, while ensuring relevant organisation of the risk management function, which is an independent function, separated in organisational terms from its business functions. Key decisions are taken at the level of the Management and Supervisory Boards.

To ensure systematic control of exposure to material risks, the Group has set up a system of internal controls at all organisational structure levels. Responsibility for setting up and implementing internal controls lays with the persons in charge in respective fields of the Bank. Independent and impartial assessments of efficiency and compliance of the Bank's internal governance based on reviewing and assessing adequacy of risk strategies and policies, risk management procedures, processes, methodologies and reporting systems in the Bank and in Group companies, work as internal control functions, namely as the three lines of defence that in addition to risk functions also include the compliance function and the internal audit function. The duty of the Compliance Office is to ensure proper management of compliance risk, i.e. ensure proper operations of the Bank, in line with applicable regulations, legislation

and standards of good business practice. The Internal Audit Office is responsible for impartial assessment of internal governance arrangements in terms of their quality and efficiency, including risk management systems and processes and internal controls of the Bank, and for providing the Audit Committee and the senior management staff with impartial opinions of the effectiveness and efficiency of the internal governance arrangements. The Internal Audit Office provides support and assistance to the management body in protecting long-term interests of the Bank and its reputation. As part of the assessment of the internal governance quality and efficiency, the Internal Audit Office also conducts independent assessments of the risk management and compliance functions through its internal audit process.

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

**Figure 2: Governance of the Nova KBM Group**



### 1. Management and Supervisory Boards of the Bank

Section 7.3.3. Corporate governance of Nova KBM in the 2020 Annual Report of the Nova KBM Group details the roles and responsibilities of the Bank's Supervisory and Management Boards, and the committees of both management bodies.

### 2. Lines of defence

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

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

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

### **Risk Management Tasks**

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.

Nova KBM's risk management function is responsible for having effective processes 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 lending policy, the internal capital adequacy assessment process (ICAAP) and the development of forward-looking capital management, and capacity planning using appropriate methodologies and tools
- Manage the internal capital adequacy assessment process (ICAAP) (including the implementation of contingency testing (stress test), and a regular (at least once a year) overview of the risks to which the Bank is exposed in performing its business activity
- To make a risk-related overview of consequences of new business 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 the reputational risk
- Implement the recovery and resolution of credit institutions directive (BRRD), and the processes of the Bank and the Bank's Group; development and maintenance of recovery and resolution plans.

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

### **Risk identification**

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

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

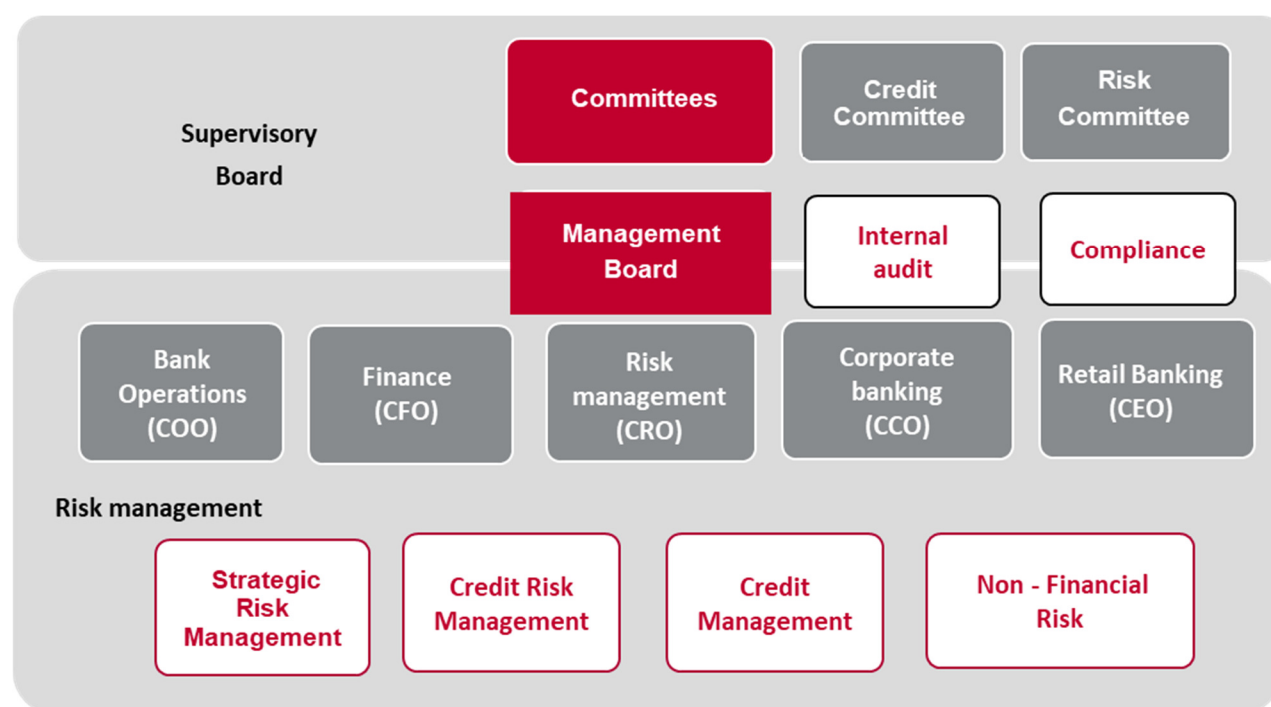
### **Risk appetite**

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

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

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

**Figure 3: Risk management organisation in Nova KBM d.d.**



## Compliance function

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

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

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

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

For this purpose, the compliance function especially:

- Informs and educates employees about the company's values, policies and processes helping the Bank to act in a responsible manner and meet all its valid obligations
- Provides advice and assistance at the level of the Bank and to its employees with regard to the measures helping to prevent non-compliance in advance
- Establishes internal controls and improves their effectiveness
- Governs compliance risk management systems and carries out identifying, assessment, monitoring, control, and reporting
- Consider any identified events indicating any violations of regulations in the broadest terms, 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
- Considers any adverse or unplanned events that cause or could cause an unwanted situation in the Bank. Adverse events include in particular errors (the aspect of an event) and illicit conduct
- Carries out regular checks and tests of internal controls and resilience to individual compliance risks
- Continuously monitors new and amended regulations and rules and implementation thereof

- Analyses compliance risk through active engaging in verification that launching of new products is in line with applicable regulations, standards, and internal documents of the Bank.

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

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

### **Internal audit function**

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

The Internal Audit Office performs internal audit of operations in accordance with:

- Standards of professional conduct in internal audit
- Code of internal audit principles
- Code of internal auditors' professional ethics
- Fundamental Document on Internal Audit.

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

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

Internal Audit's method of work:

- It is an independent organisational unit that is in functional and organisational terms separated from other organisational units of the Bank
- It reports directly to the entire Nova KBM's Management Board and the Supervisory Board



- It reports to President of the Management Board (CEO) in terms of discipline and organisational terms
- The manager of Internal Audit is responsible for performing audit tasks in line with the law
- It performs audit tasks in accordance with its annual audit plan submitted to the Supervisory Board/Audit Committee in accordance with the law.

Internal Audit's operating principles:

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

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

### **2.1.3 Scope and nature of risk reporting and measuring systems**

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

The Group has established a systematic approach to regular updating and assessing the relevance of the content of strategies, policies, methodologies, and instructions that have been put in place. Documents are verified and updated at least once a year.

Respective risk management policies set out the methods and frequency of measuring and reporting. The scope and frequency of reporting depend on the category of risk and the recipient of reports. The persons responsible for managing and reporting 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
<b>CREDIT RISK</b>							
Credit portfolio quality	Monthly		x	x		x	
Financial restructuring indicators	Monthly		x	x	x	x	
Loan portfolio limits by segments and products	Monthly		x	x		x	
Changes in debtors' credit ratings and movement of impairments and provisions	Monthly		x	x		x	
Newly approved on-balance and off-balance assets	Monthly		x	x		x	
Exposure to debtors within a group of related parties	Monthly	x	x	x		x	
<b>LIQUIDITY (ILAAP) AND MARKET RISKS</b>							
Liquidity position, stress-test results and the amount of liquidity reserves	Monthly		x	x	x	x	
Liquidity indicators (KL, LCR, NSFR)	Daily/monthly		x	x	x	x	
ILAAP annual report	Annually	x	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	
<b>OPERATIONAL RISK</b>							
Reports on operational risk management: – Operating risk management reports	Quarterly						x

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
– Reports on incidents in physical and IT security area – 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 <b>*Quarterly</b>	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	x	

#### ICAAP

Report on the Nova KBM Group's risk profile	At least once a year	x	x	x		x	
Report on stress tests carried out	At least once a year	x	x	x		x	
Monitoring of capital allocation, regulatory capital, and capital adequacy under Pillar 2	Monthly		x	x		x	
Monitoring key risk indicators, limits, and appetite by types of risk	Monthly		x	x		x	
Reporting on long-term capital, capital adequacy, and capital adequacy ratio planning	Monitoring monthly, calculation at least once a year		x	x		x	
CAS (ICAAP annual report)	Annually <b>*Reporting under CAS</b>	x	x	x		x	

REPORTS	Reporting frequency	Regulator	Supervisory Board	Risk Committee	ALCO	Bank's Management Board	Operational Risk Committee
<b>COMMON REPORTS</b>							
CRO Report	Monthly		x	x		x	
ALCO Report	Monthly				x	x	
COREP reporting	Quarterly	x					
Recovery Plan	Annually	x	x			x	

#### 2.1.4 Policies for hedging and mitigating risks, and the strategies and processes for monitoring the continuing effectiveness of hedges against risks and risk mitigation

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

The Bank has an umbrella document on risk management and assumption in place, i.e. the Risk Appetite Framework, including the Risk Appetite Statement, and the Operative Limits Handbook, at the level of the Nova KBM Group and the level of the Biser Topco Group, where appropriate. The Handbook includes:

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

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

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

- Credit risk:
  - Credit Risk Management Policy
  - Corporate Lending Policy
  - Lending policy for Private Individuals and Micro Companies
  - Collateral policy
- Capital adequacy:
  - Capital and Capital Requirements Management Policy
- Market risks:

- Market Risk Management Policy
- Interest Rate Risk Management Policy
- Operational risk:
  - Implementation Framework for Operational Risk Management Policy
  - Operational Risk Framework Policy
  - Outsourcing Policy
- ILAAP:
  - ILAAP Policy in Nova KBM Group
- ICAAP:
  - Internal Capital Adequacy Assessment Policy
  - Model Risk Management Policy
  - Stress Testing Policy
- Other Group governance policies/strategies:
  - Compliance Policy
  - Internal Control System Policy
  - Policy on the assessment of the suitability of members of the management bodies and key function holders (Fit & Proper Policy)
  - IT Security Policy
  - Dividend policy
  - Nova KBM d.d. and Nova KBM Group Governance Policy
  - Risk-Adjusted Pricing Policy
  - Disclosure Policy
  - Remuneration Policy
  - Anti-bribery Policy
  - Fraud Management Policy
  - Reputational Risk Management Policy
  - Outsourcing Policy
  - Internal Audit Policy
  - Data Governance Policy
  - Information Security Policy
  - Rules for implementation of new /change of existing product
  - Procurement policy
  - Policy on Strategy, Plan and Forecast process in the Nova KBM Group
  - Recovery and Resolution Framework Policy
  - Asset and Liability Management Strategy
  - Business strategy

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

Credit risk management is carried out on the basis of:

- Statistical credit rating models used to assess the debtor's risk status (the probability of default)

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

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

- Systems of limits
- Daily monitoring of the liquidity position and liquidity indicators
- Implementation of stress tests
- Liquidity risk management contingency plan methodologies
- Other risk assessment methodologies, risk reporting, adoption of measures and monitoring their performance
- IT support for the needs of relevant data documentation and prevention of operational risk.

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

- System of limits established
- Daily monitoring of EWSs
- Implementation of stress tests
- Risk assessment methodologies, risk reporting, adoption of measures, and monitoring their performance
- IT support for the needs of relevant data documentation and prevention of operational risk.

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

- Operational Risk (OR) Loss and Event Data Rule Book established
- Operational risk control self-assessment methodologies put in place
- Daily monitoring of operational risk loss events
- Definition and monitoring of appropriate measures for the prevention of repeated 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 put in place, where appropriate
- Implementation of stress tests, where appropriate
- Risk assessment and measuring methodologies
- Risk reporting and suggesting necessary measures aimed at reducing the exposure to risks and monitoring their performance
- Established internal controls system

- Established system of determining the role and responsibilities of the persons in charge of managing particular type of risks.

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

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

Declaration by the management body on the adequacy of risk management arrangements is included in the Nova KBM Group and Nova KBM 2020 Business Report of the Annual Report, Chapter 9: Declaration on the adequacy of risk management.

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

### **2.1.6 Concise risk statement by the management body**

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

The statement of Nova KBM's Management Board describes the Bank's business model and is part of the Bank and the Group's Annual Report, Chapter 2 of the Business Report thereof. Strategic directions, which are also available in the Bank and the Group's Annual Report, are presented in Chapter 4 of the Business Report, providing an overview of strategic directions.

The management body's statement on the adequacy of risk management arrangements describes the risk management system in the Bank and confirms its adequacy in terms of the risk profile, the risk appetite strategy and the risk-bearing capacity. The statement is an integral part of the Bank and the Group's Annual Report under its business part in Chapter 9.

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

#### **Risk Profile**

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

The Bank has established a comprehensive process of identifying types of risks to which it is exposed in its operations. The Bank monitors the identified risks in the form of the risk register. A narrower set of risks assessed under the risk profile development is confirmed by risk holders and other responsible persons, including the Management Board, and presents the risks to which the Group is exposed in its operations. The risks identified and assessed within the risk profile are further considered under the internal capital assessment process.

In 2020, the Bank identified and included in its Register of Risks climate-related and environmental, social, and governance risks, and intends to include them in the Risk Appetite Framework, the Risk Appetite Statement in 2021, and to establish the management process with a clear definition of roles and responsibilities.

Risks related to credit and treasury portfolios and the operational integration of Abanka, which were assessed in the process of assessing the 2020 risk profile, are considered the most significant risks to which the Group is exposed or to be exposed. The 2020 risk profile assessment is expected, and it reflects the Group's business priorities and the adjustment of

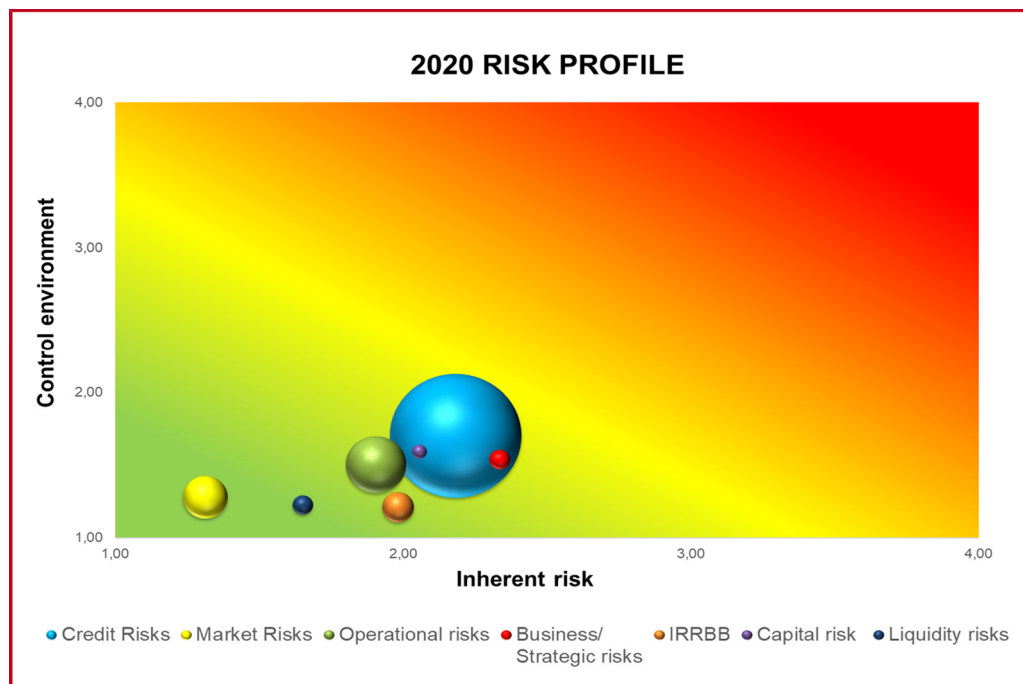
its business model to the current macroeconomic situation – the second wave of the coronavirus crisis.

The Group's risk profile for 2020 is shown the figure below.

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

- X-axis: assessment of inherent risk
- Y-axis: assessment of the control environment
- Area of the circle: the portion of the Group's internal capital.

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



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

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

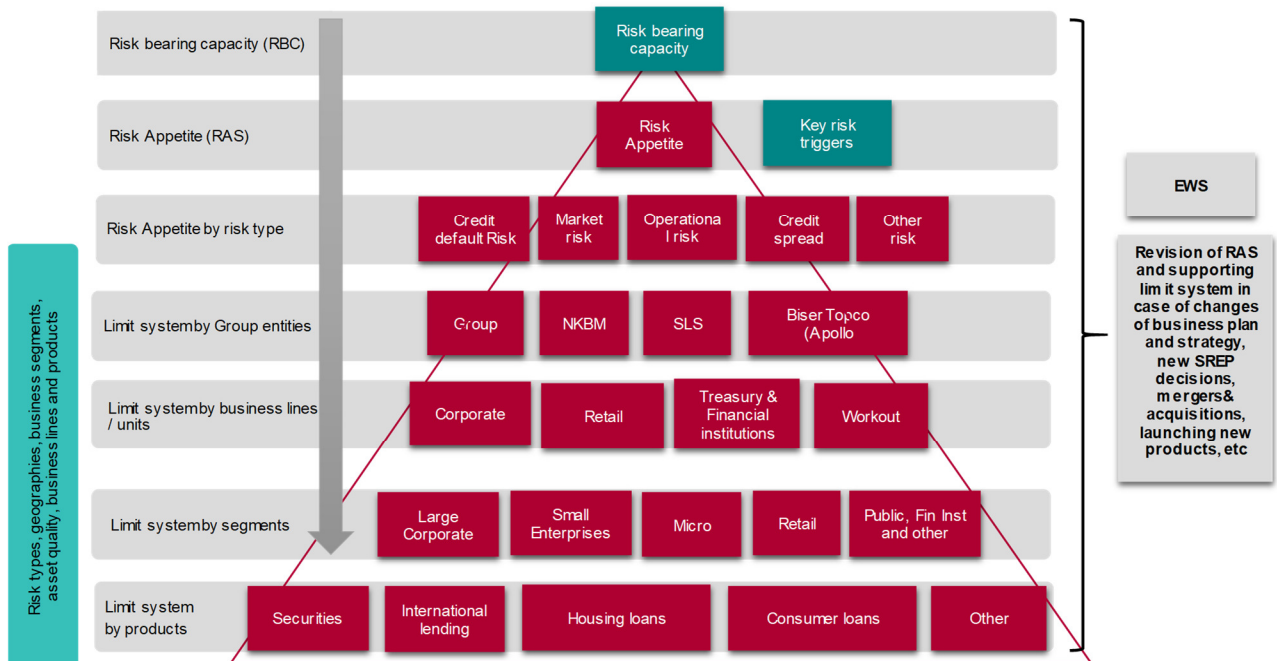
Identifying the risk appetite is an integral part of business planning and planning of regulatory capital and capital requirements, planning of liquidity needs, and the process of implementing stress tests. Risk appetite is defined at the level of each type of risks with the need for capital allocation,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

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

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



**Figure 5: Structure of the Group’s system of limits**



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

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

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

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

The table below shows the risk exposure of the Group within ICAAP economic perspective of the Biser Topco Group as at 31 December 2020. Types of risks are grouped to the aggregated level of each risk.

**Table 3: RAS and capital allocation in the second Pillar**

€000	Capital requirements of Pillar 2
Credit risks	425,569
Market risks	35,343
Operational risks	45,512
Interest rate risk in the banking book	15,863
<b>Total</b>	<b>522,286</b>
<b>Utilisation of risk appetite (in %)</b>	<b>57.55 %</b>
<b>Utilisation of risk-bearing capacity (in %)</b>	<b>75.02 %</b>

### Strategic planning and capital adequacy planning processes

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

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

The strategic planning process aims at achieving:

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

The process of strategic and capital planning enables to:

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

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

## Template 1: EULIQ1

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

Scope of consolidation (consolidated)		Total unweighted value (average)				Total weighted value (average)			
		Currency and units (€ million)							
Quarter ending on (DD Month YYYY)		31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2020	30.06.2020	30.09.2020	31.12.2020
Number of data points used in the calculation of averages									
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)								1,632
<b>CASH-OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	3,387	4,129	4,877	5,650	213	266	318	370
3	Stable deposits	2,629	3,101	3,602	4,156	131	155	180	208
4	Less stable deposits	756	1,026	1,273	1,491	80	109	135	159
5	Unsecured wholesale funding	482	566	662	787	248	302	362	433
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)	482	566	662	787	248	302	362	433
8	Unsecured debt	0	0	0	0	0	0	0	0
9	Secured wholesale funding								0
10	Additional requirements	652	781	927	1,061	78	91	109	121
11	Outflows related to derivative exposures and other collateral requirements	1	1	1	1	1	1	1	1
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	651	780	926	1,059	77	90	108	120
14	Other contractual funding obligations	90	101	109	115	89	100	106	111
15	Other contingent funding obligations	80	148	215	309	6	12	17	29
16	<b>TOTAL CASH OUTFLOWS</b>								635
<b>CASH-INFLOWS</b>									
17	Secured lending (eg reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	221	254	267	283	176	200	208	221
19	Other cash inflows	18	30	35	39	18	30	35	39
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
EU-19b	(Excess inflows from a related specialised credit institution)								0
20	<b>TOTAL CASH INFLOWS</b>	239	283	302	323	194	229	243	260
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	239	283	302	323	194	229	243	260
21	<b>LIQUIDITY BUFFER</b>					1,298	1,245	1,359	1,805
22	<b>TOTAL NET CASH OUTFLOWS</b>					394	397	461	587
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>					354%	338%	304%	295%

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

Concentration of funding and liquidity sources	The Bank's business model is based on clients' deposits representing 81.9 % of total liabilities. Deposits of the non-banking sector are highly stable. The Bank also regularly monitors its exposure to larger deposit holders and limits its concentration with internal limits.
Derivative exposures and potential collateral calls	The Bank's is slightly exposed to derivative instruments, which are not expected to be additionally secured by collateral.
Currency mismatch in the LCR	Foreign exchange risk is defined as the risk of loss resulting from any change in exchange rate of all balance-sheet- and off-balance-sheet foreign exchange items. In the Bank, foreign exchange risk is defined as financially immaterial. Nova KBM maintains a daily closed foreign exchange position; therefore, it does not need to calculate capital requirements for foreign exchange risk in accordance with CRR. Other members of the Group have immaterial position in foreign currencies.
A description of the degree of centralisation of liquidity management, and interaction and communication mechanisms between the Group's units	Liquidity risk is managed in accordance with ILAAP policy in the Nova KBM Group. The Bank's Balance Sheet Management Department manages operational liquidity, the Strategic Risk Management Department manages structural liquidity (including operations in normal and emergency circumstances), and the Controlling Department prepares regulatory reporting. Roles and responsibilities are divided according to the policy.
Other items in the LCR calculation that are not included in the LCR disclosure template but that the institution considers relevant for its liquidity profile	/

## 2.2 Information on risk management objectives and policies by risk categories

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

### 2.2.1 General qualitative information about credit risk

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

Credit risk is a risk of loss arising from the failure of counterparty to repay its debts to the Group’s company, and this is the basic risk to which the Group is exposed in carrying out its activity. In the scope of the Nova KBM Group’s Risk Appetite Framework, which is the umbrella document, the Group has quantified its strategic objectives for assuming credit risk.

Credit risk management includes risk identification, measurement, and risk reduction to an acceptable level, which complies with the business strategy, the Risk Appetite Framework and the Risk Appetite Statement. The management of credit risk is carried out at the client level, by each Group company as well as at the level of the entire Group.

The Group monitors, mitigates and manages credit risk by:

- Identifying the risk related to a client and estimating expected credit losses in line with International Accounting Standards
- Providing capital to ensure sufficient capital coverage of credit risks
- Setting exposure limits under the limit system, which is directly integrated into the Risk Appetite Framework and the ICAAP process
- Properly collateralising its financial assets.

To ensure that credit risk is properly limited, officers working in the risk management division are involved in loan approval processes (decisions are made based on the four-eye principle).

#### 2.2.1.1 Non-performing exposures

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

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

- Exposure is classified as “non-performing” or included in the Stage 3 in line with IFRS 9 and the Methodology for Assessing Expected Credit Risk Losses in the Group
- Material exposures which are more than 90 days past due
- Exposures, which have been subject to restructuring that caused the Group to recognise a significant economic loss, or estimates that debtor’s obligations are unlikely to be repaid – restructuring with a low repayment probability
- The exposure is already considered a NPE and does not meet the exit criteria.

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

- During a 2-year probation period, the debtor is 30 days past due, or a repeated restructuring was carried out on any exposure of that debtor.

The portfolio of clients that have a defaulted status and are classified in a defaulted credit rating is managed by the Workout Department and the Legal Office.

In November 2020, in accordance with Article 178 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation – CRR) and regulatory technical standards for a materiality threshold for defaulted credit liabilities pursuant to Article 178 of Regulation (EU) No. 575/2013, the Group introduced a new definition of defaulted material amount of credit liability over 90 days, which is considered a sum of total overdue outstanding liabilities of each debtor to the Bank, at the latest when it exceeds 1 percent of exposure to this debtor, whereby it exceeds €100 or €500, depending on the calculated exposures.

### **2.2.1.2 Interest rates and loan approval fees**

Prices of banking products are determined in accordance with the adopted lending policies of the Group companies. For example, interest rates charged to clients depend on the basic interest rate, type of transaction, the client's track record of cooperation with the Group companies, client's credit rating, and maturity of the loan, and the type of collateral provided for a loan.

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

### **2.2.1.3 Exposure limits**

In its operations, the Group meets the maximum allowable exposure limits prescribed by the CRR Regulation. Pursuant to Article 395 of the CRR Regulation, the Bank's exposure to an individual or a group of related parties less impairments and provisions, credit risk deviations, exemptions and effects of credit collateral, cannot exceed 25 % of its acceptable capital.

In order to manage the risks arising from its operations effectively, and with taking into account legal and regulatory requirements, the Group has established a system of limits that ensures the Group's operations are in line with the adopted business strategies and business plans and risk management policies in accordance with the Risk Appetite Framework.

The Group limits its exposure to a client or a group of related parties by taking into account:

- Credit rating of each client, taking into account also a financial soundness of a group of related parties,
- Obtained collateral
- Separately by products, where appropriate
- Taking into account the operating segment (whether it is exposure to natural persons, to companies, to financial institutions).

The Group regularly monitors the utilisation of established limits and regularly reports thereof to relevant management bodies.

### **2.2.1.4 Loan portfolio limits**

In order to prevent any significant increase in credit risk in the Group's portfolio and to avoid exceeding the basic limits set out in the Risk Appetite Statement, the Group introduced a credit portfolio system of limits. It is related to the total capital requirement ratio defined in the Risk Appetite Statement, and through the risk-weighted assets (RWA), also to nominally determined limits submitted to commercial units. Limits are determined at the level of business areas, client segments, products, and credit ratings, where appropriate.

Additionally, limits related to the portfolio quality and concentration are set up.

The limits apply to the Group and are divided into two categories:

- Portfolio structure limits – in order to prevent exceeding the limits set out in the Risk Appetite Statement, concentration, and possible losses as a result
- Portfolio quality limits – in order to maintain the quality of portfolio.

Defined limits are additionally supported by the Early Warning System (EWS), which sets out warning thresholds, and by clearly defined roles, responsibilities, and necessary activities in the event utilising the limits.

#### **2.2.1.5 Loan collateral policy**

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

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

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

The Bank has defined the permitted level of unsecured investment by segment in its Corporate Lending Policy, and the Consumer and Micro Company Lending Policy.

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

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

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

Counterparty credit risk management is additionally included in Chapter 6.

## 2.2.3 Qualitative disclosure requirements related to market risk

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

Market risk management is additionally included in Chapter 12.

## 2.2.4 Qualitative/quantitative disclosure requirements related to liquidity risk

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

## 2.3 Information on governance arrangements

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

### 2.3.1 Number of directorships held by members of the management body

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

As at 31 December 2020, the Management Board of Nova KBM comprised the following five members: John Denhof, President of the Management Board, Jon Locke, Deputy President of the Management Board, Sabina Župec Kranjc, Management Board member, Matej Falatov, Management Board member, and Aytac Aydin, Management Board member.

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

Membership in other entity's bodies as at 31 December 2020				
Management Board	Other entity name	Activity	Management Board	Supervisory Board
John Denhof, President	Summit Leasing Slovenija d.o.o.	Leasing		X
Sabina Župec Kranjc	Summit Leasing Slovenija d.o.o.	Leasing		X
	Bank Association of Slovenia	Banking		X
Jon Locke – Deputy President	Summit Leasing Slovenija d.o.o.	Leasing		X
	British–Slovenian Chamber of Commerce (BSCC)	Economy		X
Matej Falatov	Summit Leasing Slovenija d.o.o.	Leasing		X
Aytac Aydin	Bankart d.o.o.	Payment systems		X

As at 31 December 2020, the Supervisory Board comprised the following seven members: Andrej Fatur, Chair, Andrzej Klesyk, Deputy Chair, and Manfred Puffer, Michele Rabà, Andrea Moneta, Alexander Saveliev, and Borut Jamnik.



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

Membership in other entity's bodies as at 31 December 2020				
Supervisory Board	Other entity name	Activity	Management Board	Supervisory Board
Andrej Fatur, Chair	Odvetniška družba Fatur Menard, o.p., d.o.o.		X	
Manfred Puffer	Oldenburgische Landesbank AG	Banking		X
	Athene Life Holding Bermuda	Financial		X
	Athene Life RE Bermuda			X
	Athene Lebensversicherung AG	Insurance		X
	Infineon Technologies			X
Michele Rabà	Summit Leasing Slovenija d.o.o.	Leasing		X
	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
	Biser Holdings Ltd.	Holding company		X
	Champ Luxembourg Holding S.à r.l.	Holding company		X
	Champ II Luxembourg Holding S.à r.l.	Holding company		X
	Jewel UK Topco Ltd.	Holding company		X
	Jewel Holdco S.à r.l.	Holding company		X
	Jewel Holdco 2 S.à r.l.	Holding company		X
	Gamenet Group SpA	Gaming		X
	Gamma Bidco SpA	Holding company		X
	Gamma Midco SpA	Holding company		X
Andrea Moneta	Amissima Group	Financial		X
	The Flow			X
	Gamenet Group	Gaming		X
Alexander Saveliev	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
Andrzej Klesyk, Deputy Chair	Play Communications SA	Mobile operator		X
	Best SA	Purchase of non-performing exposures and restructuring (NPE)		X
Borut Jamnik	Modra zavarovalnica d.d.	Pension company	X	
	Krka d.d.	Manufacturing of pharmaceuticals		X

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

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

The Bank implements the Policy on the Selection of Suitable Candidates for a Management Body in line with the provisions of Article 34 of the Banking Act (ZBan-2), paragraph 2 thereof, providing for the establishment and implementation of an appropriate suitable candidate selection policy, which ensures:

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

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

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

The Policy also defines the succession of the governing body members, on the basis of which the Bank takes care of an appropriate succession plan for the governing body members in order to ensure continuity of decision-making and prevent, where possible, any simultaneous replacement of too many members.

## **Presentation of the Management Board and the Supervisory Board:**

### **Management Board of the Bank**

Notwithstanding the above, in appointing the President and members of the Management Board, the Supervisory Board observes the provisions of the Companies Act (ZGD-1), the Banking Act (ZBan-2), implementing regulations of the Bank of Slovenia, EU regulations, the Bank's Articles of Association, and the Policy on the Selection of Suitable Candidates for a Management Body of Nova KBM d.d.

**John Denhof** assumed the office of President of the Management Board as at 1 March 2017. He is a financial expert with extensive experience gained at various senior management positions in the Citibank in several emerging and developed markets, *inter alia*, in Singapore, United Kingdom, Turkey, Czech Republic, and Spain. He has been engaged in financial industry for over 25 years. He 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 clients. Since 18 September 2017, John Denhof has served as a member of the Supervisory Board of Summit Leasing d.o.o. Between 8 May 2018 and 11 June 2019, he performed the office of Deputy Chair of the KBM Infond's Supervisory Board.

**Sabina Župec Kranjc**, MSc in Economic and Business Sciences (major in Business Finance and Banking), has been a member of the Nova KBM Management Board since 17 November 2014 and has more than 20 years of work experience in banking. She began her career in 1998 in the Treasury Department of Abanka Vipava d.d., where she was a Manager of the Customer Trading Desk between 2003 and 2004. Between 2004 and 2008, she worked at Raiffeisen Banka d.d., 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 Vipava. She joined Nova KBM in July 2013 as the Executive Director for Financial Markets, with her responsibilities including management of demanding projects, such as the Asset Quality Review project (AQR) and the Nova KBM's privatisation process. In the past, Sabina Župec Kranjc was the Chair of the PBS Supervisory Board, and between 1 July 2015 and 10 September 2017, she was a member of the Supervisory Board of Terme Olimia. Between 2014 and 11 June 2019, she performed the office of the KBM Infond's Supervisory Board member. Since 18 September 2017, she has been a member of the Supervisory Board of Summit Leasing Slovenija d.o.o. In addition, she holds the office of a Supervisory Board member of the Bank Association of Slovenia.

**Jon Locke** took over the office of a Management Board member on 1 January 2017. He has more than 20 years of management and advisory experience in banking, especially in the areas of risk management and the management of NPLs in banks in Central and Southeast Europe. During his career, he has been a leading management team member in a number of bank transformation programmes, with specific emphasis on credit risk, NPL management and integration of data into bank operations. Since 2013, he served as the Chief Risk Officer at Banca Comercială Română in Bucharest, the leading bank in Romania, and a member of the Erste Bank Group. Between 2003 and 2013, he held senior management positions in three larger banks, Central European subsidiaries of the Intesa Sanpaolo Group. He was the Chief Workout Officer at CIB Bank in Hungary. Before that, he was a Deputy CEO and the Chief Risk Officer at Privredna banka Zagreb, and before that he had held the same positions at VUB Banka in Slovakia. Jon Locke also gained management, professional, and advisory experience with Deloitte, where he was a Partner from 2001 until joining VUB Banka in 2003. Prior to joining Deloitte, he worked in Coopers & Lybrand and PricewaterhouseCoopers for ten years, being based in London, Prague and Moscow and advising financial institutions. Since 18 September 2017, Jon Locke has been a member of the Summit Leasing Supervisory Board. Since May 2017, he has served as a member and Deputy Chair of the Supervisory Board at the British–Slovenian Chamber of Commerce. Since 31 March 2018, he has held the office of Deputy President of the Management Board of Nova KBM. Between 8 May 2018 and 11 June 2019, he performed the office of the KBM Infond's Supervisory Board member.

**Matej Falatov** has a university degree in economics. He also holds a master's degree in management and organisation of commercial companies and a specialist banking management course at the Faculty of Economics of Ljubljana. He has accumulated his knowledge at various managerial functions. Between 2016 and 2018, he served as President of the Management Board of Addiko Bank d.d., Ljubljana, where he was responsible for the

performance of all banking and leasing services. Before this function, he had served as a member of management Boards or executive director in various banks in Slovenia and abroad (Hypo Alpe Adria Bank d.d., Ljubljana, SKB Banka d.d., Ljubljana, Factor Bank d.d., West East Bank a.d., Sofia), where he was in charge of managing the areas of corporate banking, retail, treasury, investment banking, and other financial and commercial services. Since 30 August 2018, he has been a member of the Supervisory Board of Summit Leasing d.o.o. Since 6 July 2018, he has held the office of Deputy President of the Management Board of Nova KBM.

**Aytac Aydin** took the office of a Management Board member on 6 May 2019. He has over 18 years of international experience in banking, consulting, technology, and operational processes. He obtained a Master of Science in business administration and a Master of Science in electrical engineering degree from Penn State University of USA. In addition, he successfully completed his MBA from the Wharton Graduate School of Business Singapore, France and USA. In the past, he successfully managed several projects dealing with setting up and transforming IT functions, various development operating and sales models, cost management, process management improvements, and other consulting projects. Before that, had held several management positions, including the office of an Independent member of the board at P1M1, between 2016 and 2018, a member of the Operations Management Board (COO) at Odeabank, between 2014 and 2016, a board member in Bantas, between 2012 and 2014, and between 2010 and 2014, he was a member of the Management Board of Operations, Strategy and Business Development at Finansbank. Since 2017, he was employed as Chief Executive Officer at CMC Turkey. Since 29 March 2019, Aytac Aydin has been a member of the Bankart d.o.o. Supervisory Board.

### Supervisory Board

Relevant provisions of the following documents are consulted in the appointment of Supervisory Board members: the Companies Act (ZGD-1), the Banking Act (ZBan-2), implementing regulations of the Bank of Slovenia, EU regulations, the Bank's Articles of Association, and the Nova KBM's 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.

With regard to the strategy and criteria for the selection of Management Board and Supervisory Board members, the Bank has adopted its Policy on Assessing the Suitability of Members of the Management Bodies and Officers Holding Key Positions (Fit & Proper Policy) based on which a special committee (the Fit & Proper Committee) was set up.

The Supervisory Board's committee selects and recommends to the Supervisory Board candidates for members of the Management Board, and selects and recommends to the Shareholders' Meeting candidates for members of the Supervisory Board, while taking into account the Nova KBM's Policy on the Selection of Suitable Candidates for a Management Body, and the Fit & Proper Policy.

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

He is the author of numerous professional papers on corporate law, particularly competition law. As a lecturer on this subject, he has participated 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 the PZU SA Company. Under his leadership, PZU became known as one of the largest and most successful cases of public offering of private company shares in Central and Eastern Europe.

**Manfred Puffer** has extensive working experience, over 38 years in total, in the finance and banking industry. Since 2008, he has served as an Operating Partner – Independent Consultant at Apollo Global Management. He has acquired special experience by performing a supervisory office in supervisory boards of various companies in Europe, in particular in the area of finance. He also acquired special knowledge and experience in banking-related areas based on his work in banks and other financial institutions.

He acquired special knowledge and experience in the banking area during his work at Bremer Kreditbank AG (BKB), which is named Oldenburgische Landesbank now.

**Michele Rabà** is a partner at Apollo company, and he has participated in many private equity investments in the past, such as Gala Coral, Braas Monier, Watches of Switzerland, Nova KBM, Oldenburgische Landesbank, and Gamenet.

Before he joined Apollo, he was employed in the investment banking sector at Goldman Sachs International (Financial Institutions Group) in London. Michele Rabà graduated from the Bocconi University, and he holds a degree in financial institutions and financial markets and a master's degree in finance.

**Andrea Moneta** has worked as senior advisor in Italy and an operational partner of PE FS for Apollo Global Management, Inc. since 2015. Under the performance of his function, he promotes and coordinates Apollo Global Management, Inc. affiliated companies on the Italian market and performs management (the Amissima Group) or supervisory functions (Nova KBM).

Before joining Apollo Global Management, Inc., he had served as CEO of the division and CFO of the Group in leading financial services groups, including Aviva and UniCredit. He was also Head of Strategic Planning at the European Central Bank.

He has gained experience, especially in the financial field, by performing executive and non-executive functions in management boards and supervisory bodies in over thirty-five different companies in the countries of Western and Central Europe, Ukraine, Russia, Turkey and the Middle East. He acquired also specific expertise in banking related areas, such as politics and economics, risk management, financial marketing, and business administration. He completed his postgraduate studies in risk management and financial market management.

**Alexander Saveliev** serves as the Director of the “Financial Institutions Banking Group” at the EBRD. Over the last 15 years, he has acquired knowledge and experience by performing various supervisory functions, and commercial and executive functions, particularly in the area of finance. As an EBRD representative, he has been performing office of supervisory board member in various banks.

**Borut Jamnik** holds a university degree of engineer in mathematics. Since 2011, he has acted as the President of the Management Board of Modra zavarovalnica d.d. He is an expert with over 20-year experience in business and corporate governance. During this time, he held numerous executive and non-executive positions in banking, insurance, and financial industries. In performing management functions in various commercial companies and institutions (including Kapitalska družba d.d., Probanka DZU, HIT d.d., Securities Market

Agency of the RS, Restructuring and Privatisation Agency of the RS), he was in charge of asset management, corporate governance, development projects management and business process design, the area of performing the regulatory function of the securities market, and other areas.

As a manager and member of supervisory boards of major Slovenian companies (he is a member of the Krka's Supervisory Board, between 2015 and 2019, he was Chairman of the Supervisory Board in Cinkarna Celje, between 2013 and 2017, Chairman of the Supervisory Board at Telekom Slovenije d.d., between 2011 and 2013, a member of the Supervisory Board of Pivovarna Laško d.d.), he is engaged in various forms of complex corporate actions, and by his many-year experience and negotiation skills, he contributes to solving complex business challenges.

He was also a chair of the Association of Supervisors of Slovenia.

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

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

The Bank has not adopted an independent policy for the selection of members of its management bodies, as this area is fully materially covered by the Nova KBM Group's Policy on the Selection of Suitable Candidates for Management Body Members. The Bank adopted its most recent renewed policy in February 2020 (it is effective since 1 February 2020). In addition to having the policy's effectiveness and implementation expanded to Nova KBM Group companies, in line with the provisions of Article 34 of the Banking Act (ZBan-2), paragraph 2 thereof, the policy foresees the establishment and implementation of an appropriate selection policy for suitable candidates, which ensures:

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

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

The policy referred to above aims at ensuring that members of a management body have different professional and educational backgrounds, and that the management body as a whole is diversified in terms of their age (meaning that it should comprise senior and less senior members), nationality and gender ((at least one member of the Management Board should be female).

The updated Policy also specifically determines the criteria to be taken into account by the Supervisory Board's Nomination Committee, in accordance with the tasks set out in Zban-2, when preparing an assessment, which relates to the structure, size, composition, and performance of the Management Board and the Supervisory Board as well as assessment related to knowledge, skills, and experience of each member of the Management Board and the Supervisory Board and the body as a whole.

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

Notwithstanding the above, as regards the process of selecting members for its management bodies, the Bank must observe the relevant regulatory provisions, the provisions of the Bank's Articles of Association, and of various corporate governance codes, and good practice recommendations on corporate governance. Further details in this regard are included in the Business Report of the Nova KBM Group and Nova KBM 2020 Annual Report, section 7.3.3 Corporate Governance of Nova KBM, and section 15 Nova KBM Corporate Governance Statement.

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

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

The Bank has the Risk Committee in place, which serves as an advisory body to the Nova KBM's Supervisory Board and has the mission of supervising the implementation 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. Four meetings of the Risk Committee were held in 2020.

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

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

The Risk Management Department and the Finance Department prepare reports on various types of risk, utilisation of the limit system and risk appetite, non-performing loans and NPL management, and performance of the Bank, and submit them to the **Management Board**, the **Risk Committee** and the **Supervisory Board**.

Risks are also regularly reported to the **ALCO** on a monthly basis.

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 Topco Group levels separately.

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

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

The **Operational Risk Committee**, which has been in place since 2015, comprises the following members: President of the Bank's Management Board, Management Board member

responsible for risks, Management Board member responsible for operational performance of the Bank, Management Board member responsible for finance, Director of the Strategic Risk Management, Director of the Physical and Information Security Management Department, Head of the Operational Risk Management; with the following persons constantly invited to attend the Committee meetings: Director of the Information Technology, Director of the Internal Audit Office, Director of the Compliance Office, Director of Human Resources Development, and Head of the Fraud Prevention Department.

The Operational Risk Committee is an advisory body of the Management Board. The Committee is responsible for examination, discussion, and decision-making on the issues relating to operational risk management. The Committee meets quarterly or more often, if necessary.

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

The Physical and Information Security Department reports to the Management Board on 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. It also reports to the Operational Risk Committee on a quarterly basis, and about incidents when they are detected.

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

The Bank has in place a separate and independent Anti-Money Laundering Office, which independently manages all activities for the AMLTF area or the area of restrictive measures. The service is managed by an authorised AML officer. The officer reports to the Management Board on a monthly, quarterly, and annual basis. The officer reports on findings of the controls completed at first and second levels, reported suspicious transactions, identified risks and adopted measures for managing these risks on a monthly basis, while reports on the functioning of internal controls in the areas of anti-money laundering and counter terrorist financing as well as of restrictive measures, are submitted on a quarterly basis. On an annual basis, the officer prepares a report on annual activities (amendments to internal rules, application systems, and the like) as well as on realised annual plans for the implementation of control at the second level, and annual training. Report for the Anti-Money Laundering Office is part of the annual report and is prepared in accordance with the implementing regulations.

Anti-Money Laundering Office coordinates activities in the field of money laundering prevention, terrorist financing, and restrictive measures at the Group level.

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



### 3 The scope of application of the regulatory framework

This chapter defines disclosure requirements referred to in Article 436 of Part Eight of CRR.

#### 3.1 Name of the institution to which the requirements apply

*(Article 436(a) of the Regulation)*

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

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

*(Article 436(b) of the Regulation)*

The Biser Topco Group comprises the parent company, Biser Topco S.à r.l., and its direct and indirect subsidiaries. These are Biser Bidco S.à r.l. company and the Nova KBM Group. Nova KBM d.d. is the parent company of the Nova KBM Group, which controlled two subsidiaries and one associated company as at 31 December 2020.

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

As at 31 December 2020, the Parent Bank's share capital totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

On 21 April 2016, Biser Bidco S.à r.l. became a 100-percent owner of Nova KBM's shares. The company, through which the purchase of shares was performed is managed by certain investment funds, affiliates of Apollo Global Management, Inc, and the European Bank for Reconstruction and Development.

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

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

**Table 6:** Structure of the Biser Topco Group

Company	Position in the Biser Topco Group	Group's voting rights (%)	Place of business (or country of incorporation)
Biser Topco S.à r.l.	parent company		Luxembourg
Biser Bidco S.à r.l.	subsidiary company	100.00	Luxembourg
Nova KBM d.d.	subsidiary bank	100.00	Maribor, Slovenia
Summit Leasing Slovenija d.o.o.	subsidiary company	100.00	Ljubljana, Slovenia
Anepremičnine d.o.o.	subsidiary company	100.00	Ljubljana, Slovenia
Bankart d.o.o.	associated company	29.22	Ljubljana, Slovenia

On 20 June 2019, Nova KBM concluded an agreement on the purchase of a 100-percent interest in Abanka d.d. with the Republic of Slovenia represented by the Slovenian Sovereign Holding, d.d. Upon receiving all necessary regulatory approvals and fulfilling all the conditions stipulated in the purchase agreement, the purchase was completed on 5 February 2020.

Abanka was the third largest Slovenian bank in terms of total assets. It provided a comprehensive and full range of financial services, from traditional retail and corporate banking products to banking insurance and private banking.

Nova KBM and Abanka legally merged on 1 September 2020. As at the date of the merger, Abanka d.d. ceased to exist as an independent legal entity, and Nova KBM d.d., as a universal legal successor, took over all of Abanka's rights and obligations. The Merged Bank's name is Nova KBM d.d., and its registered office remains in Maribor.

The final stage of merging the two banks was the operational merger that took place on 1 January 2021.

As at the day of the acquisition of Abanka, Nova KBM took over also control of the company Anepremičnine d.o.o., which was 100 % owned by Abanka. Anepremičnine performs a full range of real estate portfolio management activities, which ranges from managing sales procedures, letting and selling real estate, analysing real estate projects, construction and finalising projects, taking over new real estate portfolios on the market, etc. An important segment of its activities is the implementation of support services, where real estate appraisals for the Bank and its clients, and consulting activities should be highlighted.

As of the day of the acquisition of Abanka, Bankart d.o.o. became an associate of Nova KBM d.d.

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

€000

		a	b	c	d	e	f	g
		Carrying values as reported in the published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
1	Assets							
2	Cash in hand, cash balances at CB, and demand deposits at banks	2,120,087	2,120,087	2,120,087				
3	Financial assets held for trading	7,518	7,518		7,518			-8
4	Non-trading financial assets at fair value through profit or loss	62,491	62,491	54,046			8,445	-62
5	Financial assets at fair value through other comprehensive income	1,839,592	1,839,592	1,839,592				-1,840
6	Financial assets at amortised cost	4,955,170	4,955,170	4,955,170				
7	Impairments of equity investments in subsidiaries and associates	4,954	4,954	4,954				
8	Tangible assets	101,643	101,643	101,643				
9	Intangible assets	33,642	33,642					-33,642
10	Current income tax assets	20,109	20,109					-26,183
11	Other assets	18,028	18,028	18,028				
12	Non-current assets and disposal groups classified as held for sale	12,045	12,045	12,045				
13	<b>Total assets</b>	<b>9,175,279</b>	<b>9,175,279</b>	<b>9,105,565</b>	<b>7,518</b>		<b>8,445</b>	<b>-61,735</b>

	a	b	c	d	e	f	g
	Carrying values as reported in the published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
14	<b>Liabilities</b>						
15	Financial liabilities held for trading	7,338	7,338		7,338		-7
16	Financial liabilities designated at FVTPL	0	0				
17	Financial liabilities at amortised cost	8,121,313	8,121,313				
18	Provisions	50,270	50,270				
19	Tax liabilities	821	821				
20	Other liabilities	7,259	7,259				
21	<b>Total liabilities</b>	<b>8,187,001</b>	<b>8,187,001</b>		<b>7,338</b>		<b>-7</b>
22	Share capital	2,008	2,008				
23	Share premium	174,830	174,830				
24	Capital related to compound financial instruments	1,014	1,014				
25	Revaluation surplus	-872	-872				
26	Translation reserves	0	0				
27	Reserves from profit	271	271				
28	Retained earnings/losses	612,983	612,983				
29	Net profit/loss	198,044	198,044				
30	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>988,278</b>	<b>988,278</b>				
31	Attributable to non-controlling interests	0	0				
32	<b>TOTAL EQUITY</b>	<b>988,278</b>	<b>988,278</b>				
33	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,175,279</b>	<b>9,175,279</b>		<b>7,338</b>		<b>-7</b>

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

€000

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	Assets carrying value amount under the scope of regulatory consolidation (as per EU LI1 template)	9,175,279	9,105,565	7,518		8,445
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	9,175,279				
3	Total net amount under the regulatory scope of consolidation	9,175,279	9,105,565	7,518		8,445
4	Off-balance sheet amounts:	1,741,275	574,899	5,041		
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of impairments and provisions					
8	Differences due to prudential filters					
9	Differences due to deductions	-68,092				
10	Exposure amounts considered for regulatory purposes	10,848,462	9,680,464	12,559		8,445

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

#### Biser Topco Group

Name of the entity	Method of accounting consolidation	a	b	c	d	e	f
		Method of regulatory consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Recognised under the equity method	
Summit Leasing Slovenija d.o.o.	Full consolidation	x					Leasing company
Anepremičnine d.o.o.	Full consolidation	x					Trading in own property
Bankart d.o.o.	Equity method					x	Payment instrument processing
Nova KBM d.d.	Full consolidation	x					Financial intermediation
Biser Bidco S.à r.l.	Full consolidation	x					Acquisition and management of companies
Biser Topco S.à r.l.	Full consolidation	x					Acquisition and management of companies

#### Nova KBM Group

Name of the entity	Method of accounting consolidation	a	b	c	d	e	f
		Method of regulatory consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Recognised under the equity method	
Summit Leasing Slovenija d.o.o.	Full consolidation	x					Leasing company
Anepremičnine d.o.o.	Full consolidation	x					Trading in own property
Bankart d.o.o.	Equity method					x	Payment instrument processing
Nova KBM d.d.	Full consolidation	x					Financial intermediation

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

*(Article 436(c) of the Regulation)*

Subject to observance of regulatory requirements applicable to the operations of each Group company within the Group, there are no legal impediments to the transfer of own funds or repayment of liabilities between the Parent Company and its subsidiaries.

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

*(Article 436(d) of the Regulation)*

The Bank includes all the subsidiaries in the consolidation based supervision.

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

*(Article 436(e) of the Regulation)*

This disclosure does not apply to Nova KBM d.d.

## 4 Own Funds

This Chapter defines disclosure requirements referred to in Article 437(1) of Part Eight of CRR and in Commission implementing regulation (EU) No 1423/2013 of 20 December 2013.

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

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

The scope of consolidation and the method used to consolidate the statement of financial position are the same as the scope and method of consolidation set out in Chapter 2, Part One, Title II of CRR.

Table below shows the difference between the balance-sheet and regulatory capital of Nova KBM as at 31/12/2020. Regulatory capital components and movement are explained in section 4.3.

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

	31/12/2020	
€000	Biser Topco Group	Nova KBM Group
<b>Balance-sheet capital</b>	988,278	991,285
Share capital	2,008	150,000
Share premium	174,830	403,302
Other capital instruments issued	1,014	0
Accumulated other comprehensive income (revaluation surplus)	-872	11,185
Reserves from profit	271	20,228
Retained earnings	612,983	195,785
Net profit/loss for the financial year	198,044	210,785
Equity attributable to non-controlling interests	0	0
<b>Capital instruments and subordinated loans acceptable as Tier-2 capital</b>	68,026	90,400
<b>Adjustments</b>	-80,755	-76,095
Share premium	0	0
Other capital instruments issued	-1,700	0
Intangible assets	-33,642	-33,642
Equity attributable to non-controlling interests	0	0
Profit/loss from continuing operations, not included	-3,940	-6,867
Profit for the financial year without ECB's permission for inclusion in regulatory capital	-7,023	-2,023
Deferred tax assets	-26,183	-25,284
Other deductible items	-8,267	-8,279
<b>Regulatory capital</b>	975,549	1,005,590



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

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

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

The composition of capital and changes in 2020 are detailed in the Nova KBM Group and Nova KBM's 2020 Annual Report, in Notes to financial statements, Note 9.6: Capital risk.

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

Capital instruments main features template				
		Common equity Tier-1 capital		Tier-2 (T2) capital
1	Issuer	Biser Topco S.à r.l.	Nova KBM d.d.	NOVA KREDITNA BANKA MARIBOR d.d.
2	Unique identifier (e.g. CUSIP code, ISIN code or Bloomberg identifier for private placement)	/	SI0021116494	Identifier: KBM11, ISIN: SI0022103897
3	Governing law(s) of the instruments	Luxembourg, in the law on commercial companies of 1915, as amended	ZGD, ZTFI, ZNVP, ZBAN	ZBAN, BS decision
	Regulatory treatment	CRR	CRR	CRR
	<b>Regulatory treatment</b>			
4	Transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital	Tier-2 (T2) capital
5	Post transitional CRR rules	Common equity Tier-1 capital	Common equity Tier-1 capital	Tier-2 (T2) capital
6	Eligible at solo/sub-consolidated/solo and sub-consolidated	Consolidated	Solo and sub-consolidated	At solo (Nova KBM) level, sub-consolidated (Nova KBM) and consolidated (at Biser Topco S.à r.l.) level as an instrument of Tier-2 capital in accordance with Article 63 of the Regulation (EU) No 575/2013 ( <i>Capital Requirements Regulation – "CRR"</i> )
7	Instrument type (to be specified by each jurisdiction)	Common equity Tier-1 capital	Common equity Tier-1 capital	Additional Tier-1 (AT1) capital
8	Amount recognised in the regulatory capital (€million; as of the most recent reporting date)	€176 million	€553 million	€90.4 million at solo, sub-consolidated, and €68.0 million at consolidated basis
9	Nominal amount of instrument	Share: €2.0 million Share premium: €174.1 million	Shares: €150 million Share premium: €403 million	€90.4 million
9a	Issue price	Share: €1 per share; share premium: €100.85 per share	€87 per share	€90.4 million (€0.1 million per bond)
9b	Redemption price	n/a	n/a	Bond's principal (€0.1 million) and accrued but unpaid interest

Capital instruments main features template				
Common equity Tier-1 capital				Tier-2 (T2) capital
				on the principal by (excluding) the maturity date (or in the case of early redemption by the (excluding) date set for redemption)
10	Accounting classification	Equity	Equity	Financial liabilities
11	Original date of issuance	13/04/2016	19/12/2013	09/10/2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	n/a	n/a	09/10/2029
14	Issuer call subject to prior supervisory approval	n/a	n/a	Yes
15	Optional call date, contingent call dates, and redemption amount	n/a	n/a	The issuer may, with prior notice, redeem the bonds in full in advance, but not in instalments, in the amount payable, at any time on or after the fifth anniversary of the bond issue date.  The amount payable on the bond is equal to the principal of such bond, together with accrued and unpaid interest on the principal by (excluding) the redemption date
16	Subsequent call dates, if applicable	n/a	n/a	See item 15 above
Coupons/dividends				
17	Fixed or floating dividend/coupon	n/a	n/a	Until (excluding) 9/10/2024, the bonds are subject to a fixed interest rate, and from 9/10/2024 onwards, a floating interest rate applies.
18	Coupon rate and any related index	n/a	n/a	Fixed: 4 % p.a. Floating: annual swap rate (expressed in percent) for swap transactions in EUR with a maturity of five years + 4.4 % p.a.
19	Existence of a dividend stopper	n/a	n/a	No
20a	Full discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a	Mandatory
20b	Full discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a	Mandatory
21	Existence of step up or other incentive to redeem	n/a	n/a	No
22	Non-cumulative or cumulative	n/a	n/a	Non-cumulative
23	Convertible or non-convertible	n/a	n/a	Non-convertible <sup>1</sup>

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

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

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

#### 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, and
  - Additional Tier-1 (AT1) capital
- Tier-2 capital.

Common Equity Tier-1 capital of the Groups comprises:

- Capital instruments (paid-in and share premium)
- Retained earnings
- Accumulated other comprehensive income
- Other reserves
- Value adjustments due to the requirements for prudent valuation
- 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.

In 2019, the Bank issued equity instruments in the amount of €90.4 million acceptable as additional regulatory capital. The Bank includes issued equity instruments in full in additional capital at the level of Nova KBM and the Nova KBM Group, while applying the provisions of

Articles 86 and 87 of CRR for inclusions at the level of the Biser Topco Group. Based on relevant legislation, the Bank obtained relevant authorisation of the supervisory authority, the ECB, to include issued Tier-2 capital instruments in the calculation of regulatory capital. All capital instruments of the Nova KBM Group are eligible for inclusion in the CET1 and Tier-2 capital, while the Biser Topco Group's capital instruments of €0.7 million are not eligible for inclusion in the Group's common equity Tier-1 capital, and of €22.4 million are not eligible for inclusion in Tier-2 capital based on the provisions of Articles 86 and 87 of CRR.

Mid-year 2019 profits are included in the calculation of common equity Tier-1 capital at all the three reporting levels. The Bank includes profits based on the resolution of the Shareholders' Meeting. The Bank does not include 2020 net profit of €2 million from the investment in Bankart in none of the three levels of reporting, because it does not yet have a resolution of the Shareholders' Meeting. At the Biser Topco Group's level, the Bank does not include €5 million of 2018 net profit earmarked for dividend payments. Based on the ECB's approval, the Bank includes mid-year profit of €203.9 million and €194.1 million at the Nova KBM and the Biser Topco Group, respectively, for the one-month period until 31 January 2020 from the acquisition of Abanka.

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

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

In 2020, both Groups disclose the amount and items of their regulatory capital and capital requirements as at 31/12/2020, in line with the provisions of CRR and other regulations.

Both Groups are disclosing the following:

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

**Table 9: Biser Topco Group's regulatory capital nature and amounts**

€000

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	176,153	26(1), 27, 28, 29, 26(3), EBA list
	Of which: Paid-in capital instruments	2,008	26(3), EBA list
	Of which: Paid-in capital surplus	174,144	26(3), EBA list
2	Retained earnings	605,960	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-601	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		286(2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	194,104	26(2)

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
<b>6</b>	<b>Common Equity Tier-1 (CET1) capital before regulatory adjustments</b>	<b>975,616</b>	<b>Sum of lines 1 to 5a</b>
<b>Common Equity Tier-1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-1,917	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-33,642	36(1)(b), 37, 472(4)
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-26,183	36(1)(c), 38, 472(5)
11	Revaluation surplus related to gains or losses on cash flow hedges		33(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2), and (3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79, 470, 472(11)
20	Empty Set in the EU		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(ii), 48(1)(b), 470, 472(11)
24	Empty Set in the EU		
25	Of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-6,350	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier-1 (CET1) capital</b>	<b>-68,092</b>	<b>Sum of lines 7 to 20a, 21, 22 and 25a to 27</b>
<b>29</b>	<b>Common equity Tier-1 capital</b>	<b>907,524</b>	<b>Sum of lines 6, of which line 28 is deducted</b>

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
<b>Additional Tier-1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts		51, 52
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
<b>36</b>	<b>Additional Tier-1 (AT1) capital before regulatory adjustments</b>	<b>0</b>	<b>Sum of lines 30, 33, 34</b>
<b>Additional Tier-1 (AT1) capital: regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79, 475(4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to AT1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from AT1 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		477, 477(3), 477(4)(a)
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
<b>43</b>	<b>Total regulatory adjustments to Additional Tier-1 (AT1) capital</b>	<b>0</b>	<b>Sum of lines 37–42</b>
<b>44</b>	<b>Additional Tier-1 (AT1) capital</b>	<b>0</b>	<b>Line 36, of which line 34 is deducted</b>
<b>45</b>	<b>Tier-1 capital</b>	<b>907,524</b>	<b>Sum of lines 29 and 44</b>
<b>Tier-2 (T2) capital: instruments and provisions</b>			

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
46	Capital instruments and the related share premium accounts	68,026	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)
<b>51</b>	<b>Tier-2 (T2) capital before regulatory adjustments</b>	<b>68,026</b>	
<b>Tier-2 (T2) capital: regulatory adjustments</b>			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79, 477(4)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
56b	Residual amounts deducted from T2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481
<b>57</b>	<b>Total regulatory adjustments to Tier-2 (T2) capital</b>	<b>0</b>	
<b>58</b>	<b>Tier-2 (T2) capital</b>	<b>68,026</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>975,550</b>	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	Of which: ... items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)		



Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	(items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)		
	(items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		475, 475(2)(b), 475(2)(c), 475(4)(b)
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts)		
	Items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		477, 477(2)(b), 477(2)(c), 477(4)(b)
<b>60</b>	<b>Total risk-weighted assets</b>	<b>4,853,479</b>	
<b>Capital ratios and buffers</b>			
<b>61</b>	<b>CET1 (as a percentage of risk exposure amount)</b>	<b>18.70 %</b>	<b>92(2)(a), 465</b>
<b>62</b>	<b>T1 (as a percentage of risk exposure amount)</b>	<b>18.70 %</b>	<b>92(2)(b), 465</b>
<b>63</b>	<b>Total capital (as a percentage of risk exposure amount)</b>	<b>20.10 %</b>	<b>92(2)(c)</b>
<b>64</b>	<b>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)</b>	<b>7.01 %</b>	<b>128, 129 and 130, (CRD)</b>
<b>65</b>	<b>Of which: capital conservation buffer requirement</b>	<b>2.50 %</b>	
<b>66</b>	<b>Of which: countercyclical buffer requirement</b>	<b>0.01 %</b>	
<b>68</b>	<b>CET1 available to meet buffers (as a percentage of risk exposure amount)</b>	<b>11.69 %</b>	<b>128 (CRD)</b>
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
<b>72</b>	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)	6,995	36(1)(h), 45, 46, 472(10) 56(c), 59, 60, 475(4) 66(c), 69, 70, 477(4)
<b>73</b>	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)	0	36(1)(i), 45, 48, 470, 472(11)
<b>74</b>	Empty Set in the EU		
<b>75</b>	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)	-8,358	36(1)(c), 38, 48, 470, 472(5)
<b>Applicable caps on the inclusion of provisions in Tier-2</b>			
<b>76</b>	Credit risk adjustments included in T2 capital in respect of exposures subject to the Standardised Approach (prior to the application of the cap)		62
<b>77</b>	Cap on inclusion of credit risk adjustments in T2 capital under the Standardised Approach		62

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 capital under the internal ratings-based approach		62
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>			
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
84	Current cap on T2 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)

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

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Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	553,302	26(1), 27, 28, 29, 26(3), EBA list
	Of which: Paid-in capital instruments	150,000	26(3), EBA list
	Of which: Paid-in capital surplus	403,302	26(3), EBA list
2	Retained earnings	193,762	26(1)c
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	31,413	26(1)
3a	Funds for general banking risk		26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase-out from CET1		286(2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	203,918	26(2)
<b>6</b>	<b>Common Equity Tier-1 (CET1) capital before regulatory adjustments</b>	<b>982,395</b>	<b>Sum of lines 1 to 5a</b>
<b>Common Equity Tier-1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-1,917	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-33,642	36(1)(b), 37, 472(4)
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-25,284	36(1)(c), 38, 472(5)

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A)	(B)
		AMOUNT 31/12/2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
11	Revaluation surplus related to gains or losses on cash flow hedges		33(a)
12	Negative amounts resulting from the calculation of expected loss amounts		36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitised assets (negative amount)		32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)
15	Defined-benefit pension fund assets (negative amount)		36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		36(1)(h), 43, 45, 46, 49(2), and (3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79, 470, 472(11)
20	Empty Set in the EU		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)		48(1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1)(ii), 48(1)(b), 470, 472(11)
24	Empty Set in the EU		
25	Of which: deferred tax assets arising from temporary differences		36(1)(c), 38, 48(1)(a), 470, 472(5)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1)(j)
28	<b>Total regulatory adjustments to Common Equity Tier-1 (CET1) capital</b>	<b>-67,205</b>	<b>Sum of lines 7 to 20a, 21, 22 and 25a to 27</b>
29	<b>Common equity Tier-1 capital</b>	<b>915,190</b>	<b>Sum of lines 6, of which line 28 is deducted</b>
<b>Additional Tier-1 (AT1) capital: instruments</b>			
30	Capital instruments and the related share premium accounts		51, 52
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486(3)

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A) AMOUNT 31/12/2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
34	Qualifying T1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	Of which: instruments issued by subsidiaries subject to phase-out		486(3)
<b>36</b>	<b>Additional Tier-1 (AT1) capital before regulatory adjustments</b>	<b>0</b>	<b>Sum of lines 30, 33, 34</b>
<b>Additional Tier-1 (AT1) capital: regulatory adjustments</b>			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)		56(c), 59, 60, 79, 475(4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to AT1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56(e)
<b>43</b>	<b>Total regulatory adjustments to Additional Tier-1 (AT1) capital</b>	<b>0</b>	<b>Sum of lines 37–42</b>
<b>44</b>	<b>Additional Tier-1 (AT1) capital</b>	<b>0</b>	<b>Line 36, of which line 34 is deducted</b>
<b>45</b>	<b>Tier-1 capital</b>	<b>915,190</b>	<b>Sum of lines 29 and 44</b>
<b>Tier-2 (T2) capital: instruments and provisions</b>			
46	Capital instruments and the related share premium accounts	90,400	62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase-out from T2		486(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480
49	Of which: instruments issued by subsidiaries subject to phase-out		486(4)
50	Credit risk adjustments		62(c) and (d)
<b>51</b>	<b>Tier-2 (T2) capital before regulatory adjustments</b>	<b>90,400</b>	
<b>Tier-2 (T2) capital: regulatory adjustments</b>			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(d)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A)	(B)
		AMOUNT 31/12/2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66(c), 69, 70, 79, 477(4)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to T2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)		
<b>57</b>	<b>Total regulatory adjustments to Tier-2 (T2) capital</b>	<b>0</b>	
<b>58</b>	<b>Tier-2 (T2) capital</b>	<b>90,400</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>1,005,590</b>	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	Of which: ...items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)  (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	Of which: ...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)  (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		475, 475(2)(b), 475(2)(c), 475(4)(b)
	Items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts)  Items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		477, 477(2)(b), 477(2)(c), 477(4)(b)
<b>60</b>	<b>Total risk-weighted assets</b>	<b>4,863,166</b>	
<b>Capital ratios and buffers</b>			
<b>61</b>	<b>CET1 (as a percentage of risk exposure amount)</b>	<b>18.82 %</b>	<b>92(2)(a), 465</b>
<b>62</b>	<b>T1 (as a percentage of risk exposure amount)</b>	<b>18.82 %</b>	<b>92(2)(b), 465</b>
<b>63</b>	<b>Total capital (as a percentage of risk exposure amount)</b>	<b>20.68 %</b>	<b>92(2)(c)</b>
<b>64</b>	<b>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)</b>	<b>7.26 %</b>	<b>128, 129 and 130, (CRD)</b>
<b>65</b>	<b>Of which: capital conservation buffer requirement</b>	<b>2.50 %</b>	
<b>66</b>	<b>Of which: countercyclical buffer requirement</b>	<b>0.01 %</b>	
<b>67a</b>	<b>Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</b>	<b>0.25 %</b>	<b>131 (CRD)</b>

Common Equity Tier-1 (CET1) capital: instruments and reserves		(A)	(B)
		AMOUNT 31/12/2020	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
68	CET1 available to meet buffers (as a percentage of risk exposure amount)	11.56 %	128 (CRD)
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	6,995	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)	0	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)	-8,358	36(1)(c), 38, 48, 470, 472(5)
<b>Applicable caps on the inclusion of provisions in Tier-2</b>			
76	Credit risk adjustments included in T2 capital in respect of exposures subject to the Standardised Approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 capital under the Standardised Approach		62
78	Credit risk adjustments included in T2 capital in respect of exposures subject to the internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 capital under the internal ratings-based approach		62
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>			
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
82	Current cap on AT1 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)
84	Current cap on T2 instruments subject to phase-out arrangements		484(3), 486(2) and (58)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (58)

#### 4.5 Description of all restrictions applied to the calculation of own funds in accordance with the Regulation, and the instruments, prudential filters and deductions to which those restrictions apply (Article 437(1.e) of the Regulation)

Data are presented in Table in section 4.4.

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

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

Disclosure does not apply for the Group.

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

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

Disclosure does not apply to the Group because the Group did not choose to apply transitional arrangements to reduce the impact of the IFRS 9 standard introduction on regulatory capital.

**4.8 Transitional provisions for disclosure of capital**

*(Article 492 of the Regulation)*

Disclosure does not apply to the Group is not relevant because the Group has not applied transitional arrangements for the calculation of regulatory capital or any amount of risk-weighted assets since 1 January 2018. Transitional provisions are only taken into account in case of calculating capital buffers, and these comply with the provisions of CRD.

## 5 Own funds requirements

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

The Group has to comply with Pillar 1 capital requirements set out in CRR that relate to the requirement for:

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

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

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

Total minimum and supervisory capital requirements represent a total capital requirement SREP or TSCR, and total minimum and supervisory capital requirements and requirements for a common buffer represent a total capital requirement SREP that has to be met by the Group. Moreover, the Group has to meet also the P2G requirement, namely by the common equity Tier-1 capital ratio (CET1 ratio). The Group meets all requirements of legislation or supervisory authorities. The table below presents capital requirements at the level of the Biser Topco Group (except P2G). At the level of the whole group, regulatory capital requirements and buffers required at the level of the Biser Topco Group prevail; therefore, they are the only appropriate requirements after the acquisition of Abanka.

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

	31/12/2020	31/12/2019
<b>Minimum requirements according to CRR</b>	<b>8.00 %</b>	<b>8.00 %</b>
Common equity Tier-1 capital ratio (CET1 ratio)	4.50 %	4.50 %
Additional Tier-1 capital ratio (AT1 ratio)	1.50 %	1.50 %
Additional capital ratio (T2 ratio)	2.00 %	2.00 %
<b>Pillar 2 SREP requirement (P2R)</b>	<b>3.00 %</b>	<b>3.50 %</b>
<b>Total capital SREP requirement (TSCR)</b>	<b>11.00 %</b>	<b>11.50 %</b>
Common equity Tier-1 capital ratio (CET1 ratio)	6.19 %	8.00 %
Additional Tier-1 capital ratio (AT1 ratio)	2.06 %	1.50 %
Additional capital ratio (T2 ratio)	2.75 %	2.00 %
<b>Capital buffer requirements</b>	<b>0.00 %</b>	<b>2.52 %</b>
Capital conservation buffers (CCoB)	0.00 %	2.50 %
Countercyclical buffer (CCyB)	0.00 %	0.02 %
Other systemically important banks buffer (**OSIB)	0.00 %	0.00 %



	31/12/2020	31/12/2019
<b>Overall capital SREP requirement (OCR)</b>	<b>11.00 %</b>	<b>14.02 %</b>
Common equity Tier-1 capital ratio (CET1 ratio)	6.19 %	10.52 %
Additional Tier-1 capital ratio (AT1 ratio)	2.06 %	1.50 %
Additional capital ratio (T2 ratio)	2.75 %	2.00 %

\* 2021 P2R requirement is 3.00 %

\*\* OSIB is only obligatory at the Nova KBM Group's level

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

*(Article 438(a) of the Regulation)*

The Group has the Risk Appetite Framework, including the Risk Appetite Statement, in place at the levels of the Nova KBM Group and the Biser Topco Group. The Bank determined the risk appetite at the Group level at the given risk-bearing capacity.

For the purpose of managing and calculating capital requirements under Pillar 1, the Group has in place the Policy of Managing Capital and the Capital Requirements, and under the Pillar 2, the Internal Capital Adequacy Assessment Process Implementing Policy (ICAAP). Implementing documents for both policies are methodologies determining the approach to risk identification and measurement, calculating capital requirements under Pillars 1 and 2, and implementing stress tests. All of these internal documents also apply at the level of the Biser Topco Group.

The internal capital estimate specifies the level of capital that the Group believes to be appropriate to cover all expected and unexpected losses arising from material risks to which it is exposed in its operations, both at the Nova KBM Group and the Biser Topco Group levels. The amount of internal capital required to cover risks is calculated using the going concern approach. The amount of capital requirements under Pillar 2 equals capital requirements under Pillar 1 or an estimate of internal capital requirements, whichever is higher.

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

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

**Table 12: Set of risks in 2020**

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

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

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

*(Article 438(b) of the Regulation)*

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

### **5.3 Information regarding 8 % of the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, for each of the exposure classes specified in Article 112 of the Regulation**

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

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

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

Risk-weighted assets of the Biser Topco Group as at 31 December 2020 were higher by €1,917.1 million compared to the figure for the past year, as at 31 December 2019, primarily as a result of:

- Inclusion of the Abanka's portfolio at all three levels of consolidation (individual, sub-consolidated, consolidated)
- Inclusion of the portfolio of Anepremičnine at both levels of consolidation (sub-consolidated and consolidated)
- Implementation of legislative amendments to the Regulation CRR II QF 2020/873 related to:
  - Favourable treatment of public funding by issuing sovereign bonds denominated in national currency of another Member State by introducing a transitional period for the allocation of risk weights
  - Revised support factor for SMEs of between 76.19 % and 85 % for loans to small and medium-sized enterprises (SMEs) by introducing a threshold of €2,500,000
  - Using the infrastructure project support factor of 85 %
  - Special treatment of loans to employees and pensioners where a weight of 35 % is assigned provided that all the conditions set out in Article 123 of CRR II are met
- Stable balance of loans in the domestic segment, and an increase in loans in the segment of international lending, with the latter in the fields of both treasury and syndicated loans.

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

The table below shows the structure of risk-weighted exposure of both Groups as at 31 December 2020 and 31 December 2019.

## Template 5: EU OV1 – Overview of RWAs of the Biser Topco Group

					€000
			RWAs		Minimum capital requirements
			31/12/2020	31/12/2019	31/12/2020
<b>CRR Article</b>	<b>1</b>	<b>Credit risk (excluding counterparty credit risk – CCR)</b>	<b>4,317,005</b>	<b>2,645,772</b>	<b>345,360</b>
438(c) and (d)	2	of which the standardised approach	4,317,005	2,645,772	345,360
438(c) and (d)	3	of which the foundation IRB (FIRB) approach	0	0	0
438(c) and (d)	4	of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	of which equity instruments under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c) and (d)	<b>6</b>	<b>Counterparty credit risk (CCR)</b>	<b>12,550</b>	<b>4,798</b>	<b>1,004</b>
438(c) and (d)	7	of which mark to market	0	0	0
438(c) and (d)	8	of which original exposure	0	0	0
	9	of which the standardised approach	10,384	4,780	831
	10	of which internal model method (IMM)	0	0	0
438(c) and (d)	11	of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c) and (d)	12	of which credit value adjustment (CVA)	2,166	17	173
438(e)	<b>13</b>	<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
Article 449(o)(i)	<b>14</b>	<b>Securitisation exposures in banking book</b>	<b>0</b>	<b>0</b>	<b>0</b>
	15	of which IRB approach	0	0	0
	16	of which IRB supervisory formula approach (SFA)	0	0	0
	17	of which internal assessment approach (IAA)	0	0	0
	18	of which the standardised approach	0	0	0
438(e)	<b>19</b>	<b>Market risk</b>	<b>16,991</b>	<b>19,516</b>	<b>1,359</b>
	20	of which the standardised approach	16,991	19,516	1,359
	21	of which IMA	0	0	0
438(e)	<b>22</b>	<b>Large exposures</b>	<b>0</b>	<b>0</b>	<b>0</b>
438(f)	<b>23</b>	<b>Operational risk</b>	<b>506,933</b>	<b>266,253</b>	<b>40,555</b>
	24	of which basic indicator approach	506,933	266,253	40,555
	25	of which the standardised approach	0	0	0
	26	of which advanced measurement approach	0	0	0
437(2), 48 and 60	<b>27</b>	<b>Amounts below the thresholds for deduction (subject to 250 % risk weight)</b>	<b>0</b>	<b>0</b>	<b>0</b>
500	<b>28</b>	<b>Floor adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>29</b>	<b>Total</b>	<b>4,853,479</b>	<b>2,936,339</b>	<b>388,278</b>

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

€000

CRR Article	1	Credit risk (excluding counterparty credit risk – CCR)	RWAs		Minimum capital requirements
			31/12/2020	31/12/2019	31/12/2020
			4,321,309	2,651,148	345,705
438(c) and (d)	2	of which the standardised approach	4,321,309	2,651,148	345,705
438(c) and (d)	3	of which the foundation IRB (FIRB) approach	0	0	0
438(c) and (d)	4	of which the advanced IRB (AIRB) approach	0	0	0
438(d)	5	of which equity instruments under the simple risk-weighted approach or the internal model approach (IMA)	0	0	0
107, 438(c) and (d)	6	<b>Counterparty credit risk (CCR)</b>	<b>12,550</b>	<b>4,798</b>	<b>1,004</b>
438(c) and (d)	7	of which mark to market	0	0	0
438(c) and (d)	8	of which original exposure	0	0	0
	9	of which the standardised approach	10,384	4,780	831
	10	of which internal model method (IMM)	0	0	0
438(c) and (d)	11	of which risk exposure amount for contributions to the default fund of CCP	0	0	0
438(c) and (d)	12	of which credit value adjustment (CVA)	2,166	17	173
438(e)	13	<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
Article 449(o)(i)	14	<b>Securitisation exposures in banking book</b>	<b>0</b>	<b>0</b>	<b>0</b>
	15	of which IRB approach	0	0	0
	16	of which IRB supervisory formula approach (SFA)	0	0	0
	17	of which internal assessment approach (IAA)	0	0	0
	18	of which the standardised approach	0	0	0
438(e)	19	<b>Market risk</b>	<b>16,991</b>	<b>19,516</b>	<b>1,359</b>
	20	of which the standardised approach	16,991	19,516	1,359
	21	of which IMA	0	0	0
438(e)	22	<b>Large exposures</b>	<b>0</b>	<b>0</b>	<b>0</b>
438(f)	23	<b>Operational risk</b>	<b>512,316</b>	<b>300,141</b>	<b>40,985</b>
	24	of which basic indicator approach	512,316	300,141	40,985
	25	of which the standardised approach	0	0	0
	26	of which advanced measurement approach	0	0	0
437/2, 48, 60	27	<b>Amounts below the thresholds for deduction (subject to 250 % risk weight)</b>	<b>0</b>	<b>0</b>	<b>0</b>
500	28	<b>Floor adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>
	29	<b>Total</b>	<b>4,863,166</b>	<b>2,975,602</b>	<b>389,053</b>

Both Groups have the same portfolio of capital investments, since the Biser Topco Group has no authorisations or licences to carry out any banking activity. As at 31 December 2020, both Groups have no significant equity investment in equity instruments of an insurance and reinsurance companies, or insurance holding companies that is (not) deducted from regulatory capital of the Groups, but only an immaterial investment for which they calculate risk-weighted assets for credit risk with the assigned risk weight of 100 %.

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

*(Article 438(d) of the Regulation)*

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

**5.5 Disclosure of the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight referred to in Article 155(2) of the Regulation, if the institution calculates the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2)**

*(Article 438 of the Regulation)*

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

## 6 Exposure to counterparty credit risk (CCR)

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

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

*(Article 439(a) of the Regulation)*

The calculation of internal capital needed to support the transactions in derivatives, repo transactions and securities lending transactions is carried out in accordance with an internal methodology determining the method of internal capital calculation. The Bank's exposure to counterparty credit risk is rather immaterial due to the small amount of such business activities. The Bank manages counterparty credit risk through appropriate processes (daily monitoring and valuation, and calls for coverage) and the system of limits, while capital is not allocated to cover this risk. The materiality threshold is determined.

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

The Group has set up a system of limits to control its exposure to counterparty credit risk. Exposures to counterparties and the levels up to which the exposure limits are utilised are monitored on a daily basis. The system of limits sets the maximum allowable exposure to each counterparty, taking into consideration credit rating of the respective counterparty, its size, and the type of financial instrument concerned.

Limits for currency forward transactions are determined based on the VaR of exposure, which is calculated taking into consideration the current market value of the transaction and the potential exposure to a change in exchange rates in the period until the transaction falls due. The volatility of currencies is calculated based on the actual one-year data on exchange rates and the 99 % probability of event occurrence.

### 6.2 Description of policies for securing collateral and establishing credit reserves

*(Article 439(b) of the Regulation)*

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

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

The Bank offers transactions in derivatives without requesting collateral only to customers with the highest credit rating, while it includes the respective exposure to credit risk under these transactions in the calculation of the total exposure. The Bank offers transactions in derivatives

to other clients 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 for repo transactions.

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

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

*(Article 439(d) of the Regulation)*

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

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

*(Article 439(e) of the Regulation)*

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

### **6.6 Disclosure of measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 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 securities). The maximum exposure may be in the agreed amount, and additional collateral must be provided if the set limits are exceeded.

Currency forward contracts used to regulate the open foreign currency position are entered into only with customers with the highest credit ratings, and within the set limits. Currency



forward contracts held in the trading book are entered into up to the limit set for each counterparty.

The template below discloses data at the level of the Biser Topco Group as at 31 December 2020. The Group's derivatives portfolio increased compared to 31 December 2019 due to the merger of Abanka and the inclusion of their derivatives portfolio. Consequently, counterparty risk exposure (CCR) is also higher.

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

		€000					
		a	b	c	d	e	f
		Nominal amount	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure	Multiplier	Risk-weighted exposures
1	Mark to market		7,625	5,041			12,666
2	Original exposure						
3	Standardised approach						
4	Internal model method (hereinafter: (IMM) (for derivatives and SFT)						
5	of which securities financing transactions (SFT)						
6	of which derivatives and long settlement transactions						
7	of which from contractual cross-product netting						
8	Financial collateral simple method (for SFTs)						
9	Financial collateral comprehensive method (for SFTs)						
10	Value at risk (hereinafter: VaR) for SFTs						
11	<b>Total</b>						<b>12,666</b>

### 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 2020.

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

€000

	Exposure value	RWAs
1 Total portfolios subject to the advanced method		0
2 (i) VaR component (including the 3x multiplier)		0
3 (ii) Stress value at risk component (hereinafter: SVaR) (including the 3 x multiplier)		0
4 All portfolios subject to the standardised method	2,647	2,166
5 Based on the original exposure method	0	0
<b>6 Total subject to the CVA capital charge</b>	<b>2,647</b>	<b>2,166</b>

**Exposure to central counterparties**

The Bank enters into certain transactions with its central counterparty, LCH Limited. As of 1 January 2021 (Brexit), LCH is considered a third country central counterparty and approved by ESMA. With LCH, the Bank performs clearing for interest rate swaps. In addition to the initial margin and exposure calculated in line with Article 274 of CRR, the Bank also has a floating margin of €3,514 thousand at LCH Limited.

**Template 9: EU CCR8 – Exposure to central counterparties of the Biser Topco Group**

€000

	Total exposure value according to CRM	Risk-weighted exposures
<b>1 Exposure to qualifying central counterparties (hereinafter: QCCP (total))</b>		743
2 Exposures to QCCP transactions (excluding initial margin and contributions to the default fund); of which	743	743
3 (i) Free market derivatives	743	743
4 (ii) Exchange-traded derivatives	0	0
5 (iii) SFT	0	0
6 (iv) Netting sets where contractual cross-product netting was approved	0	0
7 Separated initial margin	947	
8 Non-separated initial margin	0	0
9 Pre-funded contributions to the default fund	0	0
10 Alternative calculation of capital requirements for exposure		0
<b>11 Exposure to non-qualifying central counterparties (hereinafter: non-QCCP (total))</b>		0
12 Exposures to non-QCCP transactions (excluding initial margin and contributions to the default fund); of which	0	0
13 (i) Free market derivatives	0	0
14 (ii) Exchange-traded derivatives	0	0
15 (iii) SFT	0	0
16 (iv) Netting sets where contractual cross-product netting was approved	0	0
17 Separated initial margin	0	

	Total exposure value according to CRM	Risk-weighted exposures
18 Non-separated initial margin	0	0
19 Pre-funded contributions to the default fund	0	0
20 Unfunded contributions to the default fund	0	0

## 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 $\alpha$ , if the institution has received the permission of the competent authorities to estimate $\alpha$

*(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.

## 6.10 Information related to calculation of risk exposure for counterparty risk

*(Article 444(e) of the Regulation)*

Disclosure is presented in section 5.3 of this document.

## 7 Capital buffers

(Article 440 of the Regulation)

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

The Group calculates the overall capital buffer above the minimum capital adequacy ratio. The Group's minimum capital requirements are presented in Chapter 5. As at the reporting day, 31 December 2020, the regulatory overall capital buffer requirements include the following buffers:

- Capital conservation buffer equalling 2.5 %, as provided for under the transitional provisions of Article 391(1)(1) of the ZBan-2 and CRD
- Institution-specific countercyclical capital buffer in the amount as presented in the table in the next section. The Bank complies with the provisions of Article 391(1)(2) of the ZBan-2 and CRD – institution-specific countercyclical buffer does not exceed 2.5 % of the total risk exposure amount
- In 2020, also an other systemically important institution's buffer at the Nova KBM Group level as determined for the Group by the Bank of Slovenia, in the amount of 0.25 %.

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

(Article 440(a) of the Regulation)

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

€000

Government	General credit exposures	Trading book exposures	Own funds requirements			Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100		
AFGHANISTAN	1	0	0	0	0	0.0	0.00
AUSTRALIA	1	0	0	0	0	0.0	0.00
AUSTRIA	28,323	0	1,139	0	1,139	0.3	0.00
AZERBAIJAN	1	0	0	0	0	0.0	0.00
BELGIUM	18,068	0	1,057	0	1,057	0.3	0.00
BELARUS	4	0	0	0	0	0.0	0.00
BULGARIA	72	0	4	0	4	0.0	0.00
BOSNIA AND HERZEGOVINA	2,304	0	134	0	134	0.0	0.00
BRAZIL	6	0	0	0	0	0.0	0.00
CZECH REPUBLIC	1,654	0	130	0	130	0.0	0.00
MONTENEGRO	28	0	2	0	2	0.0	0.00
DENMARK	3,167	0	253	0	253	0.1	0.00
FINLAND	4,276	0	34	0	34	0.0	0.00
FRANCE	56,180	0	2,817	0	2,817	0.9	0.00

Government	General credit exposures	Trading book exposures	Own funds requirements			Own funds requirements weights	Countercyclical capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
			70	80	100		
	10	30				110	120
GIBRALTAR	24,170	0	1,934	0	1,934	0.6	0.00
GREECE	1	0	0	0	0	0.0	0.00
GEORGIA	3	0	0	0	0	0.0	0.00
CROATIA	22,685	0	1,720	0	1,720	0.5	0.00
INDIA	4	0	0	0	0	0.0	0.00
IRELAND	3,041	0	243	0	243	0.1	0.00
ITALY	53,561	0	4,503	0	4,503	1.4	0.00
JAPAN	3,047	0	244	0	244	0.1	0.00
CANADA	3,164	0	127	0	127	0.0	0.00
KAZAKHSTAN	11	0	1	0	1	0.0	0.00
CHINA	23	0	1	0	1	0.0	0.00
COLOMBIA	2	0	0	0	0	0.0	0.00
KOSOVO	227	0	15	0	15	0.0	0.00
LUXEMBOURG	56,213	0	5,220	0	5,220	1.6	0.00
HUNGARY	15,172	0	1,213	0	1,213	0.4	0.00
MACEDONIA	182	0	11	0	11	0.0	0.00
MEXICO	2	0	0	0	0	0.0	0.00
GERMANY	111,269	0	7,340	0	7,340	2.2	0.00
NIGERIA	1	0	0	0	0	0.0	0.00
THE NETHERLANDS	138,749	0	9,763	0	9,763	2.9	0.00
NORWAY	24,464	0	228	0	228	0.1	0.00
ISLE OF MAN	7,100	0	568	0	568	0.2	0.00
PERU	3	0	0	0	0	0.0	0.00
POLAND	7	0	0	0	0	0.0	0.00
PORTUGAL	89	0	5	0	5	0.0	0.00
ROMANIA	28	0	2	0	2	0.0	0.00
RUSSIAN FEDERATION	30	0	2	0	2	0.0	0.00
SLOVAKIA	1,329	0	87	0	87	0.0	0.00
SLOVENIA	4,890,652	16,991	275,571	1,359	276,930	83.3	0.00
SERBIA	1,304	0	88	0	88	0.0	0.00
SPAIN	52,749	0	4,218	0	4,218	1.3	0.00
SWEDEN	25,138	0	1,152	0	1,152	0.3	0.00
SWITZERLAND	2,951	0	118	0	118	0.0	0.00
THAILAND	9	0	1	0	1	0.0	0.00
TURKEY	8	0	0	0	0	0.0	0.00
UKRAINE	183	0	7	0	7	0.0	0.00
UNITED KINGDOM	44,233	0	2,716	0	2,716	0.8	0.00
UNITED STATES OF AMERICA	117,480	0	8,159	0	8,159	2.5	0.00
UNITED ARAB EMIRATES	15	0	1	0	1	0.0	0.00
<b>Total</b>	<b>5,713,391</b>	<b>16,991</b>	<b>330,929</b>	<b>1,359</b>	<b>332,288</b>	<b>100.0</b>	<b>0.00</b>

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

€000

Government	General credit exposures	Trading book exposures	Own funds requirements			Own funds requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
			10	30	70		
AFGHANISTAN	1	0	0	0	0	0.0	0.00
AUSTRALIA	1	0	0	0	0	0.0	0.00
AUSTRIA	28,323	0	1,139	0	1,139	0.3	0.00
AZERBAIJAN	1	0	0	0	0	0.0	0.00
BELGIUM	18,068	0	1,057	0	1,057	0.3	0.00
BELARUS	4	0	0	0	0	0.0	0.00
BULGARIA	72	0	4	0	4	0.0	0.00
BOSNIA AND HERZEGOVINA	2,304	0	134	0	134	0.0	0.00
BRAZIL	6	0	0	0	0	0.0	0.00
CZECH REPUBLIC	1,654	0	130	0	130	0.0	0.00
MONTENEGRO	28	0	2	0	2	0.0	0.00
DENMARK	3,167	0	253	0	253	0.1	0.00
FINLAND	4,276	0	34	0	34	0.0	0.00
FRANCE	56,180	0	2,817	0	2,817	0.9	0.00
GIBRALTAR	24,170	0	1,934	0	1,934	0.6	0.00
GREECE	1	0	0	0	0	0.0	0.00
GEORGIA	3	0	0	0	0	0.0	0.00
CROATIA	22,685	0	1,720	0	1,720	0.5	0.00
INDIA	4	0	0	0	0	0.0	0.00
IRELAND	3,041	0	243	0	243	0.1	0.00
ITALY	53,561	0	4,503	0	4,503	1.4	0.00
JAPAN	3,047	0	244	0	244	0.1	0.00
CANADA	3,164	0	127	0	127	0.0	0.00
KAZAKHSTAN	11	0	1	0	1	0.0	0.00
CHINA	23	0	1	0	1	0.0	0.00
COLOMBIA	2	0	0	0	0	0.0	0.00
KOSOVO	227	0	15	0	15	0.0	0.00
LUXEMBOURG	56,213	0	5,220	0	5,220	1.6	0.00
HUNGARY	15,172	0	1,213	0	1,213	0.4	0.00
MACEDONIA	182	0	11	0	11	0.0	0.00
MEXICO	2	0	0	0	0	0.0	0.00
GERMANY	111,269	0	7,340	0	7,340	2.2	0.00
NIGERIA	1	0	0	0	0	0.0	0.00
THE NETHERLANDS	138,749	0	9,763	0	9,763	2.9	0.00
NORWAY	24,464	0	228	0	228	0.1	0.00
ISLE OF MAN	7,100	0	568	0	568	0.2	0.00
PERU	3	0	0	0	0	0.0	0.00
POLAND	7	0	0	0	0	0.0	0.00
PORTUGAL	89	0	5	0	5	0.0	0.00
ROMANIA	28	0	2	0	2	0.0	0.00

Government	General credit exposures	Trading book exposures	Own funds requirements			Own funds requirements weights	Countercyclic capital buffer rate
	Exposure value for standardised approach (SA)	Sum of long and short positions of trading book exposures	Of which: general credit exposures	Of which: trading book exposure	Total		
	10	30	70	80	100		
RUSSIAN FEDERATION	30	0	2	0	2	0.0	0.00
SLOVAKIA	1,329	0	87	0	87	0.0	0.00
SLOVENIA	4,895,405	16,991	275,951	1,359	277,310	83.4	0.00
SERBIA	1,304	0	88	0	88	0.0	0.00
SPAIN	52,749	0	4,218	0	4,218	1.3	0.00
SWEDEN	25,138	0	1,152	0	1,152	0.3	0.00
SWITZERLAND	2,951	0	118	0	118	0.0	0.00
THAILAND	9	0	1	0	1	0.0	0.00
TURKEY	8	0	0	0	0	0.0	0.00
UKRAINE	183	0	7	0	7	0.0	0.00
UNITED KINGDOM	44,233	0	2,716	0	2,716	0.8	0.00
UNITED STATES OF AMERICA	117,480	0	8,159	0	8,159	2.5	0.00
UNITED ARAB EMIRATES	15	0	1	0	1	0.0	0.00
<b>Total</b>	<b>5,718,143</b>	<b>16,991</b>	<b>331,309</b>	<b>1,359</b>	<b>332,668</b>	<b>100.0</b>	<b>0.00</b>

## 7.2 The amount of institution specific countercyclical capital buffer (Article 440(b) of the Regulation)

**Table 15:** The amount of institution specific countercyclical capital buffer

		€000	
		Biser Topco Group	Nova KBM Group
1	Total risk exposure amount	4,853,479	4,863,166
2	Countercyclical capital buffer rate	0.01 %	0.01 %
3	Institution-specific countercyclical capital buffer	485	486

## **8 Indicators of global systemic importance**

*(Article 441 of the Regulation)*

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



## 9 Credit risk adjustments

### 9.1 General qualitative information about credit risk

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

*(Article 442(a) of the Regulation)*

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

Impaired items for accounting purposes are all non-performing on- and off-balance-sheet exposures to defaulted and non-defaulted customers for which the Group has recognised impairments or provisions.

The Group calculates impairments in accordance with IFRS 9, which requires calculation of expected credit loss or ECL from the first recognition of financial instruments, and earlier recognition of expected losses for the lifetime.

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

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

Further details regarding the definition of past due and impaired items for accounting purposes are set out in the 2020 Annual Report of the Nova KBM Group and Nova KBM, in the Notes to the financial statements, Chapter 8.4.6: Impairments of financial assets and other credit exposures

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

*(Article 442(b) of the Regulation)*

General credit risk adjustments are not recognised under IFRS; therefore, the Group does not calculate and consequently, does not disclose them. The Group calculates and discloses specific credit risk adjustments, which are defined as adjustments to the carrying amount due to credit risk and relate to both on- and off-balance-sheet exposures.

The Group classifies financial instruments into the following categories:

- At amortised cost (AC) – when the financial asset is held with a purpose of receiving contractual cash flows and the cash flows received are solely the payment of principal and interest on an outstanding principal amount
- At fair value through other comprehensive income (FVOCI) – when the financial asset is held with a purpose of receiving contractual cash flows and the cash flows received are solely the payment of principal and interest on an outstanding principal amount

- At fair value through profit or loss
- Purchased or issued financial assets with impaired credit quality (POCI) – assets with impaired credit quality on initial recognition.

The Group calculates impairments in accordance with IFRS 9, which requires calculation of expected credit loss or ECL from the first recognition of financial instruments, and earlier recognition of expected losses for the lifetime.

The subjects of assessing expected credit loss are financial instruments measured at amortised cost and at fair value through other comprehensive income.

The Group classifies financial assets for which it assesses expected credit losses into three stages:

- Stage 1 – exposures in which no significant increase in credit risk has been identified since their initial recognition, and low-risk exposures
- Stage 2 – exposures in which credit risk has increased significantly from their initial recognition, and exposures from accounts receivables for which credit losses are calculated using a simplified approach; in stage 2 there are also POCI exposures if the client is in performing rating
- Stage 3 – exposures in defaulted status, and exposures defined as POCIs.

In accordance with IFRS 9 and the Guidelines for Managing Credit Risk and Accounting for Expected Credit Losses, the Group takes into account forward-looking information (FLI), which has been identified as material in assessing expected credit losses on the basis of reasonable judgement, generally adopted methods for economic analysis and forecasting, and supported by a sufficient set of data.

When determining whether the credit risk has increased significantly (SICR) since the initial recognition for a particular asset, in addition to complying with regulatory established criteria, such as a 30-day delay, the Group acts in line with the Nova KBM Group's Methodology for Classifying Customers in Credit Rating Categories. In doing so, the Group assumes that a significant increase in credit risk is primarily reflected in the relative change in the customer's credit rating since its initial recognition.

In classifying its customers, the Group uses all available quantitative data from the analysis of financial statements and projections by using a model and an expert assessment based on clearly defined criteria as well as qualitative or soft data relating to a particular customer, together with industry-specific factors and factors relating to the general macroeconomic environment. In monitoring credit risks, the Group uses also the Early Warning System (EWS).

The Group has developed its own models for calculating key measuring parameters for credit loss:

- Exposure at default (EAD)
- Probability of default (PD)
- Loss given default (LGD).

Expected credit losses equal the product of expected probability of default, expected loss in case of default, and expected exposure at default.

Expected credit losses are an estimate of credit losses over a certain period of time adjusted with the likelihood of a particular macroeconomic scenario. For Stage 1 exposures, the Bank estimates 12-month expected losses, while for exposures included in the other two stages, the Bank estimates lifetime losses or losses expected over the entire period of contractual obligations.

Exposures in Stage 3, where total exposure to a narrow group of related parties exceeds €300,000, are impaired individually based on an assessment of sustainability of the Bank's business plan and the strategy to the respective customer and, consequently, on all possible expected cash flows both from operations and from liquidation of collateral. For other Stage 3 exposures, the Bank uses a mass or automated calculation of expected credit losses.

## **9.2 General quantitative information about credit risk**

This section defines requirements referred to in Article 442(c) of Part Eight of CRR and Chapter 4.8 of the Guidelines.

In the breakdown of exposures by stages, industry or counterparty, the Group does not divide information requirements into material and immaterial in line with the EBA 2014/14 Guidelines, but discloses information with regard to all required breakdowns of exposures by individual template.

The definition of exposure stages corresponds to the definition of the exposure classes referred to in Article 112 of the CRR Regulation – standardised approach.

### **9.2.1 Disclosure of the total amount of exposures under accounting offsets and without taking into account the effects of credit risk mitigation, and of the average amount of the exposures over the period broken down by different types of exposure classes**

*(Article 442(c) of the Regulation)*

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

**Template 10: EU CRB-B – Total and average net amount of exposures for the Biser Topco Group**

		€000	
		a	b
		Net exposure value	Average net exposures over the period
1	Central governments or central banks	2,971,575	2,549,844
2	Regional governments or local authorities	77,893	95,722
3	Public sector entities	212,811	227,525
4	Multilateral development banks	19,980	20,086
5	International organisations	62,888	68,671
6	Institutions	553,784	601,184
7	Corporates	2,496,285	2,499,200
8	Of which: small and medium-sized enterprises (SMEs)	498,969	523,959
9	Retail exposures	2,625,670	2,653,327
10	Of which: small and medium-sized enterprises (SMEs)	544,910	552,965
11	Exposures secured by mortgages on immovable property	1,121,716	1,153,472
12	Of which: small and medium-sized enterprises (SMEs)	253,187	272,914
13	Exposures in default	153,496	155,120
14	Items associated with particular high risk	87,569	85,090
15	Covered bonds	88,473	89,049
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	50,376	58,292
18	Equity exposures	20,581	20,134
19	Other exposures	309,446	311,138
20	<b>Total standardised approach</b>	<b>10,852,541</b>	<b>10,587,852</b>

**Template 11: EU CRB-B – Total and average net amount of exposures for the Nova KBM Group**

€000

		a	b
		Net exposure value	Average net exposures over the period
1	Central governments or central banks	2,971,555	2,549,631
2	Regional governments or local authorities	77,893	95,722
3	Public sector entities	212,811	227,525
4	Multilateral development banks	19,980	20,086
5	International organisations	62,888	68,671
6	Institutions	551,541	598,357
7	Corporates	2,495,542	2,498,364
8	of which: small and medium-sized enterprises (SMEs)	498,969	523,959
9	Retail exposures	2,625,670	2,653,327
10	of which: small and medium-sized enterprises (SMEs)	544,910	552,965
11	Exposures secured by mortgages on immovable property	1,121,716	1,153,472
12	of which: small and medium-sized enterprises (SMEs)	253,187	272,914
13	Exposures in default	153,496	155,120
14	Items associated with particular high risk	87,569	85,090
15	Covered bonds	88,473	89,049
16	Exposure to institutions and corporates with a short-term credit assessment	0	0
17	Collective investment undertakings	50,376	58,292
18	Equity exposures	20,581	20,134
19	Other exposures	314,941	317,907
20	<b>Total standardised approach</b>	<b>10,855,031</b>	<b>10,590,746</b>

**9.2.2 Disclosure of the geographic distribution of net exposures broken down to significant areas by material exposure classes**

*(Article 442(d) of the Regulation)*

Notes with regard to change in exposure in the period 31 December 2019–31 December 2020 are given in Section 5.3, and above all, their movement is associated with the inclusion of Abanka and Anepremičnine in the consolidation for regulatory purposes.

In the Table below, the Group classifies among other “member states according to CRR” exposures to countries of the European Union and the European Economic Area, with the exception of Slovenia, and among “other European countries”, it classifies European countries non-members of the European Union. The Group classifies in exposures to “other geographical areas” exposures to all other countries.

**In disclosure of the geographic distribution of exposures, the Group did not apply the materiality threshold.**

## Template 12: EU CRB-C – Geographical breakdown of net exposures for the Biser Topco Group

€000

		a	b	c	d	e	f
		Net exposure value					
		Significant area 1 Member states by CRR	<i>Slovenia</i>	<i>Other member states by CRR</i>	Significant area 2: Other European countries	Other geographical areas	<b>Total</b>
1	Central governments or central banks	2,959,370	2,340,561	618,809	0	12,205	2,971,575
2	Regional governments or local authorities	69,179	39,798	29,381	0	8,714	77,893
3	Public sector entities	212,811	156,999	55,811	0	0	212,811
4	Multilateral development banks	19,980	0	19,980	0	0	19,980
5	International organisations	62,888	0	62,888	0	0	62,888
6	Institutions	498,285	45,167	453,118	26,530	28,968	553,784
7	Corporates	2,346,628	1,796,652	549,976	33,557	116,100	2,496,285
8	Retail exposures	2,619,925	2,611,864	8,061	5,396	349	2,625,670
9	Exposures secured by mortgages on immovable property	1,119,966	1,106,697	13,269	1,088	662	1,121,716
10	Exposures in default	153,260	141,793	11,467	222	15	153,496
11	Items associated with particular high risk	87,569	87,569	0	0	0	87,569
12	Covered bonds	88,473	0	88,473	0	0	88,473
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	50,376	50,376	0	0	0	50,376
15	Equity exposures	13,799	13,713	85	0	6,782	20,581
16	Other exposures	309,442	309,441	1	4	0	309,446
17	<b>Total standardised approach</b>	<b>10,611,950</b>	<b>8,700,630</b>	<b>1,911,320</b>	<b>66,797</b>	<b>173,794</b>	<b>10,852,541</b>
18	<b>Total</b>	<b>10,611,950</b>	<b>8,700,630</b>	<b>1,911,320</b>	<b>66,797</b>	<b>173,794</b>	<b>10,852,541</b>

**Template 13: EU CRB-C – Geographical breakdown of net exposures for the Nova KBM Group**

€000

		a	b	c	d	e	f
		Net amount					
		Significant area 1 Member states by CRR	<i>Slovenia</i>	<i>Other member states by CRR</i>	Significant area 2: Other European countries	Other geographical areas	<b>Total</b>
1	Central governments or central banks	2,959,350	2,340,541	618,809	0	12,205	2,971,555
2	Regional governments or local authorities	69,179	39,798	29,381	0	8,714	77,893
3	Public sector entities	212,811	156,999	55,811	0	0	212,811
4	Multilateral development banks	19,980	0	19,980	0	0	19,980
5	International organisations	62,888	0	62,888	0	0	62,888
6	Institutions	496,042	45,167	450,875	26,530	28,968	551,541
7	Corporates	2,345,885	1,795,909	549,976	33,557	116,100	2,495,542
8	Retail exposures	2,619,925	2,611,864	8,061	5,396	349	2,625,670
9	Exposures secured by mortgages on immovable property	1,119,966	1,106,697	13,269	1,088	662	1,121,716
10	Exposures in default	153,260	141,793	11,467	222	15	153,496
11	Items associated with particular high risk	87,569	87,569	0	0	0	87,569
12	Covered bonds	88,473	0	88,473	0	0	88,473
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	50,376	50,376	0	0	0	50,376
15	Equity exposures	13,799	13,713	85	0	6,782	20,581
16	Other exposures	314,937	314,936	1	4	0	314,941
17	<b>Total standardised approach</b>	<b>10,614,440</b>	<b>8,705,362</b>	<b>1,909,077</b>	<b>66,797</b>	<b>173,794</b>	<b>10,855,031</b>
18	<b>Total</b>	<b>10,614,440</b>	<b>8,705,362</b>	<b>1,909,077</b>	<b>66,797</b>	<b>173,794</b>	<b>10,855,031</b>

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

*(Article 442(e) of the Regulation)*

Notes with regard to changes in exposure for the period between 31/12/2019 and 31/12/2020 are given in section 5.3.

The Group has decided to disclose information on the distribution of net exposures by industry, as defined in the Standard Classification of Activities.

As at 31 December 2020, the Group discloses the highest net exposure to financial and insurance industry where the largest share presents exposures in accounts with the central bank. Compared to the previous year, therefore, this industry recorded the highest growth in exposure. In terms of amounts of exposure, it is followed by debtors without activity, which mostly include households. In 2020, increases in exposures in other industries mainly result from the inclusion of Abanka and Anepremičnine in the consolidation for regulatory purposes.



## Template 14: EU CRB-D – Concentration of exposures by industry or counterparty types for the Biser Topco Group

€000

		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	1,894,005	0	0	0	1,077,570	0	0	0	0	0	0	2,971,575
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77,893	0	0	0	0	0	0	77,893
3	Public sector entities	0	0	1	0	2	0	64	10,227	0	143	24,596	2	2,810	146,782	24,263	428	3,176	317	0	0	0	212,811
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	19,980	0	0	0	0	0	0	0	0	0	0	19,980
5	International organisations	0	0	0	0	0	0	0	0	0	0	50,882	0	9,257	0	2,749	0	0	0	0	0	0	62,888
6	Institutions	0	0	0	0	0	0	0	0	0	0	553,784	0	0	0	0	0	0	0	0	0	0	553,784
7	Corporates	14,283	18,588	682,774	162,975	40,334	174,979	320,199	109,597	45,643	119,630	316,174	82,607	280,911	45,300	0	2,366	40,863	38,097	964	0	0	2,496,285
8	Retail exposures	9,506	1,283	133,816	10,610	8,203	75,645	128,952	54,603	25,306	24,146	12,063	5,360	54,826	18,352	1,014	2,654	5,407	3,660	4,920	6,169	2,039,177	2,625,670
9	Exposures secured by mortgages on immovable property	13,910	4,515	173,501	988	7,090	35,462	67,010	14,317	38,867	17,340	4,440	17,694	21,594	4,857	584	3,882	6,343	10,577	3,802	1,090	673,853	1,121,716
10	Exposures in default	434	23	14,913	502	48	8,784	50,308	3,461	5,234	2,026	7,711	1,732	8,730	2,931	0	69	58	29	436	418	45,650	153,496
11	Items associated with particular high risk	0	0	5	255	0	49,945	0	279	4,051	0	9,768	17,176	498	5,593	0	0	0	0	0	0	0	87,569
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	88,473	0	0	0	0	0	0	0	0	0	0	88,473
13	Exposure to 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
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	50,376	0	0	0	0	0	0	0	0	0	0	50,376
15	Equity exposures	0	0	824	0	0	0	0	0	0	5,725	14,033	0	0	0	0	0	0	0	0	0	0	20,581
16	Other exposures	3	0	54	1	17	51	5,546	53	10	37	295,277	85	26	35	2	3	6	3	9	5	8,223	309,446
17	<b>Total standardised approach</b>	<b>38,136</b>	<b>24,409</b>	<b>1,005,888</b>	<b>175,332</b>	<b>55,695</b>	<b>344,866</b>	<b>572,079</b>	<b>192,537</b>	<b>119,111</b>	<b>169,047</b>	<b>3,341,560</b>	<b>124,656</b>	<b>378,651</b>	<b>223,849</b>	<b>1,184,075</b>	<b>9,402</b>	<b>55,854</b>	<b>52,682</b>	<b>10,131</b>	<b>7,680</b>	<b>2,766,903</b>	<b>10,852,541</b>
18	<b>Total</b>	<b>38,136</b>	<b>24,409</b>	<b>1,005,888</b>	<b>175,332</b>	<b>55,695</b>	<b>344,866</b>	<b>572,079</b>	<b>192,537</b>	<b>119,111</b>	<b>169,047</b>	<b>3,341,560</b>	<b>124,656</b>	<b>378,651</b>	<b>223,849</b>	<b>1,184,075</b>	<b>9,402</b>	<b>55,854</b>	<b>52,682</b>	<b>10,131</b>	<b>7,680</b>	<b>2,766,903</b>	<b>10,852,541</b>

## Template 15: EU CRB-D – Concentration of exposures by industry or counterparty types for the Nova KBM Group

€000

		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	1,894,005	0	0	0	1,077,550	0	0	0	0	0	0	0	2,971,555	
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77,893	0	0	0	0	0	0	0	77,893	
3	Public sector entities	0	0	1	0	2	0	64	10,227	0	143	24,596	2	2,810	146,782	24,263	428	3,176	317	0	0	0	0	212,811	
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	19,980	0	0	0	0	0	0	0	0	0	0	0	19,980	
5	International organisations	0	0	0	0	0	0	0	0	0	0	50,882	0	9,257	0	2,749	0	0	0	0	0	0	0	62,888	
6	Institutions	0	0	0	0	0	0	0	0	0	0	551,541	0	0	0	0	0	0	0	0	0	0	0	551,541	
7	Corporates	14,283	18,588	682,774	162,975	40,334	174,979	320,199	108,854	45,643	119,630	316,174	82,607	280,911	45,300	0	2,366	40,863	38,097	964	0	0	0	2,495,542	
8	Retail exposures	9,506	1,283	133,816	10,610	8,203	75,645	128,952	54,603	25,306	24,146	12,063	5,360	54,826	18,352	1,014	2,654	5,407	3,660	4,920	6,169	2,039,177	0	2,625,670	
9	Exposures secured by mortgages on immovable property	13,910	4,515	173,501	988	7,090	35,462	67,010	14,317	38,867	17,340	4,440	17,694	21,594	4,857	584	3,882	6,343	10,577	3,802	1,090	673,853	0	1,121,716	
10	Exposures in default	434	23	14,913	502	48	8,784	50,308	3,461	5,234	2,026	7,711	1,732	8,730	2,931	0	69	58	29	436	418	45,650	0	153,496	
11	Items associated with particular high risk	0	0	5	255	0	49,945	0	279	4,051	0	9,768	17,176	498	5,593	0	0	0	0	0	0	0	0	0	87,569
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	88,473	0	0	0	0	0	0	0	0	0	0	0	0	88,473
13	Exposure to 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	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	50,376	0	0	0	0	0	0	0	0	0	0	0	0	50,376
15	Equity exposures	0	0	824	0	0	0	0	0	0	5,725	14,033	0	0	0	0	0	0	0	0	0	0	0	0	20,581
16	Other exposures	3	0	54	1	17	51	5,546	53	10	37	300,773	85	26	35	2	3	6	3	9	5	8,223	0	314,941	
17	<b>Total standardised approach</b>	<b>38,136</b>	<b>24,409</b>	<b>1,005,888</b>	<b>175,332</b>	<b>55,695</b>	<b>344,866</b>	<b>572,079</b>	<b>191,794</b>	<b>119,111</b>	<b>169,047</b>	<b>3,344,812</b>	<b>124,656</b>	<b>378,651</b>	<b>223,849</b>	<b>1,184,055</b>	<b>9,402</b>	<b>55,854</b>	<b>52,682</b>	<b>10,131</b>	<b>7,680</b>	<b>2,766,903</b>	<b>0</b>	<b>10,855,031</b>	
18	<b>Total</b>	<b>38,136</b>	<b>24,409</b>	<b>1,005,888</b>	<b>175,332</b>	<b>55,695</b>	<b>344,866</b>	<b>572,079</b>	<b>191,794</b>	<b>119,111</b>	<b>169,047</b>	<b>3,344,812</b>	<b>124,656</b>	<b>378,651</b>	<b>223,849</b>	<b>1,184,055</b>	<b>9,402</b>	<b>55,854</b>	<b>52,682</b>	<b>10,131</b>	<b>7,680</b>	<b>2,766,903</b>	<b>0</b>	<b>10,855,031</b>	

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

(Article 442(f) of the Regulation)

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

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

As at 31 December 2020, the Group shows the highest net exposure in the residual maturity band of 1 to 5 years, which has not changed compared to the previous year.

The largest increase in exposures was recorded in the category of non-stated maturity resulting from the increase in the exposure in the central bank account. In 2020, due to the inclusion of Abanka and Anepremičnine in the consolidation, exposure in the maturity band of over 5 years increased significantly, namely within the exposure categories of retail banking and secured by real estate. Exposure in shorter maturity bands of up to 5 years increased the most in the category of corporate exposures.

### Template 16: 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	148,958	232,745	605,201	90,230	1,894,442	2,971,575
2	Regional governments or local authorities	1,834	3,082	28,032	44,945	0	77,893
3	Public sector entities	2,983	15,472	193,258	977	121	212,811
4	Multilateral development banks	0	2,064	17,915	0	0	19,980
5	International organisations	10,013	674	52,200	0	0	62,888
6	Institutions	101,537	68,566	304,781	24,699	54,201	553,784
7	Corporates	310,401	687,012	924,324	574,548	0	2,496,285
8	Retail exposures	482,084	298,686	687,007	1,077,191	80,702	2,625,670
9	Exposures secured by mortgages on immovable property	20,246	77,730	176,776	846,569	395	1,121,716
10	Exposures in default	23,439	47,243	36,161	35,508	11,145	153,496
11	Items associated with particular high risk	0	11,311	67,857	4,090	4,312	87,569
12	Covered bonds	2,003	4,074	57,397	24,999	0	88,473
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	50,376	0	0	50,376
15	Equity exposures	0	0	0	7,038	13,543	20,581
16	Other exposures	3,820	2,196	5,202	2,228	296,000	309,446
17	<b>Total standardised approach</b>	<b>1,107,319</b>	<b>1,450,855</b>	<b>3,206,488</b>	<b>2,733,020</b>	<b>2,354,860</b>	<b>10,852,541</b>
18	<b>Total</b>	<b>1,107,319</b>	<b>1,450,855</b>	<b>3,206,488</b>	<b>2,733,020</b>	<b>2,354,860</b>	<b>10,852,541</b>

## Template 17: 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	148,958	232,745	605,201	90,230	1,894,422	2,971,555
2	Regional governments or local authorities	1,834	3,082	28,032	44,945	0	77,893
3	Public sector entities	2,983	15,472	193,258	977	121	212,811
4	Multilateral development banks	0	2,064	17,915	0	0	19,980
5	International organisations	10,013	674	52,200	0	0	62,888
6	Institutions	101,537	68,566	304,781	24,699	51,958	551,541
7	Corporates	310,401	687,012	923,581	574,548	0	2,495,542
8	Retail exposures	482,084	298,686	687,007	1,077,191	80,702	2,625,670
9	Exposures secured by mortgages on immovable property	20,246	77,730	176,776	846,569	395	1,121,716
10	Exposures in default	23,439	47,243	36,161	35,508	11,145	153,496
11	Items associated with particular high risk	0	11,311	67,857	4,090	4,312	87,569
12	Covered bonds	2,003	4,074	57,397	24,999	0	88,473
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	0	0	50,376	0	0	50,376
15	Equity exposures	0	0	0	7,038	13,543	20,581
16	Other exposures	3,820	2,196	5,202	2,228	301,495	314,941
17	<b>Total standardised approach</b>	<b>1,107,319</b>	<b>1,450,855</b>	<b>3,205,745</b>	<b>2,733,020</b>	<b>2,358,093</b>	<b>10,855,031</b>
18	<b>Total</b>	<b>1,107,319</b>	<b>1,450,855</b>	<b>3,205,745</b>	<b>2,733,020</b>	<b>2,358,093</b>	<b>10,855,031</b>

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

*(Article 442(g) of the Regulation)*

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

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

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

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

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

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
		defaulted exposures	non-defaulted exposures					
1	Central governments or central banks	0	2,971,897	321	0	0	122	2,971,575
2	Regional governments or local authorities	0	78,982	1,089	0	1	-60	77,893
3	Public sector entities	0	213,176	365	0	0	229	212,811
4	Multilateral development banks	0	19,980	1	0	0	1	19,980
5	International organisations	0	62,889	1	0	0	1	62,888
6	Institutions	0	553,940	156	0	0	95	553,784
7	Corporates	0	2,528,678	32,393	0	0	17,028	2,496,285
8	of which: small and medium-sized enterprises (SMEs)	0	506,258	7,289	0	0	2,755	498,969
9	Retail exposures	0	2,641,912	16,242	0	17	2,280	2,625,670
10	of which: small and medium-sized enterprises (SMEs)	0	551,265	6,355	0	17	844	544,910
11	Exposures secured by mortgages on immovable property	0	1,127,942	6,227	0	0	3,243	1,121,716
12	of which: small and medium-sized enterprises (SMEs)	0	256,186	2,999	0	0	1,415	253,187
13	Exposures in default	213,055	80	59,639	0	72,179	-15,072	153,496
14	Items associated with particular high risk	270	88,306	1,007	0	0	210	87,569
15	Covered bonds	0	88,478	5	0	0	5	88,473
16	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investment undertakings	0	50,376	0	0	0	0	50,376
18	Equity exposures	0	20,595	14	0	0	14	20,581
19	Other exposures	0	309,841	395	0	0	146	309,446
20	<b>Total standardised approach</b>	<b>213,325</b>	<b>10,757,071</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,852,541</b>
21	<b>Total</b>	<b>213,325</b>	<b>10,757,071</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,852,541</b>
22	Of which: loans	157,636	4,394,167	99,072	0	360	7,198	4,452,731
23	Of which: debt securities	0	2,074,110	1,279	0	0	911	2,072,832
24	Of which: off- balance-sheet exposures	21,489	1,720,195	10,108	0	0	1,822	1,731,576

**Template 19: 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 defaulted exposures	non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
1	Central governments or central banks	2,971,877	321	0	0	122	2,971,555
2	Regional governments or local authorities	78,982	1,089	0	1	-60	77,893
3	Public sector entities	213,176	365	0	0	229	212,811
4	Multilateral development banks	19,980	1	0	0	1	19,980
5	International organisations	62,889	1	0	0	1	62,888
6	Institutions	551,697	156	0	0	95	551,541
7	Corporates	2,527,934	32,393	0	0	17,028	2,495,542
8	of which: small and medium-sized enterprises (SMEs)	506,258	7,289	0	0	2,755	498,969
9	Retail exposures	2,641,912	16,242	0	17	2,280	2,625,670
10	of which: small and medium-sized enterprises (SMEs)	551,265	6,355	0	17	844	544,910
11	Exposures secured by mortgages on immovable property	1,127,942	6,227	0	0	3,243	1,121,716
12	of which: small and medium-sized enterprises (SMEs)	256,186	2,999	0	0	1,415	253,187
13	Exposures in default	213,055	80	59,639	72,179	-15,072	153,496
14	Items associated with particular high risk	270	88,306	1,007	0	210	87,569
15	Covered bonds	88,478	5	0	0	5	88,473
16	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
17	Collective investment undertakings	50,376	0	0	0	0	50,376
18	Equity exposures	20,595	14	0	0	14	20,581
19	Other exposures	315,336	395	0	0	146	314,941
20	<b>Total standardised approach</b>	<b>213,325</b>	<b>10,759,560</b>	<b>117,854</b>	<b>72,197</b>	<b>8,241</b>	<b>10,855,031</b>
21	<b>Total</b>	<b>213,325</b>	<b>10,759,560</b>	<b>117,854</b>	<b>72,197</b>	<b>8,241</b>	<b>10,855,031</b>
22	Of which: loans	157,636	4,394,167	99,072	360	7,198	4,452,731
23	Of which: debt securities	0	2,073,347	1,279	0	911	2,072,068
24	Of which: off- balance-sheet exposures	21,489	1,720,195	10,108	0	1,822	1,731,576

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

*(Article 442(g) of the Regulation)*

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

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

As at 31 December 2020, the Group discloses the highest net exposure to financial and insurance industry where the largest share present exposures at accounts of the central bank. Compared to the previous year, therefore, this industry recorded the highest growth in exposure. In terms of amounts of exposure, it is followed by debtors without activity, which mostly include households. In 2020, increases in exposures in other industries mainly result from the inclusion of Abanka and Anepremičnine in the consolidation for regulatory purposes.

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

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



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

€000

		a		c	d	e	f	g
		Gross carrying values of						
		defaulted exposures	non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
1	Agriculture and hunting, forestry, fishing	667	37,962	493	0	0	101	<b>38,136</b>
2	Mining	25	24,528	144	0	8	78	<b>24,409</b>
3	Manufacturing industry	17,725	1,001,381	13,219	0	2,302	5,126	<b>1,005,888</b>
4	Electricity, gas and steam supply	401	175,350	419	0	0	-41	<b>175,332</b>
5	Water supply	84	56,483	873	0	50	-41	<b>55,695</b>
6	Construction	12,770	338,451	6,355	0	6,306	524	<b>344,866</b>
7	Wholesale and retail trade	67,884	527,972	23,777	0	3,199	-4,023	<b>572,079</b>
8	Transportation and storage	4,657	190,217	2,337	0	803	227	<b>192,537</b>
9	Catering	12,092	117,560	10,541	0	422	2,112	<b>119,111</b>
10	IT and communication	3,508	168,195	2,656	0	1	126	<b>169,047</b>
11	Financial and insurance sectors	8,443	3,338,842	5,725	0	41,084	3,090	<b>3,341,560</b>
12	Real estate activities	2,134	125,123	2,601	0	408	478	<b>124,656</b>
13	Professional, scientific and technical activities	10,110	371,447	2,906	0	2,277	412	<b>378,651</b>
14	Other various business activities	4,519	222,492	3,162	0	33	787	<b>223,849</b>
15	Public administration and defence services, compulsory social security activities	0	1,185,782	1,707	0	1	342	<b>1,184,075</b>
16	Education	92	10,971	1,661	0	1	1,569	<b>9,402</b>
17	Health and social work	91	59,596	3,834	0	1	1,364	<b>55,854</b>
18	Cultural, entertainment and recreational activities	56	55,580	2,954	0	1	2,484	<b>52,682</b>
19	Other activities	68,067	2,749,138	32,490	0	15,300	-6,476	<b>2,784,715</b>
<b>20</b>	<b>Total</b>	<b>213,325</b>	<b>10,757,071</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,852,541</b>

**Template 21: EU CR1-B – Credit quality of exposures by industry or counterparty types for the Nova KBM Group**

€000

		a		c	d	e	f	g
		Gross carrying values of						
		defaulted exposures	non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
1	Agriculture and hunting, forestry, fishing	667	37,962	493	0	0	101	38,136
2	Mining	25	24,528	144	0	8	78	24,409
3	Manufacturing industry	17,725	1,001,381	13,219	0	2,302	5,126	1,005,888
4	Electricity, gas and steam supply	401	175,350	419	0	0	-41	175,332
5	Water supply	84	56,483	873	0	50	-41	55,695
6	Construction	12,770	338,451	6,355	0	6,306	524	344,866
7	Wholesale and retail trade	67,884	527,972	23,777	0	3,199	-4,023	572,079
8	Transportation and storage	4,657	189,474	2,337	0	803	227	191,794
9	Catering	12,092	117,560	10,541	0	422	2,112	119,111
10	IT and communication	3,508	168,195	2,656	0	1	126	169,047
11	Financial and insurance sectors	8,443	3,342,094	5,725	0	41,084	3,090	3,344,812
12	Real estate activities	2,134	125,123	2,601	0	408	478	124,656
13	Professional, scientific and technical activities	10,110	371,447	2,906	0	2,277	412	378,651
14	Other various business activities	4,519	222,492	3,162	0	33	787	223,849
15	Public administration and defence services, compulsory social security activities	0	1,185,762	1,707	0	1	342	1,184,055
16	Education	92	10,971	1,661	0	1	1,569	9,402
17	Health and social work	91	59,596	3,834	0	1	1,364	55,854
18	Cultural, entertainment and recreational activities	56	55,580	2,954	0	1	2,484	52,682
19	Other activities	68,067	2,749,138	32,490	0	15,300	-6,476	2,784,715
20	<b>Total</b>	<b>213,325</b>	<b>10,759,560</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,855,031</b>

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

(Article 442(h) of the Regulation)

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

The Group classifies among other Member States according to the CRR the exposures to countries of the European Union and the European Economic Area, with the exception of Slovenia, and among other European countries, exposures to European countries non-members of the European Union. The Group classifies in exposures to other geographical areas exposures to all other countries.

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

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

### Template 22: 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 defaulted exposures	Gross carrying values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
1	Significant area 1 Member states by CRR	212,898	10,515,229	116,177	0	72,194	7,368	10,611,950
2	Slovenia	198,100	8,600,636	98,106	0	71,335	-2,615	8,700,630
3	Other member states by CRR	14,799	1,914,593	18,071	0	859	9,982	1,911,320
4	Significant area 2: Other European countries	333	66,944	480	0	3	122	66,797
5	Other geographical areas	94	174,898	1,198	0	0	751	173,794
19	<b>Total</b>	<b>213,325</b>	<b>10,757,071</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,852,541</b>

**Template 23: EU CR1-C – Credit quality of exposures by geography for the Nova KBM Group**

€000

		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net amounts of (a+b-c-d)
		defaulted exposures	non-defaulted exposures					
1	Significant area 1 Member states by CRR	<b>212,898</b>	<b>10,517,718</b>	<b>116,177</b>	<b>0</b>	<b>72,194</b>	<b>7,368</b>	<b>10,614,440</b>
2	Slovenia	198,100	8,605,368	98,106	0	71,335	-2,615	<b>8,705,362</b>
3	Other member states by CRR	14,799	1,912,350	18,071	0	859	9,982	<b>1,909,077</b>
4	Significant area 2: Other European countries	333	66,944	480	0	3	122	<b>66,797</b>
5	Other geographical areas	94	174,898	1,198	0	0	751	<b>173,794</b>
<b>19</b>	<b>Total</b>	<b>213,325</b>	<b>10,759,560</b>	<b>117,854</b>	<b>0</b>	<b>72,197</b>	<b>8,241</b>	<b>10,855,031</b>

## 9.2.8 Disclosure of ageing of past-due exposures

(Article 442(a) of the Regulation)

The total amount of past-due exposures amounted in 2020 to €201.8 million; and compared to 2019, the amount increased by €6.6 million. Compared to 2019, the age structure changed as a result of including Abanka's portfolio. Loans past due up to 30 days decreased by €11.7 million, and loans past due over 1 year decreased by €5 million as a result of the continued active implementation of the non-performing exposures reduction strategy on the other hand, loans with maturity of 90 days to 180 days increased by €10 million, and loans with maturity of 180 days to up to 1 year by €5.9 million. The reason for this increase is also due to the new definition of delays in accordance with the CRR.

**Template 24:** CR1-D – Ageing of past-due exposures for the Biser Topco Group and Nova KBM Group

		€000					
		a	b	c	d	e	f
		Gross carrying values of					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans and advances	88,467	21,156	12,191	16,245	12,979	50,733
2	Debt securities issued	0	0	0	0	0	0
3	<b>Total exposures</b>	<b>88,467</b>	<b>21,156</b>	<b>12,191</b>	<b>16,245</b>	<b>12,979</b>	<b>50,733</b>

## 9.2.9 Disclosure of non-performing and forborne exposures

(Article 442(a) of the Regulation)

### Template 25: EU CR1-E – Non-performing and forborne exposures for the Biser Topco Group

€000

	a	b	c	d	e	f	g	h	i	j	k	l	m	
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received		
		of which performing, but past due > 30 days and <= 90 days	of which performing forborne	of which non-performing			on performing exposures		on non-performing exposures		on non-performing exposures			
					of which defaulted	of which impaired	of which forborne		of which forborne		of which forborne		of which forborne	
010	Debt securities issued	2,074,646	0	0	0	0	0	1,278	0	0	0	0	0	
020	Loans and advances*	4,818,473	26,003	42,741	202,614	202,614	150,277	76,768	48,002	990	58,353	17,749	1,946,180	54,130
030	Off-balance-sheet exposures	1,741,332	0	109	21,683	21,683	21,449	180	7,165	0	2,943	71	90,597	0

\* Note: Due to FINREP upgrade the item Loans and advances as at 31 December 2020 does not include the item Cash in hand and demand deposits at banks in the amount of €1,969 thousand. The item includes Non-trading financial assets mandatorily at fair value through profit or loss.

### Template 26: 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 issued	2,073,883	0	0	0	0	0	0	1,278	0	0	0	0	0
020 Loans and advances*	4,818,473	26,003	42,741	202,614	202,614	150,277	76,768	48,002	990	58,353	17,749	1,946,180	54,130
030 Off-balance-sheet exposures	1,741,332	0	109	21,683	21,683	21,449	180	7,165	0	2,943	71	90,597	0

\* Note: Due to FINREP upgrade the item Loans and advances as at 31 December 2020 does not include the item Cash in hand and demand deposits at banks in the amount of €1,967 thousand.

Data on non-performing exposures relate to the Nova KBM Group companies, as Biser Topco and Biser Bidco companies do not have non-performing and forbore exposures because they do not perform any commercial activity. In 2020, the amount of non-performing exposures in the Nova KBM Group increased from €157.8 million to €224.3 million. At the end of 2020, the Group had by €18.2 million more non-performing forbore exposures compared to the end of 2019. The primary reason for the increase is the merger of NKBM and Abanka which took place in 2020.

During the period of 1 January to 31 December 2020, the Group continued collecting unpaid obligations of customers by liquidating instruments of collateral through regular proceedings and in an out-of-court settlement, and it completed a larger bundled sale of non-performing loans.

As at 31 December 2020, the share of non-performing loans in gross loans and other financial assets accounted for 4.2 % at the Nova KBM Group level (see chapter 23.2, Template 43).

In addition to regular non-performing claims reduction plan, the Bank successfully completed two portfolio sales of non-performing claims in 2020. The successful completion of both portfolio sales accelerated the reduction of gross NPEs by €34 million, and contributed to the planned reduction in NPEs.

The Bank plans to keep reducing non-performing claims primarily through intensive recovery, liquidation of collateral, forbearance, and by selling a certain portion of claims.

Upon the legal merger of Abanka and Nova KBM, we merged and unified non-performing claim procedures, rules, and management in corporate and retail clients of both banks. The key task successfully completed in 2020 was the transfer of the collection of Abanka's non-performing claims of natural persons to external collection agencies, and the initiation of a portfolio sale of Abanka's corporate non-performing exposures. This transaction closed in March 2021.

In 2020, the Workout Department did not record any significant increase in non-performing claims due to the impact of the COVID-19 pandemic. The Bank provided moratoria to its borrowers pursuant to the relevant. The Bank also offered moratoria on payment of principal to certain clients in first and second quarter 2020 prior to the relevant State support measures being in place.

The Group recorded an adequate level of impairments for NPLs on the basis of cash flows expected to be generated from the liquidation of collateral. The parameters used to calculate particular impairments are verified at least once a year.



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

(Article 442(i) of the Regulation)

The change in accumulated specific credit risk adjustments in 2020 is mainly due to the implementation of the non-performing exposures reduction strategy.

**Template 27: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Biser Topco Group**

€000

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	-74,946	-
2	Increases due to amounts set aside for estimated loan losses during the period	-19,562	-
3	Decreases due to amounts reversed for estimated loan losses during the period	3,926	-
4	Decreases of write-offs taken against accumulated credit risk adjustments	29,309	-
5	Transfers between credit risk adjustments	-30,571	-
6	Impact of exchange rate differences	0	-
7	Business combinations, including acquisitions and disposals of subsidiaries	0	-
8	Other adjustments	-5,372	-
9	Closing balance	-97,216	-
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss	187	-
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	-7,941	-

Note: The minus sign means increasing in value adjustments

**Template 28: EU CR2-A – Changes in the stock of general and specific credit risk adjustments for the Nova KBM Group**

€000

		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	Opening balance	-74,946	-
2	Increases due to amounts set aside for estimated loan losses during the period	-19,562	-
3	Decreases due to amounts reversed for estimated loan losses during the period	3,926	-
4	Decreases of write-offs taken against accumulated credit risk adjustments	29,309	-
5	Transfers between credit risk adjustments	-30,571	-
6	Impact of exchange rate differences	0	-
7	Business combinations, including acquisitions and disposals of subsidiaries	0	-
8	Other adjustments	-5,372	-
9	Closing balance	-97,216	-
10	Recoveries of written-off amounts recorded directly to the statement of profit or loss	187	-
11	Specific credit risk adjustments recorded directly to the statement of profit or loss	-7,941	-

Note: The minus sign means increasing in value adjustments

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

In 2020, the total volume of defaulted exposures increased by €54.2 million. The largest share of decline is recorded in the written-off amounts of €70.4 million, of which the amounts from portfolio sales of non-financial corporations' portfolio of €37.7 million and the retail portfolio of €14.3 million. They are followed by clients that became performing in the amount of €7.9 million, while other changes mostly relate to including the Abanka's portfolio.

**Template 29:** EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities for the Biser Topco Group and the Nova KBM Group

		€000
		a
		Gross carrying value defaulted exposures
1	<b>Opening balance</b>	148,396
2	Loans and debt securities that have defaulted or impaired since the last reporting period	72,129
3	Returned to non-defaulted status	-7,905
4	Amounts written off	-70,364
5	Other changes	60,358
6	<b>Closing balance</b>	202,614

## 10 Unencumbered and encumbered assets

(Article 443 of the Regulation)

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

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

### Template A – Unencumbered and encumbered assets

€000

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA 030	040	of which notionally eligible EHQLA and HQLA 050	060	of which EHQLA and HQLA 080	090	of which EHQLA and HQLA 100
<b>010</b> Assets of the reporting institution	373,532	271,032			8,615,839	1,872,086		
030 Equity instruments	0	0			71,350	0		
040 Debt securities	240,166	240,166	240,233	240,233	1,864,321	1,619,588	1,864,699	1,620,004
050 of which: covered bonds	2,572	2,572	2,572	2,572	41,613	41,613	41,613	41,613
060 of which: asset-backed securities	0	0	0	0	0	0	0	0
070 of which: issued by general governments	50,206	50,149	50,215	50,158	1,124,171	1,112,203	1,124,493	1,112,519
080 of which: issued by financial corporations	161,281	160,085	161,332	160,136	547,893	416,020	548,110	416,095
090 of which: issued by non-financial corporations	17,363	17,363	17,382	17,382	215,959	102,630	216,354	102,692
120 Other assets	132,568	0			6,656,469	0		

## Template B-Collateral received

€000

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
		010	of which notionally eligible EHQLA and HQLA	040	Fair value of collateral received or own debt securities issued available for encumbrance
			030		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	<b>TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	373,532	373,532		

**Template C – Sources of encumbrance**

€000

		<b>Matching liabilities, contingent liabilities or securities lent</b>	<b>Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered</b>
		<b>010</b>	<b>030</b>
<b>010</b>	<b>Carrying amount of selected financial liabilities</b>	203,739	373,532
011	of which: central banks	201,036	373,532

The Bank provides insurance in line with applicable regulations and legislation. The main reason of asset encumbrance arises from rental of targeted long-term refinancing operations (TLTRO). The Bank encumbers assets in accordance with its internal methodology in such a way that the highest-quality assets are freely available.

**Template D – Descriptions attached**

The portion of encumbered assets in the total amount of assets is 4.2 % on average. The largest share of encumbered assets is represented by debt securities (64%). The main encumbrance source is debt to the ECB (TLTRO). Encumbrance of assets due to ECB is made in line with the General Conditions for the Implementation of the Monetary Policy Framework. Encumbered assets are attributed to Nova KBM d.d.

## 11 Use of ECAIs

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

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

*(Article 444(a) of the Regulation)*

In 2020, the Bank did not change the appointed reference external credit assessment agencies for the purpose of calculating capital requirements. It appointed Moody's as a reference external credit assessment agency for the exposure classes as defined in section 11.2. In 2020, due to the merger with Abanka, the Bank expanded the exposure categories for which these ECAIs are used by the category of exposures to covered bonds.

### 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 (ECAI) to calculate risk-weighted exposure amounts for the following exposure classes:

- Central governments and central banks
- Regional governments or local authorities
- Public sector entities
- Institutions
- Corporates
- Exposures to covered bonds.

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

*(Article 444(c) of the Regulation)*

For exposure classes for which the ECAI has been nominated, the assignment of risk weights depends on the long-term rating of the financial instrument or the debtor, the issuer of the financial instrument. In the process of assigning risk weights to exposures, the Bank first takes a long-term external rating of the financial instrument or exposure. If the later is not rated, the long-term credit rating of the debtor is used. If long-term external rating of the debtor is not available, a long-term sovereign rating of the country is used or the risk weight is assigned for unrated exposures to the debtor.

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

*(Article 444(d) of the Regulation)*

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

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

*(Article 444(e) of the Regulation)*

Notes with regard to changes in net amounts of on- and off-balance-sheet exposures in the period between 31 December 2019 and 31 December 2020 are given in section 5.3.



## Template 30: 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%	Other			Deducted	
1	Central governments or central banks	3,260,677	0	0	0	32,983	0	501	0	0	0	0	0	0	0	0	0	0	3,294,162	174,998
2	Regional governments or local authorities	29,281	0	0	0	48,387	0	0	0	0	0	0	0	0	0	0	0	0	77,768	43,713
3	Public sector entities	31,893	0	0	0	10,822	0	6,343	0	0	0	0	0	0	0	0	0	0	49,059	7,014
4	Multilateral development banks	19,980	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19,980	0
5	International organisations	43,750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	43,750	0
6	Institutions	0	0	0	0	269,715	0	222,095	0	0	2,914	4	0	0	0	0	0	-68,092	426,636	59,746
7	Corporates	0	0	0	0	10,913	0	135,186	0	0	1,636,051	53,809	0	0	0	0	0	0	1,835,959	1,332,516
8	Retail exposures	0	0	0	0	0	111	0	0	2,119,591	0	0	0	0	0	0	0	0	2,119,702	2,119,702
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	688,395	378,388	0	0	9,451	0	0	0	0	0	0	0	1,076,234	1,076,234
10	Exposures in default	0	0	0	0	0	0	0	0	0	59,513	82,470	0	0	0	0	0	0	141,984	134,455
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	62,019	0	0	0	0	0	0	62,019	62,019
12	Covered bonds	0	0	0	87,367	1,106	0	0	0	0	0	0	0	0	0	0	0	0	88,473	0
13	Exposure to 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
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50,376	0	0	50,376	0
15	Equity instruments	0	0	0	0	0	0	0	0	0	20,581	0	0	0	0	0	0	0	20,581	13,543
16	Other items	0	0	0	0	73,456	0	0	0	0	157,249	0	0	0	0	0	0	0	308,425	24,146
17	<b>Total</b>	<b>3,463,402</b>	<b>0</b>	<b>0</b>	<b>87,367</b>	<b>447,383</b>	<b>688,506</b>	<b>742,513</b>	<b>0</b>	<b>2,119,591</b>	<b>1,885,759</b>	<b>198,303</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,376</b>	<b>-68,092</b>	<b>9,615,107</b>	<b>5,048,088</b>	

**Template 31: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk for the Biser Topco Group**

		Risk weight											€000	
Exposure classes		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Other	Total	Of which unrated
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	399	0	0	0	0	0	399	399
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	1,694	934	0	0	0	0	0	2,629	0
7	Corporates	0	0	0	0	0	0	0	9,473	0	0	0	9,473	9,473
8	Retail exposures	0	0	0	0	0	0	0	84	0	0	0	84	84
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Exposures in default	0	0	0	0	0	0	0	0	0	80	0	80	80
11	Exposures associated with particular high risk	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>13</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,694</b>	<b>1,333</b>	<b>0</b>	<b>84</b>	<b>9,473</b>	<b>80</b>	<b>0</b>	<b>12,666</b>	<b>10,037</b>

## 12 Market risk

(Article 445 of the Regulation)

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

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

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

The table below presents risk-weighted exposure to market risk at the reporting date, 31 December 2020. The change in risk-weighted exposure to market risks in 2020 mainly relates to the merger of Abanka.

### Template 32: EU MR1 – Market risk under the standardised approach for the Biser Topco and Nova KBM Groups

€000

		RWAs	Own funds requirements
1	Outright products		
2	Interest rate risk (general and specific)	101	8
3	Equity risk (general and specific)	16,890	1,351
4	Foreign exchange risk	0	0
5	Commodity risk	0	0
6	Options		
7	Simplified approach	0	0
8	Delta-plus method	0	0
9	Scenario approach	0	0
10	Securitisation (specific risk)	0	0
11	<b>Total</b>	<b>19,516</b>	<b>1,561</b>

## 13 Operational risk

*(Article 446 of the Regulation)*

Operational risk at the Biser Topco Group level is not different from the operational risk management in the Nova KBM Group; therefore, management of the Nova KBM Group is presented in this Chapter.

The operational risk is determined as follows: „a risk of loss arising from inappropriate or failed internal processes, people and systems or external events“. This definition includes legal risk (in accordance with CR Regulation), while excluding the strategic risk and the risk of losing business reputation. However, some of operational risks may have a major impact on the loss of reputation. Consequently, within the overall operational risk, the Nova KBM Group also deals with reputational risk, model risk, employee conduct related risk, system/IT risk, project risk, compliance risk, risk of fraud (external and internal), cyber crime risk, human resources risk, legal risk, outsourcing related risk, and data quality risk.

The Bank distinguishes operational risk events to the following:

- Legal risk events
- Loss events, and
- Non-financial and potential events.

Legal risk events are all lawsuits received and filed.

Loss events arising from operational risk and resulting either in financial loss (impact on the profit and loss account – PLA) or misstatement of items in PLA (more than one financial year). The Bank defined as loss events all the events the gross loss of which reached or exceeded €50.

A non-financial event arising from operational risk is the event that produced no direct financial impact on PLA, but produced an effect of regulatory nature, or an effect relating to customers, market/competitors, and/or reputation.

A potential operational risk event is the event with no financial effects on PLA as it was timely prevented, while having the potential to cause financial/non-financial effects.

The Nova KBM Group calculates capital requirements for operational risk in line with Pillar I using the Basic Indicator Approach (BIA), and in line with Pillar II using its internal models considering data on loss events, non-financial and potential events, operational risk self-assessment results, and the status of operational risk indicators. The Nova KBM Group classifies all the events and threats of operational risk self-assessments in accordance with the uniform categorisation of loss events as defined by the Basel II Capital Agreement and by business areas, which enables their interconnecting.

The Nova KBM Group has established central recording of operational risk events. Reporting on incurred operational risk events includes all employees in the Bank and the entire Nova KBM Group. Regular reporting about operational risk events to senior management is carried out on a monthly and quarterly basis. At the monthly level, it is dealt with by the Supervisory Board of the Bank under the CRO report, while the quarterly report is dealt with by the Operational Risk Committee. Operational risk reports for the entire Nova KBM Group are dealt with by the Operational Risk Committee, which is an advisory body of the Management Board the task of which is to examine, discuss, and decide on operational risk issues. Given the presence of Management Board members and directors of departments having an important role in managing operational risks, a possibility is ensured to take action even in case of high level of risks identified.

Further details on operational risk are included in the Business Report of the Nova KBM Group's Annual Report, section 7.3.3 Corporate Governance of Nova KBM, and in section 10 Risk management, and in the Financial Report, section 9.5 thereof.

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

The Group calculates capital requirements for operational risk under Pillar 1 in line with Article 315 of CRR using a simple approach. In accordance with the provisions of CRR, the Group calculates the relevant indicator once a year, and its trend results from movements of relevant items of profit and loss taken into account when calculating the indicator concerned. In 2020, capital requirements significantly increased especially as a result of including Abanka and Aepremičnine in the calculation of the indicator concerned.

**Table 16:** Exposure and risk management reporting

		€000	
		RWAs	Own funds requirements
1	Biser Topco Group	506,933	40,555
2	Nova KBM Group	512,316	40,985

## 14 Exposure in equities not included in the trading book

This Chapter defines disclosure requirements referred to in Article 447 of Part Eight of CRR.

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

*(Article 447(a) of the Regulation)*

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

- Investments needed for regular operations of the Group (Bankart d.o.o., S.W.I.F.T., the Bank Resolution Fund, VISA inc.)
- Investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies in line with the financial objectives achieved
- Temporary investments in equities, which result from the realisation of collateral or debt-to-equity conversions and which the Group intends to sell within a short period of time.

**Table 17: Investment value of equity instruments by purpose**

	€000	
Type of investment	Investment value as at 31/12/2020	Investment value as at 31/12/2019
Investments needed for regular operations of the Group	62,153	29,415
Investments in equities and funds with an exit strategy	14,524	16,461
Temporary investments in equities resulting from the realisation of collateral and debt-to-equity conversions		0
<b>Total</b>	<b>76,676</b>	<b>45,876</b>

The accounting techniques and valuation methodologies used, including key assumptions and practices, are set out in the 2020 Annual Report of the Nova KBM Group and Nova KBM, in Note 10: Fair value of financial assets and financial liabilities.

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

*(Article 447(b) of the Regulation)*

As a rule, fair value of a financial instrument that is traded on a stock market in the Group equals its market price. As at 31 December 2020, the balance sheet value of financial instruments traded on the stock market was €10.2 million.

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

*(Article 447(c) of the Regulation)*

**Table 18:** Investment value of equity instruments by instrument type

	€000	
Exposure types	Exposure amount as at 31/12/2020	Exposure amount as at 31/12/2019
Quoted shares	10,211	9,843
Unquoted shares	11,093	5,680
Mutual fund units	0	2,562
Investments in non-public companies	4,995	2,455
Bank Resolution Fund	50,376	25,337
<b>Total</b>	<b>76,676</b>	<b>45,876</b>

As at 31 December 2020, equity portfolio exposure increased compared to 2019 as a result of the merger of Abanka. Increases in the value reflect mainly a higher Bank Resolution Fund and shares (CICG, TLSG and EMAG). In 2020, the Bank sold mutual fund units.

## 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 2020, the Bank neither sold nor liquidated Group companies.

#### 14.5 Information about the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in common equity Tier-1 capital (CET1)

(Article 447(e) of the Regulation)

In accordance with the applicable legislation, deductions from the total amount of the Group's Tier-1 capital as at 31 December 2020 included the following items:

- Unrealised gains and losses generated on equity instruments and debt securities held in the banking book
- Loss for the current financial year should it occur
- Intangible assets, including goodwill
- Deferred tax assets
- Deductible item for prudent valuation
- Deductible item for impairments and provisions when the financial statements are not audited.

The last two deductions are not subject to required disclosures.

The table below shows deductions and prudential filters on regulatory capital at the reporting date, 31 December 2020.

**Table 19: Amounts deducted from common equity Tier-1 capital**

Item	Biser Topco Group
Unrealised gains or losses on revaluation of financial instruments	-872
<b>Deductions</b>	<b>-59,825</b>
Loss reported for the current financial year	0
Intangible assets	-33,642
Deferred tax assets that are attributable to future profits and do not arise from temporary differences	-26,183
Translation reserves	0

€000



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

This Chapter defines disclosure requirements referred to in Article 448 of Part Eight of CRR.

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

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

*(Article 448(a) of the Regulation)*

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

The Group assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk in the Nova KBM Group and monitors the exposure in accordance with the Interest Rate Risk Management Policy in the Nova KBM Group. As many as 98 % of the Group's interest-rate sensitive assets are denominated in Euro.

The Group allows its clients to repay their loans early, whereby charging them any costs in line with the Consumer Credit Act, and in accordance with the applicable Consumer Fee Price List and the Corporate, Sole Proprietors and Entrepreneurs Fee Price List. Since 31 July 2020, in monitoring and managing interest rate risk, the Group has been taking into account its Model of early repayments and refinancing loans, which was developed in the Bank and reviewed by an external validator. At the end of 2020, the Group developed new models for early repayment and refinancing loans, namely the model for monitoring housing loans, the model for monitoring consumer loans, the model for monitoring loans to large and medium-sized companies, and the model for monitoring loans to small companies. All models were reviewed by an external validator and taken into account in monitoring and managing interest rate risk as at 31 December 2020.

In 2020, in the area of deposits without maturity, the Group developed a new Model for determining the share of core deposits, and a new Model for distribution of core deposits by time buckets. The Group classifies as core deposits those demand deposits that are stable and are unlikely to be revaluated even in case of significant changes in market interest rates. Both models are developed separately for the corporate segment and households. Both models were reviewed by an external validator. The group uses these two models for deposits in Euros, while demand deposits in other currencies are left in the demand bucket. Based on the model referred to above, the Group classified as core deposits 70 % of demand deposits from households and 50 % corporate demand deposits as at 31 December 2020. Demand deposits not defined as core deposits remain in the on demand bucket, while core deposits are distributed into time buckets according to the model. The portion of core deposits classified into a particular time bucket is calculated at least twice a year, when the model is calibrated.

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

*(Article 448(b) of the Regulation)*

To properly manage interest rate risk, the Group calculates monthly the impact of various curve shifts on its economic value of equity (EVE) to determine whether, under the stress test scenario, which is based on a  $\pm 200$  basis points change, the loss is within the limits and if it accounts for more than 20 % of its regulatory capital. In line with the EBA Guidelines on interest rate risk management arising from non-trading activities (July 2018), the Group calculates the impact of six various shifts of yield curves (regulatory scenario) on its economic value of equity (EVE), determining whether a loss in any of the six scenarios exceeds 15 % of its common equity Tier-1 capital.

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

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

For its internal needs and the purposes of calculating capital requirement for interest rate risk, the Group calculates the impact of the change on the economic value of equity and net interest income (NII), where it takes into account the interest rate floor by each product in cases of sudden shifts in the yield curve (day-to-day internal management scenarios): The Group distinguishes among quantitative and qualitative shocks.

The Group has identified the following scenarios:

- Shock on the basis of past market data
- Shock on the basis of predicted market data
- VaR based upward and downward shock (yield curve shift based on its volatility during the previous year, with 95 % confidence interval)
- Parallel shift upwards and downwards (a sudden parallel shift of the yield curve for a certain basis point value, which is defined by a preliminary analysis of movements in market interest rates)
- Flattener yield curve scenario (the Group identified two scenarios. Scenario of an increase in short-term interest rates and a decline in long-term interest rates and a shock resulting from an increase in short-term interest rates with a slight increase in long-term interest rates)
- Steeper yield curve scenario (increase in long-term interest rates with a slight rise in short-term interest rates).

The result of the scenario with the worst impact on the sum  $\min(0; \Delta \text{EVE})$  and  $\min(0; \Delta \text{NII})$ , represents the capital requirement for interest rate risk.

The Group calculates stress testing scenarios, using them to measure its vulnerability in stressful market conditions. In addition to the standardised stress test in the form of a parallel shift in the yield curve by  $\pm 200$  basis points, the Group carries out also other upward and downward shifts in the yield curves of various proportions in line with the EBA Guidelines on interest rate risk management arising from non-trading activities (July 2018). In calculating

EVE, the Group takes into account the interest rate floor, which depends on maturity. The Bank takes the latter into account for all key currencies.

The Group calculates the impact of the change on the economic value of equity (EVE) and net interest income (NII) in cases of the following shifts in the yield curve:

- Parallel upward yield curve shift by 200 basis points
- Parallel downward yield curve shift by 200 basis points
- Steepener yield curve shock (resulting from a decline in short-term interest rates and an increase in long-term interest rates)
- Flattener yield curve shock (resulting from an increase in short-term interest rates and a decline in long-term interest rates)
- Increase in short-term interest rates shock
- Decline in short-term interest rates shock.

The Group calculates the impact of the change on the economic value of equity (EVE) for the above-mentioned shifts in curves on a monthly basis, while changes in net interest income (NII) are calculated once a year.

Calculations and the impact of changes in the interest rate on the economic value of equity and net interest income are detailed in the financial part of the Annual Report in the section 9.3.2 Interest rate risk.

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

The Group limits its exposure to interest rate risk 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 Chapter defines disclosure requirements referred to in Article 450 of Regulation (EU) No 575/2013.

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

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

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

Since 2012, the Bank has had in place an internal Remuneration Policy Act for the implementation of remuneration policy and practices. The remuneration policy is designed for all employees, and it defines various groups of employees, including the group of employees according to the significance of their impact on the Bank's risk profile, in accordance with the criteria set out by EU regulations or in line with the criteria set up by the Bank.

In its Remuneration Policy, the Bank defined the types of remuneration to which employees are entitled, general and special principles of adjusting remuneration to risks, holders for establishing, amending and supervising the implementation of the Remuneration Policy, and reporting. The Remuneration Policy is based on a relation between remuneration and prudent risk taking, and designed with the aim of not encouraging employees to engage in excessive risk taking or to act in any conflicts with interests of the Bank. This is ensured by determining appropriate ratios between the fixed and variable part of remuneration of staff whose professional activities have a material impact on the Bank's risk profile, taking into account that their total remuneration cannot not significantly depend on variable part of remuneration.

The remuneration policy determines variable component of remuneration for staff whose professional activities have a material impact on the risk profile in such a way that it ensures and promotes effective management of all significant risks (i.e., the risks recognised as significant by the Bank under regular assessment of its risk profile, and defined in the risk management strategy) assumed by these employees in their work or in pursuing their responsibilities. Remuneration of identified staff is determined on the basis of an assessment of compliance with the guidelines set out by the Bank's business strategy and long-term interests, and it is implemented on the basis of resolutions made by the Supervisory Board and Management Board.

Payments of variable remuneration to employees not identified in accordance with the policy may be made at any time in accordance with applicable regulations and internal acts of the

Bank. For such employees, the criteria for determining variable remuneration are set out in the Rules on the Performance management process in Nova KBM d.d.

### **Responsibility, formulation, approval, and control of remuneration policy**

In carrying out remuneration policy and practices, the Bank's Management Board, Remuneration Committee, Risk Committee, and the Supervisory Board work closely together to ensure proper implementation and harmonisation with the Bank's overall corporate governance framework, corporate culture, risk appetite, and associated management processes.

Within their powers, the Bank's Remuneration Committee and Supervisory Board adopt and regularly review the adequacy of adopted remuneration policies and practices, and monitor their implementation. They also approve all subsequent significant exemptions for individual employees and changes in remuneration policy, and carefully examine and monitor their effects.

### **The role of independent control functions**

In accordance with their powers, certain support services of the Bank are involved in the development, supervision, and review of the Remuneration Policy relevance.

The Strategic Risk Management Department participates in defining of and informs on the performance criteria that take into account assumed risks (including ex-post adjustments), and assesses how the structure of variable remuneration affects the risk profile and risk-assuming culture of the Bank. The Strategic Risk Management Department approves and evaluates data on risk adjustment and regularly works with the Remuneration Committee in this area.

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

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

### **Remuneration Committee**

In 2020, the Remuneration Committee comprised the following members:

Andrzej Klesyk, Chair – since 17 May 2018  
Alexander Saveliev, Deputy Chair – since 21 April 2016  
Michele Rabà, member – since 21 April 2016,

All Remuneration Committee members are members of the Supervisory Board. In 2020, the Remuneration Committee did not use external expert services in its work.

In accordance with the Banking Act (ZBan-2), the Remuneration Committee works as an advisory body to the Nova KBM Supervisory Board, with the following powers:

- It is responsible for preparing decisions on remuneration to be adopted by the Supervisory Board, in particular in respect of remuneration of Management Board members and staff whose professional activities have a material impact on the Bank's risk profile
- Provides support and advice to the Supervisory Board in respect of designing the Bank's remuneration policy
- Supports the Supervisory Board in control of the policy, practices, and processes related to remuneration and compliance with the Remuneration Policy
- Verifies that the current Remuneration Policy is still adequate and suggest amendments, if necessary
- Assesses the suitability of external remuneration consultants whose services the Supervisory Board may hire for consulting services or support
- Provides adequacy of information about remuneration policies and practice submitted to shareholders, in particular about the suggested increased upper ratio between fixed and variable component of remuneration
- Assesses the mechanisms and systems adopted to ensure that the remuneration system properly considers all types of risks, liquidity and capital levels, and that the general remuneration policy complies with and encourages sound and efficient risk management, whereby it is in line with the business strategy, objectives, corporate culture and values, and the long-term interests of the Bank
- Evaluates attaining performance targets and the need for subsequent adjustment to risks, including the application of malus and claw back arrangements
- 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
- Directly controls remuneration of identified staff in independent control functions, which include: a member of the Management Board responsible for risk management, the Internal Audit Office, and the Compliance Office, and makes recommendations to the Supervisory Board in respect to the development of the remuneration scheme and amounts paid to senior staff members in control functions
- Ensures appropriate engagement of the HR Development Department, and the Controlling Department in relevant fields of expertise and, if necessary, seek advice from external consultants.

Within its powers, the Remuneration Committee ensures that at least once a year, the Bank's remuneration policy and practice are subject to a central and independent internal review implemented by the Internal Audit in accordance with regulations, policies, procedures and internal rules, in cooperation with special support services of the Bank in line with their professional competences. The Supervisory Board is in charge for reviewing the remuneration policy.

In 2020, the Remuneration Committee met in three regular sessions and held four correspondence sessions, and reported on the topics discussed in the Supervisory Board meetings.

In 2020, amendments to the Remuneration Policy were discussed twice in 2020 by the Bank's Management Board and the Remuneration Committee, and then approved by the Supervisory Board in its meetings on 31 August 2020 and 9 December 2020.

### **Identification of staff whose professional activities have a material impact on the Bank's risk profile**

In accordance with applicable legislation, once a year, the Bank conducts a self-assessment of the adequacy of identification of employees whose professional activities have a material impact on the risk profile of the Bank, based on qualitative and quantitative criteria referred to in Commission Delegated Regulation (EU) No 604/2014.

In accordance with its responsibilities, the Remuneration Committee is actively involved in the process of identifying these employees, in cooperation with the Bank's support services and in accordance with their roles (Strategic Risk Management, Compliance Office, Human Resources Management). An assessment of the adequacy of the list of identified staff that whose professional activities have a material impact on the Bank's risk profile is also performed in case of major changes in the Bank's organisation scheme, and legislative changes.

In 2020, the list of employees whose professional activities have a material impact on the Bank's risk profile was amended twice. The first change was made upon the merger of Nova KBM d.d. and Abanka d.d. with the effect as of 1 September 2020, and the second amendment with the effect as of 9 December 2020. These amendments were made due to a major reorganisation and changes in the names of particular organisational units.

An employee shall be put on the list of identified staff taking into account qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No. 604/2014 as well as internal criteria of the Bank.

Identification of employees also takes into account an additional condition, i.e., the person concerned was considered an employee whose professional activities have a material impact on the Bank's risk profile for at least three months of the financial year.

The category of identified staff whose professional activities have a material impact on risk profile in subsidiaries includes directors of subsidiaries or, in addition, employees if the subsidiaries designate them as such in their internal acts. On a consolidated and sub-consolidated basis, the Bank ensures that the remuneration policy is implemented and observed by the entire Group.

## **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 Sound Remuneration Policies in line with Articles 74(3) and 75(2) of Directive 2013/36/EU, and disclosures in accordance with Article 450 of Regulation (EU) No 575/2013, EBA Guidelines, No EBA/GL/2015/22 of 27 June 2016, the Bank is required to establish and implement such a Remuneration policy at the Group level for categories of identified staff that promotes appropriate and efficient risk management.

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

The Remuneration policy complies with the Bank's performance targets (as reflected in the Bank's respective annual Business Plan, which is reasonably considered an integral part of Remuneration Policy), for business areas and employees of the Bank, its business strategy



and risk management strategy, corporate culture and values, long-term interests of the Bank, and the measures taken to prevent conflicts of interests. The goal of this area is to put in place the remuneration structure and method of payment in the Bank in such a way as to ensure appropriate motivation of employees, while not encouraging them to take, in the context of their work assignments and in an irresponsible manner, disproportionately excessive risks or the risks exceeding the Bank's risk-bearing capacity.

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

Principles of the Remuneration Policy apply to all documents governing the rewarding of performance of Nova KBM d.d. employees. These are: The Rules on the Performance management process of Nova KBM d.d. Employees, with the following supplements: SIP schemes aimed at rewarding sales performance of employees in the Retail and Micro segments, rewarding sales performance of employees in the SME and Large Corporate segment, and at rewarding performance of employees in non-performing loan management.

Principles of the Remuneration Policy are also incorporated in remuneration policies of subsidiaries.

The Bank includes the effect of variable remuneration – both immediate and deferred amounts – in its capital and liquidity planning and in its overall assessment of adequate internal capital. The total variable remuneration awarded by the Bank cannot restrict the Bank's ability to maintain or renew its capital and liquidity base in a long run in line with the Group's Risk Appetite Framework; and it has to take account of the interests of shareholders and owners, depositors, investors, and other stakeholders. Variable remuneration may not be granted or paid if this would result in a drop of the capital base below the minimum capital requirement arising from the SREP decision, or a drop of key liquidity indicators defined in accordance with the Risk Appetite Statement below the acceptable limits set by the same document. If the Bank has no strong capital and liquidity base or its strength is endangered, the Bank has to consider and take appropriate measures in accordance with the Remuneration Policy with regard to variable remuneration.

### **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)*

Since 2017, the Bank has had in place its Performance Management system, in which the organisation's objectives were determined in 2020 (Growth and Profitability, Client Excellence, Risk Management and Compliance, Operational Efficiency, and Culture and Talents), organisational unit goals, and individual's personal goals. Goals for employees in management positions are set and evaluated on an annual basis, while other employees' personal goals are changed on a quarterly basis. Part of the employee's annual assessment is also the assessment of his core and managerial competencies.

The Bank applies different remuneration policies and mechanisms for adjusting variable remuneration to risks for different categories of employees. This is set out in the Performance assessment criteria for variable component of remuneration for the respective, year, which are

attached to the Remuneration Policy. The amount of assigned variable remuneration is adjusted accordingly to changes in performance of an employee, organisational unit, and the Bank.

**Performance assessment criteria for variable component of remuneration and the ratios between the fixed and variable component for employees whose professional activities have a material impact on the Bank's risk profile**

Granting variable component of remuneration for identified employees is the sole responsibility of the Remuneration Committee and the Supervisory Board; it is based on a performance assessment and taking into account the risk strategy, and in accordance with the Bank's business strategy. In granting variable component of remuneration to identified employees, the Bank takes due account of the need to maintain or restore a solid capital and liquidity base, possible impacts of external or internal stakeholders, and recommendations or guidelines of the regulator. In special circumstances, the amount of granted variable component of remuneration may be lower than specified for each assessment in the Remuneration Policy.

Supervisory Board members receive only fixed remuneration. Variable component of remuneration may be granted to them in exceptional cases.

Performance assessment criteria for variable component of remuneration and the ratios between the fixed and variable components are divided into 3 sets:

I. Management Board of the Bank

Remuneration of Management Board members comply with their powers, assignments, expertise, and responsibilities. They are assessed by the Supervisory Board, whereby a proposal made by the President of the Management Board based on indicators from Performance Management is taken into account for Management Board members. The amount of variable component of remuneration is discussed by the Remuneration Committee, and a decision is taken by the Supervisory Board following the approval of annual report.

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

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

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	90 %–100 %
Very good, above expectations (achieving the goals in 86–95 %)	60 %–90 %
Good, expected, successful (achieving the goals in 76–85 %)	20 %-80 %
Average or in some elements below expectations (achieving the goals in 64–75 %)	0 %–20 %
Poor, unsatisfactory (achieving the goals < 64 %)	0 %
Too early to rate (less than 3 months of regular work)	0 %

*\* due to special circumstances, granting the amount of variable component of remuneration may be lower than determined by the above criteria*

- II. Control functions: Management Board member responsible for risk management, Director of Compliance Office, and Director of Internal Audit Office

Remuneration of the personnel employed in control functions is mainly fixed. The personnel employed in control functions has relevant responsibilities and gets remuneration depending on attainment of the goals related to their functions, independently of the performance of the business areas they control.

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

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

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	30 %–80 %
Very good, above expectations (achieving the goals in 86–95 %)	20 %–60 %
Good, expected, successful (achieving the goals in 76–85 %)	3 %–40 %
Average or in some elements below expectations (achieving the goals in 64–75 %)	0 %–3 %
Poor, unsatisfactory (achieving the goals < 64 %)	0 %
Too early to rate (less than 3 months of regular work)	0 %

*\* due to special circumstances, granting the amount of variable component of remuneration may be lower than determined by the above criteria*

The upper limit for exceptional performance of staff engaged in control functions is set on 80 %.

The actual amount of each granted variable component of remuneration for employees in control functions (except for the member of the Management Board responsible for risk management) is determined by a decision of the Bank's Management Board and the proposed amount of remuneration is submitted to the Remuneration Committee for consideration and to the Bank's Supervisory Board for approval.

Notwithstanding the provisions of this item, the Management Board member responsible for risk management is assessed by the Supervisory Board. Like other Management Board members, the Risk Officer is subject to the same provisions regarding deferral of payment and payment in ordinary or preferred shares of the Bank, or share-linked instruments or equivalent non-cash instruments.

- III. Procurators and other identified employees on individual contracts in line with additional criteria of the Bank, members of the committees<sup>2</sup> CC, PLC, IILC, ALCO, and the Liquidity Committee

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

<sup>2</sup> Credit Committee (CC), Problem Loans Committee (PLC), Investment and International Lending Committee (IILC), Asset and Liability Committee (ALCO), Liquidity Committee

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

	Variable component of remuneration
Exceptional, excellent, best possible (achieving the goals in 96–100 %)	40 %–90 %
Very good, above expectations (achieving the goals in 86–95 %)	20 %–60 %
Good, expected, successful (achieving the goals in 76–85 %)	3 %–40 %
Average or in some elements below expectations (achieving the goals in 64–75%)	0 %–3 %
Poor, unsatisfactory (achieving the goals < 64 %)	0 %
Too early to rate (less than 3 months of regular work)	0 %

*\* due to special circumstances, granting the amount of variable component of remuneration may be lower than determined by the above criteria*

The actual amount of each granted variable component of remuneration for procurators and other identified staff on individual contracts is determined by a decision of the Bank's Management Board and the proposed amount of remuneration is submitted to the Remuneration Committee for consideration and to the Bank's Supervisory Board for approval.

### **Deferred payment and payment in ordinary or preference shares of the Bank or share-linked instruments or equivalent non-cash instruments – Deferred Payment Scheme**

Remuneration policy of Nova KBM d.d. includes for variable components of remuneration the provisions regarding necessary deferred payment and required payment in financial or non-monetary instruments for identified staff. In cases of granting a variable component of remuneration in gross amount exceeding €75,000.00, the Bank uses a deferral scheme designed as follows (principle of proportionality):

- 50 % of the remuneration shall be paid immediately (payment in advance)
- 50 % of remuneration shall be deferred and paid in proportion over a period of 3 to 5 years<sup>3</sup>
- Split payment: 50 % in cash and 50 % in equity instruments or equivalent non-cash instruments in a “pro rata” manner (in the case of the Bank these are equivalent non-cash instruments)
- A 2-year retention period for payments linked to non-monetary instruments and, consequently, extension of the deferral period
- In case of high amounts (e.g., over €250,000.00), the payment of 60 % of variable component of remuneration shall be deferred.

The Policy sets out that the calculation of amounts of non-cash instruments shall be performed using valuations prepared via Apollo Global Management, Inc. (AGM). These valuations and associated processes support the accounting estimates that are an integral part of financial statements of AGM, the accounting estimates of which are subject to external audit. Valuations are conducted quarterly and are used as a basis for determining the value of “non-cash” deferred remuneration. The basis for determining the value is an average annual value of Nova KBM d.d., namely the average of the last four valuations made before the date of the remuneration award.

<sup>3</sup> A five-year deferral period applies to members of the Bank's Management Board, and a period of three years to other categories of employees whose professional activities have a material impact on the Bank's risk profile.

Before the payment of a deferred portion of cash or the maturity of deferred instruments is made, the performance must be reassessed and, if necessary, a prior risk-weighted adjustment of the variable remuneration component has to be made in order to align the variable remuneration with additional risks that have been identified or realised after the remuneration was granted.

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

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

The maximum amount that can be awarded as severance pay to employees is fixed to 12 salaries, unless otherwise stipulated by law, sectoral collective agreement or enterprise collective agreement.

The severance pay may not constitute a disproportionate reward but an adequate remuneration for employees in case of early termination of the contract. It must reflect achieved performance in a specific period of time and must not reward failure or misconduct. Severance pay cannot be granted when an employee terminates their job voluntarily (termination of an employment contract by the employee, termination of employment in agreement) as they accept a job with another legal entity.

In 2020, the Bank did not provide discretionary pension benefits.

### **Malus and claw back**

The Remuneration Policy stipulates the cases in which the amount of a deferred part of variable remuneration in cash or the number or value of instruments that make up a deferred part of variable remuneration are reduced due to subsequent adjustment to the risk before maturity of the payment by the Bank's Supervisory Board to a member of the Bank's Management Board, and the Bank's Management Board to another identified employee. These factors that influence a decision-making on changing, reducing, or non-paying variable component of remuneration include the following:

- Final declaration of invalidity of the annual report, whereby the grounds for invalidity refer to the items or facts used as a basis to determine variable component of remuneration
- An intentional act that results in a violation of the limits set out in the Nova KBM Group's Operating Limits Manual
- Intentional acting contrary to the powers granted by the competent authority, as set out in applicable internal acts or instructions of the Bank
- Violations of the applicable Nova KBM's Code of Conduct, including conduct that is contrary to the ethical principles and values pursued by the Bank
- Regular or repeated non-attendance in mandatory trainings organised by the Bank.

Additionally, when determining variable component of remuneration or deciding on final changes in variable remuneration (either current or deferred), and deciding on the use of “claw back”, the Bank's Management Board or the Remuneration Committee and the Supervisory Board may also take into account any other factors.

#### **17.4 Information about fixed to variable remuneration ratios set out in accordance with Article 94(1)(g) of Directive 2013/36/EU**

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

The Bank classifies the type of remuneration into the category of fixed or variable remuneration.

Criteria for classifying remuneration in the fixed remuneration category:

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

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

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

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

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

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

The total variable remuneration granted by the Bank cannot limit the Bank's ability to maintain or renew a solid capital and liquidity 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 and liquidity base of the Bank would be thereby jeopardised.

As part of the policy, the Bank defined the level of the upper ratio between variable and fixed component of total remuneration for identified staff. The maximum ratio is 1 : 1. An actual amount of each granted variable component of remuneration shall be confirmed by the designated decision-making body.

The maximum ratios between fixed and variable remuneration and decision-making bodies on the actual assigned variable remuneration are:

- **For Management Board members; excluding the Management Board member responsible for risk management**  
Maximum fixed to variable component of remuneration ratio is **1 : 1**.
- **For control functions** (Management Board member responsible for risk management, Director of Compliance Office, and Director of Internal Audit Office)  
Maximum fixed to variable component of remuneration ratio is **1 : 0.8**.
- **Procurators and other identified staff on individual contracts** (employees in line with additional criteria of the Bank, members of the CC, PLC, IILC, ALCO, and the Liquidity Committee)  
Maximum fixed to variable component of remuneration ratio is **1 : 0.9**.

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

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

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

For determining variable remuneration for the purposes referred to in points 7 and 8 of the first paragraph of Article 170 of the Banking Act (ZBan-2), the Bank defined the bottom threshold in such a way that the total variable remuneration of an identified staff, which does not exceed the amount of €75,000.00 gross in a specific year, is not considered variable remuneration for the purposes of that provision. Consequently, variable remuneration falling in the bottom threshold is not subject to restrictions referred to in the basic principles of points 7 and 8 of the first paragraph of Article 170 of the ZBan-2 (awarding variable part in shares or relevant instruments and deferred payment of a portion of variable remuneration).

The amount of variable remuneration determined in line with the guidance referred to in the previous item does not represent a material risk factor at the level of an identified staff, or such variable remuneration is negligible in terms of its risk to the Bank.

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

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

The main parameters and rationale for each variable component scheme are disclosed in section 17.3. Other non-cash benefits are determined by individual employment contracts, which are approved by the Supervisory Board for Management Board members, while non-cash benefits for staff whose professional activities have a material impact on the Bank's risk profile, and other employees on individual contracts, will be approved by the Management Board. The set of non-cash benefits is part of the standard employment package and depends on the standard packages for senior managers, key function holders, identified staff and directors, depending on the range of employee's responsibilities. They cover the following:

- Company car (for business/private use)
- Mobile phone
- Payment of accommodation rent
- Payment of education expenses for minors
- Nova KBM business card
- Accident and health insurance
- Supplementary pension insurance
- Manager health examination
- Education
- Liability insurance
- Airfare
- Business entertainment expenses
- Parking
- Paid relocation expenses.



**17.7 Disclosure of the aggregate quantitative information on remuneration***(Article 450 (1.g) and (1.h) of the Regulation)***Information about remuneration of identified employees grouped by business segments, 2020**

	MB Supervisory function	MB Management function	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
Members (Headcount)	7	5						
Number of identified staff in FTE			1.33	4.51	0.00	8.74	6.00	28.66
Number of identified staff in senior management positions			1	5	0	7	4	16
Total fixed remuneration (in EUR)	586,100	3,636,725	141,566	609,094		1,240,743	601,959	3,139,335
Of which: fixed in cash	586,100	3,636,725	141,566	609,094		1,240,743	601,959	3,139,335
Total awarded variable remuneration (in EUR)	0	2,550,182	55,834	222,338		383,801	147,800	819,225
Of which: variable paid in cash	0	510,036	55,834	216,466		290,051	147,800	795,045
Of which: variable paid in shares and share-linked instruments		510,036				21,250		
Of which: deferred variable in cash in year		765,055		5,872		51,250		24,180
Of which: deferred variable in shares and share-linked instruments in year		765,055				21,250		
<b>Additional information regarding the amount of total variable remuneration</b>								
Art 450 h(iii)CRR; total amount of outstanding deferred variable remuneration awarded in previous periods and not in year (in EUR)		3,126,308						113,824
Number of beneficiaries of severance payments				1		1		6
Total amount of severance payments paid in year (in EUR)				87,851		9,138		381,496
The highest severance payment to a single person (in EUR)								226,932

The item “All other” includes identified staff not included in other areas, including subsidiaries, where Abanka d.d. was part of the Group until 31 August 2020.

In 2020, two members of the Management Board were provided with compensations from previous employment contracts, which were granted in 2016 and deferred, in the total amount of €85,340.00.

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

			in €
Number of employees in FTE	Fixed remuneration	Variable remuneration	Total
2.184,1	81,872,207	11,007,549	92,879,756

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

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

Based on the total remuneration for the 2020 financial year at the level of the Biser Topco Group, there are two persons with remunerations ranging from €1 to €1.5 million and one person with remunerations ranging from €2 to €2.5 million.

## 18 Financial leverage

(Article 451 of the Regulation)

The Chapter defines disclosure requirements referred to in Article 451 of Part Eight of CRR and in Commission implementing regulation (EU) No 2016/200.

The group did not choose the early option for temporarily excluding exposures to central banks from the calculation of the leverage ratio due to the COVID-19 pandemic, as proposed in Regulation (EU) 2020/873 implementing the CRR II QF legislative package and the COVID-19 pandemic support measures.

### 18.1 Leverage ratio

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

When calculating leverage ratio exposure measure, the Bank includes:

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

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

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

#### 18.1.1 The Biser Topco Group's leverage ratio

##### Template 33: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		€000
		Amounts as at 31/12/2020
1	Total assets as per published financial statements	10,916,554
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	12,666
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)	-1,147,028
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	-49,797
8	<b>Total leverage ratio exposures</b>	<b>9,732,425</b>

## Template 34: LRCom: Leverage ratio common disclosure

€000

Amounts as at  
31/12/2020

On-balance-sheet exposures (excluding derivatives, SFTs, and fiduciary assets)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,186,845
2	(Asset amounts deducted in determining Tier-1 capital)	-61,742
3	<b>Total on-balance-sheet exposures (excluding derivatives, SFTs, and fiduciary assets)</b>	<b>9,125,103</b>
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7,625
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	5,041
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	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>12,666</b>
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	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>0</b>
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	1,741,684
18	(Adjustments for conversion to credit equivalent amounts)	-1,147,028
19	<b>Other off-balance-sheet exposures (sum of lines 17 to 18)</b>	<b>594,656</b>
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet)		
EU-19a	(Exemption of intra-group exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	0
Capital and total exposures		
20	Tier-1 capital	<b>907,524</b>
21	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>9,732,425</b>
Leverage ratio		

		Amounts as at 31/12/2020
22	Leverage ratio	9.32 %
Choice on transitional arrangements and the amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

### Template 35: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

		€000 Amounts as at 31/12/2020
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	9,186,845
EU-2	Trading book exposures	8,445
EU-3	Non-trading book exposures, of which:	9,178,400
EU-4	<i>Covered bonds</i>	88,473
EU-5	<i>Exposures treated as sovereigns</i>	3,046,560
EU-6	<i>Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns</i>	289,648
EU-7	<i>Institutions</i>	520,292
EU-8	<i>Exposures secured by mortgages on immovable property</i>	1,050,392
EU-9	<i>Retail exposures</i>	1,973,338
EU-10	<i>Exposures to companies.</i>	1,579,410
EU-11	<i>Exposures in default</i>	134,866
EU-12	<i>Other items (equity, collective investment undertakings, etc.)</i>	495,422

## 18.1.2 The Nova KBM Group's leverage ratio

### Template 36: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		€000 Amounts as at 31/12/2020
1	Total assets as per published financial statements	10,918,144
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	12,666
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)	-1,147,028
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	-48,867
8	<b>Total leverage ratio exposures</b>	<b>9,734,914</b>

## Template 37: LRCom: Leverage ratio common disclosure

€000

Amounts as at  
31/12/2020

On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,188,435
2	(Asset amounts deducted in determining Tier-1 capital)	-60,843
3	<b>Total on-balance-sheet exposures (excluding derivatives)</b>	<b>9,127,592</b>
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7,625
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	5,041
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	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>12,666</b>
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	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>0</b>
Other off-balance-sheet exposures		
17	Off-balance-sheet exposures at gross notional amount	1,741,684
18	(Adjustments for conversion to credit equivalent amounts)	-1,147,028
19	<b>Other off-balance-sheet exposures (sum of lines 17 to 18)</b>	<b>594,656</b>
(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	<b>915,189</b>
21	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>9,734,914</b>
Leverage ratio		
22	<b>Leverage ratio</b>	<b>9.40 %</b>
Choice on transitional arrangements and the amount of derecognised fiduciary items		

		Amounts as at 31/12/2020
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 38: LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Amounts as at 31/12/2020
		€000
EU-1	Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	<b>9,188,435</b>
EU-2	Trading book exposures	8,445
EU-3	Non-trading book exposures, of which:	9,179,990
EU-4	Covered bonds	88,473
EU-5	Exposures treated as sovereigns	3,046,540
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	289,648
EU-7	Institutions	518,049
EU-8	Exposures secured by mortgages on immovable property	1,050,392
EU-9	Retail exposures	1,973,338
EU-10	Exposures to companies.	1,578,667
EU-11	Exposures in default	134,866
EU-12	Other items (equity, collective investment undertakings, etc.)	500,018

## 18.2 Description of procedures used to manage the risk of excessive exposure (Article 451(d) of the Regulation)

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

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

In the Risk Management Strategy and the Recovery Plan, the Parent Bank stipulated at the Group level red, yellow, and green threshold values for the financial leverage ratio. When the yellow threshold value is exceeded, the ALCO shall adopt decisions necessary for leverage. In case of meeting the red threshold value, decisions shall be taken by the Crisis Committee, which is aligned with the Recovery Plan indicators escalation management process.

As at 31 December 2020, the financial leverage ratio stood respectively for Biser Topco Group at 9.32% and for the Nova KBM group at 9.40%, which is in line with the Group's Business Plan with its focus on the provision of mainstream lending products (including to the corporate segment to which high exposure risk-weights apply).

**18.3 Description of the factors that had an impact on the leverage ratio to which the disclosed leverage ratio refers***(Article 451(e) of the Regulation)*

The financial leverage ratio was calculated by taking into account the relevant amount of the Group's on- and off-balance-sheet exposures as well as the amount of its Tier-1 capital as at 31 December 2020. The following factors had the most significant impact on the calculation of the financial leverage ratio in 2020:

- In Tier-1 capital ratio:
  - inclusion and retaining mid-year profit for the period of 1 to 31 January 2020 in the amount of €194.1 million at the level of the Biser Topco Group related to the acquisition of Abanka (approved on 15 April 2020 by the Board of Directors of Biser Topco S.â. r.l. and approved by the ECB on 14 July 2020)
  - Inclusion of the remaining part of undistributed net profit of the Biser Topco Group for the 2019 financial year in the amount of €5.1 million (approved on 30 April 2020 at the Stakeholders' Meeting)
- At the exposure measures side, changes are explained in section 5.3 of this document.



## **19 Use of the IRB Approach to credit risk**

*(Article 452 of the Regulation)*

The Bank uses its internal credit rating system compliant with the IRB approach for the purpose of determining debtor ratings and in other related processes.

The IRB approach is not used in the process of calculating capital requirements under Pillar 1, where the standardised approach remains in use. An „IRB-like“ approach is used to calculate capital requirements under Pillar 2.

## 20 Use of credit risk mitigation techniques

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

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

*(Article 453(a) of the Regulation)*

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

### 20.2 Policies and processes for collateral valuation and management

*(Article 453(b) of the Regulation)*

The loan collateral policy of the Nova KBM Group (hereinafter: the policy) is the umbrella document that governs the secured lending of the Bank and the Group. The policy summarises basic guidelines regarding the acceptance, valuation, monitoring, and the reporting on collateral, with the aim of mitigating credit risk. The policy also determines the conditions, which must be met for particular collateral to be considered by the Bank as acceptable. Valuation of collateral is described in the Policy and the Methodology for Loan Collateral Valuation and Allocation.

The principal objective of the Policy is to mitigate credit risk. Collateral is used as a secondary source for the repayment of contractual obligations, if a debtor, for whatever reason, ceases to pay its debts, or if there is a change in the circumstances that prevailed at the time the loan was approved.

In cases where a loan is to be secured by the pledge of property, in particular real estate, movable property or financial instruments, the Bank pursues the policy of having its lien registered as a priority creditor.

When entering into a credit relationship, the Bank or the Group obtains relevant documents, which ensures adequate legal certainty in case the secondary repayment source needs to be utilised. In accordance with the applicable legislation, the Group has set up a system of valuation, monitoring of and reporting on collateral. Valuation of property to be provided as a loan collateral is carried out prior to the loan is 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. The Group devotes particular attention 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 by internal guidance.

During the contractual relationship, the Group monitors the adequacy of collateral, provides relevant value assessments, and takes care of having the investments covered by collateral. The monitoring of the value of collateral during the loan repayment period is carried out in

accordance with the periods prescribed by law, and internal methodologies. For example, the Group checks out the value of real estate provided as collateral at least once a year, either by a valuation report prepared by an external appraiser or by using an internal methodology that is based on publicly available data on transactions in real estate and the achieved prices, which are published by the competent government institutions (the Surveying and Mapping Authority of the Republic of Slovenia, and the Statistical Office of the Republic of Slovenia). Where appropriate, the Group may request that additional collateral be provided if there is a drop in the value of the collateral.

While the market value of the asset to be provided as collateral is used to determine the value of collateral, in the loan-approval process, the process of assessing impairments of financial assets, and in the reporting process, the Group also uses expert adjustments to asset valuations, which reflect its expectations regarding the cash flow to be generated on a potential realisation of collateral. For the purpose of calculating capital requirements, the Group uses value adjustments as prescribed by the regulator for individual types of assets.

**Table 23: Value adjustments in each type of collateral**

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

### **LTV (Loan to value) for consumers (FO) and micro companies**

LTVs for consumers are determined by the Instructions for Housing Loan Approvals, namely for dedicated housing loans, LTV is up to 80 %, and for housing loans in cash, LTV is up to 65 %.

The maximum allowed LTV ratio for long-term loans – micro companies is up to 80 %.

Maximum expected LTVs for framework loans and payment guarantees as well as for service guarantees and service guarantee frameworks, are the same for micro companies as for economic entities.

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

*(Article 453(c) of the Regulation)*

To reduce its exposure to credit risk, the Group accepts all types of collateral that meet the minimum requirements to recognise the effects of collateral. The Group accepts as collateral different types of funded and unfunded loan insurance instruments.

The Group accepts collateral in accordance with the provisions of the Bank of Slovenia's Decision on Credit Risk Management of Banks and Savings Banks. Corporate loans and loans approved to sole proprietors may also be secured by other funded and unfunded loan

insurance instruments for which it is assessed that, in the case of need, they can generate a cash flow and be used as a secondary source of repayment, and that the conditions regarding legal certainty and operational requirements of the instruments are met. Where it is assessed that there is a little probability that any such collateral instrument may generate cash flow, the Bank applies a conservative principle and does not accept such collateral. Other funded and unfunded insurance instruments are accepted by the Bank only if they meet the following minimum requirements to recognise the effects of collateral:

- Legal certainty
- Quality
- Operational requirements for effective liquidation.

The Group accepts as collateral the following funded loan insurance instruments:

- Commercial and residential real estate
- Movable property
- Monetary claims
- Financial collateral (e.g. bank deposits, 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. inventory)
- Other funded loan insurance (e.g. life insurance policies, cash held in a third-party institution).

The Group accepts as collateral the following unfunded loan insurance instruments:

- Joint and several guarantees provided by natural or legal persons
- Guarantees provided by banks, governmental fund
- Guarantees provided by 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 for which the Bank uses a measure of the unsecured portion of investment, and a legal certainty in case of any liquidation of collateral. General recommendations in respect of securing loans are determined by internal instructions. The decision regarding the type of collateral and the collateral coverage depends on the analysis of the debtor's data (debtor's credit rating and creditworthiness) and the maturity of the loan, and on whether the loan is to be approved to a retail or corporate customer. At approval of any loan, corporate customers and sole proprietors have to present a bill of exchange, together with the bill of exchange statement.

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

**Table 24: Value of exposure by type of collateral**

	€000	
Type of collateral	Amount	
	Structure	
1 Deposits	76,488	2.47 %
2 Guarantees	238,862	7.72%
3 Sureties	105,448	3.41 %
4 Securities and pledge of receivables from points of mutual funds	16,008	0.52 %
5 Mortgages	2,127,554	68.78 %
6 Pledge of inventories and movable property	59,539	1.92 %
7 Pledge of receivables and assignment of claims	0	0.00 %
8 Pledge of interest in equity	0	0.00 %
9 Reserve fund assets	0	0.00 %
10 Insurance company	341,274	11.03 %
11 Pledge of claims from insurances with insurance company	4,759	0.15 %
12 Securities portfolio	0	0.00 %
13 Other types of collateral	123,561	3.99 %
<b>Total</b>	<b>3,093,493</b>	<b>100.00 %</b>

The table does not include exposures from consumer loans of the subsidiary Summit Leasing Slovenija insured with an insurance company in the amount of €56,554 thousand.

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

*(Article 453(d) of the Regulation)*

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

- Central governments and central banks
- Regional governments or local authorities
- Multilateral development banks
- International organisations to which a 0 % risk weight applies according to the Standardised Approach
- Public sector entities, claims against which are treated as claims against institutions or sovereigns
- Institutions (export agencies and insurance companies), institutions (credit institutions and investment firms) and financial institutions the exposure of which to financial institution (the Bank) are treated as exposures to institutions in line with Article 119(5) CRR
- Other commercial companies, including those that are controlled by the institution, subordinated to or associated with the institution in another way
- Central counterparties.

The Group also accept the following issuers of guarantees:

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

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

<b>Guarantees</b>				€000
<b>ISSUER</b>		<b>INTERNAL CREDIT RATING</b>	<b>AMOUNT</b>	<b>STRUCTURE</b>
Banks		2–3	4,388	100.00 %
<b>TOTAL</b>			<b>4,388</b>	<b>100.00 %</b>
<b>Sureties</b>				
<b>ISSUER</b>		<b>INTERNAL CREDIT RATING</b>	<b>AMOUNT</b>	<b>STRUCTURE</b>
Sovereign	RS	2	283,992	67.30 %
	Other countries	0–2	70,897	16.80 %
Slovene Enterprise Fund		3	65,776	15.59 %
Others (municipalities, funds, ...)		2–3	1,191	0.28 %
		5–9	125	0.03 %
<b>TOTAL</b>			<b>421,981</b>	<b>100.00 %</b>
<b>Collateral with an insurance company</b>				
<b>ISSUER</b>		<b>INTERNAL CREDIT RATING</b>	<b>AMOUNT</b>	<b>STRUCTURE</b>
Insurance companies		0–2	454,280	100.00 %
<b>TOTAL</b>			<b>454,280</b>	<b>100.00 %</b>

The table does not include the value of collateral with the insurance company of the subsidiary Summit Leasing Slovenija.

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

*(Article 453(e) of the Regulation)*

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

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

The Group limits the amount of sureties, as the amount of surety is included in the indirect exposure of the guarantor. The amount of surety is weighted depending on the rating of the underlying debtor for whom the guarantor gives a surety.

The Group monitors the market risk concentration within the accepted collateral in terms of assessing the liquidity of securities received as collateral. With the support of specialised departments, the Group assesses the liquidity of received securities on the basis of regular turnover in securities and the amount of securities received, or assesses value adjustments to be made as a result of reduced liquidity.

The Group monitors the value of collateral by individual types and reports thereon.

**Table 26:** Value of collateral by type of collateral

		31/12/2020	€000
<b>Type of collateral</b>		<b>Value</b>	<b>Structure</b>
1	Bank deposits	40,520	0.63 %
2	Irrevocable RS guarantees	283,992	4.41 %
3	Equity instruments	35,766	0.56 %
4	Debt securities issued	0	0.00 %
5	Collective investment undertaking units	232	0.00 %
6	Commercial property	1,988,737	30.88 %
7	Residential property	2,606,462	40.47 %
8	Insurance company	454,280	7.05 %
9	Other types of collateral	1,030,011	15.99 %
<b>Total</b>		<b>6,440,000</b>	<b>100.00 %</b>

The table does not include the value of collateral with the insurance company of the subsidiary Summit Leasing Slovenija.

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

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

Notes with regard to changes in exposure for the period between 31 December 2019 and 31 December 2020 are given in section 5.3.

Notes with regard to description of suitable types of collateral taken by the institution are given in sections 20.1 to 20.5. For the purpose of calculating risk-weighted credit risk assets, the Group identified appropriate types of collateral for credit risk mitigation in its internal methodology. These are:

1. Funded insurance instruments

- Commercial and residential real estate
- Financial collateral (e.g. bank deposits, debt securities issued by various issuers, equity instruments, pledge of business interests).

2. Unfunded insurance instruments

- Joint and several guarantees provided by natural or legal persons
- Guarantees of prime banks
- Guarantees provided by the central and local governments and central banks.

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

The table below presents a breakdown of the (gross) book value of exposures, net of value adjustments/impairments, by secured/unsecured exposure and by type of collateral. Changes in secured/unsecured exposures are related to the factors identified in section 5.3. In 2020, the Bank did not change the set of types of eligible collateral for risk mitigation; therefore, changes in the amount of collateral taken into account are mainly related to the inclusion of Abanka's data, and to a lesser extent also to exposure trends, changes in collateral with financial assets, and replacement of GURS real estate valuations with evaluation made by assessors, and activities for monitoring the conditions for classification as eligible collateral according to CRR (monitoring the maturity of assignments, and the maturity of valuations and replacements with new ones).



**Template 39: 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	3,778,555	1,349,264	1,130,998	218,266	0
2	Total debt securities	1,950,531	116,528	0	116,528	0
3	<b>Total exposures *</b>	<b>9,449,388</b>	<b>1,521,007</b>	<b>1,184,075</b>	<b>336,956</b>	<b>0</b>
4	Of which defaulted	177,326	35,999	33,635	2,974	0

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

**Template 40: 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	3,778,555	1,349,241	1,130,998	218,266	0
2	Total debt securities	1,949,768	116,528	0	116,528	0
3	<b>Total exposures *</b>	<b>9,451,878</b>	<b>1,521,007</b>	<b>1,184,075</b>	<b>336,956</b>	<b>0</b>
4	Of which defaulted	177,326	35,999	33,635	2,974	0

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

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

**Template 41: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Biser Topco Group**

€000

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	2,971,845	52	3,282,756	11,406	6,848	0 %
2	Regional governments or local authorities	78,376	607	77,289	479	9,677	12 %
3	Public sector entities	204,862	7,914	46,693	2,366	5,336	11 %
4	Multilateral development banks	19,980	0	19,980	0	0	0 %
5	International organisations	62,889	0	43,750	0	0	0 %
6	Institutions	520,445	30,867	487,281	7,447	167,910	34 %
7	Corporates	1,607,918	911,286	1,486,019	349,941	1,705,583	93 %
8	Retail exposures	1,986,602	655,226	1,970,267	149,436	1,522,977	72 %
9	Exposures secured by mortgages on immovable property	1,056,544	71,399	1,050,392	25,842	414,504	39 %
10	Exposures in default	191,566	21,489	133,894	8,090	183,219	129 %
11	Exposures associated with particular high risk	47,080	41,497	42,455	19,564	93,029	150 %
12	Covered bonds	88,478	0	88,473	0	8,958	10 %
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0 %
14	Collective investment undertakings	50,376	0	50,376	0	6,443	13 %
15	Equity instruments	20,595	0	20,581	0	20,581	100 %
16	Other items	308,493	1,348	308,097	328	171,940	56 %
17	<b>Total</b>	<b>9,216,046</b>	<b>1,741,684</b>	<b>9,108,299</b>	<b>574,899</b>	<b>4,317,005</b>	<b>45 %</b>

**Template 42: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Nova KBM Group**

€000

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
		1	Central governments or central banks	2,971,825	52	3,282,736	11,406
2	Regional governments or local authorities	78,376	607	77,289	479	9,677	12 %
3	Public sector entities	204,862	7,914	46,693	2,366	5,336	11 %
4	Multilateral development banks	19,980	0	19,980	0	0	0 %
5	International organisations	62,889	0	43,750	0	0	0 %
6	Institutions	518,202	30,867	485,037	7,447	167,462	34 %
7	Corporates	1,607,175	911,286	1,485,276	349,941	1,704,840	93 %
8	Retail exposures	1,986,602	655,226	1,970,267	149,436	1,522,977	72 %
9	Exposures secured by mortgages on immovable property	1,056,544	71,399	1,050,392	25,842	414,504	39 %
10	Exposures in default	191,566	21,489	133,894	8,090	183,219	129 %
11	Exposures associated with particular high risk	47,080	41,497	42,455	19,564	93,029	150 %
12	Covered bonds	88,478	0	88,473	0	8,958	10 %
13	Exposure to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0 %
14	Collective investment undertakings	50,376	0	50,376	0	6,443	13 %
15	Equity instruments	20,595	0	20,581	0	20,581	100 %
16	Other items	313,988	1,348	313,592	328	177,435	57 %
17	<b>Total</b>	<b>9,218,535</b>	<b>1,741,684</b>	<b>9,110,789</b>	<b>574,899</b>	<b>4,321,309</b>	<b>45 %</b>

## **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 and forborne exposures

*(EBA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10) and Annex 7 – Instructions to banks relating to non-performing loans)*

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

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

- Exposure is classified as “defaulted” or included in the Stage 3 in line with IFRS 9 and the Methodology for Assessing Expected Credit Risk Losses in the Group
- Material exposures to debtor, which are more than 90 days past due
- Exposures, which have been subject to restructuring that caused the Group to recognise a significant economic loss, or estimates that debtor’s obligations are unlikely to be repaid – restructuring with a low repayment probability
- The exposure is already considered a NPE and does not meet the exit criteria.

Material amount past due:

- An amount in default is considered material if the sum of all past due default liabilities of a particular debtor to the Nova KBM Group member exceeds 1 % of the exposure to that debtor or exceeds €100 or €500, depending on the calculated exposure category
- The delays are started to be counted as of the date when the above conditions for a material delayed liability are met
- When calculating delays of marginal material amount, the overall exposure in the Nova KBM Group is taken into account.

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

- During a 2-year probation period, the debtor is 30 days past due, or a repeated restructuring was carried out on any exposure of that debtor

The Group uses a uniform definition of default and definition of non-performing exposures (for supervisory reporting purposes in accordance with implementing standards). Gaps between the definition of default and a broader definition of non-performing exposure are filled by the rules defining the status of default:

- If a debtor belongs to a group of related parties, it is assessed whether it is necessary to consider as defaulted also other entities in the group, if they are not already considered impaired or defaulted in line with Article 178 of CRR, except for entities affected by individual disputes not related to the counterparty’s capital adequacy
- The debtor has to remain defaulted for at least 12 months after forbearance. In case where an analyst of Underwriting estimates that the financial condition of the customer has improved, the customer may be classified into the payers’ credit rating category (category 9) before the prescribed minimum period of 12 months
- When classified in the category of payers after forbearance, the debtor is in a two-year observation period after forbearance and becomes defaulted again if its obligation is past due for more than 30 days. In this case, the delay of the marginal material amount

at the customer level is taken into account. At this event, the debtor's rating category is worsened to the rating category 10 at least.

For defaulted customers, the Group has put in place precisely defined criteria to be met for exit from defaulted to non-defaulted status, and when they are met, the Group estimates that the customer's risk has decreased and its defaulting status can be abolished. When the customer is reclassified to the performing credit rating category, its exposures during the given observation period are reclassified to Stage 2 in accordance with IFRS 9.

When the reasons that had led to a significant increase in credit risk of a particular financial asset of a performing debtor no longer exist and the Bank reasonably expects that, at given exposures, no significant increase in the debtor's credit risk is to be expected in short-term, such a financial asset is reclassified from Group 2 to Group 1, and is subject to recalculating the expected losses for a period of 12 months.

The portfolio of clients that have a defaulted status and are classified in a defaulted credit rating is managed by the Workout Department and the Legal Office.

Tables below show exposure by sectors, delays, and the method of impairment. Significant reductions in non-performing exposures result from active implementation of the non-performing exposures reduction strategy, while increases mainly result from the acquisition of Abanka.

**Clarification of the approach to disclosure of templates related to the portfolio of non-performing exposures:**

Template 1 ("Credit quality of forborne exposures"), Template 3 ("Credit quality of performing and non-performing exposures by number of days in default"), Template 4 ("Performing and non-performing exposures and related impairments and provisions"), and Template 9 ("Collateral acquired by prescription and seized collateral") are disclosed in accordance with paragraph 15 of the EBA Guidelines on the disclosure of non-performing and forborne exposures (EBA/GL/2018/10), as Nova KBM d.d. is considered the second systemically important bank (DSPI) in accordance with Directive 2013/36/EU and ranked among the three largest credit institutions in the Slovenian banking sector.

## 23.1 Disclosures according to EBA Guidelines on the disclosure of non-performing and forborne exposures; Annex I – Disclosure templates: Forbearance

### Template 43: Credit quality of forborne exposures for the Biser Topco and the Nova KBM Groups (Template 1 according to EBA Guidelines)

The table below shows the disclosure at the level of the Biser Topco Group, with no difference in forborne exposures between the Biser Topco Group and forborne exposures of the Nova KBM Group. As at 31 December 2020, the total amount of forborne exposures amounted to €119.8 million.

€000

	a	b	c	d	e	f	g	h	
	Gross book value / nominal amount of exposures with forbearing measures				Accumulated impairment and provisions and negative fair value adjustments due to credit risk		Collaterals and financial guarantees received for exposure forbearing		
	Performing forborne items	Non-performing forborne items			In performing forborne exposures	In non-performing forborne exposures	Total	Of which collaterals and financial guarantees received for non-performing forborne exposures	
		Total	of which defaulted	of which impaired					
1	Loans and advances	42,741	76,768	76,768	25,164	–990	–17,749	82,436	54,130
2	Central banks	0	0	0	0	0	0	0	0
3	Government	0	254	254	254	0	–24	230	230
4	Credit institutions	0	0	0	0	0	0	0	0
5	Other financial organisations	0	266	266	266	0	–98	167	167
6	Non-financial companies	32,483	65,848	65,848	14,244	–346	–14,676	68,359	47,396
7	Households	10,258	10,400	10,400	10,400	–644	–2,951	13,680	6,337
8	Debt securities issued	0	0	0	0	0	0	0	0
9	Taken liabilities from loans granted	109	180	180	180	0	71	15	0
10	<b>Total</b>	<b>42,850</b>	<b>76,948</b>	<b>76,948</b>	<b>25,344</b>	<b>–990</b>	<b>–17,678</b>	<b>82,451</b>	<b>54,130</b>

## 23.2 Disclosures according to EBA Guidelines on the disclosure of non-performing and forborne exposures: Annex II – Disclosure templates: Non-performing exposures

**Template 44:** Credit quality of performing and non-performing exposures by maturity for the Biser Topco and the Nova KBM Groups (Template 3 according to EBA Guidelines)

														€000
		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying value												NPL ratio (%)
		Performing exposures			Non-performing exposures									
		Total	Outstanding or past due up to 30 days	Past due 30 to 90 days	Total	Outstanding or past due up to 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted	
1	Loans and advances	4,615,859	4,589,856	26,003	202,614	122,382	16,154	13,044	14,305	16,522	8,690	11,517	202,614	4.20 %
2	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0.00 %
3	Government	189,175	189,175	0	365	2	0	0	0	0	0	363	365	0.19 %
4	Credit institutions	42,552	42,509	43	0	0	0	0	0	0	0	0	0	0.00 %
5	Other financial organisations	165,611	165,611	0	8,424	8,158	0	0	0	266	0	0	8,424	4.84 %
6	Non-financial companies	1,773,040	1,767,763	5,277	106,730	82,009	2,345	2,333	4,050	4,910	7,373	3,710	106,730	5.68 %
7	Of which SMEs	793,342	788,148	5,194	36,176	24,363	2,345	2,221	2,674	2,230	1,260	1,083	36,176	4.36 %
8	Households	2,445,481	2,424,798	20,683	87,095	32,213	13,809	10,711	10,255	11,346	1,317	7,444	87,095	3.44 %
9	Debt securities issued	2,074,646	2,074,646	0	0	0	0	0	0	0	0	0	0	0.00 %
10	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0.00 %
11	Government	1,140,117	1,140,117	0	0	0	0	0	0	0	0	0	0	0.00 %
12	Credit institutions	563,601	563,601	0	0	0	0	0	0	0	0	0	0	0.00 %
13	Other financial organisations	178,313	178,313	0	0	0	0	0	0	0	0	0	0	0.00 %
14	Non-financial companies	192,615	192,615	0	0	0	0	0	0	0	0	0	0	0.00 %



		a	b	c	d	e	f	g	h	i	j	k	l	m	
		Gross carrying value												NPL ratio (%)	
		Performing exposures			Non-performing exposures										of which defaulted
		Total	Outstanding or past due up to 30 days	Past due 30 to 90 days	Total	Outstanding or past due up to 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
15	Off-balance sheet liabilities	1,719,649			21,683									21,683	1.25 %
16	Central banks	0			0									0	0.00 %
17	Government	9,231			0									0	0.00 %
18	Credit institutions	30,926			0									0	0.00 %
19	Other financial organisations	53,162			0									0	0.00 %
20	Non-financial companies	1,213,172			20,585									20,585	1.67 %
21	Households	413,158			1,098									1,098	0.27 %
22	<b>Total</b>	<b>8,410,154</b>	<b>6,664,502</b>	<b>26,003</b>	<b>224,297</b>	<b>122,382</b>	<b>16,154</b>	<b>13,044</b>	<b>14,305</b>	<b>16,522</b>	<b>8,690</b>	<b>11,517</b>	<b>224,297</b>	<b>2.60 %</b>	

**Template 45: Performing and non-performing exposures and related impairments and provisions for the Biser Topco and Nova KBM Groups**  
(Template 4 according to EBA Guidelines)

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross book value / nominal amount						Accumulated impairment and provisions and negative fair value adjustments due to credit risk						Accumulated partial write-offs	Collaterals and financial guarantees received	
		Performing exposure			on-performing exposure			In performing exposure			In non-performing exposure				In performing exposure	In non-performing exposure
		Total	Of which the Group 1	Of which the Group 2	Total	Of which the Group 2	Of which the Group 3	Total	Of which the Group 1	Of which the Group 2	Total	Of which the Group 2	Of which the Group 3			
1	Loans and advances	4,615,859	4,138,456	476,723	202,614	150	150,277	-48,003	-21,581	-26,281	-58,353	-42	-47,886	0	656,387	1,946,181
2	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Government	189,175	184,933	4,242	365	0	364	-1,407	-635	-772	-74	0	-74	0	147,004	110
4	Credit institutions	42,552	34,620	7,932	0	0	0	-336	-336	0	0	0	0	0	0	0
5	Other financial organisations	165,611	152,090	13,521	8,424	0	8,424	-3,650	-1,733	-1,917	-727	0	-727	0	167	15,448
6	Non-financial companies	1,773,040	1,459,569	313,471	106,730	81	55,044	-33,196	-15,682	-17,513	-30,629	-13	-20,197	0	203,662	760,175
7	Of which SMEs	793,342	648,830	144,511	36,176	2	36,174	-13,415	-7,066	-6,349	-8,569	-1	-8,568	0	71,384	445,258
8	Households	2,445,481	2,307,244	137,557	87,095	69	86,445	-9,414	-3,195	-6,079	-26,923	-29	-26,888	0	305,554	1,170,448
9	Debt securities issued	2,074,646	2,074,646	0	0	0	0	-1,280	-1,280	0	0	0	0	0	116,528	0
10	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Government	1,140,117	1,140,117	0	0	0	0	-329	-329	0	0	0	0	0	12,959	0
12	Credit institutions	563,601	563,601	0	0	0	0	-129	-129	0	0	0	0	0	36,527	0
13	Other financial organisations	178,313	178,313	0	0	0	0	-301	-301	0	0	0	0	0	49,242	0
14	Non-financial companies	192,615	192,615	0	0	0	0	-521	-521	0	0	0	0	0	17,800	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross book value / nominal amount						Accumulated impairment and provisions and negative fair value adjustments due to credit risk						Accumulated partial write-offs	Collaterals and financial guarantees received	
		Performing exposure			on-performing exposure			In performing exposure			In non-performing exposure				In performing exposure	In non-performing exposure
		Total	Of which the Group 1	Of which the Group 2	Total	Of which the Group 2	Of which the Group 3	Total	Of which the Group 1	Of which the Group 2	Total	Of which the Group 2	Of which the Group 3			
15	Off-balance sheet liabilities	1,719,649	1,642,058	77,592	21,683	9	21,449	7,165	5,540	1,625	2,943	4	2,938		30,793	90,599
16	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
17	Government	9,231	9,178	53	0	0	0	35	28	7	0	0	0		0	913
18	Credit institutions	30,926	30,926	0	0	0	0	4	4	0	0	0	0		0	0
19	Other financial organisations	53,162	51,707	1,455	0	0	0	171	150	22	0	0	0		0	0
20	Non-financial companies	1,213,172	1,147,282	65,891	20,585	0	20,585	5,356	4,062	1,294	2,723	0	2,723		29,484	85,419
21	Households	413,158	402,965	10,193	1,098	9	864	1,599	1,296	302	220	4	215		1,309	4,267
22	Total	8,410,154	7,855,160	554,315	224,297	159	171,726	-42,118	-17,321	-24,656	-55,410	-38	-44,948	0	803,708	2,036,780

### 23.3 Disclosures according to EBA Guidelines on the disclosure of non-performing and forborne exposures: Disclosure template: seized property

Business and residential real estate taken from collateral in the amount of €138 thousand relate to taken assets associated with the acquisition of Abanka recognised in previous years.

#### Template 46: Collateral acquired by prescription and seized collateral (Template 9 according to EBA Guidelines)

		€000	
		a	b
		Collateral obtained by seizure	
		Value at initial recognition	Accumulated negative changes
1	Property, plant ,and equipment (PPE)		
2	Other, except PPE	406	-209
3	Residential property	64	-26
4	Commercial property	139	-74
5	Movable property, (cars, vessels, etc.)	203	-109
6	Equity and debt instruments	0	0
7	Other	0	0
8	<b>Total</b>	406	-209

### 23.4 Disclosure in accordance with the Instructions to banks relating to non-performing loans: Annex 7

For repeated defaulted customers that were recorded as such at least once in the past 12 months, the Biser Topco Group and the Nova KBM Group recorded forborne exposures of €1.0 million.

#### Template 47: Forbearing quality for the Biser Topco and the Nova KBM Groups (Annex 7/Table 5/b of the Instructions to banks relating to non-performing loans)

	€000
	Forborne exposures
Forborne twice	53,512
Forborne more than twice	10,194
Repeated default in the last 12 months	1,040

Table below shows the time elapsed since the last approved forbearance date until 31 December 2020. According to the table, the Group records in its portfolio the majority of forborne exposures, which were approved more than three and six months. By using forbearing measures, the total exposure decreased by €16.7 million compared to the balance as at 31 December 2019 as a result of active implementation of the non-performing exposures reduction strategy and as a result of meeting the exit from forbearing conditions.

**Template 48:** Forbearing exposures by type of loan for the Biser Topco and the Nova KBM Groups (Annex 7/Table 5/c of the Instructions to banks relating to non-performing loans)

	€000			
	<3 months	3-6 months	6-12 months	>12 months
<b>Total exposures, including forbearing measures</b>	29,458	44,936	843	44,560
of which: performing	19,515	8,884	555	13,895
of which non-performing	9,943	36,052	288	30,665

## 24 COVID-19 related disclosures

The government of the Republic of Slovenia declared the COVID-19 epidemic for the first time on 12 March 2020, and since then, it has taken several measures to combat the impact of the epidemic on public health and actions to mitigate effects on the economy. On 18 October, the government declared the COVID-19 epidemic again until 17 March 2021. On 11 March 2021 the government extended the declaration of the epidemic by 30 days from 18 March 2021.

On 20 March 2020, the Slovenian Parliament adopted the Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities (hereinafter: the Act). The Act entered into force on 29 March 2020 and it is designed to mitigate effects of the COVID-19 epidemic, allowing borrowers unable to meet their obligations due to adverse effects of the epidemic to defer the payment of their obligations by up to 12 months. Borrowers may request this deferral with a reasoned request and, if it is approved by the Bank, the borrower must keep the Bank informed; and if the conditions justifying the use of the Act no longer apply, the Bank may terminate the deferral of payment or moratorium.

On 2 April 2020, the Slovenian Parliament adopted the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, the so-called first major package of measures against coronavirus or PKP1. By the date of this report, further seven PKPs. were adopted. On 5 February 2021, the government adopted PKP8 that provides additional measures to preserve jobs and help the economy in aggravated conditions of the COVID-19 epidemic.

In line with government measures, the Bank continued to provide services to its clients through all its existing channels, including the branch network. With its measures, the Bank allowed for the staff whose presence in the Bank's premises is not necessary to work from home, while the Bank regularly informs its staff on how to act during the epidemic at home and in the Bank's premises, and how to provide necessary documents related to State measures.

In light of the pandemic, the Bank responded with a coordinated programme of activities that remain in operation to ensure proper management of credit risk. The Bank kept the ECB regularly informed about its response to the pandemic under the SREP cycle through its supervisory team.

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

The Bank has further invested in upgrading its monitoring and early warning systems both in terms of organisation resources and supporting technology. This included the introduction of alternative indicators designed to assist in timely identification of increased credit risk for clients affected by the pandemic. The Bank prepared the lists of borrowers based on existing and adjusted indicators and criteria to enable a full overview of a majority of its corporate and SME portfolios. Furthermore, during the year, the Bank conducted a series of exercises designed to assess the impact of the pandemic on individual corporate borrowers and to identify actions to be taken in respect of each of them, including, where appropriate, re-rating, review of forbearance status, and staging and provisioning. The Bank reviews individual cases and actions thereto at its weekly Problem Loans Committee meetings. These exercises and reviews continue into first quarter 2021 and the Bank expects that such reviews will be necessary and appropriate for the remainder of the year ending 31 December 2021.

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

In the retail sector, the Bank is conducting an overview of its retail portfolio in order to assess whether these clients may encounter payment issues once moratoriums offered by the Intervention Act in Slovenia (ZIUOPOK) expire. Retail borrowers representing cca 4% of the Bank's loan portfolio utilised the State related moratorium. As at the date of this report, the Bank has not identified a material increase in defaults or other specific patterns in the entire portfolio that would indicate a significant increase in credit risk related to the pandemic. The Bank also acknowledges that the State has provided targeted support measures which have enabled individuals employed in sectors directly impacted by the containment measures to maintain their income and that these measures have contributed to retail borrowers continuing capacity to service their debts. The Bank also assumes that the State will continue to provide support to those sectors impacted directly (ie closed) by its containment measures beyond the date of this report.

As part of its strategic and business planning, the Bank took into account the impact of the COVID-19 pandemic in preparing its financial plans for the three year period ending 31 December 2023. The Bank reviewed and continues to review the assessment of the COVID-19 pandemic impact on the current and future economic and business environments.

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

The Bank's Management and Supervisory Boards assess that the Bank's response to the pandemic was appropriate and met supervisory expectations. The Bank will keep monitoring the situation, it will re-evaluate its currently taken measures and adjust the procedures and methodologies accordingly.

The tables below show the exposures approved under the moratorium in line with the Intervention Act.

**Template 49:** Information on loans and other financial assets subject to legislative and non-legislative moratoriums (EBA GL 2020 07 Annex 3/Template 1)

€000

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	Gross carrying value							Accumulated impairment and provisions and negative fair value adjustments due to credit risk							Gross carrying value	
	Performing			Non-performing				Performing			Non-performing				Exposures entering into non-performing exposure category	
	Total	of which: forborne exposures	of which instruments with a significant increase in credit risk since initial recognition, but not impaired (Group 2)	Total	of which: forborne exposures	Of which outstanding or past due up to 90 days	Total	of which: forborne exposures	of which instruments with a significant increase in credit risk since initial recognition, but not impaired (Group 2)	Total	of which: forborne exposures	Of which outstanding or past due up to 90 days				
1	Loans and other financial assets under moratorium	375,837	360,416	4,193	165,254	15,421	4,113	14,532	-11,581	-9,405	-41	-6,371	-2,176	-455		-1,951
2	of which households	54,201	48,952	2,013	10,797	5,248	2,302	4,621	-1,680	-847	-128	-729	-833	-338	-680	1,136
3	of which: insured by residential property	29,246	25,448	1,578	4,157	3,798	2,069	3,505	-598	-191	-80	-166	-407	-251	-363	721
4	of which non-financial companies	312,439	302,266	2,180	154,451	10,173	1,812	9,911	-9,827	-8,484	87	-5,643	-1,343	-117	-1,271	1,925
5	of which SMEs	166,553	157,185	2,180	60,117	9,368	1,812	9,106	-5,616	-4,838	87	-2,553	-777	-117	-705	1,925
6	of which: insured by business premises	261,860	253,665	1,076	132,400	8,195	1,105	8,097	-7,478	-6,905	284	-4,657	-572	-80	-567	1,855



**Template 50:** Disclosure of the residual moratorium maturity breakdown of loans and other financial assets subject to legislative and non-legislative moratoriums (EBA GL 2020 07 Annex 3/Template 2)

€000

	a	b	c	d	e	f	g	h	i	
	Number of debtors	Total	of which legislative moratorium	of which past due	Gross carrying value					
					Moratorium residual maturity					
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
1	Loans and other financial assets subject to offered moratorium	2,467	487,259							
2	Loans and other financial assets subject to valid (approved) moratorium	2,455	486,946	486,946	111,110	179,791	119,327	42,681	33,330	707
3	of which households		87,153	87,153	32,952	32,916	17,976	2,722	587	0
4	<i>of which: insured by residential property</i>		49,779	49,779	20,534	20,668	6,568	1,555	455	0
5	of which non-financial companies		390,596	390,596	78,157	146,868	92,163	39,959	32,743	707
6	<i>of which SMEs</i>		172,540	172,540	5,987	93,364	66,278	5,144	1,061	707
7	<i>of which: insured by business premises</i>		308,744	308,744	46,884	130,758	71,203	32,736	26,456	707

**Template 51:** Information on newly approved loans and other financial resources under the newly effective public guarantee schemes introduced in response to the COVID-19 crisis (EBA GL 2020 07 Annex 3/Template 3)

€000

		a	b	c	d
		Gross carrying value		Maximum amount of guarantee to be considered	Gross carrying value
			of which forborne	Public guarantee scheme obtained	Inflows from non-performing exposures
1	Newly approved loans and other financial assets subject to public guarantee schemes	17,769	0	12,516	0
2	of which households	74			0
3	of which: insured by residential property	0			0
4	of which non-financial companies	17,695	0	0	0
5	of which SMEs	601			0
6	of which: insured by business premises	317			0

## 25 Measures of the Government of the Republic of Slovenia

This chapter gives an overview of measures and laws adopted by the Government of the Republic of Slovenia in response to the COVID-19 pandemic, and their impact on operations of banks.

### 25.1 Chronological summary of state acts related to the coronavirus pandemic (COVID-19)

Law	Adoption date	Effective date
<b>1st Anti-corona Package</b>		
Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities ("ZIUPOK", Official Gazette of RS, No. 36/20, 49/20, and 203/20)	20/03/2020	29/03/2020
Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy ("ZIUZEOP", Official Gazette of RS, No. 49/20, 61/20, 152/20, and 175/20)	02/04/2020	11/04/2020
<b>2nd Anti-corona Package</b>		
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic ("ZDLGPE", Official Gazette of RS, No. 61/20, 152/20, and 175/20)	28/04/2020	01/05/2020
<b>3rd Anti-corona Package</b>		
Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic ("ZIUOOPE", Official Gazette of RS, No. 80/20)	29/05/2020	31/05/2020
Intervention act on removing obstacles to the implementation of significant investments to recover the economy after the COVID-19 epidemic ("IZOOPIZG", Official Gazette of RS, No. 80/20)	29/05/2020	31/05/2020
Act Regulating the Guarantee of the Republic of Slovenia in European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak ("ZPEIPUTB", Official Gazette of RS, No. 80/20)	29/05/2020	31/05/2020
<b>4th Anti-corona Package</b>		
Act Determining Intervention Measures to Prepare for the Second Wave of COVID-19 ("ZIUOPDV", Official Gazette of RS, No. 98/20, and 152/20)	09/07/2020	11/07/2020
<b>5th Anti-corona Package</b>		
Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 ("ZZUOOP", Official Gazette of RS, No. 152/20, and 175/20 – ZIUOPDVE)	15/10/2020	24/10/2020
<b>6th Anti-corona Package</b>		
Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic ("ZIUOPDVE", Official Gazette of RS, No. 175/20, and 203/20 – ZIUOPDVE)	25/11/2020	28/11/2020
<b>7th Anti-corona Package</b>		
Act Determining Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic ("ZIUOPDVE", Official Gazette of RS, No. 203/20)	29/12/2020	31/12/2020
<b>8th Anti-corona Package</b>		
Act on Additional Measures for Mitigation of Consequences COVID-19 ("ZDUOP", Official Gazette of RS, No. 15/21)	03/02/2021	05/02/2021

## 25.2 Effects of state acts related to the coronavirus pandemic (COVID-19)

LAW	EFFECTS
<p>Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities (<b>ZIUOPOK</b>), as amended and supplemented by the Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (<b>ZIUOPDVE</b>), and by the Act Determining Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic (<b>ZIUOPDVE</b>)</p>	<p><b>Liabe entities</b></p> <p>Liabe entities for the measure are banks and savings banks with a registered office in the Republic of Slovenia, or branches of a Member State's banks with a registered office in the Republic of Slovenia which, in accordance with the law governing banking, may perform banking services in the Republic of Slovenia (hereinafter: bank).</p> <p><b>Beneficiaries</b></p> <p>Beneficiaries to moratoriums pursuant to the Intervention Act include (i) companies with a registered office in the Republic of Slovenia, (ii) cooperatives, societies, institutes, institutions, and natural persons that employ employees in accordance with the Employment Relationships Act, or self-employed persons with a registered office or permanent residence in the Republic of Slovenia, (iii) holders of agricultural holdings or holders of subsidiary activities of farms in accordance with the Agriculture Act, (iv) natural persons citizens of the Republic of Slovenia having permanent residence in the Republic of Slovenia, and (v) natural persons having permanent residence in the Republic of Slovenia and are not citizens of the Republic of Slovenia (hereinafter: borrower). A moratorium shall be approved by the bank upon a borrower's proposal on the basis of an application addressed by the borrower to the bank no later than 26 February 2021. The law stipulates that the moratorium on obligations under a loan agreement shall take effect no later than 31 March 2021. The period of a moratorium subject to each loan agreement approved on the basis of an amendment to ZIUOPOK also includes any moratorium approved by the bank pursuant to ZIUOPOK. The measure also applies to loan agreements newly concluded during the period of validity of ZIUOPDVE. The obligation to approve a moratorium on payment of obligations under a loan agreement does not apply to loan agreements with a maturity of more than four years that are the subject to a guarantee for payment of obligations assumed by the Republic of Slovenia in accordance with ZDLGPE. The provisions on moratorium also apply to obligations under loan agreements subject to a confirmed compulsory composition or a confirmed financial restructuring agreement.</p> <p><b>Moratorium characteristics</b></p> <p>Moratorium provided by the Act lasts up to 9 months and is agreed in the form of an annex to the loan agreement. The maturity of payments under a loan agreement is deferred for a duration of the moratorium. At the end of the moratorium period, the next instalment is due in accordance with the provisions of the loan agreement. The final maturity date under the loan agreement is therefore extended by up to 9 months. The amount of instalments under the loan agreement remains the same. The condition to defer the payment of each obligation is that the respective obligation did not fall due up to the date of the declared epidemic (19 October 2020).</p> <p><b>Conditions for a moratorium</b></p> <p><b>Corporate customers</b></p> <p>In its application for a moratorium, a borrower other than natural person has to prove and justify that it pays mandatory contributions, taxes, and other duties, or that it was allowed to pay those obligations in instalments, but that due to virus-related consequences, it cannot ensure payment of its obligations under the loan agreement with the bank. A borrower classified as a large company has to demonstrate additionally that the fulfilment of obligations to the bank would cause liquidity issues to the extent that solvency of the company would be jeopardised.</p> <p>It should be added that borrowers other than natural persons are also obliged by law to report on the implementation of the planned measures to establish liquidity and other changes in their business situation. If the borrower does not perform its reporting obligations regularly or provides false information in its application, the bank has the option to suspend or shorten the moratorium. The</p>

LAW	EFFECTS
	<p>bank may also suspend or shorten a moratorium in the cases where, on the basis of available data, it assesses that such a measure is justified.</p> <p><b>Natural persons</b></p> <p>In their application for a moratorium, borrowers who are natural persons have to demonstrate and justify that due to virus-related consequences affecting their financial situation, they are temporarily unable to provide payment of their obligations under a loan agreement. Demonstration of conditions is facilitated for borrowers that perform an activity, which was temporarily locked down in full by a governmental or municipal decree.</p> <p><b><u>Conditions for moratorium approval</u></b></p> <ul style="list-style-type: none"> <li>➤ A borrower has <b>permanent residence in the Republic of Slovenia.</b></li> <li>➤ <b>Borrower's status:</b> <ul style="list-style-type: none"> <li>– Employee</li> <li>– Self-employed (includes sole proprietors and freelancers, sole proprietors with flat rate expenses, and owners/directors of one-person limited company)</li> <li>– Farmer</li> <li>– Others that demonstrate a justified reason (e.g. unemployed person)</li> </ul> </li> <li>➤ Consumer and housing loans are subject to a moratorium on payment of obligations.</li> <li>➤ Borrower may submit a complete application <b>no later than 26 February 2021.</b></li> <li>➤ <b>Moratorium applies</b> to instalments <b>not yet fallen due until the declaration of the second epidemic, i.e., 19 October 2020.</b></li> <li>➤ <b>Duration of a moratorium on instalment: 9 months</b> for obligations falling due since 19 October 2020 onwards. In case where a borrower was already granted a moratorium related to an individual loan agreement for a period of nine months or more, such a borrower shall be deemed to have fully exercised the right to a moratorium and, consequently, has no option for a moratorium under PKP-7. If a borrower was granted a moratorium of less than 9 months, such a borrower is entitled to a difference to 9 months (i.e., if they were granted a moratorium of 7 months, they are now entitled to 2 months). However, if a borrower has not yet applied for a moratorium, such a borrower is entitled to a moratorium of up to 9 months.</li> <li>➤ <b>Payment of interest:</b> <ul style="list-style-type: none"> <li>– In one-off amount after the moratorium expires, i.e. with the first subsequent instalment</li> <li>– Monthly after the moratorium expires, divided by the number of months of the remaining repayment period</li> </ul> </li> </ul> <p>Borrowers shall substantiate that due to consequences of the second wave of the virus epidemic, they are temporarily unable to pay their obligations under the loan agreement with the bank, and to this end, they shall provide a description of facts and circumstances related to the virus epidemic that affected their financial situation, both the consequences of the second wave of the epidemic, and not only the first wave of the epidemic.</p> <p>When loan agreements are accompanied by pledge agreements (e.g. deposit pledge agreement, securities pledge agreement...), conclusion of an annex to the said agreements is NOT required.</p>

LAW	EFFECTS
	<p>When a loan is insured with Zavarovalnica Triglav and the moratorium is more than 3 months and up to a maximum of 12 months, an additional insurance premium has to be paid. The surcharge on the insurance premium is 0.20 % of the loan balance that will be subject to a moratorium. The insurance premium shall be calculated for each loan separately. No special reporting during the moratorium is required by natural persons.</p> <p><b>Mandatory documents</b></p> <p><b>Natural persons</b></p> <ul style="list-style-type: none"> <li>• Form 3845 KP-172 Vloga za odlog plačila obveznosti (Application for moratorium) (the form is uploaded on the Intranet),</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>• Decision on furlough</li> <li>• Registration at the Employment Service or</li> <li>• Proof of salary reduction (employer's statement) or</li> <li>• Termination of employment contract</li> <li>• 12 payslips (for employees)</li> <li>• Form 3581 Izjava o stroških gospodinjstva (Statement of household expenses)</li> <li>• Form 3672 Soglasje za vpogled v Sisbon in posredovanje podatkov za namene zavarovanja (Consent to access Sisbon and provision of data for insurance purposes (for marriages only))</li> </ul> <p><b>Sole proprietor and farmer</b></p> <ul style="list-style-type: none"> <li>• Form 3845 KP-172 Application for moratorium and Attachment 1 (the form is uploaded on the Intranet)</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>• Governmental decree or municipal ordinance</li> <li>• FURS (Tax Office) certificate on deferred payment of obligations (it should be attached when a borrower requested moratorium on payment of their obligations to Tax Office)</li> <li>• Form 3869 RP-168 Poročilo o stanju likvidnosti ob podani vlogi za odlog odplačevanja_ZBS (Report on the state of liquidity at the submission of the application for moratorium_ZBS) shall be given to a borrower (sole proprietors) for completion, when a <u>borrower did not receive any government decree or municipal ordinance.</u></li> <li>• Form 3581 Izjava o stroških gospodinjstva (Statement of household expenses)</li> <li>• Form 3672 Soglasje za vpogled v Sisbon in posredovanje podatkov za namene zavarovanja (Consent to access Sisbon and provision of data for insurance purposes (for marriages only))</li> </ul>
<p>Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP)</p>	<p><b>Moratorium on borrowers' obligations</b></p> <p>The Act amends the provisions of the Act on the Intervention Measure of Deferred Payment of Borrowers' Liabilities (hereinafter: ZIUOPOK), where it further defines the definition of a moratorium, adding that a moratorium also applies to agreements aimed as collateral for a loan agreement. Regarding the definition of a moratorium, the Act also stipulates that during a moratorium, interest is charged on the deferred part of the principal at the regular interest rate, which was agreed upon when the loan agreement was concluded.</p> <p>In addition to the above-mentioned amendment to ZIUOPOK, the Act also introduces a completely new measure, as a temporary measure pursuant to ZIUOPOK, namely a guarantee of the Republic of Slovenia for the fulfilment of borrowers' obligations, with the following characteristics.</p> <p><b>Amount of state guarantee</b></p> <p>The guarantee of the Republic of Slovenia shall be granted to the bank (as defined in ZIUOPOK, ZIUOPDVE, and ZIUPOPVDVE) for fulfilling obligations of borrowers (as defined in ZIUOPOK, ZIUOPDVE, and ZIUPOPVDVE) in the amount of 25 % of the deferred instalments that would fall due in the period of</p>

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	<p>the agreed moratorium, or 50 % in case of borrowers performing an activity in which the provision or services or sales of goods was temporarily forbidden by a government or municipal decree due to the coronavirus epidemic, and in case of borrowers who are natural persons.</p> <p>A state guarantee is limited by substantive and quantitative restrictions adopted by the European Commission in its Temporary framework for state aid measures to support the economy in the current COVID-19 outbreak. More detailed rules were set by the government in its decree.</p> <p>The state guarantee will be irrevocable, unconditional, and capable of being called at first written request by the bank, whereby the total amount of issued guarantees of the Republic of Slovenia may not exceed €200 million.</p> <p>Guarantee for obligations pursuant to newly concluded loan agreements: The state guarantee is also planned for those loan agreements that will be concluded during the period of validity of ZIUOPOK, ZIUOPDVE, and ZIUPOPDVE, for the purpose of providing liquidity due to consequences of the epidemic.</p> <p>In such case, a loan agreement has to include also the provisions setting out that (i) the bank's claim under the loan agreement is in the same position as claims of other creditors to the same borrower arising after the guarantee was issued (<i>pari passu</i>), and (ii) the borrower's commitment that they will not further burden their property after the loan agreement is made (<i>negative pledge</i>). The provisions of such a loan agreement may not contain any maturity provisions based on cross default of other borrower's agreements, unless other loan agreements of the same borrower contain such provisions.</p> <p><b>Termination of guarantee</b></p> <p>The state guarantee is terminated if (i) the moratorium was granted contrary to the terms of ZIUOPOK, ZIUOPDVE, and ZIUPOPDVE, and violations have occurred on the part of the bank, or (ii) if the bank fails to notify the government of the commenced insolvency proceedings in the borrower, no later than 14 days before the date of lodging claims.</p> <p><b>Restrictions to borrowers</b></p> <p>A borrower that is a company and the bank granted it a moratorium on loan obligations in accordance with the provisions of ZIUOPOK, ZIUOPDVE, and ZIUPOPDV shall be prohibited from distributing profits, performance bonuses to members of the management and employees, and other financial liabilities to parent or affiliated companies or owners, from the date of filing an application for a moratorium until the termination of the bank's right to exercise the right to a guarantee. The parties to the loan agreement shall include this restriction in annex to the loan agreement.</p> <p>Moratorium on payment of loan obligations and other liabilities pursuant to the Act governing aids</p> <p>Rescue and Restructuring Aid for Companies and Cooperatives in Difficulty. In addition to a moratorium to borrowers pursuant to ZIUOPOK, ZIUOPDVE, and ZIUPOPDVE, the Act also provides a moratorium on payments of debtors of loan-related or other obligations concluded on the basis of:</p> <ul style="list-style-type: none"> <li>• The Act Governing Rescue and Restructuring Aid for Companies and Cooperatives in Difficulty (Official Gazette of RS, No 5/17), and</li> <li>• The associated moratorium and payment in instalments approved in accordance with Article 77 of the Public Finance Act (Official Gazette of RS, No. 11/11 – official consolidated text, 14/13 –correction, 101/13, 55/15 – ZFisP, 96/15 – ZIPRS1617, and 13/18).</li> </ul> <p>Debtor</p> <ul style="list-style-type: none"> <li>• A debtor is considered to be a company established pursuant to the law governing companies, and a cooperative established in accordance with the Cooperatives Act, both established in the Republic of Slovenia.</li> </ul>

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	<p>Moratorium characteristics</p> <ul style="list-style-type: none"> <li>• Moratorium on payment of the above obligations may be granted for a period of 12 months if each obligation concerned was not yet fallen due until the virus epidemic is declared.</li> </ul> <p>Moratorium means a termination of the maturity of all obligations under a loan agreement or other agreement until the moratorium period expires, on which the contracting parties conclude an annex to the loan agreement. The final due date of a loan or other agreement shall be extended for the duration of the moratorium. At the end of the moratorium period, the next instalment is due in accordance with the provisions of a loan or other agreement.</p> <p>A loan approved by the Public Fund of the Republic of Slovenia by means of a public tender, and in which the borrower was in arrears in fulfilment of its obligations even before the epidemic of virus was declared, may be rescheduled by the Public Fund by increasing the amount of each instalment.</p> <p><b>Debtor's obligations</b></p> <p>The debtor that was granted a moratorium is required to report to the line ministry on its business situation on a quarterly basis.</p> <p>The line ministry may suspend or shorten the period of moratorium, (i) if the debtor is found to be in breach of its reporting obligations, (ii) if its financial situation improves and the conditions for a moratorium are no longer met, or (iii) if it is established that the debtor provided false information in its application.</p> <p>Notwithstanding Article 10 of ZPreZP-1, deadlines for payment shall be extended to 60 days in cases where the creditor is the Republic of Slovenia or a municipality, public fund, public agency, public institution or public commercial institution, and the debtor is an entity governed by private law.</p> <p>Such a payment deadline shall remain in force for one year after the end of the epidemic is declared.</p> <p><b>Employment relationships and social contributions</b></p> <p>For employees referred to in the first to fourth paragraph and in the sixth paragraph of Article 14 of the Pension and Disability Insurance Act (Official Gazette of RS, No. 96/12, as amended; hereinafter: ZPIZ-2) employers are exempted from paying contributions for pension and disability insurance in April and May 2020.</p> <p>Contribution for pension and disability insurance (of the employer and the insured person) was at that period paid in full by the Republic of Slovenia.</p> <p>The exemption applies to those insured persons who, while applying intervention measures pursuant to the Act, continue to perform work and receive a salary. Employers are also granted an exemption from the payment of pension and disability insurance contributions for the time when employees use their annual leave and receive salary compensation in accordance with the second paragraph of Article 137 of the Employment Relationships Act (ZDR-1).</p> <p>Exemption from payment of contributions does not apply to insured persons whose employers are direct or indirect users of the budget of the Republic of Slovenia and municipal budgets (therefore, it only applies to employees of private sector companies), and financial and insurance activities belonging to group K according to the standard classification of activities.</p> <p>Employers performing financial or insurance activities that belong to group K according to the standard classification of activities, are only entitled to aid if they had less than 10 employees as at 13 March 2020. The law therefore expands the circle of beneficiaries to the aid.</p>
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of	<b>Measures aimed at providing additional liquidity to the economy</b>



LAW	EFFECTS
the COVID-19, as amended (ZDLGPE)	<p>The measures aim at the provision of an ex lege guarantee of the Republic of Slovenia for borrowing by borrowers. Guarantee shall be granted to cover the risks of banks and savings banks with a registered office in the Republic of Slovenia, or branches of a Member State's banks with a registered office in the Republic of Slovenia that, in accordance with ZBan-2, may perform banking services in the Republic of Slovenia.</p> <p><b>Borrowing by borrowers that may be secured by state guarantee</b></p> <p>A borrower whose guarantee can be secured by a state guarantee can be considered any legal or natural person engaged in economic activity, regardless of its legal form, if the legal conditions listed below are met. Credit and financial institutions, as defined in ZBan-2, ZZavar-1, and ZPIZ-2, are not entitled to credit insurance with a state guarantee.</p> <p>To obtain a guarantee, a borrower has to meet the following criterion:</p> <ul style="list-style-type: none"> <li>• That it was not considered a company in difficulty as defined in item 18 of Article 2 of the Regulation 651/2014/EU as at on 31 December 2019</li> <li>• That after 31 December 2019, it has been facing liquidity problems due to business reasons related to consequences of COVID-19 in the territory of the Republic of Slovenia;</li> <li>• That on 12 March 2020, it is not considered a defaulter in accordance with the provisions of the Regulation (EU) No. 575/2013, as amended, whereby on 12 March 2020, the borrower may not have any significant delays in settlement of its obligations to the bank, as defined in the guidelines of the European Banking Authority;</li> <li>• That it does not operate and is not registered in a country included in the European Union List of jurisdictions that are not willing to cooperate for tax purposes, and it has no owner from such a country;</li> <li>• That on the last day of the month preceding the submission of the application, it has settled due obligations from mandatory contributions, taxes, and other duties, or that on that day, it is in a situation where, in accordance with the law, payment of obligations related to mandatory contributions, taxes, and other duties was either postponed or enabled in instalment payment.</li> </ul> <p>Criteria and conditions are detailed in a government decree.</p> <p><b>Conditions</b></p> <p>State guarantees are intended for loan agreements that meet the following conditions:</p> <ul style="list-style-type: none"> <li>• They are concluded after 12 March 2020 and no later than 30 June 2021</li> <li>• Maturity of the loan does not exceed 5 years</li> <li>• The loan is intended exclusively for financing the borrower's core activity (financing new or completion of already started investments), financing working capital, or financing repayment of obligations from loan agreements concluded in the period from 12 March 2020 until the Act enters into force</li> <li>• The loan is not intended to finance affiliated companies or companies financed abroad.</li> </ul> <p>The maximum allowed total amount of the loan principal, for the fulfilment of which the Republic of Slovenia is responsible in accordance with the Guarantee Act, is defined as the amount of up to 25 % of sales revenues in 2019, or a double amount of labour costs for 2019. If the borrower is granted a moratorium on payment of its obligations for newly concluded loan agreements in accordance with ZIUOPOK, the maximum allowed total amount of obligations of each borrower shall include the amount of its obligations subject to the moratorium.</p> <p><b>Application</b></p>

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	<p>A borrower has to submit in the application the following:</p> <ul style="list-style-type: none"> <li>• Most recent financial statements</li> <li>• Description of its business situation due to the consequences of COVID-19, together with an indication of the amount of total sales revenue in 2019, and the amount of labour costs for 2019</li> <li>• Definition of the amount and maturity of the requested loan</li> <li>• Definition of the loan purpose</li> <li>• In case where the borrower also has a loan, which is subject to moratorium pursuant to the law governing the intervention measure of deferred payment of borrowers' obligations, it has provide information on the amount of the borrower's obligations under this loan</li> <li>• A statement indicating that the loan will be used for financing in accordance with the conditions set out for loan agreements pursuant to the Act.</li> </ul> <p><b>Duration and amount of guarantee</b></p> <p>A guarantee is an accessory legal transaction that follows a major obligation. Therefore, it is logical that the duration of each guarantee cannot not exceed the maturity of the loan (5 years), including any subsequent extensions in respect of which the guarantee was given.</p> <p>The amount of a guarantee depends on the classification of each borrower in terms of its size and number of employees. Entities with less than 250 employees and an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million, which as such are classified as micro, small and medium-sized enterprises in accordance with the Regulation 651/2014/EU are entitled to a guarantee amount of 80 % of the principal. All other companies that do not meet the above conditions are considered large companies and entitled to a guarantee amount of 70 % of the loan principal.</p> <p>Article 6 of the Act also stipulates that a requirement to fulfil the guarantee obligation by the Republic of Slovenia is justified only if the bank and the Republic of Slovenia suffer proportional losses under the same conditions. This provision of the Act is not defined more specifically and is unclear.</p> <p><b>Key characteristics of guarantee</b></p> <p>As a guarantor, the Republic of Slovenia is responsible to the bank for fulfilling obligations of borrowers. In this context, there are certain general and specific restrictions. An essential general restriction concerns the total amount of principals of all loan agreements covered by a guarantee of the Republic of Slovenia, which may not exceed €2 billion (guarantee quota). Special restrictions apply to specific loan agreements concluded in accordance with the Act (Article 5). The guarantee is irrevocable, unconditional, and capable of being called at first written request by the bank</p> <p><b>Fees</b></p> <p>The Act stipulates that no guarantee fee is charged or paid. Nevertheless, the Act sets out the obligation to pay so-called "guarantee premiums". This is an annual premium, the amount of which is determined according to the type of company (whether it is a micro, small, or medium-sized company or a large company), and according to the duration of the loan (for the first year, for the second and third years, and for the fourth and fifth years). The amount of the premium shall be determined according to the "basis points" as defined in Article 8 of the Act (25 basis points for micro, small or medium-sized enterprises or 50 basis points for large companies for the first year, 50 basis points for micro, small or medium-sized enterprises and 100 basis points for large companies for the second and third years, 100 basis points for micro, small or medium-sized enterprises and 200 basis points for large companies for the fourth and fifth years). The "basis point" means 1/100 of a percentage point of the outstanding loan principal.</p>

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	<p><b>Fulfilment of a guarantee obligation</b></p> <p>In accordance with the Act, the Republic of Slovenia authorises SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (hereinafter: SID Banka) to perform certain operations related to guarantees in its name and on its behalf.</p> <p>Pursuant to Article 9 of the Act, a guarantee obligation will be primarily fulfilled in cash, and the Act also enables issuing bonds of the Republic of Slovenia or SID Banka, provided that they meet the conditions of the instrument by which the bank can secure its obligation to the European Central Bank. For this purpose, the Government of the Republic of Slovenia, based on the prior opinion of the Bank of Slovenia, will issue a decree within 3 months from the day the Act enters into force, prescribing the criteria according to which the said bonds will be considered an acceptable instrument.</p> <p>In case of borrowers classified as micro, small or medium-sized enterprises, the guarantee liquidation may be carried out by payment from the budget of the Republic of Slovenia or by providing a bond of the Republic of Slovenia, while in case of borrowers classified as large companies, by payment from the budget of the Republic of Slovenia or by providing a SID Banka's bond. The decision regarding the method of liquidating guarantee obligations is at the discretion of the Republic of Slovenia, which takes into account in particular liquidity options of the Republic of Slovenia's budget.</p> <p>In addition to the method of guarantee liquidation, Article 9 of the Act also sets out the possibility of transferring claims. In case where a default event has not yet occurred with respect to a specific loan, the bank may offer its claim to the borrower to SID Banka for redemption in the amount of the unpaid nominal principal of each loan, in the part secured by the Republic of Slovenia's guarantee. If SID Banka accepts such an offer, it will fulfil the obligation by submitting a SID Banka's bond.</p> <p>As long as the decree on issuing bonds is not in force, the guarantee obligation of the Republic of Slovenia for loan agreements concluded before this decree enters into force shall be fulfilled by cash payment from the Republic of Slovenia's budget.</p> <p><b>The role of banks</b></p> <p>A bank that approves a loan in accordance with the Act shall submit the loan application together with a copy of the loan agreement and other necessary or required documents to SID Banka.</p> <p>To liquidate a guarantee, the bank provides SID Banka with a request for the fulfilment of the guarantee obligation of the Republic of Slovenia no later than 6 months from the occurrence of the event of default.</p> <p>The Republic of Slovenia shall fulfil the guarantee obligation no later than within 15 business days of receiving a formally complete request for its fulfilment.</p> <p>The Act also stipulates an obligation of the bank to notify the borrower of the submitted request for a guarantee, within 3 days after the submission.</p> <p><b>Collection and management of claims</b></p> <p>SID Bank is responsible for the collection of claims from liquidated guarantees on behalf of the Republic of Slovenia as well as for the management of assumed claims even if SID Banka, based on mutual agreement, transfers the management or collection of claims to the bank. SID Banka monitors and supervises claim collection and management procedures, and cooperates with banks in the name and on behalf of the Republic of Slovenia in important decisions in the process of claim collection or management.</p> <p>Collection and management of claims can be carried out through the bank that received a guarantee for a realised or transferred claim. When collecting claims from liquidated guarantees and managing them, the bank has to transfer each collected amount of recourse or received payments to the Republic of Slovenia in proportion to the risk assumed.</p>

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	<p>SID Banka may collect the liquidated guarantee directly from the debtor in the event that such a collection is, according to SID Banka, faster or more economical than the collection that would otherwise be managed by the bank.</p> <p>Insolvency proceedings or winding up proceedings</p> <p>If insolvency or winding up proceedings have been initiated against the borrower, the bank has to notify SID Banka of any claim reported in the proceedings or of the commencement of proceedings, no later than 14 days before the date of lodging claims.</p> <p><b>Restrictions to borrowers</b></p> <p>For the period from the submission of the loan application to the termination of the bank's right to exercise the right to a guarantee, the following shall apply to borrowers:</p> <ul style="list-style-type: none"> <li>• Prohibition on distribution of profits</li> <li>• Prohibition of business performance bonuses to members of management;</li> <li>• Prohibition of purchasing own shares or equity ownership interest</li> <li>• Prohibition of payment of other financial liabilities to parent or affiliated companies or owners.</li> </ul> <p>The bank shall include a warning on prohibiting payments in the event of an approved guarantee in the loan agreement.</p> <p><b>Termination of guarantee</b></p> <p>Conditions for loan approval are determined both in relation to the loan and the borrower. The bank is responsible for assessing the fulfilment of these conditions in the decision-making process on approving a loan secured by a guarantee of the Republic of Slovenia.</p> <p>The guarantee shall be terminated if:</p> <ul style="list-style-type: none"> <li>• A loan agreement was concluded contrary to the terms of the Act, and violations have occurred on the part of the bank</li> <li>• The bank finds that the borrower provided false information in its application (in this case, the bank establishes a recourse claim against the borrower, as these are not violations occurred on the part of the bank), or</li> <li>• The bank fails to notify SID Banka of the commencement of an insolvency procedure against or winding up procedure of the borrower, no later than 14 days before the date of lodging claims.</li> </ul> <p>In case of a guarantee already liquidated, the bank has to return all the amounts paid to it, with legal default interest from the day of receipt of the guarantee payment until the day of repayment.</p> <p>All provisions regarding the termination of a guarantee also apply in case of providing bonds of the Republic of Slovenia and SID Banka. Obligations from bonds do not terminate. The Bank is obliged to return to the Republic of Slovenia and SID Banka an amount equal to the obligation of the bond issuer with default interest from the day of submission of the bond.</p> <p>Recourse claims of the Republic of Slovenia against borrowers from liquidation of guarantees and claims of banks from credit obligations have the status of priority claims in the part in which they represent unsecured claims as defined by the law governing financial operations, insolvency proceedings, and compulsory termination. This provides a greater possibility of (at least partial) repayment of the said claims in the event that insolvency proceedings or winding up proceedings are initiated against the borrower.</p>
Act Determining Intervention Measures to Prepare for the	Any employer in the Republic of Slovenia that is temporarily unable to provide work for its workers due to consequences of the epidemic may exercise the

LAW	EFFECTS
Second Wave of COVID-19 (ZIUPODV)	<p>right to a measure of partial reimbursement of salary compensation to workers on temporary laid off, except:</p> <ul style="list-style-type: none"><li>• Direct or indirect user of the budget of the Republic of Slovenia or the budget of a municipality, whose share of revenues from public sources in 2019 was higher than 70 %,</li><li>• <u>Employer performing financial or insurance activities that belong to group K according to the standard classification of activities, and has more than 10 employees as at 13 March 2020</u></li><li>• <u>Foreign diplomatic missions and consulates, international organisations, missions of international organisations, and institutions, bodies, and agencies of the European Union in the Republic of Slovenia.</u></li></ul>