Biser Topco Group

DISCLOSURES 2022

(under Pillar 3)

NovaKBM

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List of abbreviations

AC: Financial instruments at amortised cost
AIRB: Advanced IRB approach
ALCO: Asset-Liability Committee
AT1: Additional Tier 1 capital
GDP: Gross domestic product
BIA: Basic indicator approach
BRRD: Bank Recovery and Resolution Directive
BoS: Banka Slovenije
CCF: Credit conversion factor
CCoB: Capital conservation buffer
CCR: Counterparty credit risk
CCyB: Countercyclical capital buffer
CEO: President of the Management Board
CET1: Common equity Tier 1 capital
CCP: Central counterparty
CNS: Risk exposure amount for contributions to guarantee fund
COREP: Common reporting standards
Covid-19: Coronavirus disease
CRD: Capital Requirements Directive
CRM: Credit risk mitigation
CRO: Chief risk officer (member of management board responsible for risk management)
CRR: Capital Requirements Regulation
CUSIP number: International security identification number for North America
CVA: Credit valuation adjustment
O-SIIs: Other systemically important institutions
EAD: Exposure at default
EBA: European Banking Authority
ECAI: External credit assessment institution
ECB: European Central Bank
ECL: Expected credit losses
EHQLA: Extremely high-quality liquid assets
ESG: Environmental, social and governance
EVE: Economic value of equity
EWS: Early warning system for detecting increased credit risk
FINREP: Financial reporting standards
FIRB: Foundation IRB approach
FLI: Forward-looking information
NPs: Natural persons (consumers)
FVTOCI: Financial instruments at fair value through other comprehensive income
FTVPL: Financial instruments measured at fair value through profit or loss
GSIIs: Global systemically important institutions

HQLA: High-quality liquid assets
IAA: Internal assessment approach
ICAAP: Internal Capital Adequacy Assessment Process
DFIs: Derivatives
ILAAP: Internal Liquidity Adequacy Assessment Process
IMA: Internal models approach
IMM: Internal model method
IST: Income statement
IRB approach: Internal ratings-based approach
ISDA: International Swaps and Derivatives Association
ISIN: International securities identification number
QCCP: Qualifying central counterparties
CC: Credit Committee
CCHRI: Credit Committee for High-Risk Investments
LCR: Liquidity coverage ratio
LGD: Loss given default
LRCom: Leverage ratio (common disclosure)
LRSpl: Breakdown of on-balance-sheet exposures
LRSum: Summary of reconciliation of accounting assets and leverage ratio exposure measure
LTV: Loan-to-value ratio
SMEs: Small and medium-size enterprises
IFRS 9: International Financial Reporting Standard 9
NFCI: Net fee and commission income
NII: Net interest income
Nova KBM: Nova Kreditna banka Maribor d.d.
NPEs: Non-performing exposures
NSFR: Net stable funding ratio
OCR: Overall capital requirement
IILC: Investment and International Lending Committee
PPE: Property, plant and equipment
OSIBs: Other systemically important banks
OR: Operational risk
OUPN: Workout Department
P2G: Pillar 2 Guidance
P2R: Pillar 2 own funds requirements
PD: Probability of default
PKP: Act Determining Emergency Measures to Contain the Covid-19 Epidemic
POCI: Purchased or originated credit-impaired assets
AML/CFT: Anti-money laundering / combating the financing of terrorism
CRA: Capital revaluation adjustment
RAF: Risk appetite framework
RAC: Risk absorption capacity

RWA: Risk-weighted assets
SA: Standardised approach
SFA: Supervisory formula approach
SICR: Significant increase in credit risk
SID: Slovenska izvozna in razvojna banka, d.d., Ljubljana
SISBON: Slovenian information system on customer creditworthiness
SLS: Summit Leasing Slovenija d.o.o.
SREP: Supervisory review and evaluation process
Tier 2: Tier 2 capital
TLTRO: Targeted longer-term refinancing operation
TSCR: Total SREP capital requirement
VP: Securities
ZBan-3: Banking Act
ZDR-1: Employment Relationships Act
ZGD-1: Companies Act

1 INTRODUCTION

The Biser Topco Group's disclosures for 2022 under Pillar 3 of the Basel standards (hereinafter: the disclosures) have been prepared in accordance with the provisions of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR), amended by Regulation (EU) 2019/876 (CRR II) and Regulation (EU) No 2020/873 (CRR QF) (all three documents are hereinafter referred to collectively as the CRR), Directive 2013/36/EU, amended by Directive 2019/878/EU (both documents are hereinafter referred to collectively as the CRD), Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (hereinafter: Implementing Regulation 2021/637), the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) and other guidelines that lay down disclosure requirements (i.e. regarding materiality, proprietary information and confidentiality and disclosure frequency, regarding remuneration policies, etc.).

Nova KBM d.d. is ultimately owned by the financial holding company Biser Topco S.à r.l. In accordance with Article 13 of the CRR, institutions owned by EU financial holding companies must comply with the obligations laid down in Part Eight of the CRR at the highest level of consolidation and at the sub-consolidated level were relevant (as required under Articles 437, 438, 440, 442, 450, 451, 451a and 453 of the CRR). The data in this document are therefore disclosed at the level of the Biser Topco Group and at the level of the Nova KBM Group where relevant. The disclosures have been prepared by Nova KBM, as the largest financial institution in the Biser Topco Group as of 31 December 2022.

Nova KBM has the status of other systemically important institution (O-SII), which means that it is treated as a large institution in accordance with Article 4(146)(b) of the CRR and as an institution that is not listed on the stock exchange in accordance with Article 4(148) of the CRR. The Bank is thus bound to the frequency and scope of disclosures set out in Article 433a(2) of the CRR.

OTP, a leading banking group in Central and Eastern Europe, fulfilled the final condition to complete the takeover of Nova KBM on 1 February 2023 when it received consent from the Competition Protection Agency. The sale and purchase agreement on the takeover of Nova KBM d.d. was signed on 31 May 2021.

OTP Bank officially became the owner of Nova KBM d.d. and ALEJA finance d.o.o. on 6 February 2023. The Bank thus gained a strong strategic owner, which will further strengthen the OTP Group's position on the Slovenian banking market.

The OTP Group entered the Slovenian banking market in 2019 with the purchase of SKB. The process of merging SKB and NKBM will begin immediately following the completion of the takeover of Nova KBM, making the merged bank, subject to the regulatory approval of the merger, the largest in Slovenia in the loan and deposit segment, while making the OTP Group the market leader in five countries in the region.

Summit Leasing Slovenija d.o.o., which was previously under the 100% ownership of Nova KBM, was separated from the Nova KBM Group on 6 February 2023 and remains under the ownership of Apollo funds and the EBRD. The same is true of the Summit Leasing's Croatian subsidiary, Mobil Leasing d.o.o.

"CHF act"

On 2 February 2022, the National Assembly of the Republic of Slovenia adopted the Law on the Mitigation and Allocation of Currency Risk Between Lenders and Borrowers in Swiss Francs (ZOPVTKK). The ZOPVTKK regulates relations between lenders, borrowers and sureties who between 28 June 2004 and 31 December 2010 entered into loan agreements denominated in Swiss francs or with a Swiss franc clause.

Nova KBM and nine other banks filed a request with the Constitutional Court of the Republic of Slovenia for an assessment of the constitutionality of the ZOPVTKK.

The Constitutional Court issued decision no. U-I-64/22-21 on 17 November 2022, under which it decided to annul the ZOPVTKK in the process of assessing the constitutionality of that act based on the requests filed by ten banks. The negative effects that the aforementioned act could have had on Nova KBM's operations were thus eliminated.

Impact of and response to the coronavirus crisis

The Slovenian economy recovered quickly following the lifting of the containment measures, and the financial sector remains stable. The Bank finds that the quality of the Group's credit portfolio is stable, with an emphasis on the continuous provision of services for clients and the monitoring thereof.

Russo-Ukrainian crisis

On 16 December 2022, the Bank of Slovenia (BS) published an economic growth forecast that is characterised by the consequences of the Russian military aggression in Ukraine. At 0.8%, sharply lower GDP growth is forecast for 2023, as the trend of weaker growth from 2022 will persist during the first half of 2023. Annual growth will stabilise in 2024 and 2025 at 2.4% and 2.3%, respectively. The labour market, which is increasingly characterised by employers' difficulties in recruiting workers, will also be affected by the quite favourable economic situation. Average inflation will be 9.3% in 2022, primarily due to high energy prices, while the contributions made by other price groups are increasing. Price growth will fall to 6.8% and 4.2%, respectively, over the next two years in the context of the diminishing impact of energy prices. The risks accompanying the forecast arise primarily from the continuation of the Russian military aggression in Ukraine.

The Bank performed a detailed portfolio review across February and March 2022 to identify clients whose business is closely linked to the Russian and/or Ukrainian markets (ownership and/or economic links) and are, thus, most sensitive to the impact of the conflict. The key findings of the review are as follows:

- Corporate portfolio (domestic and international lending) - no direct exposure to Russia or Ukraine or entities in these countries. Indirect and potentially significant credit exposures are identified in the case of six corporate clients (four clients assessed as high risk of a significant adverse impact and two as medium risk);
- Corporate bonds: the volatility in bond prices of issuers with larger ties to the Russian and/or Ukrainian markets, including neighbouring countries is so far limited. At this stage, no material changes in market value of Nova KBM's positions in respective portfolio is observed.
- Banks and other financial institutions – Raiffeisen Bank International (RBI) has been identified as an entity with a material exposure to the conflict;

Based on the above, the Bank has placed the four high risk corporate clients and the RBI bank on the watch list. After meetings with all four corporate clients the Bank gathered all needed information and assessed that only one corporate client could face difficulties from Ukraine crisis.

The Bank performed an internal stress test in order to assess the potential impacts of the Russian-Ukrainian conflict on the Group's capital and liquidity positions. The results of scenarios indicate that the Group is capable of absorbing the negative impacts of the Russian-Ukrainian conflict. The Bank will also continue to monitor the impact of the Russian-Ukrainian conflict on the creditworthiness of its clients and will take the appropriate action.

Macroprudential instruments

In the wake of the downturn in the economy, and persistently high inflation, in which the key factor was the Russian military aggression and its accompanying effects and uncertainties, the systemic risks to financial stability are elevated.

The Bank of Slovenia finds that there are signs of slowing economic activity and thus increased systemic risks to financial stability following the strong post-corona economic recovery.

In its spring forecast of economic trends, the Statistical Office of the Republic of Slovenia is forecasting significantly lower economic growth in 2023, from last year's growth of 5.4% to 1.8%.

The Bank of Slovenia decided to activate two capital buffers due to the slowing of economic activity.

A sectoral systemic risk buffer in the amount of 1.0% entered into force on 1 January 2023 for all exposures to retail clients secured by residential real estate, and in the amount of 0.5% for all other retail clients.

Banks will have to meet capital requirements from the countercyclical capital buffer from 31 December 2023 on. The Bank of Slovenia raised the countercyclical buffer rate for exposures to the Republic of Slovenia from 0% to 0.5% of the total risk exposure amount.

Integration of environmental, climate and social risks (ESG)

The Group is aware that its business environment is and will be impacted by climate change. The latter will impact the physical and macroeconomic environment in which it operates. The continued transition to a low-carbon or carbon-neutral economy brings risks and opportunities for the Group (and other financial institutions). The Group recognises both physical climate change and transition risk as important factors of its overall risk profile.

The Group operates in a country that is a signatory to the Paris Agreement and part of the European Green Deal, under which Europe has committed to becoming a climate-neutral continent by 2050. European authorities expect the financial sector to play a key role in this regard, which the European Commission set out in its action plan for the financing of sustainable growth. Slovenia defined its strategy and national plan to contribute to the achievement of the EU's broader goals. The Group has familiarised itself with the aforementioned documents and will integrate them into its business objectives in the scope of business plans.
In this respect, the Group's regulators expressed clear expectations in the Guide on climate-related and environmental risks published in November 2020. That guide lays down supervisory expectations in connection with risk management and disclosures. The ECB followed up the guide with the publication of a report in November 2021 on the management of climate-related and environmental risks in the banking sector. The Group reviewed both documents, and took them into account when preparing its risk assessment for 2022 and beyond.

It is evident from reviews of those documents and publications that the Group is striving to achieve the following over the short- and medium-term:

- to adjust its portfolio of customers and exposures to the Nationally Determined Contributions (NDCs) of the EU, which requires the reduction of greenhouse gas emissions by 55% relative to 1990 levels by 2030 (and Slovenia's associated commitments); and
- to adopt measures to increase its commitment to finance the transition to a low-carbon or carbon-neutral economy.

In 2020, the Group defined ESG risks as material for its operations and business model. The assessment of ESG risks is a continuous process. For this reason, the Group will continue to define ESG risk factors and include them in existing risk types and not as separate ESG risks. The Group began to actively include these factors in the risk management process in 2021, and continued to so throughout 2022. Acute physical risks (such as floods, earthquakes, fires, extreme weather and environmental disasters) and transition risk (i.e. policy changes to achieve the target of zero emissions) were identified as key risk factors for the Group during the period. The Group will continue to focus on the introduction of ESG factors in internal processes in order to meet the associated regulatory requirements and improve the availability of data that will serve as the basis for future measures and goals.

The Group monitors key ESG risks and assesses their impact on various business areas and risks. The Bank's focus is on the introduction of ESG risk factors in the relevant risk types. The

Group's approach is the gradual inclusion of ESG factors in the risk management framework:

- short-term: emphasis on the introduction of acute physical risk and transition risk (i.e. policy changes to achieve the target of zero emissions);
- medium-term: emphasis on the introduction of chronic physical risk and transition risk in technological changes and policy changes, in particular with regard to water consumption, waste and energy consumption; and
- long-term: emphasis on the introduction of transition risk, which is represented by behavioural changes, and social and governance risks.

With the increasing volume of ESG-related data in its internal databases, the Group will also develop and upgrade its internal process for measuring and performing internal ESG stress tests, in particular climate-related stress tests. It will also upgrade the process of monitoring and reporting in this area.

Obligation to disclose information

The Group is obliged to disclose material information that, if omitted or misstated, would change or affect the assessment or decision of persons who use that information to make business decisions. The law allows for the possibility of the non-disclosure of information that is deemed confidential or a trade secret.

Nova KBM has included the method, frequency and verification of the disclosure of material information in the Disclosure Policy of the Nova KBM Group. All disclosures are prepared on a consolidated basis in thousands of euros, except where otherwise stated.

In accordance with Article 432 of the CRR, the Group has omitted disclosures (an entire template or certain rows or columns in a specific template) that are not relevant. The Group's disclosures are not audited. The Group's disclosures were approved by the Bank's Management Board. The Group publishes disclosures on the website www.nkbm.si in Slovene and English, in the section intended for investors.

2 RISK MANAGEMENT OBJECTIVES AND POLICIES

This section defines the disclosure requirements set out in Article 435 of Part Eight of the CRR.

2.1 STATEMENT OF THE MANAGEMENT BODY REGARDING POLICIES IN PLACE TO ENSURE THE FULFILMENT OF DISCLOSURE REQUIREMENTS UNDER PART EIGHT OF THE CRR

In accordance with Article 431(3) of Regulation (EU) No 2019/876 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR II), the management body, represented by

John Denhof, President,
Sabina Župec Kranjc, Vice-President,
Miha Kristl, member,
Matej Falatov, member, and

the Supervisory Board, represented by its **Chairman Imre Bertalan,**

hereby confirms, by signing this statement, that the Group prepares the disclosures under Part Eight of the CRR II (hereinafter: the disclosures) in accordance with the Disclosure Policy of the Nova KBM Group (hereinafter: the Disclosure Policy), which is updated at a minimum annually or in the event of regulatory changes, and which ensures that the disclosures are prepared in accordance with Part Eight of the CRR II and other legal requirements. The method, frequency and verification of the disclosure of material information are included in the Disclosure Policy. In accordance with the Disclosure Policy, the Group has in place internal controls and procedures for ensuring the accuracy of disclosed information. The administrators of specific content are responsible for primary controls.

Key elements of the Disclosure Policy include:

- the definition of the roles and responsibilities of organisational units included in the preparation of the disclosures;
- the identification of information for publication (in accordance with EBA GL/2014/14 and Articles 432 and 433 of the CRR II);
- instructions for contributions from organisational units, and the coordination and control thereof;
- approval of the disclosures by the Management Board; and

- publication of the disclosures on the Bank's website.

Maribor, 30 March 2023

Management Board of Nova KBM d.d.

Miha Kristl
Member

Matej Falatov
Member

Sabina Župec Kranjc
Vice-President

John Denhof
President

J. Denhof

Supervisory Board of Nova KBM d.d.

Imre Bertalan
President

2.2 GENERAL INFORMATION REGARDING RISK MANAGEMENT OBJECTIVES AND POLICIES

This section includes the disclosures required under Article 435(1) of the CRR, which are set out in Table 'EU OVA – Institution risk management approach' in the Guidelines.

2.2.1 RISK MANAGEMENT STRATEGIES AND PROCESSES

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

2.2.1.1 Disclosure of information at the Biser Topco Group level

Because Nova KBM was owned by an EU parent financial holding company in 2022, it must disclose the relevant information and data set out in Part Eight of the CRR regarding the consolidated financial position. The detailed ownership structure is presented in the Annual Report.

In order to ensure compliance with risk management legislation at the consolidated level, Nova KBM included risk management and reporting obligations at the consolidated level of the Biser Topco Group in its own methodological approach where appropriate. That methodology is described in the following sections of this document.

2.2.1.2 Disclosure of information at the Nova KBM Group level

The Group's mission is to ensure the security of its operations, to accept risks in a serious and responsible manner, and to maintain the highest standards of risk management. In the scope of the risk appetite framework, the Group defined the objectives of the future take-up and management of risks, taking into account its risk profile, the envisaged and expected development of the Group's operations, its business and investment strategies, the asset and liability management (ALM) strategy, including the IT strategy, non-performing loan management strategy and the recovery plan. The Group regularly identifies and measures various types of risks that arise in its operations.

The risk appetite framework is based on six pillars:

- the identification and measurement of risks;
- the risk management strategy;
- the risk appetite statement;
- the risk absorption capacity, the establishment of operational limits, the establishment of an allocation system and the monitoring of the use of allocated own funds;
- risk management; and
- the definition of roles and responsibilities.

The Bank defined the following risk management objectives at the Group level in its risk appetite framework:

- moderate, sustainable and long-term profitability;
- the generation of profits while accepting moderate credit risk;
- the acceptance of significant yet diversified risk from exposures to governments and investment-grade financial institutions and corporates with the aim of ensuring the high liquidity of assets;
- the acceptance of low funding risk and market liquidity risks;
- the accelerated integration of ESG risks in the business and management environment of the Bank and banking group. The Group is introducing climate and environmental risks in its business strategy and business plan, and in its risk management framework. The Group strives to maintain these types of risks at low or moderate levels in accordance with the objectives of its ESG strategy. The Group is taking a progressive approach to the integration of ESG risks/factors in its business planning and risk management framework, with a clear emphasis on lending activities. The Group aims to adjust its investment and loan portfolios over the short and medium terms to ensure that they are in line with Slovenia's climate commitments. It also aims to increase its commitments to finance the transition to a low-carbon or carbon-neutral economy; and
- to maintain the other risks to which the Group is exposed at a low or moderate level.

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

- the identification of the risks to which the Group is exposed in its operations;
- the measurement of risks and risk factor monitoring methods;
- the continuous monitoring of exposure to individual risks, and systematic and comprehensive reporting;
- the performance of stress tests, the results of which are used in the decision-making process and the making of strategic decisions;
- the established limit system, with an early warning system and a defined risk appetite; and
- learning from and adaptation to the changing business environment which includes the re-assessment of limits and methodologies for setting limits in order to ensure the stable and secure operations of the Nova KBM Group over the long term.

The monitoring and management of individual types of risk are defined in detail in the relevant risk management policy and the associated methodologies, which take into account the specific characteristics of individual types of risk. Each policy or methodology is the responsibility of one person who ensures the harmonisation of a specific bylaw with other bylaws, taking into account the applicable legislation, guidelines, recommendations and best banking practice. The Group has the following in place in the area of internal risk management:

- a risk management policy;
- a risk management methodology;
- a risk appetite statement that defines the appetite for a particular type of risk, as well as the level of key risk indicators; and
- a comprehensive limit system, including operating limits and an early warning system.

Decisions regarding the risk appetite framework, the establishment of an operational limit system, risk management policies, and methodologies for measuring, monitoring and managing risks within the Nova KBM Group are made by Nova KBM as the largest credit institution in the Group. All Group companies manage risks in accordance with legal requirements and internal policies or methodologies that reflect their activities and the scope of operations. Persons at the Bank responsible for individual policies and methodologies must be familiar with the method used to manage the risks covered by those policies and methodologies at all Group companies, and have the ability and duty to influence the establishment of an appropriate method for managing and measuring individual risks at Group companies. Risk management procedures are carried out independently at the level of each individual company. The Group has defined reporting methods, report content, reporting frequency and report recipients for each individual type of risk.

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

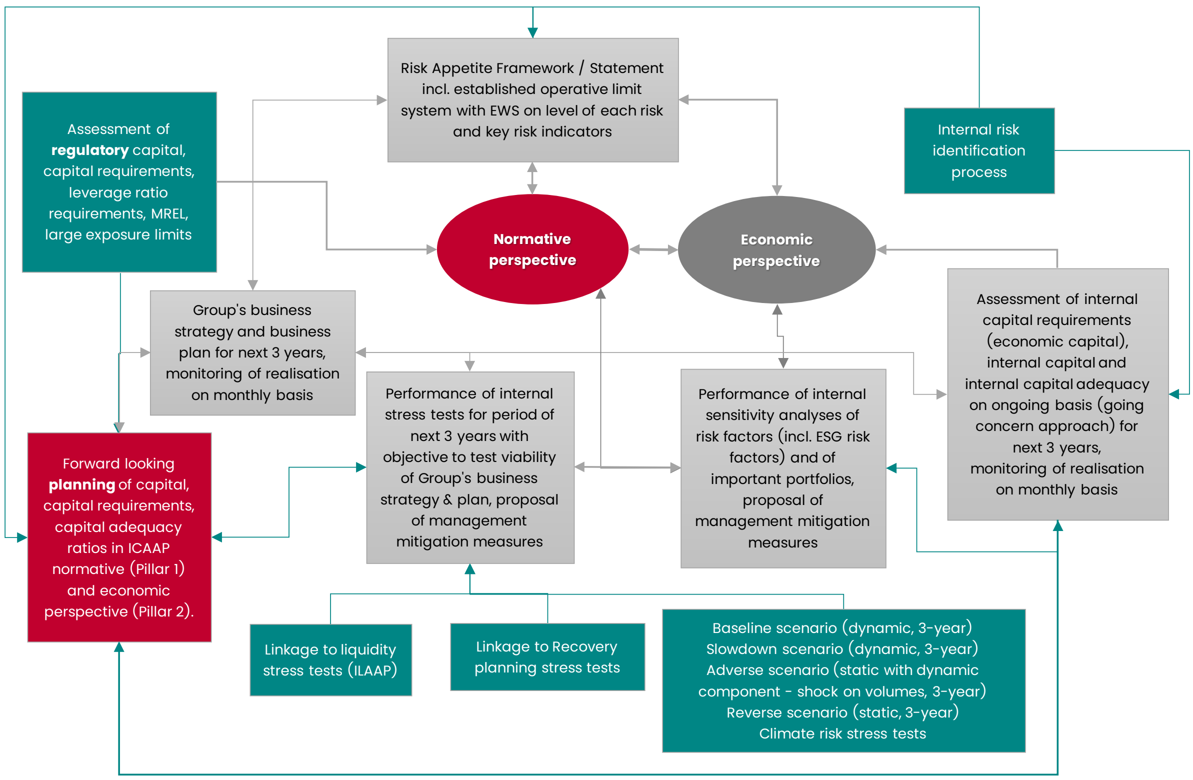
In accordance with the Capital Requirements Directive IV and the European Banking Authority (EBA) guidelines relating to the SREP, the Bank carries out the Internal Capital Adequacy Assessing Process (ICAAP) and Internal Liquidity Adequacy Assessing Process (ILAAP).

Reliable, effective and comprehensive ICAAP in ILAAP are based on two pillars, i.e. economic and normative perspectives that are mutually complementary.

2.2.1.2.1 Internal Capital Adequacy Assessment Process (ICAAP)

At least once a year, the Group critically reviews its risk profile and appetite for individual types of risk in the scope of an integrated process, from the identification of risks to the performance of stress tests and the drafting of a recovery plan and the feedback process, which then affect regular processes and strategic decisions. The connectivity of the ICAAP is illustrated in the figure below.

Figure 1: Implementation of the ICAAP from the normative and economic perspectives



The identification of the risks to which the Group is exposed in its operations is an integral element of the ICAAP. The identification of risks is the task of every Group employee. The acceptable level of and method for measuring and monitoring individual types of risk are defined by experts who specialise in the management of such risks. The organisational unit responsible for defining the acceptable level of and method for measuring and monitoring risks is organisationally segregated from the units that take-up risks.

The risks to which the Group is exposed in its operations and the methods for measuring particular types of risk are presented in section 5.1 of the disclosures. The Group deems the following types of risk to be material: credit risk (in particular default, concentration, migration), credit spread risk, strategic risk, operational risk, IRRBB, and liquidity risk.

Credit risk is the most important risk to which the Bank is exposed in its operations. In addition to credit risk, the Bank has identified the following types of risks that it addresses in the scope of credit risk:

- credit concentration risk,
- risk associated with foreign currency loans,
- country risk,
- settlement risk,
- residual risk,
- credit rating migration risk,

- risk in connection with special credit facilities,
- risk in connection variable-rate loans,
- counterparty risk,
- sovereign risk, and
- risks in connection with real estate.

The treatment of ESG risks is based on the inclusion of ESG factors in existing risk types where they are relevant, rather than as stand-alone risks.

In the scope of the ICAAP, the Bank:

- calculates capital requirements, capital and capital ratios in the scope of Pillars 1 and 2;
- defines the risk appetite at the Group level and at the level of individual risk types;
- defines key risk factors and the associated threshold values in the scope of the planning process, and when performing internal stress tests and sensitivity analyses. The Bank defines the threshold values of identified risk indicators in the scope of the ICAAP from the normative and economic perspectives, and in the scope of the recovery and resolution process;
- performs internal stress tests and sensitivity analyses; and
- analyses the effects of the above-described processes and proposes to the governance body the measures required to limit risk exposure.

The Bank strives for the continuous improvement of the ICAAP. Improvements are currently aimed at upgrading the economic perspective and, in this context, identifying and assessing risk factors, and performing sensitivity analyses and internal stress tests.

2.2.1.2.2 Internal liquidity adequacy assessment process (ILAAP)

The purpose of the ILAAP implemented by the Group is the effective management and systematic identification, assessment, measurement and mitigation of the risks to which the Group is exposed in its operations.

The ILAAP is in line with the Bank's business model, size, complexity, risks and market expectations. It includes all qualitative and quantitative information that serves as the basis of its risk appetite, including a description of the systems, processes and methodology used to measure and manage liquidity and funding risks.

The main objectives of the ILAAP are:

- the planning of actual and potential cash inflows with respect to cash outflows, and the assessment of liquidity risk through the calculation of liquidity ratios;
- ensuring an adequate level of liquid investments or other forms of liquidity in relation to liquidity risk;
- the monitoring of the appropriate structure of liabilities and financial assets;
- the calculation of liquidity ratios;

- the establishment of limits and maintenance of a limit system to limit exposure to liquidity risk;
- the performance of various liquidity stress tests, including an adverse scenario;
- the definition of the economic and normative perspectives of the ILAAP;
- the definition of links between the ICAAP, ILAAP, the recovery plan, liquidity resolution and the planning process; and
- the availability and maintenance of a liquidity contingency plan should liquidity problems arise.

The Group continued to upgrade the ILAAP in 2022. It further updated the ILAAP policy and methodology and the ILAAP methodology for the performance of stress tests, which comprehensively covers in more detail the performance of all liquidity stress tests within the Group. In the scope of liquidity resolution, the Group has defined key members of the Nova KBM Group, key liquidity factors, a developed methodology, rapid and slow stress tests and the use of risk mitigation measures.
In the scope of the separate monitoring of market liquidity risk and funding liquidity risk, the Group also identified intraday liquidity risk and asset encumbrance risk.
It also upgraded the liquidity contingency plan.

The Group simulated a liquidity crisis in 2022 and thus verified the appropriateness of predefined procedures for managing a liquidity crisis through the activation of available measures to mitigate liquidity risk. The exercise indicated that the Group is capable of reacting swiftly and effectively to a liquidity crisis and that established procedures are appropriate.

The Group draws up its annual business plan within the framework of its risk appetite. The structure of and approach to the funding of business under the business plan is defined in detail in the refinancing plan. The refinancing plan provides a detailed definition of individual segments of funding with regard to geographical origin, the maturity structure of funding, and realised and projected funding costs. The refinancing plan outlines the scope of the projected funding for the next three years. The document also encompasses business continuity in crisis conditions. It is evident from the refinancing plan that the Group's funding is diversified and stable, as more than 80% of the funding comes from deposits by non-bank customers.
In 2022, the Group established the Rulebook on the Validation of the ILAAP Methodology, which describes the validation process, the frequency of validation, responsibilities, reporting and corrective measures that follow validation. The rulebook also includes a register of ILAAP methodologies that are subject to validation.

2.2.1.2.3 Performance of stress tests and sensitivity analyses

The Group has established a process for performing internal stress tests and sensitivity analyses that are used to assess its ability to continue as a going concern. At the request of regulators, the Group also performs regulatory stress tests. The performance of stress tests and sensitivity analyses is set out in the Stress-Testing Policy of the Nova KBM Group. The Group performs regulatory stress tests taking into account the methodologies prescribed by regulators, while in performing internal stress tests, it uses an internally established policy and methodologies, which define scenarios, input data and a timeframe, assumptions, risk parameters, measurement techniques, thresholds and proposed management measures.

The Group performs the following types of stress tests and sensitivity analyses:

- stress tests in the scope of the Single Supervisory Mechanism (SSM);
- stress tests at the request of the Bank of Slovenia/European Central Bank;
- stress tests/sensitivity analyses in the scope of the ICAAP;
- stress tests/sensitivity analyses in the scope of the ILAAP;
- stress tests in the scope of the recovery plan;
- regulatory and internal climate-related stress tests; and
- other occasional stress tests (i.e. when launching a new product).

Use of stress tests in the decision-making process:
The Group presents the results of stress tests to the Supervisory Board, the Bank's Management Board and to other relevant stakeholders, in order to take into account the results, findings and proposed mitigation measures in the further operations of the Group.

Performing stress tests in the scope of the ICAAP

Stress tests and sensitivity analyses are performed at least once a year as part of the ICAAP with the aim of assessing the impact of a major economic downturn and other unexpected events on the risk profile, and the capital and/or financial position of the Group.

In the scope of the ICAAP, the Bank prepares internal macroeconomic stress scenarios that differ from one another in terms of the intensity of an economic crisis and the impact of macroeconomic risks factors on the risk parameters and portfolios covered by the stress test. The key assumptions of ICAAP stress scenarios include the following:

- scope of risks:
    - credit risk, covering a portion of assets through the impact on the credit portfolio's size and own funds through the effect of impairments in the profit and loss statement, which is one of the components of own funds;
    - market risk covering a portion of assets through the following:
        - a shock to debt securities held in the banking book (covering a portion of assets and own funds via the effect of revaluation adjustments),
        - a shock to equities held in the banking book (covering a portion of assets and own funds via the effect of revaluation adjustments), and
        - loans measured at fair value through profit or loss (covering a portion of assets and own funds via the effect on profit or loss);
    - funding risk through the effect of the size of the liability portfolio on profit or loss due to shocks on margins and volumes; the risk is also correlated with volumes and margins on the asset side;
    - operational risk of the effect on profit and loss items;
    - profitability risk and interest rate risk in the banking book, covering the impact on:
        - net interest income – NII (as a result of all 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 (revaluation of securities),
        - losses arising from credit risk (expected credit losses), and
        - losses arising from operational risk.
- Scenarios covering all of the above-stated risks include:
    - A baseline scenario, which is based on the business plan and represents the planning of own funds, own funds requirements and capital adequacy based on a 'top-down' and 'bottom-up' business plan. A dynamic balance sheet assumption is used.
    - A slowdown scenario, which is the macroeconomic scenario that the Bank deems is most likely to be realised and that envisages a slowdown in macroeconomic growth relative to the business plan. The objective of this scenario is to test the business plan in an economic environment that is less favourable than forecast. Used in this scenario is a dynamic balance sheet assumption that is based on the fact that the adopted business plan is also feasible under changed macroeconomic conditions.
    - An adverse scenario, which envisages an economic downturn or an even deeper recession, if the economy is already in recession, which simultaneously affects all risk factors. This scenario defines a series of

systemic risks that may threaten the Group's financial stability and trigger special shocks, including growth in gross domestic product (GDP) in the EU. The approach selected for the adverse scenario is static because it assumes that the Bank will not follow its adopted business plan in the event of a severe crisis, but will seek to maintain the status quo. Notwithstanding the above, the Bank incorporates a dynamic component in stress testing in subsequent years when performing stress tests on the static volumes (new and rolled-over exposures) of the credit and treasury portfolios, and in the case of deposits and costs.
    - A reverse scenario is defined as the determination of the point of collapse where macroprudential supervisory own funds requirements are no longer met. Based on an inverse loop, the Bank defines the macroeconomic assumptions that correspond to such a point of collapse.
- macroeconomic assumptions: the Bank analyses forecasts of key macroeconomic risk factors (indicators) published by various local and international organisations, and it forecasts the values of macroeconomic assumptions in various stress scenarios using internal tools and expert judgement.
- Risk parameters assessed on the basis of internal models:
    - exposure at default (EAD),
    - probability of default (PD),
    - loss given default (LGD).
- Time components: ICAAP stress tests cover a period of three years and are carried out at the level of the Nova KBM Group
- Measurement techniques: the Bank has in place an internal methodology, based on which it assesses the effects of specific risks and risk parameters on the final results of stress tests
- Established limits: ICAAP stress tests are deemed successfully completed when the minimum established limits for the following are exceeded:
    - Common Equity Tier 1 capital ratio,
    - total capital ratio, which take into account the required regulatory and internal limits of the above ratios.
- Evaluation of results: the Bank presents the effects of the following in the scope of stress-testing results:
    - risk factors (risk parameters),
    - effects on the balance sheet and profit and loss account, including the effects of the impact of a stress test on the size of individual portfolios,
    - capital adequacy ratios, regulatory own funds and risk-weighted assets,
    - leverage ratio, the cost of risk, the MREL and liquidity ratios, and
    - sensitivity analysis following an assessment of all of the above-described effects on the Group's key portfolios
- When performing reverse ICAAP stress tests and stress tests in the scope of the recovery plan, the Group has in place uniform methodology for determining minimum capital adequacy ratios and a uniform escalation process.

- The roles and responsibilities for performing stress tests are defined in the Group's existing bylaws.

If sensitivity analyses are performed in the scope of the ICAAP from the normative and economic perspectives, the Bank analyses the sensitivity of risks/portfolios to certain risk factors or changes in risk parameters and impacts on the economic solvency ratio.

The Bank also performs stress tests when introducing new products and services, if so required by the provisions of bylaws.

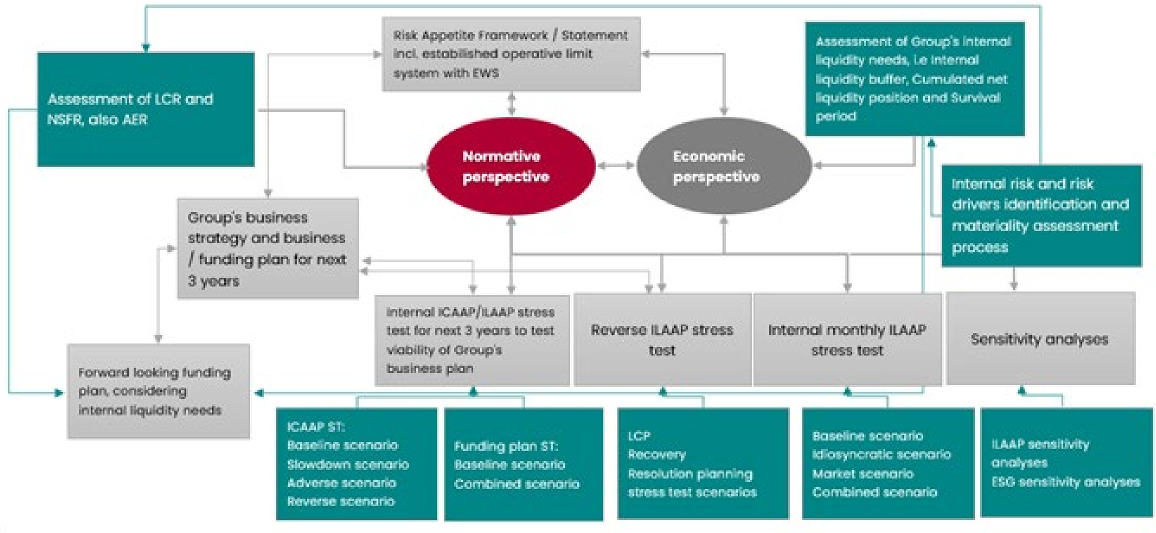
The Bank hired independent external validators to validate its internal models. The validation process is set out in the model validation methodology.

The Bank reports to management bodies and regulators regarding stress testing.

Performing stress tests in the scope of the ILAAP

The performance of stress tests in the scope of the ILAAP is an integral part of the Group's overall risk management. The results of stress tests affect the decision-making process and the adoption of strategic decisions. The aim of performing stress tests is to ensure sufficient liquidity even in stress conditions.

Figure 2: Performance of stress tests in the scope of the normative and economic perspectives of the ILAAP



The main assumption of measuring and managing liquidity risk is the survival period in stress conditions. This means that the Bank can survive a pre-determined period of stress conditions without adopting additional measures. In this way, the Bank ensures the time required to adopt measures in accordance with its risk appetite framework and ensures its long-term viability. The survival period is defined in relation to the internal liquidity buffer and cumulative net funding gap.

The Bank regularly implements various liquidity management scenarios, including through the use of methods to mitigate liquidity risk, and on the basis of the results of stress tests verifies the assumptions that serve as the basis for decisions in connection with ensuring the appropriate liquidity of the Bank and Group.

Based on such scenarios, the Bank defines the method used to ensure an adequate liquidity position, while taking into account:

- the normal course of operations (baseline scenario); and
- emergency liquidity conditions (stress scenario).

Stress scenarios are divided into three main groups:

- a scenario adjusted to the Bank's own liquidity position, i.e. an idiosyncratic scenario, which assumes the loss of renewable major sources of liquidity (e.g. institutional investors and large enterprises) without the provision of collateral by the Bank, and a decline in deposits by minor investors;
- a scenario conditioned by the situation on the market, which assumes a decline in the liquidity of assets and a deterioration in the terms for obtaining liquidity on the market; and
- a scenario based on a combination of the two aforementioned scenarios.

Stress scenarios are based on various levels of severity and different lengths for the period of emergency liquidity conditions. They take into account the impact on on- and off-balance-sheet items, and other contingent liabilities. The Bank implements each of these stress scenarios (idiosyncratic, market and combined) at two levels of difficulty that are defined based on the predetermined quantile of an empirical distribution of each risk factor. Key risk factors that are analysed by the Bank include downgrades, changes in the market value of investments, outflows of demand and time deposits, the larger liquidation of off-balance sheet items and lower inflows from loans. Assumptions for scenarios that derive from statistical analysis can be revised based on an expert opinion, in particular where the timeframe for statistical analysis is small and an expert in such cases facilitates the consideration of historical events.

ILAAP stress tests are deemed successfully completed when the minimum established limits for the following are exceeded:

- LCR,
- NSFR,
- Survival period,
- Internal liquidity buffer.

A stress test is performed at least once a year for the liquidity contingency plan and recovery plan. The Bank reports regularly to the ALCO and in the scope of the CRO report regarding stress tests performed.

Performance of stress tests linked to ESG, with a special emphasis on climate risks

The Bank included the performance of climate-related stress tests in its internal policy and methodology on the performance of stress tests with the primary aim of the short-term and long-term integration of stress tests and analyses in this area.

As a systemically important institution, the Group participated in the ECB's climate stress test in 2022, which showed that the Group's treatment of and exposure to this type of risk is comparable to other participating institutions. The greatest challenge at the moment is the availability and quality of the data required to accurately measure and monitor ESG risks. For this reason, the Group pays special attention to the collection of factual data from its clients and to developing internal valuation methodologies where data are not available.

2.2.2 STRUCTURE AND ORGANISATION OF THE RELEVANT RISK MANAGEMENT FUNCTION INCLUDING INFORMATION ON ITS AUTHORITY AND STATUTE, OR OTHER APPROPRIATE ARRANGEMENTS

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

This section discloses the structure and organisation of the Group's risk management and the risk management functions as required under Article 435(1)(b) of the CRR.

2.2.2.1 Disclosure of information at the Biser Topco Group level

Certain members of the Management Board of Biser Topco S.à r.l. are also members of the Supervisory board of the Nova KBM Group as presented in section 2.2.2.2 and, as owner representatives, those persons also perform a controlling function at the Nova KBM Group level.

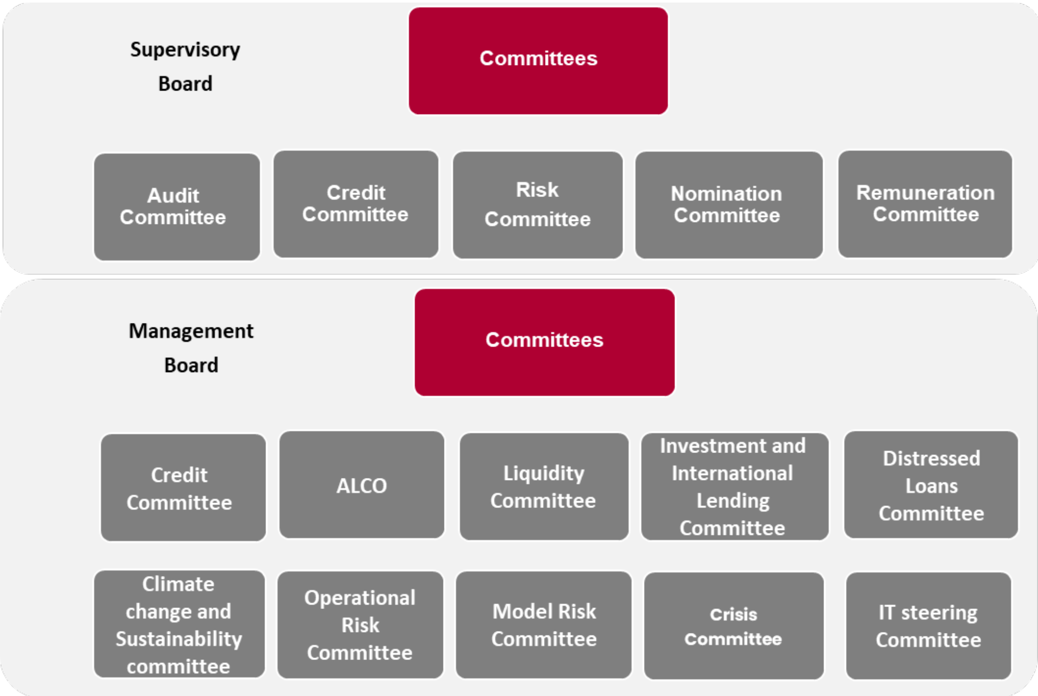
2.2.2.2 Disclosure of information at the Nova KBM Group level

The Group has in place a risk management structure that defines the active role of the Supervisory Board and Management Board, as well as the appropriate structure of the risk management function, which is separated in organisational terms from other business areas. Key decisions are made at the level of the Management Board and Supervisory Board.

To ensure the systematic control of exposure to material risks, the Group has established a system of internal controls at all levels of the organisational structure. Responsibility for establishing and implementing internal controls lays with persons responsible for individual areas at the Bank. Internal control functions are in place to ensure an independent and objective assessment of effectiveness and compliance with regard to the Bank's internal governance arrangements on the basis of the review and assessment of the adequacy of risk strategies and policies, the Bank's risk management processes, procedures and methodologies, and reporting on risks by the Bank and Group companies. Control functions represent three lines of defence that comprise the risk function, compliance function and internal audit function. The task of the Compliance Department is to ensure the proper management of compliance risk, i.e. to ensure the proper operations of the Bank in accordance with the applicable regulations, legislation and standards of good practice. The role of the Internal Audit Department is to ensure an independent assessment with regard to the quality and effectiveness of internal governance arrangements, including the Bank's risk management systems and processes and internal controls, and to provide assurances to the management body, Audit Committee and senior management regarding the adequacy of internal governance arrangements. The Internal Audit Department supports and assists the management body in safeguarding the Bank's long-term interests and protecting its reputation. As part of the assessment regarding the quality and effectiveness of internal governance arrangements, the Internal Audit Department also performs independent assessments of the work of the risk management and compliance functions through the internal audit process.

In terms of internal governance, the Bank thus has several governance levels in place to ensure the effective management of risks, as illustrated by Figures 3 and 4. Decisions in connection with the management and take-up of material risks are adopted by the decision-making bodies presented below.

Figure 3: Governance of the Nova KBM Group



1. Supervisory Board and Management Board

Nova KBM's governance bodies as at 31 December 2022 were the Management Board (four members), the Supervisory Board (seven members) and the General Meeting of Shareholders.

Management Board

Nova KBM's Management Board had four members as at 31 December 2022. Detailed information about the Management Board can be found in Section 2.4. Information regarding governance arrangements.

Nova KBM committees

- Credit Committee

The Bank's Credit Committee makes decisions within its powers regarding all loans to customers, in accordance with the competences, procedures and decision-making methods in place at the Bank with respect to loan origination.

The committee has four members. The committee's chair is the member of the Management Board responsible for corporate banking. Meetings of the committee are convened once a week.

- Investment and International Lending Committee

The Investment and International Lending Committee discusses and makes decisions regarding international investments in accordance with the Bank's investment strategy and lending policy. It decides on international lending activities (syndicated loans, direct lending, promissory notes, etc.) on foreign markets, and on the Bank's investments within the framework of its debt securities portfolio. The committee comprises four members from the areas of finance and risk management, and meets on a weekly basis. It is chaired by the member of the Management Board responsible for finance.

- Problem Loan Committee

The Bank also has in place a Problem Loan Committee. It has four members, and is chaired by the member of the Management Board responsible for risk management.

- Liquidity Commission

The Liquidity Commission monitors the situation and adopts measures to ensure short-term liquidity. It has nine members, and is chaired by the member of the Management Board responsible for finance.

The Liquidity Commission meets daily.

- Asset-Liability Committee (ALCO)

The ALCO assesses and monitors the structure of the statement of financial position, capital adequacy, interest rate risk, structural liquidity, market risks, currency risks, the profitability and results of profit centres, financial plans, aggregate credit risk, regulatory requirements, the tax aspects of operations, and other risks associated with new products and services. It has ten members, and is chaired by the member of the Management Board responsible for finance.

The ALCO meets once a month.

- Operational Risk Committee

The Operational Risk Committee is responsible for monitoring, measuring, assessing, and managing operational risks. It has seven members, and is chaired by the member of the Management Board responsible for risk management.

The committee meets at a minimum quarterly.

- Crisis Committee

The Crisis Committee is the decision-making body responsible for managing crises. The committee makes independent decisions regarding all proposals for immediate action aimed at crisis management, including decisions regarding the use of extraordinary financial and other assets. The committee meets and functions when crises occur. It is chaired by the president of the Management Board.

- Model Risk Committee

The committee is responsible for reviewing model risk management, the register of models, model risk appetite and take-up, and the model risk management statement. It is responsible for the approval and submission of final decisions to the Management Board in connection with new risk models and changes to existing models, the adoption of the

Bank's bylaws regarding model risk management, the results of the assessment of materiality and risk models, plans and reports in connection with model validation.

It has eight members and is chaired by the member of the Management Board responsible for risk management.

The committee typically meets once a month.

- IT Steering Committee

The committee is tasked with studying, discussing and making decisions regarding all current IT requirements in connection with personnel, risk- and finance-related issues, discussing external providers of IT services, and making decisions regarding new projects and planning requirements.

It comprises all members of the Management Board. Because the function of member of the Management Board responsible for the Bank's operations (COO) is vacant, the committee is chaired by the Bank's procurator, who coordinates activities in connection with the management of the Bank's operational organisational units.

It typically meets once a month.

- Climate Change and Sustainability Committee

The Climate Change and Sustainability Committee is responsible for the comprehensive and effective implementation of the ESG strategy with the aim of managing the associated risks and opportunities.

The committee takes decisions regarding the inclusion of various initiatives, defines and monitors objectives and success in connection with climate-related risks, oversees the work of the internal working group, monitors the drafting and approval of the ESG report, and adopts reports regarding the activities of the relevant organisational units and reports on progress to the Supervisory Board.

Committee members include all members of the Management Board, the directors responsible for areas most closely related to ESG, an advisor to the Management Board's and the ESG coordinator. The committee is chaired by the member of the Management Board responsible for the area of risk.

Supervisory Board

According to the Articles of Association, the Supervisory Board comprises a minimum of six and a maximum of 11 members, who are appointed by the General Meeting of Shareholders. It had seven members as at 31 December 2022.

Detailed information about the Supervisory Board can be found in Section 2.4. Information regarding governance arrangements.

Committees of the Supervisory Board

The following committees performed their work in accordance with the Companies Act (ZGD-1) and Banking Act (ZBan-3) during the 2022 financial year: the Audit Committee, the

Remuneration Committee, the Nomination Committee, the Risk Committee and the Credit Committee.

In addition to Supervisory Board committees established on the basis of the ZGD-1 and ZBan-3, the Supervisory Board also has a Credit Committee in accordance with the bank's Articles of Association. The Credit Committee is responsible for giving consent to the Management Board for the conclusion of loan transactions for which the Supervisory Board has adopted a special resolution.

Detailed information regarding the work and powers of the Supervisory Board's committees is presented in the section entitled Corporate governance statement of Nova KBM.

2. Lines of defence

The Bank has defined the organisational structure of internal control mechanisms, i.e. three lines of defence, in the scope of the Internal Control System Policy at Nova KBM.

Internal controls, as the first line of defence, are the primary tool for managing business risk. The primary objective 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 segregation of responsibilities and powers, and a clear work process defined by internal instructions.

Internal control functions, as the second and third lines of defence, provide an independent and objective assessment of effectiveness and compliance with regard to the Bank's internal governance arrangements on the basis of the review and assessment of the adequacy of risk strategies and policies, the Bank's risk management processes, procedures and methodologies, and reporting on risks.

Risk management tasks

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

Nova KBM's risk management function is responsible for ensuring effective processes are in place:

- to define the risks to which the Bank is exposed;
- to develop methods and models for the assessment and measurement of risks;
- to develop, maintain and monitor the risk management strategy, risk appetite framework and risk management policies;

- to develop, maintain and monitor the Lending Policy, Collateral Policy, Operational Risk Policy, Outsourcing Policy, IT Security Policy, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), and to develop forward-looking own funds/liquidity management, and to plan capacities using the appropriate methodologies and tools;
- performance of internal stress tests and sensitivity analyses in the scope of the ICAAP and ILAAP, and with regard to climate risks
- to regularly review (at least once a year) the risks to which the Bank is exposed in the performance of its business activity;
- to perform a risk-related review of the consequences of new business activities proposed by the Bank's commercial functions;
- to develop and maintain reports and analyses relating to the risks to which the Bank is exposed, including credit, market, interest rate, liquidity, operational and strategic risks, and the reputation risk; and
- to implement the bank recovery and resolution directive (BRRD), and the processes of the Bank and the banking group; to develop and maintain recovery and resolution plans.

In addition, the risk management function has an early warning system (EWS) in place for detecting increased risks in order to capture potential risks in the Bank's portfolio and to take appropriate action to mitigate such risks in a timely manner. The main area of work is the continuous inclusion of risk models in the Bank's risk management processes.

Risk identification

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

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

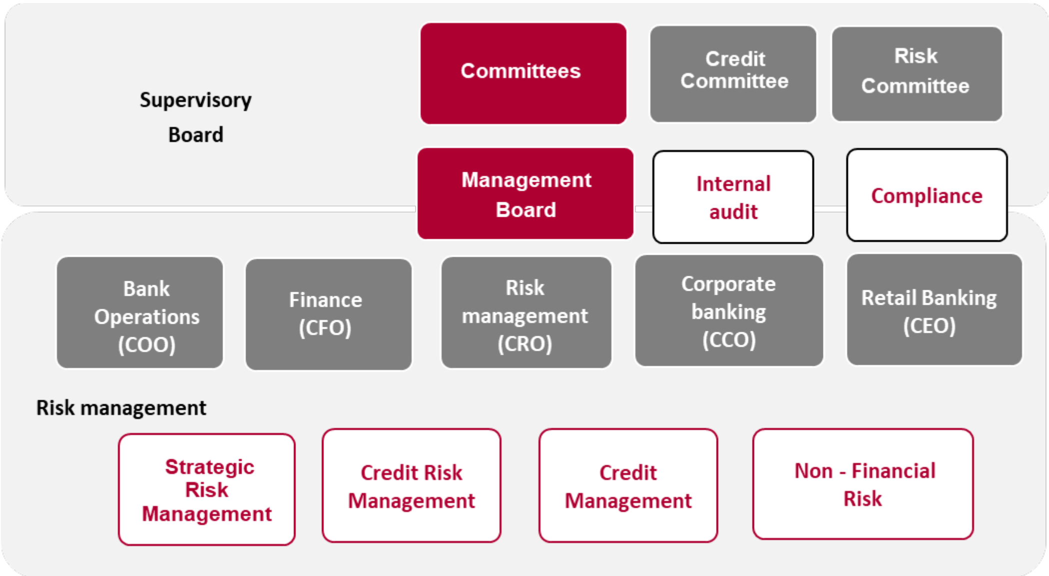
Risk appetite

The risk appetite framework (RAF) defines the Bank's risk profile and the corresponding level of risks the Bank is prepared to accept in order to achieve its business objectives. Risk appetite is quantified in the risk appetite statement which serves as the basis for communicating the Group's risk appetite throughout the organisation. The RAF is thus reflected in and determines the business strategy.

In accordance with legal requirements, the risk management function has direct access to the Supervisory Board, while a regular reporting process to the Management Board is in place via a monthly report submitted to the Chief Risk Officer (CRO), which provides the latter detailed information regarding 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 illustrates the organisational structure of risk management at Nova KBM d.d.

Figure 4: Organisation of the area of risk management at Nova KBM d.d.



Compliance function

As an element of the system of internal control mechanisms, the compliance function manages compliance risk through regular monitoring, assessment, measures and reporting. The compliance function reports directly to the Bank's Management Board and is functionally and organisationally segregated from the Bank's other functions in which conflicts of interest could arise vis-à-vis the compliance function. The compliance function has unlimited access to all information required for the performance of its tasks and responsibilities.

Compliance risk is the current and expected risk of losses in connection with income, capital and the Bank's reputation due to breaches of or failure to comply with laws, the requirements of supervisory bodies (e.g. the Bank of Slovenia, European Central Bank, Securities Market Agency, etc.), rules and regulations (internal and external), agreements, prescribed practices and the ethical standards set out in the Code of Conduct of Nova KBM d.d. and the Nova KBM Group.

The primary objective is the Bank's commitment to operating in accordance with valid regulations and ethical standards in order to safeguard the core values, integrity, ethics and reputation of the Bank and Group. The continuous management of compliance risk in this area is required to achieve the aforementioned objective, including, in particular, the management of all risks that could bring the Bank or Group into disrepute, cause financial damage, result in legal or regulatory sanctions, or affect employees, customers, contractors, suppliers, shareholders and all other stakeholders who cooperate with or wish to cooperate with the Bank or Group.

The preventive management of compliance risk includes the regular monitoring of all changes to valid legislation on the one hand and ensuring the implementation of those changes in the Bank's bylaws and processes on the other, as well as the establishment, propagation and actual implementation of a culture of compliance and integrity across the Bank and Group. The latter is based on the principle of equity and the Bank's zero-tolerance policy with regard to unauthorised conduct.

To that end, the compliance function:

- informs and educates employees with regard to the values, policies and processes that help ensure that the Bank acts responsibly and fulfils all valid obligations;
- provides advice and assistance to the Bank as a whole and to its employees with regard to measures that contribute to the prevention of non-compliance;
- establishes internal controls and improves the effectiveness thereof;
- manages compliance risk management systems, and identifies, assesses, monitors and reports on risks;
- addresses identified events that indicate possible breaches of regulations in the broadest sense or the ineffectiveness of safeguards (inadequate arrangements or security controls), or that indicate a previously unknown situation that could be relevant with regard to compliance;
- addresses all adverse or unplanned events that cause or could cause an unwanted situation at the Bank. Adverse events include, in particular, errors (the aspect of an event) and unauthorised conduct;
- regularly verifies and tests internal controls and resilience to specific compliance risks;
- continuously monitors new and amended regulations and rules, and the implementation thereof; and
- analyses compliance risk by actively participating in the verification of whether new products are launched in accordance with valid regulations, standards and the Bank's bylaws.

The compliance function draws up an assessment of the compliance risks to which the Bank and Group are exposed at least once a year or when necessary, i.e. in the event of material changes in operations (geographical expansion, new products, new owner, etc.) or material changes in the regulatory environment (e.g. new regulations). That assessment also sets out the planned management of identified risks, taking into account previously envisaged or planned measures and activities to manage/mitigate compliance risks. Also defined in that regard are priorities with respect to the identified level of compliance risks. The compliance function reports regularly to the management body and relevant organisational unit with respect to the aforementioned assessment, together with proposed measures for improvement of internal controls in the event of increased compliance risk. The compliance function submits an annual report and annual compliance risk assessment to the Bank's Management Board and Supervisory Board for review and approval.

Given the specific nature of the tasks and activities of the Bank's compliance function, the employees who perform the compliance function require a high level of professional competences in the area of law and the appropriate work experience. Also desired is knowledge in the areas of banking, economics (finance) and the Bank's business processes. For that purpose, employees who perform the compliance function attend regular training in the area of compliance.

Internal audit function

The Bank has in place a three-line system in order to ensure effective governance, risk management and internal control systems. Serving as the third line is the Internal Audit Department, which is organised as a sector.

The Internal Audit Department conducts internal auditing in accordance with:

- the International Standards for the Professional Practice of Internal Auditing,
- the Code of Internal Auditing Principles,
- the Code of Ethics of Internal Auditors, and
- the Internal Audit Charter.

Nova KBM's Internal Audit Department is responsible for the internal audit function of Nova KBM and the Nova KBM Group. The parent bank's subsidiaries may have their own internal audit function in accordance with legal requirements and/or the decision of their owners. Nova KBM's Internal Audit Department is responsible for internal auditing at all subsidiaries as part of the performance of its control activities. Decisions regarding auditing at subsidiaries are adopted based on annual planning, which in turn is based on risks. All subsidiaries must comply with the rules of the Internal Audit Charter.

For the purpose of performing its tasks, the internal audit function has the comprehensive and unlimited right to request the submission of information and documentation, and the right to review and investigate.

Principles of the Internal Audit Department's work:

- it is an independent organisational unit that is segregated from the Bank's other organisational units;
- reports directly to the entire Management Board of Nova KBM, Audit Committee and Supervisory Board;
- reports to the President of the Management Board (CEO) in disciplinary and organisational terms;

- the head of the Internal Audit Department is responsible for the performance of auditing tasks in accordance with the law; and
- auditing tasks are performed in accordance with the annual audit plan, which is submitted to the Supervisory Board/Audit Committee in accordance with the law.

Operating principles of the Internal Audit Department:

- Independence in the planning of internal auditing. The Internal Audit Department independently draws up an annual plan based on risks in accordance with the risk-based internal audit planning methodology of the Nova KBM Group. The Bank's Management Board approves that plan with the consent of the Supervisory Board.
- Independence in auditing, reporting and the assessment of the results of auditing. Independence is ensured in the scope of the audit process. The Bank's Management Board receives audit reports following coordination with audited areas/organisational units.
- Inclusion of the Internal Audit Department in other activities. Auditors only perform auditing activities. If other activities are performed, it must be ensured that an auditor's impartiality is not impaired as a result.
- Impartiality. Once a year, every internal auditor must declare any conflicts of interest that might impair their impartiality.
- Education and training. In accordance with the law, at least one employee must hold the title of certified internal auditor. Appropriately qualified staff must be in place to ensure the quality of internal auditing. This is ensured by the Bank through an annual education and training plan.

The Internal Audit Department ensures the quality of internal auditing through external assessments performed every five years and through annual internal assessments. The aforementioned external assessment provides the assurance of an independent assessor that internal auditing work is performed in line with professional standards and rules. The most recent external assessment report was drafted in December 2022 and indicated that the work of the internal audit function is in line with all relevant standards.

2.2.3 SCOPE AND NATURE OF RISK REPORTING AND MEASUREMENT SYSTEMS

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

The Group employs a systematic approach to the regular updating and assessment of the appropriateness of established strategies, policies, methodologies and instructions. Documents are reviewed and updated at least once a year.

Policies governing the management of individual risks include definitions of the methods and frequency of measurement and reporting. The scope and frequency of reporting depend on the type of risk and report recipient. The persons responsible for managing and reporting on specific risks are independent from the organisational units that take up risks, which in turn prevents conflicts of interest.

Reports take into account requirements regarding objective, comprehensive and transparent reporting on specific risks. Regular reports are standardised.

Table 1: Reporting on exposures and risk management

REPORTS	Frequency of report preparation	Regulatory body	Supervisory Board[1]	Risk Committee[2]	ALCO	Management Board	Operational Risk Committee
CREDIT RISK							
Quality of the credit portfolio	monthly					x	
	quarterly		x	x			
Loan portfolio limits by segment and product	monthly		x	x		x	
Changes in the rating classification of obligors, and changes in impairments and provisions	monthly		x	x		x	
Exposure to obligors in a group of connected clients	monthly	x	x	x		x	
LIQUIDITY (ILAAP) RISK							
Liquidity position, results of stress tests in stock of liquidity reserves	monthly		x	x	x	x	
Liquidity ratios (LR, LCR and NSFR)	daily/ monthly/ quarterly		x	x	x	x	
Annual ILAAP report	annual	x	x	x		x	
Report on the risk profile of the Nova KBM Group	at least once a year	x	x	x		x	

[1] The frequency of the report preparation does not necessarily correspond to the frequency with which the respective reports are formally considered by the governing body.
[2] ibid

REPORTS	Frequency of report preparation	Regulatory body	Supervisory Board[1]	Risk Committee[2]	ALCO	Management Board	Operational Risk Committee
Report on stress tests performed for the funding plan	at least once a year	x	x			x	
Monitoring of key risk indicators, limits and appetite by risk type	monthly		x	x	x	x	
LAS (annual ILAAP report)	annual	x	x	x		x	
MARKET RISKS							
Current IRRBB and stress tests	monthly		x	x	x	x	
IRRBB position and limit system	monthly		x	x	x	x	
Trading and banking book of securities and derivatives, and limit system	daily/ monthly		x	x	x	x	
Monitoring of established limits	daily/ monthly		x	x	x	x	
OPERATIONAL RISK							
Reports regarding operational risk management: - reports on operational risk management - reports regarding physical and IT security incidents - report on analyses of operational risk - reports on the management of	quarterly						x

REPORTS	Frequency of report preparation	Regulatory body	Supervisory Board[1]	Risk Committee[2]	ALCO	Management Board	Operational Risk Committee
risks in connection with outsourced services - reports on fraud risk management							
Fraud reporting	quarterly	x					
Report on fraud	monthly					x	
Red light: if an individual loss event or the sum of loss events exceeds limits – according to the Recovery plan	when a limit is exceeded	x	x			x	x
Pillar 1 capital adequacy							
Own funds, capital adequacy and capital adequacy ratio	monthly * quarterly reporting to the regulator * annual reporting in the scope of the CAS	x*	x	x	x	x	
Monitoring of established limits	monthly * annual reporting in the scope of the CAS	x*	x	x		x	
Reporting on the long-term planning of own funds, capital adequacy and capital adequacy ratio	monthly monitoring * annual reporting in the scope of the CAS; calculation at least once a year	x*	x	x	x	x	

REPORTS	Frequency of report preparation	Regulatory body	Supervisory Board[1]	Risk Committee[2]	ALCO	Management Board	Operational Risk Committee
ICAPP							
Report on the risk profile of the Nova KBM Group	* annual reporting in the scope of the CAS; at least once a year	x*	x	x		x	
Report on stress tests and sensitivity analyses performed	* annual reporting in the scope of the CAS; at least once a year	x*	x	x		x	
Monitoring of the allocation of own funds, regulatory own funds and Pillar 2 capital adequacy	monthly * annual reporting in the scope of the CAS	x*	x	x		x	
Monitoring of key risk indicators, limits and appetite by risk type	monthly * annual reporting in the scope of the CAS	x*	x	x		x	
Reporting on the long-term planning of own funds, capital adequacy and capital adequacy ratio	monthly monitoring * annual reporting in the scope of the CAS; calculation at least once a year	x*	x	x		x	
MREL monitoring	monthly * quarterly reporting to the regulator * annual reporting in the scope of the CAS	x*	x	x	x	x	

REPORTS	Frequency of report preparation	Regulatory body	Supervisory Board[1]	Risk Committee[2]	ALCO	Management Board	Operational Risk Committee
CAS	annual	x	x	x		x	

JOINT REPORTS

CRO report	monthly		x	x		x	
ALCO Report	monthly				x	x	
COREP reporting	quarterly	x					
STE reporting	quarterly/ annually	x				x	
Recovery plan	annual	x	x		x	x	

2.2.4 POLICIES FOR HEDGING AND MITIGATING RISK, AND THE STRATEGIES AND PROCESSES FOR MONITORING THE CONTINUING EFFECTIVENESS OF HEDGES AND MITIGANTS

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

The Bank has in place an umbrella document regarding the acceptance and management of risks, i.e. the risk appetite framework, including the risk appetite statement, and the Operational Limits Handbook at the level of the Nova KBM Group and at the level of the Biser Topco Group, where appropriate. That handbook includes:

- risk appetite, overall and by individual type of risk;
- precisely defined thresholds for key risk indicators;
- precisely defined exposure thresholds for each segment, product, etc., which are linked to the risk appetite limit and key risk indicators; and
- an early warning system, and measures and responsibilities in the event the maximum value of thresholds are exceeded.

The monitoring and management of individual types of risk are defined in detail in the risk management policy, which takes into account the specific characteristics of individual types of risk. Each policy is the responsibility of one person who ensures the harmonisation of an individual policy with other policies, and with the applicable legislation and best banking practice. Defined is the minimum scope of an individual policy, which includes a definition of activities during the current year, the definition of risk, the method for measuring, reporting and limiting exposure, and a clear definition of the tasks of individual persons.

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

- Strategies:
  - Business strategy
  - Asset and Liability Management (ALM) Strategy
  - Investment strategy
  - Trading strategy for financial instruments in the trading book
  - IT strategy
  - ESG strategy
- Credit risk:
  - Credit Risk Management Policy
  - Corporate and Financial Markets Lending Policy
  - Lending policy for Private Individuals and Micro Companies
  - Collateral Policy
- Pillar 1 capital adequacy:
  - Policy Governing the Management of Own Funds and Own Funds requirements
- Market risks:
  - Market Risk Management Policy
  - Interest Rate Risk Management Policy
  - Hedge Accounting Policy
- Operational risks:
  - Framework for implementing the Operational Risk Management Policy
  - Operational Risk Management Policy
  - Outsourcing Policy
  - Compliance Policy
  - IT Security Policy
  - Policy Governing the Management of Risk Associated with Information and Communication Technology (ICT)
  - Fraud Management Policy
  - Reputation Risk Management Policy
- ICAAP and ILAAP:
  - ILAAP Policy within the Nova KBM Group
  - Internal Capital Adequacy Assessment Policy

- Model Risk Management Policy
- Stress Testing Policy

- The Group's other management policies and strategies:
  - Governance Policy of Nova KBM d. d. and Companies within the Nova KBM Group
  - Policy on the Assessment of the Suitability of Members of Management bodies and key Function Holders (the Fit & Proper Policy)
  - Internal Control System Policy
  - Disclosure Policy
  - Remuneration Policy
  - Anti-Corruption Policy
  - Data Management Policy
  - Dividend Policy
  - Policy on the Risk-Adjusted Return on Capital (RaRoC)
  - Rules on the Introduction of New Products and the Modification of Existing Products
  - Policy on Drafting of the Strategies, Plans and Forecasts of the Nova KBM Group
  - Recovery and Resolution Policy

Risk management policies form the basis for the management of individual risks across the entire Group. In line with the scope of their operations, Group companies may use their own approach to managing specific risks, with the consent of the responsible person at the parent bank.

Credit risk management is carried out on the basis of:

- statistical credit rating models used to assess the risk associated with an obligor (probability of default);
- statistical credit rating models used to assess loss given default;
- the daily monitoring of notifications from the EWS;
- the definition of appropriate forms of collateral in terms of type, legal certainty and the valuation thereof;
- the definition of rules regarding the identification and formulation of groups of connected clients, and the determination of the appropriate exposure on that basis;
- the appropriate segregation of responsibilities and the definition of decision-making competences at all levels of credit risk management;
- a clear framework for portfolio monitoring and credit risk management;
- the establishment of appropriate processes and tools for effective recovery in the event of non-performing investments;
- the indirect (through loan-origination models) and direct participation of representatives of the Risk Management Department in decisions regarding loan origination;
- clear guidelines and rules in the loan origination process;

- the adoption of appropriate strategies when obligors encounter financial difficulties;
- risk assessment methodologies, reporting and the adoption of measures, and the monitoring of the success thereof;
- a limit system for the entire portfolio subject to credit risk, which is directly integrated into the risk appetite framework and ICAAP; and
- IT support for the appropriate documentation of data and the prevention of operational risk.

The management and mitigation of liquidity risk (ILAAP) is carried out on the basis of:

- limit systems;
- the daily monitoring of the liquidity position and liquidity ratios;
- the performance of stress tests;
- the ILAAP methodology;
- the ILAAP methodology as it relates to the performance of stress tests;
- liquidity risk management contingency plan methodologies;
- other risk assessment methodologies, reporting and the adoption of measures, and the monitoring of the success thereof;
- IT support for the appropriate documentation of data and the prevention of operational risk.

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

- the established limit system;
- the daily monitoring of the EWS;
- the performance of stress tests;
- risk assessment methodologies, reporting and the adoption of measures, and the monitoring of the success thereof; and
- IT support for the appropriate documentation of data and the prevention of operational risk.

The management and mitigation of operational risk (OR) is carried out on the basis of:

- the established Operational Risk Loss and Event Data Rulebook;
- established OR self-assessment and scenario analysis methodologies;
- the established risk indicator management framework;
- the daily monitoring of OR loss events;
- the established outsourcing risk management framework; and
- the definition and monitoring of appropriate measures to prevent the repetition of OR loss events.

The management and mitigation of other types of risks, material in terms of the ICAAP, are carried out on the basis of:

- the establishment and monitoring of a limit system and EWS, where appropriate;
- the performance of stress tests, where appropriate;
- established risk assessment and measurement methodologies;
- reporting on risks and the proposal of the necessary measures to mitigate exposure to risk and the monitoring of the success of those measures;
- the established system of internal controls; and
- the established system for defining the roles and responsibilities of individuals responsible for managing individual types of risks.

2.2.5 DECLARATION OF THE MANAGEMENT BODY REGARDING THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS

(Articles 435(1)(e) and 435(1)(f) of the CRR)

In accordance with Article 17 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks and Articles 435(1)(e) and 435(1)(f) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), the management body comprising the Management Board:

John Denhof, President,
Sabina Župec Kranjc, Vice-President,
Miha Kristl, member,
Matej Falatov, member

and the Supervisory Board, represented by its **Chairman Imre Bertalan,**

hereby confirm, by signing this declaration, that the risk management function, which is an independent area within the Bank's organisational scheme, is adequately arranged. The risk management system is appropriate with respect to the Bank's risk profile and strategy, and its capacity to take-up risks.

Within the framework of its Governance Policy and its Internal Control System Policy, the Group has put in place an effective internal governance system based on the concept of three lines of defence, where the risk management function represents the second line of defence. The risk management function is an independent organisational unit.

Risk Management Function and Risk Appetite Framework

The risk management function is an important part of the overall governance of the Group and is based on the Nova KBM Group's Risk Appetite Framework which defines the concepts, objectives and procedures in connection with the conscious acceptance of risks. The Risk Appetite Framework is linked to the Group's business strategy, ICAAP, ILAAP, the implementation of stress tests, including sensitivity analyses, and other processes/strategies material for the governance of the Group. The main elements of the Risk Appetite Strategy are included in the risk appetite statement which serves as the basis for informing the Bank's organisational units about Nova KBM's risk appetite. This approach provides for the proper implementation of the Group's risk management strategy.

The basis for the drafting of the Risk Appetite Framework is the identification of the risks associated with the Group's current and future operations. Risks are identified using the appropriate process, which is an integral part of the assessment of the Bank's risk profile in the scope of the ICAAP and ILAAP. The identification of risks is carried out with the help of quantitative and qualitative models and covers both the risks to which the Group is already exposed and the risks to which it might be exposed in the future. The result of the risk identification process is a list of risks that are subsequently assessed and managed in the scope of the ICAAP and ILAAP processes. Also defined is the materiality of individual types of risks is defined based on an assessment of each type of risk during the risk quantification process through the definition of the materiality of risks and the need to allocate capital or a liquidity buffer. This is performed with the help of an assessment of the probability of the realisation of risks and the occurrence of a loss event, an assessment of the appropriateness of controls established to mitigate individual risks and on the basis of the results of stress tests from the business plan and sensitivity analyses. The need to allocate capital or a liquidity buffer is assessed, and a limit system established for identified and assessed risks.

Risk Appetite Statement and Risk Bearing Capacity

In its risk appetite statement, the Group defines the overall scope and type of risks that it is willing to accept or avoid achieving its business objectives. Defined in that statement is the risk appetite framework which sets out a list of material and other risks, as well as key risk indicators relating to capital adequacy, liquidity, asset quality and profitability. Those indicators are monitored on a regular basis. For the purpose of defining its risk appetite, the Group has established threshold values for the aforementioned key risk indicators by acceptance level based on forward-looking assessments, as well as risk triggers. The established risk appetite is further integrated in the limit system, together with the early warning system. The limit system is defined in the Group's Operational Limits Handbook which is a separate document enclosed with the risk appetite statement.

In addition to the risk appetite statement, the Group has also defined its risk-bearing capacity. Risk-bearing capacity determines the maximum scope of risks that the Nova KBM Group is capable of taking-up and is defined by the amount of Common Equity Tier 1 capital (CET1) which is in line with the 'going concern' approach defined in the ICAAP framework. In the scope of the ILAAP, this is represented by available, highly liquid assets, and the definition of the minimum required liquidity buffer that must be ensured by the Bank for a three-month period of emergency liquidity conditions.

Risk-bearing capacity represents the starting point for the definition of the overall risk appetite, which is also defined for each type of risk by the need to allocate capital or a liquidity buffer, and by the total utilisation of the acceptable scope of risks with respect to the risk appetite. When determining its risk appetite, the Nova KBM Group takes into account the most recent list of risks, the utilisation of limits by individual type of risk, and by individual organisational unit, segment and product, where appropriate. The risk appetite is in line with the Group's business plan and the results of the internal stress tests. The Group regularly monitors the utilisation of risk-bearing capacity through key risk triggers and reports them to the Bank's bodies. The risks that the Group is willing to take-up do not exceed its risk-bearing capacity.

The performance of stress tests and sensitivity analyses is also an integral part of the overall risk management process within the Nova KBM Group. The results obtained from both processes are used in the decision-making process and in the adoption of strategic decisions. Stress tests and sensitivity analyses are performed in scope of the ICAAP, ILAAP and the Recovery Plan.

The Bank includes economic, social and governance risks in risk management and other internal processes, with an emphasis on environment and climate risks. That process is continuously updated with the aim of achieving its objectives and commitments to sustainable development and the transition to a low-carbon economy.

An effective risk management system, which is based on the business model put in place at the Group level, and also effective corporate governance, have made a comprehensive contribution to reducing SREP requirements in recent years.

Risk profile

The risk profile is drawn up at the level of the Nova KBM Group. Identified and assessed risks included in the Nova KBM Group's risk profile do not deviate from the risks identified by the Biser Topco Group.

The Bank has in place a comprehensive process for identifying types of risks to which it is exposed in its operations. The Bank monitors identified risks in the form of a risk register. A narrower set of risks assessed during the drafting of the risk profile is confirmed by risk owners and other responsible persons, including the Bank's Management Board, and presents the risks to which the Group is exposed in its operations. The risks identified and assessed in the scope of the risk profile are further addressed in the Internal Capital Assessment Process.

The treatment of ESG risks is based on the inclusion of ESG factors in existing risk types where they are relevant, and not as separate risks in order to avoid the duplication of the associated effects. Included in the risk appetite framework in 2022 were target guidelines regarding the implementation of ESG risks in the Group's operations, while the establishment of key ESG risk factors is planned for 2023.

The assessment of the risk profile for 2022 is in line with expectation given the operating environment and global macroeconomic and geopolitical developments. The risks identified as the dominating ones are capital risk, credit concentration risk, systems-ICT risk, profitability risk and credit default risk. The Group has taken appropriate steps to mitigate the identified risks/threats.

Risk-bearing capacity, risk appetite and established limit system

The risk appetite statement is a written statement regarding the overall scope and type of risks that the Group is willing to take-up or avoid to achieve its business objectives. The risk appetite statement (RAS) expresses the capacity to consciously take up risks, which is defined by a set of quantitative measurements and qualitative statements. The risk appetite is defined as the highest level of risk that the Group can take up with respect to own funds and liquidity, its ability to manage and control risks, and regulatory constraints.

Defining the risk appetite is an integral part of business planning and the planning of regulatory own funds and own funds requirements, the planning of liquidity needs, and the performance of stress tests. The risk appetite is defined at the level of each type of risks with the need for the allocation of own funds, and in a total amount as a proportion of the risk-bearing capacity. The latter is represented by the amount of Common Equity Tier 1 capital.

Every year, or more frequently as required, the Management Board approves the risk appetite statement in the scope of the risk appetite framework in order to ensure compliance with the business strategy, the business and regulatory environments, and the requirements of stakeholders.

The risk appetite statement links established key risk indicators, the results of the ICAAP and ILAAP, the normative and economic perspectives, and the limit system, together with the early warning system.

The key risk indicators link the Group's business strategy, business plan and risk profile. The table below illustrates the key risk indicators defined in the Group's risk appetite statement as at 31 December 2022. All the key indicators on the reporting date were adequately clear of the internal thresholds put in place.

Table 2: Key risk indicators as at 31 December 2022 of the Biser Topco Group

Solvency	Common Equity Tier 1 capital ratio	16.62%
	Total capital ratio	17.27%
	Leverage ratio	7.88%
	Economic solvency ratio	54.12%
Liquidity	LCR	340.88%
	NSFR	177.47%
	Survival period	> 365 dni
Profitability	Cost of risk	24 b.t.
	Net operating margin	37%
Asset quality	NPL ratio	2.73%
	Non-performing loans / equity and impairments	16.22%

The economic perspectives of the ILAAP set out the required size of the internal liquidity buffer which consists of high-quality available liquid assets intended to cover funding liquidity risk and market liquidity risk. The Group sets a minimum requirement for the internal liquidity buffer as the liquidity risk appetite.

Strategic planning and capital and liquidity adequacy planning process

On an annual basis, the Bank carries out the strategic planning process, which defines the Group's future strategic priorities and comprises two phases: a 'top-down' phase and a 'bottom-up' phase. The objective of the strategic plan is to establish a comprehensive process that includes regulatory own funds/own funds requirements/capital adequacy, funding and profitability plans.

Such an approach translates long-term strategic objectives into measurable short-term and medium-term financial targets, and facilitates the monitoring and management of the success of the business plan during the year.

The purpose of the strategic planning process is to achieve:

- balanced, risk-weighted operations across all business areas and organisational units;
- high risk management standards;
- compliance with regulatory requirements; and
- stable capital and liquidity position.

The process of strategic planning and capital and liquidity adequacy planning provides for the following:

- the assessment of key risk management indicators, taking into account strategic priorities and the business plan;
- the assessment of the risk-bearing capacity with regard to internal and regulatory requirements;

- the assessment of the risk appetite and thresholds of key risk indicators, and the establishment of a limit system for each type of risk; and
- the performance of stress tests for the purpose of assessing the impact of stress scenarios on capital adequacy, own funds and liquidity.

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

Resolution planning

The Group Resolution Plan is prepared by the resolution authorities, rather than by the Group itself. The Group works closely with the Single Resolution Board (SRB) and the Bank of Slovenia (BoS) which established the Group Resolution Plan. The Resolution Plan is based on a single point of entry (SPE) bail-in as the preferred resolution strategy. Under the SPE bail-in strategy, the Bank would be recapitalised through a write-down and/or conversion to equity of capital instruments and other eligible liabilities to stabilise the Bank.

To further support and improve resolvability the Group has established a **multi-annual resolvability work programme**, which defines resolution planning activities. Inter alia, the programme includes:

- tasks aimed at improving business continuity in resolution, with the newly drafted, stand-alone document, "Succession planning and employee retention for resolution purposes", which describes NKBM's arrangements regarding the definition of the appropriate roles, staff retention and succession planning;
- the drafting of the stand-alone document, "Separability analysis report" (SAR), where the sale of the company is envisaged as an alternative strategy in the resolution of NKBM;
- the drafting of the stand-alone document "Business reorganisation report" (BRP), which defines minimal activities and business areas that NKBM must ensure in the event of resolution in the form of a bail-in;
- the drafting of the stand-alone report "Liquidity in resolution – mobilisation of collateral", which covers roles and responsibilities in the management of assets pledged as collateral, access to assets pledged as collateral at the ECB and access to assets pledged as collateral on foreign markets; and
- the drafting of an updated Bail-In Playbook with two dry-run reports.

The Group's Management and Supervisory Boards regularly reviews progress with regard to the multi-annual resolvability work programme.

MREL

The BRRD requires banks in EU member states to maintain minimum requirements for own funds and eligible liabilities (MREL) to make resolution credible by establishing sufficient loss absorption and recapitalisation capacity. The MREL requirement for the Group which is based on the Single Point of Entry (SPE) approach, is regularly analysed and monitored by the Group. The Group has fully integrated the MREL requirement into its the overall Risk Management system.

The Group's MREL based on the total risk exposure amount (TREA), as issued by the Bank of Slovenia, is set at 23.18% (without the combined buffer requirement (CBR), which is 3% for 2022) and must be met on 1 January 2024 following the end of the transitional period.

Maribor, 30 March 2023

Management Board of Nova KBM d.d.

Miha Kristl
Member

Matej Falatov
Member

Sabina Župec Kranjc
Vice-President

John Denhof
President

Supervisory Board of Nova KBM d.d.

Imre Bertalan
President

2.3 INFORMATION REGARDING RISK MANAGEMENT OBJECTIVES AND POLICIES BY RISK CATEGORY

This section covers the disclosures required under Article 435(1) of the CRR and are set out in the tables EU CRA, EU CCRA, EU MRA and EU LIQA of the Guidelines, for each individual risk category.

2.3.1 GENERAL QUALITATIVE INFORMATION REGARDING CREDIT RISK

This section includes the disclosures required under Article 435(1) of the CRR and are set out in Table 'EU CRA – General qualitative information regarding credit risk'.

Credit risk is the risk of loss arising from the failure of an obligor to settle its obligations to a Group company, and is the basic risk to which the Group is exposed in its activity. As the core document, the Nova KBM Group's risk appetite framework includes quantified strategic objectives in connection with the take-up of credit risk.

Credit risk management includes the identification, measurement and reduction of risks to an acceptable level that is in line with the established business strategy, risk appetite framework and risk appetite statement. Credit risk is managed at the level of customer, individual Group company and the Group as a whole.

The Group monitors, mitigates and manages credit risk:

- by defining the risk associated with an obligor and assessing expected credit losses in accordance with the International Financial Reporting Standards;
- by ensuring sufficient capital to cover credit risks;
- by limiting exposure in the scope of the limit system, which is directly integrated into the risk appetite framework and ICAAP; and
- by appropriately securing financial assets.

For the purpose of mitigating credit risk, decision-makers from the risk management function are included in the decision-making process (decisions according to the four-eyes principle).

2.3.1.1 Non-performing exposures

The Group designates as non-performing exposures (NPEs) those exposures where it justifiably expects that an obligor will be unable to settle its obligations in full by the contractual deadline or that those obligations will not be settled without measures taken by the Bank, including the redemption of collateral, the sale of claims or forbearance.

The Group deems exposures to be non-performing if any of the following criteria are met:

- the exposure has a status of non-performing or is classified as Stage 3 in accordance with IFRS 9 and the Group's Methodology for Assessing Expected Credit losses (including arrears in the settlement of a material credit obligation of more than 90 days in accordance with the new definition of default under Article 178 of Regulation (EU) No 575/2013 (Capital Requirements Regulation or CRR), and with regulatory technical standards regarding the materiality threshold for credit obligations in arrears under Article 178 of Regulation (EU) No 575/2013), which is deemed the sum of all past due unpaid obligations of an individual obligor to the Bank until that sum exceeds 1% of total exposure to that obligor and is greater than €100 or €500, depending on calculated exposure;

- an exposure has been forborne, whereby the Group has experienced a material economic loss or assesses that an obligor's liabilities will probably not be repaid – forbearance with a low probability of payment;
- the exposure has already been treated as non-performing and the exit criteria are not met; and
- the customer is in insolvency proceedings.

The Bank has precisely defined criteria for customers in default. When those criteria are met, it deems that the risk associated with a customer has been mitigated and default status can be discontinued. When a customer is returned to a non-default rating grade, the associated exposure in a given observation period is reclassified as Stage 2 in accordance with IFRS 9.

When the reasons that resulted in a significant increase in the credit risk associated with a specific financial asset no longer exist and the Bank has sound reason to believe that there will not be another significant increase in the credit risk associated with an obligor's exposures over the short term, that financial asset is classified as Stage 1 and expected credit losses are recalculated for a 12-month period.

The return to non-performing exposures after forbearance is carried out if, during the two-year probationary period, a debtor is 30 days in arrears with respect to any exposure or if forbearance is repeated.

The Workout Department and Legal Office manage the portfolio of customers in default who are classified to default rating grades.

2.3.1.2 Interest rates and loan origination costs

The Bank has in place a system for setting interest rates based on an internal process and methodology in accordance with its adopted strategy and plan for the financial year. To that end, its policy is continuously adapted to current conditions in the internal and external environments based on the monitoring and analyses of the current situation. Proposals for setting and amending interest rates are put forth on the basis of a review and analysis of the current situation at the Bank and its immediate and wider environments, and an assessment of various factors that impact the level of proposed interest rates at the moment interest rates change.

Factors taken into account in the setting of interest rates on corporate loans include the base interest rate in the currency in which the loan is denominated, the purpose of the loan, credit rating, the credit history of the borrower, loan maturity, type of collateral, cooperation with the Bank and the competition aspect. Costs are defined based on the valid list of fees/resolution of the decision-making body, taking into account product and lending policies, an analysis of the competition and profitability calculations.

The prices of retail loans (approval costs, interest rates) are prepared or set on the basis of an analysis of competition in the banking sector and a calculation of the profitability of a specific product, which is performed according to an internal methodology. Interest rates are set on the basis of the valid resolution of the ALCO, while approval costs are set on the basis of the valid resolution of Nova KBM's Management Board.

The Bank applies an effective interest rate (EIR). An EIR is an interest rate that precisely discounts estimated future cash outflows or inflows to the gross carrying amount of a financial asset over the expected duration thereof. When estimating ECLs for POCI assets, the effective interest rate set at initial recognition is used for discounting purposes.

Interest rate benchmarks are interest rates that are regularly updated and publicly accessible. They are used in a number of financial transactions, such as housing loans and inter-bank transactions, and in complex financial instruments. Interest rate benchmarks are calculated by independent organisations. In most cases, they reflect the costs of borrowing money on various markets. This includes the cost of inter-bank lending, while they may also reflect the costs incurred by banks when borrowing money from other sources, such as insurance companies and pension or other funds.

Interest rate reform is in progress with the aim of ensuring the increased reliability, accuracy and integrity of interest rate benchmarks. Certain interest rate benchmarks have been discontinued (e.g. the interest rate benchmark for overnight euro transactions (EONIA) and the CHF LIBOR), while others are in the process of being amended or discontinued (e.g. the USD LIBOR, which has not yet been fully discontinued).

2.3.1.3 Exposure limits

In its operations the Group meets the restrictions on maximum allowed exposure prescribed by the CRR. In accordance with Article 395 of the CRR, the Bank's exposure to an individual person or group of connected clients, minus impairments and provisions, credit risk mitigation, exemptions and the effect of credit protection, may not exceed 25% of its eligible capital.

The Group's exposure to a client or a group of connected clients is limited with regard to the following:

- the credit rating of the individual client, having regard for the financial solidity of the group of connected clients;
- the collateral obtained;
- separately by product, where relevant; and

- the business segment (whether the exposure is to retail customers, to corporates or to financial institutions)

The Group regularly monitors the utilisation of the established limits, and reports regularly thereon to the appropriate management bodies.

2.3.1.4 Credit portfolio limits

With the aim of preventing a significant increase in credit risk in the Group's portfolio, and preventing the basic limits set out in the risk appetite statement from being transgressed, the Group has introduced a credit portfolio limit system. This is linked to the total capital ratio defined in the risk appetite statement, and is also linked via risk-weighted assets to the nominally determined limits sent to commercial units. Limits are set at the level of business lines, customer segments, products, where relevant, and credit ratings.

Limits related to quality and portfolio concentration are also set.

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

- portfolio structure limits: to prevent the limits set out in the risk appetite statement, concentrations and the resulting potential losses from being exceeded; and
- portfolio quality limits: to maintain portfolio quality.

The defined limits are additional supported by the early warning system (EWS), which sets out warning thresholds, and clearly defined roles, responsibilities and essential actions when those thresholds are reached.

2.3.1.5 Collateral policy

The Bank accepts the collateral set out in the CRR/CRD and the Regulation on credit risk management at banks and savings banks. The Bank also accepts other acceptable forms of collateral.

The type of required collateral depends on the Bank's strategy and lending policies, specifically the policy governing lending to corporate and financial market customers and the policy governing consumer loans and loans to micro enterprises. Collateral is defined depending on:

- the purpose and maturity of an investment, and
- an obligor's creditworthiness.

The Bank improves the quality of the collateral portfolio and thus mitigates credit risk through established minimum requirements for the collateralisation of investments (maximum loan-to-value – LTV). The Bank has defined the permitted level of unsecured investments taking into account the maturity of an investment and an obligor's creditworthiness.

2.3.2 QUALITATIVE DISCLOSURE RELATED TO COUNTERPARTY CREDIT RISK

This section covers the disclosures required under Article 435(1)(a) of the CRR and are set out in Table EU CCRA – Qualitative disclosure related to CCR of the Guidelines.

Counterparty credit risk management is explained in more detail in section 6.

2.3.3 QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK

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

Market risk management is explained in more detail in section 12.

2.3.4 QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO LIQUIDITY RISK

This section covers the disclosures required under Article 435(1) of the CRR and are set out in EU LIQA – Template on qualitative and quantitative information of liquidity risk of the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.

Liquidity risk management is explained in more detail in section 18a.

2.4 INFORMATION REGARDING GOVERNANCE ARRANGEMENTS

This section includes the disclosures required under Article 435(2) of the CRR, the content of which is set out in Table EU OVB.

2.4.1 NUMBER OF DIRECTORSHIPS HELD BY MEMBERS OF THE MANAGEMENT BODY

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

Management Board

Nova KBM's Management Board comprised the following four members as at 31 December 2022: John Denhof, President, Sabina Župec Kranjc, Vice-President, and members Miha Kristl and Matej Falatov.

Table 3: Membership of Management Board members on the bodies of other entities

Membership on the bodies of other entities as at 31 December 2022				
Management Board	**Name of other entity**	**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
Matej Falatov	Summit Leasing Slovenija d.o.o.	Leasing		X
	ALEJA finance d.o.o.	Factoring		X
Miha Kristl	Summit Leasing Slovenija d.o.o.	Leasing		X

The term of office of member of Nova KBM's Management Board and Chief Operating Officer, Aytac Aydin, ended on 11 February 2022 due to his resignation. His employment relationship with Nova KBM d.d. ended on the same day. Based on the resolution of the Bank's Management Board on the allocation of the management of individual business areas between the President and the members of Nova KBM d.d.'s Management Board, the management of the business area previously headed by Mr Aydin was assumed by the other members of the Bank's Management Board.

On 22 November 2021, Nova KBM's Supervisory Board reappointed John Denhof to serve as President of the Bank's Management Board for a period that ran from 1 March 2022 until 31 December 2022. John Denhof was originally appointed President of the Management Board with a term of office beginning on 1 March 2017 and ending on 28 February 2022.

On 16 November 2022, the Supervisory Board reappointed John Denhof to serve as President of Nova KBM's Management Board for a period that began on 1 January 2023 and will run until 31 December 2023.

On 22 November 2021, the Supervisory Board also reappointed Sabina Županc Kranjc to serve as member of Nova KBM's Management Board for a period that began on 17 November 2022 and will run until 31 December 2023. Sabina Županc Kranjc was originally appointed to her function with a term of office beginning on 17 November 2019 and ending on 16 November 2022.

On 22 November 2021, the Supervisory Board also reappointed Matej Falatov to serve as a member of Nova KBM's Management Board for a period that began on 23 November 2021 and will run until 31 December 2023. Matej Falatov was originally appointed to his function with a term of office beginning on 6 July 2018 and ending on 5 July 2023.

The Supervisory Board reappointed the President and members of the Management Board of the bank at this point for a shorter mandate than given in the AoAs due to the pending sales process of Biser Bidco, as the sole holder of all shares of Nova KBM d.d., and the commitments relating to the operations of Nova KBM d.d. in the transitional period until the completion of the sale.

Supervisory Board

The Supervisory Board comprised the following seven members as of 31 December 2022: Andrej Fatur, Chairman, Andrzej Klesyk, Deputy Chairman, and members Manfred Puffer, Michele Rabà, Andrea Moneta, Kristina Žagar and Borut Jamnik.

Table 4: Membership of Supervisory Board members on the bodies of other entitiesm

Membership on the bodies of other entities as at 31 December 2022				
Supervisory Board	**Name of other entity**	**Activity**	**Management Board**	**Supervisory Board**
Andrej Fatur, Chairman	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	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
	Biser Holdings Ltd.	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
	Jewel UK Watch Holdings Limited	Holding company		X
	Lottomatica SpA	Gaming		X
	Gamma Midco SpA	Holding company		X
	Gamma GP LLC	Holding company		X

Membership on the bodies of other entities as at 31 December 2022				
	Gamma Management LLC	Holding company		X
	Oldenburgische Landesbank AG	Banking		X
	Alwyn AG			X
	Allwyn International a.s.			X
	Reno de Medici S.p.A.			X
	Poseidon Holdco S.A.S.	Holding company		X
Andrea Moneta	Amissima Group	Financial		X
	The Floow			X
	Lottomatica SpA	Gaming		X
Kristina Žagar	Biser Topco S.à r.l.	Holding company		X
	Biser Bidco S.à r.l.	Holding company		X
Andrzej Klesyk, Deputy Chairman	Foundation Centrum Im Profesora Bronisława Geremka	Pension/Health Fund		X
	Cornerstone Investment Management			X
	Avenga Group			X
	ProService			X
	Moventum SCA			X
	Moventum Holdings S.A.			X
	Okechamp International BV			X
	The Ethniki Hellenic General Insurance Company S.A.			X
Borut Jamnik	Modra zavarovalnica d.d.	Pension company	X	
	Krka d.d.	Manufacture of pharmaceutical preparations		X

2.4.2 RECRUITMENT POLICY FOR THE SELECTION OF MEMBERS OF THE MANAGEMENT BODY AND THEIR ACTUAL KNOWLEDGE, SKILLS AND EXPERIENCE

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

The Bank implements a Policy on the Selection of Suitable Candidates for the Management Body in accordance with the provisions of paragraph 2 of Article 35 of the Banking Act (ZBan-3). In addition to being valid and implemented across Nova KBM Group companies, that policy envisages the establishment and implementation of an appropriate selection policy for suitable candidates that ensures:

- that the management body, as a whole, takes into account the wide range of knowledge, skills and experience of its members, which facilitates an in-depth understanding of the Bank's business activities and the risks to which it is exposed;
- initiatives to achieve diversity within the management body, including the appropriate representation of both genders and policies to achieve these objectives by increasing the number of members of an under-represented gender on the management body; and
- the definition of conditions for the performance of a specific function, including the required profile of members of the management body before they are appointed.

The members of the management body play a key role in the pursuit of the Bank's interests, and must therefore be, individually and as a whole, appropriately qualified, experienced and of a suitable number to ensure the reliable performance of the tasks entrusted to them, while their personal interests must be in line with the long-term interests of the Bank. Based on their responsibility to manage and supervise the Bank, the members of the management body are expected to possess specific professional and personal competences. The required knowledge, skills and experience of each member, individually and in connection with other members as a complementary whole, ensure a level of understanding of the Bank's transactions, the risks to which it is exposed and the structure of governance required for the adoption of professional, sound and competent decisions for managing and supervising the Bank.

Moreover, the Bank consistently implements the Policy on the Assessment of the Suitability of Members of Management Bodies and Key Function Holders (so-called Fit & Proper Policy) of Nova KBM. That policy sets out the key criteria for the fulfilment of individual and collective suitability that must be met by members of the management body, as well as the body that verifies the fulfilment of those criteria.

The criterion of experience is thus defined for members of the management body (the education, work experience and knowledge of individual members or candidates in key areas are assessed in this regard), as well as the criterion of personal reliability and reputation, and the criterion of management.

In accordance with EBA Guidelines on internal governance, and the supervisory guidelines and recommendations of regulatory authorities (the Bank of Slovenia and ECB), the section

'Criterion of experience' also defines other related matters that could have a decisive effect on the Bank's future operations. This concerns, in particular, the fulfilment of the condition regarding knowledge and experience in the areas of sustainable financing and associated ESG risks, IT risks, cyber risks, sustainable business models and digitalisation. Candidates for and members of the governance body must fulfil those criteria individually and at the level of the entire body.

In accordance with the revised EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the policy now includes knowledge of the prevention of money laundering and terrorist financing as a condition for the fulfilment of conditions covering knowledge, skills and experience.

In accordance with the new EBA guidelines on the assessment of suitability, the policy was supplemented with a provision that requires the Bank to take into account additional requirements and/or introduce additional measures to ensure diversity in terms of gender, and to respect the principle of equal opportunities with the aim of enhancing the positive impact on the decision-making process at individual levels of management.

The aforementioned policy also states that care must be taken in the formation of cogent commissions and committees by members of the Supervisory Board to ensure that their members possess the appropriate expertise and experience in the relevant work area, so as to ensure a level of qualification and competence of the committee or commission as a whole, where individual members systematically and comprehensively cover all relevant areas of expertise, and the body as a whole is able to perform the duties entrusted to it in a diligent and prudent manner.

The policy also defines the succession of members of the management body, based on which the Bank provides for an appropriate succession plan for members of the management body to ensure the continuity of decision-making and to prevent, where possible, the simultaneous replacement of an excessive number of members.

Presentation of the Bank's Management Board and Supervisory Board

Management Board

Notwithstanding the aforementioned, the Bank's Supervisory Board takes into account the provisions of the Companies Act (ZGD-1), Banking Act (ZBan-3), Bank of Slovenia implementing regulations, EU regulations, the Bank's Articles of Association and Nova KBM's Policy on the Selection of Suitable Candidates for Management Body Members in the appointment of the President and members of the Management Board.

John Denhof began performing the function of President of the Management Board on 1 March 2017. He is a financial expert with extensive experience gained in various management roles at Citibank in several emerging and developed markets, including Singapore, the UK, Turkey, the Czech Republic and Spain. He has been working in the financial sector for more than 25 years. He has planned and implemented the repositioning of banks, transformed them into institutions with sustainable growth and profitability, developed distribution channels, improved capacities for digital operations, and increased added value for customers. He has performed the function of Chairman of the Supervisory Board of Summit leasing Slovenija d.o.o. since 18 September 2017. From 8 May 2018 until 11 June 2019, he served as Deputy Chairman of the Supervisory board of KBM Infond d.o.o.

Sabina Župec Kranjc holds a master's degree in economics and business, with a major in corporate finance and banking. She has been a member of Nova KBM's Management Board since 17 November 2014 and has more than 24 years of work experience in the field of banking. She began her business career in 1998 in the Treasury Sector at Abanka Vipa d.d., where she was head of Trading Department from 2003 to 2004. From 2004 to 2008, she served as the head of trading and then the head of treasury at Raiffeisen Banka d.d. She was the head of the Treasury Sector at Abanka Vipa d.d. from 2008 to 2013. She has been employed at Nova KBM since July 2013 as the Executive Director of the Financial Markets Sector, where she has managed more complex projects, such as asset quality review (AQR) and the privatisation of the Bank. In the past, she served as Chairperson of the Supervisory Board of PBS, and served as member of the Supervisory Board of Terme Olimia from 1 July 2015 to 10 September 2017. She performed the function of member of the Supervisory Board of KBM Infond d.o.o. from 2014 to 11 June 2019. She has been a member of the Supervisory Board of Summit Leasing Slovenija d.o.o. since 18 September 2017, and also serves as member of the Supervisory Board of the Bank Association of Slovenia.

Matej Falatov holds a bachelor's degree in economics. He also received a master's degree in management and corporate organisation from the School of Economics and Business at the University of Ljubljana, and completed a specialised course in banking management. He has obtained his knowledge in various managerial positions. From 2016 to 2018, he served as the President of the Management Board of Addiko Bank d.d. Ljubljana, where he was responsible for all banking services and leasing transactions. Before that function, he served as a member of the management board or executive director at various banks in Slovenia and abroad (Hypo Alpe Adria Bank d.d., Ljubljana, SKB banka d.d. Ljubljana, Factor Banka d.d. and West East Bank a.d. Sofia), where he was responsible for managing the areas of corporate banking, retail banking, treasury, investment banking and other financial-commercial services. He has served as a member of the Supervisory Board of Summit leasing d.o.o. since 30 August 2018. He has served as the Chairman of the Supervisory Board of ALEJA finance d.o.o. since 21 October 2021, and as member of Nova KBM's Management Board since 6 July 2018.

Miha Kristl holds a master's degree in science, which he received from the School of Economics and Business at the University of Ljubljana. He has more than 20 years of work experience in the field of banking, with an emphasis on risk management. He has performed numerous managerial functions during his career, including the following: Director of the Risk Management Department at Raiffeisen banka d.d. (from July 2003 to December 2007), Director of the Risk Management Department in the K&H Group (from January 2008 to May 2010), Director of the Integrated Risk and Capital Department in the KBC Group (from June 2010 to May 2013), Strategy Advisor in the KBC Group (from June 2013 to September 2014), Executive Director at the Bank of Slovenia (from October 2014 to

December 2018), and Director of the Credit Management Sector at Nova KBM d.d. (from February 2020 to 31 December 2021), where he gained experience in the management of human and other available resources. He has served as member of Nova KBM d.d.'s Management Board and Chief Risk Officer since 1 January 2022. He has been a member of the Supervisory Board of Summit Leasing Slovenija d.o.o. since 1 January 2022.

Supervisory Board

The provisions of the Companies Act (ZGD-1), Banking Act (ZBan-3), Bank of Slovenia implementing regulations, EU regulations, the Bank's Articles of Association and Nova KBM's Policy on the Selection of Suitable Candidates for Management Body Members are taken into account in the appointment of the Supervisory Board members.

The Bank has also adopted the Governance Policy of Nova KBM d.d. and Nova KBM Group Companies, which sets out the delegation of responsibilities and competences among the members of Nova KBM's management and supervisory bodies.

In connection with the strategy and criteria for selecting members of the Management Board and Supervisory Board, and key function holders, the Bank has in place the Policy on the Assessment of Suitability of Members of Management Bodies and Key Function Holders (Fit & Proper Policy), based on which a special Fit & Proper Committee was formed.
Taking into account Nova KBM's Policy on the Selection of Suitable Candidates for Management Body Members and the Fit & Proper Policy, the Supervisory Board's Nomination Committee identifies and recommends to the Supervisory Board candidates for members of the Management Board, and identifies and recommends to the General Meeting of Shareholders candidates for members of the Supervisory Board.

Andrej Fatur (Chairman) holds a doctorate in law from the School of Law at King's College London, and has many years of experience in the domestic and international environment (legal advisor at the European Court of Justice, occasional lecturer at University College London, Faculty of Laws, and Director and occasional consultant at NEOS Business Consulting Ltd., London). After completing his judicial clerkship, he began his career as a lawyer, returned to that profession after a few years abroad, and now works at his own law firm as a commercial lawyer. In the interim period, he served as a legal consultant for several months at the Bank of Slovenia in the areas of banking supervision and banking regulation. He is the author of numerous professional articles in the field of commercial law, in particular competition law. He has lectured on this subject at several conferences at home and abroad.

Mr. Fatur has served continuously as a member of Nova KBM's Supervisory Board since 2012. As member and Chairman of the Supervisory Board, he also served as a member of the latter's Audit Committee and as Chair of the Nomination Committee.

Andrzej Klesyk is the Deputy Chair of the Supervisory Board and he also serves as a member of the Nomination Committee, the Chair of the Audit Committee and the Chair of the Remuneration Committee of the Supervisory Board. Mr. Klesyk is an expert in financial services and has been working as a senior advisor mainly for financial companies that consult investors, banks and international companies on their business strategy in Europe. Between 2007 and 2015, he was the Chief Executive Officer of PZU SA.

Manfred Puffer serves as a member of the Risk Committee. Mr. Puffer has more than 30 years of experience in the banking and insurance sectors. Since 2008, he has been working as an Operating Partner and consultant to certain affiliates of Apollo Global Management, Inc., focusing primarily on the banking sector in Europe. Mr. Puffer also serves as the director of Infineon Technologies, Munich, Athene Holding Ltd., Bermuda, Athene RE, Bermuda, Athene Lebensversicherung AG and Oldenburgische Landesbank AG (formerly Bremer Kreditbank AG).

Michele Rabà serves as a member of the Remuneration Committee and Risk Committee of the Supervisory Board. Mr. Rabà is a partner in Apollo Management International, LLP, focusing on Private Equity. He previously worked at the Investment Banking Division of Goldman Sachs International. Mr. Rabà currently holds directorship positions, *inter alia*, at Biser Holdings Limited, Biser Topco, Biser Bidco, Lottomatica Group, Oldenburgische Landesbank AG, Alwyn AG and Reno de Medici.

Andrea Moneta is the Deputy Chair of the Risk Committee and a member of the Audit Committee of the Supervisory Board. He serves as a senior adviser in Italy and an Operating Partner (PE FS) for Apollo Global Management. Before joining Apollo Global Management, Inc., he served in management positions at several companies in the banking and insurance sectors. He was Executive Director at Aviva Plc and CEO for Central and Eastern Europe at UniCredit Bank. He is currently Chairman of the Board of Directors at Amissima Group and Lottomatica Group. He also serves as a Non-Executive Director at Floow.

Kristina Žagar is the Chair of the Risk Committee, the Deputy Chair of the Nomination Committee and Remuneration Committee of the Supervisory Board. Ms. Žagar is a Senior Banker/Associate Director, Financial Institutions, EU Banks & Structured Finance Team at the EBRD with 15 years of experience in banking. She developed her skills and experience by holding various functions at the EBRD and, previously, at Merrill Lynch International, London. She began her professional career at Raiffeisenbank, Zagreb. Ms. Žagar currently holds directorship positions at Biser Bidco and Biser Topco.

Borut Jamnik is a member of the Audit Committee of the Supervisory Board. Mr. Jamnik is currently President of the Management Board of Modra zavarovalnica d.d. In December 2022, the Supervisory Board of SID – Slovenska izvozna in razvojna banka d.d. appointed him to serve as new member of that company's Management Board. His five-year term of office will begin following the receipt of authorisation to perform the function of member of a bank's management board. During his career, he has held numerous executive and non-executive positions in the banking, insurance and financial sectors (including at Kapitalska družba d.d. – Capital Fund, Probanka Asset Management Company, HIT d.d., Securities Market Agency of the Republic of Slovenia, Restructuring and Privatisation Agency of the Republic of Slovenia, etc.). In addition, Mr. Jamnik has performed several supervisory functions in other sectors, including at Krka d.d. (member of the Supervisory Board), Telekom Slovenije d.d. (President of the Supervisory Board) and Pivovarna Laško d.d. (member of the Supervisory Board). He is also Chair of the Council of the Slovenian Insurance Association (non-profit organisation).

On the day the indirect sale of shares of Nova KBM d.d. to OTP Bank Nyrt. was completed (i.e. 6 February 2023), the Bank's General Meeting of Shareholders adopted a resolution regarding the start of the term of office of newly appointed members of the Supervisory Board, who in 2022 were named candidates and were waiting for authorisation from the ECB to perform their supervisory functions. The Bank's Supervisory Board comprised the following members as of 6 February 2023: Imre Bertalan, Tünde Barabás, Sándor István Pataki, Marko Košak, Tamás Bernáth and Dorothea Nikolaeva Nikolova-Iltcheva. On the day new members were appointed to the Supervisory Board, the terms of office of previous members ended. The exception was Andrej Fatur, whose term of office continues following the completion of the indirect sale of shares of Nova KBM d.d. to OTP Bank Nyrt. in accordance with the resolution of the General Meeting of shareholders.

2.4.3 THE POLICY ON DIVERSITY WITH REGARD TO SELECTION OF MEMBERS OF THE MANAGEMENT BODY, ITS OBJECTIVES AND ANY 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 CRR)

The Bank did not have a separate diversity policy in 2022 for the selection of members of its management bodies, as this area is covered in full, in substantive terms, by the Nova KBM Group's Policy on the Selection of Suitable Candidates for Management Body Members. That policy was last updated by the Bank in September 2021. In addition to the expansion of the policy's validity and the expansion of implementation to Nova KBM Group companies, the policy also envisages, in accordance with the provisions of paragraph 2 of Article 35 of the Banking Act (ZBan-3), the establishment and implementation of an appropriate selection policy for suitable candidates that ensures:

- that the management body, as a whole, takes into account the wide range of knowledge, skills and experience of its members, which facilitates an in-depth understanding of the Bank's business activities and the risks to which it is exposed;
- initiatives to achieve diversity within the management body, including the appropriate representation of both genders and policies to achieve these objectives by increasing the number of members of an under-represented gender on the management body; and
- the definition of conditions for the performance of a specific function, including the required profile of members of the management body before they are appointed.

The criterion of experience is thus defined for members of the management body (the education, work experience and knowledge of individual members or candidates in key areas are assessed in this regard), as well as the criterion of personal reliability and reputation, and the criterion of management.

In accordance with EBA Guidelines on internal governance, and the supervisory guidelines and recommendations of regulatory authorities (the Bank of Slovenia and ECB), the section 'Criterion of experience' also defines other related matters that could have a decisive effect on the Bank's future operations. This concerns, in particular, the fulfilment of the condition regarding knowledge and experience in the areas of sustainable financing and associated ESG risks, IT risks, cyber risks, sustainable business models and digitalisation. Candidates for members of the management body must fulfil the aforementioned criteria, both individually and at the level of the entire body. In accordance with the revised EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the policy now includes knowledge of the prevention of money laundering and terrorist financing as a condition for the fulfilment of conditions covering knowledge, skills and experience. That factor will thus be taken into account when assessing the suitability of members of the Bank's management body.

The revised policy also includes provisions in line with EU guidelines on the prevention of money laundering and terrorist financing, which state that the management body is responsible for implementing a policy and rules on the prevention of money laundering and terrorist financing. The Bank appointed the member of the Management Board responsible for risk management with the most knowledge and experience in the aforementioned area to implement the above-described provisions.

In accordance with the Bank's bylaws and the best practices of regulatory bodies (e.g. the Bank of Slovenia and ECB), the policy now includes a section entitled 'Climate and environmental risks, and the collective suitability of the Bank's Management Board', which requires members of the management body to formulate a strategic approach to the management of ESG risks and the appropriate understanding of the topic in question.

In accordance with the revised EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the Bank must take into account additional requirements in the selection process. Those requirements must be met to ensure diversity and respect of the principle of equal opportunities (e.g. career planning and measures to ensure the equal treatment of and equal opportunities for employees of different genders, the organisation of training for managerial functions, discrimination prevention policy, etc.).

The composition of the Supervisory Board as a whole must be taken into account in the selection process. That composition must also meet requirements regarding suitability in terms of the functioning of the Supervisory Board as an integrated and unified system. Care must be taken to ensure that any lack of expertise on the part of any member of the Supervisory Board, in particular taking into account the desired diversity of professions and educational backgrounds of the members of the Supervisory Board, can be compensated for by the expertise of the other members of the Supervisory Board. In the event of a lack of expertise in a specific area, every member of the Supervisory Board can attend additional training in accordance with the rules of procedure of the Supervisory Board. When establishing the committees and commissions of the Supervisory Board required by law, care must be taken to ensure that the members of each committee or commission have the relevant expertise and experience in the work areas of the committee or commission which are required to ensure that the qualifications and skills of an individual committee or commission as a whole enable its members to systematically cover in full all of the relevant areas of expertise, thereby enabling the committee or commission as a whole to perform its tasks and duties with the required level of conscientiousness and prudence. Taking into account the composition of the Supervisory Board and its tasks and duties, it is recommended that the work experience and age of individual members of the Supervisory Board be as diverse as possible (i.e. from slightly older to younger members). It is also recommended that the diversity of the Supervisory Board in terms of age, gender, geographical origin, education and professional experience be ensured, where an appropriate balance of representation by gender is particularly important. The Bank must also ensure the diversity of the Supervisory Board's composition taking into account the long-term planning of HR policies and succession planning. The diversity of the Supervisory Board's composition plays a role in collective decision-making by the aforementioned body. It can also encourage the presentation and exchange of independent and constructively critical opinions of individual Supervisory Board members in the scope of discussions at the level of the entire Supervisory Board, under the previously mentioned assumption, of course, that the members of the Supervisory Board have sufficient theoretical and practical banking experience to understand and appropriately supervise the Bank's operations.

In accordance with the new EBA guidelines on the assessment of suitability, the policy was supplemented with a provision that requires the Bank to take into account additional requirements and/or introduce additional measures to ensure diversity in terms of gender (women account for 20% of members of management bodies and 14% of members of supervisory bodies), and to respect the principle of equal opportunities with the aim of enhancing the positive impact on the decision-making process at individual levels of management.
On that basis, the Bank adopted the Diversity, Equality, Inclusion and Commitment Policy in December 2022. That policy entered into force at the beginning of 2023.

Diversity in terms of gender represents a key component of all levels of the organisation. The Employee Development Strategy defines, *inter alia*, objectives relating to the representation of the under-represented gender, which promotes diversity in the Bank's two-tier system of governance. The Bank strives to ensure that governing bodies are diverse in terms of age, gender, geographic origin, education and profession, that they represent various views and experiences, and that they facilitate independent opinions and critical thinking.

We are committed to promoting equal opportunities for everyone, and to ensuring that no individual or group is discriminated against in the process of planning or implementing the Bank's activities. We believe that a culture which embraces equality and the diversity of values will ensure that each individual feels equally included and has the opportunity to participate in our plans, programmes and activities.

The Nomination Committee set a target in terms of the number of members of an under-represented gender at the level of the management body. The Bank must therefore strive, to a reasonable extent, to improve balance of members in terms of gender over the next five (5) years. The Bank's policy governing the aforementioned objective (i.e. to improve the balance of representation in terms of gender) must be taken into account already in the process of appointing/selecting new candidates for members of the management body. In order to increase the number of members of the under-represented gender in practice, the candidate who represents the under-represented gender must be selected when deciding between a male and a female candidate. Once a year, the Nomination Committee will review and verify the balance of representation of members of the management body in terms of gender.

In practice, diversity is ensured through procedures for proposing and appointing members to management and supervisory bodies. Diversity criteria (professional experience, age, education and expertise) were met, except for the criteria regarding representation by

gender, which can be achieved by increasing the number of members of the under-represented gender.
The representation of women on the seven-member Supervisory Board was 14% in 2022.
The representation of women on the Bank's Management Board was 20% until 11 February 2022 (five-member Management Board). The representation of women on the Bank's four-member Management Board after 11 February 2022 improved slightly, to 25%. As of 31 December 2022, the Management Board comprised four members: one woman and three men. The female member of the Management Board has actually performed her function since 2014, which further contributes to the continuity and quality of the Management Board's decision-making process.

The objectives set out in the Diversity Policy in the Selection of Management Body Members and objectives regarding the appropriate representation of both genders on the management body were thus achieved.

2.4.4 THE INSTITUTION HAS A SEPARATE RISK COMMITTEE PUT IN PLACE

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

The Bank has established the Risk Committee, which is a consultative body of the Supervisory Board of Nova KBM d.d., and whose mission consists of supervising the Bank's senior management with regard to the implementation of the risk management strategy at the Bank and at the Group. It also provides advice with regard to the Bank's current and future risk appetite. The committee met five times in 2022 (four ordinary sessions and one correspondence session).

2.4.5 DESCRIPTION OF THE INFORMATION FLOW ON RISK TO THE MANAGEMENT BODY

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

The risk management division and finance division draw up reports on exposure to various types of risk, the utilisation of the limit system and the risk appetite, on non-performing exposures, on the management of non-performing claims and on the Bank's performance, and submit them to the **Management Board**, the **Risk Committee** and the **Supervisory Board**.

Monthly reports on risks are also made to the **ALCO**.

Reporting is undertaken on a daily, monthly, quarterly and annual level. The risk management division reports data separately at the levels of the Nova KBM Group and the Biser Topco Group.

The Bank sets out the frequency of reporting and the person responsible for reporting in its individual risk management policies.

The risk management division published the most important indicators of liquidity risk, interest rate risk and market risk on the intranet on a daily basis. It also draws up the risk management report on a monthly basis, and submits it to the Management Board, the executive directors, and the directors of the relevant departments.

The Operational Risk Committee, which has been functioning at the Bank since 2015, comprises the following members: the President of the Bank's Management Board, the Management Board member responsible for risks (CRO), the Management Board member responsible for the Bank's operational performance (COO), the Management Board member responsible for finance (CFO), the Director of the Strategic Risk Management Department, the Director of the Physical and Information Security Management Department and the Head of the Operational Risk Management Department, while the directors of the Information Technology Department, Internal Audit Department, Compliance Department, HR Development Department, and the Head of the Fraud Prevention Department all have a permanent invitation to committee meetings.

The **Operational Risk Committee** is an advisory body of the Bank's Management Board. The committee is tasked with studying and discussing, and making decisions regarding issues relating to operational risk management. The committee meets quarterly or more often, as required.

The **Model Risk Committee** was established in 2019. It is responsible for drawing up and implementing the model risk management framework, and has the central coordinating role in ensuring that the actions of stakeholders in model risk management comply with accepted standards.

The Physical and Information Security Department reports to the Management Board regarding the management of incidents and threats to business continuity and information security following the occurrence of major incidents, during the elimination of the associated consequences and the implementation of measures to mitigate the consequences and risks arising from incidents. It also reports to the Operational Risk Committee on a quarterly basis, and regarding incidents when they are detected.

Since its formal establishment in February 2020, the **Information Technology Committee** has been responsible for ensuring that the IT area functions in accordance with the Bank's business plan. The committee addresses the following topics in the scope of its work: the review of and decisions regarding plan-related requirements, decisions regarding the prioritisation of IT requests for changes submitted by business users, the discussion of and decisions regarding all current strategic IT requirements, the review and discussion of the work of external IT service providers, and monthly reporting regarding the area's work, the status of projects, the status of major change requests and daily tasks. It comprises all members of the Management Board. Because the function of member of the Management Board responsible for the Bank's operations (COO) is vacant, the committee is chaired by the Bank's procurator, who coordinates activities in connection with the management of the Bank's operational organisational units.

The Bank has a separate and independent Anti-Money Laundering Office that coordinates activities in the areas of AML/CFT and restrictive measures. The aforementioned office reports directly to the Bank's Management Board, while the AML/CFT officer coordinates activities in the areas of AML/CFT and restrictive measures. The AML/CFT officer reports quarterly and annually to the Management Board. Quarterly reports include the findings of first- and second-level controls, reports of suspicious transactions, identified risks and measures adopted to manage those risks in the areas of AML/CFT and restrictive measures. The annual report includes a summary of annual activities in the area of AML/CFT (statistical data, risk analysis, amendments to internal rules and application systems, the implementation of internal control activities, participation in training, etc.). In accordance with implementing regulations, a report is also drawn up for the Office for Money Laundering Prevention in the scope of annual reporting. The AML/CFT officer also briefs the Bank's Supervisory Board on summaries of the annual report.

The AML/CFT officer is appointed to the same position for the Group, and coordinates activities in the areas of AML/CFT and restrictive measures within the Group.

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 SCOPE OF APPLICATION

This section defines the disclosure requirements set out in Article 436 of Part Eight of the CRR.

3.1 NAME OF THE INSTITUTION TO WHICH THE REQUIREMENTS OF THIS REGULATION APPLY

(Article 436(a) of the CRR)

As the parent bank, Nova KBM d.d. is obliged to publish disclosures for the group in accordance with Article 13 of the CRR.

3.2 HARMONISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS, COMPILED IN ACCORDANCE WITH THE VALID FINANCIAL REPORTING FRAMEWORK, WITH THE CONSOLIDATED FINANCIAL STATEMENTS, COMPILED IN ACCORDANCE WITH THE REQUIREMENTS OF CONSOLIDATION FOR PRUDENTIAL PURPOSES BASED ON CHAPTERS 2 AND 3 OF TITLE II OF PART ONE

(Article 436(b, c, d and e) of the CRR)

The Biser Topco Group comprises the controlling company Biser Topco S.à r.l. and its direct and indirect subsidiaries. Those include SLS HOLDCO d.o.o. and Biser Bidco S.à r.l., as well as the Nova KBM Group. Nova KBM d.d. is the controlling company of the Nova KBM Group, which as of 31 December 2022 controlled three subsidiaries (directly Summit Leasing Slovenija d.o.o. and ALEJA finance d.o.o., and indirectly Mobil Leasing via the subsidiary Summit Leasing Slovenija) and included one associate.

Nova KBM d.d. is a commercial bank with many years of tradition. It focuses on the provision of standard banking services to retail and corporate customers. Its registered office is at Ulica Vita Kraigherja 4, 2000 Maribor, Slovenia.

The Bank's share capital amounted to €150,000,000 as at 31 December 2022, and was divided into 10,000,000 no-par-value ordinary registered shares.

Biser Bidco S.à r.l. became the holder of 100% of Nova KBM's shares on 21 April 2016. The company through which those shares were purchased is managed by certain investment funds, as branches of Apollo Global Management, Inc., and the European Bank for Reconstruction and Development.

The parent bank is obliged to compile consolidated financial statements at the level of the Nova KBM Group and Biser Topco Group.

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

Table 5: Composition of the Biser Topco Group

Company	Relationship	Proportion of voting rights held by the Group (%)	Location of operations (or country of registration)
Biser Topco S.à r.l.	controlling company		Luxembourg
SLS HOLDCO d.o.o.	subsidiary	100.00	Ljubljana, Slovenia
Biser Bidco S.à r.l.	subsidiary	100.00	Luxembourg
Nova KBM d.d.	subsidiary bank	100.00	Maribor, Slovenia
Summit Leasing Slovenija d.o.o.	subsidiary	100.00	Ljubljana, Slovenia
Mobil Leasing d.o.o.	subsidiary	100.00	Zagreb, Croatia
ALEJA finance d.o.o.	subsidiary	100.00	Ljubljana, Slovenia
Bankart d.o.o.	associate	29.22	Ljubljana, Slovenia

In October 2021, the Bank completed the purchase of a 100% participating interest in ALEJA finance d.o.o., one of the leading companies in Slovenia in the area of factoring, and thus expanded its activities to the aforementioned area. The company was temporarily excluded from consolidation for accounting purposes in 2021, as it had no impact on the true and fair presentation of the Group's financial position. Based on ECB authorisation and in accordance with paragraph 2(b) of Article 19 of Regulation (EU) 575/2013 (CRR), the aforementioned company was temporarily excluded from consolidation for prudential purposes. The company was included in consolidation for accounting and prudential purposes, effective 1 January 2022.

With the acquisition of ALEJA finance, Nova KBM is pursuing its strategic objective to become the leading universal bank in Slovenia, both in terms of competitive advantages and market share, while offering its customers a comprehensive range of financial services.

In November 2021, Daimler Mobility AG and Summit Leasing Slovenija d.o.o. signed an agreement on the sale of Mercedes-Benz Leasing Hrvatska d.o.o. to Summit Leasing Slovenija. With the acquisition of Mercedes-Benz Leasing Hrvatska, Summit Leasing Slovenija, a member of the Nova KBM Group and the largest provider of solutions for the financing of car purchases in Slovenia, entered the Croatian market on the back of established operations.

Mercedes-Benz Leasing Hrvatska was renamed Mobil Leasing when the company became a member of the Nova KBM Group. It provides private and business customers a range of comprehensive financing services for the purchase of Mercedes-Benz Group cars, delivery vehicles, trucks and buses on the Croatian market.

The company was included in consolidation for accounting and prudential purposes following the completion of the transaction and effective 1 April 2022.

SLS HOLDCO d.o.o. became a member of the Biser Topco Group with its establishment and entry in the company register in July 2022. The company was excluded from consolidation for accounting purposes, as it has no impact on the true and fair presentation of the Group's financial position. In accordance with the first paragraph of Article 19 of Regulation (EU) 575/2013 (CRR), the company is also excluded from prudential consolidation.

On 6 February 2023, OTP Bank (OTP Bank Nyrt., Hungary) became the owner of Biser Bidco S.à r.l., which is the sole shareholder of Nova KBM d.d. With the purchase of Biser Bidco S.à r.l., OTP Bank also became the owner of ALEJA finance d.o.o., while Nova KBM's 100% participating interest in Summit Leasing Slovenija d.o.o. was sold and remains under the ownership of Apollo funds and the EBRD. The name of Biser Bidco S.à r.l., the sole shareholder of Nova KBM d.d., was amended on 6 February 2023. The former Biser Bidco S.à r.l. has been named OTP Luxembourg S.à r.l. since 6 February 2023.

The OTP Group is a leading financial group that operates on the mass markets of Central and Eastern Europe, including Slovenia, where it is present with a 100% participating interest in SKB banka. The Group provides services in the areas of insurance, real estate, factoring, leasing, asset management, and the management of investment and pension funds.

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

€000

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of prudential 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 own funds requirements or subject to deduction from own funds
1	Assets							
2	Cash in hand, cash balances at central bank and demand deposits at banks	2,386,336	2,386,336	2,386,336				
3	Financial assets held for trading	8,988	8,988		8,799		189	9
4	Non-trading financial assets mandatorily at fair value through profit or loss	11,177	11,177	11,177				11
5	Financial assets at fair value through other comprehensive income	700,871	700,871	700,871				701
6	Financial assets at amortised cost	7,100,141	7,100,141	7,099,573				3,273
7	Derivatives intended for hedging	5,983	5,983		5,983			6
8	Investments in the equity of subsidiaries and associates	5,537	5,537	5,537				
9	Property, plant and equipment	97,620	97,620	97,620				
10	Intangible assets	38,920	38,920					38,920
11	Receivables for corporate income tax	52,561	52,561	793				48,336
12	Other assets	29,240	29,240	29,240				
13	Non-current assets held for sale and discontinued operations	0	0	0				
14	**Total assets**	**10,437,374**	**10,437,374**	**10,331,147**	**14,782**	**0**	**189**	**91,256**

		a	b	c	d	e	f	g
		Carrying values as reported in published financial statements	Carrying values under scope of prudential 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 own funds requirements or subject to deduction from own funds
15	Liabilities							
16	Financial liabilities held for trading	8,535	8,535		4,165			9
17	Financial liabilities designated for measurement at fair value through profit and loss (FVTPL)	0	0					0
18	Financial liabilities at amortised cost	9,361,877	9,361,877					
19	Provisions	30,526	30,526					
20	Tax liabilities	906	906					
21	Other liabilities	35,203	35,203					
22	**Total liabilities**	**9,437,047**	**9,437,047**	0	4,165	0	0	9
23	Share capital	2,008	2,008					
24	Share premium	174,830	174,830					0
25	Equity component of compound financial instruments	1,014	1,014					
26	Revaluation surplus	(30,258)	(30,258)					0
27	Profit reserves	487	487					
28	Retained earnings/loss	753,274	753,274					
29	Net profit/loss	98,972	98,972	0	0	0	0	0
30	**EQUITY ATTRIBUTABLE TO OWNERS OF PARENT BANK**	**1,000,327**	**1,000,327**					0
31	Minority interests	0	0					
32	**TOTAL EQUITY**	**1,000,327**	**1,000,327**	**0**	**0**	**0**	**0**	**0**
33	**TOTAL EQUITY AND LIABILITIES**	**10,437,374**	**10,437,374**	**0**	**4,165**	**0**	**0**	**9**

Template 2: 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	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template EU LI1)	10,346,118	10,331,147		14,782	189
2	Liabilities carrying value amount under the scope of prudential consolidation (as per template EU LI1)	10,437,365			4,165	
3	Total net amount under the scope of prudential consolidation	10,346,118	10,331,147	0	14,782	189
4	Off-balance-sheet amounts	1,824,748	1,818,107		6,641	
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to the consideration of provisions					
8	Differences due to the use of credit risk mitigation techniques (CRMs)					
9	Differences due to credit conversion factors	(1,384,333)	(1,384,333)			
10	*Differences due to securitisation with risk transfer*					
11	*Other differences*	8,569	0		8,569	
12	Exposure amounts considered for regulatory purposes	**10,795,101**	**10,764,920**	**0**	**29,992**	**189**

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

Biser Topco Group

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Summit Leasing Slovenija d.o.o.	Full consolidation	x					Leasing company
Mobil Leasing d.o.o.	Full consolidation	x					Leasing company
ALEJA finance d.o.o.	Full consolidation	x					Factoring company
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 investments
SLS HOLDCO d.o.o.	Company not consolidated				x		Acquisition and management of investments
Biser Topco S.à r.l.	Full consolidation	x					Acquisition and management of investments

Nova KBM Group

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Summit Leasing Slovenija d.o.o.	Full consolidation	x					Leasing company
Mobil Leasing d.o.o.	Full consolidation	x					Leasing company
ALEJA finance d.o.o.	Full consolidation	x					Factoring company
Bankart d.o.o.	Equity method			x			Payment instrument processing
Nova KBM d.d.	Full consolidation	x					Financial intermediation

Template 4: EU PV1 – Prudent valuation adjustments

The Bank is not obliged to disclose Template EU PV1 – Prudent valuation adjustments because it does not use the core approach for determining additional value adjustments in accordance with Chapter III of Commission Delegated Regulation (EU) 2016/101 (Delegated Regulation 2016/101). The Bank meets the conditions for the use of the simplified approach set out in Article 4 of Chapter II of Delegated Regulation 2016/101 because the sum of the absolute value of fair-valued assets and liabilities does not exceed the threshold of €15 billion. The threshold of €15 billion applies on an individual and consolidated basis. If the threshold is breached, the core approach is applied to all entities included in consolidation. In accordance with Article 5 of Chapter II of Delegated Regulation 2016/101, additional valuation adjustments are calculated as 0.1% of the sum of fair-valued assets and liabilities. That amount is a deduction item from regulatory capital in accordance with Article 34 of the CRR, and is calculated taking into account Delegated Regulation 2016/101 and Article 105 of the CRR.

Table 6: EU LIA – Explanations of differences between accounting and regulatory exposure amounts

Legal basis	Qualitative information
Article 436(b) of the CRR	It is evident from Template EU LI1 that the accounting scope and the scope of prudential consolidation are exactly the same. Template EU LI1 illustrates the main differences between the carrying values reported in the financial statements under the scope of prudential consolidation and the exposure amounts that are treated, for prudential purposes, as the basis for the calculation of risk-weighted exposures under each risk framework. Deduction items from regulatory capital relate to deductions for intangible assets and deferred tax assets, to a deduction of the amount from additional value adjustments, to a deduction of the amount of insufficient coverage for non-performing exposures, to a deduction of the amount from additional impairments, and to a deduction of the amount for adjustments to the value of debt securities measured at fair value through other comprehensive income.
Article 436(d) of the CRR	Template EU LI2 illustrates the main differences between the carrying values reported in the financial statements under the scope of prudential consolidation and the exposure amounts that are treated, for prudential purposes, as the basis for the calculation of risk-weighted exposures under each risk framework. The main differences for the credit risk framework are the result of differences due to credit conversion factors. The main differences for the counterparty credit risk framework derive from the use of the original exposure method for the calculation of exposure values from derivatives.

3.3 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 (f) of the CRR)

Taking into account regulatory requirements regarding the operations of an individual Group company, there are no legal impediments on the transfer of own funds and the settlement of liabilities between the parent company and subsidiaries within the Group.

3.4 THE AGGREGATE AMOUNT BY WHICH ACTUAL OWN FUNDS ARE LOWER THAN REQUIRED AT ALL SUBSIDIARIES NOT INCLUDED IN CONSOLIDATION, AND THE NAME OR NAMES OF SUCH SUBSIDIARIES

(Article 436(g) of the CRR)

The Biser Topco Group includes all subsidiaries in supervision on a consolidated basis, except SLS HOLDCO d.o.o., which was excluded from consolidation for accounting and prudential purposes in 2022 on account of immateriality. The actual capital of SLS HOLDCO d.o.o. is not below the required amount.

3.5 CIRCUMSTANCE FOR APPLYING THE PROVISIONS LAID DOWN IN ARTICLES 7 AND 9

(Article 436(h) of the CRR)

This disclosure is irrelevant for Nova KBM d.d.

4 OWN FUNDS

This section defines the disclosure requirements set out in Article 437 of Part Eight of the CRR, and in the technical standards from Article 4 of Commission Implementing Regulation (EU) 2021/637.

4.1 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 TO OWN FUNDS OF THE INSTITUTION AND THE BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS OF THE INSTITUTION

(Article 437(a) of the CRR)

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 the CRR.

Template EU CC2 below discloses the difference between the on-balance-sheet and regulatory own funds of the Biser Topco Group and Nova KBM Group as at 31 December 2022. Items of regulatory own funds are disclosed in Template EU CC1.

Template 5: EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements of the Biser Topco Group and Nova KBM Group

€000

		a	a	c
		Balance sheet as in published financial statements as at 31 December 2022		Reference to row in EU CC1
		Biser Topco Group	Nova KBM Group	
Assets – Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash, cash balances at central banks and demand deposits at banks	2,386,336	2,370,815	
2	Financial assets held for trading	8,988	8,988	
3	Non-trading financial assets mandatorily at fair value through profit or loss	11,177	11,177	
4	Financial assets measured at fair value through other comprehensive income	700,871	700,871	
5	Financial assets at amortised cost	7,100,141	7,099,827	
6	- debt securities	1,762,295	1,761,967	
7	- loans to banks	45,148	45,148	
8	- loans to non-banking customers	5,241,176	5,241,176	
9	- other financial assets	51,522	51,536	

		a	a	c
		Balance sheet as in published financial statements as at 31 December 2022		Reference to row in EU CC1
		Biser Topco Group	Nova KBM Group	
10	Investments in subsidiaries, associates and joint ventures	5,537	5,529	
11	Property, plant and equipment	97,620	102,643	
12	- property, plant and equipment	72,176	77,199	
13	- investment property	25,443	25,443	
14	Intangible assets	38,920	38,920	8
15	Receivables for corporate income tax	52,561	51,669	
16	- receivables for taxes	726	726	
17	- deferred tax assets	51,835	50,942	part. 10
18	Other assets	29,240	16,649	
19	Derivatives intended for hedging	5,983	5,983	
20	**Total assets**	**10,437,374**	**10,413,071**	
Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements				
21	Financial liabilities held for trading	8,535	8,535	
22	Financial liabilities at amortised cost	9,361,877	9,344,864	
23	- deposits from banks and the central bank	13,677	13,677	
24	- deposits from non-banking customers	8,527,801	8,527,801	
25	- loans from banks and the central bank	165,033	165,033	
26	- debt securities	571,782	571,782	part. 48
27	- other financial liabilities	83,584	66,572	
28	Provisions	30,526	30,526	
29	Corporate income tax liabilities	906	906	
30	- tax liabilities	906	906	
31	Other liabilities	35,204	35,204	
32	**Total liabilities**	**9,437,047**	**9,420,034**	
Shareholders' equity				
33	Share capital	2,008	150,000	1
34	Share premium	174,830	403,302	1
35	Own funds instruments issued, excluding share capital	1,014	-	
36	Accumulated other comprehensive income	-30,258	-29,039	3
37	Profit reserves	487	20,228	3
38	Retained earnings (including net profit for financial year)	852,245	448,546	2
39	**Total shareholders' equity**	**1,000,327**	**993,037**	

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(b) of the CRR)

Table EU CCA below discloses information regarding the own funds instruments of the Biser Topco Group and Nova KBM Group.

Items of regulatory own funds are disclosed in Template EU CC1.

Template 6: EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments of the Biser Topco Group and Nova KBM Group

	Template for main features of own funds instruments			
		Common Equity Tier 1 (CET1) capital		Tier 2 (T2) capital
1	Issuer	Biser Topco S.à r.l.	Nova KBM d.d.	Nova KBM d.d.
2	Unique identifier	/	Designation: KBMS; ISIN: SI0021116494	Designation: KBM11; ISIN: SI0022103897
2a	Public or private placement		Closed circle of investors	Closed circle of investors
3	Governing law(s) of the instrument	Luxembourg Law on Commercial Companies from 1915, together with amendments	ZGD, ZTFI, ZNVP, ZBAN-3	ZBAN-3, Bank of Slovenia regulations
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No	No
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital
5	Post-transitional CRR rules	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital
6	Eligible at solo/sub-consolidated/ solo&sub-consolidated	Consolidated basis	Individual and sub-consolidated basis	Individual basis (at the level of Nova KBM), sub-consolidated basis (at the level of Nova KBM) and consolidated basis (at the level of Biser Topco S.à r.l.) as Tier 2 instrument in accordance with Article 63 of Regulation (EU) No 575/2013 (*Capital*

Template for main features of own funds instruments				
		Common Equity Tier 1 (CET1) capital		Tier 2 (T2) capital
				Requirements Regulation or 'CRR')
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Additional Tier 1 capital
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	€176 million	€553 million	€90.4 million on an individual and sub-consolidated basis, and €77.5 million on a consolidated basis
9	Nominal amount of instrument	Paid-in capital: €2.0 million Share premium: €174.1 million	Paid-in capital: €150 million Share premium: €403 million	€90.4 million
9a	Issue price	Paid-in capital: €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.	Principal on bond (€0.1 million) and accrued but unpaid interest on principal up to (but excluding) the maturity date (or up to (but excluding) the date of repurchase in the case of early repurchase)
10	Accounting classification	Shareholders' equity	Shareholders' equity	Financial liability
11	Original date of issuance	13 April 2016	19 December 2013	9 October 2019
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	n.a.	n.a.	9 October 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 for payment on a bond is equal to principal, together with accrued but unpaid interest on principal up to

Template for main features of own funds instruments				
		Common Equity Tier 1 (CET1) capital		Tier 2 (T2) capital
				(but excluding) the date stated for repurchase.
16	Subsequent call dates, if applicable	n.a.	n.a.	See point 15 above
Coupons/dividends				
17	Fixed or floating dividend/coupon	n.a.	n.a.	A fixed coupon rate applies up to (but excluding) 9 October 2024; a floating coupon rate applies from 9 October 2024 on.
18	Coupon rate and any related index	n.a.	n.a.	Fixed: 4% p.a. Floating: annual swap rate (expressed in a percentage) for swap transactions in euros with a maturity of five years + 4.4% p.a.
19	Existence of a dividend stopper	n.a.	n.a.	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	n.a.	Fully discretionary right	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	n.a.	Fully discretionary right	Mandatory
21	Existence of step up or other incentive to redeem	n.a.	n.a.	No
22	Noncumulative of cumulative	n.a.	n.a.	Noncumulative
23	Convertible or non-convertible	n.a.	n.a.	non-convertible[3]
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

[3]Note: Given that bonds are Tier 2 instruments, conversion and/or partial write-down is possible in accordance with valid legislation: (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 (*Bank Recovery and Resolution Directive*), (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 (*Single Resolution Mechanism Regulation*), and (iii) the Resolution and Compulsory Winding Up of Banks Act.

Template for main features of own funds instruments				
		Common Equity Tier 1 (CET1) capital		Tier 2 (T2) capital
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
34a	Type of subordination (only for eligible liabilities)	n.a.	n.a.	n.a.
EU-34b	Ranking of the instrument in normal insolvency proceedings	n.a.	n.a.	Bonds represent the direct, unsecured and subordinated liabilities of an issuer, and are deemed Tier 2 instruments.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n.a.	ordinary liabilities	In the event of ordinary insolvency proceedings (bankruptcy or compulsory liquidation) against the issuer, claims arising from principal on bonds are repaid in the following order: (a) following the repayment of all current and future claims arising from: (i) the unsecured and non-subordinated instruments or liabilities of the issuer; and (ii) eligible liabilities instruments of the issuer in accordance with Article 72b of the CRR; (b) in the same order (*pari passu*): (i) mutually; and (ii) with all other current and future claims arising from: (x) the Tier 2 instruments of the issuer; and (y) all other instruments or liabilities of the issuer that are repaid or are designated for repayment in the same

Template for main features of own funds instruments				
		Common Equity Tier 1 (CET1) capital		Tier 2 (T2) capital
				order as bonds (except the subordinated instruments and liabilities of the issuer that are repaid or designated for repayment with priority or subordinate in relation to bonds); and (c) prior to the repayment of all current and future claims arising from: (i) Additional Tier 1 instruments of the issuer in accordance with Article 52 of the CRR; (ii) ordinary shares of the issuer and any other Common Equity Tier 1 instruments of the issuer in accordance with Article 28 of the CRR; and (iii) all other subordinated instruments or liabilities of the issuer that are repaid or are designated for repayment after the issuer's liabilities arising from bonds. Instruments immediately senior to bonds: Unsecured claims arising from debt securities that meet certain conditions from point nine 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.
37a	Link to the full term and conditions of the instrument (signposting)	/	KDD - Centralna Klirinško Depotna Družba d.o.o. - Notification	Shares and bonds NKBM

n.a. – not applicable for this instrument

4.3 FULL TERMS AND CONDITIONS OF ALL COMMON EQUITY TIER 1, ADDITIONAL TIER 1 AND TIER 2 INSTRUMENTS

(Article 437(c) of the CRR)

Regulatory own funds are broken down into categories with respect to its characteristics:

- Tier 1 capital, which includes
  - Common Equity Tier 1 capital; and
  - Additional Tier 1 capital; and
- Tier 2 capital.

Common Equity Tier 1 capital comprises:

- capital instruments (paid-up and share premium);
- retained earnings;
- accumulated other comprehensive income;
- other reserves;
- value adjustments on account of prudent valuation requirements;
- own fund deduction items:
  - for intangible assets,
  - for deferred tax assets, and
  - for insufficient coverage of non-performing exposures; and
- other adjustments to/deductions from Common Equity Tier 1 capital.

The Group has not issued Additional Tier 1 instruments.

In 2019, the Bank issued the subordinated bond KBM11 in the amount of €90.4 million acceptable as additional regulatory capital. The Bank includes issued bond in full in Additional Tier 1 capital at the level of Nova KBM and the Nova KBM Group, while applying the provisions of Articles 86 and 87 of the CRR for inclusion at the level of the Biser Topco Group. Based on the relevant legislation, the Bank obtained the requisite authorisation of the ECB, as supervisory authority, to include issued Tier 2 capital instruments in the calculation of regulatory own funds.

According to the situation as at 31 December 2022, all own funds instruments of the Nova KBM Group are eligible for inclusion in CET1 and Tier 2 capital, while own funds instruments of the Biser Topco Group in the amount of €0.7 million are not eligible for inclusion in Common Equity Tier 1 capital and instruments in the amount of €12.7 million are not eligible for inclusion in Tier 2 capital based on the provisions of Articles 86 and 87 of the CRR.

Based on authorisation from the ECB, the Bank included the full amount of interim net profit as of 30 September 2022 in the calculation of Common Equity Tier 1 capital on 31 December 2022 as follows: €60.0 million at the level of Nova KBM, €50.6 million at the level of the Nova KBM Group and €45.5 million at the level of the Biser Topco Group. The Bank includes net profit in the calculation of Common Equity Tier 1 capital solely based on a general meeting resolution or authorisation from the ECB as supervisory authority. At the Biser Topco Group level, the Bank does not include €5 million in net profit from 2018, which is earmarked for the payment of dividends.

4.4 SEPARATE DISCLOSURE OF THE NATURE AND AMOUNTS OF FILTERS AND DEDUCTIONS

(Article 437(d) of the CRR)

In template EU CC1, the Biser Topco Group and Nova KBM Group disclose the amounts and items of regulatory own funds and capital ratios as at 31 December 2022 in accordance with the provisions of the CRR and other regulations.

The groups disclose:

(i) prudential filters applied in accordance with Articles 32 to 35;

(ii) deductions in accordance with Articles 36, 56 and 66; and

(iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79.

The structure of the Biser Topco Group's regulatory own funds was sound as at 31 December 2022. A total of 92% of total regulatory own funds is accounted for by Common Equity Tier 1 (CET1) capital, while 8% is accounted for by Tier 2 (T2) capital. Original own funds are comprised solely of CET1 capital. CET1 capital comprises own funds instruments issued by the Biser Topco Group in the amount of €176 million. Tier 2 capital comprises own funds instruments issued by Nova KBM in the amount of €90.4 million, where the provisions of Articles 86 and 87 of the CRR were applied for inclusion at the level of the Biser Topco Group (instruments in the amount of €12.7 million were not eligible for inclusion as at 31 December 2022).

The amount of the Biser Topco Group's regulatory own funds as of 31 December 2022 was up by €0.05 million relative to the situation on 31 December 2021 as the result of changes in components of own funds. All major decreases in own funds as the result of accumulated other comprehensive income and deductions from own funds for fixed assets and deferred tax assets were covered in full by the increase in own funds from the inclusion of interim profit for 2022.

The structure of the Nova KBM Group's regulatory own funds was also sound as at 31 December 2022. A total of 90% of total regulatory own funds is accounted for by Common Equity Tier 1 (CET1) capital, while 10% is accounted for by Tier 2 (T2) capital. Original own funds are comprised solely of CET1 capital. CET1 capital comprises own funds instruments issued by Nova KBM in the amount of €553 million. Tier 2 capital comprises debt instruments issued by Nova KBM in the amount of €90.4 million.

The amount of the Nova KBM Group's regulatory own funds as of 31 December 2022 was up by €7.4 million relative to the situation on 31 December 2021 as the result of increases in components of CET1. Changes were recorded in the same components of own funds as within the Biser Topco Group.

Data regarding the regulatory own funds of the Biser Topco Group and Nova KBM Group as at 31 December 2022 are disclosed in the rows of Template EU CC1 that are relevant for them.

Template 7: EU CC1 – Composition of regulatory own funds of the Biser Topco Group and Nova KBM Group

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		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	176,153	553,302	33 + 34
	of which: Instrument type 1	176,153	553,302	
	of which: Instrument type 2	-	-	-
	of which: Instrument type 3	-	-	-
2	Retained earnings	748,274	342,460	part. 38
3	Accumulated other comprehensive income (and other reserves)	-31,602	-10,635	36 + 37
EU-3a	Funds for general banking risks	-	-	-
4	Amount of qualifying items referred to in Article 484(3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	45,510	50,559	part. 38
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**938,334**	**935,686**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-736	-736	
8	Intangible assets (net of related tax liability) (negative amount)	-38,920	-38,920	14
9	Not applicable			
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) CRR are met) (negative amount)	-48,336	-47,444	17
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic 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)	-	-	
18	Direct, indirect and synthetic 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 10% threshold and net of eligible short positions) (negative amount)	-	-	
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)	-	-	
20	Not applicable			
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	-	

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
23	of which: 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	-	-	
24	Not applicable			
25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses in the current financial year (negative amount)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
26	Not applicable			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	3,489	3,493	
28	**Total regulatory adjustments to Common Equity Tier 1 capital (CET1)**	**-84,503**	**-83,607**	
29	**Common Equity Tier 1 (CET1) capital**	**853,831**	**852,079**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-		
31	of which: classified as equity under applicable accounting standard	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-		
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-		

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
35	of which: instruments issued by subsidiaries subject to phase out	-		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	**0**	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-		
38	Direct, indirect and synthetic 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)	-		
39	Direct, indirect and synthetic holdings of the AT1 instruments 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)	-		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-		
41	Not applicable			
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-		
42a	Other regulatory adjustments to AT1 capital	-		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	**0**	
44	**Additional Tier 1 (AT1) capital**	**-**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**853,831**	**852,079**	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	-	90,400	26
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-	

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-	
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	77,714	-	26
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**77,714**	**90,400**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		
53	Direct, indirect and synthetic 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)	-		
54	Direct, indirect and synthetic 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)	-		
54a	Not applicable			
55	Direct, indirect and synthetic 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)	-		
56	Not applicable			
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-		
EU-56b	Other regulatory adjustments to T2 capital	-		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	**0**	
58	**Tier 2 (T2) capital**	**77,714**	**90,400**	
59	**Total capital (TC = T1 + T2)**	**931,545**	**942,479**	
60	**Total risk exposure amount**	**5,466,054**	**5,456,006**	

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	15.62%	15.62%	
62	Tier 1 capital	15.62%	15.62%	
63	Total capital	17.04%	17.27%	
64	Institution CET1 overall capital requirements	8.34%	8.84%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical capital buffer requirement	0.05%	0.05%	
67	of which: systemic risk buffer requirement	0.00%	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	0.50%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.29%	1.29%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**6.74%**	**6.97%**	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities 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)	22,463	22,463	part. 3, part. 4, part. 6
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 17.65% threshold and net of eligible short positions)	0	0	
74	Not applicable			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	66	66	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-		

		Amounts as at 31 December 2022		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Biser Topco Group	Nova KBM Group	Reference to row in EU CCR2
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

4.5 DESCRIPTION OF ALL RESTRICTIONS APPLIED TO THE CALCULATION OF OWN FUNDS IN ACCORDANCE WITH THIS REGULATION AND THE INSTRUMENTS, PRUDENTIAL FILTERS AND DEDUCTIONS TO WHICH THOSE RESTRICTIONS APPLY

(Article 437(e) of the CRR)

This disclosure is included in point 4.4. of this document.

4.6 WHERE INSTITUTIONS DISCLOSE CAPITAL RATIOS CALCULATED USING ELEMENTS OF OWN FUNDS DETERMINED ON A BASIS OTHER THAN THAT LAID DOWN IN THIS REGULATION, A COMPREHENSIVE EXPLANATION OF THE BASIS ON WHICH THOSE CAPITAL RATIOS ARE CALCULATED

(Article 437(f) of the CRR)

In accordance with Article 1(6) of Regulation (EU) No 2020/873, the Group informed the ECB that it will apply the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic in accordance with Article 468 of Regulation (EU) No 575/2013. For quarterly reporting, that treatment applied on the reporting date of 31 December 2022. The Group excluded from CET1 the amount of unrealised losses in accordance with Article 1(6) of Regulation (EU) No 2020/873 and appropriately recalculated the amount of deferred tax assets that is deducted from CET1 in accordance with point c of Article 36(1) or risk-weighted in accordance with Article 48(4) of Regulation (EU) No 575/2013.

The Group discloses in Table 8 below the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, the total capital ratio, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the leverage ratio that it would achieve if it did not apply the aforementioned treatment.

Table 7: Capital ratios without taking into account the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income due to the COVID-19 pandemic

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		Amounts as of 31 December 2022	
		Biser Topco Group	Nova KBM Group
Available own funds (amounts)			
1	Common Equity Tier 1 capital	847,979	846,227
2	Tier 1 capital	847,979	846,227
3	Total capital	925,693	936,627
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.49%	15.49%
6	Tier 1 ratio (%)	15.49%	15.49%
7	Total capital ratio (%)	16.91%	17.14%
Leverage ratio			
14	Leverage ratio (%)	7.83%	7.83%

4.7 DISCLOSURES IN CONNECTION WITH TRANSITIONAL ARRANGEMENTS FOR MITIGATING THE IMPACT OF THE INTRODUCTION OF IFRS 9 ON OWN FUNDS

(Article 437(f) of the CRR)

This disclosure is not relevant for the Group because it did not opt to apply transitional arrangements to mitigate the impact of the introduction of IFRS 9 on original own funds.

4.8 TRANSITIONAL PROVISIONS FOR DISCLOSURE OF OWN FUNDS

(Article 492 of the CRR)

This disclosure is not relevant for the Group because it has not applied the transitional provisions for the calculation of regulatory own funds or any other risk-weighted asset amount since 1 January 2018. The transitional provisions are only taken into account in the calculation of capital buffers, which are in line with the provisions of the CRD.

5 OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

This section defines the disclosure requirements set out in Article 438 of Part Eight of the CRR, and in the templates prescribed in Articles 1(2), 1(3), 1(4), 11(d), 12, 13(g) and 15(2d) of Commission Implementing Regulation (EU) 2021/637.

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 CRR)

The Group's risk appetite framework, including the risk appetite statement, is in place at the levels of the Nova KBM Group and the Biser Topco Group. In that document, the Bank defined the risk appetite at the Group level taking into account the given risk-bearing capacity.

The Group has adopted the Policy on the Management of Own Funds and Own Funds Requirements for the purpose of managing and calculating Pillar 1 own funds requirements, as well as the Policy on the Implementation of the Internal Capital Adequacy Assessment Process in the scope of Pillar 2. Implementing documents for both policies comprise methodologies that define the approach for identifying and measuring risks, for calculating Pillar 1 and Pillar 2 own funds requirements and regulatory own funds, and for performing stress tests. All of the aforementioned internal documents also apply at the level of the Biser Topco Group.

The assessment of internal capital requirements represents the Group's own view of the level of capital required to cover all expected and unexpected losses arising from risks to which it is materially exposed in its operations, both at the level of the Nova KBM Group and the Biser Topco Group. The Group calculates the amount of internal capital required to cover risks using internal models using the going concern approach.

The Group takes into account regulatory requirements and its own internal assessments when setting minimum capital ratios.

The current amounts of regulatory own funds and internal capital of the Nova KBM Group and the Biser Topco Group are monitored at meetings of the ALCO, Risk Committee and Supervisory Board.

Table 8: Selected risks for 2022

Credit risks	Market risks	Operational risks	Liquidity risks	Other risks
Credit risk (risk of default)	Credit spread risk	Compliance risk	Risk associated with securing sources of liquidity	Business/strategic risk
Credit concentration risk	Credit valuation adjustment risk	Risk in connection with employee conduct	Market liquidity risk	Equity risk
Counterparty risk	Foreign exchange risk	Cybercrime risk	Intraday liquidity risk	Interest rate risk in the banking book
Country risk	Position risk	Data quality risk	Asset encumbrance risk	Profitability risk
Risk associated with foreign currency loans		Risk of fraud		
Credit rating migration risk		HR management risk		
Residual risk		Operational risk		
Risk in connection with special credit facilities (project financing risk)		Outsourcing risk		
Risk associated with variable rate loans		Project risk		
Risk in connection with real estate		Reputation risk		
Sovereign risk		System/IT risk		
		Model risk		

The Group discloses information about regulatory own funds in section 4 and about risk exposure under Pillar 2 in section 2.1.6.

5.2 AMOUNT OF ADDITIONAL OWN FUNDS REQUIREMENTS BASED ON THE SUPERVISORY REVIEW PROCESS AS REFERRED TO IN POINT (A) OF ARTICLE 104(1) OF DIRECTIVE 2013/36/EU AND KEY METRICS

(Articles 438(b) and 447 of the CRR)

The Group must fulfil the minimum Pillar 1 own funds requirements set out in the CRR and that relate to:

- the Common Equity Tier 1 capital ratio and must be at least 4.5%;
- the Tier 1 capital ratio and must be at least 6.0%; and
- the total capital ratio and must be at least 8.0%.

In the context of the above-mentioned, the Group must also meet the Pillar 2 own funds requirements set out in the CRD and defined by the joint supervisory team:

- Pillar 2 requirement (P2R);
- Pillar 2 guidance (P2G); and
- the combined buffer requirement (CBR).

Total minimum and supervisory capital requirements comprise the total SREP capital requirement (TSCR), while the total minimum and supervisory capital requirements and the combined buffer requirement comprise the overall capital requirement (OCR) that must be met by the Group. Amongst the ECB's measures relating to COVID-19, the Group must meet the following since 12 March 2020: the P2R of at least 56.25% via the Common Equity Tier 1 ratio (CET1 ratio) and of at least 75% via the Tier 1 ratio (T1 ratio). The Group must also meet the combined buffer requirement via the CET1 ratio. In that context, the Group must also comply with P2G, likewise via the CET1 ratio.

Table 9: Minimum capital requirements as at 31 December 2022

Indicator	Biser Topco Group	Nova KBM Group
Total SREP capital requirement (TSCR)	10.30%	10.30%
Overall capital requirement (OCR)	12.85%	13.35%
Overall capital requirement (OCR) and Pillar 2 Guidance (P2G)	14.35%	14.85%

* The difference between the two groups is 0.50 percentage points and derives from the capital buffer for other systemically important institutions, which is only binding at the Nova KBM Group level.

The groups fulfil all requirements set out in the law and by supervisory authorities: as at 31 December 2022, Common Equity Tier 1 capital (CET1 capital) exceeded the required minimum TSCR, which must comprise CET1 capital, by €368 million at the Biser Topco Group level and by €380 million at the Nova KBM Group level.

Table 10: Regulatory buffer requirements

SREP requirement	2022	2023
Pillar 2 capital requirements (P2R)	2.30%	2.25%
Pillar 2 Guidance (P2G)	1.50%	1.50%
Institution specific countercyclical capital buffer (CCyB)	0.05%	0.54%
Other Systemically Important Institution buffer (OSIB)*	0.50%	0.50%
Sectoral systemic risk buffer (SSyRB)*		0.20%

* A CCyB in the amount of 0.17% was estimated for the period until 31 December 2023. On account of the Bank of Slovenia regulation that introduces a countercyclical buffer for exposures to clients in the Republic of Slovenia, the estimated CCyB will be raised by 37 basis points on 31 December 2023.
** The capital buffer for OSIBs (other systemically important banks) and the SSyRB (sectoral systemic risk buffer) are only binding at the level of the Nova KBM Group.

The total capital ratio (TC ratio) of the Biser Topco Group was 17.04% as of 31 December 2022, while the Common Equity Tier 1 capital ratio (CET1 ratio) stood at 15.62%, as evident from Template 8. The TC ratio was down by 105 basis points and CET1 ratio was down by 97 basis points relative to 31 December 2021 due to an increase in the total risk exposure amount of €319 million (the main reason was an increase in the risk-weighted exposure amount for credit risk on account of newly approved loans).

Template 8: EU KM1 – Key metrics template for the Biser Topco Group

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		a	c	e
		31 December 2022	30 June 2022	31 December 2021
Available own funds (amounts)				
1	Common Equity Tier 1 capital	853,831	824,885	854,004
2	Tier 1 capital	853,831	824,885	854,004
3	Total capital	931,545	907,577	931,497
Risk-weighted exposure amounts				
4	Total risk exposure amount	5,466,054	5,604,127	5,147,224
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15,62%	14,72%	16,59%
6	Tier 1 ratio (%)	15,62%	14,72%	16,59%
7	Total capital ratio (%)	17,04%	16,19%	18,10%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.30%	2.30%	3.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.29%	1.29%	1.69%

		a	c	e
		31 December 2022	30 June 2022	31 December 2021
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.73%	1.73%	2.25%
EU 7d	Total SREP own funds requirements (%)	10.30%	10.30%	11.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.02%	0.01%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer* (%)	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.55%	2.52%	2.51%
EU 11a	Overall capital requirements (%)	12.85%	12.82%	13.51%
12	CET1 available after meeting the total SREP own funds requirements	368.412	330.083	365.453
Leverage ratio				
13	Total exposure measure	10,835,484	10,630,956	10,527,569
14	Leverage ratio (%)	7.88%	7.76%	8.11%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
Liquidity coverage ratio				

		a	c	e
		31 December 2022	30 June 2022	31 December 2021
15	Total high-quality liquid assets (HQLA) (weighted value-average)	3,575,244	3,656,143	3,681,684
EU 16a	Cash outflows – total weighted value	1,356,412	1,314,586	1,209,784
EU 16b	Cash inflows – total weighted value	305,601	290,702	248,867
16	Total net cash outflows (adjusted value)	1,050,811	1,023,884	960,917
17	Liquidity coverage ratio (%)	341%	359%	385%
Net stable funding ratio				
18	Total available stable funding	8,834,847	8,662,594	8,431,806
19	Total required stable funding	4,994,544	5,079,752	4,833,674
20	NSFR (%)	177%	171%	174%

The OSIB is only binding at the Nova KBM Group level.

5.3 UPON DEMAND FROM THE RELEVANT COMPETENT AUTHORITY, THE RESULT OF THE INSTITUTION'S INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

(Article 438(c) of the CRR)

The Group is not obliged to disclose the results of the Internal Capital Adequacy Assessment Process.

5.4 TOTAL RISK-WEIGHTED EXPOSURE AMOUNT AND THE CORRESPONDING TOTAL OWN FUNDS REQUIREMENT DETERMINED IN ACCORDANCE WITH ARTICLE 92, AND AN EXPLANATION OF THE EFFECT ON THE CALCULATION OF OWN FUNDS AND RISK-WEIGHTED EXPOSURE AMOUNTS THAT RESULTS FROM APPLYING CAPITAL FLOORS AND NOT DEDUCTING ITEMS FROM OWN FUNDS

(Article 438(d) of the CRR)

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

The Biser Topco Group's total risk exposure amount as at 31 December 2022 was up by €319 million on 31 December 2021, as a result of:

- increases in the risk-weighted exposure amount for credit risk (€301 million) as detailed below;
- an increase in the risk-weighted exposure amount for counterparty credit risk (€25 million) due to new transactions and increased volatility in the interest rate curve on the market
- an increase in the risk-weighted exposure amount for operational risk (€19 million), which was primarily affected by changes in income statement items over the last three years, and the application of the clarification of the EBA Q&A (2018_3969)
- a decrease in the risk-weighted exposure amount for position risk (€26 million) due to the sale of shares

Increase of credit risk-weighted exposure amount on the reporting date of 31 December 2022 relative to 31 December 2021 derive primarily from:

- new loans in the international lending segment;
- new investments in bank bonds and corporate bonds;
- new investments in the project financing segment
- new investments in subsidiaries (ALEJA finance and Mobil leasing)
- new loans in the corporate and project financing segment.

Decrease of credit risk-weighted exposure amount on the reporting date of 31 December 2022 relative to 31 December 2021derive primarily from:

- reduction of the portfolio of non-performing exposures;
- changes in value adjustments to assets.

Changes in the total risk exposure of the Biser Topco Group are also reflected in changes in the total risk exposure of the Nova KBM Group.

Template EU OV1 below discloses the structure of the total risk exposure of the Biser Topco Group and the Nova KBM Group as at 31 December 2022 and 31 December 2021.

Template 9: EU OV1 – Overview of total risk exposure amounts of the Biser Topco Group

€000

		Total risk exposure amount (TREA)		Total own funds requirements
		a	b	a
		31 December 2022	31 December 2021	31 December 2022
1	Credit risk (excluding CCR)	4,945,982	4,644,760	395,679
2	of which the Standardised Approach	4,945,982	4,644,760	395,679
3	of which the foundation IRB (F-IRB) approach	0	0	0
4	of which: slotting approach	0	0	0
EU 4a	of which: equities under the simple risk-weighted approach	0	0	0
5	of which the advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk – CCR	35,823	10,584	2,866
7	of which the Standardised Approach	0	0	0
8	of which internal model method (IMM)	0	0	0
EU 8a	of which exposures to a CCP	14,912	384	1,193
EU 8b	of which credit valuation adjustment – CVA	14,310	3,390	1,145
9	of which other CCR	6,601	6,809	528
10	Not applicable	0	0	0
11	Not applicable	0	0	0
12	Not applicable	0	0	0
13	Not applicable	0	0	0
14	Not applicable	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	of which SEC-IRBA approach	0	0	0
18	of which SEC-ERBA (including IAA)	0	0	0
19	of which SEC-SA approach	0	0	0
EU 19a	of which 1250% weight/deduction	0	0	0
20	Position, foreign exchange and commodities risks (market risk)	120	26,471	10
21	of which the Standardised Approach	120	26,471	10
22	of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	484,129	465,409	38,730
EU 23a	of which Basic Indicator Approach	484,129	465,409	38,730
EU 23b	of which standardised approach	0	0	0
EU 23c	of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (250% risk weighting)	166	0	13
25	Not applicable	0	0	0
26	Not applicable	0	0	0

		Total risk exposure amount (TREA)		Total own funds requirements
		a	b	a
		31 December 2022	31 December 2021	31 December 2022
27	Not applicable	0	0	0
28	Not applicable	0	0	0
29	**Total**	**5,466,054**	**5,147,224**	**437,284**

Template 10: EU OV1 – Overview of total risk exposure amounts of the Nova KBM Group

€000

		Total risk exposure amount (TREA)		Total own funds requirements
		a	b	c
		31 December 2022	31 December 2021	31 December 2022
1	Credit risk (excluding CCR)	4,934,983	4,647,464	394,799
2	of which the Standardised Approach	4,934,983	4,647,464	394,799
3	of which the foundation IRB (F-IRB) approach	0	0	0
4	of which: slotting approach	0	0	0
EU 4a	of which: equities under the simple risk-weighted approach	0	0	0
5	of which the advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk – CCR	35,823	10,584	2,866
7	of which the Standardised Approach	0	0	0
8	of which internal model method (IMM)	0	0	0
EU 8a	of which exposures to a CCP	14,912	384	1,193
EU 8b	of which credit valuation adjustment – CVA	14,310	3,390	1,145
9	of which other CCR	6,601	6,809	528
10	Not applicable	0	0	0
11	Not applicable	0	0	0
12	Not applicable	0	0	0
13	Not applicable	0	0	0
14	Not applicable	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	of which SEC-IRBA approach	0	0	0
18	of which SEC-ERBA (including IAA)	0	0	0
19	of which SEC-SA approach	0	0	0
EU 19a	of which 1250% weight/deduction	0	0	0
20	Position, foreign exchange and commodities risks (market risk)	120	26,471	10
21	of which the Standardised Approach	120	26,471	10

		Total risk exposure amount (TREA)		Total own funds requirements
		a	b	c
		31 December 2022	31 December 2021	31 December 2022
22	of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	485,080	466,743	38,806
EU 23a	of which Basic Indicator Approach	485,080	466,743	38,806
EU 23b	of which standardised approach	0	0	0
EU 23c	of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (250% risk weighting)	166	0	13
25	Not applicable	0	0	0
26	Not applicable	0	0	0
27	Not applicable	0	0	0
28	Not applicable	0	0	0
29	**Total**	**5,456,006**	**5,151,262**	**436,480**

5.5 THE ON- AND OFF-BALANCE-SHEET EXPOSURES, THE RISK-WEIGHTED EXPOSURE AMOUNTS AND ASSOCIATED EXPECTED LOSSES FOR EACH CATEGORY OF SPECIALISED LENDING REFERRED TO IN TABLE 1 OF ARTICLE 153(5) AND THE ON- AND OFF-BALANCE-SHEET EXPOSURES AND RISK-WEIGHTED EXPOSURE AMOUNTS FOR THE CATEGORIES OF EQUITY EXPOSURES SET OUT IN ARTICLE 155(2)

(Article 438 (e) of the CRR)

This disclosure is not relevant for the Group because it does not use the IRB Approach to calculate own funds requirements for credit risk.

5.6 EXPOSURE VALUE AND THE RISK-WEIGHTED EXPOSURE AMOUNT OF OWN FUNDS INSTRUMENTS HELD IN ANY INSURANCE UNDERTAKING, REINSURANCE UNDERTAKING OR INSURANCE HOLDING COMPANY THAT THE INSTITUTIONS DO NOT DEDUCT FROM THEIR OWN FUNDS IN ACCORDANCE WITH ARTICLE 49 WHEN CALCULATING THEIR CAPITAL REQUIREMENTS ON AN INDIVIDUAL, SUB-CONSOLIDATED AND CONSOLIDATED BASIS

(Article 438(f) of the CRR)

The Biser Topco Group and Nova KBM Group have the same capital investment portfolio, as the Biser Topco Group does not hold authorisations or licences to perform any type of banking activity. The two groups did not hold a material capital investment in the own funds instruments of insurance undertakings, reinsurance undertakings or insurance holding companies that they did not deduct from their own funds as at 31 December 2022, but do hold an immaterial investment for which they calculate risk-weighted assets for credit risk using a risk weight of 100%.

Template EU INS1 below discloses the insurance participations of the Biser Topco Group and Nova KBM Group as at 31 December 2022.

Template 11: EU INS1 – Insurance participations of the Biser Topco Group and Nova KBM Group

€000

		a	b
		Exposure value	Risk exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	102	102

5.7 SUPPLEMENTARY OWN FUNDS REQUIREMENT AND THE CAPITAL ADEQUACY RATIO OF THE FINANCIAL CONGLOMERATE CALCULATED IN ACCORDANCE WITH ARTICLE 6 OF DIRECTIVE 2002/87/EC AND ANNEX I TO THAT DIRECTIVE WHERE METHOD 1 OR 2 SET OUT IN THAT ANNEX IS APPLIED

(Article 438(g) of the CRR)

This disclosure is not relevant for the Group.

5.8 VARIATIONS IN THE RISK-WEIGHTED EXPOSURE AMOUNTS OF THE CURRENT DISCLOSURE PERIOD COMPARED TO THE IMMEDIATELY PRECEDING DISCLOSURE PERIOD THAT RESULT FROM THE USE OF INTERNAL MODELS, INCLUDING AN OUTLINE OF THE KEY DRIVERS EXPLAINING THOSE VARIATIONS

(Article 438(h) of the CRR)

This disclosure is not relevant for the Group because it does not use the IRB Approach to calculate own funds requirements for credit risk.

6 EXPOSURE TO COUNTERPARTY CREDIT RISK

This section defines the disclosure requirements set out in Article 439 of Part Eight of the CRR and Section 4.11 of the Guidelines.

6.1 DESCRIPTION OF THE METHODOLOGY USED TO ASSIGN INTERNAL CAPITAL AND CREDIT LIMITS FOR COUNTERPARTY CREDIT EXPOSURES, INCLUDING THE METHODS TO ASSIGN THOSE LIMITS TO EXPOSURES TO CENTRAL COUNTER-PARTIES

(Article 439(a) of the CRR)

The Bank manages counterparty credit risk using the appropriate processes (daily monitoring and valuation, and margin calls) and the limit system, while the own funds to cover those risks are allocated in the scope of the allocation of own funds for credit risk (default risk).

The calculation of the allocation of internal capital for derivatives, repo transactions and securities lending transactions is performed in accordance with an internal methodology that defines the method used to calculate the allocation of internal capital. The Bank's exposure to counterparty credit risk is rather immaterial due to the small scope of such business transactions. For this reason, the Bank allocated own funds in the amount of Pillar 1 own funds requirement for such exposures in the scope of the allocation of internal capital.

The Bank's portfolio does not include any repo transactions or securities lending transactions.

Under Pillar 1, own funds requirements for derivatives are calculated using the original exposure method in accordance with Article 282 of the CRR.

The Group has a limit system in place to monitor exposure to counterparty credit risk. Exposure to customers and the usage of limits are monitored daily. The limit system defines the maximum permitted exposure to an individual counterparty. That exposure depends on the customer's credit rating and other parameters that are subject to the customer's risk assessment, and the size and type of financial instrument.

6.2 DESCRIPTION OF POLICIES RELATED TO GUARANTEES AND OTHER CREDIT RISK MITIGANTS, SUCH AS THE POLICIES FOR SECURING COLLATERAL AND ESTABLISHING CREDIT RESERVES

(Article 439(b) of the CRR)

The parent bank of the Group has concluded an ISDA (International Swaps and Derivatives Association) master agreement with financial institutions for the purpose of concluding derivatives transactions outside the regulated market. For the purpose of mitigating credit risk, the Bank has signed a credit support annex (CSA) to the aforementioned ISDA Master Agreement with certain banks. That annex governs coverage in the event of unfavourable movements on the market, and thus mitigates credit risk.

The parent bank of the Group has entered into a framework agreement on derivatives transactions with non-financial counterparties. That agreement ensures the netting of claims and liabilities from derivatives transactions in the event of counterparty default.

The Bank only provides derivatives transactions without collateral to customers with the highest credit rating, while it includes the respective exposure to credit risk from such transactions in the calculation of the total exposure. The Bank only provides derivatives transactions to other customers with the approval of the competent body of the Bank or if the latter receives prime collateral.

6.3 DESCRIPTION OF POLICIES WITH RESPECT TO GENERAL WRONG-WAY RISK AND SPECIFIC WRONG-WAY RISK

(Article 439(c) of the CRR)

If exposure to a counterparty increases due to unfavourable market movements, the Bank asks the counterparty to provide additional prime collateral. The Bank has the option of closing the position if the counterparty does not provide that prime collateral. The Bank monitors counterparty credit risk daily on the basis of available market prices or prices calculated according to an internal model, the input data for which are prevailing market prices.

The Bank has defined the minimum acceptable credit quality of assets that it accepts as collateral for repo transactions.

6.4 AMOUNT OF COLLATERAL THE INSTITUTION WOULD HAVE TO PROVIDE IF ITS CREDIT RATING WAS DOWNGRADED

(Article 439(d) of the CRR)

Given the low stock of derivatives in the Group's portfolio, the downgrading of the Bank would not lead to an increase of the stock of collateral.

6.5 AMOUNT OF SEGREGATED AND UNSEGREGATED COLLATERAL RECEIVED AND POSTED PER TYPE OF COLLATERAL, FURTHER BROKEN DOWN BETWEEN COLLATERAL USED FOR DERIVATIVES AND SECURITIES FINANCING TRANSACTIONS

(Article 439(e) of the CRR)

The Bank exchanges collateral in accordance with concluded CSAs.

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

Template EU CCR5 below presents the composition of assets received as collateral for the Biser Topco Group's exposures as of 31 December 2022.

Template 12: EU CCR5 – Composition of collateral for CCR exposures of the Biser Topco Group

€000

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral used in SFTs	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0	11,842	0	4,404	0	0	0	0
2	Cash – other currencies	0	0	0	0	0	0	0	0

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral used in SFTs	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
3	Domestic sovereign debt	0	0	0	0	0	0	0	0
4	Other sovereign debt	0	0	0	0	0	0	0	0
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	0
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	0
9	**Total**	**0**	**11,842**	**0**	**4,404**	**0**	**0**	**0**	**0**

6.6 EXPOSURE VALUES BEFORE AND AFTER THE EFFECT OF THE CREDIT RISK MITIGATION, WHICHEVER METHOD IS APPLICABLE, AND THE ASSOCIATED RISK EXPOSURE AMOUNTS BROKEN DOWN BY APPLICABLE METHOD

(Article 439(f), (g) and (m) of the CRR)

The Group monitors exposure to counterparty credit risk for derivatives using the original exposure method in accordance with the provisions of Article 282 of the CRR (Section 5 of Chapter 6 of Part Three, Title II).

The template below discloses relevant data at the level of the Biser Topco Group as at 31 December 2022.

Template 13: EU CCR1 – Analysis of CCR exposure by approach for the Biser Topco Group

€000

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	14,782	6,641		1,4	29,992	29,992	29,992	21,513
EU-2	EU – Simplified SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1,4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**8,989**	**8,989**	**8,989**	**7,193**

6.7 ESTIMATE OF alpha WHERE THE INSTITUTION HAS RECEIVED THE PERMISSION OF THE COMPETENT AUTHORITIES TO USE ITS OWN ESTIMATE OF alpha

(Article 439(k) of the CRR)

Because the Group does not use an internal model method to calculate exposure, this disclosure is not relevant.

6.8 EXPOSURE VALUES AFTER CREDIT RISK MITIGATION EFFECTS AND THE ASSOCIATED RISK EXPOSURES FOR CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE

(Article 439(h) of the CRR)

Credit valuation adjustment (CVA) means the adjustment of the portfolio of transactions with a counterparty to valuation according to the mean market value. The aforementioned adjustment reflects the current market value of counterparty credit risk for an institution, but does not reflect the current market value of the institution's credit risk for the counterparty. The template below discloses relevant data at the Biser Topco Group level as at 31 December 2022.

Template 14: EU CCR2 – Transactions subject to own funds requirements for CVA risk for the Biser Topco Group

€000

		Exposure value	Risk-weighted assets
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the standardised method	15,117	14,310
EU-4	Transactions subject to the Alternative approach (based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**15,117**	**14,310**

6.9 EXPOSURE TO CENTRAL COUNTERPARTIES

(Article 439(i) of the CRR)

The Bank concludes certain transactions with the central counterparty LCH Limited. Since 1 January 2021 (i.e. following Brexit), LCH is treated as a third-country central counterparty and is approved by the ESMA. The Bank accesses the clearing house LCH via a clearing member and is subject to mandatory clearing. The Bank performs clearing with LCH for interest rate swaps. In addition to the initial margin and exposure calculated in accordance with Article 282 of CRR, the Bank also has a floating margin of €1,442 thousand at LCH Limited.

Template 15: EU CCR8 – Exposures to CCPs of the Biser Topco Group

€000

		Exposure value	Risk-weighted assets
1	**Exposures to QCCPs (total)**		**14,912**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	12,469	12,469
3	(i) OTC derivatives	12,469	12,469
4	(ii) Exchange-traded derivatives	0	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	0	
8	Non-segregated initial margin	2,444	2,444
9	Prefunded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	**Exposures to non-QCCPs (total)**		**0**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

6.10 NOTIONAL AMOUNTS AND FAIR VALUE OF CREDIT DERIVATIVE TRANSACTIONS

(Article 439(j) of the CRR)

This disclosure is not relevant. The Biser Topco Group's portfolio does not include credit derivatives.

6.11 VARIATIONS IN THE RISK-WEIGHTED EXPOSURE AMOUNTS OF THE CURRENT DISCLOSURE PERIOD COMPARED TO THE IMMEDIATELY PRECEDING DISCLOSURE PERIOD THAT RESULT FROM THE USE OF INTERNAL MODELS, INCLUDING AN OUTLINE OF THE KEY DRIVERS EXPLAINING THOSE VARIATIONS

(Article 438(h) of the CRR)

Because the Group does not use an internal model method to calculate exposure, this disclosure is not relevant.

6.12 DISCLOSURES INCLUDED IN POINT (E) OF ARTICLE 444 AND POINT (G) OF ARTICLE 452

(Article 439(l) of the CRR)

The disclosures are presented in Sections 11.5 and 19.

7 COUNTERCYCLICAL CAPITAL BUFFERS

(Article 440 of the CRR)

This section defines the disclosure requirements set out in Article 440 of Part Eight of the CRR, in Chapter 4 of Title VII of the CRD and in the templates prescribed in Article 5 of Commission Implementing Regulation (EU) 2021/637.

In 2016, the Bank of Slovenia also adopted for use countercyclical capital buffer, which is currently set at 0%. The aim of the buffer is to protect the banking sector against losses that could arise as the result of cyclical economic risks. The value of the buffer may range from 0% to 2.5% of the total risk exposure amount, and depends on the level of risk in the system. Institutions must meet the internal countercyclical capital buffer requirement via the CET1 – Common Equity Tier 1 capital ratio (CET1 ratio).
In its press release dated 7 December 2022, the Bank of Slovenia stated that it was raising the countercyclical buffer for exposures to the Republic of Slovenia from 0% to 0.5% of the total risk exposure amount due to increasing uncertainties in the economic environment. The Group will have to provide additional capital for exposures to the domestic economy within twelve months from publication of that press release.

7.1 GEOGRAPHICAL DISTRIBUTION OF THE EXPOSURE AMOUNTS AND RISK-WEIGHTED EXPOSURE AMOUNTS OF ITS CREDIT EXPOSURES USED AS A BASIS FOR THE CALCULATION OF THEIR COUNTERCYCLICAL CAPITAL BUFFER

(Article 440(a) of the CRR)

Template EU CCyB1 discloses credit exposures according to the Standardised Approach, calculated in accordance with Article 111 of the CRR, for the relevant credit exposures for credit risk set out in Article 140(4)(a) of the CRD and the relevant credit exposures set out in Article 140(4)(b) of the CRD. Exposures based on a direct obligor are taken into account for the determination of geographical location in accordance with Commission Delegated Regulation (EU) No 1152/2014.

The institution-specific countercyclical capital buffer rate comprises the weighted average of countercyclical buffer rates that apply in countries in which the related credit exposures of the institution are located.

Template 16: EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer of the Biser Topco Groupc

€000

	a	c	f	g	h	j	k	l	m
31 December 2022	General and relevant credit exposures under the Standardised Approach			Own fund requirements (relevant credit exposures)			Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	credit risk	market risk	Total	credit risk	market risk	Total			
Slovenia	5,019,676	120	5,019,796	277,962	10	277,972	3,474,651	72.85%	0.00
Netherlands	264,919	0	264,919	17,380	0	17,380	217,253	4.55%	0.00
Germany	191,530	0	191,530	13,896	0	13,896	173,695	3.64%	0.00
Croatia	161,466	0	161,466	11,093	0	11,093	138,663	2.91%	0.00
United States	151,846	0	151,846	11,969	0	11,969	149,613	3.14%	0.00
France	125,252	0	125,252	8,476	0	8,476	105,948	2.22%	0.00
Luxembourg	110,331	0	110,331	8,557	0	8,557	106,966	2.24%	0.01
United Kingdom	102,009	0	102,009	8,949	0	8,949	111,862	2.35%	0.02
Italy	68,263	0	68,263	6,061	0	6,061	75,760	1.59%	0.00
Austria	59,845	0	59,845	4,039	0	4,039	50,489	1.06%	0.00
Spain	49,739	0	49,739	3,976	0	3,976	49,702	1.04%	0.00
Norway	44,603	0	44,603	1,937	0	1,937	24,212	0.51%	0.01
Gibraltar	24,289	0	24,289	1,943	0	1,943	24,289	0.51%	0.00
Sweden	18,701	0	18,701	862	0	862	10,776	0.23%	0.00
Hungary	14,507	0	14,507	1,160	0	1,160	14,506	0.30%	0.00
Belgium	10,085	0	10,085	550	0	550	6,874	0.14%	0.00
Czech Republic	5,951	0	5,951	471	0	471	5,886	0.12%	0.00
Bosnia and Herzegovina	5,883	0	5,883	387	0	387	4,842	0.10%	0.00
Ireland	4,936	0	4,936	395	0	395	4,936	0.10%	0.00
Denmark	4,072	0	4,072	326	0	326	4,072	0.09%	0.00
Canada	2,973	0	2,973	119	0	119	1,486	0.03%	0.00
Isle of Man	2,657	0	2,657	213	0	213	2,657	0.06%	0.00
Finland	2,618	0	2,618	21	0	21	262	0.01%	0.00
Switzerland	2,474	0	2,474	100	0	100	1,254	0.03%	0.00
Serbia	2,405	0	2,405	155	0	155	1,933	0.04%	0.00
Kosovo	1,224	0	1,224	84	0	84	1,055	0.02%	0.00
Romania	1,078	0	1,078	76	0	76	956	0.02%	0.00
Poland	860	0	860	63	0	63	792	0.02%	0.00
Brazil	793	0	793	42	0	42	520	0.01%	0.00
India	728	0	728	58	0	58	721	0.02%	0.00

	a	c	f	g	h	j	k	l	m
31 December 2022	General and relevant credit exposures under the Standardised Approach			Own fund requirements (relevant credit exposures)			Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	credit risk	market risk	Total	credit risk	market risk	Total			
Japan	706	0	706	56	0	56	706	0.01%	0.00
Turkey	465	0	465	18	0	18	222	0.00%	0.00
Slovakia	457	0	457	21	0	21	261	0.01%	0.00
China	426	0	426	26	0	26	322	0.01%	0.00
Macedonia	362	0	362	24	0	24	301	0.01%	0.00
South Korea	334	0	334	27	0	27	334	0.01%	0.00
Australia	299	0	299	24	0	24	299	0.01%	0.00
South Africa	265	0	265	21	0	21	265	0.01%	0.00
Russian Federation	140	0	140	8	0	8	105	0.00%	0.00
Ukraine	89	0	89	5	0	5	67	0.00%	0.00
Bulgaria	79	0	79	5	0	5	69	0.00%	0.00
Montenegro	52	0	52	3	0	3	40	0.00%	0.00
Portugal	11	0	11	1	0	1	8	0.00%	0.00
Other	39	0	39	3	0	3	33	0.00%	0.00
Total	**6,459,435**	**120**	**6,459,555**	**381,563**	**10**	**381,573**	**4,769,663**	**100.00%**	

Template 17: EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer of the Nova KBM Group

€000

	a	c	f	g	h	j	k	l	m
31 December 2022	General and relevant credit exposures under the standardised approach			Own fund requirements (relevant credit exposures)			Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	credit risk	market risk	Total	credit risk	market risk	Total			
Slovenia	5,024,961	120	5,025,081	278,385	10	278,395	3,479,933	73.08%	0.00
Netherlands	264,919	0	264,919	17,380	0	17,380	217,253	4.56%	0.00
Germany	191,530	0	191,530	13,896	0	13,896	173,695	3.65%	0.00
Croatia	161,466	0	161,466	11,093	0	11,093	138,663	2.91%	0.00
United States of America	151,846	0	151,846	11,969	0	11,969	149,613	3.14%	0.00
France	125,252	0	125,252	8,476	0	8,476	105,948	2.22%	0.00

	a	c	f	g	h	j	k	l	m
31 December 2022	General and relevant credit exposures under the standardised approach			Own fund requirements (relevant credit exposures)			Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	credit risk	market risk	Total	credit risk	market risk	Total			
United Kingdom	102,009	0	102,009	8,949	0	8,949	111,862	2.35%	0.02
Luxembourg	97,158	0	97,158	7,503	0	7,503	93,789	1.97%	0.01
Italy	68,263	0	68,263	6,061	0	6,061	75,760	1.59%	0.00
Austria	59,845	0	59,845	4,039	0	4,039	50,489	1.06%	0.00
Spain	49,739	0	49,739	3,976	0	3,976	49,702	1.04%	0.00
Norway	44,603	0	44,603	1,937	0	1,937	24,212	0.51%	0.01
Gibraltar	24,289	0	24,289	1,943	0	1,943	24,289	0.51%	0.00
Sweden	18,701	0	18,701	862	0	862	10,776	0.23%	0.00
Hungary	14,507	0	14,507	1,160	0	1,160	14,506	0.30%	0.00
Belgium	10,085	0	10,085	550	0	550	6,874	0.14%	0.00
Czech Republic	5,951	0	5,951	471	0	471	5,886	0.12%	0.00
Bosnia and Herzegovina	5,883	0	5,883	387	0	387	4,842	0.10%	0.00
Ireland	4,936	0	4,936	395	0	395	4,936	0.10%	0.00
Denmark	4,072	0	4,072	326	0	326	4,072	0.09%	0.00
Canada	2,973	0	2,973	119	0	119	1,486	0.03%	0.00
Isle of Man	2,657	0	2,657	213	0	213	2,657	0.06%	0.00
Finland	2,618	0	2,618	21	0	21	262	0.01%	0.00
Switzerland	2,474	0	2,474	100	0	100	1,254	0.03%	0.00
Serbia	2,405	0	2,405	155	0	155	1,933	0.04%	0.00
Kosovo	1,224	0	1,224	84	0	84	1,055	0.02%	0.00
Romania	1,078	0	1,078	76	0	76	956	0.02%	0.00
Poland	860	0	860	63	0	63	792	0.02%	0.00
Brazil	793	0	793	42	0	42	520	0.01%	0.00
India	728	0	728	58	0	58	721	0.02%	0.00
Japan	706	0	706	56	0	56	706	0.01%	0.00
Turkey	465	0	465	18	0	18	222	0.00%	0.00

	a	c	f	g	h	j	k	l	m
31 December 2022	General and relevant credit exposures under the standardised approach			Own fund requirements (relevant credit exposures)			Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:	credit risk	market risk	Total	credit risk	market risk	Total			
Slovakia	457	0	457	21	0	21	261	0.01%	0.00
China	426	0	426	26	0	26	322	0.01%	0.00
North Macedonia	362	0	362	24	0	24	301	0.01%	0.00
South Korea	334	0	334	27	0	27	334	0.01%	0.00
Australia	299	0	299	24	0	24	299	0.01%	0.00
South Africa	265	0	265	21	0	21	265	0.01%	0.00
Russian Federation	140	0	140	8	0	8	105	0.00%	0.00
Ukraine	89	0	89	5	0	5	67	0.00%	0.00
Bulgaria	79	0	79	5	0	5	69	0.00%	0.00
Montenegro	52	0	52	3	0	3	40	0.00%	0.00
Portugal	11	0	11	1	0	1	8	0.00%	0.00
Others	39	0	39	3	0	3	33	0.00%	0.00
Total	**6,451,546**	**120**	**6,451,665**	**380,932**	**10**	**380,941**	**4,761,768**	**100.00%**	

7.2 AMOUNT OF INSTITUTION SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

(Article 440(b) of the CRR)

Template EU CCyB2 illustrates the calculation of the amount of the institution specific countercyclical capital buffer of the Group as at 31 December 2022.

Template 18: EU CCyB2 - Amount of institution specific countercyclical capital buffer of the Biser Topco Group and Nova KBM Group

€000

	a	a
	31 December 2022	
	Biser Topco Group	Nova KBM Group
Total risk exposure amount	5,466,054	5,456,006
Institution specific countercyclical capital buffer rate	0.05%	0.05%
Institution specific countercyclical capital buffer requirement	2,733	2,728

8 INDICATORS OF GLOBAL SYSTEMIC IMPORTANCE

(Article 441 of the CRR)

This disclosure is not relevant. Nova KBM d.d. is not deemed a global systemically important bank.

9 EXPOSURE TO CREDIT RISK AND DILUTION RISK

9.1 GENERAL QUALITATIVE INFORMATION REGARDING CREDIT RISK

9.1.1 DEFINITION OF 'PAST DUE' AND 'IMPAIRED' FOR ACCOUNTING PURPOSES

(Article 442(a) of the CRR)

The Group treats as past due all on- and off-balance-sheet assets where the counterparty has failed to settle its contractual obligations in a timely manner and in the contractually agreed amount.

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

The Group calculates impairments in accordance with IFRS 9, which requires accounting for expected credit losses (ECLs) from the initial recognition of financial instruments and the earlier recognition of expected losses for the entire lifetime of those instruments.

ECLs represent the probability-weighted assessment of credit losses over a specific period (12 months or the expected duration) of a financial instrument. Given that ECLs take into account the amount and timing of payments, credit losses also arise if the Bank expects to receive full payment but that payment is received later than set out in the associated contract. Financial instruments measured at amortised costs (AC) and those measured at fair value through other comprehensive income (FVOCI) are subject to the assessment of ECLs. Financial instruments measured at fair value through profit or loss (FVTPL) are not subject to impairment via the calculation of ECLs; rather fair value is assessed for them in accordance with the Methodology for Determining the Fair Value of Loans.

When calculating ECLs via the risk parameters PD, LGD, EAD and CCF, the Group takes the relevant macroeconomic variables into account, where possible.

9.1.2 DESCRIPTION OF THE APPROACHES AND METHODS ADOPTED FOR DETERMINING SPECIFIC AND GENERAL CREDIT RISK ADJUSTMENTS

(Article 442(b) of the CRR)

General credit risk adjustments are not recognised under the IFRS. For this reason, the Group does not calculate or disclose such adjustments. The Group calculates and discloses specific credit risk adjustments, which are defined as adjustments to carrying value due to credit risk and relate to both on- and off-balance-sheet exposures.

The Group classifies financial instruments to the following categories:

- at amortised cost (AC) – when the objective of holding a financial asset is to receive contractual cash flows, and cash flows received are exclusively payments of principal and interest on the outstanding amount of principal;
- at fair value through other comprehensive income (FVOCI) – when the objective of holding a financial asset is to receive contractual cash flows and to sell financial assets, and cash flows received are exclusively payments of principal and interest on the outstanding amount of principal;
- at fair value through profit or loss; and
- purchased or originated credit-impaired (POCI) assets at the time of initial recognition.

The Group calculates impairments in accordance with IFRS 9, which requires accounting for expected credit losses (ECLs) from the initial recognition of financial instruments and the earlier recognition of expected losses for the entire lifetime of those instruments.

Financial instruments measured at amortised cost and at fair value through other comprehensive income are subject to the assessment of expected credit losses.

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

- Stage 1: exposures where there has not been a significant increase in credit risk in the period since initial recognition and risk is low;
- Stage 2: exposures where there has been a significant increase in credit risk in the period since initial recognition and exposures derive from claims against customers for which credit losses are calculated according to the simplified approach; POCI assets are also classified to Stage 2 if the associated obligor is classified to a non-default rating grade; and
- Stage 3: exposures in default and exposures classified as POCI.

In accordance with IFRS 9 and guidelines on the management of credit risk and the calculation of expected credit losses, the Group takes into account forward-looking information (FLI) that it has identified as relevant for the assessment of expected credit losses based on reasonable judgement, generally accepted methods of economic analysis and forecasting, and that is supported by a sufficient set of data.

Besides taking into account regulatory criteria such as 30 days past due, the Group acts in accordance with the Customer Classification Methodology of the Nova KBM Group when determining whether there has been a significant increase in credit risk (SICR) in connection with an individual asset since initial recognition. In that regard, it believes that a significant increase in credit risk is primarily reflected in a relative change in a customer's credit rating in the period since initial recognition.

When classifying customers to rating grades, the Group uses all available quantitative information in the scope of the model-based and expert analyses of the financial statements and projections, based on clearly defined criteria and on qualitative or soft information relating to an individual customer, as well as factors linked to the sector in which the customer operates and the general macroeconomic environment. The Bank also uses an early warning system (EWS) to monitor credit risk.

The Group has developed internal models for calculating key parameters used to measure credit losses:

- exposure at default (EAD),
- probability of default (PD), and
- loss given default (LGD).

Expected credit losses are equal to the product of probability of default, loss given default and exposure at default.

Expected credit losses represent the probability-weighted assessment of credit losses over a specific period with respect to a specific macroeconomic scenario. The Bank assesses 12-month expected losses for Stage 1 exposures, and lifetime losses or losses for the entire duration of contractual obligations for exposures from the other two stages.

Stage 3 exposures, where total exposure to a small group of connected clients exceeds €300,000, are impaired individually based on an assessment of the sustainability of the Bank's business plan and strategy vis-à-vis a customer and thus on all expected cash flows from both operations and the redemption of collateral. The Bank uses a collective or automated calculation of expected credit losses for other Stage 3 exposures.

Through-the-cycle (TTC) PD is used to classify customers to rating grades. TTC PD represents the average probability of default for a customer during a period of 12 months over the entire economic cycle and is stable over time, as it is not affected by current macroeconomic conditions.

The calculation of expected credit losses is based on point-in-time (PIT) probability of default based on credit ratings assigned with the help of TTC PD.

In calculating PIT PD, the Bank takes into account all available relevant information about a customer, such as financial and behavioural data that differ with respect to customer type. It also takes into account the current macroeconomic environment and expected changes thereto.

9.1.3 NON-PERFORMING AND FORBORNE EXPOSURES

(Article 442(c) of the CRR)

The Group designates as non-performing exposures (NPE) those exposures where it justifiably expects that an obligor will be unable to settle its obligations in full by the contractual deadline.

The Group deems exposures to be non-performing if any of the following criteria are met:

- the exposure has the status of 'defaulted' or is classified as Stage 3 in accordance with IFRS 9 and the Group's Methodology for Assessing Expected Credit Losses;

- a material exposure to an obligor is more than 90 days past due;
- an exposure has been forborne, whereby the Group has experienced a material economic loss or assesses that an obligor's liabilities will probably not be repaid – forbearance with a low probability of payment;
- the exposure has already been treated as non-performing and the exit criteria are not met; and
- the customer is in insolvency proceedings.

Material past due amount:

- a past due liability is material if the sum of all past due unpaid obligations of an individual obligor to the Nova KBM Group company exceeds 1% of total exposure to that obligor and is greater than €100 or €500, depending on calculated exposure;
- the counting of days past due begins on the day when the above-described conditions for a material past due liability are met; and
- the Nova KBM Group's total exposure is taken into account in the calculation of the materiality threshold for past due amounts.

The reclassification to non-performing exposures after forbearance is carried out if, during the two-year probationary period, a debtor is 30 days in arrears with respect to any exposure or if forbearance is repeated.

The Group applies a standardised definition of default and non-performing exposures (for the purpose of supervisory reporting in accordance with implementing standards). Gaps between the definitions default and the broader definition of non-performing exposures are filled by rules that define the status of default:

- if an obligor is part of a group of connected clients, it is assessed whether other entities in that group are deemed defaulters, provided that they are not already considered impaired or defaulters in accordance with Article 178 of the CRR, except for entities affected by individual disputes that are not linked to capital adequacy of a counterparty;
- an obligor must remain in default for at least 12 months after forbearance. If an analyst from the sector responsible for assessing credit risk determines that the financial position of an obligor has improved, the customer may be classified to a non-default rating grade (grade 9) prior to the prescribed minimum 12-month period; and
- when an obligor has been classified to a non-default rating grade after forbearance, it is subject to a two-year observation period following restructuring if it is more than 30 days past due in the settlement of an obligation. Taken into account in this regard is a material past due amount at the customer level. When this happens, the obligor is downgraded to at least rating grade 10.

The Group has precisely defined criteria for exit from default status. When those criteria are met, it deems that the risk associated with a customer has been mitigated and default status can be discontinued. When a customer is reclassified to a non-default rating grade, the associated exposure in a given observation period is reclassified as Stage 2 in accordance with IFRS 9.

When the reasons that resulted in a significant increase in the credit risk associated with the specific financial asset of a performing obligor no longer exist and the Bank has sound reason to believe that there will not be another significant increase in the credit risk associated with such exposures over the short term, that financial asset is reclassified from Stage 2 to Stage 1, and expected credit losses are recalculated for a 12-month period.

The Workout Department and Legal Office manage the portfolio of customers in default who are classified to default rating grades.

9.2 GENERAL QUANTITATIVE INFORMATION ABOUT CREDIT RISK

This section defines the requirements set out in Article 442(c) of Part Eight of the CRR and implementing technical standards with regard to the public disclosure of the information referred to in Part Eight of Regulation (EU) No 575/2013.

The definition of exposure classes is in line with the definition of exposure classes in accordance with Article 112 of the CRR – Standardised Approach.

9.2.1 PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

(Articles 442(c) and 442(f) of the CRR)

Template 19: EU CR1 - Performing and non-performing exposures and related provisions for the Biser Topco Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	2,214,168	2,190,195	23,973	0	0	0	-13	-13	0	0	0	0	0	0	0
010	Loans and advances	5,289,561	4,709,055	580,506	147,917	0	147,917	-41,733	-18,114	-23,619	-57,899	0	-57,899	-84,757	2,300,779	32,283
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	40,679	38,874	1,806	28	0	28	-497	-222	-274	-3	0	-3	-519	102	0
040	*Credit institutions*	94,384	94,371	12	0	0	0	-199	-199	0	0	0	0	0	0	0
050	*Other financial corporations*	348,662	330,908	17,755	3	0	3	-7,285	-2,978	-4,308	-2	0	-2	-45,339	5,212	0
060	*Non-financial corporations*	2,189,356	1,954,676	234,679	50,527	0	50,527	-18,143	-10,068	-8,074	-21,263	0	-21,263	-32,710	875,871	14,297
070	*Of which SMEs*	975,916	847,844	128,072	40,006	0	40,006	-6,808	-3,099	-3,709	-12,367	0	-12,367	-1,669	529,228	13,598
080	*Households*	2,616,480	2,290,226	324,787	97,360	0	97,360	-15,609	-4,646	-10,963	-36,631	0	-36,630	-6,189	1,419,595	17,986
090	Debt securities	2,459,502	2,444,405	15,096	0	0	0	-2,052	-2,039	-14	0	0	0	0	125,387	0
100	*Central banks*	10,154	10,154	0	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	1,472,813	1,472,813	0	0	0	0	-554	-554	0	0	0	0	0	19,006	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
120	*Credit institutions*	490,832	490,832	0	0	0	0	-341	-341	0	0	0	0	0	39,984	0
130	*Other financial corporations*	254,234	239,138	15,096	0	0	0	-561	-547	-14	0	0	0	0	48,761	0
140	*Non-financial corporations*	231,469	231,469	0	0	0	0	-595	-595	0	0	0	0	0	17,636	0
150	Off-balance-sheet exposures	1,811,653	1,746,295	65,359	6,454	0	6,453	3,811	2,713	1,097	1,291	0	1,291	0	161,995	952
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	2,765	2,740	25	0	0	0	11	11	0	0	0	0	0	507	0
180	*Credit institutions*	28,556	28,556	0	0	0	0	6	6	0	0	0	0	0	0	0
190	*Other financial corporations*	59,414	59,399	15	0	0	0	151	151	0	0	0	0	0	200	0
200	*Non-financial corporations*	1,291,957	1,249,709	42,247	5,333	0	5,333	2,701	2,148	552	938	0	940	0	153,639	937
210	*Households*	428,964	405,891	23,071	1,120	0	1,120	944	398	545	353	0	353	0	7,648	15
220	***Total***	***11,774,884***	***11,089,950***	***684,934***	***154,371***	***0***	***154,370***	***-47,609***	***-22,879***	***-24,730***	***-59,190***	***0***	***-59,190***	***-84,757***	***2,588,161***	***33,235***

POCI assets are taken into account between categories.

Template 20: EU CR1 - Performing and non-performing exposures and related provisions for the Nova KBM Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	2,198,647	2,174,674	23,973	0	0	0	-13	-13	0	0	0	0	0	0	0
010	Loans and advances	5,289,575	4,709,068	580,505	147,918	0	147,918	-41,733	-18,113	-23,619	-57,899	0	-57,898	-84,757	2,300,780	32,283
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	40,679	38,874	1,806	28	0	28	-497	-222	-274	-3	0	-3	-519	102	0
040	*Credit institutions*	94,384	94,371	12	0	0	0	-199	-199	0	0	0	0	0	0	0
050	*Other financial corporations*	348,676	330,921	17,755	3	0	3	-7,285	-2,978	-4,308	-2	0	-2	-45,339	5,212	0
060	*Non-financial corporations*	2,189,356	1,954,676	234,679	50,527	0	50,527	-18,143	-10,068	-8,074	-21,263	0	-21,263	-32,710	875,871	14,297
070	*Of which SMEs*	975,916	847,844	128,072	40,006	0	40,006	-6,808	-3,099	-3,709	-12,367	0	-12,367	-1,669	529,228	13,598
080	*Households*	2,616,480	2,290,226	326,253	97,360	0	97,360	-15,609	-4,646	-10,963	-36,631	0	-36,630	-6,189	1,419,595	17,986
090	Debt securities	2,459,174	2,444,078	15,096	0	0	0	-2,051	-2,037	-14	0	0	0	0	125,387	0
100	*Central banks*	10,154	10,154	0	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	1,472,813	1,472,813	0	0	0	0	-554	-554	0	0	0	0	0	19,006	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
120	*Credit institutions*	490,832	490,832	0	0	0	0	-341	-341	0	0	0	0	0	39,984	0
130	*Other financial corporations*	254,234	239,138	15,096	0	0	0	-561	-547	-14	0	0	0	0	48,761	0
140	*Non-financial corporations*	231,141	231,141	0	0	0	0	-595	-595	0	0	0	0	0	17,636	0
150	Off-balance-sheet exposures	1,811,656	1,746,295	65,358	6,453	0	6,453	3,813	2,714	1,097	1,291	0	1,292	0	161,994	952
160	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
170	*General governments*	2,765	2,740	25	0	0	0	11	11	0	0	0	0	0	507	0
180	*Credit institutions*	28,556	28,556	0	0	0	0	6	6	0	0	0	0	0	0	0
190	*Other financial corporations*	59,414	59,399	15	0	0	0	151	151	0	0	0	0	0	200	0
200	*Non-financial corporations*	1,291,957	1,249,709	42,247	5,333	0	5,333	2,701	2,148	552	938	0	939	0	153,639	937
210	*Households*	428,964	405,891	23,071	1,120	0	1,120	944	398	545	353	0	353	0	7,648	15
220	***Total***	***11,759,052***	***11,074,115***	***684,932***	***154,371***	***0***	***154,371***	***-39,984***	***-17,449***	***-22,536***	***-56,608***	***0***	***-56,606***	***-84,757***	***2,588,161***	***33,235***

POCI assets are taken into account between categories.

The figures for non-performing exposures relate to undertakings in the Nova KBM Group, as Biser Topco and Biser Bidco do not hold any non-performing or forborne exposures, because they do not undertake any commercial activities. The Nova KBM Group's holdings of non-performing exposures declined slightly from €157 million to €154.4 million in 2022. Between 1 January and 31 December 2022, the Group continued its workout of customers' non-performing exposures on the basis of collateral liquidation via ordinary procedures and extra-judicial settlement, and executed sales of individual and packaged non-performing loans.

The Group did not record a significant increase in non-performing loans in 2022 due to the impact of the COVID-19 pandemic and Russian military aggression.

9.2.2 MATURITY OF EXPOSURES

(Article 442(g) of the CRR)

As at 31 December 2022 the Group discloses its largest net exposure in the residual maturity bucket of one to five years, namely 47.1% of the total, followed by the maturity bucket of more than five years, with 35.6%. The maturity bucket of up to one year accounts for 16.6%, and the demand bucket accounts for 0.7%.

Template 21: EU CR1-A – 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	Loans and advances	0	529,041	1,683,232	203,051	0	2,415,324
2	Debt securities	51,607	757,093	1,972,836	2,556,310	0	5,337,846
3	***Total***	**51,607**	**1,286,134**	**3,656,069**	**2,759,361**	**0**	**7,753,170**

Template 22: EU CR1-A – 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	Loans and advances	0	529,041	1,682,905	203,051	0	2,414,996
2	Debt securities	51,621	757,093	1,972,836	2,556,310	0	5,337,860
3	***Total***	**51,621**	**1,286,134**	**3,655,741**	**2,759,361**	**0**	**7,752,856**

9.2.3 CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

(Article 442(f) of the CRR)

Despite the intensive recovery of unpaid liabilities, the amount of non-performing exposures from loans and other financial assets rose by €0.7 million in 2022 as the result of the inclusion of Mobile Leasing in the Nova KBM Group.

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Template 23: EU CR2 – Changes in the stock of non-performing loans and advances for the Biser Topco Group and the Nova KBM Group

€000

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	147,247
020	Inflows to non-performing portfolios	63,577
030	Outflows from non-performing portfolios	-62,907
040	Outflows due to write-offs	-2,142
050	Outflow due to other situations	-60,765
060	**Final stock of non-performing loans and advances**	147,917

9.2.4 CREDIT QUALITY OF FORBORNE EXPOSURES

(Article 442(c) of the CRR)

The table below presents the disclosures at the level of the Biser Topco Group, where there is no difference between the forborne exposures of the Biser Topco Group and those of the Nova KBM Group. The total amount of forborne exposures was €67.5 million as at 31 December 2022.

Template 24: EU CQ1 – Credit quality of forborne exposures for the Biser Topco Group and the Nova KBM Group

€000

		a	b	c	d	e	f	g	h
		Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	44,274	22,639	22,639	22,639	-2,358	-8,987	45,736	11,595
020	*Central banks*	0	0	0	0	0	0	0	0
030	*General governments*	0	0	0	0	0	0	0	0
040	*Credit institutions*	0	0	0	0	0	0	0	0
050	*Other financial corporations*	11	0	0	0	0	0	7	0

		a	b	c	d	e	f	g	h
		Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
060	*Non-financial corporations*	38,667	15,099	15,099	15,099	-2,021	-5,272	38,953	8,733
070	*Households*	5,595	7,540	7,540	7,540	-337	-3,715	6,776	2,862
080	Debt securities	0	0	0	0	0	0	0	0
090	Loan commitments given	422	182	182	182	12	134	203	47
100	***Total***	**44,696**	**22,821**	**22,821**	**22,821**	**-2,370**	**-9,121**	**45,939**	**11,642**

9.2.5 CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

(Articles 442(c) and 442(d) of the CRR)

Template 25: EU CQ3 – Credit quality of performing and non-performing exposures by past due days for the Biser Topco Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 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
005	Cash balances at central banks and other demand deposits	2,214,168	2,214,168	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	5,289,561	5,256,300	33,261	147,917	103,403	7,813	9,845	5,608	5,221	828	15,199	147,917
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	40,679	40,675	4	28	28	0	0	0	0	0	0	28
040	*Credit institutions*	94,384	94,384	0	0	0	0	0	0	0	0	0	0
050	*Other financial corporations*	348,662	348,662	1	3	1	1	0	0	1	0	0	3
060	*Non-financial corporations*	2,189,356	2,184,794	4,562	50,527	31,615	1,163	4,890	1,488	2,101	309	8,961	50,527
070	*Of which SMEs*	975,916	971,925	3,991	40,006	29,127	1,090	4,880	1,479	1,833	73	1,523	40,006
080	*Households*	2,616,480	2,587,785	28,695	97,360	71,760	6,650	4,956	4,119	3,118	519	6,238	97,360
090	Debt securities	2,459,502	2,459,502	0	0	0	0	0	0	0	0	0	0
100	*Central banks*	10,154	10,154	0	0	0	0	0	0	0	0	0	0
110	*General governments*	1,472,813	1,472,813	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	490,832	490,832	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	254,234	254,234	0	0	0	0	0	0	0	0	0	0

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 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
140	*Non-financial corporations*	231,469	231,469	0	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	1,811,653			6,454								6,454
160	*Central banks*	0			0								0
170	*General governments*	2,765			0								0
180	*Credit institutions*	28,556			0								0
190	*Other financial corporations*	59,414			0								0
200	*Non-financial corporations*	1,291,957			5,333								5,333
210	*Households*	428,964			1,120								1,120
220	***Total***	**11,774,884**	**9,929,970**	**33,261**	**154,371**	**103,403**	**7,813**	**9,845**	**5,608**	**5,221**	**828**	**15,199**	**154,371**

Template 26: EU CQ3 – Credit quality of performing and non-performing exposures by past due days for the Nova KBM Group

€000

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 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
005	Cash balances at central banks and other demand deposits	2,198,647	2,198,647	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	5,289,574	5,256,313	33,261	147,917	103,403	7,813	9,845	5,608	5,221	828	15,199	147,917
020	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
030	*General governments*	40,679	40,675	4	28	28	0	0	0	0	0	0	28
040	*Credit institutions*	94,384	94,384	0	0	0	0	0	0	0	0	0	0
050	*Other financial corporations*	348,676	348,675	1	3	1	1	0	0	1	0	0	3
060	*Non-financial corporations*	2,189,356	2,184,794	4,562	50,527	31,615	1,163	4,890	1,488	2,101	309	8,961	50,527
070	*Of which SMEs*	975,916	971,925	3,991	40,006	29,127	1,090	4,880	1,479	1,833	73	1,523	40,006
080	*Households*	2,616,480	2,587,785	28,695	97,360	71,760	6,650	4,956	4,119	3,118	519	6,238	97,360
090	Debt securities	2,459,174	2,459,174	0	0	0	0	0	0	0	0	0	0
100	*Central banks*	10,154	10,154	0	0	0	0	0	0	0	0	0	0
110	*General governments*	1,472,813	1,472,813	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	490,832	490,832	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	254,234	254,234	0	0	0	0	0	0	0	0	0	0

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 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
140	*Non-financial corporations*	231,141	231,141	0	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	1,811,653			6,454								6,454
160	*Central banks*	0			0								0
170	*General governments*	2,765			0								0
180	*Credit institutions*	28,556			0								0
190	*Other financial corporations*	59,414			0								0
200	*Non-financial corporations*	1,291,957			5,333								5,333
210	*Households*	428,964			1,120								1,120
220	***Total***	**11,759,048**	**9,914,134**	**33,261**	**154,371**	**103,403**	**7,813**	**9,845**	**5,608**	**5,221**	**828**	**15,199**	**154,371**

9.2.6 QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

(Articles 442(c) and 442(e) of the CRR)

In the table below the Group discloses its five largest exposures by individual country for on-balance-sheet and off-balance-sheet exposures in the Biser Topco Group and the Nova KBM Group. Other exposures are aggregated under “other countries”. Given that the NPL ratio does not exceed 5% as at 31 December 2022, the Group makes no disclosure under columns b and d. Exposure in Slovenia accounts for 67.2% of the total at the Biser Topco Group and the Nova KBM Group.

Template 27: EU CQ4 – Quality of non-performing exposures by geography for the Biser Topco Group

€000

		a	b	c	d	e	f	g
		Gross carrying amount / nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	***On-balance-sheet exposures***	**7,896,980**		**147,917**		**-101,684**		**0**
020	*SI*	4,808,374		136,448		-80,742		0
030	*DE*	430,073		120		-4,114		0
040	*NL*	381,626		1		-2,995		0
050	*FR*	327,317		0		-736		0
060	*AT*	226,016		92		-230		0
070	*Other countries*	1,723,574		11,256		-12,867		0
080	***Off-balance-sheet exposures***	**1,818,106**		**6,454**			**5,103**	
090	*SI*	1,721,288		6,438			4,773	
100	*FR*	25,324		0			23	
110	*HR*	15,270		2			20	
120	*IT*	10,718		0			105	
130	*NO*	8,102		0			36	
140	*Other countries*	37,404		14			146	
150	***Total***	**9,715,086**		**154,371**		**-101,684**	**5,103**	**0**

Template 28: EU CQ4 – Quality of non-performing exposures by geography for the Nova KBM Group

€000

		a	b	c	d	e	f	g
		Gross carrying amount / nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	***On-balance-sheet exposures***	**7,896,666**		**147,917**		**-101,684**		**0**
020	*SI*	4,808,047		136,448		-80,742		0
030	*DE*	430,073		120		-4,114		0
040	*NL*	381,626		1		-2,995		0
050	*FR*	327,317		0		-736		0
060	*AT*	226,016		92		-230		0
070	*Other countries*	1,723,587		11,256		-12,867		0
080	***Off-balance-sheet exposures***	**1,818,106**		**6,454**			**5,103**	
090	*SI*	1,721,288		6,438			4,773	
100	*FR*	25,324		0			23	
110	*HR*	15,270		2			20	
120	*IT*	10,718		0			105	
130	*NO*	8,102		0			36	
140	*Other countries*	37,404		14			146	
150	***Total***	**9,714,772**		**154,371**		**-101,684**	**5,103**	**0**

9.2.7 CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

(Articles 442(c) and 442(e) of the CRR)

The Group discloses its largest gross exposure as at 31 December 2022 to the manufacturing sector, 31.0% of the total. The NPL ratio does not exceed 5% at the Biser Topco Group or the Nova KBM Group, and therefore the Group makes no disclosure under columns b and d.

Template 29: EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry for the Biser Topco Group and the Nova KBM Group

€000

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	13,903		328		-83	0
020	Mining and quarrying	12,866		72		-10	0
030	Manufacturing	694,748		11,109		-8,962	0
040	Electricity, gas, steam and air conditioning supply	57,637		30		-106	0
050	Water supply	26,413		62		-108	0
060	Construction	220,916		3,344		-2,237	0
070	Wholesale and retail trade	353,349		7,120		-5,506	0
080	Transport and storage	124,024		11,417		-3,677	0
090	Accommodation and food service activities	87,566		10,095		-8,031	0
100	Information and communication	61,630		2,062		-1,901	0
110	Financial and insurance activities	52,965		11		-312	0
120	Real estate activities	124,682		23		-787	0
130	Professional, scientific and technical activities	224,961		1,618		-2,273	0
140	Administrative and support service activities	94,204		2,981		-2,891	0
150	Public administration and defence, compulsory social security	0		0		0	0
160	Education	7,369		26		-170	0

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
170	Human health services and social work activities	45,488		1		-1,860	0
180	Arts, entertainment and recreation	32,493		124		-317	0
190	Other services	4,668		104		-175	0
200	***Total***	**2,239,882**		**50,527**		**-39,406**	**0**

9.2.8 COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

(Article 442(c) of the CRR)

Template 30: EU CQ7 – Collateral obtained by taking possession and execution processes for the Biser Topco Group and the Nova KBM Group

€000

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0	0
020	Other than PP&E	118	0
030	*Residential immovable property*	71	0
040	*Commercial immovable property*	0	0
050	*Movable property (auto, shipping, etc.)*	47	0
060	*Equity and debt instruments*	0	0
070	*Other collateral*	0	0
080	***Total***	**118**	**0**

10 ENCUMBERED AND UNENCUMBERED ASSETS

(Article 443 of the CRR)

This section defines the disclosure requirements set out in Article 443 of Part Eight of the CRR and Commission Implementing Regulation (EU) 2021/637.

Template 31: EU AE4

The Group pledges assets as collateral for counterparty claims from derivatives, for providing liquid assets to the bank resolution fund (in accordance with the provisions of the Bank Resolution Authority and Fund Act), for ensuring obligatory reserves on its cash account at the Bank of Slovenia and for collateral paid into clearing systems (SEPA DD).

Template 32: EU AE1 – Encumbered and unencumbered assets

€000

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	137,561	39,135			10,063,122	3,487,824		
030	Equity instruments	0	0			70,235	0		
040	Debt securities	39,764	39,135	40,806	40,209	2,142,265	1,465,984	2,175,696	1,496,079
050	of which: covered bonds	0	0	0	0	0	0	0	0
060	of which: securitisations	0	0	0	0	0	0	0	0
070	of which: issued by general governments	34,828	34,828	35,266	35,266	1,074,167	1,070,175	1,096,879	1,092,887
080	of which: issued by financial corporations	5,156	4,760	5,291	4,920	815,901	205,691	826,033	212,521
090	of which: issued by non-financial corporations	0	0	0	0	252,198	183,161	252,784	183,431
120	Other assets	97,797	0			7,848,366	2,039,362		

Template 33: EU AE2 – Collateral received and own debt securities issued

€000

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution				
240	Own debt securities issued other than own covered bonds or securitisations				
241	Own covered bonds and securitisations issued and not yet pledged				
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	137,561	39,135		

Template 34: EU AE3 – Sources of encumbrance

€000

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	2,295	2,295

11 USE OF ECAIS

This section defines the disclosure requirements set out in Article 444 of Part Eight of the CRR and Section 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 CRR)

In 2022, the Bank did not change nominated external credit assessment institutions for the purpose of calculating capital requirements. It nominated Moody's as an external credit assessment institution for the exposure classes set out section 11.2.

11.2 EXPOSURE CLASSES FOR WHICH EACH ECAI OR ECA IS USED

(Article 444(b) of the CRR)

The Group calculates capital requirements for credit risk according to the Standardised Approach. The parent bank of the Group nominated Moody's as an external credit assessment institution for the assignment of risk weights to the following exposure classes:

- exposures to central governments and central banks;
- exposures to regional governments or local authorities;
- exposures to public sector entities;
- exposures to institutions;
- exposures to corporates; and
- exposures in the form of investments in 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 CRR)

For exposure classes for which an ECAI has been nominated, risk weights are assigned depending on the long-term rating of the financial instrument or obligor, and the issuer of the financial instrument. When assigning risk weights to exposures, the Bank first takes the long-term external rating of the financial instrument or exposure. If the latter is not rated, the long-term credit rating of the obligor is used. If the long-term external rating of the obligor is not available, the long-term sovereign rating of the country is used, or the risk weight for unrated exposures to the obligor is assigned.

11.4 ASSOCIATION OF THE EXTERNAL RATING OF EACH NOMINATED ECAI OR ECA WITH THE CREDIT QUALITY STEPS PRESCRIBED IN PART THREE, TITLE II, CHAPTER 2, 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 CRR)

This disclosure is not relevant. The relevant association is in line with the standard association.

11.5 EXPOSURE VALUES AND EXPOSURE VALUES AFTER CREDIT RISK MITIGATION ASSOCIATED WITH EACH CREDIT QUALITY STEP AS SET OUT IN CHAPTER 2 OF TITLE II OF PART THREE, BY EXPOSURE CLASS, AS WELL AS EXPOSURE VALUES DEDUCTED FROM OWN FUNDS

(Article 444(e) of the CRR)

The net values of on-balance-sheet and off-balance-sheet exposures are allocated on the basis of the rules of the standardised approach.

The EU CR5 and EU CCR3 templates below disclose the allocation of exposure value after consideration of credit risk mitigation techniques and the corresponding conversion factors in the case of off-balance-sheet exposures across exposure classes and risk weights for the Biser Topco Group as at 31 December 2022. There are three weights prevalent in the EU CR5 template: 0% in the central governments segment, 75% in the retail exposures segment, and 100% in the corporates segment. There was no significant change in their ratio to the total exposure amount relative to the previous year, where almost 40% of exposures carry a 0% weight, and just over 40% a weight of 75% or 100%. There are two weights prevalent in the EU CCR3 template: 50% in the institutions segment and 100% in the corporates segment. There was a change in their ratio to the total exposure amount relative to the previous year: exposures carrying a 100% weight declined from 55% to 48% of the total, while the share carrying a weight of 50% increased from 32% to 45%.

Template 35: EU CR5 – Standardised Approach for the Biser Topco Group

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	3,436,988	0	0	0	33,902	0	0	0	0	0	0	66	0	0	0	3,470,956	27,710
2	Regional governments or local authorities	165,381	0	0	0	56,799	0	0	0	0	0	0	0	0	0	0	222,180	88,602
3	Public sector entities	14,727	0	0	0	0	0	2,022	0	0	0	0	0	0	0	0	16,749	2,049
4	Multilateral development banks	29,344	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29,344	0
5	International organisations	141,173	0	0	0	0	0	0	0	0	0	0	0	0	0	0	141,173	0
6	Institutions	0	0	0	0	176,083	0	254,543	0	0	8,987	0	0	0	0	0	439,613	51,729
7	Corporates	0	0	0	0	40,062	0	160,266	0	0	2,145,116	77,603	0	0	0	0	2,423,046	1,550,960
8	Retail exposures	0	0	0	0	0	432	0	0	2,120,484	0	0	0	0	0	0	2,120,916	2,120,903
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	863,396	339,502	0	0	12,859	0	0	0	0	0	1,215,756	1,215,756
10	Exposures in default	0	0	0	0	0	0	0	0	0	48,116	42,660	0	0	0	0	90,775	90,775
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	97,482	0	0	0	0	97,482	97,482
12	Covered bonds	0	0	0	47,039	890	0	0	0	0	0	0	0	0	0	0	47,929	0
13	Exposures 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	
14	Units or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47,728	47,728	0
15	Equity exposures	0	0	0	0	0	0	0	0	0	53,959	0	0	0	0	0	53,959	12,606
16	Other items	94,792	0	0	0	74,107	0	0	0	0	178,417	0	0	0	0	0	347,315	47,975
17	**TOTAL**	**3,882,404**	**0**	**0**	**47,039**	**381,843**	**863,828**	**756,332**	**0**	**2,120,484**	**2,447,453**	**217,744**	**66**	**0**	**0**	**47,728**	**10,764,920**	**5,306,547**

€000

Template 36: EU CCR3 – Standardised Approach – CCR exposures by regulatory exposure class and risk weights for the Biser Topco Group

€000

	Exposure classes	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0
2	Regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	346	0	0	0	0	0	346
4	Multilateral development banks	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
6	Institutions	0	0	0	0	1,909	13,208	0	0	0	0	0	15,117
7	Corporates	0	0	0	0	0	0	0	0	14,393	0	0	14,393
8	Retail	0	0	0	0	0	0	0	136	0	0	0	136
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total exposure value**	**0**	**0**	**0**	**0**	**1,909**	**13,554**	**0**	**136**	**14,393**	**0**	**0**	**29,992**

12 EXPOSURE TO MARKET RISK

(Article 445 of the CRR)

This section defines the disclosure requirements set out in Article 445 of Part Eight of the CRR and Section 4.13 of the Guidelines.

The Group uses the Standardised Approach to calculate own funds requirements for market risk. Own funds requirements are calculated for the following in the scope of market risk:

- Interest rate risk (general). The Group calculates own funds requirements for derivatives (interest rate swaps) in the scope of interest rate risk.
- Equity risk (general and specific). The Group calculates own funds requirements for own funds instruments and derivatives on own funds instruments in the scope of equity risk. The Group also discloses own funds requirements for exposure to collective investment undertakings included in the trading book in the scope of equity risk.
- Foreign exchange risk. The Group calculates own funds requirements for the open foreign exchange position, which includes capital requirements for derivatives on foreign currencies, in the scope of foreign exchange risk.

The template below discloses risk-weighted exposure to market risk as at the reporting date of 31 December 2022.

Template 37: EU MR1 – Market risk under the standardised approach for the Biser Topco Group

€000

		RWEA 31 December 2022
Outright products		
1	Interest rate risk (general and specific)	120
2	Equity risk (general and specific)	0
3	Foreign exchange risk	0
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**120**

13 OPERATIONAL RISK MANAGEMENT

(Article 446 of the CRR)

Operational risk at the Biser Topco Group level does not differ from operational risk management within the Nova KBM Group. For this reason, management of the aforementioned risk by the Nova KBM Group is presented in this section.

Operational risk is the risk of loss arising from inappropriate or failed internal processes, people and systems, or external events. This definition includes legal risk (in accordance with the CRR), but excludes strategic risk and the risk of reputation loss. However, certain operational risks could have a major impact on reputation loss. The Nova KBM Group thus addresses the following risks in the scope of general operational risk: reputation risk, model risk, risks in connection with employee conduct, system/IT risk, project risk, compliance risk, the risk of fraud (external and internal), the risk of cybercrime, human resource risk, legal risk, outsourcing risk and risk associated with data quality.

The Bank separates operational risk events to:

- legal risk events;
- loss events;
- non-financial events; and
- potential events

Legal risk events comprise all lawsuits received.

Operational risk loss events resulting either in financial loss (impact on the profit and loss account – PLA) or misstatement of PLA items (more than one financial year). The Bank defined as loss events all events from Category Internal and External fraud and the events where the gross loss reached or exceeded €50.

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

A potential operational risk event is an event that had no financial effects on the PLA as it was prevented in a timely manner, but had the potential to cause financial/non-financial effects.

The Nova KBM Group calculates capital requirements for operational risk in accordance with Pillar I using the Basic Indicator Approach (BIA), and in accordance with Pillar 2 using internal models that take into account data regarding loss events, non-financial and potential events, the results of the analysis of operational risk and the status of operational risk indicators. The Nova KBM Group classifies all events and threats from the questionnaire for the self-assessment of operational risk, risk indicators and audit recommendations in accordance with the standard categorisation of loss events set out in the Basel II Capital Accord, and by business area, which facilitates the linking and comparison thereof, and thus higher-quality analyses of operational risk. To ensure improved risk management, the Bank also has in place an operational risk appetite system and the monitoring of key risk indicators (KRI). Key risk indicators for self-assessment purposes and analyses of operational risk scenarios make it possible for the Bank to identify potential future risks, which it mitigates using a system to manage the necessary security and organisational corrective measures.

The Nova KBM Group records operational risk events centrally. All employees at the Bank and across the entire Nova KBM Group are included in reporting on actual operational risk events. Regular reporting regarding operational risk events to senior management is carried out on a monthly and quarterly basis. CRO reports are discussed monthly by the Bank's Supervisory Board and quarterly by the Operational Risk Committee. Operational risk reports for the entire Nova KBM Group are discussed by the Operational Risk Committee, which is an advisory body to the Bank's Management Board whose role is to study, discuss and make decisions regarding operational risk issues. The presence of the Management Board, the directors of sectors and department heads who play an important role in the management of operational risks also ensures that appropriate measures can be taken when high-level risks are identified.

The net loss from loss events incurred by the Nova KBM Group accounts for a very low proportion of own funds requirements of operational risk.

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

The Group calculates own funds requirements for operational risk under Pillar 1 in accordance with Article 315 of the CRR using the Basic Indicator Approach. In accordance with the aforementioned approach, own funds requirements for operational risk are equal to 15% of the average over three years of the relevant indicator as set out in Article 316 of the CRR. When calculating own funds requirements for operational risk, the Group also takes into account explanation EBA Q&A ID 2018_3969, according to which a three-year average must be taken into account for the calculation of own funds requirements for operational risk at the end of the year. The Group calculates the relevant indicator once a year as the sum of the relevant profit and loss account items set out in Table 1 of Article 316 of the CRR.

Template 38: EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts for the Biser Topco Group

€000

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		2020	2021	2022		
1	Banking activities subject to Basic Indicator Approach (BIA)	245,541	247,686	281,379	38,730	484,129
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	Subject to TSA:					

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		2020	2021	2022		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

14 KEY METRICS

This section defines the requirements relating to the disclosures set out in Article 447 of Part Eight of the CRR, which are presented in Template EU KM1 in section 5.2 of this document.

15 EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

(Article 448 of the CRR)

This section defines the disclosure requirements set out in Article 448 of Part Eight of the 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 required information is disclosed at the level of the Nova KBM Group.

15.1 CHANGES IN THE ECONOMIC VALUE OF EQUITY CALCULATED UNDER THE SIX SUPERVISORY SHOCK SCENARIOS REFERRED TO IN ARTICLE 98(5) OF DIRECTIVE 2013/36/EU FOR THE CURRENT AND PREVIOUS DISCLOSURE PERIODS

(Article 448(a) of the CRR)

The Group carries out stress testing with the aim of measuring vulnerability in stressed market conditions. In accordance with the EBA Guidelines on the management of interest rate risk arising from non-trading activities (July 2018), the Group employs the prescribed upward and downward shifts in the yield curve set out in point 15.5 in the third indent, and to that end takes into account the interest rate floor, which depends on maturity. The Bank takes the latter into account for all key currencies.

Table 11: Calculations and impact of changes in interest rates on the economic value of equity and net interest income

	Supervisory stress scenarios	a	b	c	d
		changes in the economic value of equity		changes in net interest income	
		current period	previous period	current period	previous period
1	Parallel growth	36,128	113,940	86,191	36,228
2	Parallel decline	(40,943)	(14,766)	(61,909)	(9,514)
3	Steep growth	5,954	20,222		
4	Steep decline	(303)	10,203		
5	Increase in short-term interest rates	12,309	39,317		
6	Decrease in short-term interest rates	(13,618)	(16,958)		

The result with the most significant negative change in the economic value of equity of the six stress testing scenarios on 31 December 2022 was a downward parallel shift in the yield curve, under which the economic value of equity would decrease by €40,943 thousand and the potential loss would be equal to 4.80% of the Biser Topco Group's Tier 1 capital, while that figure was 1.99% of the Biser Topco Group's Tier 1 capital as of 31 December 2021. That proportion is within the regulatory limit in both years.

In addition to the above-presented shifts in the yield curve, the Group also performs a stress test in the form of a parallel shift in the yield curve for +/-200 basis points.

Standardised stress scenarios	31 December 2022	31 December 2021
€000	Δ in economic value of equity	Δ in economic value of equity
+200 b.p.	36,065	113,926
-200 b.p.	(40,873)	(14,766)

The Group's stress test of a 200 basis point rise in interest rates would result in an increase in the economic value of equity as of 31 December 2022 of €36,065 thousand and potential profit equal to 3.87% of the Biser Topco Group's regulatory own funds, while that figure was 12.23% of the Biser Topco Group's regulatory own funds as of 31 December 2021. A drop in interest rates by 200 basis points would result in a decrease in the economic value of equity as of 31 December 2022 of €40,873 thousand and a potential loss equal to 4.39% of the Biser Topco Group's regulatory own funds, while that figure was 1.59% of the Biser Topco Group's regulatory own funds as of 31 December 2021. That proportion is within the regulatory limit in both years.

The increase in changes in the economic value of equity in 2022 relative to 2021 was the result of a reversal in the risk-free yield curve, which in 2022 shifted from negative to positive values.

15.2 CHANGES IN THE NET INTEREST INCOME CALCULATED UNDER THE TWO SUPERVISORY SHOCK SCENARIOS REFERRED TO IN ARTICLE 98(5) OF DIRECTIVE 2013/36/EU FOR THE CURRENT AND PREVIOUS DISCLOSURE

(Article 448(b) of the CRR)

In accordance with the EBA Guidelines on the management of interest rate risk arising from non-trading activities (July 2018), the Group performs a quarterly standardised stress test in the form of a parallel shift in the yield curve of +/–200 basis points for all key currencies and calculates the impact on net interest income (NII).

Table 12: Calculations and impact of changes in interest rates on net interest income

Standardised stress scenarios €000	31 December 2022 Δ in net interest income	31 December 2021 Δ in net interest income
Standardised stress test		
+200 b.p.	86,718	36,482
-200 b.p.	(62,438)	(9,514)

15.3 DESCRIPTION OF KEY MODELLING AND PARAMETRIC ASSUMPTIONS, OTHER THAN THOSE REFERRED TO IN POINTS (B) AND (C) OF ARTICLE 98(5A) OF DIRECTIVE 2013/36/EU USED TO CALCULATE CHANGES IN THE ECONOMIC VALUE OF EQUITY AND IN THE NET INTEREST INCOME REQUIRED UNDER POINTS (A) AND (B) OF THIS PARAGRAPH

(Article 448(c) of the CRR)

The Group assesses exposure to interest rate risk based on the assumptions set out in the Interest Rate Risk Management Methodology of the Nova KBM Group and monitors that risk in accordance with the Interest Rate Risk Management Policy of the Nova KBM Group.

The Group recognised the following as key assumptions:

- Demand deposits

The Group divides euro-denominated demand deposits into stable and unstable deposits based on a model for defining stable and unstable demand deposits separately for the retail and corporate sectors. It further divides stable deposits into core and non-core deposits based on a model for defining core and non-core deposits separately for the retail and corporate sectors.

Based on models, the Group classified 70% of household demand deposits and 50% of corporate demand deposits to core deposits as at 31 December 2022. Non-core demand deposits remain classified to the demand time bucket, while core deposits are classified to time buckets based on the aforementioned models. Demand deposits denominated in other currencies remain classified to the demand time bucket.

- Options

The Group used a loan prepayment model and loan refinancing model in the monitoring and management of interest rate risk. In the relevant calculation, those models take into account the amount of prepayments, depending on movements in interest rates. Both models were developed separately for the household and corporate segments, and separately for loans with a fixed interest rate and those with a variable interest rate. The corporate segment is further broken down into large and medium-sized enterprises, and small and micro enterprises. In the household segment, the percentage of prepaid and refinanced loans is calculated separately for consumer loans and housing loans. The result of an individual model is a forecast of the percentage of prepaid and refinanced loans, which differ in terms of segment and type of interest rate.

Since October 2021, the Group takes into account an early call option by the issuer in the management of interest rate risk in connection with investments in financial instruments.

The Group allows its customers to call deposits early in accordance with the valid document 'General instructions for savings, deposits and savings accounts_VA-02', and charges those customers fees in accordance with the valid documents 'List of fees for transactions with consumers' and 'List of fees for transactions with legal entities, entrepreneurs and sole traders' The Group monitors early calls of deposits monthly and finds that they are immaterial (less than 1% of approved deposits), and thus does not take them into account in the management of interest rate risk.

- Off-balance-sheet items

The Group applies a 20% conversion factor to off-balance-sheet items with a maturity of up to one year, and a 50% conversion factor to off-balance-sheet items with a maturity of more than one year.

- Non-performing loans

The Group treats overdue principal in non-performing loans as a non-interest-sensitive item, meaning it has no impact on interest rate risk.

- Foreign currencies

The majority of the Group's portfolio is denominated in euros. Other currencies thus have an immaterial impact on the monitoring and management of interest rate risk.

- Interest rate floor on the reference or overall interest rate on loans and deposits

In its calculations, the Group takes into account an interest rate floor for loans and deposits with a variable interest rate, where so defined, in the form of an interest rate floor on the overall or reference interest rate.

15.4 EXPLANATION OF THE SIGNIFICANCE OF THE RISK MEASURES DISCLOSED UNDER POINTS (A) AND (B) OF THIS PARAGRAPH AND OF ANY SIGNIFICANT VARIATIONS OF THOSE RISK MEASURES SINCE THE PREVIOUS DISCLOSURE REFERENCE DATE

(Article 448(d) of the CRR)

In calculating of the change in NII, the Group takes into account the impact of a change in interest rates on demand deposits; in defining shocks, it uses a pass-through factor of 11.66% for households and 11.96% for corporates, assessed based on models for defining core and non-core deposits for households and corporates.

The Group takes interest rate shocks for demand deposits into account in continuous internal management scenarios and in supervisory reporting scenarios, but at the moment only in scenarios involving an upward shift in the yield curve. Given current interest rates, scenarios with a downward shift in the yield curve are without effect because the Bank assumes that interest rates on demand deposits cannot be negative. If interest rates on demand deposits rise, shocks will also be taken into account in scenarios of falling interest rates.

For more complex debt securities that, at the time of purchase, are expected to be redeemed prior to the original maturity date, the Group takes into account the expected date of redemption and not the original maturity date in calculations.

15.5 DESCRIPTION OF HOW INSTITUTIONS DEFINE, MEASURE, MITIGATE AND CONTROL THE INTEREST RATE RISK OF THEIR NON-TRADING BOOK ACTIVITIES FOR THE PURPOSES OF THE COMPETENT AUTHORITIES' REVIEW IN ACCORDANCE WITH ARTICLE 84 OF DIRECTIVE 2013/36/EU, INCLUDING:

A) DESCRIPTION OF THE SPECIFIC RISK MEASURES THAT THE INSTITUTIONS USE TO EVALUATE CHANGES IN THEIR ECONOMIC VALUE OF EQUITY AND IN THEIR NET INTEREST INCOME

(Article 448(e)(i) of the CRR)

The Group manages interest rate risk based on operational limits linked to the Bank's risk interest rate risk appetite, which is defined in the risk appetite framework (RAF).

To support the interest rate risk appetite, the Group established additional limits in 2021, as follows: a limit on the maximum negative change in the economic value of equity and a limit on the maximum negative change in net interest income in continuous internal management scenarios.

On a monthly basis, the Group implements the interest rate scenarios for continuous internal management described below, and interest rate scenarios for stress testing and the calculation of the impact of a shift in the interest rate yield curve on the economic value of equity and net interest income over a period of one year. For that purpose, the Group takes into account a model of prepaid and refinanced loans, and uses a model for defining stable and unstable deposits and a model for defining core and non-core deposits for the purpose of classifying demand deposits.

For the purpose of managing interest rate risk, the Group measures the impact of various shifts in the yield curve on the economic value of equity (EVE) on a monthly basis, and determines whether the loss amount under the adverse scenario of +/- 200 basis points is within limits and whether it exceeds 20% of regulatory own funds. In accordance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (July 2018), the Group measures the impact of six different shifts in the yield curve (supervisory scenarios) on the economic value of equity and determines whether the loss in any of those scenarios exceeds 15% of Common Equity Tier 1 capital.

The Group uses the basis point value method to monitor and manage interest rate risk. The basis point value method indicates to what extent the value of the portfolio of interest-sensitive instruments will decrease if the general level of interest rates rises by 1 basis point of 0.01%.

B) DESCRIPTION OF THE KEY MODELLING AND PARAMETRIC ASSUMPTIONS USED IN THE INSTITUTIONS' INTERNAL MEASUREMENT SYSTEMS THAT WOULD DIFFER FROM THE COMMON MODELLING AND PARAMETRIC ASSUMPTIONS REFERRED TO IN ARTICLE 98(5A) OF DIRECTIVE 2013/36/EU FOR THE PURPOSE OF CALCULATING CHANGES TO THE ECONOMIC VALUE OF EQUITY AND TO THE NET INTEREST INCOME, INCLUDING THE RATIONALE FOR THOSE DIFFERENCES

(Article 448(e)(ii) of the CRR)

The Group uses standard modelling and parametric assumptions in the monitoring of interest rate risk.

C) DESCRIPTION OF THE INTEREST RATE SHOCK SCENARIOS THAT INSTITUTIONS USE TO ESTIMATE THE INTEREST RATE RISK

(Article 448(e)(iii) of the CRR)

For its internal needs and to calculate own funds requirements for interest rate risk, the Group calculates the impact of a change on the economic value of equity and net interest income, taking into account an interest rate floor for individual products in the event of the following shifts in the yield curve (continuous internal management scenarios):

- a shock based on past market data;
- a shock based on forecasted market data;
- a shock based on an upward or downward shift in VaR (a shift in the yield curve based on the curve's volatility during the previous year, with a 95% confidence interval);
- an upward or downward parallel shift (a sudden parallel shift in the yield curve, which is defined by a preliminary analysis of movements in market interest rates);
- a flatter yield curve scenario (the Group identified two scenarios: a scenario of an increase in short-term interest rates and a decrease in long-term interest rates, and a scenario of an increase in short-term interest rates in the context of a slight increase in long-term interest rates); and
- a steeper yield curve scenario (an increase in long-term interest rates in the context of a slight increase in short-term interest rates).

The result of the scenario with the most adverse impact, min(ΔEVE, ΔFVOCI, ΔNII, ΔNII+ΔFVOCI, ΔEVE+ΔNII, 0), represents the capital requirement for interest rate risk.

The Group carries out stress testing with the aim of measuring vulnerability in stressful market conditions. In addition to a standardised stress test in the form of a parallel shift in the yield curve of +/−200 basis points, the Group performs other upward and downward shifts in the yield curve of various dimensions in accordance with the Guidelines on the management of interest rate risk arising from non-trading activities (July 2018). The calculation of the economic value of equity takes into account an interest rate floor, which depends on maturity. The Bank takes the latter into account for all key currencies.

The Group calculates the impact of a change in the economic value of equity (EVE) and net interest income (NII) as the result of the following shifts in the yield curve (regulatory scenarios):

- an upward parallel shift in the yield curve of 200 basis points;
- a downward parallel shift in the yield curve of 200 basis points;
- the shock of a steeper yield curve (a decrease in short-term interest rates and an increase in long-term interest rates);
- the shock of a flatter yield curve (an increase in short-term interest rates and a decrease in long-term interest rates);
- the shock of an increase in short-term interest rates; and
- the shock of a decrease in short-term interest rates.

The Group calculates the impact of a change in the economic value of equity (EVE) and the impact of a change in net interest income (NII) for the above-mentioned shifts in the yield curve and for the scenarios of +/- 200 basis points on a monthly basis.

The Group implements interest rate scenarios for the continuous management of interest rate risk and performs stress tests separately for euros, US dollars and Swiss francs, and an additional stress test for total exposure to interest rate risk, as the standardised stress test prescribes a uniform shift irrespective of the currency or reference interest rate.

D) RECOGNITION OF THE EFFECT OF HEDGES AGAINST THOSE INTEREST RATE RISKS, INCLUDING INTERNAL HEDGES THAT MEET THE REQUIREMENTS LAID DOWN IN ARTICLE 106(3)

(Article 448(e)(iv) of the CRR)

In addition to the natural hedging of its interest rate position, the Group has introduced hedge accounting.

The Group applies IFRS 9 for hedge accounting purposes. The Group introduced the Hedge Accounting policy in December 2021. It also developed a methodology for the calculation of hedge effectiveness, which has been in place since July 2022. The Group applies interest rate hedging as a form of micro fair value hedging.

The aim of hedging is to mitigate the negative effects of the portfolio at FVTOCI due to market volatility on Pillar 1 and 2 capital, and to limit the Bank’s exposure to interest rate risk in the banking book (IRRBB).

An example of a hedged item is a bond with a fixed coupon rate, while an example of a hedging instrument is an interest rate swap where the Bank pays interest and receives the six-month EURIBOR.

E) OUTLINE OF HOW OFTEN THE EVALUATION OF THE INTEREST RATE RISK OCCURS

(Article 448(e)(v) of the CRR)

The Group monitors exposure to interest rate risk monthly, and reports to the ALCO monthly in the scope of the CRO report. The Group reports quarterly to the ECB regarding exposure to interest rate risk in the scope of STE reporting.

15.6 DESCRIPTION OF THE OVERALL RISK MANAGEMENT AND MITIGATION STRATEGIES FOR THOSE RISKS

(Article 448(f) of the CRR)

The Group monitors and manages interest rate risk in the banking book in accordance with the Interest Rate Risk Management Policy of the Nova KBM Group and the Interest Rate Risk Management Methodology of the Nova KBM Group.

The Group has in place a risk appetite framework that defines its appetite to take up certain types of risk. The Interest Rate Risk Management Policy is part of the risk appetite framework. The interest rate risk appetite statement (RAS) is defined in that strategy.

The Group manages interest rate risk based on operational limits linked to the Bank's risk interest rate risk appetite, which is defined in the risk appetite framework.

To prevent a significant increase in interest rate risk, and to prevent the breach of regulatory limits and the interest rate risk appetite limit, the Group has in place a limit system that is defined in the Operational Limits Handbook of the Nova KBM Group. The Group monitors the utilisation of limits monthly.

15.7 AVERAGE AND LONGEST REPRICING MATURITY ASSIGNED TO NON-MATURITY DEPOSITS

(Article 448(g) of the CRR)

The Group divides euro-denominated demand deposits into stable and unstable deposits based on a model for defining stable and unstable demand deposits separately for the retail and corporate sectors. It further divides stable deposits into core and non-core deposits based on a model for defining core and non-core deposits separately for the retail and corporate sectors.

The table below discloses the average and longest repricing maturity assigned to demand deposits, expressed in years:

Table 13: Average and longest repricing maturity assigned to demand deposits

Segment	31 December 2022	
	Average maturity in years	Longest maturity in years
Corporates	1.83	20
Households	1.50	20

16 EXPOSURE TO SECURITISATION POSITIONS

(Article 449 of the CRR)

This disclosure is not relevant. The Nova KBM Group does not have securitisation positions.

17 REMUNERATION POLICY

This section defines the disclosure requirements set out in Article 450 of Regulation (EU) No 575/2013.

The Remuneration Policy, including information regarding the criteria used for the measurement of performance and risk adjustment, are presented at the Nova KBM Group level. The Biser Topco Group has no employees. Disclosure at the aforementioned level is thus not relevant.

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 MANDATES OF THE 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 (1a) of the CRR)

The Bank has had a Remuneration Policy in place since 2012 for the purpose of implementing remuneration practices. The Remuneration Policy applies to all employees, is gender-neutral and takes into account the principle of equal pay for equal work, or work of equal value, regardless of gender. It defines different groups of employees, including a group of employees with respect to the materiality of their impact on the Bank's risk profile in accordance with the criteria set out by EU regulations or in accordance with the Bank's own criteria.

The Bank's Remuneration Policy defines all forms of remuneration to which employees are entitled, general and specific principles for adjusting remuneration to risks, those responsible for establishing, amending and supervising the implementation of the Remuneration Policy, and reporting. The Remuneration Policy is based on the link between remuneration and the prudent acceptance of risks, and is designed so as not to encourage the increased willingness to accept risks or to act in contravention of the Bank's interests. This is ensured by defining appropriate ratios between the fixed and variable components of remuneration of staff whose activities have a material impact on the Bank's risk profile, taking into account the fact that the total remuneration of those employees may not be highly dependent on the variable component of remuneration.

The Remuneration Policy sets the variable component of the remuneration of staff, who through their activities have a material impact on the risk profile in such a way that ensures and promotes the effective management of all material risks (risks that the Bank identifies as material in the scope of the regular assessment of the risk profile and that are defined in the risk management strategy) that are taken up by the aforementioned staff in the performance of their work and exercising of their powers. The remuneration of identified staff is set on the basis of the annual assessment of employee performance, and comprises the objectives of the Bank and organisational unit and, to a lesser degree, the personal objectives of an employee. Qualitative objectives (competences) are also taken into account in the setting of remuneration. The objectives of the Bank derive from its business strategy and long-term interests. The setting of the remuneration of identified staff is discussed and confirmed by the Bank's Management Board, Remuneration Committee and Supervisory Board.

The payment of remuneration to employees who are not deemed identified staff under the Remuneration Policy may be carried out at any time in accordance with valid regulations and the bylaws of the Bank. The criteria for setting variable remuneration for those persons are described in the Rules on the Performance management process in Nova KBM d.d., which are an integral part of the policy.

Responsibility for the creation, approval and supervision of the Remuneration Policy

The Bank's Management Board, Remuneration Committee, Risk Committee and Supervisory Board work closely in the implementation of remuneration policies and practices, and ensure the necessary harmonisation with the general corporate governance framework of the Bank, its corporate culture, risk appetite and associated management processes.

In the scope of their competences, the Remuneration Committee and the Bank's Supervisory Board regularly verify the appropriateness of adopted remuneration policies and practices, and control the implementation thereof. They also approve material exemptions for individual employees and changes to the Remuneration Policy, and carefully study and monitor their effects.

Role of independent control functions

In accordance with their competences, the Bank's individual expert departments are involved in the creation, supervision and review of the appropriateness of the Remuneration Policy.

The Strategic Risk Management Department participates in and reports on the definition of performance criteria that take into account taken-up risks (including subsequent adjustments), and assesses how the structure of the variable components of remuneration affect the Bank's risk profile and the risk take-up culture. The Strategic Risk Management

Department confirms and assesses information regarding adjustments due to risks and cooperates regularly with the Remuneration Committee in this area.

The Compliance Office analyses how the Remuneration Policy affects the Bank's compliance with laws, regulations, internal policies and the risk take-up culture, and reports all identified compliance risks and issues of non-compliance to the Management Board and Supervisory Board. The findings of the Compliance Office are considered by the Supervisory Board in the approval, review and supervision of the Remuneration Policy.

At least once a year, the Internal Audit Department carries out an independent review of the bases, implementation and effects of the Bank's Remuneration Policy on its risk profile and the treatment of those effects, in accordance with the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

Supervisory Board and Remuneration Committee

Composition of the Supervisory Board in 2022:

- Andrej Fatur, Chairman
- Andrzej Klesyk, Deputy Chairman
- Manfred Puffer, member
- Andrea Moneta, member
- Michele Rabà, member
- Kristina Žagar, member
- Borut Jamnik, member

Composition of the Remuneration Committee in 2022:

- Andrzej Klesyk, chair
- Kristina Žagar, deputy chair
- Michele Rabà, member

All members of the Remuneration Committee are also members of the Supervisory Board. The Remuneration Committee did not use the services of external advisors in 2022.

In accordance with the Banking Act (ZBan-3), the Remuneration Committee is an advisory body of Nova KBM's Supervisory Board and has the following competences in that regard:

- responsibility for drafting remuneration-related decisions that are adopted by the Supervisory Board, in particular with regard to the remuneration of Management

Board members and other staff whose professional activities have a material impact on the Bank's risk profile;

- provision of support and advice to the Supervisory Board in connection with the formulation of a gender-neutral Remuneration Policy;
- provision of support to the Supervisory Board with regard to control over the remuneration-related policy, practices and processes, with regard to compliance with the Remuneration Policy, and implementation of and compliance with a gender-neutral policy;
- verification of whether the existing Remuneration Policy is still appropriate, and proposal of amendments as required;
- assessment of the appointment of external advisors that the Supervisory Board might hire for advisory services or support with regard to remuneration;
- assurance of the relevance of information provided to shareholders regarding the Remuneration Policy and practices, in particular regarding the proposed raising of the maximum ratio between the fixed and variable components of remuneration;
- assessment of mechanisms and systems in place to ensure that the remuneration system takes appropriate account of all types of risks, and the level of liquidity and capital, and that the overall Remuneration Policy is in line with and promotes prudent and effective risk management, and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interests of the Bank; and
- assessment of the achievement of performance objectives and the need for subsequent adjustments to risks, including through malus or clawback arrangements;
- review of different potential scenarios to verify how remuneration policies and practices respond to external and internal events, and the back-testing of criteria used to define the apportionment and preliminary adjustment of variable remuneration to risks based on the results of realised risks;
- direct control over the remuneration of identified staff in independent control functions, including the member of the Management Board and Chief Risk Officer, Internal Audit Department and Compliance Office, and the drafting of recommendations for the Supervisory Board concerning the formulation of a remuneration package and remuneration amounts paid to senior employees in control functions; and
- ensure the appropriate inclusion of the HR Management, Processes and Organisation Department, Strategic Risk Management Department and Accounting and Controlling Department in the relevant professional areas, and search for external advisors, as required.

In the scope of its competences, the Remuneration Committee ensures that a centralised and independent review of the Remuneration Policy and practices is carried out at least once a year, in accordance with regulations, policies, procedures and internal rules, by the

Internal Audit Department in cooperation with the Bank's expert departments, taking into account the latter's competences. The Supervisory Board is responsible for reviewing the Remuneration Policy.

The Remuneration Committee met at two regular and eight correspondence sessions in 2022, and reported on the content it discussed at sessions of the Supervisory Board.

Amendments to the Remuneration Policy were discussed twice by the Management Board and Remuneration Committee in 2022, and then confirmed by the Supervisory Board at ordinary and correspondence sessions held on 23 June 2022 and 26 October 2022, respectively.

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

In accordance with the law, the Bank performs an annual self-assessment of the appropriateness of the identification of staff whose professional activities have a material impact on the Bank's risk profile based on the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) 2021/923 and the Bank's additional internal criteria. The list of staff whose professional activities have a material impact on the Bank's risk profile is an integral part (as an enclosure) of Nova KBM d.d.'s Remuneration Policy, which is continuously updated.

Also taken into account in the identification of staff whose professional activities have a material impact on the Bank's risk profile is the additional condition that those staff be treated as such for at least three months during the financial year.

In accordance with their responsibilities, the Remuneration Committee and Risk Committee are actively included in the process of defining the aforementioned staff, in cooperation with the Bank's expert departments (Strategic Risk Management Department, Compliance Office and HR Management, Processes and Organisation Department), in accordance with their tasks. An assessment of the list of staff whose professional activities have a material impact on the Bank's risk profile is also carried out in the event of major changes to the Bank's organisational structure and legislative changes.

In accordance with Nova KBM d.d.'s Remuneration Policy, the list of staff whose professional activities have a material impact on the Bank's risk profile for 2022 was amended three times, in the context of the annual self-assessment with an effective date of 1 March 2022, and in the context of changes to the Remuneration Policy that took effect on 1 July 2022 and 1 November 2022. All changes were discussed by the Bank's Management Board and the competent committees of the Supervisory Board, and confirmed by the latter.

The category of staff whose professional activities have a material impact on the risk profile at subsidiaries includes the directors of subsidiaries, as well as employees, if subsidiaries define them as such in their bylaws. The Bank ensures that the Remuneration Policy is implemented and taken into account by the entire group on a consolidated and sub-consolidated basis.

17.2 INFORMATION ON LINK BETWEEN PAY AND PERFORMANCE

(Article 450 (1b) of the CRR)

In accordance with the Banking Act (ZBan-3), the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks, the Regulation on the application of the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013, and the EBA guidelines of 2 July 2021 (EBA/GL/2021/04), the Bank is obliged to establish and implement a Remuneration Policy at the Group level for categories of identified staff that promotes sound and effective risk management.

The Remuneration Policy relates to all forms of employee remuneration at the Bank (fixed and variable), with an emphasis on staff whose professional activities have a material impact on the Bank's risk profile.

The Remuneration Policy is in line with performance targets for the Bank (which is evident from the Bank's annual business plan, which is deemed an integral part of the Remuneration Policy), business areas and employees, the Bank's business and risk management strategies, including environmental, social and governance risks and objectives in connection with those risks, the corporate culture and values, the Bank's long-term interests and measures for the prevention of conflicts of interests. To that end, the objective is to ensure at the Bank a structure and payment of remuneration that provides for the appropriate motivation of employees, while not encouraging employees to irresponsibly take disproportionately large risks in the course of their work, or risks that exceed the Bank's risk absorption capacity.

Variable remuneration is based on the performance of the Bank, business units and employees, and takes account of the take-up of risks. The Remuneration Policy in connection with variable remuneration and the appraisal of performance clearly distinguishes between the effects of the work of business units and the corporate and control functions. The Remuneration Policy helps the Bank achieve and maintain the target level of own funds and liquidity.

Also forming an integral part of the Remuneration Policy are documents that govern performance bonuses for employees of Nova KBM d.d., in particular the Rules on the Performance management process in Nova KBM d.d., with the following addenda: Rules of Sales incentive scheme for employees in Retail and Micro, Rules of Sales incentive scheme for employees in Contact centre, Rules of Sales incentive scheme for employees in SME and

Large Corporate segment, and Directives for non-financial rewards for employees in Nova KBM d.d.

The principles of the Remuneration Policy are captured in the remuneration policies of subsidiaries.

The Bank includes the effect of variable remuneration (up-front and deferred amounts) in the planning of own funds and liquidity, and in its internal capital adequacy assessment process. The total variable remuneration apportioned by the Bank may not limit its ability to maintain or re-establish the target level of own funds and liquidity in accordance with the Group's Risk Appetite Strategy, and must take into account the interests of shareholders, owners, depositors, investors and other stakeholders. Variable remuneration may not be apportioned or paid if this would cause a drop in the target level of own funds below the minimum capital requirement set out in the relevant SREP decision, or a drop in key liquidity ratios, defined in accordance with the risk appetite statement, below the acceptable thresholds set out in the same document. If the Bank does not have a sound capital and liquidity base or that soundness is at risk, it must adapt and implement the appropriate measures in connection with variable remuneration in accordance with the Remuneration Policy.

17.3 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 (1c) of the CRR)

The Bank has in place since 2017 a performance management system, in which the organisation's objectives for the implementation of its five strategic pillars (Growth and profitability, Client excellence, Strong risk management and compliance, Operational efficiency and Organisational culture and talent development), which also include environmental aspects with the aim of increasing the level of sustainable operations (ESG[4] strategy), the objectives of organisational units and the personal objectives of individuals for 2022 were included. The objectives of employees at managerial levels B-1 and B-2 are set and assessed annually, while the personal objectives of other employees are amended quarterly. The assessment of key competences is also part of an employee's annual performance assessment, while managerial competences are additionally assessed for managers.

[4] ESG is an acronym that describes the way a company operates and manages its impacts in three areas: environmental, social and governance.

The Bank uses various remuneration policies and mechanisms for adjusting variable remuneration to risks for different employee categories. Those policies and mechanisms are defined by the performance assessment criteria for the payment of variable remuneration, which serve as an enclosure to the Remuneration Policy. The amount of apportioned variable remuneration is adjusted to changes in the performance of an employee, organisational unit and the Bank. Taking into account the ZBan-3, 50% of variable remuneration comprises ordinary and preference shares of the Bank, or share-linked instruments or equivalent non-cash instruments, where the acquirer may only transfer such shares or instruments with the Bank's permission, which may not be granted for at least two years following acquisition.

Criteria used for performance assessment for the payment of variable remuneration, and ratio between the fixed and variable remuneration of staff whose professional activities have a significant impact on the Bank's risk profile

The apportionment of variable remuneration for identified staff is the responsibility of the Remuneration Committee and the Supervisory Board, and is based on a performance assessment that takes into account the risk management strategy and is in line with the Bank's business strategy. When apportioning the variable element of remuneration to identified staff, the Bank takes appropriate account of the need to maintain or re-establish the target level of own funds and liquidity, the potential influences of external and internal stakeholders, and the regulatory body's recommendations and guidelines. In special circumstances, the amount of apportioned variable remuneration can be lower than defined for a specific assessment in the Remuneration Policy.

The members of the Supervisory Board only receive fixed remuneration. They may also be paid variable remuneration in exceptional cases.

The criteria used to assess performance for the payment of variable remuneration, and ratio between the fixed and variable remuneration are broken down into three categories:

I. Management Board

The remuneration of Management Board members is in line with their powers, tasks, knowledge and responsibilities. It is assessed by the Supervisory Board, whereby the proposal issued by the President of the Management Board, based on performance management indicators, is taken into account for Management Board members. The amount of variable remuneration of Management Board members is discussed by the Remuneration Committee and set by means of Supervisory Board resolution following confirmation of the Annual Report.

Depending on achieved objectives, the amount of variable remuneration of identified staff under this point is given below (percentage of gross annual wages of the employee to which the criteria relate):

Table 14: Amount of variable remuneration of Management Board (except Chief Risk Officer)

	Amount of variable remuneration
Exceptional, excellent, best possible (achievement of 96%–100% of objectives)	90%–100%
Very good, above expectations (achievement of 86%–95% of objectives)	60%-90%
Good, expected, successful (achievement of 76%–85% of objectives)	20%–80%
Average, certain elements below expectations (achievement of 64%–75% of objectives)	0%–20%
Modest, unsatisfactory (achievement of <64% of objectives)	0%
Not assessed (less than 3 months of regular employment)	0%

** Under special circumstances, the apportioned amount of variable remuneration may also be lower than the remuneration set according to the above criteria.*

II. Control functions: member of the Management Board and Chief Risk Officer, and directors of the Compliance Office and Internal Audit Department.

The remuneration of identified staff in control functions is primarily fixed. Identified staff in control functions have the appropriate powers and receive remuneration with respect to the achievement of objectives linked to their functions, independent of the performance of the business areas they control.

Depending on achieved objectives, the amount of variable remuneration of identified staff under this point is given below (percentage of gross annual wages of the employee to which the criteria relate):

Table 15: Amount of variable remuneration of identified staff in control functions

	Amount of variable remuneration
Exceptional, excellent, best possible (achievement of 96%–100% of objectives)	30%–80%
Very good, above expectations (achievement of 86%–95% of objectives)	20%–70%
Good, expected, successful (achievement of 76%–85% of objectives)	3%–60%
Average, certain elements below expectations (achievement of 64%–75% of objectives)	0%–3%
Modest, unsatisfactory (achievement of <64% of objectives)	0%
Not assessed (less than 3 months of regular employment)	0%

** Under special circumstances, the apportioned amount of variable remuneration may also be lower than the remuneration set according to the above criteria.*

A total of 80% of variable remuneration represents the upper limit for exceptional performance of identified staff in control functions.

The actual amount of variable remuneration apportioned to identified staff in control functions (except the member of the Management Board and Chief Risk Officer) is set by means of Management Board resolution, while the proposed amount of apportioned remuneration is sent to the Remuneration Committee for discussion and confirmed by the Bank's Supervisory Board.

Notwithstanding the provisions of this point, the member of Management Board and Chief Risk Officer is assessed by the Supervisory Board. Similar to other members of the Management Board, provisions regarding the deferral of payment and payment in the form of ordinary or preference shares of the Bank or in the form of share-linked instruments or equivalent non-cash instruments apply to the above-mentioned person.

III. Procurators and other identified staff on individual employment contracts in accordance with the additional criteria of the Bank, and committee members[5] (CC, CCHRI, IILC, ALCO and Liquidity Commission)

Depending on achieved objectives, the amount of variable remuneration of identified staff under this point is given below (percentage of gross annual wages of the employee to which the criteria relate):

Table 16: Amount of variable remuneration of procurators and other identified staff on individual contracts

	Amount of variable remuneration
Exceptional, excellent, best possible (achievement of 96%–100% of objectives)	40%–100%
Very good, above expectations (achievement of 86%–95% of objectives)	20%–90%
Good, expected, successful (achievement of 76%–85% of objectives)	3%–60%
Average, certain elements below expectations (achievement of 64%–75% of objectives)	0%–3%
Modest, unsatisfactory (achievement of <64% of objectives)	0%
Not assessed (less than 3 months of regular employment)	0%

** Under special circumstances, the apportioned amount of variable remuneration may also be lower than the remuneration set according to the above criteria.*

The actual amount of variable remuneration apportioned to procurators and other identified staff under individual employment contracts is set by means of a Management Board resolution, while the proposed amount of apportioned remuneration is sent to the Remuneration Committee for discussion and confirmed by the Bank's Supervisory Board.

Deferral of payment and payment in the form of ordinary or preference shares of the Bank or in the form of share-linked instruments or equivalent non-cash instruments – deferral scheme

[5] Credit Committee (CC), Credit Committee for High-Risk Investments (CCHRI), Investment and International Lending Committee (IILC) and Asset-Liability Committee (ALCO).

Nova KBM's Remuneration Policy includes provisions regarding the required deferral of payment, and required payment in the form of financial or non-cash instruments as variable remuneration for identified staff. In the event of the apportionment of variable remuneration in excess of the gross amount of €50,000.00 or remuneration in excess of one-third of an employee's total annual remuneration, the Bank uses a deferral scheme created as follows (principle of proportionality):

- 60% of the amount of remuneration is paid immediately (up-front payment);
- 40% of the amount of remuneration is deferred and paid proportionately over a period of four to five years on a pro-rata basis, taking into account the fact that 80% of remuneration apportioned in the form of equity instruments or equivalent non-cash instruments is deferred;
- a two-year deferral period applies for shares and instruments, where that deferral period begins following the maturity of instruments that were apportioned as variable remuneration. During that period, those instruments may not be sold or accessed (applying the formula n+x+2, where 'n' represents the moment when the up-front part of apportioned variable remuneration is paid and 'x' represents the year of each year of deferral).
- in the event of high amounts (i.e. in excess of €250,000.00), the payment of at least 60% of variable remuneration is deferred.

Performance must be reassessed prior to payment of the deferred portion of cash or the maturity of deferred instruments for payment, and a preliminary risk adjustment made to variable remuneration, as required, to ensure that variable remuneration is in line with newly identified risks or risks that were realised following apportionment.

The process of adjusting variable remuneration to risks includes the process of measuring performance and risks, the process of apportionment and the process of payment. In all phases of risk adjustment, variable remuneration is adjusted for all current risks (ICAAP) and risks taken-up in the future (stress tests). An appropriate combination of quantitative and qualitative criteria, in the form of absolute and relative criteria, is applied in the process of adjusting variable remuneration to risks in order to ensure that all risks, performance and the necessary risk adjustments are taken into account.

The Bank sets the planned amount of variable remuneration and variable remuneration that will be apportioned on the basis of an assessment of performance and accepted risks. The adjustment of variable remuneration to risks prior to apportionment ('ex-ante risk adjustment') is based on risk indicators, and ensures that apportioned variable remuneration takes full account of risks assumed. Preliminary adjustments in the calculation of risk-adjusted variable remuneration are made at the level of the Bank and at the level of organisational unit where possible.

The highest amount that can be apportioned to employees as severance pay is 12 salaries, unless otherwise stated by the law, sectoral collective agreement or company-level collective agreement.

Severance pay may not represent a disproportionate benefit, but rather appropriate compensation for employees in the event of contract termination. It must reflect performance achieved in a given period, and may not reward an employee for non-performance or breaches. Severance pay may not be apportioned when employees terminate their employment voluntarily (ordinary termination of an employment contract by an employee) because they have accepted a job at a different legal entity.

The Bank did not provide discretionary pension benefits in 2022.

Malus and clawback

The Remuneration Policy defines cases when the cash element of the deferred portion of variable remuneration or the number or value of instruments comprising the deferred portion of variable remuneration is reduced (including to zero) by the Bank's Supervisory Board for a member of the Management Board or by the Management Board for other identified staff on account of a subsequent risk adjustment prior to maturity for payment. The factors that affect decisions regarding changes to, and the reduction and non-payment of variable remuneration include:

- the finding that the Annual Report is null and void, and the reasons for such a finding relate to items or facts that served as the basis for the setting of variable remuneration;
- the finding, based on a special auditor's report, that the criteria for setting variable remuneration were applied incorrectly or that, in that process, the decisive accounting, financial and other data and indicators were incorrectly determined or taken into account;
- a wilful act that results in a breach of the limits set out in the Nova KBM Group's Operative Limits Handbook;
- an intentional act in contravention of authorisations that are assigned by the competent body, as set out in the Bank's bylaws and instructions;
- a breach of Nova KBM's valid Code of Conduct, including conduct that is in contravention of the ethical principles and values pursued by the Bank; and
- regular or repeated refusal to participate in obligatory education and training organised by the Bank.

Moreover, the Bank's Management Board, Remuneration Committee and Supervisory Board may take into account other potential variables when making decisions regarding variable remuneration, decisions regarding final changes to variable remuneration (either current or deferred) and decisions regarding the use of clawback.

17.4 RATIOS BETWEEN FIXED AND VARIABLE REMUNERATION SET IN ACCORDANCE WITH POINT (G) OF ARTICLE 94(1) OF DIRECTIVE 2013/36/EU

(Article 450 (1d) of the CRR)

The Bank classifies remuneration to fixed or variable.

The criteria for classification to fixed remuneration are as follows:

- the level of professional experience and years of service are taken into account in a uniform manner;
- remuneration is transparent with regard to the individual amount apportioned to a specific employee;
- remuneration is constant, i.e. it is maintained for a period linked to a specific role and organisational responsibilities;
- remuneration is irrevocable; a constant amount is only changed based on collective negotiations;
- the Bank may not reduce, terminate or recall remuneration;
- remuneration does not encourage the take-up of risks;
- remuneration is not dependent on the performance of the Bank, organisational unit and employees;
- remuneration is apportioned in a form that cannot be deferred;
- remuneration is part of a typical employment package;
- remuneration is linked to a role or organisational responsibility, and is apportioned until there is no material change in connection with the responsibilities and competences of that role and such a change could lead to an employee's entirely different role or organisational responsibility;
- the amount is not dependent on other factors, but solely on the performance of a specific role or organisational responsibility; and
- all other employees who perform the same role or have the same organisational responsibility and hold a comparable position would be entitled to comparable compensation.

Remuneration that the Bank is unable to define as fixed remuneration in accordance with the criteria set out in the previous paragraphs is defined as variable remuneration.

The Bank follows the principle of proportionality when formulating and implementing the Remuneration Policy. This means that the Remuneration Policy and the implementation thereof are in line with the Bank's risk profile, risk appetite and strategy. When assessing proportionality, the Bank takes into account criteria in connection with the specific circumstances of the Bank’s operations, such as size and internal organisational structure, and the nature, scope and complexity of the Bank’s activities, including risk factors that derive from the amount of variable remuneration of specific identified staff.

The Remuneration Policy is a reflection of the close link between remuneration and the prudent take-up of risks, and is not designed to encourage the increased willingness to take-up risks or to act in contravention of interests. This is ensured by defining appropriate ratios between the fixed and variable components of employee remuneration, taking into account the fact that variable component of remuneration is not directly linked to the scope or value of executed transactions or with the associated risk exposure.
The fixed component of remuneration represents the contractually defined base wage, which is based on the complexity and scope of work, and correlates with assumed responsibilities, set objectives and risks.
The Bank defines the entire variable component of remuneration on the basis of the performance of an employee, an employee's organisational unit and the general operating results of the bank.

The total variable remuneration apportioned by the Bank may not limit its ability to maintain or re-establish a sound level of own funds and liquidity, and must take into account the interests of shareholders, owners, depositors, investors and other stakeholders. Variable remuneration may not be apportioned or paid if this would threaten the Bank’s sound level of the own funds and liquidity.

In the scope of its Remuneration Policy, the Bank defined the maximum ratio between the variable and fixed elements of total remuneration for identified staff. That ratio is 1:1. The actual amount of apportioned variable remuneration is confirmed by the predetermined decision-making body.

The maximum ratios between fixed and variable remuneration and the bodies responsible for decisions regarding actual apportioned variable remuneration are as follows:

- **for members of the Bank’s Management Board, except Chief Risk Officer**

  The maximum ratio between the fixed and variable components of remuneration is **1:1.**

- **for control functions** (member of the Bank’s Management Board and Chief Risk Officer; directors of the Compliance Office and Internal Audit Department)

  The maximum ratio between the fixed and variable components of remuneration is **1:0.8.**

- **Procurators and other identified staff on individual** employment contracts in accordance with the additional criteria of the Bank, and committee members (CC, CCHRI, IILC, ALCO and Liquidity Commission)

  The maximum ratio between the fixed and variable components of remuneration is **1:1.**

Staff whose professional activities have a material impact on the Bank's risk profile must strive to avoid the use of personal insurance to hedge against risks, or remuneration- and liability-related insurance to undermine the risk alignment 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 (1e) of the CRR)

For determining variable remuneration for the purposes set out in points 3 and 4 of the second paragraph of Article 190 of the ZBan-3, the Bank set the lower threshold for the definition of variable remuneration, such that the total variable remuneration of identified staff that does not exceed €50,000.00 gross in a given year and that does not exceed one-third of their total annual remuneration does not constitute variable remuneration for the purposes of the aforementioned provision. The limits defined by the fundamental principles of points 3 and 4 of the second paragraph of Article 190 of the ZBan-3 (the apportionment of the variable element in shares or relevant instruments, and the deferral of payment of a portion of variable remuneration) thus do not apply to variable remuneration under the lower threshold.

In accordance with the guidance referred to in the previous point, the amount of variable remuneration does not represent a material risk factor at the level of identified staff or such variable remuneration is negligible with respect to the risk posed to the Bank.

17.6 MAIN PARAMETERS AND RATIONALE FOR ANY VARIABLE COMPONENT SCHEME AND ANY OTHER NON-CASH BENEFITS

(Article 450 (1f) of the CRR)

The main parameters and rationale for each variable component scheme are disclosed in point 17.3. Other non-cash benefits are defined in individual employment contracts, which are approved by the Supervisory Board for members of the Management Board, and by the Management Board for staff whose professional activities have a material impact on the Bank's risk profile and for others on individual employment contracts. A range of non-cash benefits is part of a typical employment package, and depends on the standard package for senior management, key function holders, identified staff and directors with respect to the scope of employee's responsibilities. They relate to:

- a company car (for business/private use),
- a mobile phone,

- the payment of rent for living quarters,
- a Nova KBM payment card,
- accident and health insurance,
- supplementary pension insurance,
- managerial medical examinations,
- education and training,
- liability insurance,
- representation costs,
- parking space, and
- other reasonable work-related costs.

17.7 AGGREGATED QUANTITATIVE INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON THE BANK'S RISK PROFILE

The template disclosed in this section do not include rows that are not relevant for the Group. The data are presented in euros.

Template 39: EU REM1 – Remuneration awarded for the 2022 financial year
(Article 450 (1)(h)(i) and (ii) of the CRR)

			a	b	c	d
			MB supervisory function	**MB management function**	**Other senior management**	**Other identified staff**
1	**Fixed remuneration**	Number of identified staff	7	12	19.50	9.25
2		Total fixed remuneration	**614,153.43**	**3,557,656.66**	**2,709,119.63**	**688,066.58**
3		Of which: cash-based	614,153.43	3,230,372.67	2,564,566.28	667,091.26
7		Of which: other forms		327,304.99	144,553.35	20,975.32
9	**Variable remuneration**	Number of identified staff	0	10	18.83	8.69
10		**Total variable remuneration**	**0.00**	**2,379,608.00**	**1,240,354.20**	**160,966.66**
11		Of which: cash-based		1,214,804.00	840,528.70	160,966.66
12		Of which: deferred		337,684.80		
EU-13a		Of which: shares or equivalent ownership interests		1,164,804.00	399,825.50	
EU-14a		Of which: deferred		931,843.20	319,860.40	
17	**Total remuneration (2 + 10)**		**614,153.43**	**5,937,264.66**	**3,949,473.83**	**849,033.24**

Template 40: EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
(Article 450 (1)(h)(v) to (vii) of the CRR)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0.00	0.00	0.00	0.00
2	Guaranteed variable remuneration awards -Total amount	0.00	0.00	0.00	0.00
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0.00	0.00	0.00	0.00
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0.00	0.00	0.00	0.00
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0.00	0.00	0.00	0.00
7	Severance payments awarded during the financial year - Total amount	0.00	0.00	0.00	0.00
8	Of which paid during the financial year	0.00	0.00	0.00	0.00
9	Of which deferred	0.00	0.00	0.00	0.00
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0.00	0.00	0.00	0.00
11	Of which highest payment that has been awarded to a single person	0.00	0.00	0.00	0.00

Template 41: EU REM 3 – Deferred remuneration
(Article 450 (1)(h)(iii) and (iv) of the CRR)

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
7	**MB Management function**	**5,775,446.10**	**946,580.92**	**4,828,865.18**			**3,177,584.22**	**831,938.86**	**1,850,648.20**
8	Cash-based	2,887,723.05	473,290.46	2,414,432.59				473,290.46	
9	Shares or equivalent ownership interests	2,887,723.05	473,290.46	2,414,432.59			3,177,584.22	358,648.40	1,850,648.20
13	**Other senior management**	**171,321.41**	**32,988.07**	**138,333.34**			**28,627.60**	**25,904.74**	**14,667.20**
14	Cash-based	95,071.41	25,904.74	69,166.67				25,904.74	
15	Shares or equivalent ownership interests	76,250.00	7,083.33	69,166.67			28,627.60	0.00	14,667.20
25	**Total amount**	**5,946,767.51**	**979,568.99**	**4,967,198.52**			**3,206,211.82**	**857,843.60**	**1,865,315.40**

Template 42: EU REM4 – Remuneration of €1 million or more per year
(Article 450 (1)(i) of the CRR)

		a
	€	**Identified staff that are high earners as set out in Article 450(i) CRR**
3	2 000 000 to below 2 500 000	1

Template 43: EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
(Article 450 (1)(g) of the CRR)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**47.75**
2	**Of which: members of the MB**	7	12	19							
3	**Of which: other senior management**				1.83	4		8.67	4	1	
4	**Of which: other identified staff**				1.17	2		2	3.5	0.58	
5	**Total remuneration of identified staff**	614,153.43	5,937,264.66	**6,551,418.09**	579,574.15	850,144.32	0.00	2,055,261.92	1,068,044.36	245,482.32	**11,349,925.16**
6	**Of which: variable remuneration**	0.00	2,379,608.00	**2,379,608.00**	194,620.00	235,240.00	0.00	584,451.00	325,929.86	61,080.00	**3,780,928.86**
7	**Of which: fixed remuneration**	614,153.43	3,557,656.66	**4,171,810.09**	384,954.15	614,904.32	0.00	1,470,810.92	742,114.50	184,402.32	**7,568,996.30**

18 LEVERAGE RATIO

(Article 451 of the CRR)

This section defines the disclosure requirements set out in Article 451 of Part Eight of the CRR, and in the templates prescribed in Article 6 of Commission Implementing Regulation (EU) 2021/637.

The Group did not elect to temporarily exclude exposures to central banks from the calculation of the leverage ratio due to the COVID-19 pandemic, as proposed in Regulation (EU) 2020/873 regarding the implementation of the CRR II QF legislative package and COVID-19 pandemic support measures.

18.1 LEVERAGE RATIO

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

The Bank includes the following in the calculation of the total exposure measure for the purpose of calculating the leverage ratio:

- on-balance-exposures, without taking into account own funds deductions;
- the relevant portion of off-balance sheet exposures, i.e. taking into account conversion factors and excluding value adjustments; and
- the relevant exposures from derivatives.

Movements in the exposure measure and Tier 1 capital are explained in sections 4.4, 5.4 and 18.3 of this document.

18.1.1 LEVERAGE RATIO FOR THE BISER TOPCO GROUP

Template 44: EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		a Applicable amount as at 31 December 2022
1	Total assets as per published financial statements	10,437,374
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-

		a
		Applicable amount as at 31 December 2022
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	29,992
9	Adjustments for derivative financial instruments	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	474,345
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-106,227
13	**Total exposure measure**	**10,835,484**

Template 45: EU LR2 – LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	10,419,310	9,973,535
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-88,163	-71,686
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	10,331,147	9,901,849

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	29,992	8,989
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	29,992	8,989
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
EU-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,818,107	1,984,764
20	(Adjustments for conversion to credit equivalent amounts)	-1,343,762	-1,368,033
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance-sheet exposures	474,345	616,731
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	853,831	854,004
24	Total exposure measure	10,835,484	10,527,569
Leverage ratio			
25	Leverage ratio (%)	7.88%	8.11%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.88%	8.11%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.88%	8.11%

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	yes	no
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,835,484	10,527,569
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,835,484	10,527,569

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.88%	8.11%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.88%	8.11%

Template 46: EU LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

€000

		a
		CRR leverage ratio exposures as at 31 December 2022
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**10,419,310**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	10,419,310
EU-4	Covered bonds	47,929
EU-5	Exposures treated as sovereigns	3,503,971
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	247,603
EU-7	Institutions	468,069
EU-8	Secured by mortgages on immovable properties	1,193,482
EU-9	Retail exposures	2,037,090
EU-10	Corporates	2,187,593
EU-11	Exposures in default	89,991
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	643,581

18.1.2 LEVERAGE RATIO FOR THE NOVA KBM GROUP

Template 47: EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

€000

		a
		Applicable amount as at 31 December 2022
1	Total assets as per published financial statements	10,413,071
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-

		a Applicable amount as at 31 December 2022
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	29,992
9	Adjustments for derivative financial instruments	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	474,345
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	-105,335
13	**Total exposure measure**	**10,812,074**

Template 48: EU LR2 – LRCom: Leverage ratio common disclosure

€000

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	10,395,007	9,967,261
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-87,271	-70,788
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	10,307,736	9,896,472

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	29,992	8,989
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	29,992	8,989
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,818,107	1,984,764
20	(Adjustments for conversion to credit equivalent amounts)	-1,343,762	-1,368,033
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	Off-balance sheet exposures	474,345	616,731
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	852,079	844,637
24	Total exposure measure	10,812,074	10,522,192
Leverage ratio			
25	Leverage ratio (%)	7.88%	8.03%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	7.88%	8.03%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.88%	8.03%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	yes	no
Disclosure of mean values			

		CRR leverage ratio exposure	
		a	b
		31 December 2022	31 December 2021
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,812,074	10,522,192
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10,812,074	10,522,192
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.88%	8.03%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7.88%	8.03%

Template 49: EU LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

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		a
		CRR leverage ratio exposures as at 31 December 2022
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**10,395,007**
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	10,395,007
EU-4	Covered bonds	47,929
EU-5	Exposures treated as sovereigns	3,503,971
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	247,603
EU-7	Institutions	452,548
EU-8	Secured by mortgages on immovable properties	1,193,482
EU-9	Retail exposures	2,037,090
EU-10	Corporates	2,187,279
EU-11	Exposures in default	89,991
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	635,113

18.2 DESCRIPTION OF THE PROCESSES USED TO MANAGE THE RISK OF EXCESSIVE LEVERAGE

(Article 451(d) of the CRR)

The parent bank regularly monitors the level of the leverage ratio in the scope of own funds requirements. That monitoring was defined in The risk appetite framework and Recovery plan of the Nova KBM Group. The level of the ratio is reported to:

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

In The risk appetite framework and Recovery plan, the parent bank defined at the Group level red, yellow, and green threshold values for the leverage ratio. When the yellow threshold value is exceeded, the ALCO adopts decisions necessary for leverage. When the red threshold value is exceeded, decisions are made by the Crisis Committee, which is in line with the escalation process for the management of indicators set out in the recovery plan.

The leverage ratio was 7.88% at the Biser Topco Group level and was the same at the Nova KBM Group level as of 31 December 2022, which is in line with the Group's business plan, which focuses on traditional lending (including to the corporate segment to which higher risk-weights apply).

18.3 DESCRIPTION OF THE FACTORS THAT HAD AN IMPACT ON THE LEVERAGE RATIO DURING THE PERIOD TO WHICH THE DISCLOSED LEVERAGE RATIO REFERS

(Article 451(e) of the CRR)

The Group calculated the leverage ratio taking into account the relevant amount of on- and off-balance-sheet exposures, and the amount of its Tier 1 capital as at 31 December 2022. The following factors had the most significant impact on the calculation of the leverage ratio in 2022:

- changes in terms of Tier 1 capital are explained in section 4.4 of this document; and
- changes in terms of exposure measures are explained in section 5.4 of this document.

18.A LIQUIDITY REQUIREMENTS

(Article 451a of the CRR)

Template 50: EU LIQA: Liquidity risk management

In accordance with Article 451a(4) of the CRR

Row number	Qualitative information	
(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding.	The strategies and processes are set out in Section 2.2, and separately for the ILAAP in Section 2.2.1.2.2. The Bank defined the following risk management objectives at the Group level in its risk appetite framework: • moderate, stable and sustained profitability • the generation of profits while taking-up moderate credit risk • take-up diversified risk in connection with sovereign insolvency and the maintenance of a high level of liquidity • maintenance of funding and liquidity risks at low levels • the accelerated integration of ESG risks into the business and management environment of the Bank and banking group; and • the maintenance of other risks to which the Group is exposed at a low or moderate level.
(b)	The structure and organisation of the liquidity risk management function (authority, statute, other arrangements.)	The structure and organisation of the Group's risk management function is described in Section 2.2.2.
(c)	A description of the degree of centralisation of liquidity management and interaction between the group's units.	Liquidity risk is managed in accordance with the ILAAP Policy within the Nova KBM Group. The asset and liability management department manages operational liquidity, the strategic risk management department manages structural liquidity (including operations in normal circumstances and extraordinary circumstances), and the accounting and controlling department draws up the regulatory reporting. The bodies responsible for deciding on liquidity management are the Liquidity Committee and the Asset-Liability Committee. The roles and responsibilities are allocated in accordance with the policy. The Group's funding is set out by its business plan. The scope and nature of liquidity risk reporting and measurement systems are described in Section 2.2.3.

Row number	Qualitative information	
(d)	Scope and nature of liquidity risk reporting and measurement systems.	The scope and nature of liquidity risk reporting and measurement systems are described in Section 2.2.3.
(e)	Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	The policies and strategies for hedging against risk, including liquidity risk, are described in Section 2.2.4. The following are the most important for liquidity risk: • Risk Appetite Strategy, including the Risk Appetite Statement • Operating Limits Handbook • Asset and Liability Management (ALM) Strategy • Business Strategy • Refinancing Plan • ESG Strategy • ILAAP Policy within the Nova KBM Group • Stress Testing Policy • Recovery and Resolution Policy • Hedge Accounting Policy • ILAAP methodology • ILAAP methodology as it relates to the performance of stress tests • liquidity risk management contingency plan methodologies • methodology of transfer (opportunity) interest rates
(f)	An outline of the bank's contingency funding plans.	The Group has put in place a contingency plan to manage liquidity emergencies, the purpose of which is to define effective measures and activities for preventing and managing various liquidity difficulties, including appropriate measures for bridging and limiting the impact of liquidity emergencies and for restoring the bank's normal liquidity position. The Group has also put in place a recovery and resolution plan and a liquidity resolution plan.
(g)	An explanation of how stress testing is used.	Stress tests are described in Section 2.2.1.2.3. The performance of stress tests in the scope of the ILAAP is an integral part of the Group's overall risk management. It is set out in the Stress-Testing Policy and in the ILAAP methodology. 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 the further operations of the Group. The aim of liquidity stress testing is to ensure sufficient liquidity even in stress conditions.
(h)	A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.	The declaration of the management body regarding the adequacy of risk management arrangements is given in Section 2.2.5.

<table>
<tr><th>Row number</th><th colspan="2">Qualitative information</th></tr>
<tr><td>(i)</td><td>A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.

These ratios may include:
• concentration limits on collateral pools and sources of funding (both products and counterparties),
• customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank,
• iquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity,
• balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps</td><td>The management body's concise risk statement is described in Section 2.2.5.

Funding risk and market liquidity risk are low. The Group tries to hold funding risk at a low level by maintaining a highly diverse and stable portfolio of deposits by domestic retail and corporate customers, while wholesale funding also accounts for a certain proportion of funding. The Group intends to maintain a similar funding structure over the period covered by the financial plan, in the form of an extensive and diverse portfolio of retail and corporate operations, and funding obtained on the wholesale money market or the interbank market.

The Group gives precedence to maintaining a significant stock of high-quality liquid assets, thereby maintaining liquidity ratios above the statutory requirements. The Group follows an investment strategy, which is approved by the Management Board and sets out the diversification of assets with a relatively low duration of the bond portfolio as a whole.
Compliance with the liquidity risk appetite is monitored via the defined targets for the following key risk indicators:
• liquidity coverage ratio (LCR)
• net stable funding ratio (NSFR)
• survival period
• internal liquidity buffer
Other indicators are monitored within the framework of the system of operational risk limits:
• AER
• 30 largest depositors
• LTD ratio for the non-banking sector
• breakdown of liabilities by maturity bucket
• liquidity gap by maturity bucket as a ratio to total liabilities</td></tr>
</table>

Template 51: EU LIQ1: Quantitative information of LCR at the level of the Biser Topco Group

		Total unweighted value				Total weighted value			
Scope of consolidation (consolidated)									
Currency and units (million)									
EU 1a	Quarter ending on (DD Month YYY)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2022	30.09.2022	30.06.2022	31.03.2022
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					3,575	3,581	3,656	3,744
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	6,893	6,809	6,750	6,711	415	408	404	399
3	*Stable deposits*	5,786	5,736	5,553	5,386	289	287	278	269
4	*Less stable deposits*	1,046	1,025	1,091	1,124	124	119	125	128
5	Unsecured wholesale funding	1,287	1,254	1,186	1,107	682	657	619	578
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)*	1,286	1,254	1,186	1,107	681	657	619	578
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	1,246	1,287	1,323	1,374	149	163	179	191
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*	1,245	1,285	1,322	1,372	148	162	178	190
14	Other contractual funding obligations	84	89	88	86	77	82	80	79
15	Other contingent funding obligations	624	617	604	597	34	33	32	30
16	**TOTAL CASH OUTFLOWS**					1,356	1,344	1,315	1,277
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	372	370	346	313	293	297	277	248
19	Other cash inflows	12	12	13	11	12	12	13	11
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	384	382	359	324	306	309	291	259
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***	384	382	359	324	306	309	291	259
TOTAL ADJUSTED VALUE									
EU-21	**LIQUIDITY BUFFER**					**3,575**	**3,581**	**3,656**	**3,744**
22	**TOTAL NET CASH OUTFLOWS**					**1,051**	**1,034**	**1,024**	**1,018**
23	**LIQUIDITY COVERAGE RATIO (%)**					**341%**	**347%**	**359%**	**370%**

Table 17: EU LIQB: Qualitative information on LCR, which complements template EU LIQ1
In accordance with Article 451a(2) of the CRR

Row number	Qualitative information	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The Bank's business model has not changed over the observation period, but in 2022 there was a significant rise in the stock of liquid assets as a result of high inflows of sight deposits, which were reflected in higher expected outflows, and an increase in inflows.
(b)	Explanations on the changes in the LCR over time	The average LCR was down over the observed quarters. The main reason lies in a reduction in liquid assets from quarter to quarter. The ratio of inflows to outflows is maintained from quarter to quarter.
(c)	Explanations on the actual concentration of funding sources	The Bank's business model is based on deposits by the non-banking sector, which account for 81.9% of total liabilities. Deposits by the non-banking sector are highly stable. The Bank also regularly monitors exposure to the largest depositors, and restricts concentration through limits set internally.
(d)	High-level description of the composition of the institution's liquidity buffer	The majority (97%) of the liquidity buffer consists of Level 1 extremely high-quality assets, of which 59% are held in a settlement account at the central bank. The remaining 3% consists of Level 2 assets.
(e)	Derivative exposures and potential collateral calls	The Bank has low exposure to derivatives, but all derivatives are closed by counter transactions, and therefore do not pose a significant liquidity risk, and no material additional collateral is envisaged for them.
(f)	Currency mismatch in the LCR	Currency risk is defined as the risk of a loss caused by any change in the exchange rate of on-balance-sheet and off-balance-sheet foreign currency items. Currency risk is defined as financially immaterial at the Bank. Nova KBM maintains a closed currency position on a daily basis, and therefore has no need to calculate own funds requirements for currency risk in accordance with the CRR. Other members of the Group hold an immaterial position in foreign currencies.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	/

Template 52: EU LIQ2: Net Stable Funding Ratio at the level of the Biser Topco Group
In accordance with Article 451a(3) of the CRR

The Group discloses its NSFR as at 31 December, 30 September, 30 June and 31 March 2022.

31.12.2022		a	b	c	d	e
Currency and units (million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**854**	**0**	**0**	**78**	**932**
2	*Own funds*	854	0	0	78	932
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		**7,007**	**63**	**11**	**6,663**
5	*Stable deposits*		5,752	44	6	5,513
6	*Less stable deposits*		1,255	18	4	1,150
7	Wholesale funding:		**1,410**	**42**	**640**	**1,193**
8	*Operational deposits*		0	0	0	0
9	*Other wholesale funding*		1,410	42	640	1,193
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:	**5**	**108**	**0**	**47**	**47**
12	*NSFR derivative liabilities*	5				
13	*All other liabilities and capital instruments not included in the above categories*		108	0	47	47
14	**Total available stable funding (ASF)**					**8,835**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**199**
EU-15a	Assets encumbered for more than 12m in cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**50**	**0**	**0**	**25**
17	Performing loans and securities:		**906**	**653**	**4,334**	**4,354**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		117	11	313	331
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		712	554	2,873	3,537
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		2	3	34	390
22	*Performing residential mortgages, of which:*		45	50	619	0
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		24	25	524	0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		31	37	529	486
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**66**	**3**	**279**	**316**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	3	2
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*		9			0
31	*All other assets not included in the above categories*		57	3	276	314
32	Off-balance sheet items		**1,818**	**0**	**0**	**100**
33	**Total RSF**					**4,995**
34	**Net Stable Funding Ratio (%)**					**176.89%**

30.09.2022		a	b	c	d	e
Currency and units (million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**819**	**0**	**0**	**84**	**904**
2	*Own funds*	819	0	0	84	904
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		**6,961**	**41**	**13**	**6,617**
5	*Stable deposits*		6,041	30	8	5,775
6	*Less stable deposits*		920	11	5	843
7	Wholesale funding:		**1,405**	**45**	**646**	**1,183**
8	*Operational deposits*		0	0	0	0
9	*Other wholesale funding*		1,405	45	646	1,183
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:	**4**	**96**	**0**	**49**	**49**
12	*NSFR derivative liabilities*	4				
13	*All other liabilities and capital instruments not included in the above categories*		96	0	49	49
14	**Total available stable funding (ASF)**					**8,753**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**206**
EU-15a	Assets encumbered for more than 12m in cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**147**	**0**	**0**	**74**
17	Performing loans and securities:		**934**	**804**	**4,397**	**4,500**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		117	37	299	329
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		717	629	2,960	3,638
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		111	54	36	451
22	*Performing residential mortgages, of which:*		45	54	597	0
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		18	24	498	0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		56	85	542	534
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**53**	**3**	**242**	**274**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	3	3
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*		10			1
31	*All other assets not included in the above categories*		42	3	239	271
32	Off-balance sheet items		**1,867**	**0**	**0**	**103**
33	**Total RSF**					**5,156**
34	**Net Stable Funding Ratio (%)**					**169.76%**

30.06.2022		a	b	c	d	e
Currency and units (million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**825**	**0**	**0**	**82**	**907**
2	*Own funds*	825	0	0	82	907
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		**6,914**	**0**	**0**	**6,526**
5	*Stable deposits*		6,075	0	0	5,771
6	*Less stable deposits*		839	0	0	755
7	Wholesale funding:		**1,301**	**59**	**671**	**1,180**
8	*Operational deposits*		0	0	0	0
9	*Other wholesale funding*		1,301	59	671	1,180
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:	**1**	**116**	**0**	**49**	**49**
12	*NSFR derivative liabilities*	1				
13	*All other liabilities and capital instruments not included in the above categories*		116	0	49	49
14	**Total available stable funding (ASF)**					**8,663**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**213**
EU-15a	Assets encumbered for more than 12m in cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**126**	**0**	**0**	**63**
17	Performing loans and securities:		**967**	**748**	**4,318**	**4,418**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		134	8	295	313
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		716	608	2,877	3,543
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		102	54	42	440
22	*Performing residential mortgages, of which:*		50	57	573	0
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		17	26	481	0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		67	75	573	562
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**52**	**5**	**242**	**278**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	0	0
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*		7			0
31	*All other assets not included in the above categories*		45	5	242	277
32	Off-balance sheet items		**1.956**	**0**	**0**	**108**
33	**Total RSF**					**5,080**
34	**Net Stable Funding Ratio (%)**					**170.53%**

31.03.2022		a	b	c	d	e
Currency and units (million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**840**	**0**	**0**	**79**	**919**
2	*Own funds*	840	0	0	79	919
3	*Other capital instruments*		0	0	0	0
4	Retail deposits		**6,705**	**0**	**0**	**6,316**
5	*Stable deposits*		5,632	0	0	5,351
6	*Less stable deposits*		1,072	0	0	965
7	Wholesale funding:		**1,353**	**56**	**687**	**1,238**
8	*Operational deposits*		0	0	0	0
9	*Other wholesale funding*		1,353	56	687	1,238
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:	**0**	**103**	**0**	**45**	**45**
12	*NSFR derivative liabilities*	0				
13	*All other liabilities and capital instruments not included in the above categories*		103	0	45	45
14	**Total available stable funding (ASF)**					**8,518**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**214**
EU-15a	Assets encumbered for more than 12m in cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes		**76**	**0**	**0**	**38**
17	Performing loans and securities:		**851**	**750**	**4,266**	**4,327**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		115	26	265	289
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		617	624	2,831	3,430
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		112	45	41	413
22	*Performing residential mortgages, of which:*		42	53	532	0
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		15	24	443	0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		76	48	638	608
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**39**	**6**	**276**	**306**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	1	0
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*		5			0
31	*All other assets not included in the above categories*		34	6	276	306
32	Off-balance sheet items		**1,925**	**0**	**0**	**107**
33	**Total RSF**					**4,992**
34	**Net Stable Funding Ratio (%)**					**170.62%**

19 USE OF THE IRB APPROACH TO CREDIT RISK

(Article 452 of the CRR)

The Bank uses an internal credit rating system that is in line with the IRB approach for the purpose of determining obligor ratings and in other related processes.

The IRB approach is not used in the process of calculating Pillar 1 own funds requirements, where the standardised approach remains in use. An 'IRB-like' approach is used to calculate Pillar 2 own funds requirements.

20 USE OF CREDIT RISK MITIGATION TECHNIQUES

This section defines the disclosure requirements set out in Article 453 of Part Eight of the CRR and Section 4.8 of the Guidelines.

20.1 POLICIES AND PROCESSES FOR, AND AN INDICATION OF THE EXTENT TO WHICH THE ENTITY MAKES USE OF, ON- AND OFF-BALANCE-SHEET NETTING

(Article 453(a) of the CRR)

This disclosure is not relevant. The Nova KBM Group does not use on- and off-balance-sheet netting as a form of credit protection.

20.2 POLICIES AND PROCESSES FOR COLLATERAL VALUATION AND MANAGEMENT

(Article 453(b) of the CRR)

The Loan Collateral Policy of the Nova KBM Group (hereinafter: the policy) is the core document governing the collateralisation of the investments of the Bank and 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 set out the conditions that must be met for a particular form of collateral to be acceptable by the Bank. The valuation of collateral is described in the policy and the Methodology for Loan Collateral Valuation and Allocation.

The main objective of the policy is to mitigate credit risk. Collateral represents a secondary source for the repayment of contractual obligations, if an obligor, for any reason, ceases to settle its obligations, or if there is a change in the circumstances that were known at the time of loan approval.

For collateral in the form of a lien on assets or property, in particular real estate, movable property or financial instruments, that lien must give highest priority to the Bank.

When concluding a transaction, the Bank and Group obtain, for each form of collateral, documentation required to ensure legal certainty if a secondary source of payment is used. In accordance with the applicable legislation, the Group has a system in place for the valuation, monitoring of and reporting on collateral. The valuation of collateral in the form of property is carried out prior to loan approval. The market value of the majority of real estate and movable property pledged as collateral is obtained from the valuation reports drawn up by certified external appraisers. The Group has prepared a list of external real estate and movable property appraisers, whose valuations are accepted by the Group and with whom it has entered into cooperation agreements. The valuation reports drawn up by external appraisers are reviewed by the competent expert department, primarily in terms of credibility and compliance with the International Valuation Standards. Reviewed and approved valuations serve as the basis for making the necessary collateral arrangements. The Group dedicates special attention to the legal certainty, integrity and saleability of the assets it accepts as collateral. To this end, the competent expert departments verify the suitability of an asset in terms of legal certainty, integrity and saleability before it is accepted as collateral. The market value of financial instruments is obtained from the regulated organised market (stock exchange), while the value of unquoted instruments is determined using internal instructions.

In the scope of the ESG strategy, risks in connection with the value of real estate collateral are also assessed. Subject to assessment is the impact of climate change, which includes physical risk (the financial impact of climate change, which includes more frequent extreme weather events, gradual climate change and environmental degradation) and transitional risk (financial loss incurred directly or indirectly by the Bank as the result of adaption to a low-carbon or more sustainable economy). Based on identified climate and environmental risk, the Bank classifies real estate to three risk categories. The Bank's general policy is to accept energy efficient real estate as collateral.

For the duration of a contractual relationship, the Group monitors the appropriateness of pledged collateral, ensures the necessary valuations and takes into account the criteria of maximum loan-to-value (LTV) ratio. The monitoring of the value of collateral during the loan repayment period is carried out in accordance with the legally prescribed periods and internal methodologies. For example, the Group verifies the value of real estate pledged as collateral at least once a year, either by obtaining a valuation report from an external appraiser or by using an internal methodology that is based on publicly available data regarding real estate transactions and 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). Should the value of the collateral fall, the Bank requests additional collateral.

The basis for determining the value of collateral is the market value of a pledged asset, while in the processes of loan origination, the assessment of impairments of financial assets and reporting, the Group also uses expert adjustments to the value of assets that reflect expectations regarding cash flow in the event of the redemption of collateral. The Group uses the value adjustments prescribed by the regulator for individual types of assets in the calculation of own funds requirements.

Table 18: Haircuts to individual forms of collateral

Type of collateral	HC range, %
Bank deposits	0
Guarantees/sureties	0-100
Immovable property	30-50
Movable property	50-100
Securities	30-100
Participating interests	100
Receivables	75-100
Life insurance policies	50-100
Other collateral	100

20.3 DESCRIPTION OF THE MAIN TYPES OF COLLATERAL TAKEN BY THE INSTITUTION

(Article 453(c) of the CRR)

With the aim of mitigating credit risk, the Group accepts all types of collateral that meet the minimum requirements for recognising the effects of collateral. The Group accepts different types of funded and unfunded credit protection.

The Group accepts collateral in accordance with the provisions of the Regulation on credit risk management at banks and savings banks. Other forms of funded and unfunded protection are also accepted as collateral for loans to corporates and sole traders if it is assessed that they can generate cash flow as a secondary source of repayment, if required, and that the conditions regarding the legal certainty and operational requirements of those instruments are met. If it is assessed that it is unlikely that any such collateral instrument will generate cash flow, the Bank takes a conservative approach and does not accept it. The Bank only accepts other forms of funded and unfunded protection if they meet the following minimum requirements for recognising the effects of collateral:

- legal certainty,
- quality, and
- operational requirements for efficient redemption.

The Group accepts the following forms of funded collateral:

- collateral in the form of commercial and residential immovable property,
- collateral in the form of movable property,
- collateral in the form of monetary claims,

- financial collateral (e.g. bank deposits, debt securities of various issuers, investment fund units, equities and pledged participating interests),
- the pledging or assignment of claims as collateral,
- the pledging of other assets (e.g. inventories), and
- other funded protection (e.g. life insurance policies and cash at other institutions).

The Group accepts the following forms of unfunded credit protection:

- joint and several guarantees provided by individuals and legal entities,
- bank guarantees and the Slovene Enterprise Fund,
- guarantees of central governments, local governments and central banks, and
- insurance via an insurer.

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

The Group strives to have the highest-quality collateral for its portfolio in the sense of an adequate LTV and legal certainty in the event of liquidation. The general recommendations with regard to the security of loans are set out by internal instructions. The decision with regard to the type of collateral and the LTV depends on analysis of information about the obligor (the obligor's credit rating and creditworthiness) and the maturity of the loan asset, and distinguishes between loans approved for retail customers and corporate customers. Legal persons and sole traders are required to submit a bill of exchange and declaration of surety for each loan when it has been approved.

The largest share of the Group's portfolio is secured by real estate, followed by insurance from insurers, movable property, sureties, bank deposits and guarantees. A small part of the portfolio is secured by other forms of collateral.

Table 19: Exposure value by type of collateral:

€000

	Type of collateral	Amount	Breakdown
1	Deposits	57,359	2.17%
2	Guarantees	47,250	1.79%
3	Sureties	61,800	2.34%
4	Securities and pledge of receivables from mutual fund points	6,201	0.23%
5	Mortgages	1,994,727	75.41%
6	Pledge of inventories and movable property	70,623	2.67%
7	Pledge and assignment of receivables	0	0.00%
8	Pledge of equity interest	0	0.00%
9	Reserve fund assets	0	0.00%
10	Insurer	406,863	15.38%
11	Pledge of receivables from insurance with insurer	330	0.01%
12	Securities portfolio	0	0.00%
13	Other types of collateral	125	0.00%
	Total	**2,645,278**	**100.00%**

The table does not include exposures from consumer loans by the subsidiary SLS in the amount of €86,022 thousand, which are insured with an insurer.

20.4 MAIN TYPES OF GUARANTOR AND CREDIT DERIVATIVE COUNTERPARTY AND THEIR CREDITWORTHINESS

(Article 453(d) of the CRR)

The Group accepts collateral in the form of sureties, guarantees and insurance via an insurer. The following are deemed eligible issuers of guarantees:

- central governments and central banks,
- regional governments or local authorities,
- multilateral development banks,
- international organisations, exposures to which are assigned a risk weight of 0% under the Standardised Approach,
- public sector entities, claims against which are treated as claims against central governments,
- export agencies and insurance companies, credit institutions and investment firms, and financial institutions, whose exposures to the financial institution (e.g. the Bank) are treated as exposures to institutions in accordance with Article 119(5) CRR,

- other companies, including those that are in control of the institution, or subordinated to or associated with the institution in another way, and
- central counterparties.

The Group also accepts the following as issuers of guarantees:

- individuals, provided that the repayment capability of the respective guarantor is ensured, and
- sole traders, provided that the value of the respective guarantor's assets is sufficient to cover the obligations of the obligor.

Table 20: Major guarantors by type of guarantee:

Guarantees €000

Issuer	Internal credit rating	Amount	Breakdown
Banks	1-3	3,034	35.51%
	4-7	5,510	64.49%
TOTAL		**8,544**	**100.00%**

Sureties

Issuer		Internal credit rating	Amount	Breakdown
Central government	Slovenia	2	101,353	41.33%
	other countries	0-2	76,321	31.12%
Slovene Enterprise Fund		3	65,634	26.76%
Others (municipalities, funds, etc.)		1-3	1,875	0.77%
		5-7	53	0.02%
TOTAL			**245,236**	**100.00%**

Insurance with insurer

Issuer	Internal credit rating	Amount	Breakdown
Insurer	0-2	386,233	100%
TOTAL		**386,233**	**100%**

The table does not include the value of insurance held with an insurer by the subsidiaries SLS and ALEJA finance.

20.5 INFORMATION ABOUT MARKET OR CREDIT RISK CONCENTRATIONS WITHIN THE CREDIT MITIGATION TAKEN

(Article 453(e) of the CRR)

In accordance with its policies, the Group approves loans, where expected cash flows represent the primary source of repayment, and collateral received represents a secondary source of payment and is used to a lesser extent in the event of default by obligor.

When monitoring large exposures, the Group monitors the concentration of credit risk that arises from unfunded sureties accepted as collateral.

The Group limits the amount of collateral in the form of sureties, where the amount of surety is included in the indirect exposure of the guarantor. That amount is weighted depending on the credit rating of the underlying obligor for whom the guarantor provides surety.

The Group monitors market risk concentration in the scope of accepted credit protection in terms of assessing the liquidity of securities received as collateral. With the support of expert departments, the Group assesses realisability and value adjustments due to reduced liquidity based on a comparison of normal turnover and the amount of securities received.

The Group monitors and reports on the value of collateral by individual type.

Table 21: Value of collateral by individual type

	Type of collateral	Amount, €000	Breakdown, %
1	Bank deposits	37,336	0.68%
2	Irrevocable Slovenian government guarantees	101,353	1.86%
3	Shares and participating interests	15,080	0.28%
4	Debt securities	0	0.00%
5	Units in collective investment undertakings	2,801	0.05%
6	Commercial immovable property	1,869,861	34.28%
7	Residential immovable property	2,711,042	49.71%
8	Insurer	386,314	7.08%
9	Other forms of collateral	330,251	6.06%
	Total	**5,454,038**	**100.00%**

The table does not include the value of insurance held with an insurer by the subsidiaries SLS and ALEJA finance.

20.6 DISCLOSURE OF TOTAL EXPOSURE VALUE (AFTER ON- OR OFF-BALANCE-SHEET NETTING, WHERE APPLICABLE) THAT IS COVERED – AFTER THE APPLICATION OF VOLATILITY ADJUSTMENTS – BY ELIGIBLE FINANCIAL CREDIT PROTECTION, AND OTHER ELIGIBLE CREDIT PROTECTION, SEPARATELY FOR EACH EXPOSURE CLASS, WHEN INSTITUTIONS CALCULATE RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE STANDARDISED APPROACH OR THE IRB APPROACH, BUT DO NOT PROVIDE OWN ESTIMATES OF LGDS OR CONVERSION FACTORS IN RESPECT OF THE EXPOSURE CLASS

(Articles 453(f) and 453(g) of the CRR)

Clarifications of the description of the eligible types of collateral taken by the institution are cited in Sections 20.1 to 20.5. For the purposes of calculating risk-weighted assets for credit risk, the Group had defined its eligible credit protection for credit risk mitigation in its internal methodology. It comprises:

1. funded credit protection:

- collateral in the form of commercial and residential immovable property
- financial collateral (e.g. bank deposits, debt securities of various issuers, equities)

2. unfunded credit protection:

- joint and several guarantees
- guarantees of investment-grade banks
- guarantees of central governments, local governments and central banks

The aforementioned credit protection is only considered eligible in the calculations of risk-weighted assets if it meets all the requirements of the relevant legislation. The Group uses the simple approach as a suitable risk-exposure mitigation technique.

The table below presents a breakdown of the gross carrying amount of the exposures, excluding allowances/impairments, into secured/unsecured exposures and by type of credit protection.

Template 53: EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques for the Biser Topco Group

€000

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	5,318,585	2,333,062	2,218,074	114,988	0
2	Debt securities	2,334,115	125,387	0	125,387	
3	Total	7,652,700	2,458,449	2,218,074	240,375	0
4	*Of which non-performing exposures*	115,634	32,283	29,705	2,578	0
EU-5	*Of which defaulted*	115,634	32,283	29,705	2,578	0

Template 54: EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques for the Nova KBM Group

€000

		Unsecured carrying amount	Secured carrying amount			
				Of which **secured by collateral**	Of which **secured by financial guarantees**	
						Of which **secured by credit derivatives**
		a	b	c	d	e
1	Loans and advances	5,303,077	2,333,062	2,218,074	114,988	0
2	Debt securities	2,333,787	125,387	0	125,387	
3	Total	7,636,864	2,458,449	2,218,074	240,375	0
4	*Of which non-performing exposures*	115,634	32,283	29,705	2,578	0
EU-5	*Of which defaulted*	115,634	32,283	29,705	2,578	0

*The total exposure amount represents the Group's entire exposure to credit risk calculated in accordance with the CRR.

20.7 INSTITUTIONS CALCULATING RISK-WEIGHTED EXPOSURE AMOUNTS UNDER THE STANDARDISED APPROACH, THE VALUE OF ON- AND OFF-BALANCE-SHEET EXPOSURES BY EXPOSURE CATEGORY BEFORE AND AFTER APPLYING CORRESPONDING CONVERSION FACTOR AND THE CREDIT RISK MITIGATION ASSOCIATED WITH THE EXPOSURE, AND THE RISK-WEIGHTED EXPOSURE AMOUNT AND THE RATIO BETWEEN THAT RISK-WEIGHTED EXPOSURE AMOUNT AND THE EXPOSURE VALUE AFTER APPLYING THE CORRESPONDING CONVERSION FACTOR AND THE CREDIT RISK MITIGATION ASSOCIATED WITH THE EXPOSURE

(Article 453(h) and (i) of the CRR)

Template 55: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Biser Topco Group

€000

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA density (%)
1	Central governments or central banks	3,304,325	73	3,467,316	3,640	6,946	**0%**
2	Regional governments or local authorities	222,003	1,010	222,003	177	11,360	**5%**
3	Public sector entities	35,834	3,378	16,252	496	1,011	**6%**
4	Multilateral development banks	29,344	0	29,344	0	0	**0%**
5	International organisations	160,069	0	141,173	0	0	**0%**
6	Institutions	468,069	28,550	433,204	6,409	171,475	**39%**
7	Corporates	2,187,593	936,911	2,115,852	307,194	2,273,431	**94%**
8	Retail	2,037,090	751,246	2,035,189	85,727	1,507,157	**71%**
9	Secured by mortgages on immovable property	1,193,482	70,910	1,193,482	22,274	458,429	**38%**
10	Exposures in default	89,991	5,163	89,961	814	112,105	**123%**
11	Exposures associated with particularly high risk	106,500	13,915	90,524	6,957	146,222	**150%**
12	Covered bonds	47,929	0	47,929	0	4,882	**10%**
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0%**
14	Collective investment undertakings	47,728	0	47,728	0	5,765	**12%**
15	Equity	53,959	0	53,959	0	53,959	**100%**
16	Other items	347,231	1,850	347,231	84	193,238	**56%**
17	**Total**	**10,331,147**	**1,813,006**	**10,331,147**	**433,773**	**4,945,982**	**46%**

Template 56: EU CR4 – Standardised approach – Credit risk exposure and CRM effects for the Nova KBM Group

€000

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWA density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA density (%)
1	Central governments or central banks	3,304,325	73	3,467,316	3,640	6,946	**0%**
2	Regional governments or local authorities	222,003	1,010	222,003	177	11,360	**5%**
3	Public sector entities	35,834	3,378	16,252	496	1,011	**6%**
4	Multilateral development banks	29,344	0	29,344	0	0	**0%**
5	International organisations	160,069	0	141,173	0	0	**0%**
6	Institutions	452,548	28,550	417,683	6,409	168,371	**40%**
7	Corporates	2,187,279	936,911	2,115,538	307,194	2,273,115	**94%**
8	Retail	2,037,090	751,246	2,035,189	85,727	1,507,157	**71%**
9	Secured by mortgages on immovable property	1,193,482	70,910	1,193,482	22,274	458,429	**38%**
10	Exposures in default	89,991	5,163	89,961	814	112,105	**123%**
11	Exposures associated with particularly high risk	106,493	13,915	90,517	6,957	146,211	**150%**
12	Covered bonds	47,929	0	47,929	0	4,882	**10%**
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	**0%**
14	Collective investment undertakings	47,728	0	47,728	0	5,765	**12%**
15	Equity	53,959	0	53,959	0	53,959	**100%**
16	Other items	339,663	1,850	339,663	84	185,670	**55%**
17	**Total**	**10,307,736**	**1,813,006**	**10,307,736**	**433,773**	**4,934,983**	**46%**

21 USE OF THE ADVANCED MEASUREMENT APPROACHES TO OPERATIONAL RISK

(Article 454 of the CRR)

This disclosure is not relevant. The Nova KBM Group does not use the Advanced Measurement Approaches to operational risk.

22 USE OF INTERNAL MARKET RISK MODELS

(Article 455 of the CRR)

This disclosure is not relevant. The Nova KBM Group does not use Internal Market Risk Models.

23 DISCLOSURES LINKED TO COVID-19 AND MACROECONOMIC CONDITIONS

Measures of the Group as a response to the pandemic

On 15 June 2022, the Slovenian government officially announced the end of the second wave of the epidemic. In the scope of anti-coronavirus packages, the government adopted several laws and measures in 2021 and 2022 to prevent the spread of the virus and to mitigate the impact of the COVID-19 pandemic on the economy.

In terms of borrowers, the Group responded with legislative and non-legislative (bilateral) moratoria, and upgraded methodologies used in the decision-making process and instructions for identifying borrowers' financial difficulties. It responded to the pandemic with a coordinated programme of activities to ensure the appropriate management of credit risk. The Group maintains regular contact with regulatory bodies, which it informs about its response to the pandemic, and drafts all required reports in connection with COVID-19.

In light of the COVID-19 crisis, the Group continued to implement measures and activities in the area of credit risk in 2022 to mitigate the negative consequences of the crisis. It regularly reviews the assessment of the impact of the COVID-19 pandemic on the current and future economic and business environment.

In the retail segment, the Group regularly reviews its retail portfolio in order to assess whether retail borrowers may encounter payment issues once moratoriums offered by the intervention acts in Slovenia under PKP1, PKP6 and PKP7 expire. As of 31 December 2022 the Group no longer reports legislative and non-legislative no expired moratoria on retail household segment from the intervention law. As of 31 December 2022, the Group reports only EUR 64 thousand of the gross book value of unexpired newly approved loans and other financial assets covered by public guarantee schemes, which represents 0.001% of the entire portfolio.

As of the date of this report, the Group did not identify a significant increase in defaults or other specific patterns that would indicate a material increase in credit risk due to the pandemic. It likewise determined that the government adopted targeted support measures that allowed employees in the sectors hit hardest by containment measures to maintain income levels, and that those measures contributed to the fact that retail clients continue to service their debt.

Given the Group's analysis of the entire portfolio, the large majority of borrowers continued to service their debt after the expiry of the legislative moratorium or bilateral deferral, and only a limited number of clients are experiencing payment difficulties. As of 31 December 2022, approved moratoria (legislative and bilateral), newly approved loans due to COVID and other financial assets in the scope of new public guarantee schemes, introduced as a response to the COVID-19 crisis, amounted to €328,625 thousand. Of that amount, €311,948 thousand have already expired. Non-past-due loans that were the subject of COVID-related measures were down from €39,210 thousand as of 31 December 2021 to €16,676 thousand. The latter are comprised solely of newly approved loans and other financial assets for which public guarantee schemes apply.

The Management Board and Supervisory Board assess the Group's response to the pandemic as appropriate and remains so, and that the Bank met supervisory expectations.

Supply chain disruption, increased commodity and energy prices, inflation, rising benchmark interest rates and Russian military aggression

Despite uncertainties in connection with the pandemic, the strong recovery in demand in 2022 caused or brought to the fore supply chain issues in several sectors, and resulted in a steep rise in the prices of commodities, energy, transportation and certain food and services, a shortage of fuel and rising interest rates.

There were price increases in the manufacturing, construction and food processing sectors in Slovenia during 2022 due to shortages of certain raw materials and components linked to supply chain and transportation pressures.
Due to the uncertain economic conditions, the Bank performed a detailed review of the corporate and international lending portfolios in 2022, with the following elements:

- analysis of the impact of the Russian military aggression;
- analysis of the impact of rising raw material and energy prices;
- analysis of the impact of rising natural gas prices and the potentially reduced supply thereof; and
- analysis of the impact of rising variable interest rates.

With the aim of ensuring sufficient information, the Bank also prepared a survey that facilitates the assessment of clients' dependence, their response and the adoption of measures, costs and additional investments required to mitigate the situation. On this basis, the Bank assessed the risks associated with clients and adopted certain measures in connection with continued detailed monitoring and potential limits on financing. The results of the analysis were taken into account in determining clients' credit ratings. The Bank thus ensured the appropriate risk-weighted calculation of impairments.

In the retail segment, the Bank assessed the impact of changing economic conditions using the portfolio-based approach, with analyses based on stress tests. The retail segment feels an immediate effect from macroeconomic conditions that derives from higher consumer prices and rising interest rates on their loans. This has a direct impact on their debt servicing ability and can quickly lead to deteriorating payment discipline. Consequently, the Bank analysed, in the scope of stress tests, the impact of a potential rise in the EURIBOR and thus increased loan instalments, as well as an increase in the minimum wage (as an additional adjustment due to inflation) on creditworthiness, and in this way identified clients with increased risk. The results of stress tests were taken into account in the calculation of impairments.

Due to the uncertain macroeconomic and geopolitical conditions, the Group monitors probability of default for individual corporate clients. In that respect, credit risk analyses are carried out individually for major clients based on the Group's existing rules on the identification of defaults, financial data regarding clients and forward-looking indicators provided by the early warning system and the COVID-19 control system. The Group is applying an expert-based approach and takes into account all available reliable information related to (i) customers' current and likely future financial and liquidity positions, and (ii) various support measures (i.e. those of borrowers, the Government and the Bank) that are put in place and impact the creditworthiness of borrowers.

Since the beginning of the pandemic, the Group regularly updates macroeconomic scenarios for the purpose of calculating expected credit losses. The most recent update was carried out on 31 December 2022. To that end, the Group uses forecasts published by the relevant bodies (e.g. SORS, Bank of Slovenia and ECB). Changes reflect corrections to macroeconomic and risk-weighted scenarios, and post-model adjustment (PMA). The Group assesses that PMA assumptions are still necessary due to the existence of certain factors, which are not entirely evident from the macroeconomic picture, and the functioning of its internal models. The Group identified the following activities as uncertainties in 2022, and assesses that they will also affect the Group's operations in 2023:

- the Russian military aggression;
- a potential shortage of natural gas and/or the halting of the supply of natural gas;
- rising energy prices;
- supply chain issues in certain sectors; and
- general inflation and rising interest rates.

Summary of assessment

In the area of credit risk management, the Group continuously monitors and controls its portfolio, which was characterised in 2022 primarily by the following uncertain impacts: the Russian military aggression, rising energy prices, supply chain problems in certain sectors, and rising inflation and benchmark interest rate hikes as an anti-inflationary measure. High inflation and significant interest rate benchmark hikes increase pressure on the repayment capability of primarily retail clients, and micro, small and medium-sized enterprises.

All of these uncertainties may have been seen in the past, but the combination of the current circumstances is specific in that it follows an almost two-year pandemic accompanied by state support, while the economic situation is closely linked to political factors, making forecasts very uncertain and difficult to assess. The Group is dedicating a great deal of attention to the current economic-political situation. The Group is not directly or indirectly exposed to Russia and Ukraine, but is closely monitoring the impact of the Russian military aggression on the creditworthiness of its clients.

Template 57: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (EBA/GL/2020/07, Annex 3, Template 2)

€000

		a	b	c	d	e	f	g	h	i
			Gross carrying amount							
						Residual maturity of moratoria				
		Number of obligors	Total	of which: legislative moratoria	of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	1,726	230,194							
2	Loans and advances subject to moratorium (granted)	1,726	230,194	230,194	1,726	230,194	230,194	1,726	230,194	230,194
3	of which: households		54,787	54,787		54,787	54,787		54,787	54,787
4	*of which: collateralised by residential immovable property*		35,827	35,827	43,144	35,827	35,827	0	35,827	35,827
5	of which: non-financial corporations		175,407	175,407	245,006	175,407	175,407	0	175,407	175,407
6	*of which: small and medium-sized enterprises*		86,164	86,164	110,998	86,164	86,164	0	86,164	86,164
7	*of which: collateralised by commercial immovable property*		156,997	156,997	213,651	156,997	156,997	0	156,997	156,997

Template 58: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (EBA/GL/2020/07 Annex 3 / Template 3)

€000

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			Of which forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**16,677**	**9,550**	**10,145**	0
2	of which: households	64			0
3	*of which collateralised by residential immovable property*	0			0
4	of which: non-financial corporations	16,613	9,550	10,097	0
5	*of which: small and medium-sized enterprises*	343			0
6	*of which collateralised by commercial immovable property*	13,415			0