

2/4

**UNAUDITED REPORT
ON THE OPERATIONS OF THE
NOVA KBM GROUP
AND NOVA KBM D.D.**

**FOR THE PERIOD
JANUARY – JUNE 2016**

AUGUST 2016

Nova KBM

Corporate governance bodies of Nova KBM as of 30 June 2016

Management Board of Nova KBM

Robert Senica	President
Sabina Župec Kranjc	Member

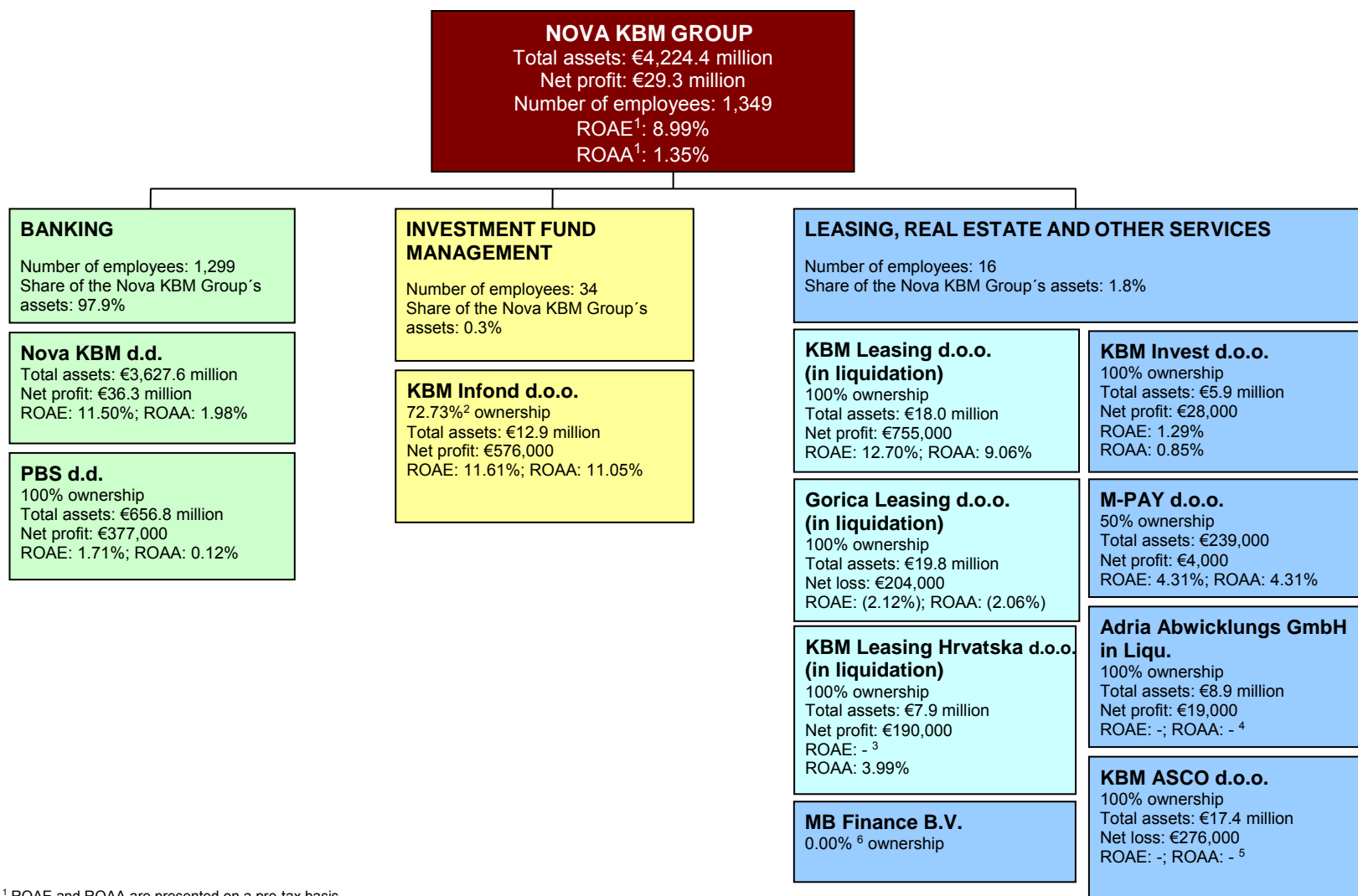
Executive Directors of Nova KBM

Aleksander Batič	
Jernej Močnik	
Primož Britovšek	
Darja Hota Mesarič	
Matjaž Jelenič	
Romana Muraus	(Acting Executive Director)
Tatjana Skaza	(Acting Executive Director)
Severin Vičič	(Acting Executive Director)

Supervisory Board of Nova KBM

Andrej Fatur	Chair
Manfred Puffer	Deputy Chair
Michele Rabà	Member
Gernot Lohr	Member
Alexander Saveliev	Member
Andrea Moneta	Member

Name of the parent bank:	Nova Kreditna banka Maribor d.d.
Short name of the parent bank:	Nova KBM d.d. (Nova KBM Plc)
Registered office:	Ulica Vita Kraigherja 4, 2505 Maribor
BIC (SWIFT):	KBMASI2X
Reuters:	KBMS
IBAN:	SI56 0100 0000 0400 014
Account No.:	01000-0000400014
Registration No.:	5860580
Entry No. in the register of companies kept by the Maribor District Court:	062/10924200
VAT ID No.:	SI94314527
Share capital:	€150,000,000



¹ ROAE and ROAA are presented on a pre-tax basis.

² The Nova KBM Group's stake in the share capital of KBM Infond accounts for 72.00%. Because KBM Infond holds a certain number of its own shares, the Nova KBM Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

³ Not calculated because KBM Leasing Hrvatska reported a negative average equity.

⁴ The performance ratios of Adria Abwicklungs (in liquidation), a company into which Adria Bank was legally transformed after it had returned its licence for providing banking services and transferred its assets to Nova KBM, are not presented because they are irrelevant.

⁵ Not calculated because KBM ASCO has a negative equity and has reported no profit.

⁶ In accordance with IFRS 10, MB Finance is regarded as a special purpose vehicle controlled by Nova KBM. Nova KBM has neither voting rights nor an equity stake in this entity.

Contents

INTERIM REPORT OF THE NOVA KBM GROUP: JANUARY – JUNE 2016

KEY PERFORMANCE INDICATORS OF THE NOVA KBM GROUP AND NOVA KBM	5
SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2016	6
EVENTS AFTER THE END OF THE REPORTING PERIOD	10
CHANGES IN THE SUPERVISORY BOARD OF NOVA KBM.....	11
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES	11
PROFILE OF THE NOVA KBM GROUP AND NOVA KBM	12
SHAREHOLDER STRUCTURE OF NOVA KBM AND INFORMATION ABOUT ITS SHARES	13
OPERATING RESULTS OF THE NOVA KBM GROUP	14
FINANCIAL POSITION OF THE NOVA KBM GROUP	16
INTERIM FINANCIAL REPORT OF THE NOVA KBM GROUP AND NOVA KBM.....	17
Interim Income Statement.....	19
Interim Statement of Other Comprehensive Income	22
Interim Statement of Financial Position	25
Interim Statement of Cash Flows	26
Interim Statement of Changes in Equity.....	28
Notes to the financial statements	30
FINANCIAL CALENDAR of Nova KBM for the rest of 2016.....	70

Key performance indicators of the Nova KBM Group and Nova KBM

	Nova KBM Group			Nova KBM		
	2016	2015	Ind.	2016	2015	Ind.
Statement of financial position (€000)	30.6.	31.12.		30.6.	31.12.	
Balance sheet total	4,224,392	4,246,167	99	3,627,618	3,563,355	102
Customer deposits	3,130,600	3,095,356	101	2,568,942	2,514,527	102
Loans and advances to customers	1,749,921	1,808,373	97	1,520,930	1,538,283	99
Total equity	644,322	623,073	103	632,345	606,729	104
Income statement (€000)	1.1. – 30.6.	1.1. – 30.6.		1.1. – 30.6.	1.1. – 30.6.	
Net interest income	47,530	49,967	95	39,627	40,407	98
Net non-interest income (including profit or loss before tax from discontinued operations)	27,925	34,794	80	27,246	27,251	100
- of which net fees and commissions	23,628	27,600	86	17,209	20,213	85
Operating costs	(47,704)	(47,011)	101	(36,682)	(34,290)	107
Impairment losses and provisions	344	(21,416)	-	4,714	(7,445)	-
Profit before tax from continuing and discontinued operations	28,095	16,334	172	34,905	25,923	135
Net profit for the reporting period	29,331	12,276	239	36,270	22,465	161
Ratios (%)	30.6.	31.12.		30.6.	31.12.	
Interest margin	2.28	2.29		2.25	2.22	
Total capital adequacy	25.33	25.13		27.20	28.07	
Tier 1 capital adequacy	25.33	25.13		27.20	28.07	
Common Equity Tier 1 capital adequacy	25.33	25.13		27.20	28.07	
ROAA before tax	1.35	0.60		1.98	1.18	
ROAE before tax	8.99	4.11		11.50	7.06	
Operating costs/Average total assets	2.29	2.27		2.08	2.04	
Operating costs/Income (CIR)	63.22	60.02		54.85	55.51	
Net customer loans/Customer deposits (LTD)	55.90	58.42		59.20	61.18	
Ratings (long-term)				30.6.	31.12.	
				B3	B3	
				(Moody's)	(Moody's)	
				BB- (Fitch)	B+ (Fitch)	

Significant events during the first half of 2016

January

- Nova KBM offered its retail customers the option of having the overdrafts on their personal accounts covered by the insurance provided by Zavarovalnica Triglav.

February

- On 17 February, based on the prior consent of the Nova KBM Supervisory Board, Nova KBM signed the agreement concerning the sale of its 546,683 shares in KBM Banka to Andrej Jovanović and Bojan Milovanović. The number of shares sold by Nova KBM accounted for 89.53% of the total outstanding shares of KBM Banka.
- On 23 February, as part of the Nova KBM Group's restructuring, and to facilitate the completion of the sale of its investment in the equity of KBM Banka, Nova KBM set up a project company KBM ASCO as its wholly-owned subsidiary. Certain assets of KBM Banka, primarily its NPLs and real estate, were transferred to this company at the end of February.
- Poštna banka Slovenije (PBS) started issuing Activa Maestro and Activa MasterCard contactless payment cards.

March

- At an award ceremony for the best investment funds and fund managers, organized by the Moje Finance magazine on 17 March, four of the investment funds managed by KBM Infond were awarded the highest ratings in their respective categories, while three KBM Infond fund managers were ranked among the 15 best fund managers in Slovenia.
- On 29 March, Nova KBM acquired a 0.8844% equity stake in PBS from Pošta Slovenije, thereby becoming its 100% owner. On the same day, based on the prior consent of the Supervisory Boards of both banks, the Management Boards of Nova KBM and PBS signed the agreement concerning the acquisition of PBS by Nova KBM, which will become legally effective on the day it is registered with the court.
- On 30 March, Nova KBM sent a request to the Bank of Slovenia to approve its acquisition of PBS.

April

- On 14 April, after all conditions precedent stipulated in the agreement concerning the sale of all of Nova KBM's 546,683 shares in KBM Banka to Andrej Jovanović and Bojan Milovanović had been met, the sale of KBM Banka was successfully completed. The number of shares sold by Nova KBM accounted for 89.53% of the total outstanding shares of KBM Banka. The respective sale agreement was signed on 17 February 2016, with the Nova KBM Supervisory Board giving its prior consent. Upon the conclusion of the sale process, Nova KBM's equity stake in KBM Banka was transferred to the new owners.
- The process of selling Nova KBM was completed on 21 April when the Republic of Slovenia received proceeds of €250 million for the sale of its 10,000,000 shares in Nova KBM, representing 100% of Nova KBM's share capital, to Biser Bidco S.à r.l., a company set up jointly by Apollo Global Management, LLC (Apollo), an alternative investment manager headquartered in the United States, and the European Bank for Reconstruction and Development (EBRD). The agreement concerning the sale of Nova KBM shares was, on behalf and for the account of the Republic of Slovenia as the seller, signed by the Slovene Sovereign Holding on 30 June 2015. Apollo provided 80% of the funds for the acquisition, with the remaining 20% being provided by the EBRD. The book-transfer of all of the 10,000,000 shares in Nova KBM to the new owner was effected on the same day.
- At the 28th Shareholders' Meeting of Nova KBM, which took place on 21 April, the then members of the Nova KBM Supervisory Board presented their resignation notices, making it possible for the Shareholders' Meeting to appoint new Supervisory Board members. In addition, the Shareholders' Meeting determined the remuneration of Supervisory Board members, and adopted amended Articles of Association for Nova KBM. The term of office of the resigned Supervisory Board members ended with the conclusion of the Shareholders' Meeting session and the appointment of new Supervisory Board members. New members of the Nova KBM Supervisory Board, appointed for a period of five years, are as follows: Gernot Lohr, Manfred Puffer, Andrea Moneta, Michele Rabà (all of them from Apollo), Alexander Saveliev (EBRD) and Andrej Fatur, the latter of whom was elected as their Chair at the constituent meeting of the Supervisory Board that was held on the same day after the Shareholders' Meeting.
- On 22 April, Nova KBM was notified that the Slovene Sovereign Holding had disposed of all of the 10,000,000 shares in Nova KBM (ticker symbol: KBMS), thereby losing its proportion of voting rights in Nova KBM. On the same day, Nova KBM also received a notice from Biser Bidco S.à r.l., stating that the latter had acquired all of the 10,000,000 shares in Nova KBM (ticker symbol: KBMS) and had thus gained 100% voting rights in Nova KBM.
- At the Slovene Advertising Festival (SOF), Nova KBM received awards in three different categories for its marketing campaign called Smooth Banking, designed to raise awareness of banking services among young people.
- KBM Leasing (in liquidation) sold a total of 44 Delo Revije brands through a public tender.

- Nova KBM teamed up with its strategic partner, the Institute for Entrepreneurship Research (IRP), to organize 'Start:up Maribor Hackathon 2016', the first event to promote the development of the entrepreneurial ecosystem in the region. More than 60 user experience developers and entrepreneurs from all over Slovenia, who specialize in the areas of mobile applications, virtual reality and enriched reality, joined forces at the event to develop, among other things, innovative solutions for the banking of the future.

May

- On 12 May, Fitch Ratings upgraded Nova KBM's Long-Term Issuer Default Rating (IDR) to 'BB-' from 'B+', with the rating being assigned a stable outlook. In addition to upgrading its IDR, Fitch Ratings raised Nova KBM's Viability Rating (VR) by one notch, to 'bb-' from 'b+', while the Support Rating (SR) and the Support Rating Floor (SRF) were affirmed at '5' and 'No Floor', respectively.
- On 20 May, Nova KBM submitted to the Maribor District Court a copy of the Agreement on the Acquisition of PBS, which was signed on 29 March 2016.

June

- Strict compliance with the highest standards of data integrity, i.e. accuracy, consistency and completeness of payment transaction data, earned Nova KBM a MasterCard Data Integrity Award.
- Nova KBM closed three of its branch offices: Mestna Hranilnica in Nova Gorica, Podbrdo and Most na Soči.
- At the 29th Shareholders' Meeting of Nova KBM, which took place on 15 June, Robert Senica, President of the Management Board, Sabina Župec Kranjc, Management Board Member, and all members of the Supervisory Board were granted discharge for their work in 2015. The owner of Nova KBM was presented with the 2015 Nova KBM Group's Internal Audit Report, along with the opinion of the Supervisory Board, the 2015 Annual Report of the Nova KBM Group and Nova KBM, along with the auditor's report, and the report of the Supervisory Board on verification of the 2015 Annual Report of the Nova KBM Group and Nova KBM. Moreover, information was provided to the owner about the amount of remuneration given to members of the management and supervisory bodies in 2015, and the proposed amendments to Nova KBM's Articles of Association were adopted by the owner.
- On 20 June, in view of the expiry of the term of office of the then members of the PBS Supervisory Board, the Shareholders' Meeting of PBS appointed Sabina Župec Kranjc, Darja Hota Mesarič, Boris Novak and Vinko Filipič as new members of the Supervisory Board for a period of four years, starting on 22 June 2016.
- At the constituent meeting of the PBS Supervisory Board held on 30 June, Sabina Župec Kranjc was elected as its Chair, while Boris Novak was elected her deputy.

- On 30 June, Danica Ozvaldič was appointed as a substitute member of the PBS Management Board to fill the vacancy that had arisen after Marija Brenk, the then member of the Management Board, ended her employment with PBS. Ozvaldič was appointed for a period of six months or until the legal merger between Nova KBM and PBS is completed, whichever comes first.

Events after the end of the reporting period

July

- Nova KBM offered its retail customers the option of taking out payment card and personal property insurance through Bank@Net, its online banking facility.
- Danica Ozvaldič started performing her duties as a substitute member of the PBS Management Board on 1 July.
- To comply with the commitment made to the European Commission regarding the distribution of profits, a resolution was passed at the 31st Shareholders' Meeting of Nova KBM, held on 14 July, to earmark €16,567,011.93 of the distributable profit for the financial year 2015 as a dividend payment to the owner, with the remaining balance of the distributable profit, totalling €142,836.59, being carried forward as retained earnings.
- On 22 July, the Nova KBM Supervisory Board appointed Josef Gröblacher as the third member of the Nova KBM Management Board, subject to approval by the European Central Bank. Once the approval is received, Gröblacher will take the role of Chief Operating Officer.
- On 25 July, Nova KBM and PBS received approval from the European Central Bank for their merger. The merger will become legally effective on the day it is entered into the court register, presumably on 1 September 2016. After the merger becomes effective, all assets, liabilities and rights of PBS will be transferred to Nova KBM, with the result that the latter, being the legal successor of PBS, will take over the obligations and rights under all transactions concluded by PBS prior to the merger. The merged bank will operate under the name Nova KBM d.d., with its head office being in Maribor.

Changes in the Supervisory Board of Nova KBM

At the Shareholders' Meeting of Nova KBM held on 21 April 2016, after Peter Kukovica, Niko Samec, Peter Kavčič, Miha Glavič and Andrej Fatur resigned as members of the Supervisory Board, the following new Supervisory Board members were appointed for a period of five years: Gernot Lohr, Manfred Puffer, Andrea Moneta, Michele Rabà, Alexander Saveliev and Andrej Fatur, the latter of whom was elected as their Chair at the constituent meeting of the Supervisory Board that was held after the Shareholders' Meeting.

Statement of management's responsibilities

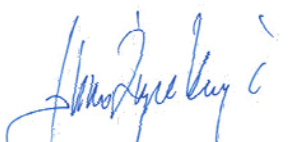
(pursuant to Articles 113 and 114 of the Financial Instruments Market Act)

By signing this statement, the Nova KBM Management Board **confirms** to the best of its knowledge that:

- the financial report summary has been drawn up in accordance with the appropriate accounting framework of reporting and that it provides a true and fair view of the assets, liabilities, the financial position and the profit and loss of Nova KBM and other companies included in the consolidation as a whole, and
- the interim business report, which has been drawn up in accordance with the relevant accounting standard, provides a fair view of significant transactions with related persons.

Maribor, 17 August 2016

Management Board of Nova KBM d.d.


Sabina Župec Kranjc
Member


Robert Senica
President

Profile of the Nova KBM Group and Nova KBM

Nova KBM d.d. (herein also referred to as 'Nova KBM') is the parent company of the Nova KBM Group which, as of 30 June 2016, comprised the parent company and 10 subsidiary companies. Nova KBM is a commercial bank with a tradition of understanding and supporting its retail and corporate customers to whom it provides standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2505 Maribor, Republic of Slovenia.

Nova KBM is obliged to prepare consolidated financial statements.

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

Company	Position in the Nova KBM Group	Nova KBM Group's voting rights in the company (%)	Registered office (country of incorporation)
Nova KBM d.d.	parent bank		Maribor, Slovenia
Poštna banka Slovenije d.d. (PBS)	subsidiary bank	100.00	Maribor, Slovenia
Adria Abwicklungs GmbH in Liqu.	subsidiary company	100.00	Vienna, Austria
KBM Infond d.o.o.	subsidiary company	72.73 ¹	Maribor, Slovenia
KBM Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Maribor, Slovenia
KBM Invest d.o.o.	subsidiary company	100.00	Maribor, Slovenia
Gorica Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Nova Gorica, Slovenia
M-PAY d.o.o.	subsidiary company	50.00	Maribor, Slovenia
KBM Leasing Hrvatska d.o.o. (in liquidation)	subsidiary company	100.00	Zagreb, Croatia
KBM ASCO d.o.o.	subsidiary company	100.00	Belgrade, Serbia
MB Finance B.V.	subsidiary company	00.00 ²	Netherlands

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

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

Key performance indicators of individual Nova KBM Group companies for the six-month period ended 30 June 2016

COMPANY	Number of employees 30.6.2016	Net profit/(loss) (€000)	Balance sheet total (€000)	ROAE before tax (%)	ROAA before tax (%)
Nova KBM d.d.	1,112	36,270	3,627,618	11.50	1.98
Poštna banka Slovenije d.d. (PBS)	187	377	656,779	1.71	0.12
KBM Infond d.o.o.	34	576	12,948	11.61	11.05
KBM Leasing d.o.o. (in liquidation)	2	755	17,989	12.70	9.06
Gorica Leasing d.o.o. (in liquidation)	4	(204)	19,750	(2.12)	(2.06)
KBM Leasing Hrvatska d.o.o. (in liquidation)	2	190	7,905	*	3.99
KBM Invest d.o.o.	8	28	5,873	1.29	0.85
Adria Abwicklungs GmbH in Liqu.	0	19	8,901	**	**
M-PAY d.o.o.	0	4	239	4.31	4.31
KBM ASCO d.o.o.	0	(276)	17,398	***	***

* Not calculated because the company reported a negative average equity.

** The performance ratios of Adria Abwicklungs (in liquidation), a company into which Adria Bank was legally transformed after it had returned its licence for providing banking services and transferred its assets to Nova KBM, are not presented because they are irrelevant.

*** Ratios are not presented because they are irrelevant.

Shareholder structure of Nova KBM and information about its shares

As of 30 June 2016, the share capital of Nova KBM totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares, all of which were held by Biser Bidco S.à r.l., 5 rue Guillaume Kroll, L-1882 Luxembourg. Nova KBM shares, with the ticker symbol KBMS, are not quoted on a regulated stock market.

Nova KBM has issued only one class of shares which are all freely transferable and bear the same rights. Each ordinary share entitles its holder to one vote at the Nova KBM Shareholders' Meeting. The rights of the holders of ordinary shares are set out in the relevant legislation.

Information about Nova KBM shares

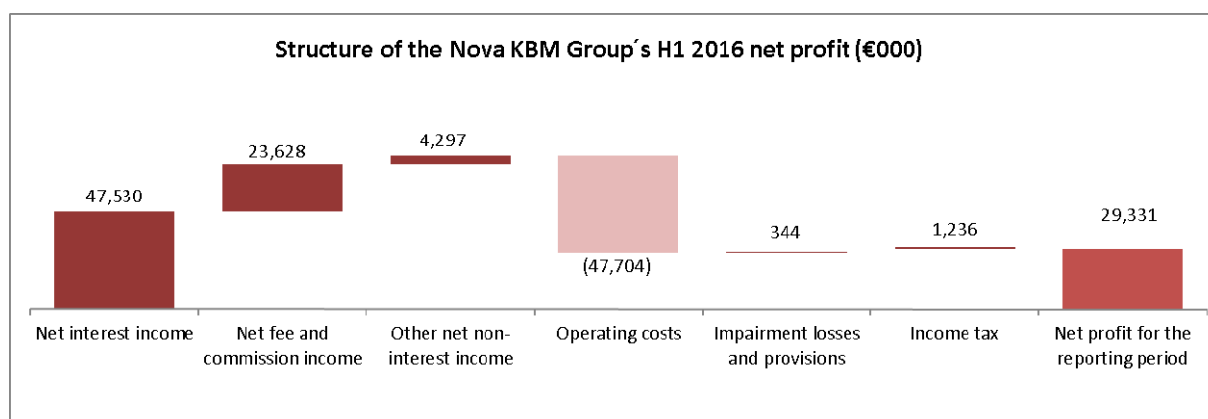
	Nova KBM Group				Nova KBM			
	30.6.16	31.12.15	31.12.14	31.12.13	30.6.16	31.12.15	31.12.14	31.12.13
Book value per share ³ (€)	64.16	62.00	61.34	56.67	63.23	60.67	58.03	51.77
Net earnings/(loss) per share ⁴ (€)	5.83	1.66	2.19	(63.05)	7.25	3.44	3.59	(65.65)

³ Book value per share on the last day of the reporting period is calculated as the ratio between Nova KBM's total equity (for the Nova KBM Group: equity attributable to owners of the parent) and the total number of Nova KBM shares outstanding at the end of the reporting period.

⁴ Net earnings or loss per share is calculated as the ratio between Nova KBM's annualized net profit or loss (for the Nova KBM Group: net profit or loss attributable to owners of the parent) and the weighted average number of Nova KBM shares outstanding during the year. The total number of KBMS shares outstanding at the end of the respective reporting period was taken into account in the calculation of the 2013 net loss and the 2014 net earnings per share.

Operating results of the Nova KBM Group

For the six-month period ended 30 June 2016, the Nova KBM Group reported a **net profit** of €29,331,000, compared to €12,276,000 reported for the same period last year. Total income earned by the Nova KBM Group declined year-on-year by 11.0% and totalled €75,455,000, of which €47,530,000 was attributable to net interest income and €23,628,000 was attributable to net fee and commission income. The operating costs incurred by the Nova KBM Group in the first half of 2016 totalled €47,704,000, up 1.5% on the comparable period last year. While the Nova KBM Group reversed net impairment charges of €344,000 in the first half of 2016, it recorded net impairment charges of €21,416,000 in the first half of 2015.



Net interest income earned by the Nova KBM Group in the first half of 2016 reached €47,530,000, down €2,437,000, or 4.9%, on the same period last year, with interest income and interest expenses registering a year-on-year decline of 15.9% and 54.3%, respectively. The year-on-year decline in interest income was attributable mainly to a reduction in interest rates on loans recorded by both Nova KBM and PBS, but also due to lower business volumes registered by other Nova KBM Group companies. The decline in interest expenses was attributable mainly to a reduction in deposit interest rates.

The structure of interest income and interest expenses by market segment and type of assets and liabilities for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

Net fee and commission income generated by the Nova KBM Group in the first half of 2016 totalled €23,628,000, a decline of 14.4% compared with the same period last year, with both fee and commission income, and fee and commission expenses registering a decline. The year-on-year decline in the net fee and commission income was partially attributable to a change in the accounting treatment of the financial services tax, which has been included in fee and commission expenses since 1 January 2016, but was included in other net operating expenses in previous years. The structure of fees and commissions for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

Other non-interest income⁵ was €4,297,000, down from €7,194,000 reported for the same period last year.

The **operating costs** (administration costs, including depreciation and amortisation) incurred by the Nova KBM Group in the first half of 2016 totalled €47,704,000, up 1.5% on the same period last year, with general and administrative costs increasing the most, by 14.3%, while staff costs saw a year-on-year reduction of 4.1%. As regards the composition of operating costs, staff costs accounted for 46.0% of the total operating costs, followed by general and administrative costs (42.2%), and depreciation and amortisation (11.8%). The Nova KBM Group's cost-to-income ratio reached 63.22% in the first half of 2016.

In the first half of 2016, the Nova KBM Group recorded **net impairment losses** of €5,733,000, compared to €26,195,000 recorded in the same period last year, while reversing **provisions** of €6,077,000. The amount of provisions reversed by the Nova KBM Group in the first half of 2015 totalled €4,779,000. The structure of provisions and impairment losses by type of assets for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

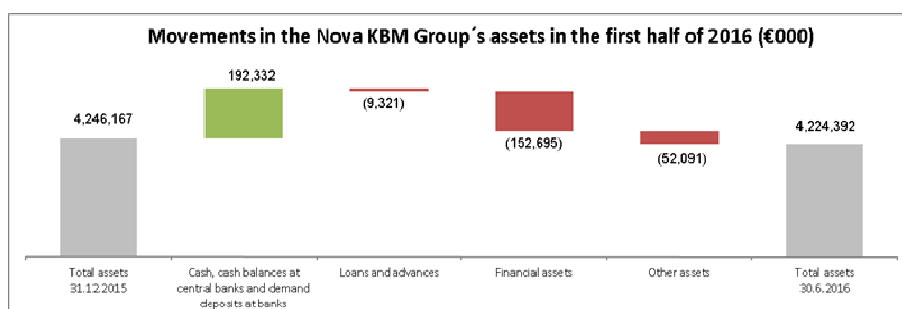
The Nova KBM Group expects to end the financial year of 2016 with a profit.

⁵ Other non-interest income includes: dividend income; realised gains or losses on financial assets and liabilities not measured at fair value through profit or loss; net gains or losses on financial assets and liabilities held for trading; gains or losses on financial assets and liabilities designated at fair value through profit or loss; net foreign exchange rate differences; net gains or losses on derecognition of assets other than non-current assets held for sale; other net operating income or loss; share of profits or losses of associates and joint ventures accounted for using the equity method; net gains or losses from non-current assets held for sale and the liabilities associated therewith; and total profit or loss after tax from discontinued operations.

Financial position of the Nova KBM Group

At the end of June 2016, the Nova KBM Group's **balance sheet total** amounted to €4,224,392,000, down 0.5%, or €21,775,000, on the end of 2015.

The increase in the **balance of cash, deposits with the central banks and demand deposits placed with commercial banks**, which the Nova KBM

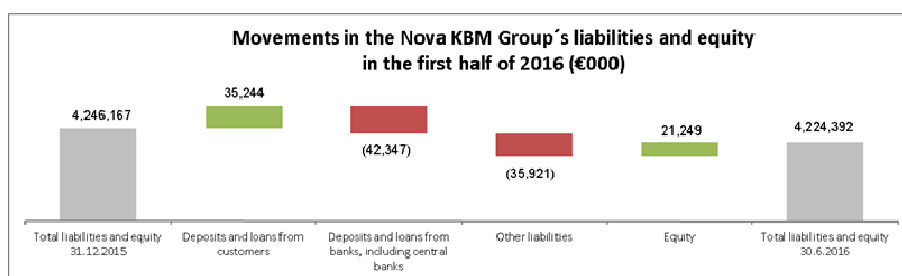


Group saw in the first half of 2016, was mainly attributable to an increase in the volume of deposits held by Nova KBM with both the central banks and its partner banks.

The decline in the volume of **loans** in the first half of 2016 was mostly the result of a reduction in the volume of loans outstanding to the non-banking sector. This decline was partially offset by an increase in loans outstanding to banks.

The balance of the Nova KBM Group's **financial assets** saw a decline in the first half of 2016, with a reduction in the volume of available-for-sale financial assets held by Nova KBM contributing the most to this decline.

The increase in the volume of **deposits and loans from customers** registered in the first half of 2016 was mainly the result of an increase in demand deposits.



As of 30 June 2016, the Nova KBM Group's **total equity**

amounted to €644,322,000, an increase of 3.4% from the end of last year, with its **total capital adequacy ratio** standing at 25.33%. The composition of the Nova KBM Group's equity is presented in the notes to the financial statements.

As a result of a decline in both net customer loans and customer deposits, the net loan-to-deposit ratio (**net LTD**) of the Nova KBM Group fell by 2.52 percentage points in the first half of 2016, reaching 55.90% at the end of June.

The level of the Nova KBM Group's balance sheet total and risk-weighted assets is in line with the commitments made to the European Commission.

**INTERIM FINANCIAL REPORT OF THE
NOVA KBM GROUP
AND
NOVA KBM d.d.
JANUARY – JUNE 2016**

FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM d.d.

1 Interim Income Statement

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Interest income	8	54,078	64,298	45,554	53,224
Interest expenses	8	(6,548)	(14,331)	(5,927)	(12,817)
Net interest income	8	47,530	49,967	39,627	40,407
Dividend income	9	557	772	554	1,248
Fee and commission income	10	35,649	40,808	19,010	21,983
Fee and commission expenses	10	(12,021)	(13,208)	(1,801)	(1,770)
Net fee and commission income	10	23,628	27,600	17,209	20,213
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	11	5,927	7,095	8,089	6,938
Net gains/(losses) on financial assets and liabilities held for trading	12	674	(7,136)	582	(7,204)
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	13	463	(2,059)	463	(2,059)
Net gains/(losses) from foreign exchange rate differences	14	(124)	9,114	(237)	9,073
Net gains on derecognition of assets	-	36	53	27	5
Other net operating income/(loss)	-	(110)	(900)	33	(1,023)
Administration costs	15	(42,075)	(40,483)	(32,496)	(29,420)
Depreciation and amortisation	-	(5,629)	(6,528)	(4,186)	(4,870)
Provisions	16	6,077	4,779	5,167	4,080
Impairment losses	17	(5,733)	(26,195)	(453)	(11,525)
Share of profits of subsidiaries, associates and joint ventures	-	0	71	457	0
Total profit from non-current assets and disposal groups classified as held for sale	-	69	60	69	60
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	-	31,290	16,210	34,905	25,923
Income taxes on continuing operations	18	1,236	(4,058)	1,365	(3,458)
NET PROFIT FROM CONTINUING OPERATIONS	-	32,526	12,152	36,270	22,465
Total profit/(loss) after tax from discontinued operations	-	(3,195)	124	0	0
NET PROFIT FOR THE REPORTING PERIOD	-	29,331	12,276	36,270	22,465
a) Attributable to owners of the parent	-	29,171	12,014	36,270	22,465
– continuing operations	-	32,366	11,908	36,270	22,465
– discontinued operations	-	(3,195)	106	0	0
b) Attributable to non-controlling interests	-	160	262	0	0
– continuing operations	-	160	244	0	0
– discontinued operations	-	0	18	0	0
Basic earnings per share (€)	-	2.92	1.20	3.63	2.25
Diluted earnings per share (€)	-	2.92	1.20	3.63	2.25

The accompanying notes form an integral part of these financial statements.

1.1 Interim Income Statement – presented by quarter

		€000					
Nova KBM Group		2016					2015
ITEM DESCRIPTION	Q2	Q1	Q4	Q3	Q2	Q1	
Interest income	27,203	26,875	28,834	29,250	31,230	33,068	
Interest expenses	(3,150)	(3,398)	(4,397)	(5,510)	(6,491)	(7,840)	
Net interest income	24,053	23,477	24,437	23,740	24,739	25,228	
Dividend income	541	16	(22)	367	772	0	
Fee and commission income	18,548	17,101	20,343	20,143	20,796	20,012	
Fee and commission expenses	(6,152)	(5,869)	(6,838)	(6,771)	(6,592)	(6,616)	
Net fee and commission income	12,396	11,232	13,505	13,372	14,204	13,396	
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	2,044	3,883	3,620	3,036	5,146	1,949	
Net gains/(losses) on financial assets and liabilities held for trading	362	312	114	2,975	347	(7,483)	
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(785)	1,248	189	(2,565)	(2,155)	96	
Net gains/(losses) from foreign exchange rate differences	120	(244)	268	(2,652)	319	8,795	
Net gains/(losses) on derecognition of assets	3	33	(134)	63	31	22	
Other net operating income/(loss)	(314)	204	(1,889)	(1,058)	(460)	(440)	
Administration costs	(22,518)	(19,557)	(23,937)	(20,332)	(20,470)	(20,013)	
Depreciation and amortisation	(2,750)	(2,879)	(3,019)	(3,116)	(3,213)	(3,315)	
Provisions	2,964	3,113	(4,439)	9,302	4,783	(4)	
Impairment losses	(4,491)	(1,242)	(8,015)	(14,570)	(21,132)	(5,063)	
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	0	0	10	54	(9)	80	
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	11	58	652	0	(1)	61	
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	11,636	19,654	1,340	8,616	2,901	13,309	
Income taxes on continuing operations	2,491	(1,255)	(369)	(4,603)	(3,023)	(1,035)	
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	14,127	18,399	971	4,013	(122)	12,274	
Total profit/(loss) after tax from discontinued operations	(3,463)	268	(250)	(50)	135	(11)	
NET PROFIT FOR THE REPORTING PERIOD	10,664	18,667	721	3,963	13	12,263	
a) Attributable to owners of the parent	10,573	18,598	652	3,901	(96)	12,110	
– continuing operations	14,036	18,330	894	3,941	(225)	12,133	
– discontinued operations	(3,463)	268	(242)	(40)	129	(23)	
b) Attributable to non-controlling interests	91	69	69	62	109	153	
– continuing operations	91	69	77	72	103	141	
– discontinued operations	0	0	(8)	(10)	6	12	
Basic earnings/(loss) per share (€)	1.06	1.86	0.07	0.39	(0.01)	1.21	
Diluted earnings/(loss) per share (€)	1.06	1.86	0.07	0.39	(0.01)	1.21	

€000

Nova KBM d.d.	2016					2015
	Q2	Q1	Q4	Q3	Q2	Q1
ITEM DESCRIPTION						
Interest income	22,983	22,571	23,535	24,167	25,910	27,314
Interest expenses	(2,859)	(3,068)	(3,967)	(5,041)	(5,864)	(6,953)
Net interest income	20,124	19,503	19,568	19,126	20,046	20,361
Dividend income	542	12	(498)	283	1,248	0
Fee and commission income	10,033	8,977	11,523	11,193	11,449	10,534
Fee and commission expenses	(1,012)	(789)	(1,217)	(1,176)	(913)	(857)
Net fee and commission income	9,021	8,188	10,306	10,017	10,536	9,677
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	3,858	4,231	2,670	3,558	5,147	1,791
Net gains/(losses) on financial assets and liabilities held for trading	282	300	(28)	2,951	404	(7,608)
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	(785)	1,248	189	(2,565)	(2,155)	96
Net gains/(losses) from foreign exchange rate differences	149	(386)	327	(2,524)	290	8,783
Net gains/(losses) on derecognition of assets	22	5	(174)	3	10	(5)
Other net operating income/(loss)	(677)	710	(1,513)	(676)	(417)	(606)
Administration costs	(17,687)	(14,809)	(18,760)	(14,977)	(15,001)	(14,419)
Depreciation and amortisation	(2,039)	(2,147)	(2,285)	(2,349)	(2,404)	(2,466)
Provisions	2,172	2,995	(1,956)	8,689	4,746	(666)
Impairment losses	(1,591)	1,138	(3,894)	(11,368)	(9,325)	(2,200)
Share of profits of subsidiaries, associates and joint ventures	457	0	528	0	0	0
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	11	58	1,680	0	(1)	61
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	13,859	21,046	6,160	10,168	13,124	12,799
Income taxes on continuing operations	2,566	(1,201)	182	(4,540)	(2,570)	(888)
NET PROFIT FROM CONTINUING OPERATIONS	16,425	19,845	6,342	5,628	10,554	11,911
NET PROFIT FOR THE REPORTING PERIOD	16,425	19,845	6,342	5,628	10,554	11,911
Basic earnings per share (€)	1.65	1.98	0.63	0.56	1.06	1.19
Diluted earnings per share (€)	1.65	1.98	0.63	0.56	1.06	1.19

The accompanying notes form an integral part of these financial statements.

2 Interim Statement of Other Comprehensive Income

€000

ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	29,331	12,276	36,270	22,465
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	9,063	(12,989)	6,056	(11,078)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	9,063	(12,989)	6,056	(11,078)
(Losses) from foreign currency translation	(129)	(58)	0	0
– translation (losses) taken to equity	(129)	(58)	0	0
Gains/(losses) in respect of available-for-sale financial assets	7,105	(15,575)	7,296	(13,347)
– valuation gains/(losses) taken to equity	9,781	(15,575)	10,333	(13,347)
– (losses) transferred to profit or loss	(2,676)	0	(3,037)	0
Share of (losses) of associates and joint ventures accounted for using the equity method	0	(16)	0	0
Gains recognised in other comprehensive income in respect of discontinued operations	3,195	12	0	0
Income tax relating to items that may be reclassified subsequently to profit or loss	(1,108)	2,648	(1,240)	2,269
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	38,394	(713)	42,326	11,387
a) Attributable to owners of the parent	38,254	(986)	42,326	11,387
– continuing operations	38,254	(1,103)	42,326	11,387
– discontinued operations	0	117	0	0
b) Attributable to non-controlling interests	140	273	0	0
– continuing operations	140	254	0	0
– discontinued operations	0	19	0	0

The accompanying notes form an integral part of these financial statements.

2.1 Interim Statement of Other Comprehensive Income – presented by quarter

€000

Nova KBM Group ITEM DESCRIPTION	2016					2015
	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	10,664	18,667	721	3,963	13	12,263
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	3,440	5,623	(2,370)	5,295	(20,654)	7,665
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	0	0	497	0	0	0
Actuarial gains on defined benefit pension plans	0	0	511	0	0	0
Income tax relating to items that will not be reclassified to profit or loss	0	0	(14)	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	3,440	5,623	(2,867)	5,295	(20,654)	7,665
Gains/(losses) from foreign currency translation	(11)	(118)	5	73	(58)	0
– translation gains/(losses) taken to equity	(11)	(118)	5	73	(58)	0
Gains/(losses) in respect of available-for-sale financial assets	33	7,072	(3,334)	6,239	(24,694)	9,119
– valuation gains/(losses) taken to equity	2,709	7,072	(3,272)	5,998	(24,694)	9,119
– gains/(losses) transferred to profit or loss	(2,676)	0	(62)	241	0	0
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	0	0	12	(30)	(48)	32
Gains/(losses) recognised in other comprehensive income in respect of discontinued operations	3,324	(129)	(165)	93	(52)	64
Income tax relating to items that may be reclassified subsequently to profit or loss	94	(1,202)	615	(1,080)	4,198	(1,550)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	14,104	24,290	(1,649)	9,258	(20,641)	19,928
a) Attributable to owners of the parent	13,997	24,257	(1,726)	9,231	(20,680)	19,694
– continuing operations	14,136	24,118	(1,418)	9,271	(20,763)	19,660
– discontinued operations	(139)	139	(308)	(40)	83	34
b) Attributable to non-controlling interests	107	33	77	27	39	234
– continuing operations	107	33	91	37	39	215
– discontinued operations	0	0	(14)	(10)	0	19

> 2/4 2016 UNAUDITED REPORT ON THE OPERATIONS of the Nova KBM Group and Nova KBM d.d.

€000						
Nova KBM d.d.	2016					2015
ITEM DESCRIPTION	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	16,425	19,845	6,342	5,628	10,554	11,911
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	841	5,215	(1,104)	4,122	(16,349)	5,271
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	0	0	440	0	0	0
Actuarial gains on defined benefit pension plans	0	0	440	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	841	5,215	(1,544)	4,122	(16,349)	5,271
Gains/(losses) in respect of available-for-sale financial assets	1,013	6,283	(1,860)	4,967	(19,698)	6,351
– valuation gains/(losses) taken to equity	4,050	6,283	(1,860)	4,967	(19,698)	6,351
– (losses) transferred to profit or loss	(3,037)	0	0	0	0	0
Income tax relating to items that may be reclassified subsequently to profit or loss	(172)	(1,068)	316	(845)	3,349	(1,080)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	17,266	25,060	5,238	9,750	(5,795)	17,182

The accompanying notes form an integral part of these financial statements.

3 Interim Statement of Financial Position

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		30.6.2016	31.12.2015	30.6.2016	31.12.2015
Cash, cash balances at central banks and demand deposits at banks	19	515,221	322,889	392,882	260,860
Financial assets held for trading	20	1,832	1,563	413	116
Financial assets designated at fair value through profit or loss	21	13,884	13,421	13,884	13,421
Available-for-sale financial assets	22	1,551,800	1,675,907	1,322,825	1,442,288
Loans and advances		1,887,067	1,896,388	1,656,777	1,623,522
– loans and advances to banks	23	84,646	61,229	89,866	61,439
– loans and advances to customers	24	1,749,921	1,808,373	1,520,930	1,538,283
– other financial assets	25	52,500	26,786	45,981	23,800
Held-to-maturity financial assets	26	100,228	129,548	28,547	28,566
Non-current assets held for sale and discontinued operations	-	1,160	57,449	1,160	1,239
Property, plant and equipment	-	55,484	57,325	48,679	49,908
Investment property	-	41,074	31,184	30,452	28,439
Intangible assets	-	19,667	21,806	10,387	11,908
Investments in the equity of subsidiaries, associates and joint ventures	-	0	0	99,280	81,400
Tax assets	-	7,263	8,981	7,253	8,721
– current tax assets	-	453	1,706	443	1,446
– deferred tax assets	-	6,810	7,275	6,810	7,275
Other assets	-	29,712	29,706	15,079	12,967
TOTAL ASSETS	-	4,224,392	4,246,167	3,627,618	3,563,355
Financial liabilities held for trading	-	736	270	735	270
Financial liabilities measured at amortised cost	27	3,514,507	3,494,287	2,938,967	2,895,029
– deposits from banks and central banks	28	7,586	29,768	9,710	32,833
– deposits from customers	28	3,130,600	3,094,447	2,568,942	2,513,618
– loans from banks and central banks	29	296,077	316,242	286,060	299,554
– loans from customers	29	0	909	0	909
– debt securities issued	-	12,432	12,368	14,428	14,418
– subordinated liabilities	30	610	610	0	0
– other financial liabilities	31	67,202	39,943	59,827	33,697
Liabilities included in disposal groups classified as held for sale and discontinued operations	-	0	56,941	0	0
Provisions	32	60,309	66,876	53,429	59,085
Tax liabilities	-	1,449	1,641	0	0
– current tax liabilities	-	0	61	0	0
– deferred tax liabilities	-	1,449	1,580	0	0
Other liabilities	-	3,069	3,079	2,142	2,242
TOTAL LIABILITIES	-	3,580,070	3,623,094	2,995,273	2,956,626
Share capital	33	150,000	150,000	150,000	150,000
Share premium	-	360,572	360,572	360,572	360,572
Accumulated other comprehensive income	34	38,823	32,815	31,855	25,799
Translation reserves	-	(142)	(3,230)	0	0
Reserves from profit	35	53,963	54,069	53,648	53,648
Retained earnings (including net profit for the reporting period)	-	38,402	25,731	36,270	16,710
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-	641,618	619,957	632,345	606,729
Equity attributable to non-controlling interests	-	2,704	3,116	0	0
TOTAL EQUITY	-	644,322	623,073	632,345	606,729
TOTAL LIABILITIES AND EQUITY	-	4,224,392	4,246,167	3,627,618	3,563,355

The accompanying notes form an integral part of these financial statements.

4 Interim Statement of Cash Flows

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
a)	Total profit before tax	28,095	16,334	34,905	25,923
	Depreciation and amortisation	5,629	6,865	4,186	4,870
	Impairment of loans and advances	6,890	25,652	333	11,415
	(Reversal of impairment) of held-to-maturity financial assets	0	(415)	0	0
	Impairment/(reversal of impairment) of tangible assets, investment property, intangible assets and other assets	(1,149)	656	120	110
	Share of (profits) of subsidiaries, associates and joint ventures	0	(71)	(457)	0
	Net (gains)/losses from foreign exchange rate differences	124	(9,002)	237	(9,073)
	Net (gains) from the sale of tangible assets and investment property	(36)	(48)	(27)	(5)
	Other (gains) from investing activities	(1,146)	(1,948)	(624)	(1,523)
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and the liabilities associated therewith	(69)	(60)	(69)	(60)
	Other adjustments to total profit or loss before tax	(2,896)	(4,896)	(5,167)	(4,080)
	Cash flows from operating activities before changes in operating assets and liabilities	35,442	33,067	33,437	27,577
b)	(Increase)/decrease in operating assets (excluding cash equivalents)	167,157	(41,039)	96,369	(44,929)
	Net (increase)/decrease in financial assets held for trading	(269)	553	(297)	(597)
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	(463)	2,059	(463)	2,059
	Net (increase)/decrease in available-for-sale financial assets	131,212	(113,080)	126,759	(97,570)
	Net (increase)/decrease in loans and advances	8,531	60,634	(27,396)	46,240
	Net (increase)/decrease in non-current assets held for sale	26,968	128	(1)	125
	Net (increase)/decrease in other assets	1,178	8,667	(2,233)	4,814
c)	Increase/(decrease) in operating liabilities	(51,780)	(136,355)	28,849	(78,868)
	Net increase/(decrease) in financial liabilities held for trading	466	(429)	465	(370)
	Net increase/(decrease) in deposits and loans taken, measured at amortised cost	5,113	(119,655)	28,944	(56,870)
	Net increase/(decrease) in debt securities in issue, measured at amortised cost	64	(6,870)	10	(13,197)
	Net (decrease) in liabilities associated with non-current assets held for sale	(56,941)	0	0	0
	Net (decrease) in other liabilities	(482)	(9,401)	(570)	(8,431)
d)	Cash flows from operating activities (a + b + c)	150,819	(144,327)	158,655	(96,220)
e)	Income taxes (paid)/refunded	1,451	(4,308)	1,383	(3,544)
f)	Net cash flows from operating activities (d + e)	152,270	(148,635)	160,038	(99,764)

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
a)	Receipts from investing activities	31,825	69,472	2,123	32,178
	Receipts from the sale of tangible assets and investment property	1,206	674	869	54
	Receipts from non-current assets or liabilities held for sale	153	0	153	0
	Receipts from the sale of held-to-maturity financial assets	30,466	68,798	644	31,596
	Other receipts from investing activities	0	0	457	528
b)	Cash payments on investing activities	(11,044)	(15,550)	(20,236)	(1,460)
	(Cash payments to acquire tangible assets and investment property)	(9,119)	(545)	(932)	(404)
	(Cash payments to acquire intangible assets)	(1,645)	(1,679)	(1,424)	(1,056)
	(Cash payments for the investments in the equity of subsidiaries, associates and joint ventures)	(280)	0	(17,880)	0
	(Cash payments to acquire held-to-maturity financial assets)	0	(13,326)	0	0
c)	Net cash flow from investing activities (a + b)	20,781	53,922	(18,113)	30,718
C.	CASH FLOWS FROM FINANCING ACTIVITIES				
b)	Cash payments on financing activities	(115)	(126)	0	0
	(Dividends and shares in profits paid)	(115)	(126)	0	0
c)	Net cash flows from financing activities (a + b)	(115)	(126)	0	0
D.	Effects of change in foreign exchange rates on cash and cash equivalents	(1,906)	(563)	(1,909)	(789)
E.	Net increase/(decrease) in cash and cash equivalents (Af + Bc + Cc)	172,936	(94,839)	141,925	(69,046)
F.	Opening balance of cash and cash equivalents	398,836	477,831	302,382	365,599
G.	Closing balance of cash and cash equivalents (D + E + F)	569,866	382,429	442,398	295,764

The statement of cash flows includes cash flows, cash and cash equivalents in respect of discontinued operations. Reconciliation of cash and cash equivalents with the statement of financial position items is presented in Note 19.1.

The balance of cash and cash equivalents as of 30 June 2015 amounted to €382,429,000 and was made up of cash and balances with the central bank, in the amount of €315,992,000, loans and advances to banks with an original maturity of up to three months, in the amount of €44,314,000, and cash and cash equivalents in respect of discontinued operations, totalling €22,123,000.

Cash Flows from Interest, Dividends and Shares in Profits

€000

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Interest paid	(10,254)	(21,458)	(8,966)	(18,610)
Interest received	78,354	68,364	57,493	53,256
Dividends and shares in profits paid	(115)	(126)	0	0
Dividends and shares in profits received	16	7	469	535

The accompanying notes form an integral part of these financial statements.

5 Interim Statement of Changes in Equity

Interim statement of changes in equity of the Nova KBM Group for the six months ended 30 June 2016

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	32,815	(3,230)	54,069	25,731	619,957	3,116	623,073
Total comprehensive income for the reporting period after tax	0	0	5,995	3,088	0	29,171	38,254	140	38,394
Payment of (accounting for) dividends/profit	0	0	0	0	0	(16,710)	(16,710)	(115)	(16,825)
Transfer of net profit to reserves from profit	0	0	0	0	(106)	106	0	0	0
Other	0	0	13	0	0	104	117	(437)	(320)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	38,823	(142)	53,963	38,402	641,618	2,704	644,322

The accompanying notes form an integral part of these financial statements.

Interim statement of changes in equity of the Nova KBM Group for the six months ended 30 June 2015

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	42,841	(3,208)	27,895	35,338	613,438	2,919	616,357
Total comprehensive income for the reporting period after tax	0	0	(12,975)	(25)	0	12,014	(986)	273	(713)
Payment of (accounting for) dividends/profit	0	0	0	0	0	0	0	(126)	(126)
Other	0	0	0	0	0	0	0	(53)	(53)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	29,866	(3,233)	27,895	47,352	612,452	3,013	615,465

The accompanying notes form an integral part of these financial statements.

Interim statement of changes in equity of Nova KBM d.d. for the six months ended 30 June 2016

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	25,799	53,648	16,710	606,729
Total comprehensive income for the reporting period after tax	0	0	6,056	0	36,270	42,326
Payment of (accounting for) dividends/profit	0	0	0	0	(16,710)	(16,710)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	31,855	53,648	36,270	632,345

The accompanying notes form an integral part of these financial statements.

Interim statement of changes in equity of Nova KBM d.d. for the six months ended 30 June 2015

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	33,859	27,389	8,527	580,347
Total comprehensive income for the reporting period after tax	0	0	(11,078)	0	22,465	11,387
Other	0	0	(1)	0	4	3
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	22,780	27,389	30,996	591,737

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM d.d.

1 General information

Nova KBM is the parent company of the Nova KBM Group which, as of 30 June 2016, comprised the parent company and 10 subsidiary companies.

Nova KBM is a commercial bank with a tradition of understanding and supporting its retail and corporate customers to whom it provides standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2505 Maribor, Republic of Slovenia.

As of 30 June 2016, the share capital of Nova KBM totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

On 30 June 2015, the Slovene Sovereign Holding, Apollo Global Management, LLC (Apollo) and the European Bank for Reconstruction and Development (EBRD) signed the agreement concerning the sale of the Republic of Slovenia's 100% shareholding in Nova KBM.

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

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

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

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

Nova KBM is obliged to prepare consolidated financial statements.

2 Definition of the Nova KBM Group

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

Company	Position in the Nova KBM Group	Nova KBM Group's voting rights in the company (%)	Registered office (country of incorporation)
Nova KBM d.d.	parent bank		Maribor, Slovenia
Poštna banka Slovenije d.d. (PBS)	subsidiary bank	100.00	Maribor, Slovenia
Adria Abwicklungs GmbH in Liqu.	subsidiary company	100.00	Vienna, Austria
KBM Infond d.o.o.	subsidiary company	72.73 ¹	Maribor, Slovenia
KBM Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Maribor, Slovenia
KBM Invest d.o.o.	subsidiary company	100.00	Maribor, Slovenia
Gorica Leasing d.o.o. (in liquidation)	subsidiary company	100.00	Nova Gorica, Slovenia
M-PAY d.o.o.	subsidiary company	50.00	Maribor, Slovenia
KBM Leasing Hrvatska d.o.o. (in liquidation)	subsidiary company	100.00	Zagreb, Croatia
KBM ASCO d.o.o.	subsidiary company	100.00	Belgrade, Serbia
MB Finance B.V.	subsidiary company	00.00 ²	Netherlands

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

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

In August 2014, the Adria Bank Supervisory Board reached a decision to start the procedures to terminate the operations of Adria Bank. Adria Bank returned its licence for providing banking services to the FMA on 23 March 2015, the same day on which it ceased its banking operations and met the conditions to wind up its business. On 11 June 2015, Adria Bank was legally transformed from a joint stock company into a limited liability company (GmbH) named 'Adria Abwicklungs', which filed for controlled liquidation on 26 June 2015, in accordance with a ruling made by the relevant court. On 3 September 2015, the Shareholders' Meeting of Adria Abwicklungs GmbH in Liqu. made the decision to reduce the share capital of the company by €8,860,000. This reduction in the share capital was entered into the records kept by the competent Registration Court in Vienna on 18 December 2015. The amount by which the capital of Adria Abwicklungs was reduced is to be repaid to Nova KBM, pursuant to the agreement between the two regarding the repayment of capital. While €3,715,000 was already repaid in December 2015, the remaining balance, which is secured by BAMC bonds, is expected to be repaid by the end of 2016.

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

The liquidation proceedings against KBM Leasing Hrvatska are expected to be completed by the end of 2016, while those against KBM Leasing and Gorica Leasing are planned to be concluded within the next three years.

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

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

In 2015, Nova KBM started taking steps towards fully merging the operations of PBS with its own, which is one of the strategically most important projects undertaken as part of the restructuring and consolidation of the Nova KBM Group. On 29 March 2016, Nova KBM acquired a 0.8844% equity stake in PBS from Pošta Slovenije, thereby becoming its 100% owner. On the same day, based on the prior consent of the Supervisory Boards of both banks, the Management Boards of Nova KBM and PBS signed the agreement concerning the acquisition of PBS by Nova KBM. Approval of the merger between Nova KBM and PBS was given by the European Central Bank on 26 July 2016. As a result of the merger, which is scheduled for 1 September 2016 and will become legally effective on the day it is entered into the court register, PBS will cease to exist as an independent legal entity and all its assets, liabilities and rights will be transferred to Nova KBM, with the result that the latter, being the legal successor of PBS, will take over the obligations and rights under all transactions concluded by PBS prior to the merger. The merged bank will operate under the name Nova KBM d.d., with its head office being in Maribor.

Istra Plan, a company 100% owned by KBM Invest, is not regarded as a business entity. Consequently, only the assets of this company, totalling €229,000, have been included in the consolidated financial statements.

3 Basis for the presentation of consolidated financial statements

The financial statements of the Nova KBM Group and Nova KBM for the six-month period ended 30 June 2016 were authorised for issue on 20 July 2016 by the Nova KBM Management Board.

The interim financial statements have been prepared in accordance with the regulatory requirements and on the assumption that both Nova KBM and the Nova KBM Group will continue as going concerns in the foreseeable future and that they will be able to meet their liabilities when due.

3.1 Statement of compliance and purpose of financial statements

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter 'IFRS') as adopted by the European Union.

The interim financial report has been prepared in a condensed form and includes selected explanatory notes as requested in accordance with IAS 34 – Interim Financial Reporting.

The interim financial statements presented herein are unaudited and are regarded as general-purpose financial statements. They are not intended for use by any party for purposes of decision-making concerning ownership, financing or any other specific transactions relating to the Nova KBM Group. Accordingly, users of these interim financial statements should not rely exclusively on the financial statements and should undertake other procedures before making decisions.

3.2 Presentation and functional currency

Items included in the financial statements are presented in euro, which is the functional and presentation currency of both Nova KBM and the Nova KBM Group.

All amounts in the financial statements and in the notes to the financial statements are expressed in thousands of euros, unless stated otherwise. Slight discrepancies in the totals may occur due to rounding adjustments.

3.3 Amendments to legal acts

On 15 June 2016, the Shareholders' Meeting of Nova KBM passed a resolution to amend Nova KBM's Articles of Association.

The amendments to the Articles of Association, which were made to the section entitled 'Annual Reports, Distribution of Net and Accumulated Profits and Creation of Reserves', refer mainly to the creation and use of reserves. According to the amended Articles of Association, share premium, regulatory and other reserves are created as required by the applicable regulations, taking into consideration the following:

- regulatory reserves are created until the aggregate amount of regulatory reserves and share premium reaches 10% of Nova KBM's share capital
- the Management Board may use the net profit remaining after the appropriation of profit for the purposes laid down by the applicable regulations (covering of losses, creation of regulatory reserves and reserves for treasury shares) to create other reserves; however, no more than half of the profit remaining after the appropriation of profit for the purposes referred to above may be used.

4 Significant accounting policies

The accounting policies used by the Nova KBM Group are presented in detail in its 2015 Annual Report.

The adopted accounting policies have been consistently applied in both reporting periods presented in these financial statements.

During the interim reporting period and in 2015, the Nova KBM Group did not reclassify any of its financial assets into another category.

Newly adopted standards, revisions and interpretations that have been adopted by the EU and that have or will come into effect in 2016 are presented below:

- **Amendments to various standards – Improvements to IFRSs (cycle 2010–2012)** resulting from the annual improvement project of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording; adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- **Amendments to IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions;** adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- **Amendments to IFRS 11 – Joint Arrangements – Accounting for Acquisition of Interests in Joint Operations;** adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 1 – Presentation of Financial Statements – Disclosure Initiative;** adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

- **Amendments to IAS 16 – Property, Plant and Equipment, and IAS 38 – Intangible Assets** – Clarification of Acceptable Methods of Depreciation and Amortisation; adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 16 – Property, Plant and Equipment, and IAS 41 – Agriculture** – Agriculture: Bearer Plants; adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 27 – Separate Financial Statements** – Equity Method in Separate Financial Statements; adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to various standards – Improvements to IFRSs (cycle 2012–2014)** resulting from the annual improvement project of IFRSs (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording; adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

The amendments to the existing standards have not led to any material changes in the Nova KBM Group's accounting policies.

Standards and interpretations issued by the International Accounting Standards Board (IASB) but, as of the date of this interim report, not yet adopted for use by the EU are set out below:

- **IFRS 9 – Financial Instruments** (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016); the European Commission has decided not to launch the endorsement process of this interim standard, but to wait for its final version.
- **IFRS 15 – Revenue from Contracts with Customers** (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 16 – Leases** (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 10 – Consolidated Financial Statements, and IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the date of initial application has been postponed for an indefinite period).
- **Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, and IAS 28 – Investments in Associates and Joint Ventures** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 12 – Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 7 – Statement of Cash Flows** – Initiative to disclose additional information about cash flows from financing activities (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IFRS 2 – Share-based Payment** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

The Nova KBM Group estimates that the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39 – Financial Instruments: Recognition and Measurement would not significantly impact its financial statements, if applied as at the statement of financial position date.

The Nova KBM Group has not early adopted any standard or interpretation that has been issued but is not yet effective. It anticipates that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements in the period of initial application, with the exception of IFRS 9.

The effects of the introduction of the new standard on financial instruments (IFRS 9) have not yet been assessed by Nova KBM or the Nova KBM Group. The Nova KBM Management Board is aware that ensuring compliance with this standard will require the implementation of changes in various areas of banking operations (such as changes of work processes, information systems and information support systems, methodologies, methods of providing relevant data, etc.) and the strong involvement of employees. Therefore, in order to ensure timely compliance with the standard, the Management Board has decided to take a project approach to the implementation of necessary changes, inviting an external adviser with experience in standard implementation to participate in the project. The project is divided into the following two phases:

- First phase: the performance of a gap analysis and of an impact analysis.
- Second phase: the development of necessary methodologies (the precise timeline and deadlines for this phase will be determined based on the results of the gap analysis).

As part of the first phase, Nova KBM has carried out the following tasks:

- it has identified the areas that will be significantly affected by the introduction of IFRS 9
- it has drawn up a gap analysis report detailing the classification, measurement and impairment of financial assets according to IFRS 9. Based on an analysis of its business model and an analysis of the characteristics of its contractual cash flows, as well as a comparison of its current processes and methodologies for calculating impairments with what is required to be implemented, the Nova KBM Group has identified the relevant gaps and has given recommendations and proposals regarding the measures to be taken to deal with and to close these gaps.

The results of the first phase of the project, involving an assessment of the preliminary impact of the introduction of IFRS 9 on the Nova KBM Group's financial statements, as well as the conclusions of the final gap analysis report, will serve as the basis for the full implementation of IFRS 9.

Taking into consideration the results of the gap analysis, it is expected that the introduction of IFRS 9 will have an impact on the level of impairment losses and will increase its volatility, mainly as a result of changes made to models for calculating expected credit losses, and to a lesser extent due to changes in the classification and measurement of financial assets.

5 Risk review

The Nova KBM Management Board delegates risk oversight and management to the senior management (policy holders). The policy holders, together with officers responsible for particular policies, determine the method of measuring individual risks. The responsible officers are specialized in defining, measuring and controlling individual risks.

The organizational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organizationally separate from the unit it monitors. In accordance with the rules of procedure, each risk management policy has to be approved by the Policy Approval Committee and, in addition, agreed by the President of the Management Board or his deputy. The Nova KBM Group companies may use their own approach in managing individual risks, taking into consideration the importance of risk and the regulatory framework.

Further details with respect to risk management are provided in the Nova KBM Group's 2015 Annual Report.

5.1 Credit risk

Analysis of exposure to credit risk

Nova KBM Group	Loans to customers		Loans to banks	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Individual impairments				
Gross amount	801,375	830,023	6,154	0
Impairment	(540,116)	(532,218)	(1,103)	0
Net amount	261,259	297,805	5,051	0
Collective impairments				
Credit rating A	745,811	993,030	0	0
Credit rating B	467,719	268,203	0	0
Credit rating C	216,839	197,786	0	0
Credit rating D	33,758	22,257	0	0
Credit rating E	60,803	77,556	0	0
Gross amount	1,524,930	1,558,832	0	0
Impairments	(76,160)	(88,431)	0	0
Net amount	1,448,770	1,470,401	0	0
Net non-impaired loans	39,892	40,167	79,595	61,229
Total net outstanding loans	1,749,921	1,808,373	84,646	61,229

Nova KBM d.d.	Loans to customers		Loans to banks	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Individual impairments				
Gross amount	566,898	560,484	7	5,170
Impairment	(369,133)	(347,573)	0	(5,170)
Net amount	197,765	212,911	7	0
Collective impairments				
Credit rating A	652,174	878,222	0	0
Credit rating B	416,609	218,998	0	0
Credit rating C	198,402	177,806	0	0
Credit rating D	31,179	21,395	0	0
Credit rating E	47,757	68,642	0	0
Gross amount	1,346,121	1,365,063	0	0
Impairments	(61,955)	(78,807)	0	0
Net amount	1,284,166	1,286,256	0	0
Net non-impaired loans	38,999	39,116	89,859	61,439
Total net outstanding loans	1,520,930	1,538,283	89,866	61,439

Past-due and unpaid claims

Nova KBM Group	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	30.6.2016
						Past-due over 90 days as a % of total past-due claims
Banks	45	0	0	2	47	4.26
State	30	62	0	3	95	3.16
Legal entities	42,658	2,397	2,915	493,075	541,045	91.13
Households	2,211	450	338	67,424	70,423	95.74
Total	44,944	2,909	3,253	560,504	611,610	91.64

Nova KBM Group	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	31.12.2015
						Past-due over 90 days as a % of total past-due claims
Banks	18	0	0	179	197	90.86
State	31	5	5	12	53	22.64
Legal entities	15,732	24,353	623	496,217	536,925	92.42
Households	1,698	433	306	72,270	74,707	96.74
Total	17,479	24,791	934	568,678	611,882	92.94

Nova KBM d.d.	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	30.6.2016
						Past-due over 90 days as a % of total past-due claims
Banks	0	0	0	2	2	100.00
State	26	62	0	0	88	0.00
Legal entities	38,622	165	1,364	323,506	363,657	88.96
Households	1,831	308	273	48,347	50,759	95.25
Total	40,479	535	1,637	371,855	414,506	89.71

Nova KBM d.d.	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	31.12.2015
						Past-due over 90 days as a % of total past-due claims
Banks	0	0	0	179	179	100.00
State	26	0	0	0	26	0.00
Legal entities	8,848	23,220	128	303,726	335,922	90.42
Households	884	358	253	51,415	52,910	97.17
Total	9,758	23,578	381	355,320	389,037	91.33

Volume of NPLs and their proportion within total loans

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Total gross loans	2,451,946	2,490,251	2,041,884	2,031,272
Total net loans	1,834,567	1,869,602	1,610,796	1,599,722
Net NPLs	292,888	317,945	238,160	253,628
Net NPLs/total net loans (%)	15.96	17.01	14.79	15.85

Analysis of performing loans and NPLs by industry sectors

The following tables set forth, for the periods indicated, the total net loans and net NPLs outstanding to individual industry sectors, and the proportion of net NPLs within net loans:

Nova KBM Group Industry sector	30.6.2016			31.12.2015		
	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	891,650	32,520	3.65	869,362	34,953	4.02
Agriculture and hunting, forestry, fishing	22,148	5,531	24.97	23,893	6,419	26.87
Mining	12,859	269	2.09	13,572	233	1.72
Manufacturing industry	259,544	80,561	31.04	268,828	82,916	30.84
Electricity, gas and steam supply	37,796	917	2.43	51,164	912	1.78
Water supply, waste and sewage management, rehabilitation of the environment	26,369	1,131	4.29	26,887	1,286	4.78
Construction	57,104	31,328	54.86	59,971	34,044	56.77
Trade, maintenance and repair of motor vehicles	142,688	56,892	39.87	179,803	65,371	36.36
Transportation and storage	46,038	7,564	16.43	43,623	3,409	7.81
Accommodation and food service activities	34,581	11,640	33.66	35,400	14,537	41.06
Information and communication activities	12,932	8,722	67.45	17,673	13,385	75.74
Financial intermediation	120,377	8,735	7.26	98,801	8,797	8.90
Real estate activities	26,902	19,062	70.86	27,478	21,792	79.31
Professional, scientific and technical activities	32,122	14,110	43.93	39,292	18,360	46.73
Other various business activities	9,198	2,848	30.96	9,824	2,580	26.26
Public administration and defence services, compulsory social security activities	40,564	386	0.95	43,809	455	1.04
Education	2,559	0	0.00	2,134	0	0.00
Health and welfare security	21,238	9,031	42.52	21,666	6,973	32.18
Arts, entertainment and recreation	34,244	867	2.53	32,449	839	2.59
Other activities	3,654	774	21.18	3,973	684	17.22
Total net loans	1,834,567	292,888	15.96	1,869,602	317,945	17.01

Nova KBM d.d.	30.6.2016			31.12.2015		
Industry sector	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	795,304	30,521	3.84	772,211	32,792	4.25
Agriculture and hunting, forestry, fishing	17,092	2,431	14.22	18,218	2,854	15.67
Mining	12,613	266	2.11	13,294	229	1.72
Manufacturing industry	216,495	60,824	28.09	215,908	61,040	28.27
Electricity, gas and steam supply	35,840	856	2.39	48,740	862	1.77
Water supply, waste and sewage management, rehabilitation of the environment	21,881	294	1.34	21,424	254	1.19
Construction	43,162	23,977	55.55	44,774	27,001	60.31
Trade, maintenance and repair of motor vehicles	111,362	45,721	41.06	132,575	50,823	38.34
Transportation and storage	44,817	7,437	16.59	42,383	3,105	7.33
Accommodation and food service activities	28,035	8,796	31.38	27,494	10,522	38.27
Information and communication activities	8,863	5,310	59.91	13,591	9,975	73.39
Financial intermediation	129,843	14,234	10.96	106,042	17,465	16.47
Real estate activities	21,949	14,521	66.16	19,633	14,673	74.74
Professional, scientific and technical activities	22,043	11,113	50.42	25,216	12,787	50.71
Other various business activities	6,469	2,078	32.12	5,807	1,471	25.33
Public administration and defence services, compulsory social security activities	35,680	0	0.00	36,041	28	0.08
Education	2,513	0	0.00	2,073	0	0.00
Health and welfare security	20,203	9,002	44.56	19,708	6,939	35.21
Arts, entertainment and recreation	33,620	318	0.95	31,550	272	0.86
Other activities	3,012	461	15.31	3,040	536	17.63
Total net loans	1,610,796	238,160	14.79	1,599,722	253,628	15.85

5.2 Composition of regulatory capital and capital requirements

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Tier 1 capital	554,707	569,394	549,505	559,245
Paid-in capital instruments	150,000	150,000	150,000	150,000
Share premium	360,572	360,572	360,572	360,572
Retained earnings and value adjustments of investment property from previous years	14,221	58,733	1,047	35,836
(-) Loss for the current financial year	0	0	0	0
Accumulated other comprehensive income	721	(4,045)	2,811	1,460
Other reserves	53,963	28,224	53,647	27,389
(-) Intangible assets	(19,667)	(21,806)	(10,387)	(11,908)
(-) Deferred tax assets	(2,355)	(2,284)	(6,411)	(4,104)
(-) Deductions from Common Equity Tier 1 Capital for the net impact of credit risk adjustments and the fair-valued assets	(2,748)	0	(1,774)	0
Additional Tier 1 capital	0	0	0	0
Additional capital	0	0	0	0
Total capital	554,707	569,394	549,505	559,245
Risk weighted exposure amounts for credit risk	1,900,172	1,969,831	1,783,777	1,762,717
Central governments or central banks	4,288	6,155	4,274	6,155
Regional governments or local authorities	9,699	12,604	5,526	5,761
Public sector entities	6,986	5,193	1,700	174
Multilateral development banks	0	0	0	0
Institutions	199,256	176,065	176,388	149,192
Corporates	425,415	504,131	369,487	440,199
Retail	636,307	640,485	545,642	531,356
Exposures secured by mortgages on immovable property	107,396	79,667	107,396	79,667
Exposures in default	308,126	344,264	239,936	249,614
Items associated with particular high risk	43,784	57,295	199,314	186,046
Collective investment undertakings	6,815	5,836	4,139	2,815
Equity	1,625	937	1,557	869
Other items	150,475	137,199	128,418	110,869
Risk weighted exposure amounts for market risks	30,647	29,697	27,810	26,791
Traded debt instruments	0	10	0	0
Equity instruments	30,605	29,663	27,768	26,767
Credit value adjustment risk	42	24	42	24
Risk weighted exposure amounts for operational risk	259,323	266,496	208,808	203,088
Total risk weighted exposure amount	2,190,142	2,266,024	2,020,395	1,992,596
Total capital adequacy ratio	25.33%	25.13%	27.20%	28.07%
Tier 1 capital ratio	25.33%	25.13%	27.20%	28.07%

6 Fair value of financial assets and financial liabilities

Where possible, the Nova KBM Group determines the fair value of financial instruments on the basis of their market prices. The Nova KBM Group starts to measure the value of financial assets according to a valuation model once it establishes that the market is not active.

Further details with respect to the policy of determining the fair value of financial assets and financial liabilities are presented in the Nova KBM Group's 2015 Annual Report.

Analysis of fair value hierarchy

Nova KBM Group	30.6.2016				31.12.2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	413	0	413	0	116	0	116	0
Financial assets held for trading	1,419	1,419	0	0	1,447	1,447	0	0
– equity financial instruments	1,419	1,419	0	0	1,447	1,447	0	0
Available-for-sale financial assets	1,551,800	1,303,230	244,782	3,788	1,675,907	1,430,315	239,584	6,008
– debt financial instruments	1,527,818	1,298,707	229,111	0	1,649,171	1,425,232	223,939	0
– equity financial instruments	23,982	4,523	15,671	3,788	26,736	5,083	15,645	6,008
Financial assets designated at fair value through profit or loss	13,884	13,884	0	0	13,421	13,421	0	0
– equity financial instruments	13,884	13,884	0	0	13,421	13,421	0	0
Financial liabilities								
Derivatives	736	0	736	0	270	0	270	0

Nova KBM d.d.	30.6.2016				31.12.2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	413	0	413	0	116	0	116	0
Available-for-sale financial assets	1,322,825	1,089,446	229,803	3,576	1,442,288	1,211,595	224,896	5,797
– debt financial instruments	1,303,013	1,087,480	215,533	0	1,420,193	1,209,543	210,650	0
– equity financial instruments	19,812	1,966	14,270	3,576	22,095	2,052	14,246	5,797
Financial assets designated at fair value through profit or loss	13,884	13,884	0	0	13,421	13,421	0	0
– equity financial instruments	13,884	13,884	0	0	13,421	13,421	0	0
Financial liabilities								
Derivatives	735	0	735	0	270	0	270	0

The following table presents for each type of financial instrument the triggers that lead to the transfer of a financial instrument between the fair value hierarchy levels:

Transfer	Financial instruments	Reason for transfer between levels
From Level 2 to Level 1	bonds	Re-availability of the market price of the financial instrument. The price of a bond is considered to be available if the published market price is the result of the actual turnover in the period of less than one month.
From Level 3 to Level 1	shares and funds	Re-availability of the market price of the financial instrument. The price of a share or an investment fund is considered to be available if the published market price is the result of the actual turnover in the period of less than one month.
From Level 1 to Level 2	bonds	Valuation of bonds that have been previously valued according to the market price. The reason for the valuation of a bond and for changing its level is either the withdrawal of a bond from the regulated market or its illiquidity (no transaction has been concluded in a one-month period).
From Level 1 to Level 3	shares and funds	Valuation of shares and investment funds that have been previously valued according to the market price. The reason for the valuation of a share or an investment fund and for changing its level is the withdrawal of a share or an investment fund from the regulated market.
From Level 2 to Level 3	derivatives	The underlying instrument to which the derivative refers has been reclassified from Level 1 to either Level 2 or Level 3. The market price of the underlying instrument is no longer available.
From Level 3 to Level 2	derivatives	The underlying instrument to which the derivative refers has been reclassified to Level 1. The market price of the underlying instrument is available.

Analysis of transfers between fair value hierarchy levels

In the six-month period ended 30 June 2016, there were no transfers between fair value hierarchy levels.

Movements in financial assets classified into Level 3

Available-for-sale financial assets	Nova KBM Group			Nova KBM d.d.		
	Total	Shares	Stocks	Total	Shares	Stocks
1 January 2015	3,167	2,553	614	3,026	2,540	486
Change due to debt-to-equity conversions	362	362	0	362	362	0
Change in the portfolio of Adria Abwicklungs GmbH in Liqu.	(4)	0	(4)	0	0	0
Change due to the revaluation of shares (PTNR)	(362)	(362)	0	(362)	(362)	0
Change due to the revaluation of the investment in Visa Europe	2,908	2,908	0	2,908	2,908	0
31 December 2015	6,008	5,318	690	5,797	5,310	487
Change due to the revaluation of the investment in Visa Europe	(2,221)	(2,221)	0	(2,221)	(2,221)	0
Rounding adjustments – reconciliation of balances with the statement of financial position	1	1	0	0	0	0
30 June 2016	3,788	3,098	690	3,576	3,089	487

In the six-month period ended 30 June 2016, there were no significant changes in financial assets classified in Level 3.

Fair value of financial instruments measured at amortised cost

Nova KBM Group	30.6.2016				
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	515,221	515,221	515,221	0	0
Loans and advances to banks	84,646	90,021	0	90,021	0
Loans and advances to customers	1,749,921	1,759,177	0	0	1,759,177
Other financial assets	52,500	52,500	0	0	52,500
Held-to-maturity financial assets	100,228	109,548	98,728	10,820	0
Financial liabilities					
Deposits from banks	7,586	7,586	0	7,586	0
Deposits from customers	3,130,600	3,134,022	0	3,134,022	0
Loans from banks	296,077	296,534	0	296,534	0
Debt securities	12,432	13,074	0	13,074	0
Subordinated liabilities	610	610	0	610	0
Other financial liabilities	67,202	67,202	0	0	67,202

Nova KBM Group					31.12.2015
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	322,889	322,889	322,889	0	0
Loans and advances to banks	61,229	67,165	0	67,165	0
Loans and advances to customers	1,808,373	1,817,154	0	0	1,817,154
Other financial assets	26,786	26,786	0	0	26,786
Held-to-maturity financial assets	129,548	137,745	127,470	10,275	0
Financial liabilities					
Deposits from banks	29,768	29,979	0	29,979	0
Deposits from customers	3,094,447	3,098,048	0	3,098,048	0
Loans from banks	316,242	316,684	0	316,684	0
Loans from customers	909	910	0	910	0
Debt securities	12,368	13,195	0	13,195	0
Subordinated liabilities	610	610	0	610	0
Other financial liabilities	39,943	39,943	0	0	39,943

Nova KBM d.d.					30.6.2016
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	392,882	392,882	392,882	0	0
Loans and advances to banks	89,866	95,241	0	95,241	0
Loans and advances to customers	1,520,930	1,530,541	0	0	1,530,541
Other financial assets	45,981	45,981	0	0	45,981
Held-to-maturity financial assets	28,547	34,974	30,019	4,955	0
Financial liabilities					
Deposits from banks	9,710	9,710	0	9,710	0
Deposits from customers	2,568,942	2,572,328	0	2,572,328	0
Loans from banks	286,060	286,517	0	286,517	0
Debt securities	14,428	15,070	0	15,070	0
Other financial liabilities	59,827	59,827	0	0	59,827

Nova KBM d.d.					31.12.2015
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	260,860	260,860	260,860	0	0
Loans and advances to banks	61,439	67,375	0	67,375	0
Loans and advances to customers	1,538,283	1,546,673	0	0	1,546,673
Other financial assets	23,800	23,800	0	0	23,800
Held-to-maturity financial assets	28,566	34,212	29,529	4,683	0
Financial liabilities					
Deposits from banks	32,833	33,044	0	33,044	0
Deposits from customers	2,513,618	2,517,084	0	2,517,084	0
Loans from banks	299,554	299,996	0	299,996	0
Loans from customers	909	910	0	910	0
Debt securities	14,418	15,245	0	15,245	0
Other financial liabilities	33,697	33,697	0	0	33,697

The Nova KBM Group determines fair values according to the following hierarchy: market value, valuation made using a market interest rate model, acquisition cost. The tables above present fair values of individual statement of financial position items. The fair value of held-to-maturity financial assets has been, where possible, determined on the basis of market prices of financial instruments. The fair value of items measured at amortised or acquisition cost is determined on the basis of a model that takes into account market interest rates. The fair value is calculated for items with a fixed interest rate and residual maturity of over one year. The fair value of each item is established on the basis of discounted cash flows, taking into consideration the market interest rates prevailing at the reporting date. The same amount of credit risk is taken into account to determine the fair value of an asset as to determine its amortised or book value. As for other items, Nova KBM considers there is no material difference between the book and fair values.

7 Reporting by operating segments

Analysis by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.6.2016 Relationships with third parties
A. Net income/(expenses)	76,894	(348)	2,329	253	(109)	79,019	438	78,581
Interest income	53,705	889	5	1	108	54,708	630	54,078
Interest expenses	(7,047)	(329)	0	(52)	0	(7,428)	(880)	(6,548)
Net interest income	46,658	560	5	(51)	108	47,280	(250)	47,530
Dividend income	558	0	0	0	0	558	1	557
Fee and commission income	33,079	8	2,791	0	0	35,878	229	35,649
Fee and commission expenses	(11,612)	(17)	(561)	(4)	(1)	(12,195)	(174)	(12,021)
Net fee and commission income	21,467	(9)	2,230	(4)	(1)	23,683	55	23,628
Realised gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	7,822	(1,057)	100	0	(360)	6,505	578	5,927
Net gains on financial assets and liabilities held for trading	666	0	7	0	0	673	(1)	674
Net gains on financial assets and liabilities designated at fair value through profit or loss	463	0	0	0	0	463	0	463
Net gains/(losses) from foreign exchange rate differences	(213)	109	0	0	(19)	(123)	1	(124)
Net gains on derecognition of assets	16	12	0	9	0	37	1	36
Other net operating income/(loss)	(543)	37	(13)	299	163	(57)	53	(110)
B. Other items by segments	(41,605)	1,089	(1,633)	(225)	(143)	(42,517)	4,774	(47,291)
Administration costs	(39,269)	(1,488)	(1,083)	(223)	(165)	(42,228)	(153)	(42,075)
Depreciation and amortisation	(4,897)	(180)	(550)	(2)	0	(5,629)	0	(5,629)
Provisions	5,505	667	0	0	0	6,172	95	6,077
Impairment losses	(3,470)	2,090	0	0	22	(1,358)	4,375	(5,733)
Share of profits of associates and joint ventures accounted for using the equity method	457	0	0	0	0	457	457	0
Total profit from non-current assets and disposal groups classified as held for sale	69	0	0	0	0	69	0	69
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	35,289	741	696	28	(252)	36,502	5,212	31,290
Income taxes on continuing operations	1,358	0	(120)	0	(1)	1,237	1	1,236
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	36,647	741	576	28	(253)	37,739	5,213	32,526
Total (loss) after tax from discontinued operations	(3,195)	0	0	0	0	(3,195)	0	(3,195)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	33,452	741	576	28	(253)	34,544	5,213	29,331
D. Segment assets and liabilities								
Total assets	4,284,397	45,644	12,948	5,873	26,538	4,375,400	151,008	4,224,392
– non-current assets held for sale and discontinued operations	1,160	0	0	0	0	1,160	0	1,160
– investments in the equity of subsidiaries, associates and joint ventures accounted for using the equity method	99,280	0	0	0	0	99,280	99,280	0
Liabilities (excluding equity) by segments	3,607,140	21,477	620	1,482	25,989	3,656,708	76,638	3,580,070
Total equity	677,257	24,167	12,328	4,391	549	718,692	74,370	644,322
Increase in property, plant and equipment and intangible assets	1,636	0	31	0	0	1,667	0	1,667

The column 'Inter-segment relationships' includes the following items: intra-group income and expenses, additional impairments/reversal of impairments as a result of changing over to a harmonized customer classification across the Nova KBM Group, impairment of loans given to subsidiaries, claims and liabilities between the Nova KBM Group companies, investments in subsidiaries and the proportional share of equity of subsidiaries, and other consolidation entries.

Analysis by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.6.2015 Relationships with third parties
A. Net income/(expenses)	80,852	1,166	2,658	214	392	85,282	776	84,506
Interest income	64,261	1,106	4	0	245	65,616	1,318	64,298
Interest expenses	(14,785)	(433)	0	(166)	(55)	(15,439)	(1,108)	(14,331)
Net interest income	49,476	673	4	(166)	190	50,177	210	49,967
Dividend income	1,248	0	0	0	0	1,248	476	772
Fee and commission income	37,703	32	3,278	0	200	41,213	405	40,808
Fee and commission expenses	(12,743)	(29)	(773)	(3)	(12)	(13,560)	(352)	(13,208)
Net fee and commission income	24,960	3	2,505	(3)	188	27,653	53	27,600
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	6,982	4	100	0	10	7,096	1	7,095
Net gains/(losses) on financial assets and liabilities held for trading	(7,193)	0	55	0	3	(7,135)	1	(7,136)
Net (losses) on financial assets and liabilities designated at fair value through profit or loss	(2,059)	0	0	0	0	(2,059)	0	(2,059)
Net gains/(losses) from foreign exchange rate differences	9,076	37	(1)	0	1	9,113	(1)	9,114
Net gains on derecognition of assets	11	36	0	6	0	53	0	53
Other net operating income/(loss)	(1,649)	413	(5)	377	0	(864)	36	(900)
B. Other items by segments	(54,183)	(10,222)	(1,635)	(210)	(2,351)	(68,601)	(305)	(68,296)
Administration costs	(36,555)	(1,060)	(1,114)	(207)	(1,664)	(40,600)	(117)	(40,483)
Depreciation and amortisation	(5,734)	(173)	(521)	(3)	(97)	(6,528)	0	(6,528)
Provisions	4,969	194	0	0	(588)	4,575	(204)	4,779
Impairment losses	(16,923)	(9,183)	0	0	(2)	(26,108)	87	(26,195)
Share of profits of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(71)	71
Total profit from non-current assets and disposal groups classified as held for sale	60	0	0	0	0	60	0	60
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	26,669	(9,056)	1,023	4	(1,959)	16,681	471	16,210
Income taxes on continuing operations	(3,458)	0	(161)	0	(439)	(4,058)	0	(4,058)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	23,211	(9,056)	862	4	(2,398)	12,623	471	12,152
Total profit after tax from discontinued operations	124	0	0	0	0	124	0	124
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	23,335	(9,056)	862	4	(2,398)	12,747	471	12,276
D. Segment assets and liabilities								
Total assets	4,281,344	52,705	13,726	10,698	15,700	4,374,173	143,275	4,230,898
– non-current assets held for sale and discontinued operations	53,758	0	0	0	0	53,758	(100)	53,858
– investments in the equity of subsidiaries, associates and joint ventures accounted for using the equity method	96,764	0	0	0	0	96,764	93,545	3,219
Liabilities (excluding equity) by segments	3,645,561	24,940	830	6,361	5,706	3,683,398	67,965	3,615,433
Total equity	635,783	27,765	12,896	4,337	9,994	690,775	75,310	615,465
Increase in property, plant and equipment and intangible assets	1,274	0	245	0	0	1,519	0	1,519

The column 'Inter-segment relationships' includes the following items: intra-group income and expenses, income from dividends from subsidiaries, additional impairments/reversal of impairments as a result of changing over to a harmonized customer classification across the Nova KBM Group, impairment of loans given to subsidiaries, the effects of valuation of the associated company using the equity method, claims and liabilities between the Nova KBM Group companies, investments in subsidiaries and the proportional share of equity of subsidiaries, and other consolidation entries.

Notes to the income statement items

8 Interest income and interest expenses

8.1 Analysis of interest by market segments

	Nova KBM Group						Nova KBM d.d.	
	1.1.– 30.6.2016		1.1.– 30.6.2015		1.1.– 30.6.2016		1.1.– 30.6.2015	
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Non-financial companies	16,017	211	19,782	554	13,466	189	15,096	506
State	14,471	157	19,844	557	11,574	59	16,609	327
Banks	1,285	1,942	1,022	3,343	1,611	1,863	1,177	3,213
Other financial organizations	810	566	863	1,705	696	567	987	1,680
Households	20,129	3,577	20,720	7,935	17,229	3,159	17,509	6,861
Foreign persons	1,324	74	2,027	189	939	74	1,814	189
Non-profit institutions serving households	42	21	40	48	39	16	32	41
Total	54,078	6,548	64,298	14,331	45,554	5,927	53,224	12,817
Net interest income	47,530		49,967		39,627		40,407	

8.2 Analysis of interest by type of assets and liabilities

	Nova KBM Group						Nova KBM d.d.	
	1.1.– 30.6.2016		1.1.– 30.6.2015		1.1.– 30.6.2016		1.1.– 30.6.2015	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Interest income								
Financial assets held for trading	8	0	103	0	8	0	103	0
Available-for-sale financial assets	12,343	2,705	16,036	3,417	12,136	194	16,018	714
Loans and deposits (including finance leases and other financial assets)	7,328	30,541	10,838	32,003	5,545	27,040	8,292	27,100
Held-to-maturity financial assets	4	1,142	63	1,833	0	624	0	995
Other assets	7	0	5	0	7	0	2	0
Total by maturity	19,690	34,388	27,045	37,253	17,696	27,858	24,415	28,809
Total	54,078		64,298		45,554		53,224	
Interest expenses								
Financial liabilities held for trading	0	7	0	100	0	7	0	100
Financial liabilities measured at amortised cost	344	5,686	1,571	12,660	261	5,255	1,235	11,482
Other liabilities	511	0	0	0	404	0	0	0
Total by maturity	855	5,693	1,571	12,760	665	5,262	1,235	11,582
Total	6,548		14,331		5,927		12,817	
Net interest income	47,530		49,967		39,627		40,407	

9 Dividend income

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Financial assets held for trading	0	10	0	10
Financial assets designated at fair value through profit or loss	542	503	542	503
Available-for-sale financial assets	15	259	12	735
Total	557	772	554	1,248

10 Fee and commission income and fee and commission expenses

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Fee and commission income	35,649	40,808	19,010	21,983
Guarantees	1,324	1,661	1,123	1,416
Payment transactions	20,118	21,879	9,206	9,688
Brokerage and agency services	313	327	280	301
Transactions in securities for customers	272	244	272	244
Lending operations	1,661	2,528	1,198	1,830
Other services	11,961	14,169	6,931	8,504
Fee and commission expenses	12,021	13,208	1,801	1,770
Banking services	3,271	3,404	1,376	1,533
Brokerage and agency services	416	501	28	28
Stock exchange transactions and other transactions in securities	143	104	136	100
Payment transactions	7,728	8,676	91	96
Other services	463	523	170	13
Net fee and commission income	23,628	27,600	17,209	20,213

11 Net realised gains on financial assets and liabilities not measured at fair value through profit or loss

Nova KBM Group	1.1.– 30.6.2016			1.1.– 30.6.2015		
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains
Available-for-sale financial assets	4,437	164	4,273	4,161	0	4,161
Loans and advances (including finance leases)	3,118	1,680	1,438	3,015	104	2,911
Financial liabilities measured at amortised cost	2	0	2	2	0	2
Other financial assets and liabilities	280	66	214	106	85	21
Total	7,837	1,910	5,927	7,284	189	7,095

Nova KBM d.d.	Realised gains	Realised losses	1.1.– 30.6.2016 Net realised gains	Realised gains	Realised losses	1.1.– 30.6.2015 Net realised gains
Available-for-sale financial assets	4,916	131	4,785	4,051	0	4,051
Loans and advances (including finance leases)	3,101	16	3,085	2,970	83	2,887
Other financial assets and liabilities	279	60	219	0	0	0
Total	8,296	207	8,089	7,021	83	6,938

12 Net gains and losses on financial assets and liabilities held for trading

Nova KBM Group	Gains	Losses	1.1.– 30.6.2016 Net gains/ (losses)	Gains	Losses	1.1.– 30.6.2015 Net gains/ (losses)
Trading in equity instruments	23	16	7	238	278	(40)
Trading in debt securities	19	0	19	31	0	31
Trading in foreign exchange (purchase/sale)	868	414	454	1,283	644	639
Trading in derivatives	1,371	1,177	194	1,449	9,167	(7,718)
– futures/forwards	950	694	256	933	9,065	(8,132)
– swaps	209	178	31	104	102	2
– other derivatives	212	305	(93)	412	0	412
Trading in financial liabilities	0	0	0	0	48	(48)
Total	2,281	1,607	674	3,001	10,137	(7,136)

Nova KBM d.d.	Gains	Losses	1.1.– 30.6.2016 Net gains/ (losses)	Gains	Losses	1.1.– 30.6.2015 Net gains/ (losses)
Trading in equity instruments	0	0	0	44	30	14
Trading in debt securities	19	0	19	31	0	31
Trading in foreign exchange (purchase/sale)	770	401	369	1,146	625	521
Trading in derivatives	1,371	1,177	194	1,445	9,167	(7,722)
– futures/forwards	950	694	256	933	9,065	(8,132)
– swaps	209	178	31	100	102	(2)
– other derivatives	212	305	(93)	412	0	412
Trading in financial liabilities	0	0	0	0	48	(48)
Total	2,160	1,578	582	2,666	9,870	(7,204)

The Nova KBM Group uses derivatives (futures/forwards) to economically hedge its exposure to foreign exchange risk. The effects of derivatives are linked to the effects arising from foreign exchange rate differences (Note 14).

13 Net gains and losses on financial assets and liabilities designated at fair value through profit or loss

Nova KBM Group and Nova KBM d.d.	1.1.– 30.6.2016			1.1.– 30.6.2015		
	Gains	Losses	Net gains	Gains	Losses	Net (losses)
Financial assets designated at fair value through profit or loss	590	127	463	0	2,059	(2,059)
Total	590	127	463	0	2,059	(2,059)

Gains and losses on financial assets designated at fair value through profit or loss are attributable to the valuation and sale of shares and bonds for which joint-selling agreements have been made by the Nova KBM Group.

14 Net gains and losses from foreign exchange rate differences

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Foreign exchange gains	8,131	20,825	7,325	20,323
Foreign exchange losses	8,255	11,711	7,562	11,250
Net foreign exchange gains/(losses)	(124)	9,114	(237)	9,073

15 Administration costs

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Staff costs	21,938	22,869	17,106	16,297
Gross salaries	16,341	17,664	12,759	12,750
Social security and pension insurance contribution	2,636	2,940	2,066	2,048
Pay for annual leave	1,113	564	937	443
Other staff costs	1,848	1,701	1,344	1,056
General and administrative costs	20,137	17,614	15,390	13,123
Costs of materials	1,091	1,335	882	951
Costs of services	13,800	10,997	10,756	8,662
Maintenance costs of fixed assets	2,991	2,938	1,974	1,927
Advertising costs	1,339	1,302	1,140	1,021
Other administrative costs	916	1,042	638	562
Total administration costs	42,075	40,483	32,496	29,420

16 Provisions

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Provisions for off-balance sheet liabilities	(4,473)	(6,858)	(4,342)	(5,813)
Provisions for tax claims and other pending legal issues	(838)	1,641	(825)	1,848
Other provisions	(766)	438	0	(115)
Total	(6,077)	(4,779)	(5,167)	(4,080)

17 Impairment losses

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Financial assets not measured at fair value through profit or loss	6,882	25,566	333	11,415
Other assets	(1,149)	629	120	110
Total	5,733	26,195	453	11,525

17.1 Impairment of financial assets not measured at fair value through profit or loss

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Financial assets measured at amortised cost	6,882	25,566	333	11,415
– demand deposits at banks	(8)	0	(8)	(40)
– loans and advances to banks	7	1	7	1
– loans and advances to customers	6,077	24,755	(228)	11,221
– other financial assets	806	810	562	233
Total	6,882	25,566	333	11,415

18 Income taxes on continuing operations

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2016	1.1.– 30.6.2015	1.1.– 30.6.2016	1.1.– 30.6.2015
Income tax on continuing operations	461	(645)	589	(482)
Deferred tax relating to continuing operations	775	(3,413)	776	(2,976)
Total	1,236	(4,058)	1,365	(3,458)

Notes to the statement of financial position items

19 Cash, cash balances at central banks and demand deposits at banks

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Cash in hand	77,758	68,702	50,314	46,950
Balances with central banks	402,454	215,746	312,019	178,219
Demand deposits placed with banks	35,009	38,441	30,549	35,691
Total	515,221	322,889	392,882	260,860

Obligatory deposit funds are available to finance day-to-day operations and are therefore considered as cash equivalent.

19.1 Cash and cash equivalents

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Cash, cash balances at central banks and demand deposits at banks	515,221	322,889	392,882	260,860
Loans and advances to banks	54,645	46,706	49,516	41,522
Cash and cash equivalents of discontinued operations	0	29,241	0	0
Total	569,866	398,836	442,398	302,382

20 Financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Derivatives	414	116	414	116
Equity instruments	1,418	1,447	(1)	0
Total	1,832	1,563	413	116
Unquoted	1,832	1,563	413	116
Total	1,832	1,563	413	116

No assets held in the Nova KBM Group's portfolio of financial assets held for trading have been pledged as collateral.

None of the instruments included in the portfolio of financial assets held for trading have the characteristics to qualify as subordinated debt.

20.1 Movements in financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	1,563	1,841	116	187
Increase during the year	32,611	63,804	32,490	62,966
– acquisition	32,230	63,387	32,173	62,826
– change in fair value (recovery and reversal of impairment)	362	216	298	0
– other (deferred interest, realised gains)	19	201	19	140
Decrease during the year	32,342	64,082	32,193	63,037
– disposal (sale and redemption)	32,284	63,605	32,193	62,879
– change in fair value (impairment and reversal of recovery)	52	390	0	71
– foreign exchange rate differences	0	2	0	2
– other (deferred interest, realised losses)	6	85	0	85
30 June 2016/31 December 2015	1,832	1,563	413	116

21 Financial assets designated at fair value through profit or loss

Nova KBM Group and Nova KBM d.d.		
	30.6.2016	31.12.2015
Quoted equity instruments	13,884	13,421
Total	13,884	13,421

As of 30 June 2016, the Nova KBM Group had no assets of this portfolio pledged as collateral, and during the six-month period ended 30 June 2016, it did not receive any financial assets of this portfolio from the realisation of collateral provided as security for loans.

The portfolio of financial assets designated at fair value through profit or loss includes equity instruments for which joint-selling agreements have been made by the Nova KBM Group.

None of the instruments included in the portfolio of financial assets designated at fair value through profit or loss have the characteristics to qualify as subordinated debt.

21.1 Movements in financial assets designated at fair value through profit or loss

Nova KBM Group and Nova KBM d.d.		
	2016	2015
1 January	13,421	17,857
Increase during the year	463	0
– change in fair value (recovery and reversal of impairment)	463	0
Decrease during the year	0	4,436
– change in fair value (impairment and reversal of recovery)	0	4,436
30 June 2016/31 December 2015	13,884	13,421

22 Available-for-sale financial assets

22.1 Analysis by type

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Equity instruments	23,982	26,736	19,812	22,095
Debt securities issued by the state and the central banks	1,154,611	1,320,329	955,489	1,106,992
Debt securities issued by banks	305,852	282,552	287,447	274,009
Other debt securities	67,355	46,290	60,077	39,192
Total	1,551,800	1,675,907	1,322,825	1,442,288

As of 30 June 2016, the Nova KBM Group had assets of this portfolio worth €508,965,000 pledged with the Bank of Slovenia for the pool of collateral, the guarantee scheme, the guaranteed claims of depositors and the Bank Resolution Fund.

During the six-month period ended 30 June 2016, the Nova KBM Group did not receive any financial assets of this portfolio from the realisation of collateral provided as security for loans.

None of the instruments included in the portfolio of available-for-sale financial assets have the characteristics to qualify as subordinated debt.

22.2 Movements in available-for-sale financial assets

Nova KBM Group	Equity instruments	Debt securities	Total
1 January 2016	26,736	1,649,171	1,675,907
Recognition of additional financial assets	2	157,960	157,962
Interest	0	(7,596)	(7,596)
Net revaluation through equity	(3,046)	10,152	7,106
Net write-offs	(2)	0	(2)
Derecognition of financial assets upon disposal	(4,567)	(40,492)	(45,059)
Derecognition of financial assets upon maturity	0	(240,792)	(240,792)
Net gains/(losses) on sale	4,859	(585)	4,274
30 June 2016	23,982	1,527,818	1,551,800

Nova KBM Group	Equity instruments	Debt securities	Total
1 January 2015	19,014	1,463,106	1,482,120
Recognition of additional financial assets	17,290	684,011	701,301
Interest	0	(269)	(269)
Net revaluation through equity	(3,820)	(8,851)	(12,671)
Net impairments through profit or loss	(1,639)	0	(1,639)
Derecognition of financial assets upon disposal	(10,050)	(54,541)	(64,591)
Derecognition of financial assets upon maturity	0	(436,788)	(436,788)
Net gains on sale	5,941	2,503	8,444
31 December 2015	26,736	1,649,171	1,675,907

Nova KBM d.d.	Equity instruments	Debt securities	Total
1 January 2016	22,095	1,420,193	1,442,288
Recognition of additional financial assets	0	129,145	129,145
Interest	0	(5,411)	(5,411)
Net revaluation through equity	(2,971)	10,267	7,296
Derecognition of financial assets upon disposal	(4,070)	(37,511)	(41,581)
Derecognition of financial assets upon maturity	0	(213,697)	(213,697)
Net gains/(losses) on sale	4,758	27	4,785
30 June 2016	19,812	1,303,013	1,322,825

Nova KBM d.d.	Equity instruments	Debt securities	Total
1 January 2015	13,778	1,261,435	1,275,213
Recognition of additional financial assets	15,891	643,209	659,100
Interest	0	(76)	(76)
Net revaluation through equity	(2,823)	(7,417)	(10,240)
Net impairments through profit or loss	(1,639)	0	(1,639)
Derecognition of financial assets upon disposal	(8,189)	(50,632)	(58,821)
Derecognition of financial assets upon maturity	0	(428,387)	(428,387)
Net gains on sale	5,077	2,061	7,138
31 December 2015	22,095	1,420,193	1,442,288

23 Loans and advances to banks

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Current loans	80,705	56,211	79,518	51,539
Impairment of current loans	(1,103)	0	0	0
Non-current loans	5,044	5,018	10,348	15,070
Impairment of non-current loans	0	0	0	(5,170)
Total – net amount	84,646	61,229	89,866	61,439
Impairment	1,103	0	0	5,170
Total – gross amount	85,749	61,229	89,866	66,609

24 Loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Current loans	367,785	397,479	240,260	251,756
Impairment of current loans	(132,991)	(130,743)	(52,283)	(52,767)
Non-current loans	1,980,850	2,015,270	1,695,320	1,697,966
Impairment of non-current loans	(470,308)	(477,644)	(366,825)	(362,363)
Claims under guarantees	17,562	16,273	16,438	14,941
Impairment of claims under guarantees	(12,977)	(12,262)	(11,980)	(11,250)
Total – net amount	1,749,921	1,808,373	1,520,930	1,538,283
Impairment	616,276	620,649	431,088	426,380
Total – gross amount	2,366,197	2,429,022	1,952,018	1,964,663

24.1 Movements in impairments of loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	620,649	618,827	426,380	411,999
Additional impairment/reversal of impairment of principals	6,077	41,551	(228)	19,628
Additional impairment/reversal of impairment of interest	(2,557)	11,849	(3,238)	9,365
Additional impairment/reversal of impairment of fees	4	34	(10)	34
Write-off of loans and advances to customers	(24,311)	(43,919)	(15,735)	(24,169)
Foreign exchange rate differences	242	16	0	0
Assets received from subsidiaries	0	0	23,916	12,066
Other impairments	16,172	(7,709)	3	(2,543)
30 June 2016/31 December 2015	616,276	620,649	431,088	426,380

Recognition of additional impairment/reversal of impairment of interest and fees on loans given to customers is reflected in Note 8 (Interest income and interest expenses) and Note 10 (Fee and commission income and fee and commission expenses) to the income statement.

25 Other financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Cheques	21	30	16	27
Claims for fees and commissions	1,566	1,821	951	1,184
Accounts receivables	2,866	2,618	36	92
Other financial assets	48,047	22,317	44,978	22,497
Total – net amount	52,500	26,786	45,981	23,800
Impairment	12,278	11,674	2,518	2,170
Total – gross amount	64,778	38,460	48,499	25,970

Other financial assets of the Nova KBM Group at the end of both June 2016 and the year 2015 were mostly made up of the claims accounted for in respect of transactions with households (transactions under credit and charge cards).

The balance of Nova KBM's other financial assets at the end of both June 2016 and the year 2015 included a claim of €4,815,000 against Adria Abwicklungs with respect to the repayment of its share capital.

25.1 Movements in other financial assets

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	11,674	4,552	2,170	1,537
Additional impairment of principals	806	2,746	562	597
Additional impairment of interest	10	18	8	19
Additional impairment/reversal of impairment of fees	(5)	(27)	4	(27)
Write-off of other financial assets	(239)	(936)	(231)	(289)
Foreign exchange rate differences	27	1	0	2
Other	5	5,320	5	331
30 June 2016/31 December 2015	12,278	11,674	2,518	2,170

Recognition of additional impairment/reversal of impairment of interest and fees on other financial assets is reflected in Note 8 (Interest income and interest expenses) and Note 10 (Fee and commission income and fee and commission expenses) to the income statement.

26 Held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Debt securities	100,228	129,548	28,547	28,566
– current securities issued by the state and the central banks	9,999	17,495	0	0
– non-current securities issued by the state and the central banks	81,427	98,338	24,586	24,699
– non-current securities issued by banks and savings banks	0	5,114	0	0
– non-current securities issued by other issuers	8,802	8,601	3,961	3,867
Total	100,228	129,548	28,547	28,566
Quoted	100,228	129,548	28,547	28,566
Total	100,228	129,548	28,547	28,566

As of 30 June 2016, the Nova KBM Group had assets of this portfolio worth €54,651,000 pledged with the Bank of Slovenia for the pool of collateral and the guarantee scheme.

26.1 Movements in held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	129,548	206,540	28,566	89,950
Increase during the year	1,145	38,291	625	1,695
– acquisition	0	34,982	0	0
– other (deferred interest)	1,145	3,309	625	1,695
Decrease during the year	30,465	115,283	644	63,079
– disposal (sale and redemption)	27,325	109,204	0	60,000
– other (interest received)	3,140	6,079	644	3,079
30 June 2016/31 December 2015	100,228	129,548	28,547	28,566

27 Financial liabilities measured at amortised cost

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Deposits	3,138,186	3,124,215	2,578,652	2,546,451
Loans	296,077	317,151	286,060	300,463
Debt securities	12,432	12,368	14,428	14,418
Subordinated liabilities	610	610	0	0
Other financial liabilities	67,202	39,943	59,827	33,697
Total	3,514,507	3,494,287	2,938,967	2,895,029

28 Deposits by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Deposits from banks	7,586	29,768	9,710	32,833
– demand deposits	7,253	29,435	9,374	32,497
– current deposits	333	333	336	336
Deposits from customers	3,130,600	3,094,447	2,568,942	2,513,618
– demand deposits	1,941,123	1,807,122	1,530,377	1,408,068
– current deposits	354,419	425,582	283,293	335,784
– non-current deposits	835,058	861,743	755,272	769,766
Total	3,138,186	3,124,215	2,578,652	2,546,451

29 Loans by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Loans from banks	296,077	316,242	286,060	299,554
– non-current loans	296,077	316,242	286,060	299,554
Loans from customers	0	909	0	909
– non-current loans	0	909	0	909
Total	296,077	317,151	286,060	300,463

30 Subordinated liabilities

Nova KBM Group					
	Currency	Date of maturity	Interest rate	30.6.2016	31.12.2015
Subordinated debt					
Adria Abwicklungs GmbH in Ligu.	EUR	perpetual; call option on each 28.12.	variable	610	610
Total				610	610

Subordinated liabilities are included in the calculation of the Nova KBM Group's capital adequacy. Capital risk is presented in Note 5.2.

31 Other financial liabilities

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Liabilities for fees and commissions	8	8	2	7
Liabilities for gross salaries of employees	2,984	3,132	2,303	2,407
Liabilities to suppliers	1,582	4,712	1,251	4,047
Liabilities related to payment card transactions	16,595	12,978	16,446	12,943
Liabilities related to ATM transactions	2,130	1,642	1,945	1,485
Liabilities related to funds provided by customers for making payments abroad	2,683	378	2,669	378
Liabilities related to cash transactions	7,845	2,198	4,118	969
Liabilities in respect of participation in profits – dividends, shares in profits	16,710	0	16,710	0
Accruals and deferred income	6,061	7,403	3,147	4,073
Surplus arising from authorized transactions for customers	129	56	129	56
Other financial liabilities	10,475	7,436	11,107	7,332
Total	67,202	39,943	59,827	33,697

The largest proportion of the amount shown under the item 'Other financial liabilities' is attributable to the balances held in transitional accounts.

On 14 July 2016, the Nova KBM Shareholders' Meeting adopted a resolution to earmark €16,567,000 of the 2015 distributable profit of €16,709,000 as a dividend payment to its owner, with the remaining balance of the distributable profit, totalling €143,000, being carried forward as retained earnings. This resolution replaced the resolution on the appropriation of the 2015 distributable profit, which the Shareholders' Meeting adopted on 30 June 2016.

32 Provisions

Nova KBM Group	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2016	2,456	20,672	6,160	33,387	4,201	66,876
Net creation of provisions through profit or loss	0	(838)	(113)	(4,473)	(653)	(6,077)
– provisions made during the year	0	1,661	0	7,327	0	8,988
– provisions reversed during the year	0	(2,499)	(113)	(11,800)	(653)	(15,065)
Provisions used during the year	(36)	(130)	(40)	0	(285)	(491)
Other	0	258	0	0	(258)	0
30 June 2016	2,420	19,962	6,008	28,914	3,005	60,309

Nova KBM Group	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2015	2,028	18,753	7,334	52,272	2,624	83,011
Net creation of provisions through profit or loss	1,995	4,879	625	(18,885)	1,744	(9,642)
– provisions made during the year	1,995	11,555	1,187	24,115	1,790	40,642
– provisions reversed during the year	0	(6,676)	(562)	(43,000)	(46)	(50,284)
Net reversal of provisions through equity	0	0	(511)	0	0	(511)
Provisions used during the year	(1,567)	(2,960)	(1,290)	0	(167)	(5,984)
Foreign exchange rate differences	0	0	1	0	0	1
Other	0	0	1	0	0	1
31 December 2015	2,456	20,672	6,160	33,387	4,201	66,876

Nova KBM d.d.	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2016	2,456	19,054	4,318	32,949	308	59,085
Net creation of provisions through profit or loss	0	(825)	0	(4,342)	0	(5,167)
– provisions made during the year	0	1,660	0	6,905	0	8,565
– provisions reversed during the year	0	(2,485)	0	(11,247)	0	(13,732)
Provisions used during the year	(36)	(130)	(38)	0	(285)	(489)
30 June 2016	2,420	18,099	4,280	28,607	23	53,429

Nova KBM d.d.	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2015	2,028	17,508	4,651	50,225	193	74,605
Net creation of provisions through profit or loss	1,995	3,937	249	(17,276)	282	(10,813)
– provisions made during the year	1,995	10,255	364	22,190	285	35,089
– provisions reversed during the year	0	(6,318)	(115)	(39,466)	(3)	(45,902)
Net reversal of provisions through equity	0	0	(440)	0	0	(440)
Provisions used during the year	(1,567)	(2,391)	(142)	0	(167)	(4,267)
31 December 2015	2,456	19,054	4,318	32,949	308	59,085

33 Share capital

Nova KBM Group and Nova KBM d.d.		30.6.2016	31.12.2015
Ordinary shares		150,000	150,000
– subscribed by the state		0	150,000
– subscribed by foreign entities		150,000	0

In the six-month period ended 30 June 2016 and during 2015, the Nova KBM Group did not purchase or sell treasury shares, and no treasury shares were held by Nova KBM at the end of June 2016, nor were shares of Nova KBM held by any of the Nova KBM Group companies.

34 Accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Accumulated other comprehensive income in respect of available-for-sale financial assets	38,858	32,863	31,848	25,792
– revaluation	46,698	39,590	38,371	31,075
– deferred taxes	(7,840)	(6,727)	(6,523)	(5,283)
Accumulated other comprehensive income/(loss) in respect of actuarial gains or losses on defined benefit pension plans	(35)	(48)	7	7
– revaluation	(39)	(52)	7	7
– deferred taxes	4	4	0	0
Total	38,823	32,815	31,855	25,799

34.1 Movements in accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	32,815	42,841	25,799	33,859
Net change arising from the valuation of available-for-sale financial assets	7,108	(12,634)	7,296	(10,240)
– recognised gains/(losses)	10,332	(12,779)	10,333	(10,240)
– transfer of gains/(losses) to profit or loss	(3,224)	145	(3,037)	0
Net change in accumulated other comprehensive income in respect of actuarial gains or losses on defined benefit pension plans	13	499	0	440
Net change in deferred taxes	(1,113)	2,109	(1,240)	1,740
30 June 2016/31 December 2015	38,823	32,815	31,855	25,799

35 Reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Regulatory reserves	3,833	3,939	3,518	3,518
Statutory reserves	33,420	33,420	33,420	33,420
Other reserves from profit	16,710	16,710	16,710	16,710
Total	53,963	54,069	53,648	53,648

35.1 Movements in reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	54,069	27,895	53,648	27,389
Increase/(decrease) in regulatory reserves	(106)	1,637	0	1,722
Increase in statutory reserves	0	16,358	0	16,358
Increase in other reserves	0	8,179	0	8,179
30 June 2016/31 December 2015	53,963	54,069	53,648	53,648

In accordance with the provisions of the Companies Act (ZGD-1) and Nova KBM's Articles of Association, the Nova KBM Management Board has, with the consent of the Supervisory Board, appropriated the 2015 net profit to reserves as follows:

- for regulatory reserves: €1,722,000
- for statutory reserves: €16,358,000
- for other reserves from profit: €8,179,000.

Other notes

36 Commitments and contingent liabilities by type

	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Guarantees	236,162	257,387	215,549	229,312
– financial guarantees	83,142	75,150	79,511	69,294
– service guarantees	153,020	182,237	136,038	160,018
Unsecured letters of credit	0	0	158	168
Approved and undrawn loans	150,235	145,430	148,090	142,021
Approved and undrawn overdrafts	215,782	190,447	192,693	163,914
Approved credit lines	1,307	7,386	0	0
Total	603,486	600,650	556,490	535,415

37 Related party transactions

37.1 Statement of financial position and off-balance sheet items

	Subsidiaries	
	Nova KBM d.d.	
	30.6.2016	31.12.2015
Assets		
Deposits and loans given (gross amount)	36,020	44,782
– deposits and loans to banks	10,348	15,090
– loans to customers	20,511	24,811
– other financial assets	5,161	4,881
Investments in securities	99,280	81,400
– equity instruments	99,280	81,400
Liabilities		
Deposits and loans received	22,078	15,314
– deposits and loans from banks	2,124	3,066
– deposits and loans from customers	19,008	12,079
– other financial liabilities	946	169
Securities issued	1,997	2,049
– debt securities	1,997	2,049
Other liabilities	1	9
Off-balance sheet items	2,310	2,175

	Key management personnel						Other related persons	
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Assets								
Deposits and loans given (gross amount)	20,138	257	20,117	257	440	562	70	269
– loans to banks	20,000	0	20,000	0	0	0	0	0
– loans to customers	138	257	117	257	440	562	70	269
Investments in securities	0	1,527	0	1,527	34	417	0	383
– equity instruments	0	1,527	0	1,527	34	417	0	383
Other claims	0	0	0	0	1	0	0	0
Liabilities								
Deposits and loans received	293	441	250	396	810	1,432	130	803
– deposits and loans from customers	288	441	245	396	810	1,350	130	721
– other financial liabilities	5	0	5	0	0	82	0	82
Other liabilities	2	0	2	6	0	0	0	0
Off-balance sheet items	46	57	45	57	73	184	7	117

Key management personnel of the Nova KBM Group include members of the Management Board, executive directors and members of the Supervisory Board of Nova KBM.

Other related persons of the Nova KBM Group include:

- immediate families of the key management personnel
- entities, the owners or key management personnel of which are members of key management personnel of the Nova KBM Group or their immediate families
- key management personnel of subsidiaries (management boards and executive directors)
- immediate families of the key management personnel of subsidiaries
- entities, the owners or key management personnel of which are members of key management personnel of subsidiaries or their immediate families.

Transactions with related persons are conducted on an arm's length basis.

37.2 Income statement

	Associates		Associates		Subsidiaries	
	Nova KBM Group		Nova KBM d.d.		Nova KBM d.d.	
	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–30.6.2016	1.1.–30.6.2015
Net interest income	0	(22)	0	(22)	310	634
Net fee and commission income	0	1	0	1	116	128
Other operating income	0	8	0	0	6	4
Costs of services	0	(5)	0	0	(6)	(8)
Loan impairments	0	0	0	0	493	648
Provisions	0	0	0	0	(18)	(171)
Total profit/(loss)	0	(18)	0	(21)	901	1,235

	Key management personnel						Other related persons	
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	1.1.–	1.1.–	1.1.–	1.1.–	1.1.–	1.1.–	1.1.–	1.1.–
	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Net interest income	1	1	0	2	1	947	0	5
Net fee and commission income	1	0	1	0	4	(140)	1	1
Costs of services	(99)	(77)	(80)	(73)	(457)	(1,586)	(394)	(1,512)
Impairments	0	0	0	0	0	240	0	0
Provisions	0	0	0	0	2	631	2	0
Total profit/(loss)	(97)	(76)	(79)	(71)	(450)	92	(391)	(1,506)

37.3 Loans and guarantees given

Nova KBM Group	Management Board members		Supervisory Board members		Other Nova KBM Group employees on individual contracts	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
	Loans	0	0	0	23	2,248
Average interest rate on loans (%)	7.95	3.23	0	3.42	2.97	3.06
Repayments	0	3	0	6	197	487

Nova KBM d.d.	Management Board members		Supervisory Board members		Other Nova KBM employees on individual contracts	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
	Loans	0	0	22	23	1,179
Average interest rate on loans (%)	7.95	3.23	2.93	3.42	2.83	2.89
Repayments	0	3	1	6	51	203

38 Exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions

Exposure to:	Nova KBM Group		Nova KBM d.d.	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Bank of Slovenia	418,124	231,391	326,289	192,464
Republic of Slovenia	634,245	884,548	469,467	664,357
State-owned institutions	306,634	310,381	371,268	369,875
Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions	1,359,003	1,426,320	1,167,024	1,226,696
Total exposure as a proportion of the balance sheet total (%)	32.17	33.59	32.17	34.43
Balance sheet total	4,224,392	4,246,167	3,627,618	3,563,355

39 Remuneration

	Nova KBM Group		Nova KBM d.d.	
	1.1.–30.6.2016	1.1.–30.6.2015	1.1.–30.6.2016	1.1.–30.6.2015
Management Board	151	147	151	147
Robert Senica	79	65	79	65
Sabina Župec Kranjc	72	61	72	61
Aleš Hauc	0	21	0	21
Supervisory Board members	50	50	50	50
Members of Supervisory Board committees	20	30	20	30
Other Nova KBM Group employees on individual contracts	2,398	3,424	1,540	1,412
Total	2,619	3,651	1,761	1,639

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

Remuneration paid to members of the Supervisory Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee comprises: a payment for holding the office, and to cover attendance fees, reimbursement of costs, seminar participation fees, and the payment of liability insurance premiums.

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

The total amount paid in the first six months of 2016 to Sabina Župec Kranjc, Member of the Nova KBM Management Board, for meeting attendances in respect of her work on the Supervisory Board of KBM Infond, a Nova KBM subsidiary, was €1,223.34.

40 Events after the statement of financial position date

On 26 July 2016, the European Central Bank approved the merger between Nova KBM and PBS. The merger will become legally effective on the day it is entered into the court register, presumably on 1 September 2016.

The process of legally merging Nova KBM and KBS banka started in July 2016. The merger of the two banks represents a significant step towards the accomplishment of the strategic objective of their new owner to build a leading bank in Slovenia. Until the legal merger, which is scheduled for the first quarter of 2017, the banks will continue to operate as separate legal entities, given that, prior to taking any further steps towards their merger, they must obtain the necessary approvals from the European Central Bank and/or the Bank of Slovenia. On the day the merger becomes effective, all assets, liabilities and rights of KBS banka will be transferred to Nova KBM, with the result that the latter, as the legal successor of KBS banka, will take over the obligations and rights under all transactions concluded by KBS banka prior to the merger.

Financial calendar of Nova KBM for the rest of 2016

All announcements will be available through the electronic dissemination system of the Ljubljana Stock Exchange (www.ljse.si) and on Nova KBM's website (www.nkbm.si).

Type of publication or event	Anticipated date of publication or event
Unaudited report on the operations of the Nova KBM Group and Nova KBM d.d. for the period January – September 2016	Wednesday, 30 November 2016
Executive summary of the 2017 Business Plan of the Nova KBM Group and Nova KBM d.d.	Friday, 30 December 2016

The dates specified above are indicative only and are subject to change. Any changes in the dates will be communicated through Nova KBM's website.

Nova KBM d.d., August 2016