

Nova KBM Group announces first quarter 2008 financial results

Structure of the Nova KBM Group

The Group has the following members:

- Controlling bank: Nova Kreditna banka Maribor d.d.
- Subsidiary banks:
 - Poštna banka Slovenije d.d. (PBS d.d.), in which the controlling bank has a 55 per cent ownership share
 - Adria Bank AG, Vienna, 50.54 per cent owned by Nova KBM d.d.
- Subsidiary companies:
 - KBM Fineko d.o.o.: 100 per cent owned by Nova KBM d.d.
 - KBM Infond d.o.o.: 72 per cent owned by Nova KBM d.d.
 - KBM Leasing d.o.o.: 100 per cent owned by Nova KBM d.d.
 - KBM Invest d.o.o.: 100 per cent owned by Nova KBM d.d.
 - Gorica Leasing d.o.o.: 100 per cent owned by Nova KBM d.d.
 - M-Pay d.o.o.: 50 per cent owned by Nova KBM d.d.
- Indirect subsidiaries (participation of subsidiaries in other companies):
 - Multiconsult d.o.o., 39.52 per cent owned by KBM Fineko d.o.o., 18.24 per cent owned by KBM Invest d.o.o., and 18.24 per cent owned by KBM Leasing d.o.o.. Multiconsult d.o.o. is 76 per cent indirectly owned by Nova KBM d.d.
 - Multiconsult Leasing d.o.o., 10 per cent owned by KBM Leasing d.o.o. and 90 per cent owned by Multiconsult d.o.o., or 78.4 per cent indirectly owned by Nova KBM d.d.
- Associated companies:
 - Zavarovalnica Maribor d.d.: 49.96 per cent owned by Nova KBM d.d.
 - Moja naložba d.d.: 45.00 per cent owned by Nova KBM d.d.

Business operations of Nova KBM Group from January 1 2008 to March 31 2008

Despite unfavourable financial markets conditions, the Nova KBM Group performed successfully in the first three months of 2008 and delivered the following performance:

- in the first three months of 2008 the Nova KBM Group generated a net profit in the amount of €18,478 thousand, 38 per cent of the annual budget. Compared with the same period of last year, the net profit increased by as much as 71.84 per cent,
- the share book value went up by 14.54 per cent in comparison with the same period of the previous year, and amounted to €16.31 as at the end of March 2008,
- in the one-year period the Nova KBM Group increased the return on equity before tax from 17.29 per cent to 28.37 per cent as at the end of March 2008,
- due to the non-banking sector increased by 12.8 per cent year-on-year,
- loans and receivables to the non-banking sector went up by 38.8 per cent in comparison with the same period of the previous year.

The following table shows the key operating data of the Nova KBM Group as at 31 March 2008 and 2007

	in € 000		
	31 March 2008	31 March 2007	INDEX
Total assets	5,130,447	4,333,979	118.38
Total loans and receivables to non-banking sector	3,373,010	2,429,971	138.81
Total liabilities to non-banking sector	2,988,250	2,649,574	112.78
Total equity	380,872	332,680	114.49
Interest income	72,019	52,070	138.31
Interest expense	41,478	25,961	159.77
Non-interest income	6,490	24,654	26.32
Profit from continuing operations	24,088	14,094	170.91
Net profit for the period	18,478	10,753	171.84

Nova KBM Group

Share book value* in €	16.31	14.24	114.54
Net profit per share** in €	0.67	0.41	163.41
ROA before tax	1.91	1.24	
ROE before tax	28.37	17.29	
Operating costs / Average total assets	1.94	2.17	

*Share book value on the last day of the accounting period is calculated as the ratio between the Group's total equity and the number of the Bank's shares on the last day of the accounting period.

**Net profit per share is calculated as the ratio between the net profit of the Group (equity holders) generated in the first three months of the financial year and the number of the Bank's shares on the last day of the accounting period.

Nova KBM Group financial position and the fulfilment of the budget set for the year

The Nova KBM Group delivered a **profit from continuing operations** of €24,088 thousand in the first three months of 2008, 37 per cent of the budget set for the year.

The Nova KBM Group **return on average equity** before tax reached 28.37 per cent, 11.83 percentage points over the target set for the year.

Net profit per share increased 63.4 per cent year-on-year.

The increase in profitability is also evident from the ratio **return on assets** before tax which stood at 1.91 per cent as at the end of March 2008 (end of March 2007: 1.24 per cent). At the same time, the ratio **operating costs to average total assets** went down and stood at 1.94 per cent as at the end of March 2008 (end of March 2007: 2.17 per cent).

Total assets of the Nova KBM Group amounted to €5,130,447 thousand at the end of March 2008, €32,928 thousand or 1 per cent over the 2007 year-end figure. Total assets as at 31 March 2008 represent 90 per cent of the amount of total assets to be achieved by the end of 2008.

The amount of total loans and receivables to the non-banking sector in the first three months of 2008 reached 92 per cent of the plan for the whole year and was 38.81 per cent over the amount of the same period of 2007.

The amount of total liabilities to the non-banking sector in the first three months of 2008 reached 95.5 per cent of the plan for the whole year and was 12.78 per cent over the amount of the same period of 2007.

Changes to the management boards and the supervisory boards of the Nova KBM Group companies

Marko Planinšec resigned from the Management Board of KBM Infond d.o.o. on 1 January 2008. Matjaž Lorenčič replaced him on 16 January 2008, after receiving the licence from the Securities Market Agency (ATVP). Marko Planinšec was appointed member of the Management Board of Zavarovalnica Maribor d.d. with effect from 1 January 2008.

Ownership structure of Nova KBM d.d.

As at 31 March 2008, the ownership structure of the Bank was as follows: the Republic of Slovenia held a 42.31 per cent share, the share of Kapitalska družba d.d. and Slovenska odškodninska družba d.d. stood at 4.79 per cent, the share owned by households was 23.91 per cent, other financial institutions held 13.09 per cent, foreign persons had a 6.55 per cent share, non-financial companies a 3.32 per cent and other banks a 1.21 per cent share.

Nova KBM Group

Nova KBM Group operations plan for 2008

Long-term business goals of the Nova KBM Group are the following:

- For enhancing cross-selling, the Nova KBM Group intends to utilise the capacity and the services of the Group members in order to offer its existing and potential new customers the whole range of financial products and services.
- In the private banking segment, the Group intends to develop further its already existing bankassurance products and services. This will be achieved by adding new insurance products and products of mutual funds which are currently available in its branches, and will be eventually available in the PBS d.d. branches.
- The Nova KBM Group will try to strengthen its presence in the segment of small- and medium-sized companies through cross-selling of a large number of products and services to these customers. Moreover, the Group intends to build up economic and financial advisory services that are already offered to its corporate customers.
- The Nova KBM Group will focus on a continuous development of its distribution network in Slovenia and abroad. The Group plans to maintain this network and, should this prove efficient, expand it further.
- To become even more cost efficient, and to increase its income and cut down on expenses, the Nova KBM Group plans to invest in alternative distribution channels. In addition, the Group intends to seek synergies between the activities of the Group members, and to upgrade its IT system.

For 2008, the Nova KBM Group plans to achieve a 13 per cent **increase in total assets**. **Total net profit** of the Group planned for 2008 is set at €48.6 million.

Comment on future uncertainty

The turmoil in the financial markets caused by the events in the sub-prime mortgage market in the United States of America had a negative impact on interbank markets. Banks are facing new challenges and financial markets are pervaded with mistrust and insecurity. Conditions for borrowing long-term funds from foreign banks are becoming quite unfavourable, therefore a growth in funding from foreign banks might be lower than anticipated. Higher risk premiums make funding more costly and this will result in higher interest expenses. Should the foreign market conditions further deteriorate the Nova KBM Group will have to assess its lending activity limits even more conservatively.

The Nova KBM Group follows the uncertainty in capital and international money markets and adapts its activities in accordance with the existing situation.

Management Board of
Nova KBM d.d.

CONSOLIDATED INCOME STATEMENT OF NOVA KBM GROUP
for the period from 1 January to 31 March

ITEM DESCRIPTION	in € 000	
	From 1 January to 31 March 2008	From 1 January to 31 March 2007
Interest income	72,019	52,070
Interest expense	(41,478)	(25,961)
Net interest income	30,541	26,109
Dividend income	0	1
Fee and commission income	15,617	13,700
Fee and commission expenses	(2,132)	(2,383)
Net fee and commission income	13,485	11,317
Realised gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	1,571	4,102
Net gains/(losses) on financial assets and liabilities held for trading	(10,505)	7,711
Fair value adjustments in hedge accounting	(2,408)	0
Exchange difference gains/(losses)	3,223	(251)
Gains on derecognition of assets excluding non-current assets held for sale	23	216
Other operating net income	1,877	593
Administration costs	(21,279)	(19,978)
Depreciation	(3,165)	(2,807)
Provisions	2,660	(181)
Impairment	8,841	(13,704)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(776)	966
PROFIT FROM CONTINUING OPERATIONS	24,088	14,094
Tax on profit from continuing operations	(5,610)	(3,341)
NET PROFIT FROM CONTINUING OPERATIONS	18,478	10,753
NET PROFIT FOR THE PERIOD	18,478	10,753
a) Profit attributable to equity holders of the parent	15,737	9,676
b) Profit attributable to minority interest	2,741	1,077
Basic earnings per share	0.67	0.41
Diluted earnings per share	0.67	0.41

CONSOLIDATED BALANCE SHEET OF NOVA KBM GROUP AS AT 31 MARCH

ITEM DESCRIPTION	in € 000	
	31 March 2008	31 March 2007
ASSETS		
Cash and balances with central banks	108,457	113,545
Financial assets held for trading	99,440	120,280
Available-for-sale financial assets	876,493	993,888
Derivatives-hedge accounting	103	329
Loans and receivables	3,602,895	3,452,473
- loans and receivables to banks	229,885	296,313
- loans and receivables to non-bank customers	3,373,010	3,156,160
Held-to-maturity investments	150,033	127,194
Accrued interest income on financial assets	6	9
Non-current assets classified as held for sale and discontinued operations	2,143	138
Property, plant and equipment	87,094	82,232
Investment property	5,928	6,393
Intangible assets	25,690	25,483
Investments in subsidiaries, associates and joint ventures	32,332	35,652
Tax assets	9,835	6,376
- current tax assets	2,239	87
- deferred tax assets	7,596	6,289
Other assets	129,998	133,527
TOTAL ASSETS	5,130,447	5,097,519
Deposits from central banks	4	8
Financial liabilities held for trading	94	12
Derivatives-hedge accounting	1,792	89
Financial liabilities measured at amortised cost	4,612,113	4,597,125
- deposits from banks	178,874	167,370
- deposits from non-bank customers	2,983,176	2,962,368
- loans and advances from banks	1,089,511	1,105,031
- loans and advances from non-bank customers	5,074	5,638
- debt instruments	110,415	113,920
- subordinated liabilities	245,063	242,798
Accrued interest expenses on financial liabilities	19,870	21,430
Provisions	30,937	33,162
Tax liabilities	13,661	8,363
- current tax liabilities	7,076	2,424
- deferred tax liabilities	6,585	5,939
Other liabilities	71,104	66,316
TOTAL LIABILITIES	4,749,575	4,726,505
Basic equity	24,368	24,366
Share premium	29,083	29,083
Fair value reserves	(1,605)	(7,219)
Profit reserves (including retained earnings)	267,407	260,053
Treasury shares	(27)	(27)
Income from current year	25,808	17,159
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	345,034	337,853
Minority interest	35,838	33,161
TOTAL EQUITY	380,872	371,014
TOTAL LIABILITIES AND EQUITY	5,130,447	5,097,519