

## Report on Nova KBM d.d. operations in the period from 1 January to 31 March 2008

In the face of adverse conditions prevailing on the financial markets Nova KBM achieved positive operating results in the first three months of 2008.

In the period from 1 January to 31 March 2008 the Bank achieved **net profit** from continuing operations in the amount of € 12,349 thousand, which represents 29 per cent of the planned target for 2008 and an increase of 90.31 per cent as compared to the net profit achieved in same period of 2007.

**Book value of share** increased by € 0.84 in the last twelve months (by € 0.32 since 1 January 2008) and stood at € 12.99 as at 31 March 2008.

**Return on average equity** before tax grew from 14.09 per cent as at 31 March 2007 to 23.63 per cent as at 31 March 2008.

**Liabilities to citizens** in the period of the last twelve months went up by 10.4 per cent or € 164,937 thousand respectively.

**Loans to non-bank customers** rose by 7.0 per cent or € 196,406 thousand in the first three months of 2008, the major portion of this growth was recorded in loans to non-financial corporations.

In the first quarter of 2008 Nova KBM upheld or increased its market shares in the key areas of operations, namely:

- the Bank's market share of loans to non-bank customers increased by 0.2 percentage points as compared to 31 December 2007.
- the Bank's market share of liabilities to citizens and to non-financial corporations has remained on the same level as it stood as at 31 December 2007.

### Key performance indicators of Nova KBM d.d. as of 31 March 2008 as compared to 31 March 2007

|   | In thousands of euros |                      |              |
|---|-----------------------|----------------------|--------------|
|   | <b>31.March 2008</b>  | <b>31 March 2007</b> | <b>Index</b> |
| Total balance sheet assets                        | 4,188,289             | 3,701,070            | 113.6        |
| Total loans to non-banking sector                 | 2,956,819             | 2,259,956            | 130.84       |
| Total deposits from non-banking sector            | 2,496,083             | 2,212,407            | 112.82       |
| Total equity                                      | 303,329               | 283,733              | 106.91       |
| Interest income                                   | 59,996                | 45,397               | 132.16       |
| Interest expense                                  | 35,311                | 22,696               | 155.58       |
| Other financial and operating income and expenses | 26,399                | 36,638               | 72.05        |
| Profit from continuing operations                 | 16,037                | 8,878                | 180.64       |
| Net profit for the period                         | 12,349                | 6,489                | 190.31       |
| Book value of share* in EUR                       | 12.99                 | 12.15                | 106.91       |
| Net profit per share ** in EUR                    | 0.53                  | 0.28                 | 189.29       |
| ROAA - Return on average assets before tax        | 1.55                  | 0.98                 |              |
| ROAE – Return on average equity before tax        | 23.63                 | 14.09                |              |
| Operating expenses/ average total assets          | 1.76                  | 1.92                 |              |

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

\*\* Net profit per share is calculated as the ratio between the net profit achieved in the first three months of the current business/financial year and the number of Nova KBM d.d. shares on the last day of the accounting period.

## **Nova KBM d.d.**

### **Financial position of Nova KBM d.d., expectations for the future, plans and notes with regard to the plan**

In the first quarter of 2008 **total profit before tax** exceeded €16 million, which is 29 per cent of the plan. This amount exceeds total profit before tax in the same period of 2007 by 80.64 per cent.

High profit was achieved also due to the regular annual adjustment of impairments and provisions in accordance with IFRS. By decreasing its percentages of impairments and provisions the Bank came near to levels of impairments and provisions of the entire banking system.

**Return on equity before tax** was 23.63 per cent as at 31 March 2008, whereas the planned ROE for 2008 is 17.16 per cent.

**Net profit per share** increased in the first quarter of 2008 by 89.29 per cent as compared to the same period of 2007 and represents 29.6 per cent of the plan. The targeted amount of net profit per share in 2008 is €1.79 per share.

The Bank increased its profitability. **Return on assets** came to 1.55 per cent before tax as compared to 0.98 per cent achieved in the same period of 2007. Costs to average assets ratio decreased and reached 1.76 per cent as at 31 March 2008 as compared to 1.92 per cent as at 31 March 2007.

As at 31 March 2008 the **balance sheet assets** of the Bank reached 89 per cent of the targeted amount and increased when compared to the same period of 2007 by 13.16 per cent.

**Net loans to non-bank customers** reached 91 per cent of the planned amount for 2008 and increased in comparison to the same period of 2007 by 30.84 per cent.

**Deposits from non-bank customers** reached 96 per cent of the targeted amount for 2008 and increased in comparison to the same period of 2007 by 12.82 per cent.

### **Changes in Management and Supervisory Board of the Bank**

In the first quarter of 2008 there were no changes in the Management and Supervisory board of Nova KBM d.d.

### **Shareholders structure of Nova KBM d.d.**

As at 31 March 2008 the shareholders structure was as follows: the Republic of Slovenia held 42.31 per cent, Kapitalska družba d.d. 4.79 per cent, Slovenska odškodninska družba d.d. 4.79 per cent, households 23.91 per cent, other financial organisations 13.09 per cent, foreign persons 6.55 per cent, non-financial companies 3.32 per cent and other banks 1.21 per cent.

### **Business outlook for 2008**

The Supervisory Board and the Management Board of Nova KBM d.d. approved The Business Policy and the Budget of Nova KBM d.d. for 2008. The Business Policy and the Budget are elaborated in accordance with the amended action strategy for the period 2004 – 2008.

In 2008 Nova KBM d.d. plans to increase its total assets by 15 per cent. At the same time the Bank intends to increase its operating expenses (administration costs and depreciation) by 8.3 per cent. Therefore, the portion of operating expenses in total assets will come down to 2.08 per cent (in 2007: 2.25 per cent).

The Bank's projected total profit from ordinary operations is set at €54.4 million for 2008, while net profit is to reach €41.9 million.

Nova KBM d.d. will continue to position itself as a strong and trustworthy institution whose professional and experienced personnel is able to offer its clients a wide spectrum of first-class financial services and products. The Bank will expand its operations to new markets.

Numerous internal development projects and assignments will be carried out in the Bank in 2008. The main purpose of all these activities is improving the Bank's operations and the quality of its products and services. Some of the projects to be carried out:

- introduction of the new capital accord (Basel II),

**Nova KBM d.d.**

- establishment of the Single Euro Payments Area – SEPA,
- continuation of activities in connection with the Slovenian credit scoring information system (SISBON),
- upgrading of electronic banking, and
- development of an automated reporting system within the Group.

**Comment on future uncertainty**

The banking system in Slovenia is still witnessing quite unfavourable conditions for borrowing long-term funds from foreign banks, therefore a growth in loans 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 Bank will have to limit its lending activities. The Bank follows the uncertainty in capital and international money-markets and adapts its activities in accordance with the existing situation.

The Management Board of  
Nova KBM d.d.

**INCOME STATEMENT**  
for the period from 01.01. to 31.3.2008

|           |   | In thousands of euros |                      |
|-----------|---|-----------------------|----------------------|
| Ser. no.  | ITEM DESCRIPTION  | 1. 1. to 31. 3. 2008  | 1. 1. to 31. 3. 2007 |
| 1         | Interest income and similar income  | 59.996                | 45.397               |
| 2         | Interest expenses and similar expenses  | 35.311                | 22.696               |
| <b>3</b>  | <b>Interest net income (1 - 2)</b>  | <b>24.685</b>         | <b>22.701</b>        |
| 4         | Dividend income   | 0                     | 0                    |
| 5         | Fee and commission income   | 10.439                | 9.669                |
| 6         | Fee and commission expenses   | 796                   | 954                  |
| <b>7</b>  | <b>Fee and commission net income (5 - 6)</b>  | <b>9.643</b>          | <b>8.715</b>         |
| 8         | Realised gains and losses on financial assets and liabilities not measured at fair value through profit and loss  | 1.351                 | 1.468                |
| 9         | Gains and losses on financial assets and liabilities held for trading   | -9.771                | 7.150                |
| 10        | Gains and losses on financial assets and liabilities designated at fair value through profit or loss              | 0                     | 0                    |
| 11        | Fair value adjustments in hedge accounting  | -2.408                | 0                    |
| 12        | Exchange differences  | 2.787                 | -93                  |
| 13        | Gains and losses on derecognition of assets other than held for sale  | 0                     | 33                   |
| 14        | Other operating net income  | 112                   | -336                 |
| 15        | Administration costs  | 15.606                | 15.082               |
| 16        | Depreciation  | 2.579                 | 2.315                |
| 17        | Provisions  | -2.846                | 57                   |
| 18        | Impairment  | -4.977                | 13.306               |
| 19        | Negative goodwill   | 0                     | 0                    |
| 20        | Share of the profit or loss of associates and joint ventures accounted for using the equity method                | 0                     | 0                    |
| 21        | Total profit or loss from non-current assets and disposal groups classified as held for sale                      | 0                     | 0                    |
| <b>22</b> | <b>TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14-15-16-17-18+19+20+21)</b> | <b>16.037</b>         | <b>8.878</b>         |
| 23        | Tax expense (income) related to profit or loss from continuing operations   | 3.688                 | 2.389                |
| <b>24</b> | <b>TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS (22 - 23)</b>  | <b>12.349</b>         | <b>6.489</b>         |
| 25        | Total profit or loss after tax from discontinued operations   | 0                     | 0                    |
| <b>26</b> | <b>NET PROFIT OR LOSS for the financial year (24 + 25)</b>  | <b>12.349</b>         | <b>6.489</b>         |

## BALANCE SHEET as at 31.3.2008

In thousands of euros

| Item no.           | ITEM DESCRIPTION  | 31.3. 2008       | 31.12.2007       |
|--------------------|---|------------------|------------------|
| <b>ASSETS</b>      |   |                  |                  |
| 1                  | Cash and cash balances with central banks                             | 83.383           | 93.891           |
| 2                  | Financial assets held of trading                                      | 97.974           | 116.772          |
| 3                  | Financial assets designated at fair value through profit or loss      | 0                | 0                |
| 4                  | Available-for-sale financial assets                                   | 694.705          | 799.683          |
| 5                  | Derivates - hedge accounting  | 103              | 329              |
| 6                  | Loans and receivables   | 3.134.245        | 3.043.901        |
|                    | - loans to banks  | 177.426          | 283.488          |
|                    | - loans to non-banking sector   | 2.956.819        | 2.760.413        |
| 7                  | Held-to-maturity investments  | 9.002            | 9.352            |
| 8                  | Fair value changes of the hedged items in portfolio hedge of interest | 0                | 0                |
| 9                  | Accrued interest income on financial assets                           | 3                | 2                |
| 10                 | Non-current assets and disposal groups classified as held for sale    | 0                | 0                |
| 11                 | Tangible assets   | 56.499           | 55.995           |
| 12                 | Investment property   | 512              | 512              |
| 13                 | Intangible assets   | 23.689           | 23.440           |
| 14                 | Investments in subsidiaries, associates and joint ventures            | 49.870           | 49.870           |
| 15                 | Tax assets  | 8.262            | 5.262            |
|                    | -current tax receivable   | 1.570            | 6                |
|                    | -deferred tax receivable  | 6.692            | 5.256            |
| 16                 | Other assets  | 30.042           | 19.783           |
| <b>17</b>          | <b>TOTAL ASSETS (1 to 16)</b>   | <b>4.188.289</b> | <b>4.218.792</b> |
| <b>LIABILITIES</b> |   |                  |                  |
| 18                 | Deposits from central banks   | 4                | 8                |
| 19                 | Financial liabilities held of trading                                 | 94               | 12               |
| 20                 | Financial liabilities designated at fair value through profit or loss | 0                | 0                |
| 21                 | Derivatives - hedge accounting  | 1.792            | 89               |
| 22                 | Financial liabilities measured at amortised cost                      | 3.791.791        | 3.832.024        |
|                    | - bank deposits   | 14.262           | 34.327           |
|                    | - deposits from non-banking sector                                    | 2.491.009        | 2.484.399        |
|                    | - bank loans  | 963.411          | 988.108          |
|                    | - loans from non-banking sector                                       | 5.074            | 5.638            |
|                    | - debt securities   | 83.264           | 87.000           |
|                    | - subordinated liabilities  | 234.771          | 232.552          |
| 23                 | Financial liabilities associated to transferred assets                | 0                | 0                |
| 24                 | Fair value changes of the hedged items in portfolio hedge of interest | 0                | 0                |
| 25                 | Accrued interest expanses on financial liabilities                    | 19.195           | 20.944           |
| 26                 | Liabilities included in disposal groups classified as held for sale   | 0                | 0                |
| 27                 | Provisions  | 25.443           | 28.317           |
| 28                 | Tax liabilities   | 8.177            | 4.478            |
|                    | - current tax liabilities   | 5.119            | 1.432            |
|                    | - deferred tax liabilities  | 3.058            | 3.046            |
| 29                 | Other liabilities   | 38.464           | 36.894           |
| <b>30</b>          | <b>TOTAL LIABILITIES (18 to 29)</b>                                   | <b>3.884.960</b> | <b>3.922.766</b> |
| 31                 | Basic equity capital  | 24.368           | 24.366           |
| 32                 | Share premium account   | 28.847           | 28.847           |
| 33                 | Equity component of compound financial instruments                    | 0                | 0                |
| 34                 | Revaluation reserves  | -12.925          | -7.876           |
| 35                 | Reserves from profit (including retained earnings)                    | 240.619          | 240.619          |
| 36                 | Treasury shares   | 0                | 0                |
| 37                 | Income from current year  | 22.420           | 10.070           |
| <b>38</b>          | <b>TOTAL EQUITY (31 to 37)</b>  | <b>303.329</b>   | <b>296.026</b>   |
| <b>39</b>          | <b>TOTAL LIABILITIES AND EQUITY (30 + 38)</b>                         | <b>4.188.289</b> | <b>4.218.792</b> |