

JANUARY TO JUNE 2011

1/2

UNAUDITED RESULTS OF OPERATIONS  
OF THE NOVA KBM GROUP

AUGUST 2011

 **Nova KBM**  
A thousand stories. One bank.

# Corporate governance bodies

## Management Board of the Bank

Matjaž Kovačič	<b>President</b>
Manja Skernišak	<b>Member</b>
Andrej Plos	<b>Member</b>

## Executive Directors of the Bank

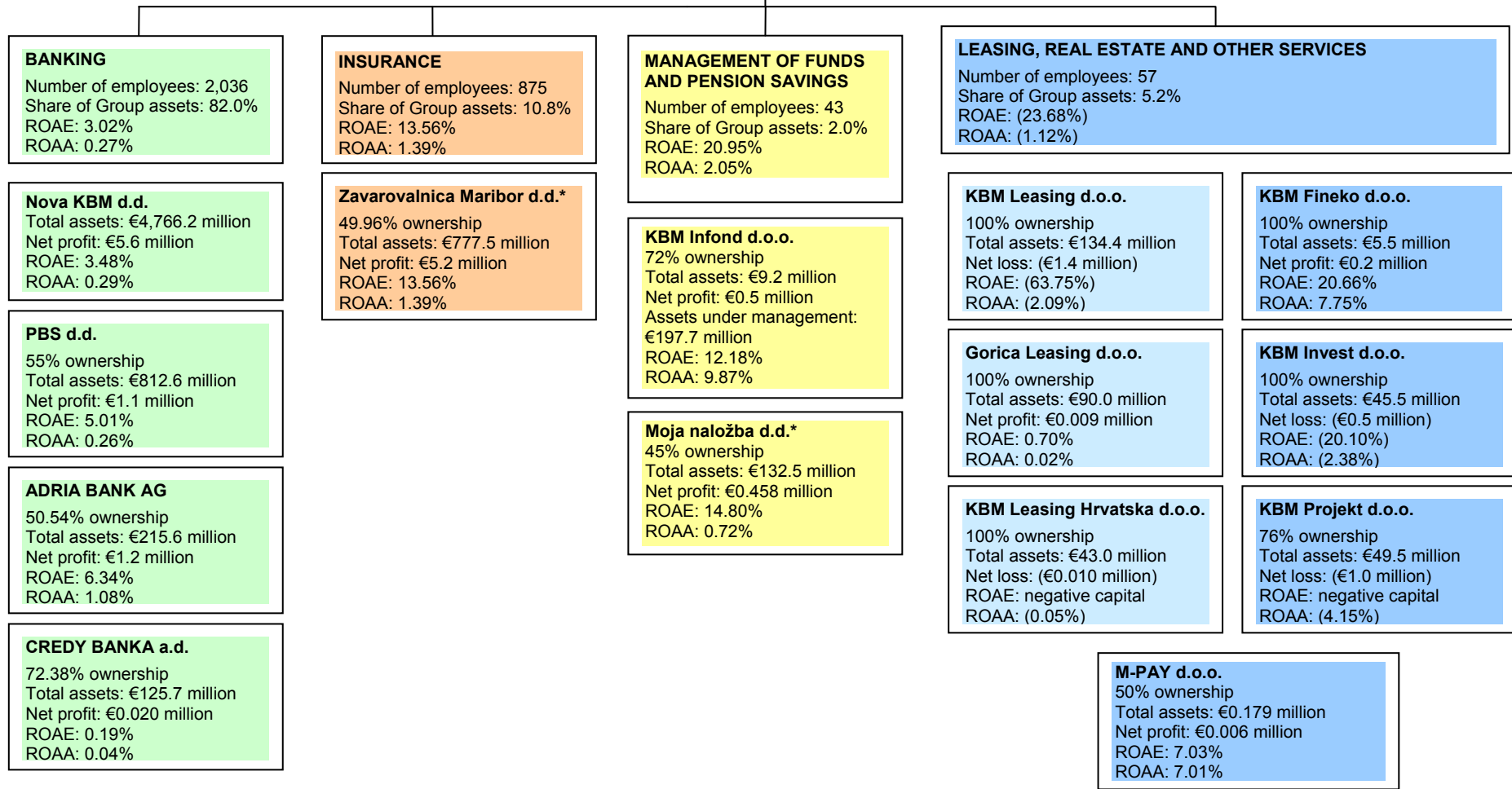
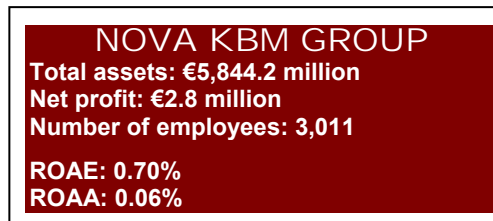
Slavko Jarc  
Simon Hvalec  
Ksenija Mrevlje  
Aleksander Batič  
Vasilij Koman  
Vlasta Brečko  
Peter Kupljen

## Supervisory Board of the Bank

Danilo Toplek	<b>Chairman</b>
Franc Škufca	<b>Deputy Chairman</b>
Andrej Svetina	<b>Members</b>
Dušan Jovanovič	
Janez Košak	
Alenka Bratušek	
Anton Guzej	
Ivan Vizjak	
Aleš Krisper	

Name of the parent bank:	Nova Kreditna banka Maribor d.d.
Short name of the parent bank:	Nova KBM d.d.
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 of the Maribor District Court:	062/10924200
VAT ID No.:	SI94314527
Share capital:	€40,814,313.65





\* Associated company



# Contents

## INTERIM REPORT OF THE NOVA KBM GROUP: January – June 2011

KEY PERFORMANCE INDICATORS OF THE NOVA KBM GROUP .....	5
PERFORMANCE HIGHLIGHTS FOR THE PERIOD JANUARY – JUNE 2011 .....	6
EVENTS AFTER THE END OF THE REPORTING PERIOD.....	7
CHANGES IN THE SUPERVISORY BOARD OF THE BANK.....	7
LETTER TO SHAREHOLDERS .....	8
PROFILE OF NOVA KBM D.D. AND THE NOVA KBM GROUP .....	10
SHAREHOLDER STRUCTURE AND INFORMATION ON SHARES.....	12
OPERATING RESULT OF THE NOVA KBM GROUP .....	16
FINANCIAL POSITION OF THE NOVA KBM GROUP .....	19
PLANS TILL THE END OF 2011 .....	20
KEY PERFORMANCE INDICATORS OF NOVA KBM D.D. – THE PARENT BANK.....	21
INTERIM FINANCIAL REPORT OF THE NOVA KBM GROUP .....	23
INTERIM FINANCIAL STATEMENTS OF THE NOVA KBM GROUP.....	24
NOTES TO THE FINANCIAL STATEMENTS OF THE NOVA KBM GROUP.....	34
NOTES TO THE STATEMENT OF INCOME ITEMS .....	35
NOTES TO THE STATEMENT OF FINANCIAL POSITION ITEMS .....	39
OTHER NOTES.....	46
INTERIM FINANCIAL REPORT OF NOVA KBM D.D. ....	55
INTERIM FINANCIAL STATEMENTS OF NOVA KBM D.D.....	56
NOTES TO THE FINANCIAL STATEMENTS OF NOVA KBM D.D.....	65
NOTES TO THE STATEMENT OF INCOME ITEMS .....	66
NOTES TO THE STATEMENT OF FINANCIAL POSITION ITEMS.....	69
OTHER NOTES.....	76
FINANCIAL CALENDAR OF NOVA KBM D.D. FOR THE REST OF 2011 .....	85

# Key performance indicators of the Nova KBM Group

	2011	2010	Index
<b>Statement of financial position (€000)</b>	<b>30.06.</b>	<b>31.12.</b>	
Total assets	5,844,249	5,866,657	100
Total deposits from the non-banking sector	3,825,899	3,712,652	103
Total loans to the non-banking sector	3,937,309	4,034,927	98
Total equity	539,646	438,989	123

	H1 2011	H1 2010	
<b>Statement of income (€000)</b>			
Net interest income	68,345	71,557	96
Net fee and commission income	30,406	31,379	97
Net gains/losses from trading in securities and foreign exchange	2,820	2,930	96
Other income/expense	9,117	7,515	121
Operating costs	(60,144)	(58,418)	103
Impairment losses and provisions	(48,910)	(29,684)	165
Profit from continuing operations	1,634	25,278	6
Net profit for the reporting period	2,825	17,241	16

<b>Ratios</b>	<b>30.06.</b>	<b>31.12.</b>	
Net profit per share <sup>1</sup> (€)	0.10	0.41	
Share price (€)	6.79	10.20	
Share book value <sup>2</sup> (€)	12.72	15.22	
Total capital adequacy (%)	12.79	10.89	
Capital adequacy (original own funds) (%)	9.99	7.93	
ROAA before tax (%)	0.06	0.31	
ROAE before tax (%)	0.70	4.14	
Operating costs/Average total assets (%)	2.05	2.21	
Cost/Income (%)	54.34	55.97	

<sup>1</sup> Net profit per share is calculated as the ratio between the annualised net profit attributable to owners of the parent and the weighted average number of Bank shares in the reporting period.

<sup>2</sup> Share book value on the last day of the reporting period is calculated as the ratio between the equity attributable to owners of the parent and the total number of Bank shares outstanding on the last day of the reporting period.

# Performance highlights for the period January – June 2011

## Operating results for the first six months of 2011

- The Nova KBM Group (hereafter also referred to as the 'Group') reported a **profit from continuing operations before impairment charges and provisions** of €50,544 thousand, which was 50.0% of the figure projected for the year as a whole. Operations of the Group are still affected by deteriorated economic conditions and sluggish recovery of the global economy. Despite some optimistic projections, economic conditions have not yet stabilised. Consequently, the Group had to recognise **high provisions and impairment losses** as a result of increased credit risk. In the period from January through June 2011, net provisions and impairment losses amounted to €48,910 thousand, which accounted for 72.8% of the annual projection.
- The Group's **total assets** were €5,844,249 thousand as of 30 June 2011, a decrease of 0.4% from the end of 2010, mainly as a result of the repayment of loans borrowed in the international market in previous years, which was partially offset by an increase in customer deposits and equity. The size of the loan portfolio shrank, while the investments in financial assets increased.
- In the first six months of 2011, the Group generated **net interest income** of €68,345 thousand, which was 48.0% of the annual projection, and 4.5% less than in the same period last year.
- The Group's **net fee and commission income** in the first half of 2011 totalled €30,406 thousand, which was 52.9% of the annual projection, and 3.1% less than in the same period last year.
- **Administration costs, including depreciation and amortisation**, amounted to €60,144 thousand, which was 48.2% of the annual projection. The ratio of operating costs as a percentage of the average total assets was 2.05%, a decrease of 0.16 percentage points from 2010. The cost-to-income ratio improved as well, from 55.97% at the end of 2010 to 54.34% for the period from January through June 2011.
- The half-year results of both associated companies (Zavarovanica Maribor d.d. and Moja naložba d.d.) were better than projected, so the Group made a profit of €2,801 thousand from **investments in associated companies**, which accounted for 56.4% of the annual projection.
- The Group's **pre-tax return on average equity** (ROAE) stood at 0.70%, which was below the figure reported for the end of 2010.
- The Group's **pre-tax return on average assets** (ROAA) was 0.06%, which was less than at the end of 2010 and also less than projected for 2011.
- As of 30 June 2011, the **total equity of the owners of the parent** amounted to €497,451 thousand, an increase of €100,511 thousand, or 25.3%, from the end of 2010, as a result of the capital increase carried out in the first half of 2011. The Group's total adequacy ratio was 12.79% at the end of June 2011.



## Other important events

### April

- In the period from 4 to 13 April, within the scope of capital raising activities, the representatives of the Bank held individual meetings with a number of potential investors.
- The representatives of the Bank participated in the investors' conference in Zürs, Austria, where they held several meetings with the investors.
- The representatives of the Bank participated in the Slovene Capital Market Days, where several meetings with the investors were held as well.

### May

- On 3 May, the representatives of the Bank participated in the investors' conference in Stockholm, where they also met with several potential investors.
- The parallel listing of the Bank's newly-issued shares on the Warsaw Stock Exchange started on 11 May 2011. By issuing new shares, the Bank raised over €104 million of fresh capital.

### June

- On 8 June, Moody's Investors Service, one of the leading rating agencies, downgraded the rating of Nova KBM from Baa1/P-2/D to Baa3/P-3/D- (long-term; short-term; financial strength). The outlook is negative.
- On 22 June, the Bank announced its intention to take over all the shares of Zavarovalnica Maribor d.d.

## Changes in the Supervisory Board of the Bank

There were no changes in the composition of the Bank's Supervisory Board in the first half of 2011.

## Events after the end of the reporting period

### July

- 11 July: announcement of the takeover bid for Zavarovalnica Maribor d.d.
- 18 July: Nova KBM passes the EBA stress test. According to the common baseline scenario, the Bank's Core Tier 1 capital ratio (CT1R) would be 10.2% at the end of 2012, while the ratio would stand at 8.0% under the assumption of the adverse scenario.
- 22 July: KBM Infond d.o.o. starts taking over 'Krekovi skladi' (mutual funds of Krekova Družba).
- 22 July: Shareholders' Meeting of Nova KBM. The following Supervisory Board members are recalled: Danilo Toplek, Ivan Vizjak and Alenka Bratušek. Darjan Petrič, Ivan Simič and Vida Lebar are appointed as Supervisory Board members for the next four-year period.
- Nova KBM injected additional capital of €5,000 thousand into Credy banka a.d., thus increasing its shareholding from 72.38% to 76.64%.
- Nova KBM injected additional capital of €6,922 thousand into Zavarovalnica Maribor d.d. and thus increased its shareholding from 49.96% to 50.70%.

## Letter to Shareholders

Dear Shareholders and Business Partners,



In the second quarter of 2011, we saw conditions in the global capital market deteriorate once again, mainly as a result of uncertainty with respect to the indebtedness of Greece and other European countries which form the so-called PIIGS group. The uncertainty was enhanced even further due to the record-high debt of the USA. Views about the best way out of the crisis have been very divided. The foregoing negative factors culminated in an increased volatility in the global financial market, causing many financial institutions to withdraw from investments in the state debt of the PIIGS group of countries and from other high-risk investments. The Slovene economic conditions are gradually stabilizing, which is evidenced by growth in industrial production and foreign trade as well as a moderate decrease in the number of unemployed. On the other hand, the construction industry is still registering negative growth, and we have witnessed

an increased number of companies engaged in the construction industry filing for bankruptcy. Compared to the same period of 2010, gross domestic product increased by 2.0% in real terms in the first quarter of 2011, and the same trend is expected for the second quarter of 2011.

The results of the Nova KBM Group for the first half of 2011 were affected by an increased number of bankruptcy proceedings and, consequently, provisioning expenses, which were significantly higher than projected. For the first half of 2011, the Nova KBM Group reported a pre-tax profit of €1.6 million from continuing operations, which was a sharp drop from the first half of 2010, when pre-tax profit totalled €25.3 million. Net profit was €2.8 million (H1 2010: €17.2 million) or €0.07 per share. The net profit generated by the Nova KBM Group in the first half of the year made up 10.1% of the annual profit projection. Nova KBM delivered a pre-tax profit of €7.0 million from continuing operations, while the Bank's net profit totalled €5.6 million.

The Group's total assets remained flat at €5.8 billion. Interest margin, calculated on the average total assets, was 2.35%, a decrease of 0.18 percentage points from the end of 2010, and 0.03 percentage points below the projected interest margin in 2011. As of 30 June 2011, the total capital adequacy was 12.79%, while the total shareholders' equity at the end of June 2011 amounted to €539.6 million, up 22.9% on the 2010 year-end figure. Nova KBM passed the EBA stress test successfully. According to the common baseline scenario, the Bank's Core Tier 1 capital ratio would reach 10.2% at the end of 2012, while the ratio would stand at 8.0% under the assumption of the adverse scenario.

The parallel listing of the Bank's newly-issued shares on the Warsaw Stock Exchange started on 11 May 2011. By issuing new shares, the Bank raised over



€104 million of fresh capital. The proceeds of the capital increase will facilitate the accomplishment of the strategic objectives of the Nova KBM Group and help consolidate its market position. Moreover, the proceeds will also be used for the strengthening of the Group's capital position, the consolidation of Group companies, and for the strategic expansion of the Group into the target markets of the Adria region. The Bank has already made the first step towards the consolidation of the Group by announcing a takeover bid for Zavarovalnica Maribor d.d., which will be, as a subsidiary company, fully consolidated within the Nova KBM Group from the third quarter of 2011. By the end of the year, the Group will have made every effort to improve its funding sources (projected bond issue), to reduce the level of bad loans, and to enhance the profitability of its operations. In spite of high impairment losses and provisions in the corporate banking area, we will do our utmost to ensure our results

are as close as possible to the operating projections we have made for the Nova KBM Group for the end of the year. We expect negative trends mainly from sub-contractors in the construction industry, and in leasing services. We will continue implementing our strategy, which is focused on the expansion of the Group's presence in the Adria region, further strengthening of risk management, diversification of income sources, and the creation of adequate value for you, our shareholders.

Maribor, August 2011

**Matjaž Kovačič**

President of the Management Board



## Profile of Nova KBM d.d. and the Nova KBM Group

Nova KBM d.d. (in this report also referred to as 'Nova KBM' or the 'Bank') is the parent company of the Nova KBM Group, which is composed of the parent company and 11 subsidiaries. In addition, the Bank has equity investments in two associates. The names of the companies and the Bank's shareholding in them are presented in the table below.

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

The Bank is obliged to prepare consolidated financial statements.

Composition of the Nova KBM Group, including associated companies, as of 30 June 2011:

Company	Position in the Group	Shareholding of Nova KBM (%)
Nova KBM d.d.	parent bank	
Poštna banka Slovenije d.d.	subsidiary bank	55.00
Adria Bank AG	subsidiary bank	50.54
Credy banka a.d.	subsidiary bank	72.38
KBM Fineko d.o.o.	subsidiary company	100.00
KBM Infond d.o.o.	subsidiary company	72.00
KBM Leasing d.o.o.	subsidiary company	100.00
KBM Invest d.o.o.	subsidiary company	100.00
Gorica Leasing d.o.o.	subsidiary company	100.00
M-Pay d.o.o.	subsidiary company	50.00
KBM Projekt d.o.o.	subsidiary company	76.00
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00
Zavarovalnica Maribor d.d.	associated company	49.96
Moja naložba d.d.	associated company	45.00

## Key performance indicators of individual Group members as of 30 June 2011

COMPANY	Number of employees	Net profit or loss (€000)	Total assets (€000)	ROAE after tax (%)	ROAA after tax (%)
Poštna banka Slovenije d.d.	241	1,081	812,603	5.01	0.26
Adria Bank AG	30	1,194	215,624	6.34	1.08
Credy banka a.d.	383	20	125,725	0.19	0.04
KBM Fineko d.o.o.	11	212	5,470	20.66	7.75
KBM Infond d.o.o.	29	453	9,217	12.18	9.87
KBM Leasing d.o.o.	11	(1,382)	134,438	(63.75)	(2.09)
KBM Invest d.o.o.	9	(519)	45,525	(20.10)	(2.38)
Gorica Leasing d.o.o.	15	9	89,896	0.70	0.02
M-Pay d.o.o.	0	6	179	7.03	7.01
KBM Projekt d.o.o.	3	(1,036)	49,452	negative capital	(4.15)
KBM Leasing Hrvatska d.o.o.	8	(10)	43,022	negative capital	(0.05)
Zavarovalnica Maribor d.d.	875	5,194	777,503	13.56	1.39
Moja naložba d.d.	14	458	132,530	14.80	0.72

## Shareholder structure and information on shares

The Bank's shareholder structure as of 30 June 2011 was as follows: the Republic of Slovenia held 27.7% of shares; Pošta Slovenije d.o.o. held 6.6%; Gen d.o.o. held 6.4%; Kapitalska družba d.d. held 4.8%; Slovenska odškodninska družba d.d. held 3.2%; ELES d.o.o. held 2.4% – the shareholding of the Republic of Slovenia remained at 51.1%, of which 35.7% was a direct and 15.4% an indirect shareholding of the state in the Bank; households held 16.1% (down 6.7 percentage points from the beginning of the year); other financial organisations held 6.8% (down 4.0 percentage points from the beginning of the year); foreign investors held 22.0% (up 12.8 percentage points from the beginning of the year); non-financial companies held 2.5% (down 1.2 percentage points from the beginning of the year); banks held 1.5% (down 0.8 percentage points from the beginning of the year).

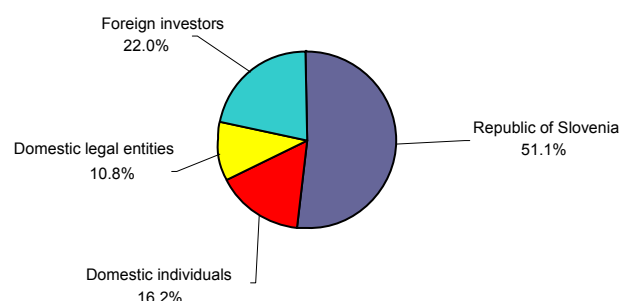
### 10 largest shareholders as of 30 June 2011

Number of shares	% of ownership <sup>1</sup>	Shareholder
10,822,770	27.7	REPUBLIC OF SLOVENIA
4,825,561	12.3	KDPW – TRUST ACCOUNT
2,599,192	6.6	POŠTA SLOVENIJE d.o.o.
2,500,000	6.4	GEN d.o.o.
1,875,920	4.8	KAPITALSKA DRUŽBA d.d.
1,250,614	3.2	SLOVENSKA ODŠKODNINSKA DRUŽBA d.d.
937,500	2.4	ELES d.o.o.
693,745	1.8	EAST CAPITAL BALKAN FUND
675,263	1.7	NFD 1 DELNIŠKI INVESTICIJSKI SKLAD d.d.
508,517	1.3	EAST CAPITAL EASTERN EUROPEAN FUND

### Number of Nova KBM shares held by members of the Bank's Management and Supervisory Board as of 30 June 2011

Shareholder	Number of shares	% of ownership
Matjaž Kovačič	2,664	0.006809
Andrej Plos	1,304	0.003333
Manja Skernišak	872	0.002229
Dušan Jovanovič	499	0.001275
Anton Guzej	440	0.001125
Aleš Krisper	56	0.000143
Andrej Svetina	27	0.000069
Franc Škufca	10	0.000026

Shareholder structure of Nova KBM d.d. as of 30 June 2011



<sup>1</sup> Voting rights equal ownership share.

## Information on shares

As of 30 June 2011, the Bank's share capital amounted to €40,814,313.65 and was split into 39,122,968 ordinary no-par value shares. A total of 13,040,989 new shares were allocated to investors participating in the capital raising which was completed in May 2011.

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 Shareholders' Meeting.

Holders of ordinary shares have the following rights:

- participation in the management of the Bank
- participation in profits (dividend)
- pro-rata distribution of residual assets in case of bankruptcy or liquidation of the Bank.

The Bank is bound to pay a dividend to shareholders, and shall enable shareholders to participate and to vote at Shareholders' Meetings.

## Information on shares

	30.06.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Number of shareholders	99,110	100,295	102,514	102,531	107,034
Number of ordinary shares	39,122,968	26,081,979	26,081,979	26,081,979	23,357,984
Share price on the last trading date (€)	6.79	10.20	11.44	9.43	41.91
Market capitalization (€000)	265,645	266,036	298,378	245,953	978,933

	Nova KBM				Nova KBM Group			
	30.06.2011	31.12.2010	31.12.2009	31.12.2008	30.06.2011	31.12.2010	31.12.2009	31.12.2008
Share book value <sup>1</sup> (€)	12.23	14.39	14.10	12.80	13.79	15.22	15.04	13.72
Net earnings per share <sup>2</sup> (€)	0.32	0.36	0.47	0.68	0.10	0.41	0.40	0.57
P/E ratio <sup>3</sup>	21.22	28.33	24.34	13.87	67.90	24.88	30.11	16.54
P/B ratio <sup>4</sup>	0.56	0.71	0.81	0.74	0.53	0.67	0.76	0.69

<sup>1</sup> Share book value on the last day of the reporting period is calculated as the ratio between the total shareholders' equity of the Bank (for the Group: equity attributable to owners of the parent) and the weighted average number of shares in the period.

<sup>2</sup> Net earnings per share is calculated as the ratio between the Bank's annualized net profit (for the Group: net profit attributable to owners of the parent) and the weighted average number of shares in the period.

<sup>3</sup> P/E ratio is calculated as the ratio between the share price on the last trading date and the Bank's net profit (for the Group: net profit attributable to owners of the parent) per share.

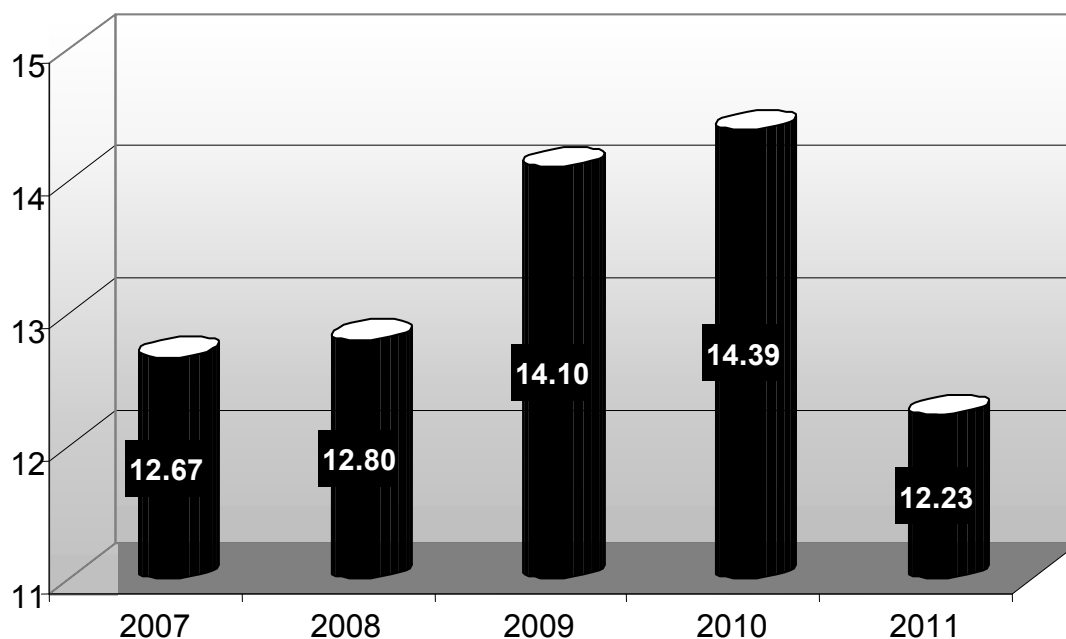
<sup>4</sup> P/B ratio is calculated as the ratio between the share price on the last trading date and the share book value.



Following the May 2011 capital increase, the book value of a Nova KBM share fell below the level of 2007<sup>2</sup>.



### Share book value (€)



### Dividend payment policy

Dividend for the year	2006	2007	2008	2009	2010	2011	2012
Gross dividend per share (€)	0.7	0.2	0.2	0	0.08	-	-
Dividend yield <sup>3</sup> (%)	-	1.5	2.1	0	0.8	-	-
Projected share of dividend in net profit of the Bank (%)	-	10	20	30	35 <sup>4</sup>	35	35
Share of dividend in net profit of the Bank <sup>5</sup> (%)	44.3	11.0	29.4	0	36.2	-	-

<sup>2</sup> Measured by the book value of Nova KBM.

<sup>3</sup> Gross dividend per share/Share price on the last day of the financial year.

<sup>4</sup> The Supervisory Board of Nova KBM approved the dividend policy envisaging an annual dividend payment equalling 35% of the 2010 net profit (insofar as the capital adequacy of the Bank or the Group is not jeopardised). The Management and the Supervisory Board of the Bank have proposed to the Shareholders' Meeting to appropriate the entire 2010 profit available for distribution, in the amount of €3,391,912.68, for the payment of dividends.

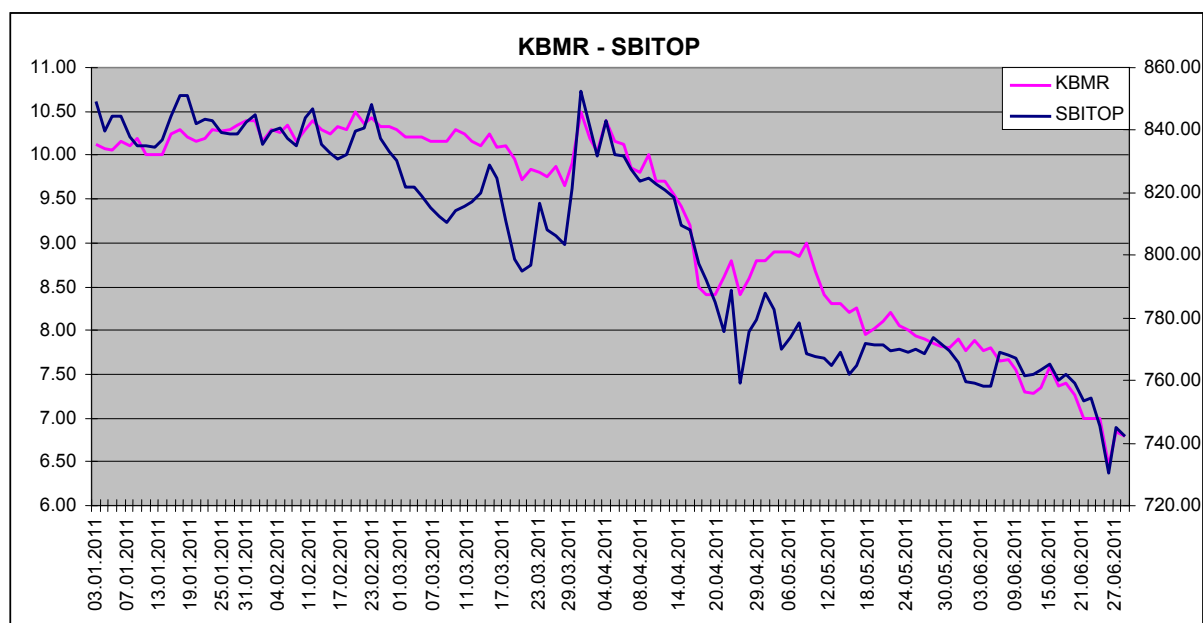
<sup>5</sup> Gross dividend/Net profit of the Bank.

## Share performance

In the period from 3 January to 30 June 2011, the price of KBMR shares traded in the prime market of the Ljubljana Stock Exchange ranged between €6.45 and €10.50. The following factors had the most adverse effect on the performance of KBMR shares: (i) the price of KBMR shares issued in the May 2011 capital raising, which was set at €8.00; (ii) the negative political and economic climate; and (iii) uncoordinated action and the attitude of the state, as the largest indirect shareholder of the Bank, during the capital raising process. During the reporting period, the highest share price was €10.50, reached on 9 February 2011, whereas the lowest price was recorded on 28 June 2011 when the share price fell to €6.45.

In the first half of 2011, the combined trading turnover in KBMR shares on the Ljubljana and Warsaw Stock Exchange amounted to €13,118,890 and 1,191,833 shares changed ownership. The average daily turnover was €103,298 or 9,385 shares per trading day. As of 30 June 2011, Nova KBM d.d. had in total 99,110 shareholders.

## KBMR share performance on the Ljubljana Stock Exchange and the SBITOP Index in the period from 3 January to 30 June 2011



## Operating result of the Nova KBM Group

For the period from January through June 2011, the Nova KBM Group reported a pre-tax **profit** of €1,634 thousand from continuing operations. As a result of the effect of deferred taxes<sup>6</sup>, net profit of the Group exceeded by €1,191 thousand the pre-tax profit from continuing operations. Lower than projected profit from continuing operations was due to sluggish and unstable recovery of the local economy and uncertain developments in the European financial markets. The pre-tax profit generated by the Group in the first half of the year made up 4.8% of the annual profit projection. The following items contributed the most to the weak result reported for the first half of the year: higher provisions and impairment losses, lower other operating net income and lower net interest income.

The Group's profit from continuing operations before provisions and impairment losses totalled €50,544 thousand, which was 50.0% of the annual projection. Operations of the Group are still affected by adverse market conditions and slow recovery of the economic environment. Despite some optimistic projections, economic conditions have not yet stabilised. Consequently, the Group had to recognise high provisions and impairment losses as a result of increased credit risk. In the period from January through June 2011, net provisions and impairment losses amounted to €48,910 thousand, which accounted for 72.8% of the annual projection.

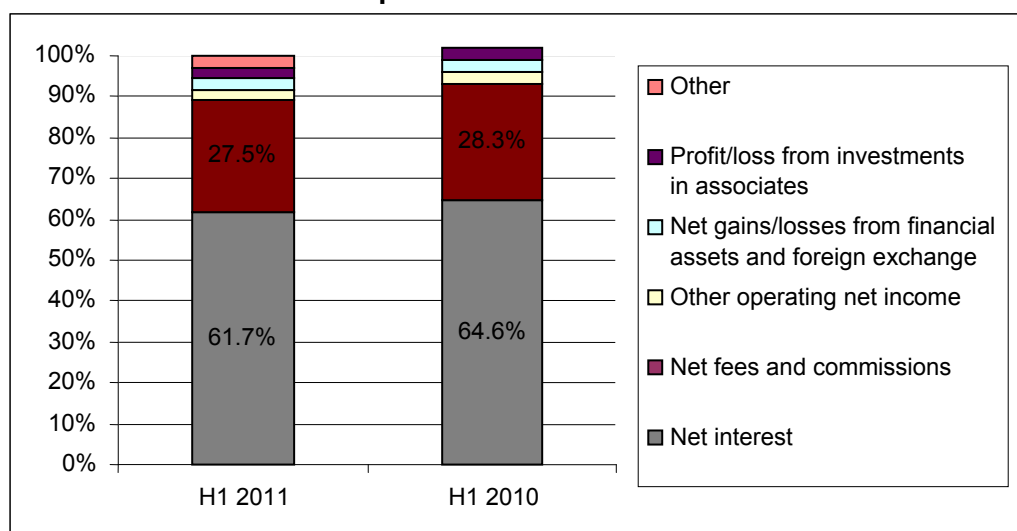
In the period from January through June 2011, the Group generated **net interest income** of €68,345 thousand, which accounted for 48.0% of the annual projection. Lower than projected net interest income is mainly the result of changes in the structure of the Group's assets and liabilities. Compared to the same period of 2010, interest expense increased by 18.7%, mainly due to higher interest rates on long-term loans and deposits raised which resulted in higher costs of funding.

**Net fee and commission income** generated by the Group in the first half of 2011 totalled €30,406 thousand, which made up 52.9% of the annual projection, mainly as a result of higher than projected fees and lower fee and commission expense. Compared to the same period of 2010, net fee and commission income fell by 3.1%, largely due to a lower fee and commission income. Fees earned on credit operations registered the most significant decrease, followed by fees on current accounts and fees charged to customers for transactions in securities.

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<sup>6</sup> For the period from January through June 2011, the income tax expense from continuing operations of the Group totalled €2,238 thousand, while the income from deferred taxes amounted to €3,429 thousand.

## Structure of income and expense



The **dividend income** generated in the first half of 2011 made up 89.9% of the annual projection. This income totalled €2,720 thousand and pertains mainly to the dividends from Mercator (€1,578 thousand), Gorenjska banka (€574 thousand), Petrol (€322 thousand) and Cinkarna Celje (€139 thousand).

**Gains on financial assets and liabilities not measured at fair value through profit or loss** amounted to €837 thousand in the first half of 2011, well above the projection of €100 thousand for the year as a whole. This result derived mainly from net gain on loans in the amount of €933 thousand, which was partially offset by a net loss of €117 thousand incurred on available-for-sale financial assets.

**Net gains on financial assets and liabilities held for trading** totalled €629 thousand, compared to a net loss of €5,875 thousand reported for the same period last year. Net gains reported for the first half of 2011 were primarily due to the net gain from the purchase and sale of foreign exchange (€294 thousand), net gain on derivatives (€180 thousand), and net gain from trading in equity instruments (€155 thousand).

**Net loss on financial assets and liabilities designated at fair value through profit or loss** amounted to €2,161 thousand (H1 2010: net loss of €3,340 thousand) and relates to the impairment of securities designated at fair value.

**Net gains on exchange rate differences** were €3,515 thousand (H1 2010: net gain of €11,365 thousand). The main reason for a decrease in foreign exchange gains was a smaller change in exchange rate for Swiss franc compared to the same period last year. As regards currency risk, the Group is primarily exposed to fluctuations in the Swiss franc exchange rate since it maintains a very long position in this currency. The Group uses derivatives to protect its long position in Swiss francs.

**Other operating net income**, which includes mainly the income from the sale of real estate and other property, totalled €2,766 thousand, or 18.5% of the annual projection. The lower than expected results were due to the Group's engagement in the real estate operations which are affected by the difficulties in the construction industry.

**Administration costs, including depreciation and amortisation**, reached €60,144 thousand, which accounted for 48.2% of the annual projection. Administration costs, including depreciation and amortisation, increased by 3% compared to the same period last year. In relative terms, depreciation and amortisation costs increased the most (10.8%). Higher depreciation of property, plant and equipment, and amortisation of intangible assets were due to larger investments in buildings (in particular 'Maistrov dvor') and computer

equipment. Also, it needs to be pointed out that Credy banka a.d. and the operating costs associated with this bank were not included in the Group's accounts for the first quarter of 2010. The Group expects more significant positive financial effects resulting from the restructuring of Credy banka a.d. to be seen this year and in the coming years. The ratio of operating costs as a percentage of the average total assets was 2.05%, a decrease of 0.16 percentage points from 2010. The cost-to-income ratio improved as well, from 55.97% at the end of 2010 to 54.34% for the period from January through June 2011.

The half-year results of both associated companies (Zavarovanica Maribor d.d. and Moja naložba d.d.) were better than projected, so the Group made a profit of €2,801 thousand from **investments in associated companies**, which accounted for 56.4% of the annual projection.

**Total profit from non-current assets and disposal groups classified as held for sale** amounted to €270 thousand in the first half of 2011, as a result of selling holiday apartments of Nova KBM above their book value.

The Group's **return on average equity** (ROAE) after tax stood at 1.20%, which was approximately two times worse than at the end of 2010.

The Group's **return on average assets** (ROAA) after tax was 0.06%, which was less than at the end of 2010 and also less than projected for 2011. ROAA of six Group companies was below the ratio reported by the Group as a whole.

**Margin of financial intermediation**, calculated on the average total assets, was 3.83%, down 0.12 percentage points from the end of 2010. **Interest margin**, calculated on the average total assets, was 2.35%, a decrease of 0.18 percentage points from the end of 2010.

Moderate and unstable economic growth, together with increasing payment indiscipline, is causing a further deterioration in the credit risk of the Group.

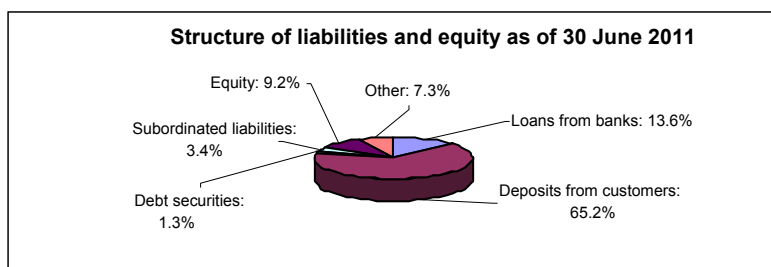


## Financial position of the Nova KBM Group

The **Group's total assets** amounted to €5,844,249 thousand as of 30 June 2011, a decrease of €22,408 thousand from the 2010 year-end. At the end of June 2011, the aggregate market share of Nova KBM and PBS in terms of total assets accounted for 11.2% of the Slovene banking system.

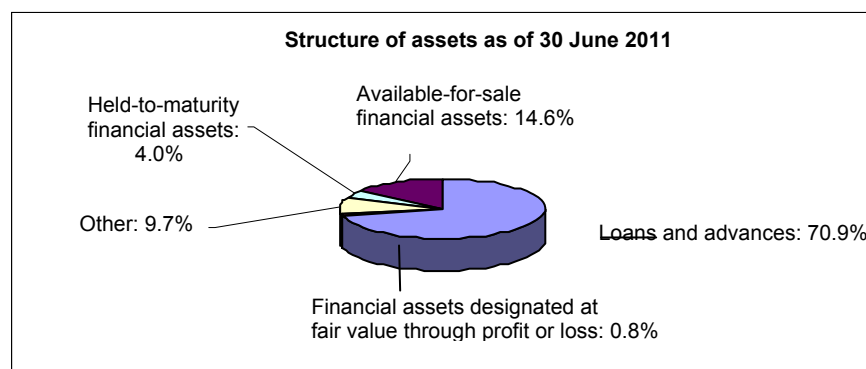
As regards the Group's structure of **liabilities and equity**, the most notable changes in the period from January through June 2011 were as follows:

- loans and advances from banks fell by €280,322 thousand, or 26%, mainly due to the repayment of loans which Nova KBM contracted in previous years
- total equity increased by €100,657 thousand, or 23%, mainly as a result of capital raising by Nova KBM
- customer deposits increased by €113,393 thousand or 3%
- financial liabilities due to the central bank rose by €19,990 thousand or 15%
- debt securities increased by €11,218 thousand, or 17%, mainly due to the issue of certificates of deposit by Nova KBM.



As regards the Group's structure of **assets**, the most notable changes in the period from January through June 2011 were as follows:

- net loans and advances decreased by €136,657 thousand or 3% (loans and advances to banks decreased by €39,039 thousand, while loans and advances to customers decreased by €97,618 thousand)
- available-for-sale financial assets fell by €22,729 thousand, or 3%, mainly as a result of the maturity of the KBM 6 bond
- held-to-maturity financial assets increased by €54,251 thousand, largely due to the purchase of bonds by Nova KBM
- financial assets designated at fair value through profit or loss increased by €29,978 thousand.



## Plans till the end of 2011

The planning of the business policy and financial plan of the Group and the Bank for the year 2011 was based on the strategy of the Group, as well as on the starting points formulated in November 2010 and thereafter discussed and approved by the Bank's Supervisory Board. The latest forecasts with respect to the economic activity in the eurozone in the years 2011 and 2012 are more favourable, yet there is still some concern as to the speed and stability of economic growth.

In the first half of 2008, the Management Board of Nova KBM, together with the management of subsidiary and associated companies, formulated common strategic guidelines and objectives for the period until 2013. These were adjusted during 2009 and 2010 due to the global economic crisis and changes in the environment. The amended strategy was adopted by all Group companies and was approved by the Bank's Supervisory Board in May 2010. The Nova KBM Group will continue to pursue the guidelines and orientations set out in the strategy. Their implementation, however, will depend upon the operating conditions in the period of the crisis and gradual economic recovery. Both the Group and the Bank therefore favour stability over growth in accomplishing their 2011 business objectives, while considering prevailing economic and financial market conditions.

For 2011, the Group projected a pre-tax profit of €33.9 million from continuing operations. Net profit of the Group was projected at €28 million, of which €23.4 million is to be attributable to majority shareholders. Due to slower than anticipated improvement in the quality of the loan portfolio as a result of sluggish recovery of real economy, the 2011 level of impairment losses is expected to exceed the projection. Despite the weak results in the first half of the year, we expect the performance of the Group to improve in the third and fourth quarters, and the results of the second half of 2011 to be in line with projections.

The Group's total assets for the 2011 year-end are projected at €5,959 million, slightly above the figure reported for the end of 2010. The Group's total equity at the end of 2011 will amount to €567.2 million, while the equity attributable to owners of the parent will total €523.1 million.

Interest margin is projected to account for 2.38% of the average total assets, while net non-interest income is projected to account for 1.40% of the average total assets. Margin of financial intermediation is therefore projected at 3.78% of the average total assets. Compared to the 2010 figure, the ratio of operating costs to the average total assets is projected to decrease by 0.12 percentage points to 2.09%.

# Key performance indicators of Nova KBM d.d. – the parent bank

	2011	2010	Index
<b>Statement of financial position (€000)</b>	<b>30.06.</b>	<b>31.12.</b>	
Total assets	4,766,229	4,806,511	99
Total deposits from the non-banking sector	3,117,066	3,024,912	103
Total loans to the non-banking sector	3,427,933	3,505,866	98
Total equity	478,365	375,256	127
Total impairment losses and provisions	287,519	259,167	111
<b>Statement of income (€000)</b>	<b>H1 2011</b>	<b>H1 2010</b>	
Net interest income	51,590	54,074	95
Net fee and commission income	22,207	23,549	94
Net gains/losses from trading in securities and foreign exchange	2,158	2,606	83
Other income/expense	4,115	3,805	108
Operating costs	(41,502)	(41,603)	100
Impairment losses and provisions	(31,617)	(27,416)	115
Profit from continuing operations	6,951	15,015	46
Net profit for the reporting period	5,586	10,186	55
<b>Ratios</b>	<b>30.06.</b>	<b>31.12.</b>	
Net profit per share <sup>7</sup> (€)	0.32	0.36	
Share price (€)	6.79	10.2	
Share book value <sup>8</sup> (€)	12.23	14.39	
Total capital adequacy (%)	12.45	10.05	
Capital adequacy (original own funds) (%)	10.18	7.67	
ROAA before tax (%)	0.29	0.23	
ROAE before tax (%)	3.48	3.01	
Operating costs/Average total assets (%)	1.74	1.87	
Cost/Income (%)	51.83	53.17	
<b>Ratings (long-term)</b>	<b>30.06.</b>	<b>31.12.</b>	
	Baa3 (Moody's) BBB+ (Fitch)	Baa1 (Moody's) A- (Fitch)	

<sup>7</sup> Annualised net profit/Weighted average number of shares in the period.

<sup>8</sup> The Bank's total equity at the end of the period/Total number of ordinary no-par value shares.

The Bank's market share in terms of total assets remained flat at 9.6%. Deposits from the non-banking sector increased by 3%, while the Bank's total equity went up by 27% compared to the 2010 year-end.

For the first half of 2011, the Bank reported a pre-tax profit of €6,951 thousand from continuing operations.

Net interest income was €51,590 thousand, down 5% from the same period last year.

The Bank's cost-effectiveness improved in the first six months of the year; the cost-to-income ratio came down from 53.17% at the end of 2010 to 51.83% at the end of June 2011. The ratio of operating costs to the average total assets improved as well, from 1.87% at the end of 2010 to 1.74% at the end of June 2011.

**INTERIM  
FINANCIAL REPORT OF THE  
NOVA KBM GROUP**

**30.06.2011/30.06.2010**



**INTERIM  
FINANCIAL STATEMENTS OF THE  
NOVA KBM GROUP**

## Interim Statement of Income – Nova KBM Group

€000

ITEM DESCRIPTION	Notes	Half-year ended 30.06.2011	Half-year ended 30.06.2010
Interest income and similar income	1	129,896	123,409
Interest expense and similar expense	1	(61,551)	(51,852)
<b>Net interest income</b>	<b>1</b>	<b>68,345</b>	<b>71,557</b>
<b>Dividend income</b>	<b>2</b>	<b>2,720</b>	<b>104</b>
Fee and commission income	3	49,515	51,105
Fee and commission expense	3	(19,109)	(19,726)
<b>Net fee and commission income</b>	<b>3</b>	<b>30,406</b>	<b>31,379</b>
Realised gains on financial assets and liabilities not measured at fair value through profit or loss		837	780
Net gains/losses on financial assets and liabilities held for trading	4	629	(5,875)
Losses on financial assets (and liabilities) designated at fair value through profit or loss		(2,161)	(3,340)
Net exchange differences	5	3,515	11,365
Net gains/losses on derecognition of assets excluding non-current assets held for sale		560	(42)
Other operating net income		2,766	3,536
Administration costs	6	(51,959)	(51,031)
Depreciation and amortisation		(8,185)	(7,387)
Provisions	7	(7,136)	(2,008)
Impairment losses	8	(41,774)	(27,676)
Share of profits of associates and joint ventures accounted for using the equity method	9	2,801	3,693
Total profit from non-current assets and disposal groups classified as held for sale		270	223
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>1,634</b>	<b>25,278</b>
Income tax expense related to profit from continuing operations		1,191	(8,037)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>2,825</b>	<b>17,241</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,825</b>	<b>17,241</b>
a) Attributable to owners of the parent		1,821	15,021
b) Attributable to non-controlling interest		1,004	2,220
Basic earnings per share (€)		0.05	0.58
Diluted earnings per share (€)		0.05	0.58

The notes are an integral part of these financial statements.

## Interim Statement of Income – Nova KBM Group

€000

ITEM DESCRIPTION	2011		2010			
	Q2	Q1	Q4	Q3	Q2	Q1
Interest income and similar income	65,039	64,857	67,116	63,701	62,526	60,883
Interest expense and similar expense	(32,078)	(29,473)	(27,687)	(27,385)	(26,403)	(25,449)
<b>Net interest income</b>	<b>32,961</b>	<b>35,384</b>	<b>39,429</b>	<b>36,316</b>	<b>36,123</b>	<b>35,434</b>
<b>Dividend income</b>	<b>2,720</b>	<b>0</b>	<b>32</b>	<b>1,595</b>	<b>104</b>	<b>0</b>
Fee and commission income	25,086	24,429	26,781	26,173	26,946	24,159
Fee and commission expense	(9,719)	(9,390)	(11,132)	(10,119)	(10,566)	(9,160)
<b>Net fee and commission income</b>	<b>15,367</b>	<b>15,039</b>	<b>15,649</b>	<b>16,054</b>	<b>16,380</b>	<b>14,999</b>
Realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	106	731	2,359	(1,753)	(103)	883
Net gains/losses on financial assets and liabilities held for trading	(2,004)	2,633	(7,885)	1,312	(3,670)	(2,205)
Gains/losses on financial assets (and liabilities) designated at fair value through profit or loss	(2,481)	320	2,021	(109)	(2,802)	(538)
Net exchange differences	7,357	(3,842)	5,112	(1,329)	7,641	3,724
Net gains/losses on derecognition of assets excluding non-current assets held for sale	552	8	(54)	(14)	(10)	(32)
Other operating net income	1,496	1,270	4,915	835	1,434	2,102
Administration costs	(27,675)	(24,284)	(33,118)	(29,269)	(27,953)	(23,078)
Depreciation and amortisation	(4,176)	(4,009)	(3,960)	(3,905)	(3,779)	(3,608)
Provisions	(1,973)	(5,163)	(1,224)	7	(1,245)	(763)
Impairment losses	(26,554)	(15,220)	(32,003)	(20,318)	(13,397)	(14,279)
Share of profits of associates and joint ventures accounted for using the equity method	1,171	1,630	71	1,897	1,558	2,135
Total profit/loss from non-current assets and disposal groups classified as held for sale	202	68	61	(1)	271	(48)
<b>PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>(2,931)</b>	<b>4,565</b>	<b>(8,595)</b>	<b>1,318</b>	<b>10,552</b>	<b>14,726</b>
Income tax expense related to profit from continuing operations	664	527	(280)	1,729	(4,572)	(3,465)
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>(2,267)</b>	<b>5,092</b>	<b>(8,875)</b>	<b>3,047</b>	<b>5,980</b>	<b>11,261</b>
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>(2,267)</b>	<b>5,092</b>	<b>(8,875)</b>	<b>3,047</b>	<b>5,980</b>	<b>11,261</b>
a) Attributable to owners of the parent	(1,528)	3,349	(7,098)	2,857	4,872	10,149
b) Attributable to non-controlling interest	(739)	1,743	(1,777)	190	1,108	1,112
Basic earnings per share (€)	(0.08)	0.13	(0.28)	0.11	0.19	0.39
Diluted earnings per share (€)	(0.08)	0.13	(0.28)	0.11	0.19	0.39

The notes are an integral part of these financial statements.



## Interim Statement of Comprehensive Income – Nova KBM Group

€000

ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>	<b>2,825</b>	<b>17,241</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>(2,225)</b>	<b>(246)</b>
<b>Foreign currency translation differences arising from consolidation</b>	<b>2,542</b>	<b>(562)</b>
Translation gains/losses taken to equity	2,542	(562)
<b>Available-for-sale financial assets</b>	<b>(5,119)</b>	<b>(509)</b>
Valuation losses taken to equity	(5,014)	(509)
Transferred to profit or loss	(105)	0
<b>Share of other recognised comprehensive income/loss of associates and joint ventures accounted for using the equity method</b>	<b>(829)</b>	<b>749</b>
<b>Income tax relating to components of other comprehensive income</b>	<b>1,181</b>	<b>76</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX</b>	<b>600</b>	<b>16,995</b>
a) Attributable to owners of the parent	(516)	14,285
b) Attributable to non-controlling interest	1,116	2,710

The notes are an integral part of these financial statements.

## Interim Statement of Comprehensive Income – Nova KBM Group

€000

ITEM DESCRIPTION	2011		2010			
	Q2	Q1	Q4	Q3	Q2	Q1
<b>NET PROFIT/LOSS FOR THE PERIOD AFTER TAX</b>	<b>(2,267)</b>	<b>5,092</b>	<b>(8,875)</b>	<b>3,047</b>	<b>5,980</b>	<b>11,261</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>(3,396)</b>	<b>1,171</b>	<b>(6,686)</b>	<b>3,809</b>	<b>(8,253)</b>	<b>8,007</b>
Foreign currency translation differences arising from consolidation	1,615	927	(71)	(465)	(428)	(134)
Translation gains/losses taken to equity	1,615	927	(71)	(465)	(428)	(134)
<b>Available-for-sale financial assets</b>	<b>(6,191)</b>	<b>1,072</b>	<b>(7,424)</b>	<b>5,676</b>	<b>(9,922)</b>	<b>9,413</b>
Valuation gains/losses taken to equity	(6,106)	1,092	(6,734)	4,369	(9,922)	9,413
Transferred to profit or loss	(85)	(20)	(690)	1,307	0	0
<b>Share of other recognised comprehensive income of associates and joint ventures accounted for using the equity method</b>	<b>(39)</b>	<b>(790)</b>	<b>(848)</b>	<b>73</b>	<b>161</b>	<b>588</b>
<b>Income tax relating to components of other comprehensive income</b>	<b>1,219</b>	<b>(38)</b>	<b>1,657</b>	<b>(1,475)</b>	<b>1,936</b>	<b>(1,860)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX</b>	<b>(5,663)</b>	<b>6,263</b>	<b>(15,561)</b>	<b>6,856</b>	<b>(2,273)</b>	<b>19,268</b>
a) Attributable to owners of the parent	(5,385)	4,869	(13,181)	6,714	(3,403)	17,688
b) Attributable to non-controlling interest	(278)	1,394	(2,380)	142	1,130	1,580

The notes are an integral part of these financial statements.



## Interim Statement of Financial Position – Nova KBM Group

€000

ITEM DESCRIPTION	Notes	30.06.2011	31.12.2010
Cash and balances with the central bank	10	143,246	140,398
Financial assets held for trading	11	6,415	3,148
Financial assets designated at fair value through profit or loss	12	46,683	16,705
Available-for-sale financial assets	13	855,277	878,006
Loans and advances		4,144,630	4,281,287
- loans and advances to banks	14	207,321	246,360
- loans and advances to customers	15	3,937,309	4,034,927
Held-to-maturity financial assets	16	234,471	180,220
Non-current assets and disposal groups classified as held for sale and discontinued operations		6,374	1,371
Property, plant and equipment		91,349	92,699
Investment property		38,960	44,966
Intangible assets		32,649	32,481
Investments in associates and joint ventures accounted for using the equity method		43,853	41,719
Tax assets		13,185	14,279
- current tax assets		1,387	3,739
- deferred tax assets		11,798	10,540
Other assets		187,157	139,378
<b>TOTAL ASSETS</b>		<b>5,844,249</b>	<b>5,866,657</b>
Financial liabilities due to the central bank		150,139	130,149
Financial liabilities held for trading		5,510	6,112
Financial liabilities measured at amortised cost	17	5,061,568	5,215,538
- deposits from banks	17	165,554	168,546
- deposits from customers	17	3,825,697	3,712,304
- loans from banks	17	796,507	1,076,829
- loans from customers	17	202	348
- debt securities		76,690	65,472
- subordinated liabilities	17	196,918	192,039
Provisions	18	29,412	22,620
Tax liabilities		4,845	6,023
- current tax liabilities		1,922	217
- deferred tax liabilities		2,923	5,806
Other liabilities		53,129	47,226
<b>TOTAL LIABILITIES</b>		<b>5,304,603</b>	<b>5,427,668</b>
Share capital	19	40,814	27,210
Share premium	19	165,775	78,314
Revaluation reserves		(10,140)	(5,542)
Translation reserves		1,394	(868)
Reserves from profit		297,115	297,010
Treasury shares		(1,412)	(1,412)
Retained earnings (including net profit for the period)		3,905	2,188
<b>SHAREHOLDERS' EQUITY EXCLUDING NON-CONTROLLING INTEREST</b>		<b>497,451</b>	<b>396,900</b>
<b>Non-controlling interest</b>		<b>42,195</b>	<b>42,089</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>539,646</b>	<b>438,989</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,844,249</b>	<b>5,866,657</b>

The notes are an integral part of these financial statements.

## Interim Statement of Cash Flows – Nova KBM Group

€000

Designation	ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>a)</b>	<b>Total profit or loss before tax</b>	<b>1,634</b>	<b>25,278</b>
	Depreciation and amortisation	8,185	7,387
	Impairment of held-to-maturity financial assets	17	0
	Impairment of tangible assets, investment property, intangible assets and other assets	44	58
	Share of (profit) of associates and joint ventures accounted for using the equity method	(2,801)	(3,693)
	Net (gains) from exchange differences	(3,515)	(11,365)
	Net (gains)/losses from held-to-maturity financial assets	21	(5)
	Net (gains)/losses from the sale of tangible assets and investment properties	(939)	42
	Other losses from financing activities	5,648	5,772
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and liabilities associated therewith	(270)	(223)
	Net unrealised (losses) in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	(5,119)	(509)
	Other adjustments to total profit or loss before tax	3,024	(1,090)
	Cash flow from operating activities before changes in operating assets and liabilities	5,929	21,652
<b>b)</b>	<b>(Increase)/decrease in operating assets (excluding cash equivalents)</b>	<b>55,650</b>	<b>(28,766)</b>
	Net (increase) in financial assets held for trading	(3,245)	(174)
	Net (increase) in financial assets designated at fair value through profit or loss	(29,909)	(7,941)
	Net decrease in available-for-sale financial assets	23,028	94,082
	Net (increase)/decrease in loans and advances	108,181	(108,499)
	Net (increase)/decrease in non-current assets held for sale	493	(1,061)
	Net (increase) in other assets	(42,898)	(5,173)
<b>c)</b>	<b>Increase/(decrease) in operating liabilities</b>	<b>(131,684)</b>	<b>11,233</b>
	Net increase in financial liabilities to the central bank	19,990	26,018
	Net increase/(decrease) in financial liabilities held for trading	(602)	5,474
	Net increase/(decrease) in deposits and loans measured at amortised cost	(168,040)	10,215
	Net increase/(decrease) in debt securities in issue measured at amortised cost	11,218	(29,000)
	Net increase/(decrease) in other liabilities	5,750	(1,474)
<b>d)</b>	<b>Cash flow from operating activities (a+b+c)</b>	<b>(70,105)</b>	<b>4,119</b>
<b>e)</b>	<b>Income taxes (paid)/refunded</b>	<b>6,332</b>	<b>(1,341)</b>
<b>f)</b>	<b>Net cash flow from operating activities (d+e)</b>	<b>(63,773)</b>	<b>2,778</b>

		€000	
Designation	ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>a)</b>	<b>Receipts from investing activities</b>	<b>11,601</b>	<b>55,122</b>
	Receipts from the sale of tangible assets and investment properties	7,267	1,373
	Receipts from non-current assets or liabilities held for sale	370	344
	Receipts from the sale of held-to-maturity financial assets	3,964	14,611
	Cash assets acquired through business combination	0	34,997
	Other receipts from investing activities	0	3,797
<b>b)</b>	<b>Cash payments on investing activities</b>	<b>(78,159)</b>	<b>(63,073)</b>
	(Cash payments to acquire tangible assets and investment properties)	(12,215)	(4,874)
	(Cash payments to acquire intangible assets)	(3,564)	(2,162)
	(Cash payments for the investments in subsidiaries)	0	(9,416)
	(Cash outflow to non-current assets and liabilities held for sale)	(13)	0
	(Cash payments to acquire held-to-maturity financial assets)	(55,445)	(46,621)
	(Other cash payments on investing activities)	(6,922)	0
<b>c)</b>	<b>Net cash flow from investing activities (a+b)</b>	<b>(66,558)</b>	<b>(7,951)</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>a)</b>	<b>Cash proceeds from financing activities</b>	<b>104,327</b>	<b>0</b>
	Cash proceeds from subordinated liabilities issued	0	0
	Cash proceeds from issuing shares and other equity instruments	104,327	0
<b>b)</b>	<b>Cash payments on financing activities</b>	<b>(5,219)</b>	<b>(4,218)</b>
	(Dividends paid)	(1,009)	(3,126)
	(Repayments of subordinated liabilities)	(948)	(1,092)
	(Other payments related to financing activities)	(3,262)	0
<b>c)</b>	<b>Net cash flow from financing activities (a+b)</b>	<b>99,108</b>	<b>(4,218)</b>
<b>D.</b>	<b>Effects of change in exchange rates on cash and cash equivalents</b>	<b>1,969</b>	<b>6,227</b>
<b>E.</b>	<b>Net increase in cash and cash equivalents (Af+Bc+Cc)</b>	<b>(31,223)</b>	<b>(9,391)</b>
<b>F.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>324,734</b>	<b>319,859</b>
<b>G.</b>	<b>Closing balance of cash and cash equivalents (D+E+F)</b>	<b>295,480</b>	<b>316,695</b>

Reconciliation of cash and cash equivalents with the statement of financial position items as of 30 June 2011 is presented in Note 10.

The balance of cash and cash equivalents as of 30 June 2010 amounted to €316,695 thousand and was made up of cash and balances with the central bank, in the amount of €186,450 thousand, and loans and advances to banks with original maturity of up to three months, in the amount of €130,245 thousand.

## Cash Flows from Interest and Dividends

		€000	
		Half-year ended 30.06.2011	Half-year ended 30.06.2010
Interest paid		(63,724)	(59,467)
Interest received		124,923	120,257
Dividends paid		(1,009)	(4,609)
Dividends received		1,513	1,715

The notes are an integral part of these financial statements.



## Interim Statement of Changes in Equity for the period from 01.01.2011 to 30.06.2011 – Nova KBM Group

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Treasury shares (capital deduction items)	Equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
<b>OPENING BALANCE FOR THE REPORTING PERIOD</b>	<b>27,210</b>	<b>78,314</b>	<b>(5,542)</b>	<b>(868)</b>	<b>297,010</b>	<b>2,188</b>	<b>(1,412)</b>	<b>396,900</b>	<b>42,089</b>	<b>438,989</b>
<b>Total comprehensive income for the period after tax</b>	<b>0</b>	<b>0</b>	<b>(4,599)</b>	<b>2,262</b>	<b>105</b>	<b>1,716</b>	<b>0</b>	<b>(516)</b>	<b>1,116</b>	<b>600</b>
New share capital subscribed (paid)	13,604	90,723	0	0	0	0	0	104,327	0	104,327
Appropriation of (accounting for) dividends	0	0	0	0	0	0	0	0	(1,008)	(1,008)
Other	0	(3,262)	1	0	0	1	0	(3,260)	(2)	(3,262)
<b>CLOSING BALANCE FOR THE REPORTING PERIOD</b>	<b>40,814</b>	<b>165,775</b>	<b>(10,140)</b>	<b>1,394</b>	<b>297,115</b>	<b>3,905</b>	<b>(1,412)</b>	<b>497,451</b>	<b>42,195</b>	<b>539,646</b>

Other: costs associated with the subscription and payment for new shares.

The notes are an integral part of these financial statements.



## Interim Statement of Changes in Equity for the period from 01.01.2010 to 30.06.2010 – Nova KBM Group

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
<b>OPENING BALANCE FOR THE REPORTING PERIOD</b>	<b>27,210</b>	<b>78,314</b>	<b>(3,484)</b>	<b>26</b>	<b>281,138</b>	<b>9,161</b>	<b>392,365</b>	<b>38,909</b>	<b>431,274</b>
<b>Total comprehensive income for the period after tax</b>	<b>0</b>	<b>0</b>	<b>(285)</b>	<b>(451)</b>	<b>0</b>	<b>15,021</b>	<b>14,285</b>	<b>2,710</b>	<b>16,995</b>
Takeover of Credy banka a.d.	0	0	0		0	0	0	3,134	3,134
Appropriation of (accounting for) dividends	0	0	0	0	0	0	0	(2,330)	(2,330)
Transfer of net profit to reserves from profit	0	0	0	0	5,860	(5,860)	0	0	0
Other	(1)	0	(131)	0	1	47	(84)	(80)	(164)
<b>CLOSING BALANCE FOR THE REPORTING PERIOD</b>	<b>27,209</b>	<b>78,314</b>	<b>(3,900)</b>	<b>(425)</b>	<b>286,999</b>	<b>18,369</b>	<b>406,566</b>	<b>42,343</b>	<b>448,909</b>

The notes are an integral part of these financial statements.

## **Notes to the financial statements of the Nova KBM Group**

The financial statements of the Group for the period ended 30 June 2011 were authorised for issue on 2 August 2011 by the Management Board of Nova KBM d.d.

### **Statement of compliance**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

The interim financial report is prepared in a condensed form and includes selected explanatory notes as requested in accordance with IFRSs.

The interim financial statements are unaudited.

### **Presentation and functional currency**

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

All amounts in the consolidated financial statements and in notes to the financial statements are expressed in thousands of euros except where stated otherwise. Due to rounding off of individual amounts, calculation differences may occur upon data aggregation.

### **Significant accounting policies**

Adopted accounting policies have been consistently applied in both reporting periods presented in these consolidated financial statements.

The accounting policies applied are presented in detail in the 2010 Annual Report of the Nova KBM Group.

## Notes to the statement of income items

### 1 Interest income and expense

#### Analysis of interest by market segments

	H1 2011		H1 2010	
	Income	Expense	Income	Expense
Non-financial companies	65,376	2,459	63,300	2,414
State	10,058	11,282	10,175	8,865
Banks	8,357	19,068	6,321	15,108
Other financial organisations	3,943	5,231	3,754	4,727
Households	31,932	21,739	29,523	19,226
Foreign persons	10,065	1,653	10,148	1,385
Non-profit household service providers	165	119	188	127
<b>Total</b>	<b>129,896</b>	<b>61,551</b>	<b>123,409</b>	<b>51,852</b>
<b>Net interest income</b>	<b>68,345</b>		<b>71,557</b>	

#### Analysis of interest income and expense by type of assets and liabilities

	H1 2011		H1 2010	
	Current	Non-current	Current	Non-current
<b>Interest income</b>				
Balances with the central bank	407	0	387	0
Financial assets held for trading	0	0	92	0
Financial assets designated at fair value through profit or loss	0	60	0	59
Available-for-sale financial assets	9,391	2,448	2,990	9,960
Loans and advances (including finance leases)	38,751	74,392	41,573	65,051
Held-to-maturity financial assets	108	3,965	553	2,304
Other claims	374	0	440	0
<b>Total by maturity</b>	<b>49,031</b>	<b>80,865</b>	<b>46,035</b>	<b>77,374</b>
<b>Total</b>	<b>129,896</b>		<b>123,409</b>	
<b>Interest expense</b>				
Financial liabilities due to the central bank	503	0	264	754
Financial liabilities held for trading	0	39	0	22
Financial liabilities measured at amortised cost	16,448	44,560	13,743	37,061
Other financial liabilities (including finance leases)	1	0	8	0
<b>Total by maturity</b>	<b>16,952</b>	<b>44,599</b>	<b>14,015</b>	<b>37,837</b>
<b>Total</b>	<b>61,551</b>		<b>51,852</b>	
<b>Net interest income</b>	<b>68,345</b>		<b>71,557</b>	

## 2 Dividend income

	H1 2011	H1 2010
<b>Financial assets held for trading</b>	<b>30</b>	<b>103</b>
- shares and participating interests in banks	2	90
- shares and participating interests in other issuers	28	13
<b>Financial assets designated at fair value through profit or loss</b>	<b>537</b>	<b>0</b>
- shares and participating interests in banks	29	0
- shares and participating interests in other issuers	508	0
<b>Available-for-sale financial assets</b>	<b>2,153</b>	<b>1</b>
- shares and participating interests in banks	574	0
- shares and participating interests in other issuers	1,579	1
<b>Total</b>	<b>2,720</b>	<b>104</b>

## 3 Fee and commission income and expense

	H1 2011	H1 2010
<b>Fee and commission income</b>	<b>49,515</b>	<b>51,105</b>
Guarantees	2,245	2,451
Domestic payment transactions	26,249	25,858
International payment transactions	1,912	1,119
Brokerage and agency services	115	76
Transactions in securities for customers	186	2,040
Credit operations	6,179	7,854
Transactions under current accounts	3,788	4,681
Card operations	5,497	4,939
Electronic banking	519	534
Safekeeping of objects and valuables	41	30
Other services	2,784	1,523
<b>Fee and commission expense</b>	<b>19,109</b>	<b>19,726</b>
Domestic banking services	2,566	2,635
Banking services abroad	1,698	658
Brokerage and agency services	162	206
Stock exchange transactions and other transactions in securities	189	149
Payment transactions	13,933	15,397
Other services	561	681
<b>Net fee and commission income</b>	<b>30,406</b>	<b>31,379</b>

## 4 Net gains/losses on financial assets and liabilities held for trading

	H1 2011			H1 2010		
	Gains	Losses	Net gains/losses	Gains	Losses	Net gains/losses
Trading in equity instruments	433	278	155	821	617	204
Trading in debt securities	0	0	0	194	67	127
Trading in foreign exchange (purchase/sale)	1,287	993	294	1,162	771	391
Trading in derivatives	11,183	11,003	180	5,659	12,256	(6,597)
- futures/forwards	11,133	11,195	(62)	5,659	11,627	(5,968)
- swaps	50	(192)	242	0	629	(629)
<b>Total</b>	<b>12,903</b>	<b>12,274</b>	<b>629</b>	<b>7,836</b>	<b>13,711</b>	<b>(5,875)</b>

## 5 Net exchange differences

	H1 2011	H1 2010
Foreign exchange gains	31,499	31,861
Foreign exchange losses	27,984	20,496
<b>Net foreign exchange gain</b>	<b>3,515</b>	<b>11,365</b>

## 6 Administration costs

	H1 2011	H1 2010
<b>Staff expenses</b>		
Gross salaries	22,976	23,207
Social security and pension insurance contribution	4,169	4,180
Pay for annual leave	1,536	1,593
Other staff costs	2,457	3,088
<b>Total</b>	<b>31,138</b>	<b>32,068</b>
<b>General and administrative expenses</b>		
Cost of material	2,546	1,654
Cost of services	10,764	10,659
Maintenance costs of fixed assets	3,237	3,016
Advertising costs	2,464	2,160
Other administrative costs	1,810	1,474
<b>Total</b>	<b>20,821</b>	<b>18,963</b>
<b>Total administration costs</b>	<b>51,959</b>	<b>51,031</b>

## 7 Provisions

	H1 2011	H1 2010
Provisions for off-balance sheet liabilities	6,471	1,470
Provisions for pending legal issues	706	275
Other provisions	(41)	263
<b>Total</b>	<b>7,136</b>	<b>2,008</b>

## 8 Impairment losses

	H1 2011	H1 2010
Financial assets not measured at fair value through profit or loss	41,459	27,710
Other assets	315	(34)
<b>Total impairment losses</b>	<b>41,774</b>	<b>27,676</b>

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

	H1 2011	H1 2010
Financial assets measured at cost	1,080	0
Available-for-sale financial assets	548	392
Loans and advances measured at amortised cost	39,814	27,318
- loans and advances to banks	(191)	(918)
- loans and advances to customers	40,005	28,236
Held-to-maturity financial assets measured at amortised cost	17	0
<b>Total impairment of financial assets not measured at fair value through profit or loss</b>	<b>41,459</b>	<b>27,710</b>

## 9 Share of profit of associates accounted for using the equity method

	H1 2011	H1 2010
Zavarovalnica Maribor d.d.	2,595	3,504
Moja naložba d.d.	206	189
<b>Total</b>	<b>2,801</b>	<b>3,693</b>

## Notes to the statement of financial position items

### 10 Cash and cash equivalents

	30.06.2011	31.12.2010
Cash and balances with the central bank	143,246	140,398
Loans and advances to banks	152,234	184,336
<b>Total</b>	<b>295,480</b>	<b>324,734</b>

### 11 Financial assets held for trading

	30.06.2011	31.12.2010
<b>Derivatives</b>	<b>6,066</b>	<b>2,705</b>
<b>Equity instruments</b>	<b>349</b>	<b>443</b>
- of banks	97	169
- of other issuers	252	274
<b>Total</b>	<b>6,415</b>	<b>3,148</b>
Quoted	349	443
Unquoted	6,066	2,705
<b>Total</b>	<b>6,415</b>	<b>3,148</b>

### Movement in financial assets held for trading

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>3,148</b>	<b>17,308</b>
<b>Increase during the year</b>	<b>14,089</b>	<b>32,801</b>
- assets acquired through business combination	0	3,062
- acquisition	10,384	27,741
- exchange differences	22	1
- change in fair value (increase in value)	3,360	699
- other (deferred interest, realised gains)	323	1,298
<b>Decrease during the year</b>	<b>10,822</b>	<b>46,961</b>
- disposal (sale and redemption)	10,672	46,042
- change in fair value (impairment)	31	(139)
- exchange differences	0	223
- other (deferred interest, realised losses)	119	835
<b>As of 30.06.2011/31.12.2010</b>	<b>6,415</b>	<b>3,148</b>

### 12 Financial assets designated at fair value through profit or loss

	30.06.2011	31.12.2010
Equity instruments	43,597	13,488
Debt securities	3,086	3,217
<b>Total</b>	<b>46,683</b>	<b>16,705</b>
Quoted	34,151	4,197
Unquoted	12,532	12,508
<b>Total</b>	<b>46,683</b>	<b>16,705</b>



### Movement in financial assets designated at fair value through profit or loss

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>16,705</b>	<b>24,736</b>
<b>Increase during the year</b>	<b>33,198</b>	<b>20,741</b>
- acquisition	32,271	19,878
- change in fair value (increase in value)	819	14
- deferred interest	60	120
- exchange differences	48	40
- other	0	689
<b>Decrease during the year</b>	<b>3,220</b>	<b>28,772</b>
- disposal (sale and redemption)	210	26,553
- change in fair value (impairment)	3,010	2,045
- interest received	0	120
- exchange differences	0	54
<b>As of 30.06.2011/31.12.2010</b>	<b>46,683</b>	<b>16,705</b>

### 13 Available-for-sale financial assets

	30.06.2011	31.12.2010
<b>Available-for-sale equity instruments designated at fair value</b>	<b>72,234</b>	<b>75,633</b>
<b>Available-for-sale equity instruments measured at cost</b>	<b>37,454</b>	<b>8,159</b>
<b>Available-for-sale debt securities</b>	<b>745,589</b>	<b>794,214</b>
- issued by the state and the central bank	342,316	373,296
- issued by banks	367,974	386,871
- issued by other issuers	35,299	34,047
<b>Total</b>	<b>855,277</b>	<b>878,006</b>
Quoted	817,744	828,984
Unquoted	37,533	49,022
<b>Total</b>	<b>855,277</b>	<b>878,006</b>

### Movement in available-for-sale financial assets

	Equity instruments		Debt securities	Total
	At fair value	At cost		
<b>As of 01.01.2011</b>	<b>75,633</b>	<b>8,159</b>	<b>794,214</b>	<b>878,006</b>
Recognition of new financial assets	0	30,379	16,893	47,272
Interest	0	0	(7,320)	(7,320)
Net exchange rate differences	12	(3)	397	406
Net revaluation through equity	(2,845)	0	(2,274)	(5,119)
Net impairment through profit or loss	533	(1,081)	0	(548)
Derecognition of financial assets	(1,097)	0	(55,994)	(57,091)
Net gains/losses on sale	(2)	0	(327)	(329)
<b>As of 30.06.2011</b>	<b>72,234</b>	<b>37,454</b>	<b>745,589</b>	<b>855,277</b>

	Equity instruments		Debt securities	Total
	At fair value	At cost		
<b>As of 01.01.2010</b>	<b>57,680</b>	<b>8,221</b>	<b>980,265</b>	<b>1,046,166</b>
Assets acquired through business combination	134	0	0	134
Recognition of new financial assets	26,772	229	16,650	43,651
Interest	0	0	(3,243)	(3,243)
Net exchange rate differences	(10)	(12)	85	63
Net revaluation through equity	(4,255)	0	1,998	(2,257)
Net impairment through profit or loss	(1,021)	(253)	(1,334)	(2,608)
Derecognition of financial assets	(3,672)	(25)	(200,916)	(204,613)
Other	5	(1)	709	713
<b>As of 31.12.2010</b>	<b>75,633</b>	<b>8,159</b>	<b>794,214</b>	<b>878,006</b>

## 14 Loans and advances to banks

	30.06.2011	31.12.2010
Sight deposits	40,041	38,390
Impairment of sight deposits	(145)	(144)
Current loans	139,623	168,605
Impairment of current loans	(3,495)	(3,101)
Non-current loans	31,552	43,230
Impairment of non-current loans	(255)	(620)
<b>Total – net amount</b>	<b>207,321</b>	<b>246,360</b>
<b>Impairment</b>	<b>3,895</b>	<b>3,865</b>
<b>Total – gross amount</b>	<b>211,216</b>	<b>250,225</b>

## 15 Loans and advances to customers

	30.06.2011	31.12.2010
Current loans	1,077,720	1,075,442
Impairment of current loans	(125,179)	(110,179)
Non-current loans	3,215,361	3,280,266
Impairment of non-current loans	(236,082)	(213,990)
Claims under guarantees	10,714	6,967
Impairment of claims under guarantees	(5,225)	(3,579)
<b>Total – net amount</b>	<b>3,937,309</b>	<b>4,034,927</b>
<b>Impairment</b>	<b>366,486</b>	<b>327,748</b>
<b>Total – gross amount</b>	<b>4,303,795</b>	<b>4,362,675</b>

## Movement in impairment of loans and advances to customers

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>327,748</b>	<b>275,523</b>
Adjustment of opening balance	0	143
Assets acquired through business combination	0	9,443
Net impairment of principal	40,005	73,983
- additional impairment	103,095	239,097
- reversal of impairment	(63,090)	(165,114)
Additional impairment/reversal of impairment of interest	3,483	6,451
Additional impairment/reversal of impairment of fees	102	207
Write-offs of loans and advances to customers	(5,556)	(37,467)
Exchange differences	704	(535)
<b>As of 30.06.2011/31.12.2010</b>	<b>366,486</b>	<b>327,748</b>

## 16 Held-to-maturity financial assets

	30.06.2011	31.12.2010
<b>Held-to-maturity debt securities</b>		
- non-current securities issued by the state and the central bank	123,854	92,516
- non-current securities issued by banks and savings banks	98,978	76,581
- current securities issued by other issuers	942	667
- non-current securities issued by other issuers	10,697	10,456
<b>Total</b>	<b>234,471</b>	<b>180,220</b>
Quoted	233,530	179,552
Unquoted	941	668
<b>Total</b>	<b>234,471</b>	<b>180,220</b>

## Movement in held-to-maturity financial assets

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>180,220</b>	<b>145,797</b>
<b>Increase during the year</b>	<b>59,836</b>	<b>53,783</b>
- assets acquired through business combination	0	389
- acquisition	55,346	46,822
- exchange differences	74	0
- gains	57	18
- other (deferred interest)	4,359	6,554
<b>Decrease during the year</b>	<b>5,585</b>	<b>19,360</b>
- disposal (sale and redemption)	2,000	13,239
- losses	78	4
- impairment	17	18
- exchange differences	0	28
- other (interest received)	3,490	6,071
<b>As of 30.06.2011/31.12.2010</b>	<b>234,471</b>	<b>180,220</b>

## 17 Financial liabilities measured at amortised cost

	30.06.2011	31.12.2010
Deposits	3,991,251	3,880,850
Loans	796,709	1,077,177
Debt securities	76,690	65,472
Subordinated liabilities	196,918	192,039
<b>Total</b>	<b>5,061,568</b>	<b>5,215,538</b>

### Deposits by type of customers and maturity

	30.06.2011	31.12.2010
<b>Deposits from banks</b>	<b>165,554</b>	<b>168,546</b>
Sight deposits	3,734	3,344
Current deposits	160,503	164,825
Non-current deposits	1,317	377
<b>Deposits from customers</b>	<b>3,825,697</b>	<b>3,712,304</b>
Sight deposits	1,344,495	1,284,495
Current deposits	1,028,168	1,083,923
Non-current deposits	1,453,034	1,343,886
<b>Total</b>	<b>3,991,251</b>	<b>3,880,850</b>

### Loans by type of customers and maturity

	30.06.2011	31.12.2010
<b>Loans from banks</b>	<b>796,507</b>	<b>1,076,829</b>
Current loans	15,341	17,233
Non-current loans	781,166	1,059,596
<b>Loans from customers</b>	<b>202</b>	<b>348</b>
Non-current loans	202	348
<b>Total</b>	<b>796,709</b>	<b>1,077,177</b>

## Subordinated liabilities

ISIN code	Currency	Date of maturity	Interest rate	30.06.2011	31.12.2010
<b>Subordinated debt</b>					
ISIN: SI0022102279	EUR	30.09.2011	4.70%	4,319	4,219
	EUR		variable	1,275	1,294
<b>Hybrid instruments as a component of additional own funds</b>					
Pošta Slovenije d.o.o., payments 1 - 4	EUR	perpetual	6M EURIBOR + 2.70%	6,755	6,697
Pošta Slovenije d.o.o., 5 <sup>th</sup> payment	EUR	perpetual	6M EURIBOR + 3.50%	2,021	1,976
ISIN: XS0270427163	EUR	perpetual; call option after 05.10.2016	3M EURIBOR + 1.60%	50,344	50,311
ISIN: XS0325446903	EUR	perpetual; call option after 12.10.2012	7.02%	105,128	101,599
<b>Hybrid instruments as a component of original own funds</b>					
ISIN: SI0022103046	EUR	perpetual; call option after 29.12.2014	8.70%	27,076	25,943
<b>Total</b>				<b>196,918</b>	<b>192,039</b>

Subordinated liabilities are included in the calculation of capital adequacy. Hybrid instruments as a component of original own funds are included in the calculation of total original own funds, while hybrid instruments as a component of additional own funds form a part of total additional own funds. Capital risk is disclosed in Note 24.

## 18 Provisions

	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Provisions for pending legal issues	Other provisions	Total
<b>As of 01.01.2011</b>	<b>8,092</b>	<b>11,479</b>	<b>2,003</b>	<b>1,046</b>	<b>22,620</b>
Net provisions made during the year	163	6,471	706	(204)	7,136
- provisions made during the year	233	15,739	706	61	16,739
- provisions reversed during the year	(70)	(9,268)	0	(265)	(9,603)
Provisions used during the year	(327)	0	(51)	(80)	(458)
Exchange differences	40	56	18	0	114
<b>As of 30.06.2011</b>	<b>7,968</b>	<b>18,006</b>	<b>2,676</b>	<b>762</b>	<b>29,412</b>

	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Provisions for pending legal issues	Other provisions	Total
<b>As of 01.01.2010</b>	<b>7,432</b>	<b>9,117</b>	<b>4,940</b>	<b>1,785</b>	<b>23,274</b>
Assets acquired through business combination	414	1,107	126	0	1,647
Net provisions made during the year	1,493	1,327	350	55	3,225
- provisions made during the year	1,721	26,700	898	62	29,381
- provisions reversed during the year	(228)	(25,373)	(548)	(7)	(26,156)
Provisions used during the year	(1,212)	(36)	(3,401)	(794)	(5,443)
Exchange differences	<b>(35)</b>	<b>(36)</b>	<b>(12)</b>	<b>0</b>	<b>(83)</b>
<b>As of 31.12.2010</b>	<b>8,092</b>	<b>11,479</b>	<b>2,003</b>	<b>1,046</b>	<b>22,620</b>

## 19 Capital

Nova KBM d.d. raised additional capital in May 2011. The Bank's share capital has increased by €13,604 thousand to €40,814 thousand as of 30 June 2011, while the share premium has increased by €90,723 thousand. Direct costs of raising capital, which were recorded as a reduction in share premium, amounted to €3,262 thousand. As of 30 June 2011, the Bank's share premium amounted to €165,775 thousand.

## Other notes

### 20 Commitments and contingent liabilities by type

	Current	Non-current	Total
<b>As of 30.06.2011</b>			
Financial guarantees	74,645	99,043	173,688
Service guarantees	74,261	175,875	250,136
<b>Total guarantees</b>	<b>423,824</b>		<b>423,824</b>
<b>Uncollateralised letters of credit</b>	<b>267</b>	<b>0</b>	<b>267</b>
Approved and undrawn loans	97,583	66,977	164,560
Approved and undrawn overdrafts	206,173	0	206,173
Other	6,924	2	6,926
<b>Total commitments and contingent liabilities</b>	<b>377,659</b>		<b>377,659</b>
<b>Derivatives</b>	<b>165,723</b>	<b>13,510</b>	<b>179,233</b>
<b>Total</b>	<b>980,983</b>		<b>980,983</b>
<b>As of 31.12.2010</b>			
Financial guarantees	42,826	98,983	141,809
Service guarantees	88,261	178,189	266,450
<b>Total guarantees</b>	<b>408,259</b>		<b>408,259</b>
<b>Uncollateralised letters of credit</b>	<b>527</b>	<b>0</b>	<b>527</b>
Approved and undrawn loans	138,791	69,155	207,946
Approved and undrawn overdrafts	204,260	0	204,260
Other	5,949	2	5,951
<b>Total commitments and contingent liabilities</b>	<b>418,157</b>		<b>418,157</b>
<b>Derivatives</b>	<b>114,253</b>	<b>18,971</b>	<b>133,224</b>
<b>Total</b>	<b>960,167</b>		<b>960,167</b>

### 21 Related party transactions

#### Statement of financial position and off-balance sheet items

	30.06.2011
	<b>Associates</b>
Loans and advances to customers	3,011
Debt securities not held for trading	9,360
Debts due to customers	27,056
Off-balance sheet items	1,683
	<b>31.12.2010</b>
	<b>Associates</b>
Loans and advances to customers	3,011
Debt securities not held for trading	9,370
Debts due to customers	21,286
Off-balance sheet items	1,296

	30.06.2011	
	Key management personnel	Other related parties
Loans and advances to customers	743	77,566
Debts due to customers	914	2,519
Off-balance sheet items	291	4,015
	31.12.2010	
	Key management personnel	Other related parties
Loans and advances to customers	576	66,404
Debts due to customers	789	4,255
Off-balance sheet items	252	17,858

## Statement of income

	H1 2011
	Associates
Net interest income	(365)
Net fee and commission income	96
Cost of services	(348)
<b>Total</b>	<b>(617)</b>
	H1 2010
	Associates
Net interest income	(230)
Net fee and commission income	77
Cost of services	(162)
<b>Total</b>	<b>(315)</b>

	H1 2011	
	Key management personnel	Other related parties
Net interest income	2	2,048
Dividend income	0	1,578
Net fee and commission income	0	290
Cost of services	(31)	(80)
Individual impairment	0	(3,338)
Write-offs	0	0
<b>Total</b>	<b>(29)</b>	<b>498</b>

## Loans and guarantees

	Management Board members		Supervisory Board members		Other Group employees	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	Loans	64	67	58	18	3,433
Average interest rate on loans (%)	3.84	3.66	6.02	6.65	3.86	3.80
Repayments	5	12	2	202	354	800
Guarantees	0	0	0	0	0	0



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

Exposure to:	30.06.2011	31.12.2010
<b>Bank of Slovenia</b>	<b>61,923</b>	<b>64,410</b>
- settlement account	57,364	45,410
- other	4,559	19,000
<b>Republic of Slovenia</b>	<b>636,817</b>	<b>670,207</b>
- bonds, by type	426,243	460,852
- loans	4,198	8,122
- investments guaranteed by the Republic of Slovenia, by type	191,871	179,747
- other	6,357	12,063
<b>State-owned institutions</b>	<b>687,024</b>	<b>547,432</b>
- loans	257,547	197,582
- securities	270,884	248,524
- commitments and contingent liabilities	124,729	81,208
- other	33,864	20,118
<b>Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions</b>	<b>1,385,764</b>	<b>1,282,049</b>
Share in total assets (%)	23.71	21.85
Off-balance sheet items covered by collateral provided by the Bank of Slovenia or the Republic of Slovenia	8,148	9,423
<b>Total assets</b>	<b>5,844,249</b>	<b>5,866,657</b>

## 23 Credit risk management

### Analysis of exposure to credit risk

	Loans to customers		Loans to banks	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
<b>Net disbursed loans</b>	<b>3,937,309</b>	<b>4,034,927</b>	<b>207,321</b>	<b>246,360</b>
<b>Individual impairment:</b>				
Gross amount	789,957	772,661	40,316	38,218
Impairment	(234,077)	(201,237)	(3,895)	(3,865)
Net amount	555,880	571,424	36,421	34,353
<b>Collective impairment:</b>				
Credit rating A	1,758,682	1,737,518	0	0
Credit rating B	1,188,549	1,215,869	0	0
Credit rating C	359,642	362,694	0	0
Credit rating D	27,127	30,390	0	0
Credit rating E	50,526	44,286	0	0
<b>Gross amount</b>	<b>3,384,526</b>	<b>3,390,757</b>	<b>0</b>	<b>0</b>
<b>Impairment</b>	<b>(132,409)</b>	<b>(126,511)</b>	<b>0</b>	<b>0</b>
<b>Net amount</b>	<b>3,252,117</b>	<b>3,264,246</b>	<b>0</b>	<b>0</b>
<b>Net non-impaired loans</b>	<b>129,312</b>	<b>199,257</b>	<b>170,900</b>	<b>212,007</b>
<b>Total net loans</b>	<b>3,937,309</b>	<b>4,034,927</b>	<b>207,321</b>	<b>246,360</b>

## Overdue and unpaid claims

	30.06.2011				Total
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	
Banks	13	0	0	3,658	3,671
State	35	0	0	2	37
Legal entities	42,883	14,945	10,650	474,789	543,267
Households	3,847	1,129	664	33,472	39,112
<b>Total</b>	<b>46,778</b>	<b>16,074</b>	<b>11,314</b>	<b>511,921</b>	<b>586,087</b>

	31.12.2010				Total
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	
Banks	1	0	0	3,487	3,488
State	2	0	0	0	2
Legal entities	29,005	10,664	13,102	347,995	400,766
Households	3,861	1,052	870	27,148	32,931
<b>Total</b>	<b>32,869</b>	<b>11,716</b>	<b>13,972</b>	<b>378,630</b>	<b>437,187</b>

## NPLs of the total loan portfolio of the Group

	30.06.2011	31.12.2010
Gross NPLs (D, E)*	602,678	556,484
Impairment losses for NPLs (D, E)	261,865	219,084
Net NPLs (D, E)	340,813	337,400
Total gross loan portfolio	4,515,011	4,612,900
Total net loan portfolio	4,144,630	4,281,287
Gross NPLs/Total gross loan portfolio (%)	13.35	12.06
Net NPLs/Total net loan portfolio (%)	8.22	7.88

\* Included are all collectively impaired loans (credit rating D and E), without considering prime collateral provided, and all individually impaired loans, the basic credit rating of which is D or E.

**Analysis of loans and percentage of NPLs by industry sectors**

Industry sector	30.06.2011			31.12.2010		
	Total loans	NPLs	Share of NPLs	Total loans	NPLs	Share of NPLs
Households, natural persons	1,098,613	31,735	2.89%	1,093,796	25,557	2.34%
Agriculture and hunting, forestry, fishing	23,885	2,509	10.50%	25,104	2,346	9.35%
Mining	3,343	515	15.41%	2,952	0	0.00%
Manufacturing industry	828,724	133,654	16.13%	837,033	138,438	16.54%
Electricity, gas and steam supply	77,826	299	0.38%	68,315	0	0.00%
Water supply, waste and sewage management, rehabilitation of the environment	13,822	469	3.39%	11,432	484	4.23%
Construction	459,445	137,963	30.03%	459,487	130,441	28.39%
Trade, maintenance and repair of motor vehicles	442,745	76,420	17.26%	453,535	103,454	22.81%
Transportation and storage	94,197	6,051	6.42%	89,879	3,900	4.34%
Accommodation and food service activities	140,926	18,094	12.84%	126,126	12,941	10.26%
Information and communication activities	63,747	27,079	42.48%	64,541	4,879	7.56%
Financial intermediation	345,383	46,898	13.58%	437,635	17,807	4.07%
Real estate activities	82,904	3,632	4.38%	77,577	2,689	3.47%
Professional, scientific and technical activities	167,779	30,697	18.30%	174,957	34,943	19.97%
Other various business activities	18,208	4,680	25.70%	20,957	4,186	19.97%
Public administration and defence services, compulsory social security activities	16,456	198	1.20%	22,060	0	0.00%
Education	5,608	294	5.24%	5,235	306	5.85%
Health and welfare security	31,053	66	0.21%	29,341	67	0.23%
Arts, entertainment and recreation	78,832	2,930	3.72%	84,114	3,321	3.95%
Other activities	10,903	1,746	16.01%	10,727	1,828	17.01%
Foreign legal persons	510,612	76,749	15.03%	518,097	68,897	13.30%
<b>Total gross loans</b>	<b>4,515,011</b>	<b>602,678</b>	<b>13.35%</b>	<b>4,612,900</b>	<b>556,484</b>	<b>12.06%</b>

## 24 Composition of capital and capital requirements

	30.06.2011	31.12.2010
<b>Original own funds</b>		
Paid-up capital	40,814	27,210
(-) Treasury shares	(1,562)	(2,473)
Share premium	165,775	78,314
Reserves and retained earnings or loss	297,795	288,420
Revaluation excesses (PP) – prudential filters	(6,638)	(13,031)
Non-controlling interest	42,196	42,088
Hybrid instruments as a component of original own funds	26,030	26,030
(-) Intangible long-term assets	(32,649)	(32,481)
(-) Other country specific deductions	0	(2)
<b>Total</b>	<b>531,761</b>	<b>414,075</b>
<b>Additional own funds I</b>		
Hybrid instruments and preferential cumulative shares	158,346	158,346
Subordinated debt I	1,000	1,000
Other	8,454	8,827
<b>Total</b>	<b>167,800</b>	<b>168,173</b>
<b>(-) Deductions from original own funds and additional own funds I</b>		
(-) Deductions from original own funds	(26,288)	(21,759)
(-) Deductions from additional own funds I	(26,288)	(21,759)
<b>Total</b>	<b>(52,576)</b>	<b>(43,518)</b>
<b>Total equity (for solvency purposes)</b>	<b>646,985</b>	<b>538,730</b>
<b>Capital requirements</b>		
<b>Capital requirements for credit risk</b>	<b>371,400</b>	<b>362,677</b>
Central governments and central banks	2,281	3,628
Regional governments and local authorities	443	511
Administrative bodies	333	254
Institutions	20,614	23,136
Corporates	173,547	186,761
Retail banking	91,361	93,085
Past due items	25,477	23,241
Items belonging to regulatory high-risk categories	19,532	13,544
Collective investment undertakings	2,818	3,023
Other items	34,994	15,494
<b>Capital requirements for market risks</b>	<b>3,905</b>	<b>4,174</b>
Debt securities	619	520
Equity instruments	962	1,999
Foreign exchange	2,324	1,655
<b>Capital requirements for operational risk</b>	<b>29,413</b>	<b>28,778</b>
<b>Total</b>	<b>404,718</b>	<b>395,629</b>
Capital adequacy (total equity)	12.79%	10.89%
Capital adequacy (original own funds)	9.99%	7.93%

## 25 Fair value of financial assets and liabilities

	30.06.2011		31.12.2010	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash and balances with the central bank	143,246	143,246	140,398	140,398
Financial assets held for trading	6,415	6,415	3,148	3,148
Financial assets designated at fair value through profit or loss	46,683	46,683	16,705	16,705
Available-for-sale financial assets	855,277	855,277	878,006	878,006
Loans and advances to banks	207,321	207,321	246,360	246,360
Loans and advances to customers	3,937,309	3,945,090	4,034,927	4,041,759
Held-to-maturity financial assets	234,471	235,333	180,220	183,801
Other assets	187,157	187,157	139,378	139,378
<b>Financial liabilities</b>				
Financial liabilities due to the central bank	150,139	150,139	130,149	130,149
Financial liabilities held for trading	5,510	5,510	6,112	6,112
Deposits from banks	165,554	165,562	168,546	168,561
Deposits from customers	3,825,697	3,843,416	3,712,304	3,724,714
Loans from banks	796,507	796,507	1,076,829	1,076,829
Loans from customers	202	190	348	332
Debt securities	76,690	77,069	65,472	65,933
Subordinated liabilities	196,918	201,294	192,039	200,382
Other liabilities	53,129	53,129	47,226	47,226

## 26 Analysis by operating segments

### Segmental reporting – operating segments as of 30.06.2011

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	Relationships to third parties
<b>A. Net income/expense</b>	<b>104,175</b>	<b>2,550</b>	<b>1,699</b>	<b>12</b>	<b>10</b>	<b>108,446</b>	<b>829</b>	<b>107,617</b>
Interest and similar income	132,363	4,988	5	438	2	137,796	7,900	129,896
Interest and similar expense	(62,511)	(5,151)	(28)	(1,761)	0	(69,451)	(7,900)	(61,551)
Net interest income	69,852	(163)	(23)	(1,323)	2	68,345	0	68,345
Dividend income	3,600	0	1	0	0	3,601	881	2,720
Fee and commission income	48,062	99	1,967	42	0	50,170	655	49,515
Fee and commission expense	(19,317)	(76)	(215)	(64)	0	(19,672)	(563)	(19,109)
Net fee and commission income	28,745	23	1,752	(22)	0	30,498	92	30,406
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	835	0	0	2	0	837	0	837
Net gains on financial assets and liabilities held for trading	165	0	1	0	0	166	(463)	629
Losses on financial assets (and liabilities) designated at fair value through profit or loss	(2,119)	0	(42)	0	0	(2,161)	0	(2,161)
Net exchange differences	3,368	55	0	91	0	3,514	(1)	3,515
Net gains/losses on derecognition of assets excluding non-current assets held for sale	(375)	957	0	(21)	0	561	1	560
Other operating net income/loss	104	1,678	10	1,285	8	3,085	319	2,766
<b>B. Other items by segments</b>	<b>(96,568)</b>	<b>(4,213)</b>	<b>(1,122)</b>	<b>(1,271)</b>	<b>(2)</b>	<b>(103,176)</b>	<b>2,807</b>	<b>(105,983)</b>
Administration costs	(48,357)	(1,713)	(1,082)	(1,215)	(2)	(52,369)	(410)	(51,959)
Depreciation and amortisation	(7,593)	(525)	(40)	(27)	0	(8,185)	0	(8,185)
Provisions	(6,682)	0	0	0	0	(6,682)	454	(7,136)
Impairment losses	(34,206)	(1,975)	0	(29)	0	(36,210)	5,564	(41,774)
Share of profit from investments in associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(2,801)	2,801
Net gains from non-current assets held for sale and liabilities associated therewith	270	0	0	0	0	270	0	270
<b>C. Profit</b>								
Profit/loss from continuing operations	7,607	(1,663)	577	(1,259)	8	5,270	3,636	1,634
Income tax related to profit from continuing operations	271	279	(123)	(84)	(2)	341	(850)	1,191
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>7,878</b>	<b>(1,384)</b>	<b>454</b>	<b>(1,343)</b>	<b>6</b>	<b>5,611</b>	<b>2,786</b>	<b>2,825</b>
<b>E. Segment assets and liabilities</b>								
<b>Total assets</b>	<b>5,920,173</b>	<b>267,356</b>	<b>9,217</b>	<b>100,447</b>	<b>179</b>	<b>6,297,372</b>	<b>453,123</b>	<b>5,844,249</b>
- segment assets	5,825,821	267,323	9,217	100,447	179	6,202,987	402,591	5,800,396
- investments in associates and joint ventures accounted for using the equity method	94,352	33	0	0	0	94,385	50,532	43,853
<b>Liabilities (excluding equity) by segments</b>	<b>5,336,786</b>	<b>263,101</b>	<b>1,519</b>	<b>106,185</b>	<b>1</b>	<b>5,707,592</b>	<b>402,989</b>	<b>5,304,603</b>
Total equity	583,387	4,255	7,698	(5,738)	178	589,780	50,134	539,646
Increase in tangible fixed assets and intangible assets	8,295	391	5	82	0	8,773	0	8,773

**Segmental reporting – operating segments as of 30.06.2010**

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	Relationships to third parties
<b>A. Net income/expense</b>	<b>109,371</b>	<b>2,901</b>	<b>1,616</b>	<b>1,361</b>	<b>10</b>	<b>115,259</b>	<b>5,795</b>	<b>109,464</b>
Interest and similar income	124,803	6,342	1	505	2	131,653	8,244	123,409
Interest and similar expense	(52,441)	(4,688)	(54)	(2,080)	0	(59,263)	(7,411)	(51,852)
Net interest income	72,362	1,654	(53)	(1,575)	2	72,390	833	71,557
Dividend income	3,897	0	1	0	0	3,898	3,794	104
Fee and commission income	50,462	176	1,834	71	0	52,543	1,438	51,105
Fee and commission expense	(19,936)	(118)	(191)	(77)	0	(20,322)	(596)	(19,726)
Net fee and commission income	30,526	58	1,643	(6)	0	32,221	842	31,379
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	766	0	14	0	0	780	0	780
Net gains/losses on financial assets and liabilities held for trading	(5,774)	0	(3)	1	0	(5,776)	99	(5,875)
Gains/losses on financial assets (and liabilities) designated at fair value through profit or loss	(3,342)	0	2	0	0	(3,340)	0	(3,340)
Net exchange differences	10,648	44	0	675	0	11,367	2	11,365
Net gains/losses on derecognition of assets excluding non-current assets held for sale	(18)	(26)	0	3	0	(41)	1	(42)
Other operating net income	306	1,171	12	2,263	8	3,760	224	3,536
<b>B. Other items by segments</b>	<b>(89,611)</b>	<b>(3,311)</b>	<b>(1,112)</b>	<b>(1,134)</b>	<b>(5)</b>	<b>(95,173)</b>	<b>(10,986)</b>	<b>(84,187)</b>
Administration costs	(50,361)	(1,272)	(1,062)	(1,048)	(5)	(53,748)	(2,717)	(51,031)
Depreciation and amortisation	(6,839)	(609)	(41)	(29)	0	(7,518)	(131)	(7,387)
Provisions	(2,267)	0	0	0	0	(2,267)	(259)	(2,008)
Impairment losses	(30,415)	(1,430)	(9)	(57)	0	(31,911)	(4,235)	(27,676)
Share of profit from investments in associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(3,693)	3,693
Net gains from non-current assets held for sale and liabilities associated therewith	271	0	0	0	0	271	48	223
<b>C. Profit</b>								
Profit/loss from continuing operations	19,760	(410)	504	227	5	20,086	(5,192)	25,278
Income tax related to profit from continuing operations	(6,300)	(16)	(101)	(91)	(1)	(6,509)	1,528	(8,037)
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>13,460</b>	<b>(426)</b>	<b>403</b>	<b>136</b>	<b>4</b>	<b>13,577</b>	<b>(3,664)</b>	<b>17,241</b>
<b>E. Segment assets and liabilities</b>								
<b>Total assets</b>	<b>5,980,979</b>	<b>256,494</b>	<b>9,051</b>	<b>116,374</b>	<b>167</b>	<b>6,363,065</b>	<b>441,820</b>	<b>5,921,245</b>
- segment assets	5,896,627	256,140	9,051	116,086	167	6,278,071	397,348	5,880,723
- investments in associates and joint ventures accounted for using the equity method	84,352	354	0	288	0	84,994	44,472	40,522
<b>Liabilities (excluding equity) by segments</b>	<b>5,506,108</b>	<b>244,519</b>	<b>2,110</b>	<b>111,342</b>	<b>1</b>	<b>5,864,080</b>	<b>391,744</b>	<b>5,472,336</b>
Total equity	474,871	11,975	6,941	5,032	166	498,985	50,076	448,909
Increase in tangible fixed assets and intangible assets	7,944	1,370	23	2	2	9,341	0	9,341



## 27 Events after the date of the statement of financial position

In the capital raising by Zavarovalnica Maribor d.d., and pursuant to Nova KBM's takeover bid for Zavarovalnica Maribor d.d. shares, Nova KBM paid up €7,344 thousand and thus increased its shareholding in the insurance company from 49.96% to 51.29%.

New shares were issued on 4 July 2011, and the takeover bid was concluded on 10 August 2011, after which date Zavarovalnica Maribor d.d. became a subsidiary of Nova KBM.

In July 2011, Nova KBM injected additional capital of €5,000 thousand into Credi banka a.d., thus increasing its shareholding in this subsidiary bank from 72.38% to 76.64%.

On 22 August 2011, in accordance with the sale/purchase agreement, Nova KBM sold to Zavarovalnica Sava d.d. 37,076 shares of Zavarovalnica Maribor d.d., totalling €212 thousand, thus reducing its shareholding from 51.29% to 50.996%.

On 8 July 2011, KBM Infond d.o.o. was granted a licence by the Securities Market Agency to assume control over the umbrella fund of Krekovi Skladi, including its six sub-funds. KBM Infond d.o.o. will start managing this umbrella fund from 15 October 2011.

The trading in the units of Infond Global balanced mutual fund and Infond Dynamic equity mutual fund on the regulated market ceased on 16 July 2011, after which date these units have been traded in the primary market. The trading in the new equity mutual fund, Infond Frontier, began on 16 July 2011.



**INTERIM  
FINANCIAL REPORT OF  
NOVA KBM d.d.**

**30.06.2011/30.06.2010**

**INTERIM  
FINANCIAL STATEMENTS OF  
NOVA KBM d.d.**

## Interim Statement of Income – Nova KBM d.d.

€000

ITEM DESCRIPTION	Notes	Half-year ended 30.06.2011	Half-year ended 30.06.2010
Interest income and similar income	1	103,160	98,534
Interest expense and similar expense	1	(51,570)	(44,460)
<b>Net interest income</b>	<b>1</b>	<b>51,590</b>	<b>54,074</b>
<b>Dividend income</b>	<b>2</b>	<b>3,598</b>	<b>3,897</b>
Fee and commission income	3	24,990	25,661
Fee and commission expense	3	(2,783)	(2,112)
<b>Net fee and commission income</b>	<b>3</b>	<b>22,207</b>	<b>23,549</b>
Realised gains on financial assets and liabilities not measured at fair value through profit or loss		835	765
Net gains/losses on financial assets and liabilities held for trading	4	179	(5,380)
Losses on financial assets (and liabilities) designated at fair value through profit or loss		(2,119)	(3,342)
Net exchange differences	5	3,263	10,563
Net losses on derecognition of assets excluding non-current assets held for sale		(393)	(19)
Other operating net income		640	(344)
Administration costs	6	(35,022)	(35,669)
Depreciation and amortisation		(6,480)	(5,934)
Provisions	7	(5,864)	(1,341)
Impairment losses	8	(25,753)	(26,075)
Total profit from non-current assets and disposal groups classified as held for sale		270	271
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>6,951</b>	<b>15,015</b>
Income tax expense related to profit from continuing operations		(1,365)	(4,829)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>5,586</b>	<b>10,186</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>5,586</b>	<b>10,186</b>
Basic earnings per share (€)		0.14	0.39
Diluted earnings per share (€)		0.14	0.39

The notes are an integral part of these financial statements.

## Interim Statement of Income – Nova KBM d.d.

€000

ITEM DESCRIPTION	2011		2010			
	Q2	Q1	Q4	Q3	Q2	Q1
Interest income and similar income	51,306	51,854	52,886	50,650	48,965	49,569
Interest expense and similar expense	(26,565)	(25,005)	(24,392)	(23,113)	(22,262)	(22,198)
<b>Net interest income</b>	<b>24,741</b>	<b>26,849</b>	<b>28,494</b>	<b>27,537</b>	<b>26,703</b>	<b>27,371</b>
<b>Dividend income</b>	<b>3,598</b>	<b>0</b>	<b>32</b>	<b>1,571</b>	<b>3,897</b>	<b>0</b>
Fee and commission income	12,746	12,244	13,973	13,134	13,476	12,185
Fee and commission expense	(1,532)	(1,251)	(2,514)	(1,299)	(1,421)	(691)
<b>Net fee and commission income</b>	<b>11,214</b>	<b>10,993</b>	<b>11,459</b>	<b>11,835</b>	<b>12,055</b>	<b>11,494</b>
Realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	106	729	2,379	(1,749)	(119)	884
Net gains/losses on financial assets and liabilities held for trading	(2,500)	2,679	(8,475)	1,045	(3,384)	(1,996)
Gains/losses on financial assets (and liabilities) designated at fair value through profit or loss	(2,452)	333	2,009	(109)	(2,804)	(538)
Net exchange differences	7,298	(4,035)	6,072	(487)	7,142	3,421
Net gains/losses on derecognition of assets excluding non-current assets held for sale	(393)	0	(29)	(5)	2	(21)
Other operating net income	575	65	4,165	40	(256)	(88)
Administration costs	(18,835)	(16,187)	(23,961)	(18,573)	(18,949)	(16,720)
Depreciation and amortisation	(3,296)	(3,184)	(3,121)	(3,073)	(2,996)	(2,938)
Provisions	(1,849)	(4,015)	(736)	(259)	(698)	(643)
Impairment losses	(15,186)	(10,567)	(23,134)	(16,638)	(13,387)	(12,688)
Total profit from non-current assets and disposal groups classified as held for sale	202	68	61	0	271	0
<b>PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>3,223</b>	<b>3,728</b>	<b>(4,785)</b>	<b>1,135</b>	<b>7,477</b>	<b>7,538</b>
Income tax expense related to profit from continuing operations	(634)	(731)	400	2,436	(3,313)	(1,516)
<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS</b>	<b>2,589</b>	<b>2,997</b>	<b>(4,385)</b>	<b>3,571</b>	<b>4,164</b>	<b>6,022</b>
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>2,589</b>	<b>2,997</b>	<b>(4,385)</b>	<b>3,571</b>	<b>4,164</b>	<b>6,022</b>
Basic earnings per share (€)	0.03	0.11	(0.17)	0.14	0.16	0.23
Diluted earnings per share (€)	0.03	0.11	(0.17)	0.14	0.16	0.23

The notes are an integral part of these financial statements.



## Interim Statement of Comprehensive Income – Nova KBM d.d.

€000

ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>NET PROFIT FOR THE PERIOD AFTER TAX</b>	<b>5,586</b>	<b>10,186</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>(3,542)</b>	<b>(1,625)</b>
<b>Available-for-sale financial assets</b>	<b>(4,428)</b>	<b>(2,031)</b>
Valuation losses taken to equity	(4,428)	(2,031)
<b>Income tax relating to components of other comprehensive income</b>	<b>886</b>	<b>406</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD AFTER TAX</b>	<b>2,044</b>	<b>8,561</b>

The notes are an integral part of these financial statements.

## Interim Statement of Comprehensive Income – Nova KBM d.d.

€000

ITEM DESCRIPTION	2011		2010			
	Q2	Q1	Q4	Q3	Q2	Q1
<b>NET PROFIT/LOSS FOR THE PERIOD AFTER TAX</b>	<b>2,589</b>	<b>2,997</b>	<b>(4,385)</b>	<b>3,571</b>	<b>4,164</b>	<b>6,022</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>(5,417)</b>	<b>1,875</b>	<b>(4,697)</b>	<b>4,321</b>	<b>(8,039)</b>	<b>6,414</b>
<b>Available-for-sale financial assets</b>	<b>(6,772)</b>	<b>2,344</b>	<b>(5,871)</b>	<b>5,401</b>	<b>(10,049)</b>	<b>8,018</b>
Valuation gains/losses taken to equity	(6,772)	2,344	(5,871)	4,439	(10,049)	8,018
Transferred to profit or loss	0	0	0	962	0	0
<b>Income tax relating to components of other comprehensive income</b>	<b>1,355</b>	<b>(469)</b>	<b>1,174</b>	<b>(1,080)</b>	<b>2,010</b>	<b>(1,604)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX</b>	<b>(2,828)</b>	<b>4,872</b>	<b>(9,082)</b>	<b>7,892</b>	<b>(3,875)</b>	<b>12,436</b>

The notes are an integral part of these financial statements.



## Interim Statement of Financial Position – Nova KBM d.d.

€000

ITEM DESCRIPTION	Notes	30.06.2011	31.12.2010
Cash and balances with the central bank	9	90,197	78,724
Financial assets held for trading	10	6,066	2,784
Financial assets designated at fair value through profit or loss	11	46,163	16,266
Available-for-sale financial assets	12	666,061	685,918
Loans and advances		3,613,453	3,719,578
- loans and advances to banks	13	185,520	213,712
- loans and advances to customers	14	3,427,933	3,505,866
Held-to-maturity financial assets	15	119,756	78,894
Non-current assets and disposal groups classified as held for sale and discontinued operations		464	575
Property, plant and equipment		63,946	65,682
Investment property		1,777	1,777
Intangible assets		26,562	27,008
Investments in subsidiaries, associates and joint ventures		94,352	94,352
Tax assets		7,224	9,962
- current tax assets		46	3,072
- deferred tax assets		7,178	6,890
Other assets		30,208	24,991
<b>TOTAL ASSETS</b>		<b>4,766,229</b>	<b>4,806,511</b>
Financial liabilities due to the central bank		150,139	130,149
Financial liabilities held for trading		5,263	5,842
Financial liabilities measured at amortised cost	16	4,083,256	4,252,256
- deposits from banks	16	52,171	66,200
- deposits from customers	16	3,116,865	3,024,563
- loans from banks	16	676,037	938,787
- loans from customers	16	201	349
- debt securities		55,329	44,404
- subordinated liabilities	16	182,653	177,953
Provisions	17	21,499	15,660
Tax liabilities		1,879	1,113
- current tax liabilities		1,390	2
- deferred tax liabilities		489	1,111
Other liabilities		25,828	26,235
<b>TOTAL LIABILITIES</b>		<b>4,287,864</b>	<b>4,431,255</b>
Share capital	18	40,814	27,210
Share premium	18	165,775	78,314
Revaluation reserves		(12,246)	(8,704)
Reserves from profit		275,044	275,044
Retained earnings (including net profit for the period)		8,978	3,392
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>478,365</b>	<b>375,256</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,766,229</b>	<b>4,806,511</b>

The notes are an integral part of these financial statements.



## Interim Statement of Cash Flows – Nova KBM d.d.

€000

Designation	ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>a)</b>	<b>Total profit or loss before tax</b>	<b>6,951</b>	<b>15,015</b>
	Depreciation and amortisation	6,480	5,934
	Net (gains) from exchange differences	(3,263)	(10,563)
	Net (gains)/losses from held-to-maturity financial assets	21	(5)
	Net losses from the sale of tangible assets and investment properties	14	19
	Other (gains) from investing activities	(881)	(3,794)
	Other losses from financing activities	5,352	5,235
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and liabilities associated therewith	(270)	(271)
	Net unrealised (losses) in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	(4,428)	(2,031)
	Other adjustments to total profit or loss before tax	3,930	300
	Cash flow from operating activities before changes in operating assets and liabilities	13,906	9,839
<b>b)</b>	<b>Decrease in operating assets (excluding cash equivalents)</b>	<b>79,277</b>	<b>7,508</b>
	Net (increase)/decrease in financial assets held for trading	(3,282)	380
	Net (increase) in financial assets designated at fair value through profit or loss	(29,827)	(7,941)
	Net decrease in available-for-sale financial assets	19,857	73,545
	Net (increase)/decrease in loans and advances	97,324	(56,382)
	Net decrease in non-current assets held for sale	468	387
	Net (increase) in other assets	(5,263)	(2,481)
<b>c)</b>	<b>Increase/(decrease) in operating liabilities</b>	<b>(150,871)</b>	<b>17,939</b>
	Net increase in financial liabilities to the central bank	19,990	25,817
	Net increase/(decrease) in financial liabilities held for trading	(579)	5,298
	Net increase/(decrease) in deposits and loans measured at amortised cost	(180,684)	17,282
	Net increase/(decrease) in debt securities in issue measured at amortised cost	10,925	(29,448)
	Net (decrease) in other liabilities	(523)	(1,010)
<b>d)</b>	<b>Cash flow from operating activities (a+b+c)</b>	<b>(57,688)</b>	<b>35,286</b>
<b>e)</b>	<b>Income taxes refunded</b>	<b>7,518</b>	<b>2,990</b>
<b>f)</b>	<b>Net cash flow from operating activities (d+e)</b>	<b>(50,170)</b>	<b>38,276</b>





€000

Designation	ITEM DESCRIPTION	Half-year ended 30.06.2011	Half-year ended 30.06.2010
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>a)</b>	<b>Receipts from investing activities</b>	<b>2,982</b>	<b>4,266</b>
	Receipts from the sale of tangible assets and investment properties	136	21
	Receipts from non-current assets or liabilities held for sale	357	344
	Receipts from the sale of held-to-maturity financial assets	1,608	107
	Other receipts from investing activities	881	3,794
<b>b)</b>	<b>Cash payments on investing activities</b>	<b>(52,330)</b>	<b>(48,736)</b>
	(Cash payments to acquire tangible assets and investment properties)	(2,103)	(2,706)
	(Cash payments to acquire intangible assets)	(2,746)	(1,596)
	(Cash payments for the investments in subsidiaries, associates and joint ventures)	(6,922)	(9,416)
	(Cash payments to acquire held-to-maturity financial assets)	(40,559)	(35,018)
<b>c)</b>	<b>Net cash flow from investing activities (a+b)</b>	<b>(49,348)</b>	<b>(44,470)</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>a)</b>	<b>Cash proceeds from financing activities</b>	<b>104,327</b>	<b>0</b>
	Cash proceeds from issuing shares and other equity instruments	104,327	0
<b>b)</b>	<b>Cash payments on financing activities</b>	<b>(3,913)</b>	<b>(593)</b>
	(Dividends paid)	(1)	(2)
	(Repayments of subordinated liabilities)	(650)	(591)
	(Other cash payments related to financing activities)	(3,262)	0
<b>c)</b>	<b>Net cash flow from financing activities (a+b)</b>	<b>100,414</b>	<b>(593)</b>
<b>D.</b>	<b>Effects of change in exchange rates on cash and cash equivalents</b>	<b>(2,480)</b>	<b>6,114</b>
<b>E.</b>	<b>Net increase in cash and cash equivalents (Af+Bc+Cc)</b>	<b>896</b>	<b>(6,787)</b>
<b>F.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>210,000</b>	<b>246,311</b>
<b>G.</b>	<b>Closing balance of cash and cash equivalents (D+E+F)</b>	<b>208,416</b>	<b>245,638</b>

Reconciliation of cash and cash equivalents with the statement of financial position items as of 30 June 2011 is presented in Note 9.

The balance of cash and cash equivalents as of 30 June 2010 amounted to €245,638 thousand and was made up of cash and balances with the central bank, in the amount of €119,808 thousand, and loans and advances to banks with original maturity of up to three months, in the amount of €125,830 thousand.

## Cash Flows from Interest and Dividends

€000

	Half-year ended 30.06.2011	Half-year ended 30.06.2010
Interest paid	(54,180)	(52,378)
Interest received	98,372	94,877
Dividends paid	(1)	(2)
Dividends received	1,512	1,715

The notes are an integral part of these financial statements.



## Interim Statement of Changes in Equity for the period from 01.01.2011 to 30.06.2011 – Nova KBM d.d.

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total shareholders' equity
<b>OPENING BALANCE FOR THE REPORTING PERIOD</b>	27,210	78,314	(8,704)	275,044	3,392	375,256
<b>Total comprehensive income for the period after tax</b>	0	0	(3,542)	0	5,586	2,044
New share capital subscribed (paid)	13,604	90,723	0	0	0	104,327
Other	0	(3,262)	0	0	0	(3,262)
<b>CLOSING BALANCE FOR THE REPORTING PERIOD</b>	40,814	165,775	(12,246)	275,044	8,978	478,365

Other decrease in the item 'Share premium' relates to direct costs associated with the capital raising.

The notes are an integral part of these financial statements.

## Interim Statement of Changes in Equity for the period from 01.01.2010 to 30.06.2010 – Nova KBM d.d.

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total shareholders' equity
<b>OPENING BALANCE FOR THE REPORTING PERIOD</b>	27,210	78,314	(6,703)	266,180	2,885	367,886
<b>Total comprehensive income for the period after tax</b>	0	0	(1,625)	0	10,186	8,561
Transfer of net profit to reserves from profit	0	0	0	2,885	(2,885)	0
Other	(1)	0	0	0	0	(1)
<b>CLOSING BALANCE FOR THE REPORTING PERIOD</b>	27,209	78,314	(8,328)	269,065	10,186	376,446

Other decrease in the item 'Share capital' arises from the rounding to thousands of euros.

The notes are an integral part of these financial statements.

## **Notes to the financial statements of Nova KBM d.d.**

The financial statements of the Bank for the period ended 30 June 2011 were authorised for issue on 19 July 2011 by the Management Board of Nova KBM d.d.

### **Statement of compliance**

The financial statements of Nova KBM d.d. are prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

The interim financial report is prepared in a condensed form and includes selected explanatory notes as requested in accordance with IFRSs.

The interim financial statements are unaudited.

### **Presentation and functional currency**

Items included in the financial statements are presented in euro, which is the functional and presentation currency of the Bank.

All amounts in the financial statements and in notes to the financial statements are expressed in thousands of euros except where stated otherwise. Due to rounding off of individual amounts, calculation differences may occur upon data aggregation.

### **Significant accounting policies**

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

The accounting policies applied are presented in detail in the 2010 Annual Report of Nova KBM d.d.

## Notes to the statement of income items

### 1 Interest income and expense

#### Analysis of interest by market segments

	H1 2011		H1 2010	
	Income	Expense	Income	Expense
Non-financial companies	49,379	2,139	46,967	2,115
State	6,233	10,647	6,392	8,615
Banks	6,278	15,850	4,679	12,559
Other financial organisations	6,975	4,007	6,324	3,847
Households	26,732	18,466	25,197	16,838
Foreign persons	7,430	362	8,822	380
Non-profit household service providers	133	99	153	106
<b>Total</b>	<b>103,160</b>	<b>51,570</b>	<b>98,534</b>	<b>44,460</b>
<b>Net interest income</b>	<b>51,590</b>		<b>54,074</b>	

#### Analysis of interest income and expense by type of assets and liabilities

	H1 2011		H1 2010	
	Current	Non-current	Current	Non-current
<b>Interest income</b>				
Balances with the central bank	281	0	259	0
Financial assets held for trading	0	0	92	0
Financial assets designated at fair value through profit or loss	0	60	0	59
Available-for-sale financial assets	8,511	0	2,767	6,912
Loans and advances (including finance leases)	25,149	67,201	32,337	55,045
Held-to-maturity financial assets	0	1,934	0	1,041
Other claims	24	0	22	0
<b>Total by maturity</b>	<b>33,965</b>	<b>69,195</b>	<b>35,477</b>	<b>63,057</b>
<b>Total</b>	<b>103,160</b>		<b>98,534</b>	
<b>Interest expense</b>				
Financial liabilities due to the central bank	501	0	63	754
Financial liabilities held for trading	0	39	0	22
Financial liabilities measured at amortised cost	10,263	40,767	9,978	33,643
<b>Total by maturity</b>	<b>10,764</b>	<b>40,806</b>	<b>10,041</b>	<b>34,419</b>
<b>Total</b>	<b>51,570</b>		<b>44,460</b>	
<b>Net interest income</b>	<b>51,590</b>		<b>54,074</b>	

## 2 Dividend income

	H1 2011	H1 2010
Financial assets held for trading	28	103
Financial assets designated at fair value through profit or loss	537	0
Available-for-sale financial assets	2,152	0
Investments in Group companies accounted for using the cost method	881	3,794
<b>Total</b>	<b>3,598</b>	<b>3,897</b>

## 3 Fee and commission income and expense

	H1 2011	H1 2010
<b>Fee and commission income</b>	<b>24,990</b>	<b>25,661</b>
Guarantees	1,924	2,188
Services provided to banks in the Group	485	332
Services provided to other Group subsidiaries	152	192
Domestic payment transactions	7,307	7,148
International payment transactions	1,073	936
Brokerage and agency services	115	76
Transactions in securities for customers	176	210
Credit operations	3,904	5,237
Transactions under current accounts	3,788	3,822
Card operations	4,819	4,266
Electronic banking	519	465
Safekeeping of objects and valuables	34	30
Other services	694	759
<b>Fee and commission expense</b>	<b>2,783</b>	<b>2,112</b>
Domestic banking services	597	605
Banking services abroad	1,678	629
Brokerage and agency services	6	64
Stock exchange transactions and other transactions in securities	148	135
Payment transactions	337	397
Services of banks in the Group	16	18
Other services	1	264
<b>Net fee and commission income</b>	<b>22,207</b>	<b>23,549</b>

## 4 Net gains/losses on financial assets and liabilities held for trading

	H1 2011			H1 2010		
	Gains	Losses	Net gains/losses	Gains	Losses	Net gains/losses
Trading in equity instruments	322	119	203	644	392	252
Trading in debt securities	0	0	0	130	65	65
Trading in foreign exchange (purchase/sale)	875	887	(12)	1,045	748	297
Trading in derivatives	11,183	11,195	(12)	5,659	11,653	(5,994)
- futures/forwards	11,133	11,195	(62)	5,659	11,627	(5,968)
- swaps	50	0	50	0	26	(26)
<b>Total</b>	<b>12,380</b>	<b>12,201</b>	<b>179</b>	<b>7,478</b>	<b>12,858</b>	<b>(5,380)</b>

## 5 Net exchange differences

	H1 2011	H1 2010
Foreign exchange gains	23,276	27,137
Foreign exchange losses	20,013	16,574
<b>Net foreign exchange gain</b>	<b>3,263</b>	<b>10,563</b>

## 6 Administration costs

	H1 2011	H1 2010
<b>Staff expenses</b>		
Gross salaries	15,768	16,266
Social security and pension insurance contribution	2,556	2,636
Pay for annual leave	1,155	1,198
Other staff costs	1,660	1,896
<b>Total</b>	<b>21,139</b>	<b>21,996</b>
<b>General and administrative expenses</b>		
Cost of material	1,149	1,061
Cost of services	7,715	8,035
Maintenance costs of fixed assets	2,157	2,122
Advertising costs	1,824	1,583
Other administrative costs	1,038	872
<b>Total</b>	<b>13,883</b>	<b>13,673</b>
<b>Total administration costs</b>	<b>35,022</b>	<b>35,669</b>

## 7 Provisions

	H1 2011	H1 2010
Provisions for off-balance sheet liabilities	5,433	1,218
Provisions for pending legal issues	706	165
Other provisions	(275)	(42)
<b>Total</b>	<b>5,864</b>	<b>1,341</b>

## 8 Impairment losses

	H1 2011	H1 2010
Financial assets not measured at fair value through profit or loss	25,594	26,012
Other assets	159	63
<b>Total impairment losses</b>	<b>25,753</b>	<b>26,075</b>

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

	H1 2011	H1 2010
Financial assets measured at cost	1,051	0
Available-for-sale financial assets	414	288
Loans and advances measured at amortised cost	24,129	25,724
- loans and advances to banks	(688)	(307)
- loans and advances to customers	24,817	26,031
<b>Total impairment of financial assets not measured at fair value through profit or loss</b>	<b>25,594</b>	<b>26,012</b>

## Notes to the statement of financial position items

### 9 Cash and cash equivalents

	30.06.2011	31.12.2010
Cash and balances with the central bank	90,197	78,724
Loans and advances to banks	118,219	131,276
<b>Total</b>	<b>208,416</b>	<b>210,000</b>

### 10 Financial assets held for trading

	30.06.2011	31.12.2010
<b>Derivatives</b>	<b>6,066</b>	<b>2,705</b>
<b>Equity instruments</b>	<b>0</b>	<b>79</b>
- of banks	0	79
<b>Total</b>	<b>6,066</b>	<b>2,784</b>
Quoted	0	79
Unquoted	6,066	2,705
<b>Total</b>	<b>6,066</b>	<b>2,784</b>

## Movement in financial assets held for trading

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>2,784</b>	<b>16,754</b>
<b>Increase during the year</b>	<b>14,066</b>	<b>29,716</b>
- acquisition	10,384	27,717
- exchange differences	0	1
- change in fair value (increase in value)	3,360	699
- other (deferred interest, realised gains)	322	1,299
<b>Decrease during the year</b>	<b>10,784</b>	<b>43,686</b>
- disposal (sale and redemption)	10,665	43,401
- change in fair value (impairment)	0	(258)
- other (deferred interest, realised losses)	119	543
<b>As of 30.06.2011/31.12.2010</b>	<b>6,066</b>	<b>2,784</b>

## 11 Financial assets designated at fair value through profit or loss

	30.06.2011	31.12.2010
Equity instruments	43,077	13,051
Debt securities	3,086	3,215
<b>Total</b>	<b>46,163</b>	<b>16,266</b>
Quoted	33,631	3,758
Unquoted	12,532	12,508
<b>Total</b>	<b>46,163</b>	<b>16,266</b>

## Movement in financial assets designated at fair value through profit or loss

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>16,266</b>	<b>24,736</b>
<b>Increase during the year</b>	<b>33,075</b>	<b>20,252</b>
- acquisition	32,148	19,695
- change in fair value (increase in value)	819	0
- deferred interest	60	120
- exchange differences	48	40
- other	0	397
<b>Decrease during the year</b>	<b>3,178</b>	<b>28,722</b>
- disposal (sale and redemption)	210	26,503
- change in fair value (impairment)	2,968	2,045
- interest received	0	120
- exchange differences	0	54
<b>As of 30.06.2011/31.12.2010</b>	<b>46,163</b>	<b>16,266</b>



## 12 Available-for-sale financial assets

	30.06.2011	31.12.2010
<b>Available-for-sale equity instruments designated at fair value</b>	<b>64,186</b>	<b>66,913</b>
<b>Available-for-sale equity instruments measured at cost</b>	<b>36,327</b>	<b>7,015</b>
<b>Available-for-sale debt securities</b>	<b>565,548</b>	<b>611,990</b>
- issued by the state and the central bank	228,235	272,785
- issued by banks	312,109	314,169
- issued by other issuers	25,204	25,036
<b>Total</b>	<b>666,061</b>	<b>685,918</b>
Quoted	629,734	678,482
Unquoted	36,327	7,436
<b>Total</b>	<b>666,061</b>	<b>685,918</b>

### Movement in available-for-sale financial assets

	Equity instruments		Debt securities	Total
	At fair value	At cost		
<b>As of 01.01.2011</b>	<b>66,913</b>	<b>7,015</b>	<b>611,990</b>	<b>685,918</b>
Recognition of new financial assets	0	30,363	0	30,363
Interest	0	0	(5,287)	(5,287)
Net revaluation through equity	(2,313)	0	(2,114)	(4,427)
Net impairment through profit or loss	(414)	(1,051)	0	(1,465)
Derecognition of financial assets	0	0	(38,923)	(38,923)
Net gains/losses on sale	0	0	(118)	(118)
<b>As of 30.06.2011</b>	<b>64,186</b>	<b>36,327</b>	<b>565,548</b>	<b>666,061</b>

	Equity instruments		Debt securities	Total
	At fair value	At cost		
<b>As of 01.01.2010</b>	<b>45,384</b>	<b>6,786</b>	<b>781,237</b>	<b>833,407</b>
Recognition of new financial assets	26,712	229	5,079	32,020
Interest	0	0	(2,414)	(2,414)
Net exchange rate differences	0	0	85	85
Net revaluation through equity	(4,096)	0	1,595	(2,501)
Net impairment through profit or loss	(676)	0	(962)	(1,638)
Derecognition of financial assets	(438)	0	(173,654)	(174,092)
Net gains/losses on sale	27	0	1,024	1,051
<b>As of 31.12.2010</b>	<b>66,913</b>	<b>7,015</b>	<b>611,990</b>	<b>685,918</b>

## 13 Loans and advances to banks

	30.06.2011	31.12.2010
Sight deposits	30,882	28,688
Impairment of sight deposits	(16)	(3)
Current loans	91,822	107,300
Impairment of current loans	(344)	(675)
Non-current loans	63,360	78,953
Impairment of non-current loans	(184)	(551)
<b>Total – net amount</b>	<b>185,520</b>	<b>213,712</b>
<b>Impairment</b>	<b>544</b>	<b>1,229</b>
<b>Total – gross amount</b>	<b>186,064</b>	<b>214,941</b>

## 14 Loans and advances to customers

	30.06.2011	31.12.2010
Current loans	810,281	864,472
Impairment of current loans	(65,890)	(56,378)
Non-current loans	2,874,064	2,877,618
Impairment of non-current loans	(195,538)	(182,832)
Claims under guarantees	8,239	5,559
Impairment of claims under guarantees	(3,223)	(2,573)
<b>Total – net amount</b>	<b>3,427,933</b>	<b>3,505,866</b>
<b>Impairment</b>	<b>264,651</b>	<b>241,783</b>
<b>Total – gross amount</b>	<b>3,692,584</b>	<b>3,747,649</b>

## Movement in impairment of loans and advances to customers

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>241,783</b>	<b>205,489</b>
Net impairment of principal	24,817	63,573
- additional impairment	74,662	205,203
- reversal of impairment	(49,845)	(141,630)
Additional impairment/reversal of impairment of interest	3,410	6,884
Additional impairment/reversal of impairment of fees	102	207
Write-offs of loans and advances to customers	(5,461)	(34,370)
<b>As of 30.06.2011/31.12.2010</b>	<b>264,651</b>	<b>241,783</b>

## 15 Held-to-maturity financial assets

	30.06.2011	31.12.2010
<b>Held-to-maturity debt securities</b>		
- non-current securities issued by the state and the central bank	56,608	25,559
- non-current securities issued by banks and savings banks	59,170	49,450
- non-current securities issued by other issuers	3,978	3,885
<b>Total</b>	<b>119,756</b>	<b>78,894</b>
Quoted	118,068	77,178
Unquoted	1,688	1,716
<b>Total</b>	<b>119,756</b>	<b>78,894</b>

### Movement in held-to-maturity financial assets

	H1 2011	2010
<b>As of 01.01.2011/01.01.2010</b>	<b>78,894</b>	<b>43,043</b>
<b>Increase during the year</b>	<b>42,548</b>	<b>37,520</b>
- acquisition	40,559	35,002
- gains	57	18
- other (deferred interest)	1,932	2,500
<b>Decrease during the year</b>	<b>1,686</b>	<b>1,669</b>
- losses	78	4
- other (interest received)	1,608	1,665
<b>As of 30.06.2011/31.12.2010</b>	<b>119,756</b>	<b>78,894</b>

## 16 Financial liabilities measured at amortised cost

	30.06.2011	31.12.2010
Deposits	3,169,036	3,090,763
Loans	676,238	939,136
Debt securities	55,329	44,404
Subordinated liabilities	182,653	177,953
<b>Total</b>	<b>4,083,256</b>	<b>4,252,256</b>

### Deposits by type of customers and maturity

	30.06.2011	31.12.2010
<b>Deposits from banks</b>	<b>52,171</b>	<b>66,200</b>
Sight deposits	5,077	10,638
Current deposits	45,777	55,185
Non-current deposits	1,317	377
<b>Deposits from customers</b>	<b>3,116,865</b>	<b>3,024,563</b>
Sight deposits	975,407	937,311
Current deposits	802,825	845,145
Non-current deposits	1,338,633	1,242,107
<b>Total</b>	<b>3,169,036</b>	<b>3,090,763</b>

## Loans by type of customers and maturity

	30.06.2011	31.12.2010
<b>Loans from banks</b>	<b>676,037</b>	<b>938,787</b>
Non-current loans	676,037	938,787
<b>Loans from customers</b>	<b>201</b>	<b>349</b>
Non-current loans	201	349
<b>Total</b>	<b>676,238</b>	<b>939,136</b>

## Subordinated liabilities

ISIN code	Currency	Date of maturity	Interest rate	30.06.2011	31.12.2010
<b>Hybrid instruments</b> as a component of additional own funds					
ISIN: XS0270427163	EUR	perpetual; call option after 05.10.2016	3M EURIBOR + 1.60%	50,344	50,311
ISIN: XS0325446903	EUR	perpetual; call option after 12.10.2012	7.02%	105,128	101,599
<b>Hybrid instruments</b> as a component of original own funds					
ISIN: SI0022103046	EUR	perpetual; call option after 29.12.2014	8.70%	27,181	26,043
<b>Total</b>				<b>182,653</b>	<b>177,953</b>

Subordinated liabilities are included in the calculation of capital adequacy. Hybrid instruments as a component of original own funds are included in the calculation of total original own funds, while hybrid instruments as a component of additional own funds form a part of total additional own funds. Capital risk is disclosed in Note 23.

## 17 Provisions

	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Provisions for pending legal issues	Other provisions	Total
<b>As of 01.01.2011</b>	<b>4,786</b>	<b>9,031</b>	<b>1,031</b>	<b>812</b>	<b>15,660</b>
Net provisions made during the year	(24)	5,433	706	(251)	5,864
- provisions made during the year	0	13,040	706	0	13,746
- provisions reversed during the year	(24)	(7,607)	0	(251)	(7,882)
Provisions used during the year	(25)	0	0	0	(25)
<b>As of 30.06.2011</b>	<b>4,737</b>	<b>14,464</b>	<b>1,737</b>	<b>561</b>	<b>21,499</b>

	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Provisions for pending legal issues	Other provisions	Total
<b>As of 01.01.2010</b>	<b>4,770</b>	<b>7,257</b>	<b>4,321</b>	<b>1,483</b>	<b>17,831</b>
Net provisions made during the year	479	1,774	90	(7)	2,336
- provisions made during the year	672	23,500	502	0	24,674
- provisions reversed during the year	(193)	(21,726)	(412)	(7)	(22,338)
Provisions used during the year	(463)	0	(3,380)	(664)	(4,507)
<b>As of 31.12.2010</b>	<b>4,786</b>	<b>9,031</b>	<b>1,031</b>	<b>812</b>	<b>15,660</b>

## 18 Capital

Nova KBM d.d. raised additional capital in May 2011. The Bank's share capital has increased by €13,604 thousand to €40,814 thousand as of 30 June 2011, while the share premium has increased by €90,723 thousand. Direct costs of raising capital, which were recorded as a reduction in share premium, amounted to €3,262 thousand. As of 30 June 2011, the Bank's share premium amounted to €165,775 thousand.

## Other notes

### 19 Commitments and contingent liabilities by type

	Current	Non-current	Total
<b>As of 30.06.2011</b>			
Financial guarantees	60,324	89,997	150,321
Service guarantees	68,152	157,229	225,381
<b>Total guarantees</b>	<b>375,702</b>		<b>375,702</b>
<b>Uncollateralised letters of credit</b>	<b>114</b>	<b>305</b>	<b>419</b>
Approved and undrawn loans	87,285	74,046	161,331
Approved and undrawn overdrafts	180,364	0	180,364
Other	32	2	34
<b>Total commitments and contingent liabilities</b>	<b>341,729</b>		<b>341,729</b>
<b>Derivatives</b>	<b>165,723</b>	<b>13,510</b>	<b>179,233</b>
<b>Total</b>	<b>897,083</b>		<b>897,083</b>
<b>As of 31.12.2010</b>			
Financial guarantees	26,003	89,984	115,987
Service guarantees	81,001	160,874	241,875
<b>Total guarantees</b>	<b>357,862</b>		<b>357,862</b>
<b>Uncollateralised letters of credit</b>	<b>409</b>	<b>0</b>	<b>409</b>
Approved and undrawn loans	125,100	67,638	192,738
Approved and undrawn overdrafts	181,942		181,942
Other	32	2	34
<b>Total commitments and contingent liabilities</b>	<b>374,714</b>		<b>374,714</b>
<b>Derivatives</b>	<b>114,253</b>	<b>18,971</b>	<b>133,224</b>
<b>Total</b>	<b>866,209</b>		<b>866,209</b>

## 20 Related party transactions

### Statement of financial position and off-balance sheet items

	30.06.2011	
	Subsidiaries	Associates
Loans and advances to banks	88,534	0
Loans and advances to customers	290,475	0
Debt securities not held for trading	1,689	1,814
Debts due to banks	2,267	0
Debts due to customers	5,089	26,995
Off-balance sheet items	20,591	1,683
	30.06.2011	
	Key management personnel	Other related parties
Loans and advances to customers	698	69,648
Debts due to customers	914	2,519
Off-balance sheet items	291	4,015

	31.12.2010	
	Subsidiaries	Associates
Loans and advances to banks	88,950	0
Loans and advances to customers	279,734	0
Debt securities not held for trading	1,716	1,814
Debts due to banks	23,061	0
Debts due to customers	5,522	19,951
Off-balance sheet items	6,848	1,296
	31.12.2010	
	Key management personnel	Other related parties
Loans and advances to customers	534	57,215
Debts due to customers	789	4,255
Off-balance sheet items	252	17,858

## Statement of income

	H1 2011	
	Subsidiaries	Associates
Net interest income	7,463	(272)
Dividend income	881	0
Net fee and commission income	559	215
Cost of services	(259)	(306)
Individual impairment	2	0
Write-offs	0	0
<b>Total</b>	<b>8,646</b>	<b>(363)</b>

	H1 2011	
	Key management personnel	Other related parties
Net interest income	1	1,806
Dividend income	0	1,578
Net fee and commission income	0	287
Cost of services	0	(47)
Individual impairment	0	(3,338)
Write-offs	0	0
<b>Total</b>	<b>1</b>	<b>286</b>

	H1 2010	
	Subsidiaries	Associates
Net interest income	6,035	(271)
Dividend income	3,794	0
Net fee and commission income	450	233
Cost of services	(266)	(255)
Individual impairment	(127)	0
Write-offs	0	0
<b>Total</b>	<b>10,013</b>	<b>(293)</b>

## Loans and guarantees

	Management Board members		Supervisory Board members		Other Bank employees on individual contract	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Loans	64	67	58	18	2,293	2,307
Average interest rate on loans (%)	3.84	3.66	6.02	6.65	3.72	3.56
Repayments	5	12	2	202	203	491



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

Exposure to:	30.06.2011	31.12.2010
Bank of Slovenia	49,122	39,836
Republic of Slovenia	407,009	452,095
State-owned institutions	640,794	518,490
<b>Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions</b>	<b>1,096,925</b>	<b>1,010,421</b>
Share in total assets (%)	23.01	21.02
Off-balance sheet items covered by collateral provided by the Bank of Slovenia or the Republic of Slovenia	8,148	9,423
<b>Total assets</b>	<b>4,766,229</b>	<b>4,806,511</b>

## 22 Credit risk management

### Analysis of exposure to credit risk

	Loans to customers		Loans to banks	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
<b>Net disbursed loans</b>	<b>3,427,933</b>	<b>3,505,866</b>	<b>185,520</b>	<b>213,712</b>
<b>Individual impairment:</b>				
Gross amount	543,436	540,255	79,879	80,425
Impairment	(171,688)	(153,307)	(544)	(1,229)
Net amount	371,748	386,948	79,335	79,196
<b>Collective impairment:</b>				
Credit rating A	1,690,124	1,659,903	0	0
Credit rating B	970,539	980,152	0	0
Credit rating C	315,082	331,949	0	0
Credit rating D	18,119	16,188	0	0
Credit rating E	30,386	25,204	0	0
<b>Gross amount</b>	<b>3,024,250</b>	<b>3,013,396</b>	<b>0</b>	<b>0</b>
<b>Impairment</b>	<b>(92,963)</b>	<b>(88,476)</b>	<b>0</b>	<b>0</b>
<b>Net amount</b>	<b>2,931,287</b>	<b>2,924,920</b>	<b>0</b>	<b>0</b>
<b>Net non-impaired loans</b>	<b>124,898</b>	<b>193,998</b>	<b>106,185</b>	<b>134,516</b>
<b>Total net loans</b>	<b>3,427,933</b>	<b>3,505,866</b>	<b>185,520</b>	<b>213,712</b>

### Overdue and unpaid claims

	30.06.2011				
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total
Banks	13	0	0	3	16
State	30	0	0	2	32
Legal entities	16,573	9,749	4,177	349,069	379,568
Households	3,101	867	403	21,595	25,966
<b>Total</b>	<b>19,717</b>	<b>10,616</b>	<b>4,580</b>	<b>370,669</b>	<b>405,582</b>

	31.12.2010				
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total
Banks	1	0	0	2	3
State	2	0	0	0	2
Legal entities	15,456	4,806	8,712	257,753	286,727
Households	2,870	624	267	16,198	19,959
<b>Total</b>	<b>18,329</b>	<b>5,430</b>	<b>8,979</b>	<b>273,953</b>	<b>306,691</b>

### NPLs of the total loan portfolio of the Bank

	30.06.2011	31.12.2010
Gross NPLs (D, E)*	435,231	396,774
Impairment losses for NPLs (D, E)	176,173	147,519
Net NPLs (D, E)	259,058	249,255
Total gross loan portfolio	3,878,648	3,962,590
Total net loan portfolio	3,613,453	3,719,578
Gross NPLs/Total gross loan portfolio (%)	11.22	10.01
Net NPLs/Total net loan portfolio (%)	7.17	6.70

\* Included are all collectively impaired loans (credit rating D and E), without considering prime collateral provided, and all individually impaired loans, the basic credit rating of which is D or E.

**Analysis of loans and percentage of NPLs by industry sectors**

Industry sector	30.06.2011			31.12.2010		
	Total loans	NPLs	Share of NPLs	Total loans	NPLs	Share of NPLs
Households, natural persons	974,128	26,520	2.72%	980,403	21,213	2.16%
Agriculture and hunting, forestry, fishing	18,463	216	1.17%	19,519	203	1.04%
Mining	2,782	515	18.51%	2,360	0	0.00%
Manufacturing industry	680,763	105,022	15.43%	692,783	110,047	15.88%
Electricity, gas and steam supply	72,672	0	0.00%	62,071	0	0.00%
Water supply, waste and sewage management, rehabilitation of the environment	9,291	173	1.86%	8,790	200	2.28%
Construction	337,567	101,347	30.02%	328,006	84,381	25.73%
Trade, maintenance and repair of motor vehicles	327,977	61,149	18.64%	343,182	89,134	25.97%
Transportation and storage	80,278	4,652	5.79%	80,645	3,015	3.74%
Accommodation and food service activities	119,571	12,548	10.49%	108,627	11,650	10.72%
Information and communication activities	59,886	25,866	43.19%	60,218	4,538	7.54%
Financial intermediation	422,867	42,779	10.12%	498,065	16,529	3.32%
Real estate activities	105,463	1,319	1.25%	95,877	965	1.01%
Professional, scientific and technical activities	118,593	12,587	10.61%	120,591	13,833	11.47%
Other various business activities	11,119	2,816	25.33%	13,192	3,501	26.54%
Public administration and defence services, compulsory social security activities	7,525	0	0.00%	13,496	0	0.00%
Education	5,266	223	4.23%	4,798	228	4.75%
Health and welfare security	25,345	66	0.26%	23,639	67	0.28%
Arts, entertainment and recreation	63,679	1,198	1.88%	67,239	1,504	2.24%
Other activities	5,493	144	2.62%	4,905	175	3.57%
Foreign legal persons	429,920	36,091	8.39%	434,184	35,591	8.20%
<b>Total gross loans</b>	<b>3,878,648</b>	<b>435,231</b>	<b>11.22%</b>	<b>3,962,590</b>	<b>396,774</b>	<b>10.01%</b>

## 23 Composition of capital and capital requirements

	30.06.2011	31.12.2010
<b>Original own funds</b>		
Paid-up capital	40,814	27,210
(-) Treasury shares	(638)	(1,086)
Share premium	165,775	78,314
Reserves and retained earnings or loss	278,348	269,065
Revaluation excesses (PP) – prudential filters	(6,452)	(4,590)
Hybrid instruments as a component of original own funds	26,030	26,030
(-) Intangible long-term assets	(26,562)	(27,008)
<b>Total</b>	<b>477,315</b>	<b>367,935</b>
<b>Additional own funds I</b>		
Hybrid instruments and preferential cumulative shares	150,000	150,000
Other	167	158
<b>Total</b>	<b>150,167</b>	<b>150,158</b>
<b>(-) Deductions from original own funds and additional own funds I</b>		
(-) Deductions from original own funds	(55,990)	(52,529)
(-) Deductions from additional own funds I	(55,990)	(52,529)
<b>Total</b>	<b>(111,980)</b>	<b>(105,058)</b>
<b>Total equity (for solvency purposes)</b>	<b>515,502</b>	<b>413,035</b>
<b>Capital requirements</b>		
<b>Capital requirements for credit risk</b>	<b>305,670</b>	<b>303,403</b>
Central governments and central banks	746	746
Regional governments and local authorities	277	358
Administrative bodies	23	13
Institutions	19,734	20,123
Corporates	155,807	166,096
Retail banking	76,928	78,741
Past due items	19,056	13,725
Items belonging to regulatory high-risk categories	15,594	10,001
Collective investment undertakings	2,209	2,373
Other items	15,296	11,227
<b>Capital requirements for market risks</b>	<b>2,761</b>	<b>2,475</b>
Debt securities	619	520
Equity instruments	920	1,955
Foreign exchange	1,222	0
<b>Capital requirements for operational risk</b>	<b>22,773</b>	<b>23,017</b>
<b>Total</b>	<b>331,204</b>	<b>328,895</b>
Capital adequacy (total regulatory equity)	12.45%	10.05%
Capital adequacy (original own funds)	10.18%	7.67%

## 24 Fair value of financial assets and liabilities

	30.06.2011		31.12.2010	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash and balances with the central bank	90,197	90,197	78,724	78,724
Financial assets held for trading	6,066	6,066	2,784	2,784
Financial assets designated at fair value through profit or loss	46,163	46,163	16,266	16,266
Available-for-sale financial assets	666,061	666,061	685,918	685,918
Loans and advances to banks	185,520	185,520	213,712	213,712
Loans and advances to customers	3,427,933	3,435,751	3,505,866	3,512,703
Held-to-maturity financial assets	119,756	118,765	78,894	78,060
Other assets	30,208	30,208	24,991	24,991
<b>Financial liabilities</b>				
Financial liabilities due to the central bank	150,139	150,139	130,149	130,149
Financial liabilities held for trading	5,263	5,263	5,842	5,842
Deposits from banks	52,171	52,179	66,200	66,215
Deposits from customers	3,116,865	3,134,704	3,024,563	3,036,918
Loans from banks	676,037	676,037	938,787	938,787
Loans from customers	201	189	349	333
Debt securities	55,329	55,545	44,404	44,593
Subordinated liabilities	182,653	187,029	177,953	186,238
Other liabilities	25,828	25,828	26,235	26,235

## 25 Events after the date of the statement of financial position

In the capital raising by Zavarovalnica Maribor d.d., and pursuant to Nova KBM's takeover bid for Zavarovalnica Maribor d.d. shares, Nova KBM paid up €7,344 thousand and thus increased its shareholding in the insurance company from 49.96% to 51.29%.

New shares were issued on 4 July 2011, and the takeover bid was concluded on 10 August 2011, after which date Zavarovalnica Maribor d.d. became a subsidiary of Nova KBM.

On 22 August 2011, in accordance with the sale/purchase agreement, Nova KBM sold to Zavarovalnica Sava d.d. 37,076 shares of Zavarovalnica Maribor d.d., totalling €212 thousand, thus reducing its shareholding from 51.29% to 50.996%.

In July 2011, Nova KBM injected additional capital of €5,000 thousand into Credy banka a.d., thus increasing its shareholding in this subsidiary bank from 72.38% to 76.64%.

# Financial calendar of Nova KBM d.d. for the rest of 2011

All notices and announcements will be available in the electronic dissemination system of the Ljubljana Stock Exchange, SEOnet ([www.ljse.si](http://www.ljse.si)), and on the Bank's website ([www.nkbm.si](http://www.nkbm.si)).

Type of announcement or event	Anticipated date of announcement or event
Preliminary information on results for the period January – September 2011	Tuesday, 25 October 2011
Report on operations and unaudited financial statements of Nova KBM d.d. and the Nova KBM Group for the period January – September 2011	Tuesday, 29 November 2011
The 2012 Business Plan of Nova KBM d.d. and the Nova KBM Group	Wednesday, 21 December 2011

The above stated dates are provisional and are subject to change. Any changes in release dates will be published on the website of Nova KBM d.d.