



3/4

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

FOR THE PERIOD
JANUARY – SEPTEMBER 2016

NOVEMBER 2016

Corporate governance bodies of Nova KBM as of 30 September 2016

Management Board of Nova KBM

Robert Senica	President
Sabina Župec Kranjc	Member

Authorized representative of Nova KBM

Josef Gröblacher

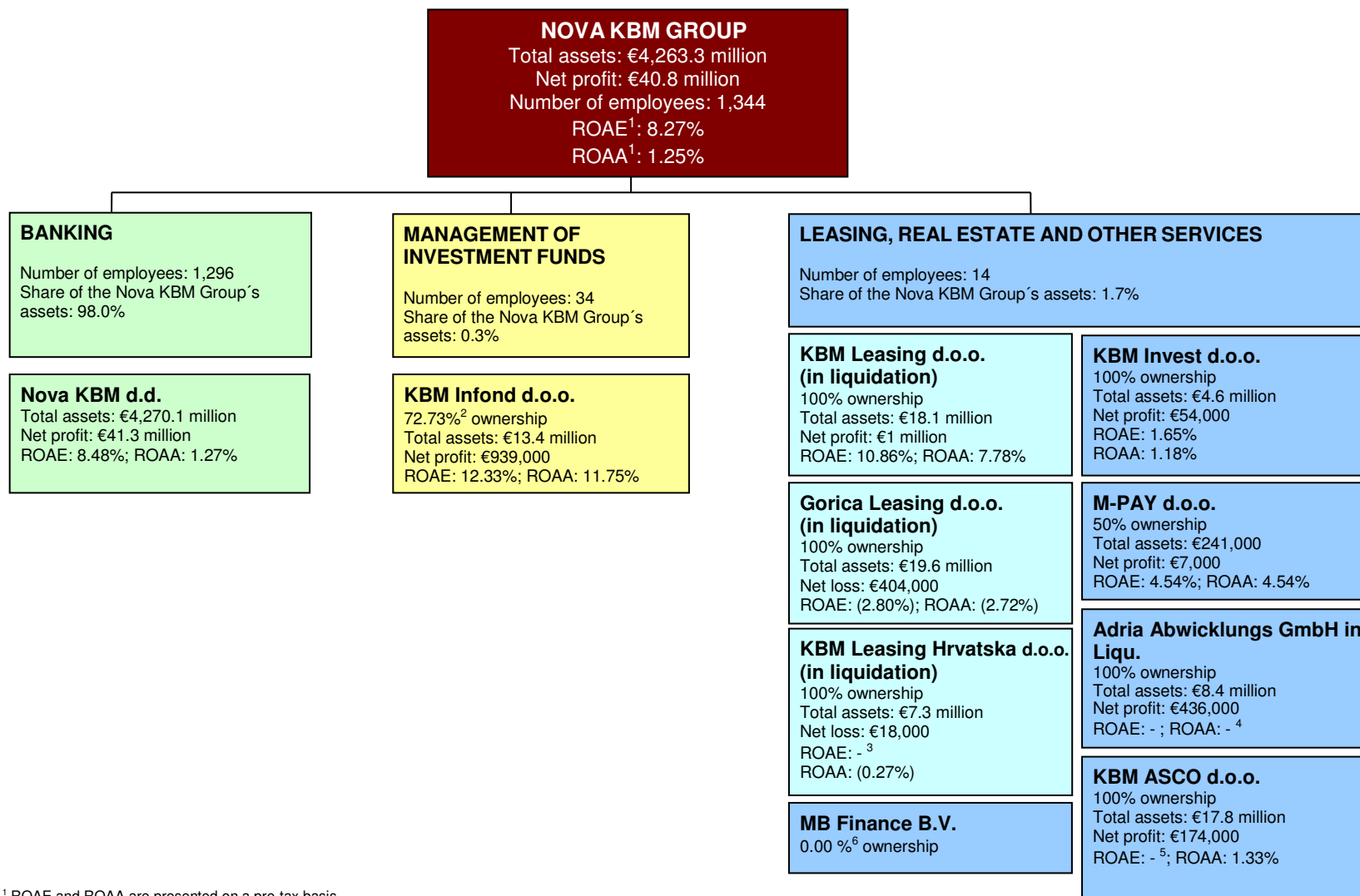
Executive Directors of Nova KBM

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

Supervisory Board of Nova KBM

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

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



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

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

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

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

⁵ Not calculated because KBM ASCO reported a negative average equity.

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

Contents

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

KEY PERFORMANCE INDICATORS OF THE NOVA KBM GROUP AND NOVA KBM	5
SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2016	6
EVENTS AFTER THE END OF THE REPORTING PERIOD	9
CHANGES IN THE SUPERVISORY BOARD OF NOVA KBM.....	9
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	10
PROFILE OF THE NOVA KBM GROUP AND NOVA KBM	11
SHAREHOLDER STRUCTURE OF NOVA KBM AND INFORMATION ABOUT ITS SHARES	12
OPERATING RESULTS OF THE NOVA KBM GROUP	13
FINANCIAL POSITION OF THE NOVA KBM GROUP	15
INTERIM FINANCIAL REPORT OF THE NOVA KBM GROUP AND NOVA KBM.....	16
Interim Income Statement.....	18
Interim Statement of Other Comprehensive Income	21
Interim Statement of Financial Position	24
Interim Statement of Cash Flows	25
Interim Statement of Changes in Equity.....	27
Notes to the financial statements	29

Key performance indicators of the Nova KBM Group and Nova KBM

	Nova KBM Group			Nova KBM		
	2016	2015	Ind.	2016	2015	Ind.
Statement of financial position (€000)	30.9.	31.12.		30.9.	31.12.	
Balance sheet total	4,263,323	4,246,167	100	4,270,091	3,563,355	120
Customer deposits	3,181,599	3,095,356	103	3,208,391	2,514,527	128
Loans and advances to customers	1,730,922	1,808,373	96	1,713,298	1,538,283	111
Total equity	661,108	623,073	106	646,487	606,729	107
Income statement (€000)	1.1. – 30.9.	1.1. – 30.9.		1.1. – 30.9.	1.1. – 30.9.	
Net interest income	68,264	73,707	93	67,155	59,533	113
Net non-interest income (including profit or loss before tax from discontinued operations)	43,873	48,336	91	44,925	38,298	117
- of which net fees and commissions	34,501	40,972	84	31,156	30,230	103
Operating costs	(74,596)	(70,459)	106	(69,219)	(51,616)	134
Impairment losses and provisions	2,090	(26,684)	-	(2,951)	(10,124)	29
Profit before tax from continuing and discontinued operations	39,631	24,900	159	39,910	36,091	111
Net profit for the reporting period	40,789	16,239	251	41,270	28,093	147
Ratios (%)	30.9.	31.12.		30.9.	31.12.	
Interest margin	2.16	2.29		2.14	2.22	
Total capital adequacy	25.92	25.13		24.91	28.07	
Tier 1 capital adequacy	25.92	25.13		24.91	28.07	
CET1 capital adequacy	25.92	25.13		24.91	28.07	
ROAA before tax	1.25	0.60		1.27	1.18	
ROAE before tax	8.27	4.11		8.48	7.06	
Operating costs/Average total assets	2.36	2.27		2.20	2.04	
Operating costs/Income (CIR)	66.52	60.02		61.76	55.51	
Net customer loans/Customer deposits (LTD)	54.40	58.42		53.40	61.18	
Ratings (long-term)				30.9.	31.12.	
				B3	B3	
				(Moody's)	(Moody's)	
				BB- (Fitch)	B+ (Fitch)	

Significant events during the first nine months of 2016

January

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

February

- On 23 February, as part of the Nova KBM Group's restructuring, and to facilitate the completion of the sale of its investment in the equity of KBM Banka, Nova KBM set up a project company KBM ASCO as its wholly-owned subsidiary. Certain assets of KBM Banka, primarily its NPLs and real estate, were transferred to this company at the end of February.

March

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

April

- The process of selling Nova KBM was completed on 21 April when the Republic of Slovenia received proceeds of €250 million for the sale of its 10,000,000 shares in Nova KBM, representing 100% of Nova KBM's share capital, to Biser Bidco S.à r.l., a company set up jointly by Apollo Global Management, LLC (Apollo), an alternative investment manager headquartered in the United States, and the European Bank for Reconstruction and Development (EBRD). The agreement concerning the sale of Nova KBM shares was, on behalf and for the account of the Republic of Slovenia as the seller, signed by the Slovene Sovereign Holding on 30 June 2015. Apollo provided 80% of the funds for the acquisition, with the remaining 20% being provided by the EBRD. The book-transfer of all of the 10,000,000 shares in Nova KBM to the new owner was effected on the same day.

- At the 28th Shareholders' Meeting of Nova KBM, which took place on 21 April, the then members of the Nova KBM Supervisory Board presented their resignation notices, making it possible for the Shareholders' Meeting to appoint new Supervisory Board members. In addition, the Shareholders' Meeting adopted amended Articles of Association for Nova KBM. The term of office of the resigned Supervisory Board members ended with the conclusion of the Shareholders' Meeting session and the appointment of new Supervisory Board members. New members of the Nova KBM Supervisory Board, appointed for a period of five years, are as follows: Gernot Lohr, Manfred Puffer, Andrea Moneta, Michele Rabà (all of them from Apollo), Alexander Saveliev (EBRD) and Andrej Fatur, the latter of whom was elected as their Chair at the constituent meeting of the Supervisory Board that was held on the same day after the Shareholders' Meeting.
- On 22 April, Nova KBM was notified that the Slovene Sovereign Holding had disposed of all of the 10,000,000 shares in Nova KBM (ticker symbol: KBMS), thereby losing its proportion of voting rights in Nova KBM. On the same day, Nova KBM also received a notice from Biser Bidco S.à r.l., stating that the latter had acquired all of the 10,000,000 shares in Nova KBM (ticker symbol: KBMS) and had thus gained 100% voting rights in Nova KBM.
- At the Slovene Advertising Festival (SOF), Nova KBM received awards in three different categories for its marketing campaign called Smooth Banking, designed to raise awareness of banking services among young people.
- Nova KBM teamed up with its strategic partner, the Institute for Entrepreneurship Research (IRP), to organize 'Start:up Maribor Hackathon 2016', the first event to promote the development of the entrepreneurial ecosystem in the region. More than 60 user experience developers and entrepreneurs from all over Slovenia, who specialize in the areas of mobile applications, virtual reality and enriched reality, joined forces at the event to develop, among other things, innovative solutions for the banking of the future.

May

- On 12 May, Fitch Ratings upgraded Nova KBM's Long-Term Issuer Default Rating (IDR) to 'BB-' from 'B+', with the rating being assigned a stable outlook. In addition to upgrading its IDR, Fitch Ratings raised Nova KBM's Viability Rating (VR) by one notch, to 'bb-' from 'b+', while the Support Rating (SR) and the Support Rating Floor (SRF) were affirmed at '5' and 'No Floor', respectively.

June

- Strict compliance with the highest standards of data integrity, i.e. accuracy, consistency and completeness of payment transaction data, earned Nova KBM a MasterCard Data Integrity Award.
- At the 29th Shareholders' Meeting of Nova KBM, which took place on 15 June, Robert Senica, President of the Management Board, Sabina Župec Kranjc, Management Board Member, and all members of the Supervisory Board were granted discharge for their work in 2015. The owner of Nova KBM was presented with

the 2015 Nova KBM Group's Internal Audit Report, along with the opinion of the Supervisory Board, the 2015 Annual Report of the Nova KBM Group and Nova KBM, along with the auditor's report, and the report of the Supervisory Board on verification of the 2015 Annual Report of the Nova KBM Group and Nova KBM. Moreover, information was provided to the owner about the amount of remuneration given to members of the management and supervisory bodies in 2015, and the proposed amendments to Nova KBM's Articles of Association were adopted by the owner.

July

- Nova KBM offered its retail customers the option of taking out payment card and personal property insurance through Bank@Net, its online banking facility.
- At the 31st Shareholders' Meeting of Nova KBM, which took place on 14 July, a resolution was passed to earmark €16,567,011.93 of the distributable profit for the financial year 2015 as a dividend payment to the owner, with the remaining balance of the distributable profit, totalling €142,836.59, being carried forward as retained earnings.

September

- On 1 September, the District Court of Maribor issued a decision on entering into the court register the merger by acquisition of PBS by Nova KBM, based on which the merger between the two banks became legally effective. Consequently, all assets, liabilities and rights of PBS were transferred to Nova KBM, with the result that the latter, as the legal successor to PBS, took over the obligations and rights under all transactions concluded by PBS prior to the merger.
- On 15 September, Josef Gröblacher, the newly appointed member of the Nova KBM Management Board, took up the role of an authorized representative of Nova KBM.

Events after the end of the reporting period

October

- On 15 October, Jonathan Charles Locke, the newly appointed member of the Nova KBM Management Board, took up the role of an authorized representative of Nova KBM.
- On 25 October, Moody's Investors Service upgraded Nova KBM's Long-Term Deposit Rating to 'B2' from 'B3', while at the same time raising its Baseline Credit Assessment (BCA) and the adjusted BCA to 'b3' from 'caa1'. The rating outlook was affirmed as 'positive'.

November

- On 14 November, the Nova KBM Supervisory Board announced the appointment of John Denhof as Group Chief Executive Officer (CEO). Mr. Denhof will complement the existing Management Board, subject to customary regulatory approval. Until receipt of the regulatory approval to serve on the Management Board, Mr. Denhof will act in his capacity as an authorized representative (procurator) of Nova KBM. Robert Senica, the current President of the Nova KBM Management Board, will serve as Deputy CEO going forward. Mr. Senica will focus on developing strategic alliances and partnerships across all Slovene regions and will continue to oversee the corporate banking operations. He will also remain responsible for corporate affairs, including relationships with key stakeholders.

Changes in the Supervisory Board of Nova KBM

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

Statement of management's responsibilities

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

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

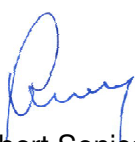
- the financial report summary has been drawn up in accordance with the appropriate accounting framework of reporting and that it provides a true and fair view of the assets, liabilities, the financial position and the profit and loss of Nova KBM and other companies included in the consolidation as a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

Maribor, 16 November 2016

Management Board of Nova KBM d.d.



Sabina Župec Kranjc
Member



Robert Senica
President

Profile of the Nova KBM Group and Nova KBM

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

Nova KBM is obliged to prepare consolidated financial statements.

The Nova KBM Group comprises the companies listed in the table below.

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

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

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

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

COMPANY	Number of employees 30.9.2016	Net profit/(loss) (€000)	Balance sheet total (€000)	ROAE before tax (%)	ROAA before tax (%)
Nova KBM d.d.	1,296	41,270	4,270,091	8.48	1.27
KBM Infond d.o.o.	34	939	13,439	12.33	11.75
KBM Leasing d.o.o. (in liquidation)	2	1,002	18,071	10.86	7.78
Gorica Leasing d.o.o. (in liquidation)	2	(404)	19,559	(2.80)	(2.72)
KBM Leasing Hrvatska d.o.o. (in liquidation)	2	(18)	7,266	*	(0.27)
KBM Invest d.o.o.	8	54	4,598	1.65	1.18
Adria Abwicklungs GmbH in Liqu.	0	436	8,426	**	**
M-PAY d.o.o.	0	7	241	4.54	4.54
KBM ASCO d.o.o.	0	174	17,771	*	1.33

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

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

Shareholder structure of Nova KBM and information about its shares

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

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

Information about Nova KBM shares

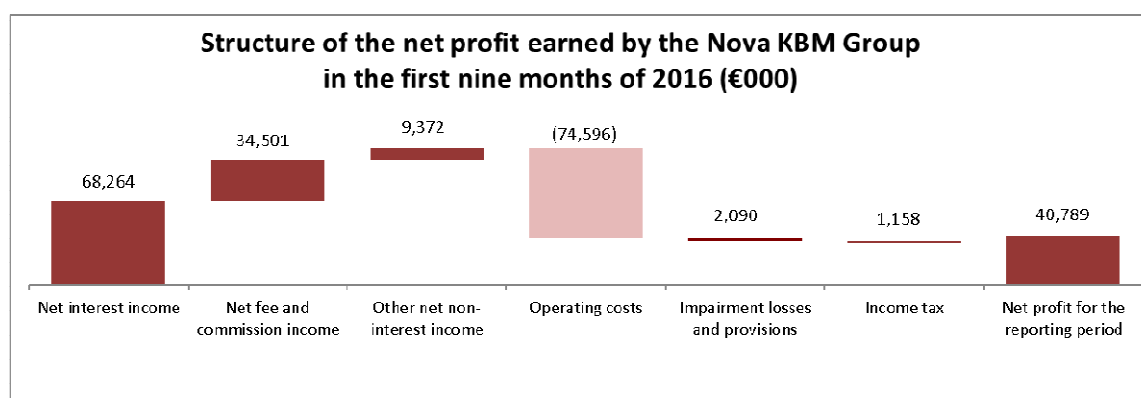
	Nova KBM Group				Nova KBM			
	30.9.16	31.12.15	31.12.14	31.12.13	30.9.16	31.12.15	31.12.14	31.12.13
Book value per share ³ (€)	65.83	62.00	61.34	56.67	64.65	60.67	58.03	51.77
Net earnings/(loss) per share ⁴ (€)	5.40	1.66	2.19	(63.05)	5.50	3.44	3.59	(65.65)

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

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

Operating results of the Nova KBM Group

For the nine-month period ended 30 September 2016, the Nova KBM Group reported a **net profit** of €40,789,000, compared to €16,239,000 reported for the same period last year. Total income earned by the Nova KBM Group declined year-on-year by 8.1% and totalled €112,137,000, of which €68,264,000 was attributable to net interest income and €34,501,000 was attributable to net fee and commission income. The operating costs incurred by the Nova KBM Group in the first nine months of 2016 totalled €74,596,000, up 5.9% on the comparable period last year. While the Nova KBM Group reversed net impairment charges of €2,090,000 in the first nine months of 2016, it recorded net impairment charges of €26,684,000 in the first nine months of 2015.



Net interest income earned by the Nova KBM Group in the first nine months of 2016 reached €68,264,000, down €5,443,000, or 7.4%, on the same period last year, with interest income and interest expenses registering a year-on-year decline of 16.8% and 51.9%, respectively.

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

Net fee and commission income generated by the Nova KBM Group in the first nine months of 2016 totalled €34,501,000, a decline of 15.8% compared with the same period last year, with both fee and commission income, and fee and commission expenses registering a decline. The year-on-year decline in the net fee and commission income was partially attributable to a change in the accounting treatment of the financial services tax, which has been included in fee and commission expenses since 1 January 2016, but was included in other net operating expenses in previous years. The structure of fees and commissions for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

Other non-interest income⁵ was €9,372,000, up from €7,364,000 reported for the same period last year.

The **operating costs** (administration costs, including depreciation and amortisation) incurred by the Nova KBM Group in the first nine months of 2016 totalled €74,596,000, up 5.9% on the same period last year, with general and administrative costs increasing the most, by 21.6%, while staff costs saw a year-on-year reduction of 1.7%. As regards the composition of operating costs, staff costs accounted for 45.2% of the total operating costs, followed by general and administrative costs (43.3%), and depreciation and amortisation (11.5%). The Nova KBM Group's cost-to-income ratio reached 66.52% in the first nine months of 2016.

In the first nine months of 2016, the Nova KBM Group recorded **net impairment losses** of €5,874,000, compared to €40,765,000 recorded in the same period last year, while reversing **provisions** of €7,964,000. The amount of provisions reversed by the Nova KBM Group in the first nine months of 2015 totalled €14,081,000. The structure of provisions and impairment losses by type of assets for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

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

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

Financial position of the Nova KBM Group

At the end of September 2016, the Nova KBM Group's **balance sheet total** amounted to €4,263,323,000, up 0.4%, or €17,156,000, on the end of 2015.

The increase in the **balance of cash, deposits with the central banks and demand deposits placed with commercial banks**, which the Nova KBM Group saw in the first nine months of 2016, was mainly attributable to an increase in the volume of deposits held by Nova KBM with both the central bank and its partner banks.

The decline in the volume of **loans** in the first nine months of 2016 was mostly

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

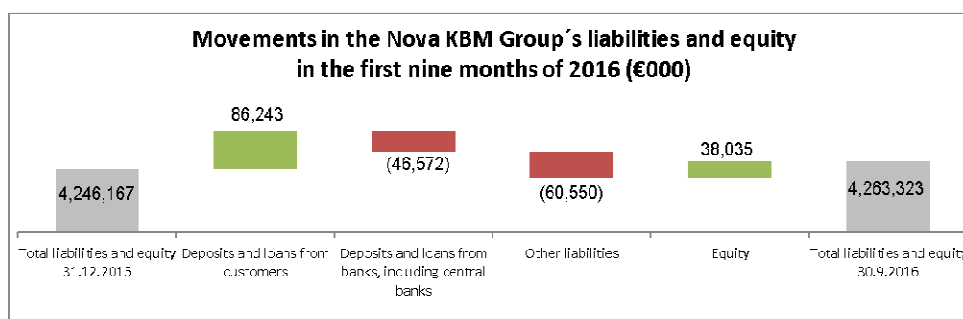
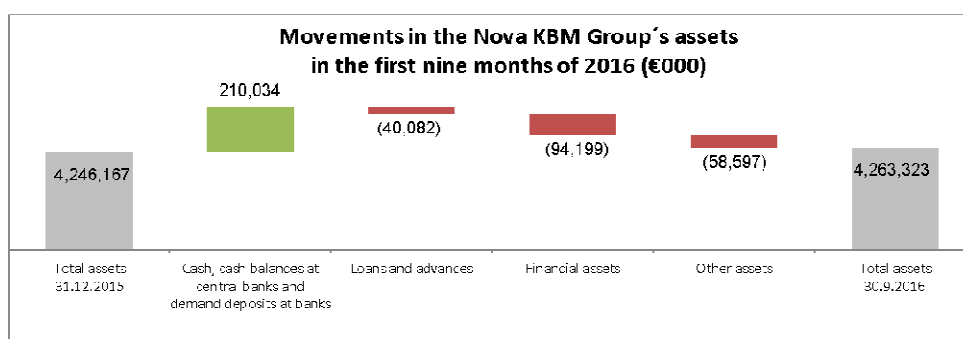
The balance of the Nova KBM Group's **financial assets** saw a decline in the first nine months of 2016, with a reduction in the volume of available-for-sale and held-to-maturity financial assets contributing the most to this decline.

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

As of 30 September 2016, the Nova KBM Group's **total equity** amounted to €661,108,000, an increase of 6.1% from the end of last year, with its **total capital adequacy ratio** standing at 25.92%. The composition of the Nova KBM

Group's equity is presented in the notes to the financial statements.

As a result of a decline in both net customer loans and customer deposits, the net loan-to-deposit ratio (**net LTD**) of the Nova KBM Group fell by 4.02 percentage points in the first nine months of 2016, reaching 54.40% at the end of September.



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

FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM d.d.

1 Interim Income Statement

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Interest income	9	77,811	93,548	76,700	77,391
Interest expenses	9	(9,547)	(19,841)	(9,545)	(17,858)
Net interest income	9	68,264	73,707	67,155	59,533
Dividend income	10	792	1,139	792	1,531
Fee and commission income	11	52,734	60,951	48,531	33,176
Fee and commission expenses	11	(18,233)	(19,979)	(17,375)	(2,946)
Net fee and commission income	11	34,501	40,972	31,156	30,230
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	12	7,800	10,131	8,883	10,496
Net gains/(losses) on financial assets and liabilities held for trading	13	689	(4,161)	649	(4,253)
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	14	2,980	(4,624)	2,981	(4,624)
Net gains/(losses) from foreign exchange rate differences	15	(193)	6,462	(289)	6,549
Net gains on derecognition of assets	-	43	116	41	8
Other net operating income/(loss)	-	840	(1,958)	640	(1,699)
Administration costs	16	(65,985)	(60,815)	(61,707)	(44,397)
Depreciation and amortisation	-	(8,611)	(9,644)	(7,512)	(7,219)
Provisions	17	7,964	14,081	6,876	12,769
Impairment losses	18	(5,874)	(40,765)	(9,827)	(22,893)
Share of profits of subsidiaries, associates and joint ventures	-	0	125	457	0
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	-	(384)	60	(385)	60
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	-	42,826	24,826	39,910	36,091
Income taxes on continuing operations	19	1,158	(8,661)	1,360	(7,998)
NET PROFIT FROM CONTINUING OPERATIONS	-	43,984	16,165	41,270	28,093
Total profit/(loss) after tax from discontinued operations	-	(3,195)	74	0	0
NET PROFIT FOR THE REPORTING PERIOD	-	40,789	16,239	41,270	28,093
a) Attributable to owners of the parent	-	40,529	15,915	41,270	28,093
– continuing operations	-	43,724	15,849	41,270	28,093
– discontinued operations	-	(3,195)	66	0	0
b) Attributable to non-controlling interests	-	260	324	0	0
– continuing operations	-	260	316	0	0
– discontinued operations	-	0	8	0	0
Basic earnings per share (€)	-	4.05	1.59	4.13	2.81
Diluted earnings per share (€)	-	4.05	1.59	4.13	2.81

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

1.1 Interim Income Statement – presented by quarter

Nova KBM Group								€000
ITEM DESCRIPTION	2016				2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Interest income	23,733	27,203	26,875	28,834	29,250	31,230	33,068	
Interest expenses	(2,999)	(3,150)	(3,398)	(4,397)	(5,510)	(6,491)	(7,840)	
Net interest income	20,734	24,053	23,477	24,437	23,740	24,739	25,228	
Dividend income	235	541	16	(22)	367	772	0	
Fee and commission income	17,085	18,548	17,101	20,343	20,143	20,796	20,012	
Fee and commission expenses	(6,212)	(6,152)	(5,869)	(6,838)	(6,771)	(6,592)	(6,616)	
Net fee and commission income	10,873	12,396	11,232	13,505	13,372	14,204	13,396	
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,873	2,044	3,883	3,620	3,036	5,146	1,949	
Net gains/(losses) on financial assets and liabilities held for trading	15	362	312	114	2,975	347	(7,483)	
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	2,517	(785)	1,248	189	(2,565)	(2,155)	96	
Net gains/(losses) from foreign exchange rate differences	(69)	120	(244)	268	(2,652)	319	8,795	
Net gains/(losses) on derecognition of assets	7	3	33	(134)	63	31	22	
Other net operating income/(loss)	950	(314)	204	(1,889)	(1,058)	(460)	(440)	
Administration costs	(23,910)	(22,518)	(19,557)	(23,937)	(20,332)	(20,470)	(20,013)	
Depreciation and amortisation	(2,982)	(2,750)	(2,879)	(3,019)	(3,116)	(3,213)	(3,315)	
Provisions	1,887	2,964	3,113	(4,439)	9,302	4,783	(4)	
Impairment losses	(141)	(4,491)	(1,242)	(8,015)	(14,570)	(21,132)	(5,063)	
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	0	0	0	10	54	(9)	80	
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	(453)	11	58	652	0	(1)	61	
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	11,536	11,636	19,654	1,340	8,616	2,901	13,309	
Income taxes on continuing operations	(78)	2,491	(1,255)	(369)	(4,603)	(3,023)	(1,035)	
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	11,458	14,127	18,399	971	4,013	(122)	12,274	
Total profit/(loss) after tax from discontinued operations	0	(3,463)	268	(250)	(50)	135	(11)	
NET PROFIT FOR THE REPORTING PERIOD	11,458	10,664	18,667	721	3,963	13	12,263	
a) Attributable to owners of the parent	11,358	10,573	18,598	652	3,901	(96)	12,110	
– continuing operations	11,358	14,036	18,330	894	3,941	(225)	12,133	
– discontinued operations	0	(3,463)	268	(242)	(40)	129	(23)	
b) Attributable to non-controlling interests	100	91	69	69	62	109	153	
– continuing operations	100	91	69	77	72	103	141	
– discontinued operations	0	0	0	(8)	(10)	6	12	
Basic earnings/(loss) per share (€)	1.13	1.06	1.86	0.07	0.39	(0.01)	1.21	
Diluted earnings/(loss) per share (€)	1.13	1.06	1.86	0.07	0.39	(0.01)	1.21	

							€000
Nova KBM d.d.							
							2016
							2015
ITEM DESCRIPTION	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	31,146	22,983	22,571	23,535	24,167	25,910	27,314
Interest expenses	(3,618)	(2,859)	(3,068)	(3,967)	(5,041)	(5,864)	(6,953)
Net interest income	27,528	20,124	19,503	19,568	19,126	20,046	20,361
Dividend income	238	542	12	(498)	283	1,248	0
Fee and commission income	29,521	10,033	8,977	11,523	11,193	11,449	10,534
Fee and commission expenses	(15,574)	(1,012)	(789)	(1,217)	(1,176)	(913)	(857)
Net fee and commission income	13,947	9,021	8,188	10,306	10,017	10,536	9,677
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	794	3,858	4,231	2,670	3,558	5,147	1,791
Net gains/(losses) on financial assets and liabilities held for trading	67	282	300	(28)	2,951	404	(7,608)
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	2,518	(785)	1,248	189	(2,565)	(2,155)	96
Net gains/(losses) from foreign exchange rate differences	(52)	149	(386)	327	(2,524)	290	8,783
Net gains/(losses) on derecognition of assets	14	22	5	(174)	3	10	(5)
Other net operating income/(loss)	607	(677)	710	(1,513)	(676)	(417)	(606)
Administration costs	(29,211)	(17,687)	(14,809)	(18,760)	(14,977)	(15,001)	(14,419)
Depreciation and amortisation	(3,326)	(2,039)	(2,147)	(2,285)	(2,349)	(2,404)	(2,466)
Provisions	1,709	2,172	2,995	(1,956)	8,689	4,746	(666)
Impairment losses	(9,374)	(1,591)	1,138	(3,894)	(11,368)	(9,325)	(2,200)
Share of profits of subsidiaries, associates and joint ventures	0	457	0	528	0	0	0
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	(454)	11	58	1,680	0	(1)	61
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5,005	13,859	21,046	6,160	10,168	13,124	12,799
Income taxes on continuing operations	(5)	2,566	(1,201)	182	(4,540)	(2,570)	(888)
NET PROFIT FROM CONTINUING OPERATIONS	5,000	16,425	19,845	6,342	5,628	10,554	11,911
NET PROFIT FOR THE REPORTING PERIOD	5,000	16,425	19,845	6,342	5,628	10,554	11,911
Basic earnings per share (€)	0.50	1.65	1.98	0.63	0.56	1.06	1.19
Diluted earnings per share (€)	0.50	1.65	1.98	0.63	0.56	1.06	1.19

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

2 Interim Statement of Other Comprehensive Income

€000

ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	40,789	16,239	41,270	28,093
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	14,377	(7,694)	11,004	(6,956)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	14,377	(7,694)	11,004	(6,956)
Gains/(losses) from foreign currency translation	(138)	15	0	0
– translation gains/(losses) taken to equity	(138)	15	0	0
Gains/(losses) in respect of available-for-sale financial assets	13,570	(9,336)	13,258	(8,380)
– valuation gains/(losses) taken to equity	16,808	(9,577)	16,710	(8,380)
– gains/(losses) transferred to profit or loss	(3,238)	241	(3,452)	0
Share of (losses) of associates and joint ventures accounted for using the equity method	0	(46)	0	0
Gains recognised in other comprehensive income in respect of discontinued operations	3,195	105	0	0
Income tax relating to items that may be reclassified subsequently to profit or loss	(2,250)	1,568	(2,254)	1,424
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD AFTER TAX	55,166	8,545	52,274	21,137
a) Attributable to owners of the parent	54,912	8,245	52,274	21,137
– continuing operations	54,912	8,168	52,274	21,137
– discontinued operations	0	77	0	0
b) Attributable to non-controlling interests	254	300	0	0
– continuing operations	254	291	0	0
– discontinued operations	0	9	0	0

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

2.1 Interim Statement of Other Comprehensive Income – presented by quarter

Nova KBM Group							€000
	2016						2015
ITEM DESCRIPTION	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	11,458	10,664	18,667	721	3,963	13	12,263
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	5,314	3,440	5,623	(2,370)	5,295	(20,654)	7,665
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	0	0	0	497	0	0	0
Actuarial gains on defined benefit pension plans	0	0	0	511	0	0	0
Income tax relating to items that will not be reclassified to profit or loss	0	0	0	(14)	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	5,314	3,440	5,623	(2,867)	5,295	(20,654)	7,665
Gains/(losses) from foreign currency translation	(9)	(11)	(118)	5	73	(58)	0
– translation gains/(losses) taken to equity	(9)	(11)	(118)	5	73	(58)	0
Gains/(losses) in respect of available-for-sale financial assets	6,465	33	7,072	(3,334)	6,239	(24,694)	9,119
– valuation gains/(losses) taken to equity	7,027	2,709	7,072	(3,272)	5,998	(24,694)	9,119
– gains/(losses) transferred to profit or loss	(562)	(2,676)	0	(62)	241	0	0
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	0	0	0	12	(30)	(48)	32
Gains/(losses) recognised in other comprehensive income in respect of discontinued operations	0	3,324	(129)	(165)	93	(52)	64
Income tax relating to items that may be reclassified subsequently to profit or loss	(1,142)	94	(1,202)	615	(1,080)	4,198	(1,550)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	16,772	14,104	24,290	(1,649)	9,258	(20,641)	19,928
a) Attributable to owners of the parent	16,658	13,997	24,257	(1,726)	9,231	(20,680)	19,694
– continuing operations	16,658	14,136	24,118	(1,418)	9,271	(20,763)	19,660
– discontinued operations	0	(139)	139	(308)	(40)	83	34
b) Attributable to non-controlling interests	114	107	33	77	27	39	234
– continuing operations	114	107	33	91	37	39	215
– discontinued operations	0	0	0	(14)	(10)	0	19

							€000
Nova KBM d.d.							
							2016
							2015
ITEM DESCRIPTION	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	5,000	16,425	19,845	6,342	5,628	10,554	11,911
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	4,948	841	5,215	(1,104)	4,122	(16,349)	5,271
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	0	0	0	440	0	0	0
Actuarial gains on defined benefit pension plans	0	0	0	440	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	4,948	841	5,215	(1,544)	4,122	(16,349)	5,271
Gains/(losses) in respect of available-for-sale financial assets	5,962	1,013	6,283	(1,860)	4,967	(19,698)	6,351
– valuation gains/(losses) taken to equity	6,377	4,050	6,283	(1,860)	4,967	(19,698)	6,351
– (losses) transferred to profit or loss	(415)	(3,037)	0	0	0	0	0
Income tax relating to items that may be reclassified subsequently to profit or loss	(1,014)	(172)	(1,068)	316	(845)	3,349	(1,080)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	9,948	17,266	25,060	5,238	9,750	(5,795)	17,182

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

3 Interim Statement of Financial Position

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		30.9.2016	31.12.2015	30.9.2016	31.12.2015
Cash, cash balances at central banks and demand deposits at banks	20	532,923	322,889	529,560	260,860
Financial assets held for trading	21	1,344	1,563	478	116
Financial assets designated at fair value through profit or loss	22	16,401	13,421	16,401	13,421
Available-for-sale financial assets	23	1,618,556	1,675,907	1,610,969	1,442,288
Loans and advances		1,856,306	1,896,388	1,841,367	1,623,522
– loans and advances to banks	24	87,755	61,229	87,701	61,439
– loans and advances to customers	25	1,730,922	1,808,373	1,713,298	1,538,283
– other financial assets	26	37,629	26,786	40,368	23,800
Held-to-maturity financial assets	27	89,939	129,548	89,939	28,566
Non-current assets held for sale and discontinued operations	-	1,338	57,449	1,338	1,239
Property, plant and equipment	-	54,582	57,325	53,920	49,908
Investment property	-	41,226	31,184	30,452	28,439
Intangible assets	-	18,749	21,806	13,182	11,908
Investments in the equity of subsidiaries, associates and joint ventures	-	0	0	58,022	81,400
Tax assets	-	5,246	8,981	5,242	8,721
– current tax assets	-	712	1,706	708	1,446
– deferred tax assets	-	4,534	7,275	4,534	7,275
Other assets	-	26,713	29,706	19,221	12,967
TOTAL ASSETS	-	4,263,323	4,246,167	4,270,091	3,563,355
Financial liabilities held for trading	-	1,111	270	1,112	270
Financial liabilities measured at amortised cost	28	3,541,486	3,494,287	3,567,548	2,895,029
– deposits from banks and central banks	29	10,194	29,768	10,194	32,833
– deposits from customers	29	3,181,599	3,094,447	3,208,391	2,513,618
– loans from banks and central banks	30	289,244	316,242	289,296	299,554
– loans from customers	30	0	909	0	909
– debt securities issued	-	12,605	12,368	12,606	14,418
– subordinated liabilities	31	0	610	0	0
– other financial liabilities	32	47,844	39,943	47,061	33,697
Liabilities included in disposal groups classified as held for sale and discontinued operations	-	0	56,941	0	0
Provisions	33	56,699	66,876	52,631	59,085
Tax liabilities	-	94	1,641	0	0
– current tax liabilities	-	0	61	0	0
– deferred tax liabilities	-	94	1,580	0	0
Other liabilities	-	2,825	3,079	2,313	2,242
TOTAL LIABILITIES	-	3,602,215	3,623,094	3,623,604	2,956,626
Share capital	34	150,000	150,000	150,000	150,000
Share premium	-	360,572	360,572	360,572	360,572
Accumulated other comprehensive income	35	44,131	32,815	43,778	25,799
Translation reserves	-	(149)	(3,230)	0	0
Reserves from profit	36	20,543	54,069	20,228	53,648
Retained earnings (including net profit for the reporting period)	-	83,194	25,731	71,909	16,710
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-	658,291	619,957	646,487	606,729
Equity attributable to non-controlling interests	-	2,817	3,116	0	0
TOTAL EQUITY	-	661,108	623,073	646,487	606,729
TOTAL LIABILITIES AND EQUITY	-	4,263,323	4,246,167	4,270,091	3,563,355

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

4 Interim Statement of Cash Flows

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
a)	Total profit before tax	39,631	24,900	39,910	36,091
	Depreciation and amortisation	8,611	10,147	7,512	7,219
	Impairment of loans and advances	7,165	40,571	9,706	22,781
	(Reversal of impairment) of held-to-maturity financial assets	0	(417)	0	0
	Impairment/(reversal of impairment) of tangible assets, investment property, intangible assets and other assets	(1,291)	(114)	121	112
	Share of (profits) of subsidiaries, associates and joint ventures	0	(125)	(457)	0
	Net (gains)/losses from foreign exchange rate differences	193	(6,326)	289	(6,549)
	Net (gains) from the sale of tangible assets and investment property	(42)	(109)	(40)	(8)
	Other (gains) from investing activities	(1,673)	(2,683)	(1,673)	(1,903)
	Net unrealised (gains)/losses from non-current assets held for sale and discontinued operations and the liabilities associated therewith	384	(60)	385	(60)
	Other adjustments to total profit or loss before tax	(4,780)	(14,195)	(6,876)	(12,769)
	Cash flows from operating activities before changes in operating assets and liabilities	48,198	51,589	48,877	44,914
b)	(Increase)/decrease in operating assets (excluding cash equivalents)	127,974	(80,290)	93,411	(86,194)
	Net (increase)/decrease in financial assets held for trading	219	(291)	(362)	(1,536)
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	(2,980)	4,624	(2,980)	4,624
	Net (increase)/decrease in available-for-sale financial assets	70,909	(148,835)	70,265	(121,310)
	Net decrease in loans and advances	28,821	53,726	27,417	26,916
	Net decrease in non-current assets held for sale	26,969	104	0	114
	Net (increase)/decrease in other assets	4,036	10,382	(929)	4,998
c)	Increase/(decrease) in operating liabilities	(10,936)	(164,104)	63,481	(112,818)
	Net increase/(decrease) in financial liabilities held for trading	841	(1,022)	842	(963)
	Net increase/(decrease) in deposits and loans taken, measured at amortised cost	47,376	(143,156)	64,898	(89,794)
	Net increase/(decrease) in debt securities in issue, measured at amortised cost	237	(6,113)	0	(12,413)
	Net (decrease) in liabilities associated with non-current assets held for sale	(56,941)	0	0	0
	Net (decrease) in other liabilities	(2,449)	(13,813)	(2,259)	(9,648)
d)	Cash flows from operating activities (a + b + c)	165,236	(192,805)	205,769	(154,098)
e)	Income taxes (paid)/refunded	1,108	(4,822)	1,110	(4,171)
f)	Net cash flows from operating activities (d + e)	166,344	(197,627)	206,879	(158,269)

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
a)	Receipts from investing activities	47,221	109,329	108,791	53,494
	Receipts from the sale of tangible assets and investment property	1,253	4,048	880	62
	Receipts from non-current assets or liabilities held for sale	4,685	0	4,685	0
	Receipts from the sale of held-to-maturity financial assets	41,283	105,281	41,283	52,904
	Cash acquired through a business combination	0	0	61,486	0
	Other receipts from investing activities	0	0	457	528
b)	Cash payments on investing activities	(12,157)	(38,367)	(21,342)	(2,517)
	(Cash payments to acquire tangible assets and investment property)	(9,721)	(816)	(1,344)	(666)
	(Cash payments to acquire intangible assets)	(2,156)	(2,560)	(2,118)	(1,842)
	(Cash payments for the investments in the equity of subsidiaries, associates and joint ventures)	(280)	0	(17,880)	0
	(Cash outflow to non-current assets or liabilities held for sale)	0	(9)	0	(9)
	(Cash payments to acquire held-to-maturity financial assets)	0	(34,982)	0	0
c)	Net cash flow from investing activities (a + b)	35,064	70,962	87,449	50,977
C.	CASH FLOWS FROM FINANCING ACTIVITIES				
b)	Cash payments on financing activities	(16,682)	(766)	(16,567)	0
	(Dividends and shares in profits paid)	(16,682)	(126)	(16,567)	0
	(Repayment of subordinated liabilities)	0	(640)	0	0
c)	Net cash flows from financing activities (a + b)	(16,682)	(766)	(16,567)	0
D.	Effects of change in foreign exchange rates on cash and cash equivalents	(2,383)	(2,185)	(2,381)	(2,472)
E.	Net increase/(decrease) in cash and cash equivalents (Af + Bc + Cc)	184,726	(127,431)	277,761	(107,292)
F.	Opening balance of cash and cash equivalents	398,836	477,831	302,382	365,599
G.	Closing balance of cash and cash equivalents (D + E + F)	581,179	348,215	577,762	255,835

The statement of cash flows includes cash flows, cash and cash equivalents in respect of discontinued operations. Reconciliation of cash and cash equivalents with the statement of financial position items is presented in Note 20.1.

The balance of cash and cash equivalents as of 30 September 2015 amounted to €348,215,000 and was made up of cash and balances with the central bank, in the amount of €267,778,000, loans and advances to banks with an original maturity of up to three months, in the amount of €51,837,000, and cash and cash equivalents in respect of discontinued operations, totalling €28,600,000.

Cash Flows from Interest, Dividends and Shares in Profits

€000

ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Interest paid	(13,752)	(28,407)	(12,888)	(24,435)
Interest received	87,285	95,379	83,455	74,357
Dividends and shares in profits paid	(16,682)	(126)	(16,567)	0
Dividends and shares in profits received	700	1,084	1,157	1,528

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

5 Interim Statement of Changes in Equity

Interim statement of changes in equity of the Nova KBM Group for the nine months ended 30 September 2016

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	32,815	(3,230)	54,069	25,731	619,957	3,116	623,073
Total comprehensive income for the reporting period after tax	0	0	11,302	3,081	0	40,529	54,912	254	55,166
Payment of (accounting for) dividends/profit	0	0	0	0	0	(16,567)	(16,567)	(115)	(16,682)
Transfer of net profit to reserves from profit	0	0	0	0	(33,526)	33,526	0	0	0
Other	0	0	14	0	0	(25)	(11)	(438)	(449)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	44,131	(149)	20,543	83,194	658,291	2,817	661,108

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

Interim statement of changes in equity of the Nova KBM Group for the nine months ended 30 September 2015

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	42,841	(3,208)	27,895	35,338	613,438	2,919	616,357
Total comprehensive income for the reporting period after tax	0	0	(7,788)	118	0	15,915	8,245	300	8,545
Payment of (accounting for) dividends/profit	0	0	0	0	0	0	0	(126)	(126)
Transfer of net profit to reserves from profit	0	0	0	0	(64)	64	0	0	0
Other	0	0	0	(1)	0	1	0	(52)	(52)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	35,053	(3,091)	27,831	51,318	621,683	3,041	624,724

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

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

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	25,799	53,648	16,710	606,729
Total comprehensive income for the reporting period after tax	0	0	11,004	0	41,270	52,274
Payment of (accounting for) dividends/profit	0	0	0	0	(16,567)	(16,567)
Transfer of net profit to reserves from profit	0	0	0	(33,420)	33,420	0
Other	0	0	6,975	0	(2,924)	4,051
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	43,778	20,228	71,909	646,487

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

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

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	33,859	27,389	8,527	580,347
Total comprehensive income for the reporting period after tax	0	0	(6,956)	0	28,093	21,137
Other	0	0	0	0	4	4
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	26,903	27,389	36,624	601,488

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

NOTES TO THE FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM d.d.

1 General information

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

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

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

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

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

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

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

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

Nova KBM is obliged to prepare consolidated financial statements.

2 Definition of the Nova KBM Group

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

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

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

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

In August 2014, the Adria Bank Supervisory Board reached a decision to start the procedures to terminate the operations of Adria Bank. Adria Bank returned its licence for providing banking services to the Austrian Financial Market Authority on 23 March 2015, the same day on which it ceased its banking operations and met the conditions to wind up its business. On 11 June 2015, Adria Bank was legally transformed from a joint stock company into a limited liability company (GmbH) named 'Adria Abwicklungs', which filed for controlled liquidation on 26 June 2015, in accordance with a ruling made by the relevant court. On 3 September 2015, the Shareholders' Meeting of Adria Abwicklungs GmbH in Liqu. took the decision to reduce the share capital of the company by €8,860,000 and to repay this amount to Nova KBM, pursuant to the agreement between the two regarding the repayment of capital. The decision to reduce the share capital was entered into the records kept by the competent Registration Court in Vienna on 18 December 2015. Of the amount specified above, a total of €3,715,000 was repaid in December 2015, while the remaining balance that was to be repaid to Nova KBM is secured by BAMC bonds. In October 2016, after Adria Abwicklungs GmbH in Liqu. had fulfilled all its obligations, the final meeting of its shareholders took place, and a request was submitted to the competent Registration Court to delete the company from the register of companies.

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

The liquidation proceedings against KBM Leasing Hrvatska are expected to be completed by the end of 2017, while those against KBM Leasing and Gorica Leasing are planned to be concluded within the next three years.

On 17 February 2016, based on the prior consent of the Nova KBM Supervisory Board, Nova KBM signed the agreement concerning the sale of its 546,683 shares in KBM Banka to a

new investor. The number of shares sold by Nova KBM accounted for 89.53% of the total outstanding shares of KBM Banka. The sale of KBM Banka was completed on 14 April 2016, after all conditions precedent stipulated in the sale agreement had been met.

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

In 2015, Nova KBM started taking steps towards fully merging the operations of PBS with its own, which is one of the strategically most important projects undertaken as part of the restructuring and consolidation of the Nova KBM Group. On 29 March 2016, Nova KBM acquired a 0.8844% equity stake in PBS from Pošta Slovenije, thereby becoming its 100% owner. On the same day, based on the prior consent of the Supervisory Boards of both banks, the Management Boards of Nova KBM and PBS signed the agreement concerning the acquisition of PBS by Nova KBM. Approval of the merger between Nova KBM and PBS was given by the European Central Bank on 26 July 2016, and the merger became legally effective on 1 September 2016, when the District Court of Maribor issued a decision on registering the merger. Consequently, PBS ceased to exist as an independent legal entity, and all its assets, liabilities and rights were transferred to Nova KBM, its legal successor, which took over the obligations and rights under all transactions concluded by PBS prior to the merger. Nova KBM, now merged with PBS, continues to operate under its current name, with its headquarters remaining in Maribor.

Istra Plan, a project finance company that is 100% owned by KBM Invest, liquidated all its assets in August 2016 as part of the process of closing its business, so none of its assets are included in the consolidated financial statements of the Nova KBM Group for the end of September 2016. The company, which will probably be subject to bankruptcy proceedings, is not regarded as a business entity. Consequently, only its assets were included in the consolidated financial statements for previous reporting periods.

3 Basis for the presentation of consolidated financial statements

The financial statements of the Nova KBM Group and Nova KBM for the nine-month period ended 30 September 2016 were authorized for issue on 18 October 2016 by the Nova KBM Management Board.

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

3.1 Statement of compliance and purpose of financial statements

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

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

The interim financial statements presented herein are unaudited and are regarded as general-purpose financial statements. They are not intended for use by any party for

purposes of decision-making concerning ownership, financing or any other specific transactions relating to the Nova KBM Group. Accordingly, users of these interim financial statements should not rely exclusively on the financial statements and should undertake other procedures before making decisions.

3.2 Presentation and functional currency

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

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

3.3 Reclassification of financial assets

In the nine-month period ended 30 September 2016 and in 2015, the Nova KBM Group did not reclassify any of its financial assets into another category.

3.4 Amendments to Nova KBM's Articles of Association

On 21 April 2016, the Shareholders' Meeting of Nova KBM passed a resolution to amend Nova KBM's Articles of Association.

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

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

Some further amendments were made to Nova KBM's Articles of Association on 15 June 2016, but these had no direct impact on the figures presented in the financial statements.

4 Significant accounting policies

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

The adopted accounting policies have been consistently applied in both reporting periods presented in these financial statements, except for newly adopted standards, revisions and interpretations that have been adopted by the EU and that have or will come into effect in 2016, as presented below:

- **Amendments to various standards – Improvements to IFRSs (cycle 2010–2012)** resulting from the annual improvement project of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording; adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

- **Amendments to IAS 19 – Employee Benefits** – Defined Benefit Plans: Employee Contributions; adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).
- **Amendments to IFRS 11 – Joint Arrangements** – Accounting for Acquisition of Interests in Joint Operations; adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure Initiative; adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 16 – Property, Plant and Equipment, and IAS 38 – Intangible Assets** – Clarification of Acceptable Methods of Depreciation and Amortisation; adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 16 – Property, Plant and Equipment, and IAS 41 – Agriculture** – Agriculture: Bearer Plants; adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 27 – Separate Financial Statements** – Equity Method in Separate Financial Statements; adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to various standards – Improvements to IFRSs (cycle 2012–2014)** resulting from the annual improvement project of IFRSs (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording; adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, and IAS 28 – Investments in Associates and Joint Ventures** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

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

In view of the absence of IFRS provisions concerning the treatment of business combinations of entities under common control, the Nova KBM Group has, in accordance with IAS 8, adopted two accounting policies, which were used in the preparation of the interim financial statements presented herein and which will be consistently applied to all business combinations of entities under common control. These policies are as follows:

- **accounting policy for the treatment of business combinations of entities under common control in the separate financial statements:**

In the separate financial statements of the acquirer, business combinations of entities under common control are accounted for using the predecessor values method, according to which the book values of the acquiree's assets and liabilities, as presented in the consolidated financial statements of its immediate parent company that is obliged to prepare consolidated financial statements, are recognised in the separate financial statements of the acquirer on the day a business combination takes place (accounting date). The effects of a business combination (as recognised on the accounting date), calculated as the difference between:

- the book value of the acquirer's equity investment in the acquiree, and
- the amount of transferred assets, liabilities and accumulated other comprehensive income of the acquiree, as presented in the consolidated financial statements of its immediate parent company that is obliged to prepare consolidated financial statements,

are recognised in equity (as retained earnings or losses), without having an impact on profit or loss because, from the perspective of the parent company, they only represent the reclassification of net assets.

- **accounting policy regarding the restatement of comparable financial data in the separate financial statements of the acquirer:**

In the case of business combinations of entities under common control, the comparable financial data is not restated in the separate financial statements of the acquirer.

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

- **IFRS 9 – Financial Instruments** (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016); the European Commission has decided not to launch the endorsement process of this interim standard, but to wait for its final version.
- **IFRS 15 – Revenue from Contracts with Customers** (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 16 – Leases** (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 10 – Consolidated Financial Statements, and IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the date of initial application has been postponed for an indefinite period).
- **Amendments to IAS 12 – Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 7 – Statement of Cash Flows** – Initiative to disclose additional information about cash flows from financing activities (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IFRS 2 – Share-based Payment** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IFRS 4 – Insurance Contracts** – the amendments address accounting consequences arising from different dates of initial application of IFRS 9 and the amended IFRS 4 (effective for annual periods beginning on or after 1 January 2018).

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

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

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

The only exception to the aforementioned is the introduction of the new standard on financial instruments (IFRS 9). The Nova KBM Management Board is aware that ensuring compliance with this standard will require the implementation of changes in various areas of banking operations (such as changes of work processes, information systems and information support systems, methodologies, methods of providing relevant data, etc.) and the strong involvement of employees. Therefore, in order to ensure timely compliance with the standard, the Management Board has decided to take a project approach to the

implementation of necessary changes, inviting an external adviser with experience in standard implementation to participate in the project. The project is divided into the following two phases:

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

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

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

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

The preliminary effects of introducing IFRS 9 on the financial statements and capital adequacy of Nova KBM and the Nova KBM Group have been evaluated based on the financial data for the end of 2015. Taking into consideration the results of this evaluation, it is expected that the introduction of IFRS 9 will have an impact on the level of impairment losses and will increase its volatility, mainly as a result of changes made to models for calculating expected credit losses, and to a lesser extent due to changes in the classification and measurement of financial assets.

5 Risk review

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

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

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

5.1 Credit risk

Analysis of exposure to credit risk

Nova KBM Group	Loans to customers		Loans to banks	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Individual impairments				
Gross amount	688,760	830,023	1,101	0
Impairment	(455,979)	(532,218)	(1,101)	0
Net amount	232,781	297,805	0	0
Collective impairments				
Credit rating A	740,181	993,030	0	0
Credit rating B	468,072	268,203	0	0
Credit rating C	234,122	197,786	0	0
Credit rating D	31,974	22,257	0	0
Credit rating E	55,110	77,556	0	0
Gross amount	1,529,459	1,558,832	0	0
Impairments	(70,393)	(88,431)	0	0
Net amount	1,459,066	1,470,401	0	0
Net non-impaired loans	39,075	40,167	87,755	61,229
Total net outstanding loans	1,730,922	1,808,373	87,755	61,229

Nova KBM d.d.	Loans to customers		Loans to banks	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Individual impairments				
Gross amount	573,968	560,484	0	5,170
Impairment	(360,191)	(347,573)	0	(5,170)
Net amount	213,777	212,911	0	0
Collective impairments				
Credit rating A	744,902	878,222	0	0
Credit rating B	463,420	218,998	0	0
Credit rating C	235,793	177,806	0	0
Credit rating D	32,265	21,395	0	0
Credit rating E	52,015	68,642	0	0
Gross amount	1,528,395	1,365,063	0	0
Impairments	(67,670)	(78,807)	0	0
Net amount	1,460,725	1,286,256	0	0
Net non-impaired loans	38,796	39,116	87,701	61,439
Total net outstanding loans	1,713,298	1,538,283	87,701	61,439

Past-due and unpaid claims

Nova KBM Group	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	30.9.2016
						Past-due over 90 days as a % of total past-due claims
Banks	0	0	0	2	2	100.00
State	2	0	0	299	301	99.34
Legal entities	9,407	3,931	1,461	429,455	444,254	96.67
Households	4,234	336	296	56,834	61,700	92.11
Total	13,643	4,267	1,757	486,590	506,257	96.12

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

Nova KBM d.d.	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	30.9.2016
						Past-due over 90 days as a % of total past-due claims
Banks	0	0	0	2	2	100.00
State	2	0	0	297	299	99.33
Legal entities	9,361	3,893	512	343,535	357,301	96.15
Households	4,211	326	286	44,362	49,185	90.19
Total	13,574	4,219	798	388,196	406,787	95.43

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

Volume of NPLs and their proportion within total loans

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Total gross loans	2,346,150	2,490,251	2,228,860	2,031,272
Total net loans	1,818,677	1,869,602	1,800,999	1,599,722
Net NPLs	267,492	317,945	257,490	253,628
Net NPLs/total net loans (%)	14.71	17.01	14.30	15.85

Analysis of performing loans and NPLs by industry sectors

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

Nova KBM Group		30.9.2016			31.12.2015	
Industry sector	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	897,637	32,811	3.66	869,362	34,953	4.02
Agriculture and hunting, forestry, fishing	21,112	5,372	25.45	23,893	6,419	26.87
Mining	12,187	1	0.01	13,572	233	1.72
Manufacturing industry	254,712	64,317	25.25	268,828	82,916	30.84
Electricity, gas and steam supply	35,576	37	0.10	51,164	912	1.78
Water supply, waste and sewage management, rehabilitation of the environment	21,291	967	4.54	26,887	1,286	4.78
Construction	56,271	30,359	53.95	59,971	34,044	56.77
Trade, maintenance and repair of motor vehicles	138,637	54,839	39.56	179,803	65,371	36.36
Transportation and storage	45,176	6,878	15.22	43,623	3,409	7.81
Accommodation and food service activities	32,636	11,618	35.60	35,400	14,537	41.06
Information and communication activities	13,838	8,122	58.69	17,673	13,385	75.74
Financial intermediation	121,728	8,082	6.64	98,801	8,797	8.90
Real estate activities	25,872	17,984	69.51	27,478	21,792	79.31
Professional, scientific and technical activities	29,391	12,879	43.82	39,292	18,360	46.73
Other various business activities	8,108	2,670	32.93	9,824	2,580	26.26
Public administration and defence services, compulsory social security activities	40,150	188	0.47	43,809	455	1.04
Education	2,785	0	0.00	2,134	0	0.00
Health and welfare security	23,834	8,946	37.53	21,666	6,973	32.18
Arts, entertainment and recreation	34,163	676	1.98	32,449	839	2.59
Other activities	3,573	746	20.88	3,973	684	17.22
Total net loans	1,818,677	267,492	14.71	1,869,602	317,945	17.01

Nova KBM d.d.		30.9.2016			31.12.2015	
Industry sector	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	894,054	31,321	3.50	772,211	32,792	4.25
Agriculture and hunting, forestry, fishing	20,872	5,132	24.59	18,218	2,854	15.67
Mining	12,186	0	0.00	13,294	229	1.72
Manufacturing industry	249,905	61,142	24.47	215,908	61,040	28.27
Electricity, gas and steam supply	33,920	37	0.11	48,740	862	1.77
Water supply, waste and sewage management, rehabilitation of the environment	21,163	967	4.57	21,424	254	1.19
Construction	55,270	29,420	53.23	44,774	27,001	60.31
Trade, maintenance and repair of motor vehicles	134,319	50,631	37.69	132,575	50,823	38.34
Transportation and storage	44,730	6,747	15.08	42,383	3,105	7.33
Accommodation and food service activities	31,804	10,843	34.09	27,494	10,522	38.27
Information and communication activities	11,872	6,157	51.86	13,591	9,975	73.39
Financial intermediation	126,639	13,047	10.30	106,042	17,465	16.47
Real estate activities	24,468	16,806	68.69	19,633	14,673	74.74
Professional, scientific and technical activities	28,736	12,320	42.87	25,216	12,787	50.71
Other various business activities	7,993	2,555	31.97	5,807	1,471	25.33
Public administration and defence services, compulsory social security activities	38,981	188	0.48	36,041	28	0.08
Education	2,785	0	0.00	2,073	0	0.00
Health and welfare security	23,827	8,946	37.55	19,708	6,939	35.21
Arts, entertainment and recreation	34,140	663	1.94	31,550	272	0.86
Other activities	3,335	568	17.03	3,040	536	17.63
Total net loans	1,800,999	257,490	14.30	1,599,722	253,628	15.85

5.2 Composition of regulatory capital and capital requirements

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Tier 1 capital	557,470	569,394	543,076	559,245
Paid-in capital instruments	150,000	150,000	150,000	150,000
Share premium	360,572	360,572	360,572	360,572
(–) Own CET1 capital instruments	0	0	0	0
Retained earnings and value adjustments from previous years in respect of investment property	47,628	58,733	31,686	35,836
(–) Loss for the current financial year	0	0	0	0
Accumulated other comprehensive income	1,774	(4,045)	4,061	1,460
Other reserves	20,543	28,224	20,228	27,389
(–) Intangible assets	(18,749)	(21,806)	(13,182)	(11,908)
(–) Deferred tax assets	(1,425)	(2,284)	(6,847)	(4,104)
(–) Deductions from CET1 capital for the net impact of credit risk adjustments and the fair-valued assets	(2,873)	0	(3,442)	0
Additional Tier 1 capital	0	0	0	0
Additional capital	0	0	0	0
Total capital	557,470	569,394	543,076	559,245
Risk weighted exposure amounts for credit risk	1,856,583	1,969,831	1,891,891	1,762,717
Central governments or central banks	4,598	6,155	4,565	6,155
Regional governments or local authorities	9,470	12,604	8,453	5,761
Public sector entities	6,780	5,193	1,806	174
Multilateral development banks	0	0	0	0
International organizations	0	0	0	0
Institutions	193,278	176,065	193,097	149,192
Corporates	416,489	504,131	418,964	440,199
Retail	624,668	640,485	621,816	531,356
Exposures secured by mortgages on immovable property	119,097	79,667	119,097	79,667
Exposures in default	282,784	344,264	261,108	249,614
Items associated with particular high risk	39,046	57,295	122,422	186,046
Collective investment undertakings	6,386	5,836	3,939	2,815
Equity	2,697	937	2,697	869
Other items	151,290	137,199	133,927	110,869
Risk weighted exposure amounts for market risks	34,563	29,697	32,845	26,791
Traded debt instruments	0	10	0	0
Equity instruments	34,532	29,663	32,803	26,767
Foreign exchange	0	0	0	0
Credit value adjustment risk	31	24	42	24
Risk weighted exposure amounts for operational risk	259,323	266,496	255,822	203,088
Total risk weighted exposure amount	2,150,469	2,266,024	2,180,558	1,992,596
Total capital adequacy ratio	25.92%	25.13%	24.91%	28.07%
Tier 1 capital ratio	25.92%	25.13%	24.91%	28.07%
CET1 capital ratio	25.92%	25.13%	24.91%	28.07%

6 Fair value of financial assets and financial liabilities

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

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

Analysis of fair value hierarchy

Nova KBM Group		30.9.2016				31.12.2015		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	479	0	479	0	116	0	116	0
Financial assets held for trading	865	865	0	0	1,447	1,447	0	0
– equity financial instruments	865	865	0	0	1,447	1,447	0	0
Available-for-sale financial assets	1,618,556	1,377,592	237,176	3,788	1,675,907	1,430,315	239,584	6,008
– debt financial instruments	1,594,445	1,372,963	221,482	0	1,649,171	1,425,232	223,939	0
– equity financial instruments	24,111	4,629	15,694	3,788	26,736	5,083	15,645	6,008
Financial assets designated at fair value through profit or loss	16,401	16,401	0	0	13,421	13,421	0	0
– equity financial instruments	16,401	16,401	0	0	13,421	13,421	0	0
Financial liabilities								
Derivatives	1,111	0	1,111	0	270	0	270	0

Nova KBM d.d.	30.9.2016				31.12.2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	478	0	478	0	116	0	116	0
Available-for-sale financial assets	1,610,969	1,374,972	232,209	3,788	1,442,288	1,211,595	224,896	5,797
– debt financial instruments	1,589,306	1,372,791	216,515	0	1,420,193	1,209,543	210,650	0
– equity financial instruments	21,663	2,181	15,694	3,788	22,095	2,052	14,246	5,797
Financial assets designated at fair value through profit or loss	16,401	16,401	0	0	13,421	13,421	0	0
– equity financial instruments	16,401	16,401	0	0	13,421	13,421	0	0
Financial liabilities								
Derivatives	1,112	0	1,112	0	270	0	270	0

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

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

Analysis of transfers between fair value hierarchy levels

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

Movements in financial assets classified in Level 3

Available-for-sale financial assets	Nova KBM Group			Nova KBM d.d.		
	Total	Shares	Stocks	Total	Shares	Stocks
1 January 2015	3,167	2,553	614	3,026	2,540	486
Change due to debt-to-equity conversions	362	362	0	362	362	0
Change in the portfolio of Adria Abwicklungs GmbH in Liqu.	(4)	0	(4)	0	0	0
Change due to the revaluation of shares (PTNR)	(362)	(362)	0	(362)	(362)	0
Change due to the revaluation of the investment in Visa Europe	2,908	2,908	0	2,908	2,908	0
31 December 2015	6,008	5,318	690	5,797	5,310	487
Change due to the revaluation of the investment in Visa Europe	(2,221)	(2,221)	0	(2,221)	(2,221)	0
Change due to the acquisition of PBS	0	0	0	211	8	203
Rounding adjustments – reconciliation of balances with the statement of financial position	1	1	0	1	1	0
30 September 2016	3,788	3,098	690	3,788	3,098	690

In the nine-month period ended 30 September 2016, there were no significant changes in financial assets classified in Level 3 of the fair value hierarchy.

Fair value of financial instruments measured at amortised cost

Nova KBM Group				30.9.2016	
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	532,923	532,923	532,923	0	0
Loans and advances to banks	87,755	87,755	0	87,755	0
Loans and advances to customers	1,730,922	1,743,206	0	0	1,743,206
Other financial assets	37,629	37,629	0	0	37,629
Held-to-maturity financial assets	89,939	99,860	89,244	10,616	0
Financial liabilities					
Deposits from banks	10,194	10,194	0	10,194	0
Deposits from customers	3,181,599	3,185,177	0	3,185,177	0
Loans from banks	289,244	289,601	0	289,601	0
Debt securities	12,605	13,164	0	13,164	0
Other financial liabilities	47,844	47,844	0	0	47,844

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

Nova KBM d.d.					30.9.2016
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	529,560	529,560	529,560	0	0
Loans and advances to banks	87,701	87,701	0	87,701	0
Loans and advances to customers	1,713,298	1,725,582	0	0	1,725,582
Other financial assets	40,368	40,368	0	0	40,368
Held-to-maturity financial assets	89,939	99,860	89,244	10,616	0
Financial liabilities					
Deposits from banks	10,194	10,194	0	10,194	0
Deposits from customers	3,208,391	3,211,969	0	3,211,969	0
Loans from banks	289,296	289,653	0	289,653	0
Debt securities	12,606	13,165	0	13,165	0
Other financial liabilities	47,061	47,061	0	0	47,061

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

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

7 Reporting by operating segments

Analysis by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.9.2016 Relationships with third parties
A. Net income/(expenses)	112,008	(652)	3,570	370	293	115,589	(127)	115,716
Interest income	76,700	1,167	10	8	217	78,102	291	77,811
Interest expenses	(9,545)	(502)	0	(59)	0	(10,106)	(559)	(9,547)
Net interest income	67,155	665	10	(51)	217	67,996	(268)	68,264
Dividend income	792	0	0	0	0	792	0	792
Fee and commission income	48,531	14	4,304	0	0	52,849	115	52,734
Fee and commission expenses	(17,375)	(34)	(877)	(6)	(27)	(18,319)	(86)	(18,233)
Net fee and commission income	31,156	(20)	3,427	(6)	(27)	34,530	29	34,501
Realised gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	8,883	(1,059)	124	0	(149)	7,799	(1)	7,800
Net gains on financial assets and liabilities held for trading	649	0	41	0	0	690	1	689
Net gains on financial assets and liabilities designated at fair value through profit or loss	2,981	0	0	0	0	2,981	1	2,980
Net gains/(losses) from foreign exchange rate differences	(289)	111	0	0	(15)	(193)	0	(193)
Net gains/(losses) on derecognition of assets	41	(9)	(1)	13	0	44	1	43
Other net operating income/(loss)	640	(340)	(31)	414	267	950	110	840
B. Other items by segments	(72,098)	1,232	(2,435)	(316)	330	(73,287)	(397)	(72,890)
Administration costs	(61,707)	(2,142)	(1,607)	(312)	(370)	(66,138)	(153)	(65,985)
Depreciation and amortisation	(7,512)	(266)	(828)	(4)	0	(8,610)	1	(8,611)
Provisions	6,876	667	0	0	454	7,997	33	7,964
Impairment losses	(9,827)	2,973	0	0	246	(6,608)	(734)	(5,874)
Share of profits of associates and joint ventures accounted for using the equity method	457	0	0	0	0	457	457	0
Total (loss) from non-current assets and disposal groups classified as held for sale	(385)	0	0	0	0	(385)	(1)	(384)
C. Profit or loss								
PROFIT FROM CONTINUING OPERATIONS	39,910	580	1,135	54	623	42,302	(524)	42,826
Income taxes on continuing operations	1,360	0	(196)	0	(6)	1,158	0	1,158
NET PROFIT FROM CONTINUING OPERATIONS	41,270	580	939	54	617	43,460	(524)	43,984
Total (loss) after tax from discontinued operations	(3,195)	0	0	0	0	(3,195)	0	(3,195)
NET PROFIT FOR THE REPORTING PERIOD	38,075	580	939	54	617	40,265	(524)	40,789
D. Segment assets and liabilities								
Total assets	4,270,091	44,896	13,439	4,598	26,438	4,359,462	96,139	4,263,323
– non-current assets held for sale and discontinued operations	1,338	0	0	0	0	1,338	0	1,338
– investments in the equity of associates and joint ventures accounted for using the equity method	58,022	0	0	0	0	58,022	58,022	0
Liabilities (excluding equity) by segments	3,623,604	20,897	699	181	25,020	3,670,401	68,186	3,602,215
Total equity	646,487	23,999	12,740	4,417	1,418	689,061	27,953	661,108
Increase in property, plant and equipment and intangible assets	2,595	0	55	0	0	2,650	0	2,650

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

Analysis by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.9.2015 Relationships with third parties
A. Net income/(expenses)	116,693	1,434	3,853	301	478	122,759	975	121,784
Interest income	93,220	1,790	6	0	308	95,324	1,776	93,548
Interest expenses	(20,536)	(645)	0	(233)	(67)	(21,481)	(1,640)	(19,841)
Net interest income	72,684	1,145	6	(233)	241	73,843	136	73,707
Dividend income	1,615	0	0	0	0	1,615	476	1,139
Fee and commission income	56,368	43	4,910	0	200	61,521	570	60,951
Fee and commission expenses	(19,268)	(45)	(1,132)	(4)	(12)	(20,461)	(482)	(19,979)
Net fee and commission income	37,100	(2)	3,778	(4)	188	41,060	88	40,972
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	10,198	4	100	0	10	10,312	181	10,131
Net gains/(losses) on financial assets and liabilities held for trading	(4,151)	0	(13)	0	3	(4,161)	0	(4,161)
Net (losses) on financial assets and liabilities designated at fair value through profit or loss	(4,624)	0	0	0	0	(4,624)	0	(4,624)
Net gains/(losses) from foreign exchange rate differences	6,512	(50)	(2)	0	1	6,461	(1)	6,462
Net gains on derecognition of assets	16	88	0	11	0	115	(1)	116
Other net operating income/(loss)	(2,657)	249	(16)	527	35	(1,862)	96	(1,958)
B. Other items by segments	(80,993)	(10,982)	(2,468)	(308)	(2,683)	(97,434)	(476)	(96,958)
Administration costs	(54,985)	(1,741)	(1,670)	(303)	(2,357)	(61,056)	(241)	(60,815)
Depreciation and amortisation	(8,461)	(272)	(798)	(5)	(108)	(9,644)	0	(9,644)
Provisions	14,055	250	0	0	(384)	13,921	(160)	14,081
Impairment losses	(31,662)	(9,219)	0	0	166	(40,715)	50	(40,765)
Share of profits of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(125)	125
Total profit from non-current assets and disposal groups classified as held for sale	60	0	0	0	0	60	0	60
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	35,700	(9,548)	1,385	(7)	(2,205)	25,325	499	24,826
Income taxes on continuing operations	(7,998)	0	(222)	0	(438)	(8,658)	3	(8,661)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	27,702	(9,548)	1,163	(7)	(2,643)	16,667	502	16,165
Total profit after tax from discontinued operations	74	0	0	0	0	74	0	74
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	27,776	(9,548)	1,163	(7)	(2,643)	16,741	502	16,239
D. Segment assets and liabilities								
Total assets	4,251,224	51,865	13,770	9,919	13,540	4,340,318	138,771	4,201,547
– non-current assets held for sale and discontinued operations	56,904	22	0	0	0	56,926	0	56,926
– investments in the equity of subsidiaries, associates and joint ventures accounted for using the equity method	96,764	0	0	0	0	96,764	93,521	3,243
Liabilities (excluding equity) by segments	3,605,255	24,519	771	5,593	3,791	3,639,929	63,106	3,576,823
Total equity	645,969	27,346	12,999	4,326	9,749	700,389	75,665	624,724
Increase in property, plant and equipment and intangible assets	2,740	0	245	0	0	2,985	0	2,985

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

8 Merger between Nova KBM and PBS

A decision regarding the acquisition of PBS (the acquiree) by Nova KBM (the acquirer) was entered into the court register on 1 September 2016. Based on this, PBS ceased to exist as an independent legal entity, while Nova KBM was required to recognise in its books the assets and liabilities taken over from PBS, as well as to account for the effects of the merger.

Nova KBM, now merged with PBS, continues to operate under its current name, with its headquarters remaining in Maribor.

On the day the merger took place, Nova KBM accounted for the transaction as a business combination under common control, according to the predecessor values method. This was done in order to ensure that the operations of Nova KBM and PBS continued to be treated in the same way as before the merger. The transaction was treated as a reorganization, given that PBS was already accounted for using the acquisition method, as provided for under IFRS 3, at the time it was consolidated in the Nova KBM Group's financial statements for the first time.

Using the predecessor values method, the book values of PBS's assets and liabilities, included in the consolidated financial statements of the Nova KBM Group, were recognised in the separate financial statements of Nova KBM on the day the business combination took place (for accounting purposes, this day was set as 31 December 2015).

The effects of the business combination, calculated as the difference between the book value of Nova KBM's equity investment in PBS, and the value of the transferred assets, liabilities and accumulated other comprehensive income (on a consolidated basis) were recognised in equity of Nova KBM (in retained earnings or losses), without any impact on its profit or loss.

According to the method referred to above, the merger between Nova KBM and PBS resulted in a reduction of €2,924,000 in Nova KBM's retained earnings.

The effects of PBS's acquisition on Nova KBM's statement of financial position

ITEM DESCRIPTION	Nova KBM d.d.	Effects of the merger with PBS d.d.	Merged bank (Nova KBM d.d.)
Cash, cash balances at central banks and demand deposits at banks	260,860	61,485	322,345
Financial assets held for trading	116	0	116
Financial assets designated at fair value through profit or loss	13,421	0	13,421
Available-for-sale financial assets	1,442,288	225,688	1,667,976
Loans and advances	1,623,522	255,129	1,878,651
– loans and advances to banks	61,439	(9,900)	51,539
– loans and advances to customers	1,538,283	260,187	1,798,470
– other financial assets	23,800	4,842	28,642
Held-to-maturity financial assets	28,566	100,982	129,548
Non-current assets held for sale and discontinued operations	1,239	0	1,239
Property, plant and equipment	49,908	6,459	56,367
Investment property	28,439	0	28,439
Intangible assets	11,908	3,578	15,486
Investments in the equity of subsidiaries, associates and joint ventures	81,400	(41,258)	40,142
Tax assets	8,721	0	8,721
– current tax assets	1,446	0	1,446
– deferred tax assets	7,275	0	7,275
Other assets	12,967	5,470	18,437
TOTAL ASSETS	3,563,355	617,533	4,180,888
Financial liabilities held for trading	270	0	270
Financial liabilities measured at amortised cost	2,895,029	609,448	3,504,477
– deposits from banks and central banks	32,833	(2,313)	30,520
– deposits from customers	2,513,618	592,913	3,106,531
– loans from banks and central banks	299,554	16,687	316,241
– loans from customers	909	0	909
– debt securities issued	14,418	(2,049)	12,369
– other financial liabilities	33,697	4,210	37,907
Provisions	59,085	2,343	61,428
Tax liabilities	0	1,265	1,265
– deferred tax liabilities	0	1,265	1,265
Other liabilities	2,242	426	2,668
TOTAL LIABILITIES	2,956,626	613,482	3,570,108
Share capital	150,000	0	150,000
Share premium	360,572	0	360,572
Accumulated other comprehensive income	25,799	6,975	32,774
Reserves from profit	53,648	0	53,648
Retained earnings/(losses)	8,531	(2,924)	5,607
Net profit	8,179	0	8,179
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	606,729	4,051	610,780
TOTAL LIABILITIES AND EQUITY	3,563,355	617,533	4,180,888

Notes to the income statement items

9 Interest income and interest expenses

9.1 Analysis of interest by market segments

	Nova KBM Group						Nova KBM d.d.	
	1.1.– 30.9.2016		1.1.– 30.9.2015		1.1.– 30.9.2016		1.1.– 30.9.2015	
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Non-financial companies	22,071	303	27,376	757	21,723	303	20,843	695
State	21,484	199	29,605	729	21,456	199	24,725	436
Banks	1,889	3,056	1,345	4,751	1,885	3,056	1,646	4,582
Other financial organizations	1,122	816	1,209	2,496	955	816	1,321	2,472
Households	29,623	5,038	31,694	10,786	29,551	5,038	26,858	9,363
Foreign persons	1,560	109	2,250	256	1,070	109	1,939	256
Non-profit institutions serving households	62	26	69	66	60	24	59	54
Total	77,811	9,547	93,548	19,841	76,700	9,545	77,391	17,858
Net interest income	68,264		73,707		67,155		59,533	

9.2 Analysis of interest by type of assets and liabilities

	Nova KBM Group						Nova KBM d.d.	
	1.1.– 30.9.2016		1.1.– 30.9.2015		1.1.– 30.9.2016		1.1.– 30.9.2015	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Interest income								
Financial assets held for trading	12	0	107	0	12	0	107	0
Available-for-sale financial assets	18,826	3,553	23,647	5,305	18,663	3,553	23,624	1,209
Loans and deposits (including finance leases and other financial assets)	10,331	43,395	14,968	46,882	9,794	42,985	11,338	39,735
Held-to-maturity financial assets	5	1,668	74	2,557	5	1,668	0	1,375
Other assets	21	0	8	0	20	0	3	0
Total by maturity	29,195	48,616	38,804	54,744	28,494	48,206	35,072	42,319
Total	77,811		93,548		76,700		77,391	
Interest expenses								
Financial liabilities held for trading	0	11	0	104	0	11	0	104
Financial liabilities measured at amortised cost	471	8,064	1,771	17,730	469	8,064	1,342	16,176
Other liabilities	1,001	0	236	0	1,001	0	236	0
Total by maturity	1,472	8,075	2,007	17,834	1,470	8,075	1,578	16,280
Total	9,547		19,841		9,545		17,858	
Net interest income	68,264		73,707		67,155		59,533	

10 Dividend income

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Financial assets held for trading	0	29	0	10
Financial assets designated at fair value through profit or loss	676	776	676	776
Available-for-sale financial assets	116	334	116	745
Total	792	1,139	792	1,531

11 Fee and commission income and fee and commission expenses

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Fee and commission income	52,734	60,951	48,531	33,176
Guarantees	1,912	2,561	1,912	2,185
Payment transactions	30,270	33,040	30,269	14,957
Brokerage and agency services	464	483	437	448
Transactions in securities for customers	375	316	375	316
Lending operations	2,511	3,519	2,498	2,618
Other services	21,032	13,040	12,652	21,032
Fee and commission expenses	18,233	19,979	17,375	2,946
Banking services	4,667	5,257	4,661	2,446
Brokerage and agency services	656	755	54	44
Stock exchange transactions and other transactions in securities	220	201	218	196
Payment transactions	11,876	12,828	11,873	157
Other services	814	938	569	103
Net fee and commission income	34,501	40,972	31,156	30,230

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

Nova KBM Group			1.1.– 30.9.2016				1.1.– 30.9.2015
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains	
Available-for-sale financial assets	5,357	447	4,910	5,029	181	4,848	
Loans and advances (including finance leases)	4,346	1,674	2,672	5,688	433	5,255	
Financial liabilities measured at amortised cost	2	0	2	2	0	2	
Other financial assets and liabilities	300	84	216	154	128	26	
Total	10,005	2,205	7,800	10,873	742	10,131	

Nova KBM d.d.	Realised gains	Realised losses	1.1.– 30.9.2016 Net realised gains	Realised gains	Realised losses	1.1.– 30.9.2015 Net realised gains
Available-for-sale financial assets	5,233	447	4,786	4,920	0	4,920
Loans and advances (including finance leases)	4,345	466	3,879	5,686	110	5,576
Financial liabilities measured at amortised cost	2	0	2	0	0	0
Other financial assets and liabilities	300	84	216	0	0	0
Total	9,880	997	8,883	10,606	110	10,496

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

Nova KBM Group	Gains	Losses	1.1.– 30.9.2016 Net gains/ (losses)	Gains	Losses	1.1.– 30.9.2015 Net gains/ (losses)
Trading in equity instruments	49	9	40	276	471	(195)
Trading in debt securities	20	0	20	39	0	39
Trading in foreign exchange (purchase/sale)	1,466	599	867	1,897	822	1,075
Trading in derivatives	1,668	1,906	(238)	4,064	9,096	(5,032)
– futures/forwards	1,214	889	325	3,032	8,991	(5,959)
– swaps	242	209	33	107	105	2
– other derivatives	212	808	(596)	925	0	925
Trading in financial liabilities	0	0	0	0	48	(48)
Total	3,203	2,514	689	6,276	10,437	(4,161)

Nova KBM d.d.	Gains	Losses	1.1.– 30.9.2016 Net gains/ (losses)	Gains	Losses	1.1.– 30.9.2015 Net gains/ (losses)
Trading in equity instruments	0	0	0	62	103	(41)
Trading in debt securities	20	0	20	39	0	39
Trading in foreign exchange (purchase/sale)	1,466	599	867	1,629	796	833
Trading in derivatives	1,668	1,906	(238)	4,060	9,096	(5,036)
– futures/forwards	1,214	889	325	3,032	8,991	(5,959)
– swaps	242	209	33	103	105	(2)
– other derivatives	212	808	(596)	925	0	925
Trading in financial liabilities	0	0	0	0	48	(48)
Total	3,154	2,505	649	5,790	10,043	(4,253)

The Nova KBM Group uses derivatives (futures/forwards) to economically hedge its exposure to foreign exchange risk. The effects of derivatives are linked to the effects arising from foreign exchange rate differences (Note 15).

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

Nova KBM Group and Nova KBM d.d.	1.1.– 30.9.2016			1.1.– 30.9.2015		
	Gains	Losses	Net gains	Gains	Losses	Net (losses)
Financial assets designated at fair value through profit or loss	3,107	127	2,980	0	4,624	(4,624)
Total	3,107	127	2,980	0	4,624	(4,624)

Gains and losses on financial assets designated at fair value through profit or loss are attributable to the valuation of shares.

15 Net gains and losses from foreign exchange rate differences

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Foreign exchange gains	11,256	24,469	10,672	23,878
Foreign exchange losses	11,449	18,007	10,961	17,329
Net foreign exchange gains/(losses)	(193)	6,462	(289)	6,549

16 Administration costs

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Staff costs	33,690	34,255	32,084	24,571
Gross salaries	24,926	26,412	23,716	19,236
Social security and pension insurance contribution	4,012	4,417	3,835	3,087
Pay for annual leave	1,663	844	1,598	668
Other staff costs	3,089	2,582	2,935	1,580
General and administrative costs	32,295	26,560	29,623	19,826
Costs of materials	1,584	1,841	1,500	1,312
Costs of services	21,816	17,000	19,680	13,143
Maintenance costs of fixed assets	4,977	4,406	4,835	2,888
Advertising costs	2,218	2,073	2,054	1,653
Other administrative costs	1,700	1,240	1,554	830
Total administration costs	65,985	60,815	61,707	44,397

17 Provisions

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Provisions for off-balance sheet liabilities	(4,453)	(16,102)	(4,486)	(14,886)
Provisions for tax disputes and other pending legal issues	(2,276)	1,875	(2,262)	2,232
Other provisions	(1,235)	146	(128)	(115)
Total	(7,964)	(14,081)	(6,876)	(12,769)

18 Impairment losses

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Financial assets not measured at fair value through profit or loss	7,165	40,340	9,706	22,781
Other assets	(1,291)	425	121	112
Total	5,874	40,765	9,827	22,893

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

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Financial assets measured at amortised cost	7,165	40,340	9,706	22,781
– demand deposits at banks	3	0	3	(40)
– loans and advances to banks	7	2	7	2
– loans and advances to customers	6,172	38,213	8,983	22,474
– other financial assets	983	2,125	713	345
Total	7,165	40,340	9,706	22,781

19 Income taxes on continuing operations

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Income tax on continuing operations	380	(1,391)	582	(1,167)
Deferred tax relating to continuing operations	778	(7,270)	778	(6,831)
Total	1,158	(8,661)	1,360	(7,998)

Notes to the statement of financial position items

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

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Cash in hand	76,469	68,702	76,468	46,950
Balances with central banks	431,727	215,746	431,727	178,219
Demand deposits placed with banks	24,727	38,441	21,365	35,691
Total	532,923	322,889	529,560	260,860

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

20.1 Cash and cash equivalents

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Cash, cash balances at central banks and demand deposits at banks	532,923	322,889	529,560	260,860
Loans and advances to banks	48,256	46,706	48,202	41,522
Cash and cash equivalents of discontinued operations	0	29,241	0	0
Total	581,179	398,836	577,762	302,382

21 Financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Derivatives	479	116	479	116
Equity instruments	865	1,447	(1)	0
Total	1,344	1,563	478	116
Quoted	0	0	(1)	0
Unquoted	1,344	1,563	479	116
Total	1,344	1,563	478	116

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

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

21.1 Movements in financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	1,563	1,841	116	187
Increase during the year	36,533	63,804	36,375	62,966
– acquisition	36,051	63,387	35,994	62,826
– change in fair value (recovery and reversal of impairment)	443	216	363	0
– other (deferred interest, realised gains)	39	201	18	140
Decrease during the year	36,752	64,082	36,013	63,037
– disposal (sale and redemption)	36,692	63,605	36,013	62,879
– change in fair value (impairment and reversal of recovery)	54	390	0	71
– foreign exchange rate differences	0	2	0	2
– other (deferred interest, realised losses)	6	85	0	85
30 September 2016/31 December 2015	1,344	1,563	478	116

22 Financial assets designated at fair value through profit or loss

Nova KBM Group and Nova KBM d.d.		
	30.9.2016	31.12.2015
Quoted equity instruments	16,401	13,421
Total	16,401	13,421

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

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

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

Nova KBM Group and Nova KBM d.d.		
	2016	2015
1 January	13,421	17,857
Increase during the year	2,980	0
– change in fair value (recovery and reversal of impairment)	2,980	0
Decrease during the year	0	4,436
– change in fair value (impairment and reversal of recovery)	0	4,436
30 September 2016/31 December 2015	16,401	13,421

23 Available-for-sale financial assets

23.1 Analysis by type

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Equity instruments	24,111	26,736	21,662	22,095
Debt securities issued by the state and the central banks	1,184,071	1,320,329	1,184,071	1,106,992
Debt securities issued by banks	342,925	282,552	342,925	274,009
Other debt securities	67,449	46,290	62,311	39,192
Total	1,618,556	1,675,907	1,610,969	1,442,288

As of 30 September 2016, the Nova KBM Group had assets of this portfolio worth €315,002,000 pledged with the Bank of Slovenia for the pool of collateral, the guarantee scheme, the guaranteed claims of depositors and the Bank Resolution Fund.

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

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

23.2 Movements in available-for-sale financial assets

Nova KBM Group	Equity instruments	Debt securities	Total
1 January 2016	26,736	1,649,171	1,675,907
Recognition of additional financial assets	2	266,047	266,049
Interest	0	(4,355)	(4,355)
Net revaluation through equity	(2,843)	16,413	13,570
Net write-offs	(2)	0	(2)
Derecognition of financial assets upon disposal	(4,664)	(78,194)	(82,858)
Derecognition of financial assets upon maturity	0	(254,665)	(254,665)
Net gains on sale	4,882	28	4,910
30 September 2016	24,111	1,594,445	1,618,556

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

Nova KBM d.d.	Equity instruments	Debt securities	Total
1 January 2016	22,095	1,420,193	1,442,288
Assets acquired through a business combination	1,695	224,004	225,699
Recognition of additional financial assets	2	266,047	266,049
Interest	0	(4,518)	(4,518)
Net revaluation through equity	(2,815)	16,073	13,258
Net write-offs	(2)	0	(2)
Derecognition of financial assets upon disposal	(4,071)	(77,855)	(81,926)
Derecognition of financial assets upon maturity	0	(254,665)	(254,665)
Net gains on sale	4,758	28	4,786
30 September 2016	21,662	1,589,307	1,610,969

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

24 Loans and advances to banks

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Current loans	88,856	56,211	87,701	51,539
Impairment of current loans	(1,101)	0	0	0
Non-current loans	0	5,018	0	15,070
Impairment of non-current loans	0	0	0	(5,170)
Total – net amount	87,755	61,229	87,701	61,439
Impairment	1,101	0	0	5,170
Total – gross amount	88,856	61,229	87,701	66,609

25 Loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Current loans	354,236	397,479	315,744	251,756
Impairment of current loans	(124,286)	(130,743)	(91,047)	(52,767)
Non-current loans	1,892,957	2,015,270	1,815,527	1,697,966
Impairment of non-current loans	(396,385)	(477,644)	(331,303)	(362,363)
Claims under guarantees	10,101	16,273	9,888	14,941
Impairment of claims under guarantees	(5,701)	(12,262)	(5,511)	(11,250)
Total – net amount	1,730,922	1,808,373	1,713,298	1,538,283
Impairment	526,372	620,649	427,861	426,380
Total – gross amount	2,257,294	2,429,022	2,141,159	1,964,663

25.1 Movements in loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	620,649	618,827	426,380	411,999
Assets acquired through a business combination	0	0	112,930	12,066
Additional impairment of principals	6,172	41,551	8,983	19,628
Additional impairment/reversal of impairment of interest	(1,880)	11,849	(2,351)	9,365
Additional impairment/reversal of impairment of fees	(90)	34	(90)	34
Write-off of loans and advances to customers	(114,942)	(43,919)	(117,989)	(24,169)
Foreign exchange rate differences	253	16	0	0
Other impairments	16,210	(7,709)	(2)	(2,543)
30 September 2016/31 December 2015	526,372	620,649	427,861	426,380

Recognition of additional impairment/reversal of impairment of interest and fees on loans given to customers is reflected in Note 9 (Interest income and interest expenses) and Note 11 (Fee and commission income and fee and commission expenses) to the income statement.

26 Other financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Cheques	14	30	14	27
Claims for fees and commissions	1,571	1,821	1,063	1,184
Accounts receivables	1,632	2,618	91	92
Surplus arising from authorized transactions	4	0	4	0
Other financial assets	34,408	22,317	39,196	22,497
Total – net amount	37,629	26,786	40,368	23,800
Impairment	11,967	11,674	2,221	2,170
Total – gross amount	49,596	38,460	42,589	25,970

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

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

26.1 Movements in other financial assets

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	11,674	4,552	2,170	1,537
Assets acquired through a business combination	0	0	63	0
Additional impairment of principals	983	2,746	713	597
Additional impairment of interest	9	18	11	19
Additional impairment/reversal of impairment of fees	10	(27)	10	(27)
Write-off of other financial assets	(745)	(936)	(745)	(289)
Foreign exchange rate differences	29	1	(1)	2
Other	7	5,320	0	331
30 September 2016/31 December 2015	11,967	11,674	2,221	2,170

Recognition of additional impairment/reversal of impairment of interest and fees on other financial assets is reflected in Note 9 (Interest income and interest expenses) and Note 11 (Fee and commission income and fee and commission expenses) to the income statement.

27 Held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Debt securities	89,939	129,548	89,939	28,566
– current securities issued by the state and the central banks	0	17,495	0	0
– non-current securities issued by the state and the central banks	81,403	98,338	81,403	24,699
– non-current securities issued by banks and savings banks	0	5,114	0	0
– non-current securities issued by other issuers	8,536	8,601	8,536	3,867
Total	89,939	129,548	89,939	28,566
Quoted	89,939	129,548	89,939	28,566
Total	89,939	129,548	89,939	28,566

As of 30 September 2016, the Nova KBM Group had assets of this portfolio worth €44,885,000 pledged with the Bank of Slovenia for the pool of collateral and the guarantee scheme.

27.1 Movements in held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	129,548	206,540	28,566	89,950
Assets acquired through a business combination	0	0	100,982	0
Increase during the year	1,674	38,291	1,674	1,695
– acquisition	0	34,982	0	0
– other (deferred interest)	1,674	3,309	1,674	1,695
Decrease during the year	41,283	115,283	41,283	63,079
– disposal (sale and redemption)	37,364	109,204	37,364	60,000
– other (interest received)	3,919	6,079	3,919	3,079
30 September 2016/31 December 2015	89,939	129,548	89,939	28,566

28 Financial liabilities measured at amortised cost

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Deposits	3,191,793	3,124,215	3,218,585	2,546,451
Loans	289,244	317,151	289,296	300,463
Debt securities	12,605	12,368	12,606	14,418
Subordinated liabilities	0	610	0	0
Other financial liabilities	47,844	39,943	47,061	33,697
Total	3,541,486	3,494,287	3,567,548	2,895,029

29 Deposits by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Deposits from banks	10,194	29,768	10,194	32,833
– demand deposits	9,861	29,435	9,861	32,497
– current deposits	333	333	333	336
Deposits from customers	3,181,599	3,094,447	3,208,391	2,513,618
– demand deposits	2,043,174	1,807,122	2,068,239	1,408,068
– current deposits	331,881	425,582	333,543	335,784
– non-current deposits	806,544	861,743	806,609	769,766
Total	3,191,793	3,124,215	3,218,585	2,546,451

30 Loans by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Loans from banks	289,244	316,242	289,296	299,554
– non-current loans	289,244	316,242	289,296	299,554
Loans from customers	0	909	0	909
– non-current loans	0	909	0	909
Total	289,244	317,151	289,296	300,463

31 Subordinated liabilities

Nova KBM Group					
	Currency	Date of maturity	Interest rate	30.9.2016	31.12.2015
Subordinated debt					
Adria Abwicklungs GmbH in Liqu.	EUR	perpetual; call option on each 28.12.	variable	0	610
Total				0	610

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

32 Other financial liabilities

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Liabilities for fees and commissions	2	8	2	7
Liabilities for gross salaries of employees	2,922	3,132	2,783	2,407
Liabilities to suppliers	1,442	4,712	1,220	4,047
Liabilities related to payment card transactions	18,442	12,978	18,442	12,943
Liabilities related to ATM transactions	1,992	1,642	1,992	1,485
Liabilities related to funds provided by customers for making payments abroad	5,610	378	5,610	378
Liabilities related to cash transactions	4,440	2,198	4,440	969
Accruals and deferred income	5,710	7,403	5,067	4,073
Surplus arising from authorized transactions	0	56	0	56
Other financial liabilities	7,284	7,436	7,505	7,332
Total	47,844	39,943	47,061	33,697

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

33 Provisions

Nova KBM Group	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2016	2,456	20,672	6,160	33,387	4,201	66,876
Net creation of provisions through profit or loss	0	(2,276)	(582)	(4,453)	(653)	(7,964)
– provisions made during the year	0	4,111	0	13,580	0	17,691
– provisions reversed during the year	0	(6,387)	(582)	(18,033)	(653)	(25,655)
Provisions used during the year	(180)	(1,388)	(360)	0	(285)	(2,213)
Other	0	258	0	0	(258)	0
30 September 2016	2,276	17,266	5,218	28,934	3,005	56,699

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

Nova KBM d.d.	Provisions for restructuring	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance sheet liabilities	Other provisions	Total
1 January 2016	2,456	19,054	4,318	32,949	308	59,085
Provisions acquired through a business combination	0	55	878	1,373	38	2,344
Net creation of provisions through profit or loss	0	(2,262)	(128)	(4,486)	0	(6,876)
– provisions made during the year	0	4,111	0	13,617	0	17,728
– provisions reversed during the year	0	(6,373)	(128)	(18,103)	0	(24,604)
Provisions used during the year	(180)	(1,388)	(69)	0	(285)	(1,922)
30 September 2016	2,276	15,459	4,999	29,836	61	52,631

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

34 Share capital

Nova KBM Group and Nova KBM d.d.	30.9.2016	31.12.2015
Ordinary shares	150,000	150,000
– subscribed by the state	0	150,000
– subscribed by foreign entities	150,000	0

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

35 Accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Accumulated other comprehensive income in respect of available-for-sale financial assets	44,168	32,863	43,788	25,792
– revaluation	53,214	39,590	52,757	31,075
– deferred taxes	(9,046)	(6,727)	(8,969)	(5,283)
Accumulated other comprehensive income/(loss) in respect of actuarial gains or losses on defined benefit pension plans	(37)	(48)	(10)	7
– revaluation	(42)	(52)	(13)	7
– deferred taxes	5	4	3	0
Total	44,131	32,815	43,778	25,799

35.1 Movements in accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	32,815	42,841	25,799	33,859
Net change arising from the valuation of available-for-sale financial assets	13,624	(12,634)	13,258	(10,240)
– recognised gains/(losses)	16,765	(12,779)	16,710	(10,240)
– transfer of gains/(losses) to profit or loss	(3,141)	145	(3,452)	0
Net change in accumulated other comprehensive income in respect of actuarial gains on defined benefit pension plans	10	499	0	440
Net change in deferred taxes	(2,318)	2,109	(2,254)	1,740
Other	0	0	6,975	0
30 September 2016/31 December 2015	44,131	32,815	43,778	25,799

36 Reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Regulatory reserves	3,833	3,939	3,518	3,518
Statutory reserves	0	33,420	0	33,420
Other reserves from profit	16,710	16,710	16,710	16,710
Total	20,543	54,069	20,228	53,648

Nova KBM's statutory reserves of €33,420,000 have been reclassified as retained earnings, in accordance with the amendments made to Nova KBM's Articles of Association on 21 April 2016.

36.1 Movements in reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	2016	2015	2016	2015
1 January	54,069	27,895	53,648	27,389
Increase/(decrease) in regulatory reserves	(106)	1,637	0	1,722
Increase/(decrease) in statutory reserves	(33,420)	16,358	(33,420)	16,358
Increase in other reserves	0	8,179	0	8,179
30 September 2016/31 December 2015	20,543	54,069	20,228	53,648

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

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

Other notes

37 Commitments and contingent liabilities by type

	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Guarantees	249,656	257,387	250,435	229,312
– financial guarantees	81,710	75,150	81,433	69,294
– service guarantees	167,946	182,237	169,002	160,018
Unsecured letters of credit	0	0	158	168
Approved and undrawn loans	138,613	145,430	138,613	142,021
Approved and undrawn overdrafts	187,621	190,447	187,630	163,914
Approved credit lines	0	7,386	0	0
Total	575,890	600,650	576,836	535,415

38 Related party transactions

38.1 Statement of financial position and off-balance sheet items

	Subsidiaries Nova KBM d.d.	
	30.9.2016	31.12.2015
Assets		
Deposits and loans given (gross amount)	20,294	44,782
– deposits and loans to banks	0	15,090
– loans to customers	15,149	24,811
– other financial assets	5,145	4,881
Investments in securities	58,022	81,400
– equity instruments	58,022	81,400
Liabilities		
Deposits and loans received	27,715	15,314
– deposits and loans from banks	0	3,066
– deposits and loans from customers	26,794	12,079
– other financial liabilities	921	169
Securities issued	0	2,049
– debt securities	0	2,049
Other liabilities	0	9
Off-balance sheet items	2,310	2,175

	Key management personnel						Other related persons	
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Assets								
Deposits and loans given (gross amount)	589	257	589	257	25,779	562	25,430	269
– deposits and loans to banks	0	0	0	0	25,000	0	25,000	0
– loans to customers	589	257	589	257	702	562	372	269
– other financial assets	0	0	0	0	73	0	73	0
Investments in securities	0	1,527	0	1,527	417	417	417	383
– equity instruments	0	1,527	0	1,527	417	417	417	383
Other claims	0	0	0	0	3	0	3	0
Liabilities								
Deposits and loans received	624	441	624	396	38,430	1,432	37,827	803
– deposits and loans from customers	624	441	624	396	38,426	1,350	37,823	721
– other financial liabilities	0	0	0	0	4	82	4	82
Securities issued	0	0	0	0	1,561	0	1,561	0
– debt securities	0	0	0	0	1,561	0	1,561	0
Other liabilities	0	0	0	6	0	0	0	0
Off-balance sheet items	109	57	109	57	189	184	132	117

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

Other related persons of the Nova KBM Group include:

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

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

38.2 Income statement

	Associates		Associates		Subsidiaries	
	Nova KBM Group		Nova KBM d.d.		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Net interest income	0	(69)	0	(69)	292	1,574
Dividend income	0	0	0	0	457	476
Net fee and commission income	0	4	0	4	116	506
Other operating income	0	24	0	0	16	55
Costs of services	0	(13)	0	0	(61)	(32)
Loan impairments	0	0	0	0	649	(984)
Provisions	0	0	0	0	(34)	(156)
Write-offs	0	0	0	0	(9,513)	0
Total profit/(loss)	0	(54)	0	(65)	(8,078)	1,439

	Key management personnel				Other related persons			
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015	1.1.– 30.9.2016	1.1.– 30.9.2015
Net interest income	1	2	1	2	(36)	1,418	0	5
Net fee and commission income	1	0	1	0	10	(186)	8	2
Costs of services	(153)	(227)	(112)	(116)	(3,513)	(4,980)	(3,438)	(2,444)
Impairments	0	0	0	0	0	303	0	0
Provisions	0	0	0	0	0	(181)	0	(1)
Total profit/(loss)	(151)	(225)	(110)	(114)	(3,539)	(3,626)	(3,430)	(2,438)

38.3 Loans and guarantees given

Nova KBM Group	Management Board members		Supervisory Board members		Other Nova KBM Group employees on individual contracts	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Loans	0	0	0	23	1,929	1,907
Average interest rate on loans (%)	7.9	3.23	0	3.42	2.86	3.06
Repayments	0	3	0	6	258	487

Nova KBM d.d.	Management Board members		Supervisory Board members		Other Nova KBM employees on individual contracts	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Loans	0	0	0	23	1,929	1,142
Average interest rate on loans (%)	7.9	3.23	0	3.42	2.86	2.89
Repayments	0	3	0	6	258	203

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

Exposure to:	Nova KBM Group		Nova KBM d.d.	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Bank of Slovenia	447,422	231,391	447,422	192,464
Republic of Slovenia	629,661	884,548	629,209	664,357
State-owned institutions	168,862	310,381	168,105	369,875
Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions	1,245,945	1,426,320	1,244,736	1,226,696
Total exposure as a proportion of the balance sheet total (%)	29.22	33.59	29.15	34.43
Balance sheet total	4,263,323	4,246,167	4,270,091	3,563,355

40 Remuneration

	Nova KBM Group		Nova KBM d.d.	
	1.1.–30.9.2016	1.1.–30.9.2015	1.1.–30.9.2016	1.1.–30.9.2015
Management Board	281	211	281	211
Robert Senica	141	99	141	99
Sabina Župec Kranjc	129	91	129	91
Aleš Hauc	0	21	0	21
Supervisory Board members	68	79	68	79
Members of Supervisory Board committees	20	41	20	41
Other Nova KBM Group employees on individual contracts	3,774	4,275	3,401	2,134
Total	4,132	4,606	3,759	2,465

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

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

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

The total amount paid in the first nine months of 2016 to Sabina Župec Kranjc, Member of the Nova KBM Management Board, for meeting attendances in respect of her work on the Supervisory Board of KBM Infond, a Nova KBM subsidiary, was €2,803.35.

41 Events after the statement of financial position date

The final Shareholders' Meeting of Adria Abwicklungs GmbH in Liqu. was held on 18 October 2016, the same day on which Nova KBM and Adria Abwicklungs GmbH in Liqu. signed an amendment to the Agreement on the Repayment of Capital, based on which the remaining cash assets of Adria Abwicklungs GmbH in Liqu. have been transferred to Nova KBM, BAMC bonds have been transferred to Nova KBM's trading account, and a lien registered in favour of Nova KBM has been cancelled. In addition, a request was submitted to the competent Registration Court to delete Adria Abwicklungs GmbH in Liqu. from the register of companies.