

3/4 UNAUDITED REPORT ON OPERATIONS OF THE NOVA KBM GROUP AND NOVA KBM D.D. JANUARY – SEPTEMBER 2014

NOVEMBER 2014



Corporate governance bodies as of 30 September 2014

Management Board of Nova KBM

Aleš Hauc	President
Igor Žibrik	Member
Robert Senica	Member

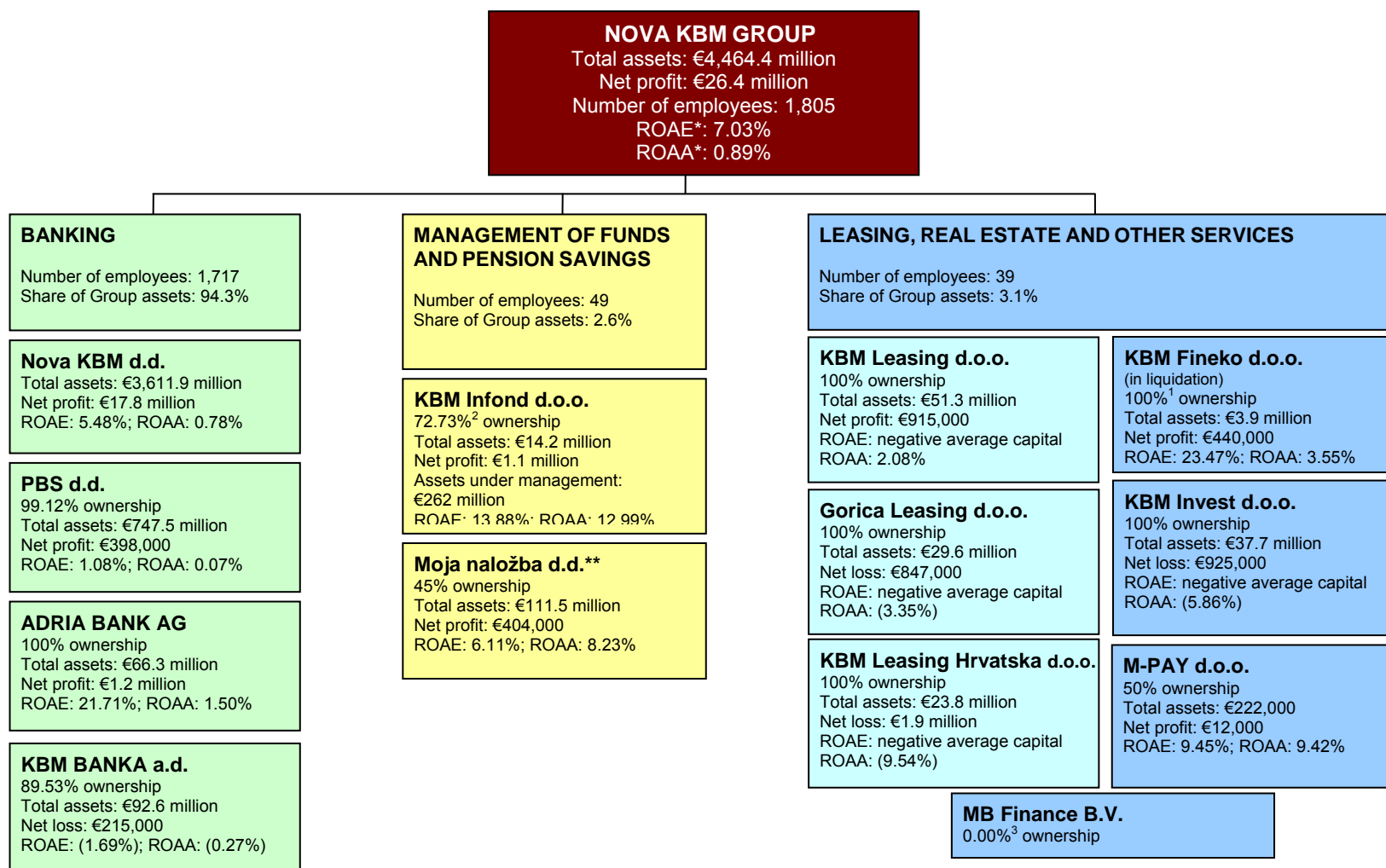
Executive Directors of Nova KBM

Aleksander Batič
Jernej Močnik
Peter Kupljen
Sabina Župec Kranjc
Vlasta Brečko

Supervisory Board of Nova KBM

Peter Kukovica	Chairman
Niko Samec	Deputy Chairman
Andrej Fatur	Member
Peter Kavčič	Member
Miha Glavič	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:	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



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

** Associated company.

¹ KBM Fineko filed for liquidation on 29 November 2013.

² The Group's stake in the share capital of KBM Infond accounts for 72.00%. Due to KBM Infond holding a certain amount of its own shares, the Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

³ In accordance with IFRS 10, MB Finance is regarded as a consolidated structured entity 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 Group.

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The interim financial data included in this report are unaudited and may be different from the data that will be included in the audited financial report of the Nova KBM Group for 2014.

Key performance indicators of the Nova KBM Group and Nova KBM d.d.

	Nova KBM Group			Nova KBM d.d.		
	2014	2013	Ind.	2014	2013	Ind.
Statement of financial position (€000)	30.09.	31.12.		30.09.	31.12.	
Total assets	4,464,408	4,810,793	93	3,611,868	3,909,983	92
Total deposits from the non-banking sector	3,211,016	3,079,299	104	2,506,226	2,364,102	106
Total loans and advances to the non-banking sector	2,054,600	2,231,765	92	1,697,325	1,826,371	93
Total equity	624,047	560,028	111	564,544	517,712	109
Income statement (€000)	9M	9M		9M	9M	
Net interest income	84,713	66,475	127	68,128	51,119	133
Net fee and commission income	43,973	44,473	99	31,485	31,233	101
Net gains/(losses) from trading in securities and foreign exchange	16,517	1,313	1,258	13,209	(516)	
Other income/(expenses)	(853)	1,050		(2,053)	(952)	216
Operating costs	(79,873)	(87,528)	91	(53,651)	(59,040)	91
Impairment losses and provisions	(33,234)	(95,717)	35	(34,853)	(67,791)	51
Profit/(loss) from continuing and discontinued operations	31,243	(69,934)		22,265	(45,947)	
Net profit/(loss) for the reporting period	26,424	(66,927)		17,790	(43,732)	
Performance ratios (%)	30.09.	31.12.		30.09.	31.12.	
Interest margin	2.41	1.52		2.38	1.44	
Total capital adequacy	21.88	18.13		24.54	20.49	
Tier I capital adequacy	21.88	18.06		24.54	20.45	
Core Tier I capital adequacy	21.88	18.06		24.54	20.45	
ROAA before tax	0.89	(12.74)		0.78	(15.03)	
ROAE before tax	7.03	(221.22)		5.48	(249.42)	
Operating costs/Average total assets	2.27	2.35		1.88	1.97	
Cost/Income (CIR)	55.33	64.56		48.44	54.45	
Net loans/Customer deposits (LTD)	63.99	72.48		67.72	77.25	
Ratings (long-term)				30.09.	31.12.	
				Caa1	Caa2	
				(Moody's)	(Moody's)	
				BB- (Fitch)	BB- (Fitch)	

Other important events

On 18 December 2013, as a result of extraordinary measures imposed by the Bank of Slovenia, the Republic of Slovenia became the sole, 100% owner of Nova KBM. In accordance with a ruling made by the Parliament of the Republic of Slovenia on 21 June 2013, Slovenska odškodninska družba started procedures to sell Nova KBM shares, and appointed, on behalf of the Ministry of Finance, Lazard Frères as the financial adviser in the transaction. On 5 March 2014, an agreement was signed with KPMG for the performance of a financial due diligence review of Nova KBM, while on 13 March 2014, the agreement was concluded for a legal due diligence review and legal advisory services in respect of the sale of Nova KBM. The legal due diligence will be conducted by White & Case, with local support being provided by Ulčar & Partners. The European Commission appointed the auditing firm Ernst & Young as the monitoring trustee responsible for overseeing the transaction. Since January 2014, all the activities to ensure a smooth selling process have been carried out intensively by Nova KBM in cooperation with all parties involved in the project.

January

- On 2 January, Igor Hustič withdrew as a candidate for the Nova KBM Management Board after he had been nominated for that position in October 2013.
- On 30 January, Moody's Investors Service upgraded Nova KBM's long-term deposit rating to 'Caa1' from 'Caa2', at the same time changing the outlook on the rating from 'negative' to 'stable'. The financial strength rating was affirmed at 'E'. Moody's also raised Nova KBM's baseline credit assessment (BCA) to 'caa2' from 'caa3'.

February

- Since 1 February, KBM Banka has been run by a two-member Executive Board, with Ljubinka Lovčević acting as the President and Vesna Užnik Đorić acting as the member.
- On 1 February, the entire Supervisory Board of M-Pay was replaced: Vlasta Brečko was appointed as the Chairman, Marko Jagodič as the Deputy Chairman, and Aleksander Batič, Miha Šlamberger and Marko Boštjančič were appointed as members of the Supervisory Board.
- On 6 February, Karmen Dvorjak resigned as a member of the Nova KBM Supervisory Board.
- On 14 February, Borut Celcer was appointed as the fifth member of the KBM Infond Supervisory Board.
- On 27 February, Uroš Lorenčič stepped down as the Chairman of the Supervisory Board of KBM Leasing, Gorica Leasing, KBM Leasing Hrvatska and KBM Invest, handing over his position in the supervisory boards of these companies to Mitja Leskovar.

March

- On 11 March, with the aim of controlling the operations of Adria Bank and supporting the improvement of its performance, the Austrian Financial Market Authority (FMA) appointed a government commissioner to the Adria Bank Management Board. The commissioner's term of office is limited to a maximum of 18 months.
- The 25th Nova KBM Shareholders' Meeting was held on 14 March.
- Fitch Ratings affirmed the ratings of Nova KBM.
- On 19 March, Egon Žižmond resigned as a member of the Nova KBM Supervisory Board.

April

- On 3 April, the Supervisory Board appointed Robert Senica as the third member of the Nova KBM Management Board, with his five-year term of office starting on the day he takes up the position.
- The 2013 Annual Report of the Nova KBM Group and Nova KBM was released on 30 April.

May

- On 22 May, Slovenska odškodninska družba, on behalf of the Republic of Slovenia, published an invitation to express interest in the acquisition of a 100% shareholding in Nova KBM.
- Nova KBM infused fresh capital of €12,200,000 into Adria Bank, its Austria-based subsidiary bank, thereby increasing its shareholding to 100%.

June

- The 26th Nova KBM Shareholders' Meeting was held on 27 June. At the session, the shareholders of Nova KBM made a ruling to reduce the number of Supervisory Board members from seven to six, at the same time requesting that the necessary adjustment to reflect this change be made to Nova KBM's Articles of Association. By making this amendment, Nova KBM complied with a recommendation of the European Commission concerning the reduction in number of Supervisory Board members. Furthermore, the Shareholders' Meeting was briefed on the operating results of Nova KBM and the Nova KBM Group for 2013, and granted discharge to the Bank Management and Supervisory Boards for their performance in 2013. Deloitte Revizija of Ljubljana was appointed as the certified auditor for the audit of the 2014 financial statements of Nova KBM and the Nova KBM Group. In addition, shareholders were given information on Nova KBM's Fit & Proper Policy.
- Aleš Hauc was appointed as the Chairman of the PBS Supervisory Board, replacing Boris Novak who took over the position of the Deputy Chairman.

July

- On 9 July, Fitch Ratings affirmed Nova KBM's long-term and short-term Issuer Default Ratings (IDR) at 'BB-/B', albeit with a negative outlook. The Viability Rating

(VR) of Nova KBM was upgraded to 'b' from 'b-', while its 'Support Rating' (SR) and 'Support Rating Floor' (SRF) were affirmed at '3' and 'BB-', respectively.

- Nova KBM infused fresh capital of €7,485,000 into KBM Leasing Hrvatska, its Croatia-based subsidiary, which is focused on the provision of leasing services.

August

- On 1 August, Robert Senica took up his position as the third member of the Nova KBM Management Board. The vast professional experience he has gained by working for over 13 years in the banking, commercial and finance industries will surely help him further develop the Bank's corporate and retail banking operations, the segments he was entrusted with when offered this appointment.

September

- On 23 September, Keith Charles Miles resigned as a member of the Nova KBM Supervisory Board.

Events after the end of the reporting period

October

- The liquidation proceedings against KBM Fineko entered the final stages. On 1 October, the Nova KBM Management Board, acting as the representative of the company's sole shareholder, reached a decision on the distribution of the company's remaining assets, and adopted a report on the work of the liquidator. The assets of the company were distributed within 30 days, and the company is now expected to be deleted from the court register.
- On 1 October, the Nova KBM Supervisory Board unanimously agreed to appoint Sabina Župec Kranjc, Nova KBM's then Executive Director for Financial Markets, as a new member of the Nova KBM Management Board.
- On 9 October, the Slovene Sovereign Holding received several binding offers for the purchase of a 100% shareholding in Nova KBM.
- On 10 October, as part of the activities undertaken during the *Savings Month of October*, Nova KBM launched several marketing campaigns to promote newly-developed products and services, including three new insurance products, the option to open a personal account without visiting the Bank, and special-rate housing and consumer loans. In addition, Nova KBM updated its website, and opened a *Children's Corner* at its central branch office in Maribor as a tribute to *Children's Week*.
- On 26 October, the European Central Bank (ECB) and the European Banking Authority (EBA) published the results of an EU-wide comprehensive assessment of the financial health of the banking system. This assessment consisted of stress tests

and an asset quality review (AQR), which were conducted by independent international experts in 130 banks across 22 EU Member States. While Nova KBM exceeded the threshold set for the baseline stress test scenario, it failed to meet the very stringent capital requirements of the adverse stress test scenario. Both scenarios were based on the financial data available as of 31 December 2013.

- On 31 October, Igor Žibrik stepped down from his position as a member of the Nova KBM Management Board.

November

- On 4 November, the ECB fully assumed supervisory tasks and responsibilities in the framework of the Single Supervisory Mechanism (SSM), thereby taking over the monitoring of the key banks in the Eurozone. Among the 120 systemically important banking groups from across the Eurozone which have come under the direct supervision of the ECB are the Slovene NLB, Nova KBM and UniCredit Banka Slovenija. The aim of this centralised supervision is to enhance the safety, viability and financial integrity of the European banking system.
- On 17 November, Sabina Župec Kranjc started her five-year term of office as a member of the Nova KBM Management Board.

Changes in the Supervisory Board of Nova KBM d.d.

During the nine-month period ended 30 September, Karmen Dvorjak, Egon Žižmond and Keith Charles Miles stepped down as members of the Nova KBM Supervisory Board on 6 February, 19 March and 23 September, respectively.

Statement of management's responsibilities

(pursuant to Article 113 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 the Bank 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 parties.

Maribor, 28 November 2014

Management Board of Nova KBM d.d.

Sabina Župec Kranjc
Member

Robert Senica
Member

Aleš Hauc
President

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

As of 30 September 2014, the Nova KBM Group consisted of the parent company (Nova KBM), 11 subsidiary companies, and one associated company. The names of the companies and Nova KBM's shareholding in them are presented in the table below.

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

Nova KBM is obliged to prepare consolidated financial statements.

Composition of the Nova KBM Group, including the associated company, as of 30 September 2014

Company	Position in the Group	Nova KBM's share of voting rights (%)
Nova KBM d.d.	parent bank	
Poštna banka Slovenije d.d.	subsidiary bank	99.12
Adria Bank AG	subsidiary bank	100.00
KBM Banka a.d.	subsidiary bank	89.53
KBM Fineko d.o.o. (in liquidation)	subsidiary company	100.00 ¹
KBM Infond d.o.o.	subsidiary company	72.73 ²
KBM Leasing d.o.o.	subsidiary company	100.00
KBM Invest d.o.o.	subsidiary company	100.00
Gorica Leasing d.o.o.	subsidiary company	100.00
M-Pay d.o.o.	subsidiary company	50.00
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00
MB Finance B.V.	subsidiary company	00.00 ³
Moja naložba d.d.	associated company	45.00

In May 2014, Nova KBM infused fresh capital of €12,200,000 into Adria Bank, its Austria-based subsidiary bank, thereby increasing its shareholding to 100%.

In July 2014, Nova KBM infused fresh capital of €7,485,000 into KBM Leasing Hrvatska, its Croatia-based subsidiary.

¹ After it had filed for liquidation on 29 November 2013, the liquidation proceedings against KBM Fineko were completed on 1 October 2014.

² The Group's stake in the share capital of KBM Infond accounts for 72.00%. Due to KBM Infond holding a certain amount of its own shares, the Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

³ In accordance with IFRS 10, MB Finance is regarded as a consolidated structured entity 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 Group.

The company Istra Plan, which is 100% owned by KBM Invest, is not regarded as a business entity, as a result of which only assets of this company, totalling €1,030,000, are included in the Group's consolidated financial statements.

Key performance indicators of individual Group companies for the nine-month period ended 30 September 2014

COMPANY	Number of employees 30.09.2014	Net profit or (loss) (€000)	Total assets (€000)	ROAE before tax (%)	ROAA before tax (%)
Nova KBM d.d.	1,168	17,790	3,611,868	5.48	0.78
Poštna banka Slovenije d.d.	234	398	747,496	1.08	0.07
Adria Bank AG	31	1,167	66,302	21.71	1.50
KBM Banka a.d.	284	(215)	92,605	(1.69)	(0.27)
KBM Fineko d.o.o. (in liquidation)	2	662	4,146	23.33	3.54
KBM Infond d.o.o.	34	1,102	14,181	13.88	12.99
KBM Leasing d.o.o.	10	915	51,292	*	2.08
KBM Invest d.o.o.	8	(925)	37,729	*	(5.86)
Gorica Leasing d.o.o.	11	(847)	29,572	*	(3.35)
M-Pay d.o.o.	0	12	222	9.45	9.42
KBM Leasing Hrvatska d.o.o.	8	(1,863)	23,807	*	(9.54)
Moja naložba d.d.	15	404	111,487	6.11	8.23

* Not calculated due to negative average capital.

Shareholder structure of Nova KBM d.d. and information on shares

As of 30 September 2014, the share capital of the Bank totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares, all of which were held by the Republic of Slovenia. 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 Bank Shareholders' Meeting. The rights of the holders of ordinary shares are set out in the relevant legislation of the Republic of Slovenia.

Information on shares

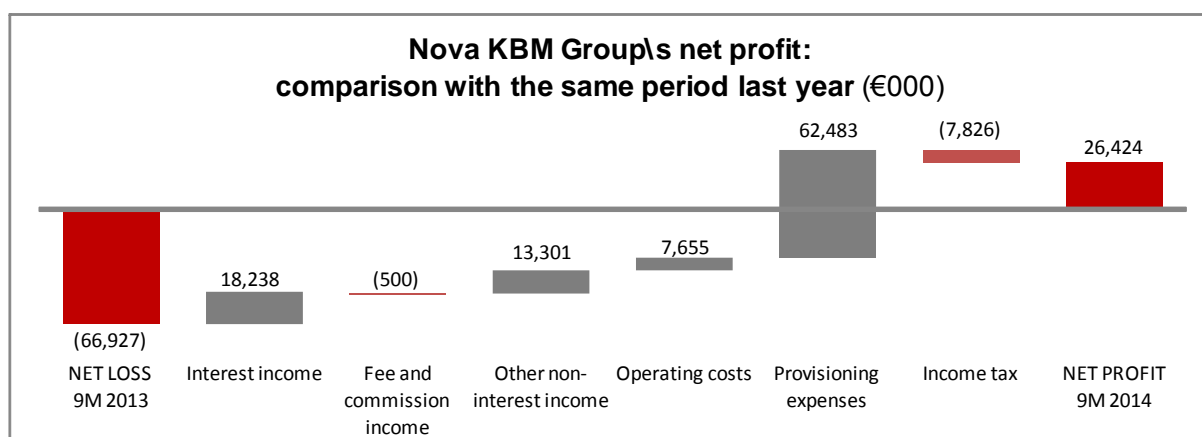
	Nova KBM Group				Nova KBM			
	30.09.14	31.12.13	31.12.12	31.12.11	30.09.14	31.12.13	31.12.12	31.12.11
Book value per share ⁴ (€)	61.97	56.67	5.37	10.07	56.45	51.77	4.92	9.55
Net earnings/(loss) per share ⁵ (€)	3.15	(63.05)	(5.25)	(2.38)	2.37	(65.65)	(5.20)	(2.42)

⁴ Book value per share on the last day of the reporting period is calculated as the ratio between the Bank's total equity (for the Group: equity attributable to owners of the parent) and the total number of Bank shares outstanding at the end of the reporting period.

⁵ Net earnings or loss per share is calculated as the ratio between the Bank's annualised net profit or loss (for the Group: net profit or loss attributable to owners of the parent) and the weighted average number of Bank shares in the period. The total number of KBMS shares outstanding at the end of the reporting period was taken into account in the calculation of the 2013 net loss per share and the 9M 2014 net earnings per share.

Operating results of the Nova KBM Group

For the nine-month period ended 30 September 2014, the Group reported a **pre-tax profit from continuing operations** of €26,424,000, against a loss of €66,927,000 reported for the comparable period of 2013. Income earned by the Group increased year-on-year by 27.4% and totalled €144,350,000, of which €84,713,000 was attributable to net interest income and €43,973,000 was attributable to net fee and commission income. Operating costs incurred by the Group in the first nine months of 2014 amounted to €79,873,000, down 8.7% on the comparable period last year, while net provisioning charges set aside by the Group from January through September 2014 totalled €33,234,000, a considerable reduction from the same period last year when these charges reached €95,717,000.



Net interest income earned by the Group in the first nine months of the year reached €84,713,000, up €18,238,000, or 27.4%, on the same period last year. The year-on-year decrease of 13.5% in interest income and 47.3% in interest expenses was largely due to a change in interest income earned and interest expenses incurred by Nova KBM following its recapitalisation (a part of which was provided as an in-kind contribution in the form of government bonds), the transfer of its bad assets to BAMC, the conversion of state-deposits into equity, and the write-off of its subordinated liabilities, all of which took place in December 2013. Low lending volumes, which we saw in the first nine months of the year, coupled with the scheduled repayments of loans by borrowers, also contributed to a fall in interest income. The structure of interest income and expenses by market segment and type of assets and liabilities for both the Group and the Bank is presented in the notes to the financial statements

Net fee and commission income generated by the Group in the first nine months of the year was slightly below the level of the same period last year. Both fee and commission income, and fee and commission expenses registered a decline, with fees earned on payment services declining the most. The structure of fees and commissions for both the Group and the Bank is presented in the notes to the financial statements.

Other non-interest income⁶ was €15,664,000, up from €2,363,000 reported for the same period last year, resulting mainly from the income from the sale of securities and from gains earned in the first nine months of the year due to increases in the prices of shares that Nova KBM holds in its portfolios.

Operating costs (administration costs, including depreciation and amortisation) incurred by the Group in the first nine months of the year totalled €79,873,000, down 8.7% on the same period last year, with Nova KBM registering the largest drop. As regards the composition of operating costs, staff costs accounted for 49.4% of the total operating costs, followed by general and administrative costs (36.2%), and depreciation and amortisation (14.4%). The Group's cost-to-income ratio stood at 55.33% in the first nine months of the year.

The Group's **net provisioning charges** totalled €33,234,000 in the first nine months of the year, compared to €95,717,000 reported for the same period last year, with loan impairment losses of €38,581,000 recognised during the period being partially offset by the release of provisions in the amount of €5,347,000. The structure of provisions and impairment losses by type of assets for both the Group and the Bank is displayed in the notes to the financial statements.

The Group expects to end the financial year of 2014 with a net profit.

⁶ 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 exchange rate differences; net gains or losses on derecognition of assets excluding 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; and net gains or losses from non-current assets held for sale and liabilities associated therewith.

Financial position of the Nova KBM Group

At the end of September 2014, the **Group's total assets** amounted to €4,464,408,000, down 7.2%, or €346,385,000, on the end of 2013. The decline in total assets was in line with the requirements of the European Commission.

The decline in the volume of loans was mostly the result of a reduction in long-term loans outstanding to the non-banking sector.

The balance of the Group's **financial assets** saw an increase in the first nine months of the year, largely due to Nova KBM and PBS investing the surplus of their liquidity in these assets.

Financial liabilities to the central bank went down mainly on account of the Group discharging a significant proportion of its debts to the ECB, with deposits repaid by Nova KBM contributing the most to this drop.

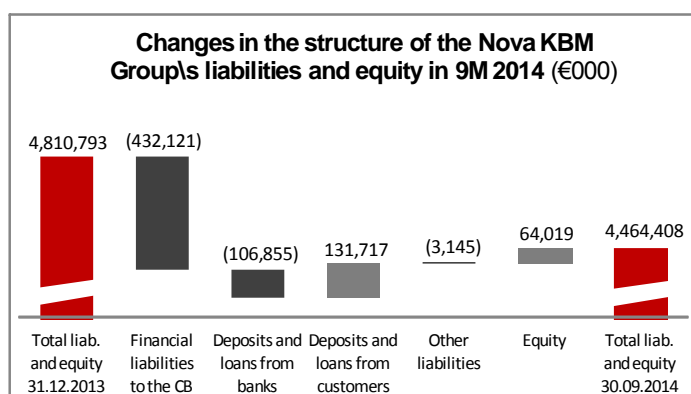
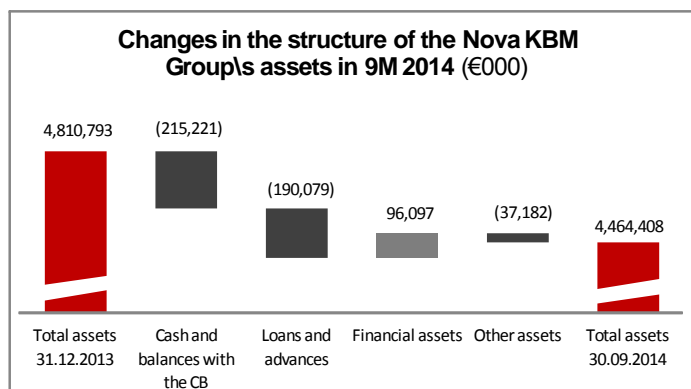
The decrease in **deposits and loans from banks** was predominantly due to regular and early repayments of funds borrowed by Nova KBM in the past.

The increment in **deposits and loans from customers** was chiefly attributable to a growth in sight deposits placed with Nova KBM.

As of 30 September 2014, the Group's **total equity** amounted to €619,668,000, an increase of 11.4% from the end of last year, with its **total capital adequacy ratio** standing at 21.88%. The composition of the Group's equity is presented in the notes to the financial statements.

As a result of both a decline in net loans outstanding to the non-banking sector and an increase in deposits from the non-banking sector, the loan-to-deposit ratio (**net LTD ratio**) contracted in the first nine months of the year by 8.49 percentage points, to 63.99% at the end of September 2014.

The Group is consistently implementing its restructuring programme and is scaling down its business volumes and risk-weighted assets in accordance with the commitments it has given to the European Commission.



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

JANUARY – SEPTEMBER 2014

Interim Income Statement – Nova KBM Group

€000

ITEM DESCRIPTION	Notes	Nine months ended 30.09.2014	Nine months ended 30.09.2013
Interest income	9	127,169	147,070
Interest expense	9	(42,456)	(80,595)
Net interest income	9	84,713	66,475
Dividend income	10	1,017	1,383
Fee and commission income	11	66,056	69,536
Fee and commission expense	11	(22,083)	(25,063)
Net fee and commission income	11	43,973	44,473
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	12	8,901	1,904
Net gains/(losses) on financial assets and liabilities held for trading	13	(1,096)	2,505
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	14	7,547	(1,619)
Net exchange rate differences	15	1,165	(1,477)
Net gains on derecognition of assets excluding non-current assets held for sale	-	345	404
Other net operating (loss)	-	(2,620)	(1,120)
Administration costs	16	(68,371)	(75,195)
Depreciation and amortisation	-	(11,502)	(12,333)
Provisions	17	5,347	3,286
Impairment losses	18	(38,581)	(99,003)
Share of profits of associates and joint ventures accounted for using the equity method	-	167	79
Net gains from non-current assets held for sale and liabilities associated therewith	-	238	304
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	-	31,243	(69,934)
Income tax related to profit or loss from continuing operations	19	(4,819)	3,007
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	-	26,424	(66,927)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	-	26,424	(66,927)
a) Attributable to owners of the parent	-	23,627	(58,055)
– continuing operations	-	23,627	(58,055)
b) Attributable to non-controlling interest	-	2,797	(8,872)
Basic earnings/(loss) per share (€)	-	2.36	(0.38)
Diluted earnings/(loss) per share (€)	-	2.36	(0.38)

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

Interim Income Statement – Nova KBM Group (by quarter)

€000

ITEM DESCRIPTION	2014			2013			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	42,010	41,618	43,541	34,012	48,596	46,733	51,741
Interest expense	(12,286)	(14,269)	(15,901)	(21,804)	(24,791)	(26,483)	(29,321)
Net interest income	29,724	27,349	27,640	12,208	23,805	20,250	22,420
Dividend income	953	64	0	4	1,029	347	7
Fee and commission income	21,787	22,801	21,468	22,795	23,579	23,884	22,073
Fee and commission expense	(7,313)	(7,492)	(7,278)	(7,981)	(8,154)	(9,015)	(7,894)
Net fee and commission income	14,474	15,309	14,190	14,814	15,425	14,869	14,179
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	472	5,790	2,639	61,526	489	907	508
Net gains/(losses) on financial assets and liabilities held for trading	(519)	285	(862)	27	139	960	1,406
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	2,798	1,053	3,696	390	(1,389)	1,273	(1,503)
Net exchange rate differences	468	322	375	(197)	330	(875)	(932)
Net gains/(losses) on derecognition of assets excluding non-current assets held for sale	412	(57)	(10)	140	281	91	32
Other net operating income/(loss)	(1,005)	(833)	(782)	(12,600)	(719)	(1,103)	702
Administration costs	(22,898)	(23,219)	(22,254)	(29,826)	(25,149)	(25,765)	(24,281)
Depreciation and amortisation	(3,706)	(3,855)	(3,941)	(4,121)	(4,198)	(4,109)	(4,026)
Provisions	1,478	2,597	1,272	(57,923)	1,117	(570)	2,739
Impairment losses	(15,739)	(17,347)	(5,495)	(571,629)	(14,837)	(61,445)	(22,721)
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	66	66	35	(253)	19	5	55
Net gains/(losses) from non-current assets held for sale and liabilities associated therewith	174	(4)	68	(1,206)	150	72	82
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	7,152	7,520	16,571	(588,646)	(3,508)	(55,093)	(11,333)
Income tax related to profit or loss from continuing operations	(1,604)	(3,008)	(207)	(29,335)	(713)	855	2,865
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	5,548	4,512	16,364	(617,981)	(4,221)	(54,238)	(8,468)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	5,548	4,512	16,364	(617,981)	(4,221)	(54,238)	(8,468)
a) Attributable to owners of the parent	5,457	4,367	13,803	(572,401)	(2,039)	(49,158)	(6,858)
b) Attributable to non-controlling interest	91	145	2,561	(45,580)	(2,182)	(5,080)	(1,610)
Basic earnings/(loss) per share (€)	0.54	0.44	1.38	(62.67)	0.36	(0.56)	(0.18)
Diluted earnings/(loss) per share (€)	0.54	0.44	1.38	(62.67)	0.36	(0.56)	(0.18)

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

Interim Statement of Other Comprehensive Income – Nova KBM Group

€000

ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	26,424	(66,927)
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	37,754	(10,500)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	37,754	(10,500)
Foreign currency translation differences arising from consolidation	(594)	(194)
– translation (losses) taken to equity	(594)	(194)
Available-for-sale financial assets	46,248	(12,173)
– valuation gains/(losses) taken to equity	46,258	(12,172)
– transferred to profit or loss	(10)	(1)
Share of other recognised comprehensive (loss) of associates and joint ventures accounted for using the equity method	(40)	(115)
Income tax on items that may be reclassified subsequently to profit or loss	(7,860)	1,982
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	64,178	(77,427)
a) Attributable to owners of the parent	61,265	(66,466)
b) Attributable to non-controlling interest	2,913	(10,961)

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

Interim Statement of Other Comprehensive Income – Nova KBM Group *(by quarter)*

€000

ITEM DESCRIPTION	2014			2013			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	5,548	4,512	16,364	(617,981)	(4,221)	(54,238)	(8,468)
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	7,098	7,480	23,176	21,385	(4,698)	2,208	(8,010)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	0	0	0	274	0	0	0
Actuarial net gains on defined benefit pension plans recognised in retained earnings	0	0	0	300	0	0	0
Income tax on items that will not be reclassified subsequently to profit or loss	0	0	0	(26)	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	7,098	7,480	23,176	21,111	(4,698)	2,208	(8,010)
Foreign currency translation differences arising from consolidation	(387)	(120)	(87)	55	(451)	(200)	457
– translation gains/(losses) taken to equity	(387)	(120)	(87)	55	(451)	(200)	457
Available-for-sale financial assets	8,993	9,165	28,090	25,062	(4,841)	2,805	(10,137)
– valuation gains/(losses) taken to equity	8,993	9,163	28,102	19,211	(4,852)	2,805	(10,125)
– transferred to profit or loss	0	2	(12)	5,851	11	0	(12)
Share of other recognised comprehensive income/(loss) of associates and joint ventures accounted for using the equity method	6	9	(55)	156	(104)	18	(29)
Income tax on items that may be reclassified subsequently to profit or loss	(1,514)	(1,574)	(4,772)	(4,162)	698	(415)	1,699
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	12,646	11,992	39,540	(596,596)	(8,919)	(52,030)	(16,478)
a) Attributable to owners of the parent	12,553	11,805	36,907	(553,981)	(6,733)	(47,306)	(12,427)
b) Attributable to non-controlling interest	93	187	2,633	(42,615)	(2,186)	(4,724)	(4,051)

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

Interim Statement of Financial Position – Nova KBM Group

€000

ITEM DESCRIPTION	Notes	30.09.2014	31.12.2013
Cash and balances with the central bank	20	220,257	435,478
Financial assets held for trading	21	2,993	1,786
Financial assets designated at fair value through profit or loss	22	19,685	24,586
Available-for-sale financial assets	23	1,602,031	1,466,864
Loans and advances	-	2,189,243	2,379,322
– loans and advances to banks	24	117,757	129,674
– loans and advances to customers	25	2,054,600	2,231,765
– other financial assets	26	16,886	17,883
Held-to-maturity financial assets	27	244,777	280,153
Non-current assets and disposal groups classified as held for sale and discontinued operations	-	6,028	7,868
Property, plant and equipment	-	67,947	73,677
Investment property	-	37,827	38,426
Intangible assets	-	28,277	32,863
Investments in the equity of associates and joint ventures accounted for using the equity method	-	3,085	2,957
Tax assets	-	2,156	11,699
– current tax assets	-	303	960
– deferred tax assets	-	1,853	10,739
Other assets	-	40,102	55,114
TOTAL ASSETS	-	4,464,408	4,810,793
Financial liabilities to the central bank	-	50,770	482,891
Financial liabilities held for trading	-	1,851	1,422
Financial liabilities measured at amortised cost	28	3,674,758	3,650,942
– deposits from banks	28	26,197	60,271
– deposits from customers	28	3,207,368	3,074,748
– loans from banks	28	342,102	414,883
– loans from customers	28	3,648	4,551
– debt securities	-	61,041	60,973
– subordinated liabilities	28	1,269	1,250
– other financial liabilities	28	33,133	34,266
Provisions	29	92,855	100,163
Tax liabilities	-	3,602	96
– current tax liabilities	-	1,683	88
– deferred tax liabilities	-	1,919	8
Other liabilities	-	16,525	15,251
TOTAL LIABILITIES	-	3,840,361	4,250,765
Share capital	30	150,000	150,000
Share premium	-	360,572	360,572
Revaluation reserves	31	47,156	8,981
Translation reserves	-	(3,023)	(2,486)
Reserves from profit	32	499	663
Retained earnings (including net profit for the reporting period)	-	64,464	48,937
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-	619,668	566,667
Non-controlling interest	-	4,379	(6,639)
TOTAL SHAREHOLDERS' EQUITY	-	624,047	560,028
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	-	4,464,408	4,810,793

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

Interim Statement of Cash Flows – Nova KBM Group

€000

Designation	ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	Total profit/(loss) before tax from continuing operations	31,243	(69,934)
	Depreciation and amortisation	11,502	12,333
	Impairment of available-for-sale financial assets	2,685	16,490
	Impairment of loans and advances	36,571	82,480
	Impairment/(reversal of impairment) of held-to-maturity financial assets	(5)	20
	Impairment/(reversal of impairment) of tangible assets, investment property, intangible assets and other assets	(670)	13
	Share of (profits) of associates and joint ventures accounted for using the equity method	(167)	(79)
	Net (gains)/losses from exchange rate differences	(1,165)	1,477
	Net losses from held-to-maturity financial assets	0	323
	Net (gains) from the sale of tangible assets and investment properties	(345)	(404)
	Other (gains) from investing activities	(5,617)	(12,194)
	Other losses from financing activities	19	3,646
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and liabilities associated therewith	(238)	(304)
	Other adjustments to total net profit or loss before tax	(5,356)	(3,271)
	Cash flow from operating activities before changes in operating assets and liabilities	68,457	30,596
b)	(Increase)/decrease in operating assets (excluding cash equivalents)	58,028	(88,273)
	Net (increase) in financial assets held for trading	(1,205)	(700)
	Net decrease in financial assets designated at fair value through profit or loss	4,901	2,139
	Net (increase) in available-for-sale financial assets	(92,058)	(303,548)
	Net decrease in loans and advances	129,517	207,558
	Net decrease in non-current assets held for sale	1,164	706
	Net decrease in other assets	15,709	5,572
c)	(Decrease) in operating liabilities	(406,543)	(321,474)
	Net (decrease) in financial liabilities to the central bank	(432,119)	(5,715)
	Net increase in financial liabilities held for trading	429	78
	Net increase/(decrease) in deposits and loans received, measured at amortised cost	25,743	(293,918)
	Net increase/(decrease) in debt securities in issue, measured at amortised cost	68	(21,367)
	Net increase/(decrease) in other liabilities	(664)	(552)
d)	Cash flow from operating activities (a + b + c)	(280,058)	(379,151)
e)	Income taxes refunded	390	1,499
f)	Net cash flow from operating activities (d + e)	(279,668)	(377,652)

€000

Designation	ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	Receipts from investing activities	119,100	319,272
	Receipts from the sale of tangible assets and investment properties	3,462	1,812
	Receipts from the sale of intangible assets	1	0
	Receipts from the disposal of associates – discontinued operations	0	50,034
	Receipts from non-current assets or liabilities held for sale	117	561
	Receipts from the sale of held-to-maturity financial assets	115,520	266,865
b)	Cash payments on investing activities	(81,230)	(20,927)
	(Cash payments to acquire tangible assets and investment properties)	(4,332)	(6,010)
	(Cash payments to acquire intangible assets)	(2,304)	(3,060)
	(Cash payments to acquire held-to-maturity financial assets)	(74,594)	(11,857)
c)	Net cash flow from investing activities (a + b)	37,870	298,345
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	Cash proceeds from financing activities	0	100,000
	Cash proceeds from the issuance of subordinated liabilities	0	100,000
b)	Cash payments on financing activities	(96)	(509)
	(Dividends and share in profits paid)	(96)	(95)
	(Repayments of subordinated liabilities)	0	(414)
c)	Net cash flow from financing activities (a + b)	(96)	99,491
D.	Effects of change in exchange rates on cash and cash equivalents	1,922	(1,782)
E.	Net increase/(decrease) in cash and cash equivalents (Af + Bc + Cc)	(241,894)	20,184
F.	Opening balance of cash and cash equivalents	557,246	332,522
G.	Closing balance of cash and cash equivalents (D + E + F)	317,274	350,924

Reconciliation of cash and cash equivalents as of 30 September 2014 with the statement of financial position items is presented in Note 20.1.

The balance of cash and cash equivalents as of 30 September 2013 amounted to €350,924,000 and was made up of cash and balances with the central bank, in the amount of €283,110,000, and loans and advances to banks with an original maturity of up to three months, in the amount of €67,814,000.

Cash Flows from Interest, Dividends and Participation in Profits

€000

ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
Interest paid	(42,232)	(78,054)
Interest received	93,868	128,679
Dividends and participation in profits paid	(96)	(95)
Dividends and participation in profits received	55	1,298

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

Interim Statement of Changes in Equity – Nova KBM Group

Interim Statement of Changes in Equity for the nine months ended 30 September 2014

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	8,981	(2,486)	663	48,937	566,667	(6,639)	560,028
Total comprehensive income for the period after tax	0	0	38,175	(537)	0	23,627	61,265	2,913	64,178
Recapitalisation of subsidiaries	0	0	0	0	0	(8,264)	(8,264)	8,264	0
Appropriation of (accounting for) dividends	0	0	0	0	0	0	0	(95)	(95)
Transfer of net profit to reserves from profit	0	0	0	0	(164)	164	0	0	0
Other	0	0	0	0	0	0	0	(64)	(64)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	47,156	(3,023)	499	64,464	619,668	4,379	624,047

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

Interim Statement of Changes in Equity for the nine months ended 30 September 2013

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Translation reserves	Reserves from profit	Retained losses (including net loss for the reporting period)	Treasury shares (capital deduction item)	Equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
OPENING BALANCE FOR THE REPORTING PERIOD	40,814	165,775	(1,149)	(2,365)	289,741	(281,237)	(1,412)	210,167	43,037	253,204
Total comprehensive (loss) for the period after tax	0	0	(8,235)	(176)	0	(58,055)	0	(66,466)	(10,961)	(77,427)
New share capital subscribed (paid)	102,411	0	0	0	0	0	0	102,411	0	102,411
Appropriation of (accounting for) dividends	0	0	0	0	0	0	0	0	(95)	(95)
Transfer of net profit to reserves from profit	0	0	0	0	91	(91)	0	0	0	0
Other	0	0	0	(1)	1	1	0	1	(75)	(74)
CLOSING BALANCE FOR THE REPORTING PERIOD	143,225	165,775	(9,384)	(2,542)	289,833	(339,382)	(1,412)	246,113	31,906	278,019

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

1 General information

Nova KBM d.d. (hereafter also referred to as 'Nova KBM' or the 'Bank') is the parent company of the Nova KBM Group (hereafter also referred to as the 'Group') which, as of 30 September 2014, comprised the parent company and 11 subsidiary companies.

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

As of 30 September 2014, the share capital of the Bank totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares, all of which were held by the Republic of Slovenia.

The Bank is obliged to prepare consolidated financial statements.

2 Definition of the Group

The Group is composed of the parent bank and its subsidiary companies.

Company	Position in the Group	Group's voting rights in the company (%)
Nova Kreditna banka Maribor d.d.	parent bank	
Poštna banka Slovenije d.d.	subsidiary bank	99.12
Adria Bank AG	subsidiary bank	100.00
KBM Banka a.d.	subsidiary bank	89.53
KBM Fineko d.o.o. (in liquidation) ¹	subsidiary company	100.00
KBM Infond d.o.o.	subsidiary company	72.73 ²
KBM Leasing d.o.o.	subsidiary company	100.00
KBM Invest d.o.o.	subsidiary company	100.00
Gorica Leasing d.o.o.	subsidiary company	100.00
M-PAY d.o.o.	subsidiary company	50.00
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00
MB Finance B.V.	subsidiary company	00.00 ³

¹ KBM Fineko filed for liquidation on 29 November 2013. Since the company is still controlled by Nova KBM, it is fully consolidated in the Group's financial statements.

² The Group's stake in the share capital of KBM Infond accounts for 72.00%. Due to KBM Infond holding a certain amount of its own shares, the Group's stake in the capital of and voting rights in KBM Infond equals 72.73%.

³ In accordance with IFRS 10, MB Finance is regarded as a consolidated structured entity 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 Group.

Moja naložba is an associated company in which Nova KBM has a 45% shareholding.

In May 2014, Nova KBM infused fresh capital of €12,200,000 into Adria Bank, its Austria-based subsidiary bank, thereby increasing its shareholding to 100%.

In July 2014, Nova KBM infused fresh capital of €7,485,000 into KBM Leasing Hrvatska, its Croatia-based subsidiary.

The company Istra Plan, which is 100% owned by KBM Invest, is not regarded as a business entity, as a result of which only assets of this company, totalling €1,030,000, are included in the Group's consolidated financial statements.

3 Basis for the presentation of consolidated financial statements

The financial statements of the Group for the nine-month period ended 30 September 2014 were authorised for issue on 24 October 2014 by the Nova KBM Management Board.

3.1 Statement of compliance and purpose of financial statements

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

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

The interim financial statements are unaudited. They have been prepared assuming that the Group will continue as a going concern in the foreseeable future and that it will be able to meet its liabilities when due.

3.2 Presentation and functional currency

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

All amounts in the consolidated financial statements and in the notes to the consolidated financial statements are expressed in thousands of euros except where stated otherwise. Slight discrepancies in totals may occur due to rounding adjustments. Euro figures in the text are stated as whole numbers, rounded to the nearest thousand.

4 Significant accounting policies

The accounting policies used by the Group are presented in detail in its Annual Report for 2013.

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

During the interim reporting period and in 2013, the Group did not reclassify any of its financial assets into another category.

Newly adopted standards and interpretations in effect since 1 January 2014 are presented below:

- **IFRS 10** – Consolidated Financial Statements; adopted by the EU on 11 December 2012.
- **IFRS 11** – Joint Arrangements; adopted by the EU on 11 December 2012.
- **IFRS 12** – Disclosure of Interests in Other Entities; adopted by the EU on 11 December 2012.
- **IAS 27** (revised in 2011) – Separate Financial Statements; adopted by the EU on 11 December 2012.
- **IAS 28** (revised in 2011) – Investments in Associates and Joint Ventures; adopted by the EU on 11 December 2012.
- **Amendments to IFRS 10** – Consolidated Financial Statements, **IFRS 11** – Joint Arrangements, and **IFRS 12** – Disclosures of Interests in Other Entities – Transition Guidance; adopted by the EU on 4 April 2013.
- **Amendments to IFRS 10** – Consolidated Financial Statements, **IFRS 12** – Disclosure of Interests in Other Entities, and **IAS 27** (revised in 2011) – Separate Financial Statements – Investment Entities; adopted by the EU on 20 November 2013.

- **Amendments to IAS 32** – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities; adopted by the EU on 13 December 2012.
- **Amendments to IAS 36** – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets; adopted by the EU on 19 December 2013.
- **Amendments to IAS 39** – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting; adopted by the EU on 19 December 2013.
- **IFRIC 21** – Levies (effective for annual periods beginning on or after 1 January 2014).

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

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

- **IFRS 9** – Financial Instruments and subsequent amendments (scheduled to become effective on 1 January 2018).
- **Amendments to IAS 19** – Employee Benefits – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014).
- **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 (amendments are to be applied for annual periods beginning on or after 1 July 2014).
- **Amendments to various standards** – Improvements to IFRSs (cycle 2011 – 2013) resulting from the annual improvement project of IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied to annual periods beginning on or after 1 July 2014).
- **IFRS 15** – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 16 and IAS 38** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IFRS 11** – Accounting for Acquisition of Interests in Joint Operations (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 aimed at amending the existing IFRSs as well as IFRS guidelines and interpretations (amendments are to be applied to annual periods beginning on or after 1 January 2016).
- **Amendments to IFRS 10 and IAS 28** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; these amendments remove an accounting inconsistency between the requirements in IFRS 10 and those in IAS 28 with respect to the recognition of gains and losses (amendments are to be applied to annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 27** – Equity Method in Separate Financial Statements; these amendments reinstate the equity method as an accounting option for investments in subsidiaries, associates and joint ventures in an entity's separate financial statements (amendments are to be applied to annual periods beginning on or after 1 January 2016).

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

5 Risk exposure

The Bank 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 organisational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organisationally separate from the unit it monitors. In accordance with the adopted rules of procedure, each risk management policy has to be approved by the Policy Approval Committee.

Further details with respect to risk management are provided in the Group's Annual Report for 2013.

5.1 Credit risk

Analysis of exposure to credit risk

	Loans to customers		Loans to banks	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Net disbursed loans	2,054,600	2,231,765	117,757	129,674
Individual impairment				
Gross amount	1,035,270	1,057,140	8,535	9,617
Impairment	(560,113)	(509,385)	(2,520)	(2,547)
Net amount	475,157	547,755	6,015	7,070
Collective impairment				
Credit rating A	964,727	1,026,876	0	0
Credit rating B	335,757	409,305	0	0
Credit rating C	197,750	207,286	0	0
Credit rating D	31,667	16,146	0	0
Credit rating E	76,071	59,831	0	0
Gross amount	1,605,972	1,719,444	0	0
Impairment	(87,934)	(80,572)	0	0
Net amount	1,518,038	1,638,872	0	0
Net non-impaired loans	61,405	45,138	111,742	122,604
Total net loans	2,054,600	2,231,765	117,757	129,674

Overdue and unpaid claims

	30.09.2014				
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2,498	2,498
State	34	2	0	3	39
Legal entities	61,663	7,503	7,840	557,191	634,197
Households	3,446	670	877	61,860	66,853
Total	65,143	8,175	8,717	621,552	703,587

	31.12.2013				
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2,523	2,523
State	124	5	0	3	132
Legal entities	72,377	29,476	8,403	445,765	556,021
Households	4,658	1,227	1,090	51,635	58,610
Total	77,159	30,708	9,493	499,926	617,286

NPLs in the total loan portfolio

	30.09.2014	31.12.2013
Total gross loan portfolio	2,822,924	2,953,943
Total net loan portfolio	2,172,357	2,361,439
Net NPLs (over 90 days in arrears; credit ratings D and E)	470,272	424,407
Net NPLs/total net loan portfolio (%)	21.65	17.97

Analysis of NPLs by industry sectors

Industry sector	30.09.2014			31.12.2013		
	Total net loans	Net NPLs	Share of NPLs (%)	Total net loans	Net NPLs	Share of NPLs (%)
Households	877,376	33,513	3.82	929,943	26,030	2.80
Agriculture and hunting, forestry, fishing	28,303	8,220	29.04	31,667	5,602	17.69
Mining	1,176	683	58.08	1,307	252	19.28
Manufacturing industry	386,204	135,244	35.02	436,937	121,969	27.91
Electricity, gas and steam supply	58,224	5,456	9.37	64,646	10,808	16.72
Water supply, waste and sewage management, rehabilitation of the environment	25,160	988	3.93	16,701	808	4.84
Construction	77,821	33,899	43.56	87,809	31,042	35.35
Trade, maintenance and repair of motor vehicles	205,810	83,352	40.50	236,731	78,014	32.95
Transportation and storage	52,829	5,407	10.23	58,917	1,266	2.15
Accommodation and food service activities	41,545	20,031	48.22	45,143	17,447	38.65
Information and communication activities	27,006	13,535	50.12	30,520	7,946	26.04
Financial intermediation	169,879	26,198	15.42	203,651	23,296	11.44
Real estate activities	42,455	33,008	77.75	48,323	32,454	67.16
Professional, scientific and technical activities	59,587	28,275	47.45	69,533	22,427	32.25
Other various business activities	11,695	2,715	23.22	10,818	2,768	25.59
Public administration and defence services, compulsory social security activities	37,445	189	0.50	14,643	189	1.29
Education	3,315	339	10.23	3,628	329	9.07
Health and welfare security	24,014	8,768	36.51	24,423	9,150	37.46
Arts, entertainment and recreation	32,614	28,964	88.81	35,802	31,064	86.77
Other activities	9,899	1,488	15.03	10,297	1,546	15.01
Total net loans	2,172,357	470,272	21.65	2,361,439	424,407	17.97

5.2 Liquidity risk

Analysis of liquidity risk as of 30 September 2014

	Total	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets						
Cash and balances with the central bank	220,257	220,257	0	0	0	0
Financial assets held for trading	2,993	2,993	0	0	0	0
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	0	0
Available-for-sale financial assets	1,602,031	1,602,031	0	0	0	0
Loans and advances	2,189,243	546,511	126,954	358,384	681,564	475,830
Held-to-maturity financial assets	244,777	49,297	0	102,262	60,810	32,408
Other assets*	185,422	33,917	15,611	3,802	27,211	104,881
Total assets	4,464,408	2,474,691	142,565	464,448	769,585	613,119
Liabilities						
Financial liabilities to the central bank	50,770	3	0	50,731	36	0
Financial liabilities held for trading	1,851	1,851	0	0	0	0
Financial liabilities measured at amortised cost	3,674,758	1,802,055	448,795	973,951	348,365	101,592
Other liabilities*	737,029	46,263	24,603	50,011	45,578	570,574
Total liabilities and equity	4,464,408	1,850,172	473,398	1,074,693	393,979	672,166
Assets-liabilities (including equity) mismatch	0	624,519	(330,833)	(610,245)	375,606	(59,047)
Guarantees	280,975	27,174	24,349	93,770	92,784	42,898

* Assets and liabilities without a direct impact on liquidity.

Analysis of liquidity risk as of 31 December 2013

	Total	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets						
Cash and balances with the central bank	435,478	435,478	0	0	0	0
Financial assets held for trading	1,786	1,786	0	0	0	0
Financial assets designated at fair value through profit or loss	24,586	24,586	0	0	0	0
Available-for-sale financial assets	1,466,864	1,466,864	0	0	0	0
Loans and advances	2,379,322	610,924	122,390	365,565	768,226	512,217
Held-to-maturity financial assets	280,153	10,853	17,447	130,314	89,128	32,411
Other assets*	222,604	65,239	1,238	9,697	31,716	114,714
Total assets	4,810,793	2,615,730	141,075	505,576	889,070	659,342
Liabilities						
Financial liabilities to the central bank	482,891	3	3,000	9	479,879	0
Financial liabilities held for trading	1,422	1,422	0	0	0	0
Financial liabilities measured at amortised cost	3,650,942	1,742,042	480,014	949,538	369,241	110,107
Other liabilities*	675,538	18,278	5,922	40,536	47,021	563,781
Total liabilities and equity	4,810,793	1,761,745	488,936	990,083	896,141	673,888
Assets-liabilities (including equity) mismatch	0	853,985	(347,861)	(484,507)	(7,071)	(14,546)
Guarantees	295,381	34,533	22,504	95,624	97,614	45,106

* Assets and liabilities without a direct impact on liquidity.

5.3 Interest rate risk

Analysis of interest rate risk as of 30 September 2014

	Total	Non-interest-bearing	Interest-bearing	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets								
Cash and balances with the central bank	220,257	77,928	142,329	142,329	0	0	0	0
Financial assets held for trading	2,993	1,841	1,152	1,152	0	0	0	0
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	0	0	0	0
Available-for-sale financial assets	1,602,031	19,800	1,582,231	207,888	29,839	148,627	974,540	221,337
Loans and advances	2,189,243	133,586	2,055,657	585,343	394,071	972,513	90,572	13,158
Held-to-maturity financial assets	244,777	211	244,566	48,670	0	100,621	62,289	32,986
Other assets	40,102	40,102	0	0	0	0	0	0
Total assets	4,319,088	293,153	4,025,935	985,382	423,910	1,221,761	1,127,401	267,481
Liabilities								
Financial liabilities to the central bank	50,770	0	50,770	49	0	50,721	0	0
Financial liabilities held for trading	1,851	1,703	148	148	0	0	0	0
Financial liabilities measured at amortised cost	3,674,758	15,540	3,659,218	1,854,827	619,082	986,316	196,526	2,467
Other liabilities	16,525	16,501	24	24	0	0	0	0
Total liabilities	3,743,904	33,744	3,710,160	1,855,048	619,082	1,037,037	196,526	2,467
Assets-liabilities mismatch	575,184	259,409	315,775	(869,666)	(195,172)	184,724	930,875	265,014

The table above shows the distribution of interest-sensitive items by individual time buckets with regard to the interest rate repricing period.

Analysis of interest rate risk as of 31 December 2013

	Total	Non-interest-bearing	Interest-bearing	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets								
Cash and balances with the central bank	435,478	80,880	354,598	354,598	0	0	0	0
Financial assets held for trading	1,786	1,779	7	7	0	0	0	0
Financial assets designated at fair value through profit or loss	24,586	24,586	0	0	0	0	0	0
Available-for-sale financial assets	1,466,864	40,107	1,426,757	27,390	82,491	299,451	819,499	197,926
Loans and advances	2,379,322	127,765	2,251,557	1,117,752	540,747	480,408	98,908	13,742
Held-to-maturity financial assets	280,153	1,697	278,456	10,247	16,248	128,522	90,212	33,227
Other assets	55,114	55,114	0	0	0	0	0	0
Total assets	4,643,303	331,928	4,311,375	1,509,994	639,486	908,381	1,008,619	244,895
Liabilities								
Financial liabilities to the central bank	482,891	668	482,223	8,164	3,001	11	471,047	0
Financial liabilities held for trading	1,422	976	446	446	0	0	0	0
Financial liabilities measured at amortised cost	3,650,942	12,665	3,638,277	1,800,906	566,899	1,130,336	137,826	2,310
Other liabilities	15,251	15,251	0	0	0	0	0	0
Total liabilities	4,150,506	29,560	4,120,946	1,809,516	569,900	1,130,347	608,873	2,310
Assets-liabilities mismatch	492,797	302,368	190,429	(299,522)	69,586	(221,966)	399,746	242,585

The table above shows the distribution of interest-sensitive items by individual time buckets with regard to the interest rate repricing period.

5.4 Foreign exchange risk

Analysis of foreign exchange risk as of 30 September 2014

	EUR	USD	CHF	HRK	Other currencies	Total
Assets						
Cash and balances with the central bank	209,922	794	965	1,522	7,054	220,257
Financial assets held for trading	2,986	0	0	0	7	2,993
Financial assets designated at fair value through profit or loss	19,685	0	0	0	0	19,685
Available-for-sale financial assets	1,595,718	0	0	0	6,313	1,602,031
Loans and advances	2,057,380	29,450	76,716	2,811	22,886	2,189,243
Held-to-maturity financial assets	244,566	0	0	0	211	244,777
Other assets	173,311	0	0	2,338	9,773	185,422
Total assets	4,303,568	30,244	77,681	6,671	46,244	4,464,408
Liabilities						
Financial liabilities to the central bank	50,770	0	0	0	0	50,770
Financial liabilities held for trading	1,851	0	0	0	0	1,851
Financial liabilities measured at amortised cost	3,587,107	30,545	20,030	303	36,773	3,674,758
Other liabilities	765,928	7	0	(16,457)	(12,449)	737,029
Total liabilities and equity	4,405,656	30,552	20,030	(16,154)	24,324	4,464,408
Assets-liabilities (including equity) mismatch	(102,088)	(308)	57,651	22,825	21,920	0
Derivatives	58,492	0	(58,694)	0	0	(202)
Assets-liabilities (including equity and derivatives) mismatch	(43,596)	(308)	(1,043)	22,825	21,920	(202)

Analysis of foreign exchange risk as of 31 December 2013

	EUR	USD	CHF	HRK	Other currencies	Total
Assets						
Cash and balances with the central bank	418,729	764	1,419	750	13,816	435,478
Financial assets held for trading	1,672	0	0	0	114	1,786
Financial assets designated at fair value through profit or loss	24,586	0	0	0	0	24,586
Available-for-sale financial assets	1,451,678	0	0	0	15,186	1,466,864
Loans and advances	2,209,864	27,741	90,210	25,160	26,347	2,379,322
Held-to-maturity financial assets	279,906	0	0	0	247	280,153
Other assets	206,191	0	0	1,711	14,702	222,604
Total assets	4,592,626	28,505	91,629	27,621	70,412	4,810,793
Liabilities						
Financial liabilities to the central bank	482,891	0	0	0	0	482,891
Financial liabilities held for trading	1,422	0	0	0	0	1,422
Financial liabilities measured at amortised cost	3,552,062	28,379	19,578	192	50,731	3,650,942
Other liabilities	701,403	3	0	(14,540)	(11,328)	675,538
Total liabilities and equity	4,737,778	28,382	19,578	(14,348)	39,403	4,810,793
Assets-liabilities (including equity) mismatch	(145,152)	123	72,051	41,969	31,009	0
Derivatives	73,515	0	(73,823)	0	0	(308)
Assets-liabilities (including equity and derivatives) mismatch	(71,637)	123	(1,772)	41,969	31,009	(308)

5.5 Capital risk

	30.09.2014	31.12.2013
Original own funds		
Paid-up share capital	150,000	150,000
Share premium	360,572	360,572
Reserves and retained earnings or losses	60,201	68,381
Revaluation excesses (PP) – prudential filters	29,806	(18,319)
Non-controlling interest		(6,639)
(-) Intangible long-term assets	(28,277)	(32,863)
(-) Other country specific deductions	(33,748)	(22)
Total	538,554	521,110
Additional own funds I		
Subordinated debt I	0	1,000
Other	0	2,565
Total	0	3,565
(-) Deductions from original own funds and additional own funds I		
(-) Deductions from original own funds	0	(1,479)
(-) Deductions from additional own funds I	0	(1,479)
Total	0	(2,958)
Total equity (for solvency purposes)	538,554	521,717
Capital requirements		
Capital requirements for credit risk	170,349	196,510
Central governments and central banks	344	0
Regional governments and local authorities	144	251
Administrative bodies	298	445
Institutions	7,872	10,728
Corporates	37,884	55,607
Retail banking	55,840	67,916
Secured by real estate	5,383	3,120
Past due items	44,788	7,340
Items belonging to regulatory high-risk categories	7,107	32,941
Collective investment undertakings	490	823
Other items	10,199	17,339
Total capital requirements for market risks	3,401	5,854
Debt securities	184	193
Equity instruments	3,217	4,113
Foreign exchange	0	1,548
Capital requirement for operational risk	23,138	27,791
Total	196,888	230,155
Total capital adequacy ratio	21.88%	18.13%
Tier I capital ratio	21.88%	18.06%
Core Tier I capital ratio	21.88%	18.06%

6 Fair value of financial assets and financial liabilities

	30.09.2014		31.12.2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and balances with the central bank	220,257	220,257	435,478	435,478
Financial assets held for trading	2,993	2,993	1,786	1,786
Financial assets designated at fair value through profit or loss	19,685	19,685	24,586	24,586
Available-for-sale financial assets	1,602,031	1,602,031	1,466,864	1,466,864
Loans and advances to banks	117,757	123,577	129,674	134,665
Loans and advances to customers	2,054,600	2,062,196	2,231,765	2,239,964
Other financial assets	16,886	16,886	17,883	17,883
Held-to-maturity financial assets	244,777	251,189	280,153	280,605
Financial liabilities				
Financial liabilities to the central bank	50,770	50,772	482,891	482,274
Financial liabilities held for trading	1,851	1,851	1,422	1,422
Deposits from banks	26,197	26,200	60,271	60,354
Deposits from customers	3,207,368	3,215,633	3,074,748	3,084,106
Loans from banks	342,102	342,622	414,883	416,038
Loans from customers	3,648	3,650	4,551	4,555
Debt securities	61,041	66,502	60,973	66,132
Subordinated liabilities	1,269	1,269	1,250	1,250
Other financial liabilities	33,133	33,133	34,266	34,266

Analysis of fair value hierarchy

	30.09.2014				31.12.2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	203	0	203	0	612	0	612	0
Financial assets held for trading	2,790	2,790	0	0	1,174	1,174	0	0
– debt securities	1,152	1,152	0	0	7	7	0	0
– equity instruments	1,638	1,638	0	0	1,167	1,167	0	0
Available-for-sale financial assets	1,602,030	1,560,514	38,019	3,497	1,466,864	1,434,154	29,543	3,167
– debt securities	1,582,232	1,544,213	38,019	0	1,432,102	1,402,559	29,543	0
– equity instruments	19,798	16,301	0	3,497	34,762	31,595	0	3,167
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	24,586	24,586	0	0
– equity instruments	19,685	19,685	0	0	24,586	24,586	0	0
Financial liabilities								
Derivatives	1,851	0	1,851	0	1,422	0	1,422	0

Level 1 includes financial assets whose fair value is determined on the basis of prices quoted on active markets.

Level 2 includes financial assets whose fair value is determined on the basis of valuation models which take into account variables derived from public market data (such as market interest rates).

Level 3 includes financial assets whose fair value is determined on the basis of valuation models which take into account subjective variables that are not publicly available.

Financial assets designated at fair value through profit or loss (equity financial instruments) are treated as parts of derivatives and are valued together with them.

Analysis of transitions between Level 1, Level 2 and Level 3

	30.09.2014		
	Transition from Level 1 to Level 2	Transition from Level 2 to Level 1	Transition from Level 1 to Level 3
Financial assets held for trading	0	0	0
Available-for-sale financial assets	8,529	0	0
– debt securities	8,529	0	0
– equity instruments	0	0	0
Financial assets designated at fair value through profit or loss	0	0	0

	31.12.2013		
	Transition from Level 1 to Level 2	Transition from Level 2 to Level 1	Transition from Level 1 to Level 3
Financial assets held for trading	0	0	0
Available-for-sale financial assets	2,000	28,757	1,527
– debt securities	2,000	25,209	0
– equity instruments	0	3,548	1,527
Financial assets designated at fair value through profit or loss	0	0	0

The Group starts measuring financial assets according to the valuation model that takes into account available market prices once it establishes that the market is not active. Debt securities with a determinable cash flow and without an available market price are valued at the end of each month using the discounted cash flow model. The interest rate used for discounting is the sum of the interest rate of a risk-free instrument of comparable maturity, and a margin for credit risk. The transition from Level 2 to Level 1 is a result of re-availability of a financial asset's market price. The price of a financial asset 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. The transition from Level 1 to either Level 2 or Level 3 is the result of a valuation of a financial asset that was previously recorded at the market price.

Movements in financial assets included in Level 3

	Available-for-sale financial assets		
	Total	Shares	Participating interests
1 January 2014	3,167	2,553	614
– change due to sale	(928)	(928)	
– change due to debt-to-equity swaps	2,035	2,035	
– shares received back from BAMC	834	834	
– change due to revaluation	(1,611)	(1,611)	
30 September 2014	3,497	2,883	614
1 January 2013	11,608	11,002	606
– acquisition	13		13
– transfer of shares to BAMC	(9,238)	(9,238)	
– revaluation of shares	(743)	(738)	(5)
– transition to Level 3 due to the valuation of shares	1,527	1,527	
31 December 2013	3,167	2,553	614

The table above presents changes within Level 3 of the fair value hierarchy. The increase in the value of available-for-sale financial assets, which we saw in the first nine months of 2014, was the result of Nova KBM converting into equity its claims against several companies, but also due to BAMC returning some shares to Nova KBM. This increase was largely offset by the sale and revaluation of shares.

7 Reporting by operating segments

Analysis by operating segments as of 30 September 2014

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	Relationships to third parties
A. Net income/expense	140,607	(320)	3,613	510	18	144,428	483	143,945
Interest income	132,005	3,159	0	406	3	135,573	8,404	127,169
Interest expense	(44,139)	(5,434)	(5)	(947)	0	(50,525)	(8,069)	(42,456)
Net interest income	87,866	(2,275)	(5)	(541)	3	85,048	335	84,713
Dividend income	1,441	0	0	0	0	1,441	424	1,017
Fee and commission income	62,435	45	4,176	0	0	66,656	600	66,056
Fee and commission expense	(21,570)	(202)	(764)	(12)	0	(22,548)	(465)	(22,083)
Net fee and commission income	40,865	(157)	3,412	(12)	0	44,108	135	43,973
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	8,021	10	110	761	0	8,902	1	8,901
Net gains/(losses) on financial assets and liabilities held for trading	(1,191)	2	92	0	0	(1,097)	(1)	(1,096)
Net gains on financial assets and liabilities designated at fair value through profit or loss	7,546	0	0	0	0	7,546	(1)	7,547
Net exchange rate differences	1,133	31	(1)	0	0	1,163	(2)	1,165
Net gains/(losses) on derecognition of assets excluding non-current assets held for sale	402	(67)	0	10	0	345	0	345
Other net operating income/(loss)	(5,476)	2,136	5	292	15	(3,028)	(408)	(2,620)
B. Other items by segments	(117,081)	(1,475)	(2,287)	(788)	(3)	(121,634)	(8,932)	(112,702)
Administration costs	(64,539)	(1,779)	(1,510)	(786)	(3)	(68,617)	(246)	(68,371)
Depreciation and amortisation	(10,416)	(304)	(777)	(5)	0	(11,502)	0	(11,502)
Provisions	4,422	1,117	0	0	0	5,539	192	5,347
Impairment losses	(46,786)	(509)	0	3	0	(47,292)	(8,711)	(38,581)
Share of profits of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(167)	167
Net gains from non-current assets held for sale and liabilities associated therewith	238	0	0	0	0	238	0	238
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	23,526	(1,795)	1,326	(278)	15	22,794	(8,449)	31,243
Income tax related to profit or loss from continuing operations	(4,386)	0	(224)	(207)	(3)	(4,820)	(1)	(4,819)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	19,140	(1,795)	1,102	(485)	12	17,974	(8,450)	26,424
D. Segment assets and liabilities								
Total assets	4,518,271	104,671	14,181	41,665	222	4,679,010	214,602	4,464,408
– non-current assets held for sale and discontinued operations	5,693	694	0	0	0	6,387	359	6,028
– investments in the equity of associates and joint ventures accounted for using the equity method	53,594	0	0	0	0	53,594	50,509	3,085
Liabilities (excluding equity) by segments	3,871,157	161,583	758	51,982	1	4,085,481	245,120	3,840,361
Total equity	647,114	(56,912)	13,423	(10,317)	221	593,529	(30,518)	624,047
Increase in property, plant and equipment and intangible assets	3,371	15	70	2	0	3,458	0	3,458

Analysis by operating segments as of 30 September 2013

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	Relationships to third parties
A. Net income/expense	110,461	(805)	3,767	(276)	16	113,163	235	112,928
Interest income	153,938	4,533	3	476	5	158,955	11,885	147,070
Interest expense	(82,190)	(7,036)	(46)	(1,722)	0	(90,994)	(10,399)	(80,595)
Net interest income	71,748	(2,503)	(43)	(1,246)	5	67,961	1,486	66,475
Dividend income	1,830	0	1	2	0	1,833	450	1,383
Fee and commission income	65,962	71	4,377	3	0	70,413	877	69,536
Fee and commission expense	(25,070)	(134)	(571)	(27)	0	(25,802)	(739)	(25,063)
Net fee and commission income	40,892	(63)	3,806	(24)	0	44,611	138	44,473
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	952	2	42	908	0	1,904	0	1,904
Net gains/(losses) on financial assets and liabilities held for trading	1,965	0	(59)	0	0	1,906	(599)	2,505
Net (losses) on financial assets and liabilities designated at fair value through profit or loss	(1,619)	0	0	0	0	(1,619)	0	(1,619)
Net exchange rate differences	(1,321)	(156)	0	0	0	(1,477)	0	(1,477)
Net gains/(losses) on derecognition of assets excluding non-current assets held for sale	365	43	0	(4)	0	404	0	404
Other net operating income/(loss)	(4,351)	1,872	20	88	11	(2,360)	(1,240)	(1,120)
B. Other items by segments	(174,689)	(5,221)	(2,393)	(968)	(3)	(183,274)	(412)	(182,862)
Administration costs	(70,869)	(2,032)	(1,608)	(990)	(3)	(75,502)	(307)	(75,195)
Depreciation and amortisation	(10,827)	(692)	(785)	(31)	0	(12,335)	(2)	(12,333)
Provisions	3,228	0	0	29	0	3,257	(29)	3,286
Impairment losses	(96,525)	(2,497)	0	24	0	(98,998)	5	(99,003)
Share of profits of associates and joint ventures accounted for using the equity method	0	0	0	0	0	0	(79)	79
Net gains from non-current assets held for sale and liabilities associated therewith	304	0	0	0	0	304	0	304
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(64,228)	(6,026)	1,374	(1,244)	13	(70,111)	(177)	(69,934)
Income tax related to profit or loss from continuing operations	2,030	0	0	(202)	(2)	1,826	(1,181)	3,007
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(62,198)	(6,026)	1,374	(1,446)	11	(68,285)	(1,358)	(66,927)
D. Segment assets and liabilities								
Total assets	5,179,691	196,525	14,925	62,704	210	5,454,055	434,081	5,019,974
– non-current assets held for sale and discontinued operations	1,962	1,948	0	0	0	3,910	0	3,910
– investments in the equity of associates and joint ventures accounted for using the equity method	57,302	33	0	0	0	57,335	54,281	3,054
Liabilities (excluding equity) by segments	4,855,673	240,723	2,193	79,023	2	5,177,614	435,659	4,741,955
Total equity	324,018	(44,198)	12,732	(16,319)	208	276,441	(1,578)	278,019
Increase in property, plant and equipment and intangible assets	6,030	82	22	16	0	6,150	0	6,150

8 Transfer of assets to BAMC

On 11 July 2013, the Government of the Republic of Slovenia made a ruling that Nova KBM had met the conditions to be entitled to benefit from measures aimed at stabilising its financial position, in accordance with the first paragraph of Article 4 of the Decree on the Implementation of Measures to Strengthen Bank Stability.

According to the measures adopted for Nova KBM, it was agreed that the bad assets on the books of the Group were to be transferred to BAMC (the state-run Bank Assets Management Company). On 18 December 2013, the European Commission consented to this transfer of assets.

For the purpose of transferring assets to BAMC, assets at risk held on the books of the Group were valued on the basis of their long-term realistic economic value calculated according to the methodology described in the decree referred to above.

The legal and book transfer of assets was carried out on 20 December 2013.

In exchange for transferring the assets, the Group received from BAMC state-guaranteed bonds.

The effect of transferring the assets to BAMC was reflected in the following statement of financial position items (as of 31 December 2013):

Item	Amount
Financial assets designated at fair value through profit or loss	182
Available-for-sale financial assets	13,305
Loans and advances to customers and other financial assets	374,849
– gross value	1,015,556
– impairment	640,707
Total net transfer value of assets	388,336

Notes to the income statement items

9 Interest income and expense

9.1 Analysis of interest by market segments

	9M 2014		9M 2013	
	Income	Expense	Income	Expense
Non-financial companies	41,054	3,123	66,552	4,388
State	39,912	1,290	24,498	15,177
Banks	3,217	9,148	5,477	16,682
Other financial organisations	1,742	2,901	3,147	5,827
Households	34,881	24,778	39,227	36,696
Foreign persons	6,262	1,062	8,016	1,543
Non-profit household service providers	101	154	153	282
Total	127,169	42,456	147,070	80,595
Net interest income	84,713		66,475	

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

	9M 2014		9M 2013	
	Current	Non-current	Current	Non-current
Interest income				
Balances with the central bank (measured at amortised cost)	456	0	544	0
Financial assets held for trading	121	0	132	0
Available-for-sale financial assets	26,182	10,311	9,357	7,970
Loans and advances (including finance leases)	26,073	58,384	34,404	82,362
Held-to-maturity financial assets	356	5,197	1,280	10,840
Other financial assets	89	0	181	0
Total by maturity	53,277	73,892	45,898	101,172
Total	127,169		147,070	
Interest expense				
Financial liabilities to the central bank (measured at amortised cost)	0	515	0	2,173
Financial liabilities held for trading	0	117	0	128
Financial liabilities measured at amortised cost	10,612	31,212	19,024	59,005
Other financial liabilities (including finance leases)	0	0	265	0
Total by maturity	10,612	31,844	19,289	61,306
Total	42,456		80,595	
Net interest income	84,713		66,475	

As a result of transferring its bad assets to BAMC in 2013, in exchange for which it was given state-guaranteed bonds, in 2014 the Group registered a decline in interest earned on loans and an increase in interest income generated on available-for-sale financial assets.

10 Dividend income

	9M 2014	9M 2013
Financial assets designated at fair value through profit or loss	19	23
Available-for-sale financial assets	785	1,077
Investments in the equity of the Group companies accounted for using the cost method	213	283
Total	1,017	1,383

11 Fee and commission income and expense

	9M 2014	9M 2013
Fee and commission income	66,056	69,536
Fees from guarantees	2,849	2,978
Domestic payment transactions	33,771	36,782
Transactions under current accounts	10,123	9,426
Payment card operations	6,234	6,105
International payment transactions	1,825	2,249
Brokerage and agency services	1,117	400
Transactions in securities for customers	364	232
Lending operations	5,215	6,630
Safekeeping of objects and valuables	79	56
Other services	4,479	4,678
Fee and commission expense	22,083	25,063
Domestic banking services	4,999	4,922
Banking services abroad	326	745
Brokerage and agency services	587	433
Stock exchange transactions and other transactions in securities	274	404
Payment transactions	14,866	17,517
Other services	1,031	1,042
Net fee and commission income	43,973	44,473

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

	9M 2014			9M 2013		
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains/(losses)
Available-for-sale financial assets	7,736	3	7,733	647	219	428
Loans and advances (including finance leases and other financial assets)	1,684	518	1,166	2,013	216	1,797
Held-to-maturity financial assets	0	0	0	683	1,006	(323)
Financial liabilities measured at amortised cost	2	0	2	2	0	2
Total	9,422	521	8,901	3,345	1,441	1,904

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

	9M 2014			9M 2013		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Trading in equity instruments	535	387	148	325	365	(40)
Trading in debt securities	17	0	17	22	0	22
Trading in foreign exchange (purchase/sale)	1,141	301	840	1,309	468	841
Trading in derivatives	1,107	3,186	(2,079)	3,716	2,034	1,682
– futures/forwards	570	1,574	(1,004)	3,271	1,835	1,436
– swaps	265	96	169	445	199	246
– other derivatives	272	1,516	(1,244)	0	0	0
Trading in financial liabilities	0	22	(22)	0	0	0
Total	2,800	3,896	(1,096)	5,372	2,867	2,505

The Group uses derivatives (futures/forwards) for the economic hedging of its exposure to foreign exchange risk. The effects of derivatives are linked to the effects arising from exchange rate differences (Note 15).

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

	9M 2014			9M 2013		
	Gains	Losses	Net gains	Gains	Losses	Net (losses)
Financial assets designated at fair value through profit or loss	9,106	1,559	7,547	1,078	2,697	(1,619)
Total	9,106	1,559	7,547	1,078	2,697	(1,619)

Gains and losses on financial assets designated at fair value through profit or loss are attributable to the valuation and disposal of equities and bonds for which a joint-selling agreement has been made by the Bank.

15 Net exchange rate differences

	9M 2014	9M 2013
Foreign exchange gains	15,352	23,982
Foreign exchange losses	14,187	25,459
Net foreign exchange gain/(loss)	1,165	(1,477)

16 Administration costs

	9M 2014	9M 2013
Staff costs	39,428	43,445
Gross salaries	30,107	33,049
Social security and pension insurance contribution	5,344	6,021
Pay for annual leave	892	951
Other staff costs	3,085	3,424
General and administrative costs	28,943	31,750
Costs of materials	2,238	2,801
Costs of services	17,215	19,754
Maintenance costs of fixed assets	4,899	4,903
Advertising costs	2,498	2,116
Other administrative costs	2,093	2,176
Total administration costs	68,371	75,195

17 Provisions

	9M 2014	9M 2013
Provisions for off-balance sheet liabilities	(7,673)	(3,731)
Provisions for tax claims and other pending legal issues	2,037	479
Other provisions	289	(34)
Total	(5,347)	(3,286)

18 Impairment losses

	9M 2014	9M 2013
Financial assets not measured at fair value through profit or loss	39,251	98,990
Other assets	(670)	13
Total impairment losses	38,581	99,003

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

	9M 2014	9M 2013
Financial assets measured at cost	1,685	10,757
Available-for-sale financial assets designated at fair value	1,000	5,733
Loans and advances (including finance leases and other financial assets) measured at amortised cost	36,571	82,480
– loans and advances to banks	607	(203)
– loans and advances to customers	35,472	88,069
– other financial assets	492	(5,386)
Held-to-maturity financial assets measured at amortised cost	(5)	20
Total impairment of financial assets not measured at fair value through profit or loss	39,251	98,990

19 Income tax related to profit or loss from continuing operations

	9M 2014	9M 2013
Income tax expense related to profit or loss from continuing operations	1,883	228
Deferred tax from continuing operations	2,936	(3,235)
Total	4,819	(3,007)

Notes to the statement of financial position items

20 Cash and balances with the central bank

	30.09.2014	31.12.2013
Cash in hand	69,540	68,994
Obligatory deposits with the central bank	144,002	357,130
Other deposits with the central bank	6,715	9,354
Total	220,257	435,478

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

20.1 Cash and cash equivalents

	30.09.2014	31.12.2013
Cash and balances with the central bank	220,257	435,478
Loans and advances to banks	97,017	121,768
Total	317,274	557,246

21 Financial assets held for trading

	30.09.2014	31.12.2013
Derivatives	203	612
Equity instruments	1,638	1,167
Debt securities	1,152	7
Total	2,993	1,786
Quoted	1,440	364
Unquoted	1,553	1,422
Total	2,993	1,786

No assets of this portfolio are 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

	9M 2014	2013
1 January	1,786	1,572
Increase during the year	4,504	4,828
– acquisition	4,614	4,136
– exchange rate differences	6	0
– change in fair value (recovery and reversal of impairment)	(214)	136
– other (deferred interest, realised gains)	98	556
Decrease during the year	3,297	4,614
– disposal (sale and redemption)	3,224	3,879
– change in fair value (impairment and reversal of recovery)	22	663
– exchange rate differences	4	2
– other (deferred interest, realised losses)	47	70
30 September/31 December	2,993	1,786

22 Financial assets designated at fair value through profit or loss

	30.09.2014	31.12.2013
Equity instruments that are quoted on a stock exchange	19,685	24,586

As of 30 September 2014, no assets of this portfolio were pledged as collateral, and during the six-month period ended 30 September 2014, the Group did not receive any financial assets that are included in this category from the realisation of collateral provided as security for loans.

Financial assets designated at fair value through profit or loss include equity instruments for which the Bank has entered into a joint-selling agreement.

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

	9M 2014	2013
1 January	24,586	34,563
Increase during the year	9,105	9,134
– change in fair value (recovery and reversal of impairment)	7,442	9,134
– other	1,663	0
Decrease during the year	14,006	19,111
– disposal (sale and redemption)	12,447	8,046
– change in fair value (impairment and reversal of recovery)	1,552	2,252
– transfer to BAMC	0	182
– other	7	8,631
30 September/31 December	19,685	24,586

23 Available-for-sale financial assets

23.1 Analysis by type and market segments

	30.09.2014	31.12.2013
Equity instruments designated at fair value	17,833	33,125
Equity instruments measured at acquisition cost	1,966	1,636
Debt securities	1,582,232	1,432,103
– issued by the state and the central bank	1,489,549	1,294,633
– issued by banks	53,912	105,402
– issued by other issuers	38,771	32,067
Total	1,602,031	1,466,864
Quoted	1,578,279	1,451,551
Unquoted	23,752	15,313
Total	1,602,031	1,466,864

As of 30 September 2014, assets of this portfolio worth €784,335,000 were pledged with the Bank of Slovenia for the pool of collateral, the guarantee scheme and the guaranteed claims of depositors. In the nine-month period ended 30 September 2014, the Group did not receive any financial assets that are included in this category 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

	Equity instruments		Debt securities	Total
	At fair value	At cost		
1 January 2014	33,125	1,636	1,432,103	1,466,864
Recognition of new financial assets	0	2,949	365,552	368,501
Interest	0	0	9,766	9,766
Net exchange rate differences	(2)	0	(792)	(794)
Net revaluation through equity	4,069	0	42,179	46,248
Net impairment through profit or loss	(1,000)	(1,685)	0	(2,685)
Derecognition of financial assets upon disposal	(21,986)	(1,600)	(49,046)	(72,632)
Derecognition of financial assets upon maturity	0	0	(220,970)	(220,970)
Net gains on sale	3,627	666	3,440	7,733
30 September 2014	17,833	1,966	1,582,232	1,602,031

	Equity instruments		Debt securities	Total
	At fair value	At cost		
1 January 2013	50,810	23,225	515,378	589,413
Recognition of new financial assets	8,343	10,763	1,162,938	1,182,044
Interest	0	0	9,741	9,741
Net exchange rate differences	11	0	(136)	(125)
Net revaluation through equity	161	0	12,728	12,889
Net impairment through profit or loss	(14,440)	(18,482)	(8,230)	(41,152)
Derecognition of financial assets upon disposal	(11,359)	0	(30,200)	(41,559)
Derecognition of financial assets upon maturity	0	0	(206,852)	(206,852)
Transfer to BAMC	0	(13,305)	0	(13,305)
Net gains/(losses) on sale	(401)	(565)	(23,264)	(24,230)
31 December 2013	33,125	1,636	1,432,103	1,466,864

24 Loans and advances to banks

	30.09.2014	31.12.2013
Sight deposits	50,600	25,447
Impairment of sight deposits	(2)	(1)
Current loans	69,608	106,709
Impairment of current loans	(2,448)	(2,501)
Non-current loans	69	65
Impairment of non-current loans	(70)	(45)
Total – net amount	117,757	129,674
Impairment	2,520	2,547
Total – gross amount	120,277	132,221

25 Loans and advances to customers

	30.09.2014	31.12.2013
Current loans	616,744	623,657
Impairment of current loans	(181,694)	(183,970)
Non-current loans	2,072,405	2,187,224
Impairment of non-current loans	(457,136)	(398,338)
Claims under guarantees	13,498	10,841
Impairment of claims under guarantees	(9,217)	(7,649)
Total – net amount	2,054,600	2,231,765
Impairment	648,047	589,957
Total – gross amount	2,702,647	2,821,722

25.1 Movements in impairment of loans and advances to customers

	9M 2014	2013
1 January	589,957	641,358
Net impairment of principal	35,472	567,596
– additional impairment of principal	154,112	811,451
– reversal of impairment of principal	(118,640)	(243,855)
Additional impairment of interest	12,158	30,794
Additional impairment of fees	58	4
Write-off of loans and advances to customers	(16,915)	(19,967)
Exchange rate differences	(260)	(98)
Transfer to BAMC	0	(640,039)
Other	27,577	10,309
30 September/31 December	648,047	589,957

Recognition of additional impairment/reversal of impairment of interest and fees on loans given to customers is reflected in profit or loss (Note 9: Interest income and expense, and Note 11: Fee and commission income and expense).

26 Other financial assets

	30.09.2014	31.12.2013
Cheques	140	278
Claims for fees and commissions	1,683	1,890
Accounts receivables	2,310	1,014
Surplus arising from authorised transactions for customers	0	16
Other financial assets	12,753	14,685
Total – net amount	16,886	17,883
Impairment	5,457	4,853
Total – gross amount	22,343	22,736

26.1 Movements in impairment of other financial assets

	9M 2014	2013
1 January	4,853	10,053
Net impairment of principal	492	(4,701)
– additional impairment of principal	888	3,277
– reversal of impairment of principal	(396)	(7,978)
Additional impairment of interest	23	29
Additional impairment of fees	340	498
Write-off of other financial assets	(248)	(384)
Exchange rate differences	(3)	22
Transfer to BAMC	0	(668)
Other	0	4
30 September/31 December	5,457	4,853

Recognition of additional impairment/reversal of impairment of interest and fees on other financial assets is reflected in profit or loss (Note 9: Interest income and expense, and Note 11: Fee and commission income and expense).

27 Held-to-maturity financial assets

	30.09.2014	31.12.2013
Debt securities		
– current securities issued by the state and the central bank	40,874	35,722
– non-current securities issued by the state and the central bank	170,460	210,770
– non-current securities issued by banks and savings banks	24,671	24,791
– current securities issued by other issuers	211	248
– non-current securities issued by other issuers	8,561	8,622
Total	244,777	280,153
Quoted	244,566	279,906
Unquoted	211	247
Total	244,777	280,153

As of 30 September 2014, assets of this portfolio worth €163,843,000 were pledged with the Bank of Slovenia for the pool of collateral and the guarantee scheme.

27.1 Movements in held-to-maturity financial assets

	9M 2014	2013
1 January	280,153	500,108
Increase during the year	80,154	56,128
– acquisition	74,594	41,485
– gains	0	903
– reversal of impairment	5	108
– other (deferred interest)	5,555	13,632
Decrease during the year	115,530	276,083
– disposal (sale and redemption)	107,906	259,511
– losses	0	816
– impairment	0	4,295
– exchange rate differences	9	39
– other (interest received)	7,615	11,422
30 September/31 December	244,777	280,153

28 Financial liabilities measured at amortised cost

	30.09.2014	31.12.2013
Deposits	3,233,565	3,135,019
Loans	345,750	419,434
Debt securities	61,041	60,973
Subordinated liabilities	1,269	1,250
Other financial liabilities	33,133	34,266
Total	3,674,758	3,650,942

28.1 Analysis of deposits by type of customers and maturity

	30.09.2014	31.12.2013
Deposits from banks	26,197	60,271
– sight deposits	1,474	1,520
– current deposits	24,214	57,924
– non-current deposits	509	827
Deposits from customers	3,207,368	3,074,748
– sight deposits	1,467,062	1,349,936
– current deposits	693,873	742,991
– non-current deposits	1,046,433	981,821
Total	3,233,565	3,135,019

28.2 Analysis of loans by type of customers and maturity

	30.09.2014	31.12.2013
Loans from banks	342,102	414,883
– current loans	3,984	7,710
– non-current loans	338,118	407,173
Loans from customers	3,648	4,551
– current loans	0	1
– non-current loans	3,648	4,550
Total	345,750	419,434

28.3 Subordinated liabilities

Issuer	Currency	Date of maturity	Interest rate	30.09.2014	31.12.2013
Subordinated debt					
Adria Bank AG	EUR	perpetual; call option on each 28.12.	variable	1,269	1,250
Total				1,269	1,250

Subordinated liabilities are included in the calculation of capital adequacy. Capital risk is presented in Note 5.5.

28.4 Other financial liabilities

	30.09.2014	31.12.2013
Liabilities for fees and commissions	5	73
Liabilities for gross salaries of employees	3,056	3,367
Liabilities to suppliers	2,861	5,097
Liabilities related to payment card transactions	7,891	7,629
Liabilities related to ATM transactions	2,067	1,785
Liabilities related to funds provided by customers for payments abroad	1,667	595
Liabilities related to cash transactions	5,307	2,524
Liabilities arising from participation in profits – dividends	74	75
Accruals and deferred income	6,241	6,999
Surplus arising from authorised transactions for customers	51	139
Other financial liabilities	3,913	5,983
Total	33,133	34,266

29 Provisions

	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 2014	11,280	17,785	6,549	64,060	489	100,163
Net creation of provisions through profit or loss	0	2,037	289	(7,673)	0	(5,347)
– provisions made during the period	0	3,503	720	35,171	0	39,394
– provisions reversed during the period	0	(1,466)	(431)	(42,844)	0	(44,741)
Provisions used during the period	(267)	(1,339)	(326)	0	(13)	(1,945)
Exchange rate differences	0	(3)	(7)	(5)	(1)	(16)
30 September 2014	11,013	18,480	6,505	56,382	475	92,855

	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 2013	0	4,400	7,598	34,143	489	46,630
Net creation of provisions through profit or loss	11,280	13,554	(116)	29,919	0	54,637
– provisions made during the year	11,280	15,998	538	54,882	22	82,720
– provisions reversed during the year	0	(2,444)	(654)	(24,963)	(22)	(28,083)
Net reversal of provisions through equity	0	0	(300)	0	0	(300)
Provisions used during the year	0	(166)	(629)	0	0	(795)
Exchange rate differences	0	(3)	(4)	(2)	0	(9)
31 December 2013	11,280	17,785	6,549	64,060	489	100,163

30 Share capital

	30.09.2014	31.12.2013
Ordinary shares	150,000	150,000
– subscribed by the state	150,000	150,000

In 2013, Nova KBM was recapitalised by the state. The details of this state-sponsored recapitalisation are set out in the Bank's and the Group's Annual Report for 2013.

The paid-in capital surplus is included in the share premium, a portion of which was used at the end of 2013 to cover the losses incurred by the Group.

In the nine-month period ended 30 September 2014 and during 2013, the Group did not purchase or sell treasury shares. A total of 136,000 Nova KBM shares worth €1,412,000 which PBS received in 2010 (it took over the possession of shares that were provided as collateral for securing a loan) were cancelled on 18 December 2013 in accordance with the Bank of Slovenia decision. As a result, no treasury shares were held by the Group at the end of 2013.

31 Revaluation reserves

	30.09.2014	31.12.2013
Revaluation reserves in respect of available-for-sale financial assets	46,883	8,708
– revaluation	56,496	10,502
– deferred taxes	(9,613)	(1,794)
Other revaluation reserves	273	273
– revaluation	299	299
– deferred taxes	(26)	(26)
Total	47,156	8,981

31.1 Movements in revaluation reserves

	9M 2014	2013
1 January	8,981	(1,149)
Net change in valuation of available-for-sale financial assets	45,994	11,824
– gains recognised in revaluation reserves	46,004	5,976
– transferred from revaluation reserves to profit or loss	(10)	5,848
Net change in other revaluation reserves	0	299
Exchange rate differences	0	1
Net change in deferred taxes	(7,819)	(1,993)
Other	0	(1)
30 September/31 December	47,156	8,981

Gains recognised in revaluation reserves were derived mainly from the recovery in the value of the Republic of Slovenia bonds.

32 Reserves from profit

	30.09.2014	31.12.2013
Regulatory reserves	499	663
Total	499	663

32.1 Movements in reserves from profit

	9M 2014	2013
1 January	663	289,741
Decrease in regulatory reserves	(164)	(12,953)
Decrease in statutory reserves	0	(174,184)
Decrease in reserves for treasury shares	0	(1,412)
Decrease in other reserves	0	(100,529)
30 September/31 December	499	663

Other notes

33 Commitments and contingent liabilities by type

	30.09.2014		Total
	Current	Non-current	
Financial guarantees	43,126	48,275	91,401
Service guarantees	101,566	88,385	189,951
Total guarantees	144,692	136,660	281,352
Approved and undrawn loans	91,799	9,166	100,965
Approved and undrawn overdrafts	182,334	1,187	183,521
Approved credit lines	8,047	0	8,047
Total commitments and contingent liabilities	282,180	10,353	292,533
Derivatives	134,004	0	134,004
Total	560,876	147,013	707,889

	31.12.2013		Total
	Current	Non-current	
Financial guarantees	46,797	45,634	92,431
Service guarantees	106,145	96,806	202,951
Total guarantees	152,942	142,440	295,382
Unsecured letters of credit	128	0	128
Approved and undrawn loans	69,714	1,039	70,753
Approved and undrawn overdrafts	184,838	1,196	186,034
Approved credit lines	9,696	0	9,696
Total commitments and contingent liabilities	264,248	2,235	266,483
Derivatives	123,713	40,000	163,713
Total	541,031	184,675	725,706

34 Related party transactions

34.1 Statement of financial position and off-balance sheet items

	Associates	
	30.09.2014	31.12.2013
Assets		
Loans and advances given (gross amount)	1	1
– loans and advances to customers	1	1
Investment in securities	2,237	2,237
– equity instruments	2,237	2,237
Liabilities		
Deposits and loans received	1,729	1,759
– deposits and loans from customers	1,729	1,749
– other financial liabilities	0	10
Off-balance sheet items	3	4

	Key management personnel		Other related persons	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Assets				
Loans and advances given (gross amount)	323	297	46,971	5,166
– loans and advances to customers	323	297	46,960	5,166
– other financial assets	0	0	11	0
Investment in securities	0	0	417	382
– equity instruments	0	0	417	382
– debt securities	0	0	0	0
Liabilities				
Deposits and loans received	476	574	3,977	1,560
– deposits and loans from customers	470	574	3,940	1,442
– other financial liabilities	6	0	37	118
Other liabilities	3	0	1	0
Off-balance sheet items	74	69	630	371

Key management personnel include members of management boards of the Group companies, executive directors and members of the Bank Supervisory Board.

Other related persons of the Group include:

- immediate family of the key management personnel
- entities, the owners or key management personnel of which are members of key management personnel of the Group or of their immediate family
- key management personnel of subsidiaries (management board and executive directors)
- immediate family 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 of their immediate family.

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

34.2 Income statement

	Associates	
	9M 2014	9M 2013
Net interest income	(67)	(67)
Net fee and commission income	14	7
Costs of services	0	(20)
Impairment of loans	0	0
Impairment of investments	0	0
Write-offs	0	0
Total	(53)	(80)

	Key management personnel		Other related persons	
	9M 2014	9M 2013	9M 2014	9M 2013
Net interest income	(3)	(14)	382	1,365
Net fee and commission income	0	0	(265)	(360)
Costs of services	(343)	(288)	(2,545)	(1,103)
Impairment of loans	0	0	(17,398)	(1,275)
Provisions	0	0	(114)	0
Write-offs	0	0	0	0
Total	(346)	(302)	(19,940)	(1,373)

34.3 Loans and guarantees given

	Management Board members		Supervisory Board members		Other Group employees on individual contracts	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Loans	74	6	33	47	2,228	2,539
Average interest rate on loans (%)	4.6	8.48	3.61	3.66	3.33	3.48
Repayments	2	0	6	12	347	490

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

Exposure to:	30.09.2014	31.12.2013
Bank of Slovenia	135,919	329,921
– settlement account	129,218	323,191
– other	6,701	6,730
Republic of Slovenia	1,373,079	1,396,878
– bonds	601,029	705,739
– other securities	337,534	276,472
– loans	24,585	1,765
– loans guaranteed by the Republic of Slovenia	406,386	411,335
– other	2,644	666
State-owned institutions	447,850	440,272
– loans	195,276	212,252
– securities	96,363	88,632
– commitments and contingent liabilities	102,114	83,504
– other	54,097	55,884
Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions	1,956,848	2,167,071
Share in total assets (%)	43.83	45.05
Off-balance sheet items covered by collateral provided by the Bank of Slovenia or the Republic of Slovenia	901	901
Total assets	4,464,408	4,810,793

36 Remuneration

	9M 2014	9M 2013
Management Board members	224	207
Aleš Hauc	102	104
Igor Žibrik	101	103
Robert Senica	21	0
Supervisory Board members	98	141
Members of Supervisory Board committees	51	61
Other Group employees on individual contract	5,282	6,054
Total	5,655	6,463

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

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

Remuneration paid to other Group employees working on individual contracts comprises: salary, pay for annual leave, bonuses, the payment of supplementary pension insurance premiums, and other remuneration under employment contracts (severance benefits paid to employees who are made redundant for business reasons, severance benefits paid upon retirement, compensation for a non-competition clause, and some other remuneration under employment contracts).

The total amount paid in the first nine months of 2014 to Aleš Hauc, President of the Management Board, and Igor Žibrik, Management Board Member, for meeting attendances, reimbursement of costs, and bonuses in respect of their work on supervisory boards of subsidiaries and the associated company of the Group was €35,000 and €38,000, respectively.

37 Events after the statement of financial position date

Liquidation proceedings against KBM Fineko were completed in October 2014.

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

JANUARY – SEPTEMBER 2014

Interim Income Statement – Nova KBM d.d.

€000

ITEM DESCRIPTION	Notes	Nine months ended 30.09.2014	Nine months ended 30.09.2013
Interest income	7	102,537	118,459
Interest expense	7	(34,409)	(67,340)
Net interest income	7	68,128	51,119
Dividend income	8	1,386	1,807
Fee and commission income	9	34,341	34,445
Fee and commission expense	9	(2,856)	(3,212)
Net fee and commission income	9	31,485	31,233
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	10	6,445	1,083
Net gains/(losses) on financial assets and liabilities held for trading	11	(1,812)	1,264
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	12	7,546	(1,619)
Net exchange rate differences	13	1,030	(1,244)
Net gains on derecognition of assets excluding non-current assets held for sale	-	423	127
Other net operating (loss)	-	(4,100)	(3,190)
Administration costs	14	(45,352)	(50,219)
Depreciation and amortisation	-	(8,299)	(8,821)
Provisions	15	4,686	3,577
Impairment losses	16	(39,539)	(71,368)
Net gains from non-current assets held for sale and liabilities associated therewith	-	238	304
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	-	22,265	(45,947)
Income tax related to profit or loss from continuing operations	17	(4,475)	2,215
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	-	17,790	(43,732)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	-	17,790	(43,732)
Basic earnings/(loss) per share (€)	-	1.78	(0.29)
Diluted earnings/(loss) per share (€)	-	1.78	(0.29)

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

Interim Income Statement – Nova KBM d.d. (by quarter)

€000

ITEM DESCRIPTION	2014			2013			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	34,120	33,727	34,690	27,448	39,746	37,257	41,456
Interest expense	(10,079)	(11,469)	(12,861)	(17,939)	(20,473)	(21,981)	(24,886)
Net interest income	24,041	22,258	21,829	9,509	19,273	15,276	16,570
Dividend income	898	488	0	4	1,010	797	0
Fee and commission income	11,432	11,915	10,994	11,734	12,046	11,858	10,541
Fee and commission expense	(1,013)	(1,058)	(785)	(1,212)	(1,001)	(1,541)	(670)
Net fee and commission income	10,419	10,857	10,209	10,522	11,045	10,317	9,871
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	421	3,754	2,270	62,950	295	640	148
Net gains/(losses) on financial assets and liabilities held for trading	(841)	43	(1,014)	(202)	(376)	558	1,082
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	2,798	1,052	3,696	390	(1,389)	1,281	(1,511)
Net exchange rate differences	480	154	396	(99)	546	(919)	(871)
Net gains/(losses) on derecognition of assets excluding non-current assets held for sale	379	0	44	(42)	55	39	33
Other net operating (loss)	(1,357)	(1,472)	(1,271)	(11,486)	(1,054)	(1,545)	(591)
Administration costs	(15,550)	(15,398)	(14,404)	(21,023)	(16,936)	(17,321)	(15,962)
Depreciation and amortisation	(2,631)	(2,780)	(2,888)	(2,967)	(2,977)	(2,966)	(2,878)
Provisions	1,657	4,436	(1,407)	(46,875)	1,243	38	2,296
Impairment losses	(16,430)	(14,427)	(8,682)	(588,291)	(10,388)	(46,526)	(14,454)
Net gains from non-current assets held for sale and liabilities associated therewith	174	0	64	63	150	72	82
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	4,458	8,965	8,842	(587,547)	497	(40,259)	(6,185)
Income tax related to profit or loss from continuing operations	(1,490)	(3,065)	80	(25,221)	(55)	678	1,592
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	2,968	5,900	8,922	(612,768)	442	(39,581)	(4,593)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	2,968	5,900	8,922	(612,768)	442	(39,581)	(4,593)
Basic earnings/(loss) per share (€)	0.30	0.59	0.89	(65.36)	0.29	(0.46)	(0.12)
Diluted earnings/(loss) per share (€)	0.30	0.59	0.89	(65.36)	0.29	(0.46)	(0.12)

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

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

€000

ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	17,790	(43,732)
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	29,042	(5,569)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	29,042	(5,569)
Available-for-sale financial assets	34,991	(6,552)
– valuation gains/(losses) taken to equity	34,991	(6,552)
Income tax on items that may be reclassified subsequently to profit or loss	(5,949)	983
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	46,832	(49,301)

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

Interim Statement of Other Comprehensive Income – Nova KBM d.d. (by quarter)

€000

ITEM DESCRIPTION	2014			2013			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	2,968	5,900	8,922	(612,768)	442	(39,581)	(4,593)
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	5,786	6,611	16,645	14,801	(4,145)	1,537	(2,961)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	0	0	0	268	0	0	0
Actuarial net gains on defined benefit pension plans recognised in retained earnings	0	0	0	293	0	0	0
Income tax on items that will not be reclassified subsequently to profit or loss	0	0	0	(25)	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	5,786	6,611	16,645	14,533	(4,145)	1,537	(2,961)
Available-for-sale financial assets	6,971	7,966	20,054	17,292	(4,876)	1,807	(3,483)
– valuation gains/(losses) taken to equity	6,971	7,966	20,054	11,447	(4,876)	1,807	(3,483)
– transferred to profit or loss	0	0	0	5,845	0	0	0
Income tax on items that may be reclassified subsequently to profit or loss	(1,185)	(1,355)	(3,409)	(2,759)	731	(270)	522
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	8,754	12,511	25,567	(597,967)	(3,703)	(38,044)	(7,554)

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

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

€000

ITEM DESCRIPTION	Notes	30.09.2014	31.12.2013
Cash and balances with the central bank	18	153,110	334,830
Financial assets held for trading	19	202	612
Financial assets designated at fair value through profit or loss	20	19,685	24,586
Available-for-sale financial assets	21	1,363,191	1,210,799
Loans and advances	-	1,833,697	1,988,824
– loans and advances to banks	22	127,960	151,294
– loans and advances to customers	23	1,697,325	1,826,371
– other financial assets	24	8,412	11,159
Held-to-maturity financial assets	25	99,510	192,437
Non-current assets and disposal groups classified as held for sale and discontinued operations	-	685	780
Property, plant and equipment	-	53,736	58,010
Investment property	-	2,339	2,339
Intangible assets	-	14,823	18,329
Investments in the equity of subsidiaries, associates and joint ventures accounted for using the equity method	26	53,594	54,139
Tax assets	-	1,324	10,290
– current tax assets	-	16	2
– deferred tax assets	-	1,308	10,288
Other assets	-	15,972	14,008
TOTAL ASSETS	-	3,611,868	3,909,983
Financial liabilities to the central bank	-	50,721	426,002
Financial liabilities held for trading	-	1,702	976
Financial liabilities measured at amortised cost	27	2,902,650	2,869,463
– deposits from banks	27	3,018	51,982
– deposits from customers	27	2,502,580	2,359,553
– loans from banks	27	300,714	357,910
– loans from customers	27	3,646	4,549
– debt securities	-	69,269	69,284
– other financial liabilities	27	23,423	26,185
Provisions	28	77,542	83,851
Tax liabilities	-	1,444	0
– current tax liabilities	-	1,444	0
Other liabilities	-	13,265	11,979
TOTAL LIABILITIES	-	3,047,324	3,392,271
Share capital	29	150,000	150,000
Share premium	29	360,572	360,572
Revaluation reserves	-	36,182	7,140
Net profit for the reporting period	-	17,790	0
TOTAL SHAREHOLDERS' EQUITY	-	564,544	517,712
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	-	3,611,868	3,909,983

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

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

€000

Designation	ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	Total profit/(loss) before tax from continuing operations	22,265	(45,947)
	Depreciation and amortisation	8,299	8,821
	Impairment of available-for-sale financial assets	2,671	16,496
	Impairment of loans and advances	16,617	50,718
	Impairment/(reversal of impairment) of tangible assets, investment property, intangible assets and other assets	20	(1)
	Impairment of investments in the equity of subsidiaries, associates and joint ventures	20,231	4,155
	Net (gains)/losses from exchange rate differences	(1,030)	1,244
	Net losses from held-to-maturity financial assets	0	323
	Net (gains) from the sale of tangible assets and investment properties	(423)	(127)
	Other (gains) from investing activities	(3,427)	(8,839)
	Other losses from financing activities	0	3,424
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and liabilities associated therewith	(238)	(304)
	Other adjustments to total net profit or loss before tax	(4,686)	(3,577)
	Cash flow from operating activities before changes in operating assets and liabilities	60,299	26,386
b)	(Increase) in operating assets (excluding cash equivalents)	(16,097)	(100,039)
	Net decrease in financial assets held for trading	416	333
	Net decrease in financial assets designated at fair value through profit or loss	4,901	1,619
	Net (increase) in available-for-sale financial assets	(120,072)	(251,875)
	Net decrease in loans and advances	100,547	150,896
	Net decrease in non-current assets held for sale	95	682
	Net (increase) in other assets	(1,984)	(1,694)
c)	(Decrease) in operating liabilities	(341,059)	(293,825)
	Net increase/(decrease) in financial liabilities to the central bank	(375,281)	1,963
	Net increase in financial liabilities held for trading	726	789
	Net increase/(decrease) in deposits and loans received, measured at amortised cost	33,847	(283,833)
	Net (decrease) in debt securities in issue, measured at amortised cost	(15)	(13,151)
	Net increase/(decrease) in other liabilities	(336)	407
d)	Cash flow from operating activities (a + b + c)	(296,857)	(367,478)
e)	Income taxes	0	0
f)	Net cash flow from operating activities (d + e)	(296,857)	(367,478)

€000

Designation	ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	Receipts from investing activities	98,564	291,335
	Receipts from the sale of tangible assets and investment properties	2,210	260
	Receipts from the disposal of subsidiaries, associates and joint ventures – discontinued operations	0	50,034
	Receipts from non-current assets or liabilities held for sale	0	561
	Receipts from the sale of held-to-maturity financial assets	95,866	238,954
	Other receipts from investing activities	488	1,526
b)	Cash payments on investing activities	(25,047)	(9,897)
	(Cash payments to acquire tangible assets and investment properties)	(3,622)	(3,003)
	(Cash payments to acquire intangible assets)	(1,740)	(1,417)
	(Cash payments for investments in the equity of subsidiaries, associates and joint ventures)	(19,685)	(5,477)
c)	Net cash flow from investing activities (a + b)	73,517	281,438
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	Cash proceeds from financing activities	0	100,000
	Cash proceeds from the issuance of subordinated liabilities	0	100,000
b)	Cash payments on financing activities	(1)	0
	(Dividends paid)	(1)	0
c)	Net cash flow from financing activities (a + b)	(1)	100,000
D.	Effects of change in exchange rates on cash and cash equivalents	2,482	(1,444)
E.	Net increase/(decrease) in cash and cash equivalents (Af + Bc + Cc)	(223,341)	13,960
F.	Opening balance of cash and cash equivalents	453,124	220,530
G.	Closing balance of cash and cash equivalents (D + E + F)	232,265	233,046

Reconciliation of cash and cash equivalents as of 30 September 2014 with the statement of financial position items is presented in Note 18.1.

The balance of cash and cash equivalents as of 30 September 2013 amounted to €233,046,000 and was made up of cash and balances with the central bank, in the amount of €181,441,000, and loans and advances to banks with an original maturity of up to three months, in the amount of €51,605,000.

Cash Flows from Interest, Dividends and Participation in Profits

€000

ITEM DESCRIPTION	Nine months ended 30.09.2014	Nine months ended 30.09.2013
Interest paid	(45,972)	(63,465)
Interest received	91,159	100,872
Dividends paid	(1)	0
Dividends and participation in profits received	1,386	1,798

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

Interim Statement of Changes in Equity – Nova KBM d.d.

Interim Statement of Changes in Equity for the nine months ended 30 September 2014

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Net profit for the reporting period	Total shareholders' equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	7,140	0	517,712
Total comprehensive income for the period after tax	0	0	29,042	17,790	46,832
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	36,182	17,790	564,544

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

Interim Statement of Changes in Equity for the nine months ended 30 September 2013

€000

ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained (losses) (including net loss for the reporting period)	Total shareholders' equity
OPENING BALANCE FOR THE REPORTING PERIOD	40,814	165,775	(2,092)	275,044	(286,972)	192,569
Total comprehensive (loss) for the period after tax	0	0	(5,569)	0	(43,732)	(49,301)
New share capital subscribed (paid)	102,411	0	0	0	0	102,411
CLOSING BALANCE FOR THE REPORTING PERIOD	143,225	165,775	(7,661)	275,044	(330,704)	245,679

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

1 General information

Nova KBM d.d. (hereafter also referred to as 'Nova KBM' or the 'Bank') is the parent company of the Nova KBM Group (hereafter also referred to as the 'Group') which, as of 30 September 2014, comprised the parent company and 11 subsidiary companies.

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

As of 30 September 2014, the share capital of the Bank totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares, all of which were held by the Republic of Slovenia.

The Bank is obliged to prepare consolidated financial statements.

2 Basis for the presentation of financial statements

The financial statements of the Bank for the nine-month period ended 30 September 2014 were authorised for issue on 24 October 2014 by the Nova KBM Management Board.

2.1 Statement of compliance and purpose of financial statements

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

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

The interim financial statements are unaudited. They have been prepared assuming that the Bank will continue as a going concern in the foreseeable future and that it will be able to meet its liabilities when due.

2.2 Presentation and functional currency

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

All amounts in the financial statements and in the notes to the financial statements are expressed in thousands of euros except where stated otherwise. Slight discrepancies in totals may occur due to rounding adjustments. Euro figures in the text are stated as whole numbers, rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies used by the Bank are presented in detail in its Annual Report for 2013.

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

During the interim reporting period and in 2013, the Bank did not reclassify any of its financial assets into another category.

Newly adopted standards and interpretations in effect since 1 January 2014 are presented below:

- **IFRS 10** – Consolidated Financial Statements; adopted by the EU on 11 December 2012.
- **IFRS 11** – Joint Arrangements; adopted by the EU on 11 December 2012.
- **IFRS 12** – Disclosure of Interests in Other Entities; adopted by the EU on 11 December 2012.
- **IAS 27** (revised in 2011) – Separate Financial Statements; adopted by the EU on 11 December 2012.
- **IAS 28** (revised in 2011) – Investments in Associates and Joint Ventures; adopted by the EU on 11 December 2012.
- **Amendments to IFRS 10** – Consolidated Financial Statements, **IFRS 11** – Joint Arrangements, and **IFRS 12** – Disclosures of Interests in Other Entities – Transition Guidance; adopted by the EU on 4 April 2013.
- **Amendments to IFRS 10** – Consolidated Financial Statements, **IFRS 12** – Disclosure of Interests in Other Entities, and **IAS 27** (revised in 2011) – Separate Financial Statements – Investment Entities; adopted by the EU on 20 November 2013.
- **Amendments to IAS 32** – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities; adopted by the EU on 13 December 2012.
- **Amendments to IAS 36** – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets; adopted by the EU on 19 December 2013.
- **Amendments to IAS 39** – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting; adopted by the EU on 19 December 2013.
- **IFRIC 21** – Levies (effective for annual periods beginning on or after 1 January 2014).

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

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

- **IFRS 9** – Financial Instruments and subsequent amendments (scheduled to become effective on 1 January 2018).
- **Amendments to IAS 19** – Employee Benefits – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014).
- **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 (amendments are to be applied to annual periods beginning on or after 1 July 2014).
- **Amendments to various standards** – Improvements to IFRSs (cycle 2011 – 2013) resulting from the annual improvement project of IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied to annual periods beginning on or after 1 July 2014).
- **IFRS 15** – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 16 and IAS 38** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).

- **Amendments to IFRS 11** – Accounting for Acquisition of Interests in Joint Operations (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 aimed at amending the existing IFRSs as well as IFRS guidelines and interpretations (amendments are to be applied to annual periods beginning on or after 1 January 2016).
- **Amendments to IFRS 10 and IAS 28** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; these amendments remove an accounting inconsistency between the requirements in IFRS 10 and those in IAS 28 with respect to the recognition of gains and losses (amendments are to be applied to annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 27** – Equity Method in Separate Financial Statements; these amendments reinstate the equity method as an accounting option for investments in subsidiaries, associates and joint ventures in an entity's separate financial statements (amendments are to be applied to annual periods beginning on or after 1 January 2016).

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

4 Risk exposure

The Bank 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 organisational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organisationally separate from the unit it monitors. In accordance with the adopted rules of procedure, each risk management policy has to be approved by the Policy Approval Committee.

Further details with respect to risk management are provided in the Bank's Annual Report for 2013.

4.1 Credit risk

Analysis of exposure to credit risk

	Loans to customers		Loans to banks	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Net disbursed loans	1,697,325	1,826,371	127,960	151,294
Individual impairment				
Gross amount	766,216	788,637	32,316	56,909
Impairment	(408,924)	(389,705)	(8,779)	(20,396)
Net amount	357,292	398,932	23,537	36,513
Collective impairment				
Credit rating A	826,722	859,638	0	0
Credit rating B	251,056	312,845	0	0
Credit rating C	177,305	202,157	0	0
Credit rating D	29,855	26,140	0	0
Credit rating E	57,976	40,603	0	0
Gross amount	1,342,914	1,441,383	0	0
Impairment	(62,350)	(57,166)	0	0
Net amount	1,280,564	1,384,217	0	0
Net non-impaired loans	59,469	43,222	104,423	114,781
Total net loans	1,697,325	1,826,371	127,960	151,294

Overdue and unpaid claims

30.09.2014					
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	29	0	0	0	29
Legal entities	48,384	1,546	1,085	288,542	339,557
Households	2,612	511	707	40,821	44,651
Total	51,025	2,057	1,792	329,365	384,239

31.12.2013					
	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	119	0	0	0	119
Legal entities	47,986	23,346	3,264	233,257	307,853
Households	3,161	960	599	32,464	37,184
Total	51,266	24,306	3,863	265,723	345,158

NPLs in the total loan portfolio

	30.09.2014	31.12.2013
Total gross loan portfolio	2,305,338	2,444,932
Total net loan portfolio	1,825,285	1,977,665
Net NPLs (over 90 days in arrears; credit ratings D and E)	401,313	379,405
Net NPLs/total net loan portfolio (%)	21.99	19.18

Analysis of NPLs by industry sectors

Industry sector	30.09.2014			31.12.2013		
	Total net loans	Net NPLs	Share of NPLs (%)	Total net loans	Net NPLs	Share of NPLs (%)
Households	771,248	29,102	3.77	822,832	21,415	2.60
Agriculture and hunting, forestry, fishing	20,994	3,705	17.65	20,210	2,199	10.88
Mining	315	234	74.29	394	215	54.57
Manufacturing industry	292,932	101,609	34.69	332,199	87,478	26.33
Electricity, gas and steam supply	52,575	4,361	8.29	56,701	9,779	17.25
Water supply, waste and sewage management, rehabilitation of the environment	14,603	243	1.66	4,185	458	10.94
Construction	42,573	13,236	31.09	45,730	10,339	22.61
Trade, maintenance and repair of motor vehicles	128,717	53,858	41.84	147,284	52,595	35.71
Transportation and storage	48,711	4,954	10.17	53,520	500	0.93
Accommodation and food service activities	29,917	13,522	45.20	32,233	11,024	34.20
Information and communication activities	16,307	8,050	49.37	13,783	7,680	55.72
Financial intermediation	221,311	69,515	31.41	266,076	71,979	27.05
Real estate activities	53,309	44,711	83.87	44,847	34,592	77.13
Professional, scientific and technical activities	37,219	17,818	47.87	64,035	31,530	49.24
Other various business activities	7,103	1,193	16.80	6,854	1,036	15.12
Public administration and defence services, compulsory social security activities	31,417	0	0.00	8,479		0.00
Education	3,138	311	9.91	3,391	297	8.76
Health and welfare security	21,056	8,764	41.62	21,030	9,150	43.51
Arts, entertainment and recreation	28,203	25,670	91.02	30,157	26,643	88.35
Other activities	3,637	457	12.57	3,725	496	13.32
Total net loans	1,825,285	401,313	21.99	1,977,665	379,405	19.18

4.2 Liquidity risk

Analysis of liquidity risk as of 30 September 2014

	Total	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets						
Cash and balances with the central bank	153,110	153,110	0	0	0	0
Financial assets held for trading	202	202	0	0	0	0
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	0	0
Available-for-sale financial assets	1,363,191	1,363,191	0	0	0	0
Loans and advances	1,833,697	398,232	167,795	315,988	561,032	390,650
Held-to-maturity financial assets	99,510	10,164	0	51,645	9,955	27,746
Other assets*	142,473	1,534	1,565	753	14,196	124,425
Total assets	3,611,868	1,946,118	169,360	368,386	585,183	542,821
Liabilities						
Financial liabilities to the central bank	50,721	0	0	50,721	0	0
Financial liabilities held for trading	1,702	1,702	0	0	0	0
Financial liabilities measured at amortised cost	2,902,650	1,322,834	360,067	812,773	308,118	98,858
Other liabilities*	656,795	27,741	20,881	48,285	39,578	520,310
Total liabilities and equity	3,611,868	1,352,277	380,948	911,779	347,696	619,168
Assets-liabilities (including equity) mismatch	0	593,841	(211,588)	(543,393)	237,487	(76,347)
Guarantees	236,905	21,756	58,532	37,444	80,406	38,767

* Assets and liabilities without a direct impact on liquidity.

Analysis of liquidity risk as of 31 December 2013

	Total	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets						
Cash and balances with the central bank	334,830	334,830	0	0	0	0
Financial assets held for trading	612	612	0	0	0	0
Financial assets designated at fair value through profit or loss	24,586	24,586	0	0	0	0
Available-for-sale financial assets	1,210,799	1,210,799	0	0	0	0
Loans and advances	1,988,824	497,630	85,997	338,783	653,898	412,516
Held-to-maturity financial assets	192,437	10,607	10,963	82,147	60,976	27,744
Other assets*	157,895	11,514	0	0	14,031	132,350
Total assets	3,909,983	2,090,578	96,960	420,930	728,905	572,610
Liabilities						
Financial liabilities to the central bank	426,002	0	0	0	426,002	0
Financial liabilities held for trading	976	976	0	0	0	0
Financial liabilities measured at amortised cost	2,869,463	1,275,456	367,547	756,963	363,503	105,994
Other liabilities*	613,542	12,242	3,976	34,304	41,308	521,712
Total liabilities and equity	3,909,983	1,288,674	371,523	791,267	830,813	627,706
Assets-liabilities (including equity) mismatch	0	801,904	(274,563)	(370,337)	(101,908)	(55,096)
Guarantees	250,991	32,613	17,509	79,077	80,840	40,952

* Assets and liabilities without a direct impact on liquidity.

4.3 Interest rate risk

Analysis of interest rate risk as of 30 September 2014

	Total	Non-interest-bearing	Interest-bearing	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets								
Cash and balances with the central bank	153,110	38,931	114,179	114,179	0	0	0	0
Financial assets held for trading	202	202	0	0	0	0	0	0
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	0	0	0	0
Available-for-sale financial assets	1,363,191	14,574	1,348,617	184,996	15,635	144,341	830,242	173,403
Loans and advances	1,833,697	49,646	1,784,051	507,832	416,382	782,412	61,683	15,742
Held-to-maturity financial assets	99,510	0	99,510	9,993	0	51,144	10,125	28,248
Other assets	15,972	15,972	0	0	0	0	0	0
Total assets	3,485,367	139,010	3,346,357	817,000	432,017	977,897	902,050	217,393
Liabilities								
Financial liabilities to the central bank	50,721	0	50,721	0	0	50,721	0	0
Financial liabilities held for trading	1,702	1,702	0	0	0	0	0	0
Financial liabilities measured at amortised cost	2,902,650	97	2,902,553	1,390,268	525,653	811,002	174,709	921
Other liabilities	13,265	13,265	0	0	0	0	0	0
Total liabilities	2,968,338	15,064	2,953,274	1,390,268	525,653	861,723	174,709	921
Assets-liabilities mismatch	517,029	123,946	393,083	(573,268)	(93,636)	116,174	727,341	216,472

The table above shows the distribution of interest-sensitive items by individual time buckets with regard to the interest rate repricing period.

Analysis of interest rate risk as of 31 December 2013

	Total	Non-interest-bearing	Interest-bearing	Up to 1 month	1 month to 3 months	3 to 12 months	1 year to 5 years	Over 5 years
Assets								
Cash and balances with the central bank	334,830	41,113	293,717	293,717	0	0	0	0
Financial assets held for trading	612	612	0	0	0	0	0	0
Financial assets designated at fair value through profit or loss	24,586	24,586	0	0	0	0	0	0
Available-for-sale financial assets	1,210,799	29,820	1,180,979	0	56,798	258,050	716,583	149,548
Loans and advances	1,988,824	39,351	1,949,473	902,426	440,697	517,075	72,487	16,788
Held-to-maturity financial assets	192,437	0	192,437	9,999	10,368	81,449	62,060	28,561
Other assets	14,008	14,008	0	0	0	0	0	0
Total assets	3,766,096	149,490	3,616,606	1,206,142	507,863	856,574	851,130	194,897
Liabilities								
Financial liabilities to the central bank	426,002	0	426,002	0	0	0	426,002	0
Financial liabilities held for trading	976	976	0	0	0	0	0	0
Financial liabilities measured at amortised cost	2,869,463	297	2,869,166	1,322,221	449,454	931,384	165,125	982
Other liabilities	11,979	11,979	0	0	0	0	0	0
Total liabilities	3,308,420	13,252	3,295,168	1,322,221	449,454	931,384	591,127	982
Assets-liabilities mismatch	457,676	136,238	321,438	(116,079)	58,409	(74,810)	260,003	193,915

The table above shows the distribution of interest-sensitive items by individual time buckets with regard to the interest rate repricing period.

4.4 Foreign exchange risk

Analysis of foreign exchange risk as of 30 September 2014

	EUR	USD	CHF	HRK	Other currencies	Total
Assets						
Cash and balances with the central bank	149,762	547	655	1,171	975	153,110
Financial assets held for trading	202	0	0	0	0	202
Financial assets designated at fair value through profit or loss	19,685	0	0	0	0	19,685
Available-for-sale financial assets	1,363,191	0	0	0	0	1,363,191
Loans and advances	1,725,888	27,437	73,082	167	7,123	1,833,697
Held-to-maturity financial assets	99,510	0	0	0	0	99,510
Other assets	142,473	0	0	0	0	142,473
Total assets	3,500,711	27,984	73,737	1,338	8,098	3,611,868
Liabilities						
Financial liabilities to the central bank	50,721	0	0	0	0	50,721
Financial liabilities held for trading	1,702	0	0	0	0	1,702
Financial liabilities measured at amortised cost	2,851,152	28,059	15,566	276	7,597	2,902,650
Other liabilities	656,795	0	0	0	0	656,795
Total liabilities and equity	3,560,370	28,059	15,566	276	7,597	3,611,868
Assets-liabilities (including equity) mismatch	(59,659)	(75)	58,171	1,062	501	0
Derivatives	58,492	0	(58,694)	0	0	(202)
Assets-liabilities (including equity and derivatives) mismatch	(1,167)	(75)	(523)	1,062	501	(202)

Analysis of foreign exchange risk as of 31 December 2013

	EUR	USD	CHF	HRK	Other currencies	Total
Assets						
Cash and balances with the central bank	331,681	536	1,156	599	858	334,830
Financial assets held for trading	612	0	0	0	0	612
Financial assets designated at fair value through profit or loss	24,586	0	0	0	0	24,586
Available-for-sale financial assets	1,210,799	0	0	0	0	1,210,799
Loans and advances	1,869,467	25,664	86,836	235	6,622	1,988,824
Held-to-maturity financial assets	192,437	0	0	0	0	192,437
Other assets	157,895	0	0	0	0	157,895
Total assets	3,787,477	26,200	87,992	834	7,480	3,909,983
Liabilities						
Financial liabilities to the central bank	426,002	0	0	0	0	426,002
Financial liabilities held for trading	976	0	0	0	0	976
Financial liabilities measured at amortised cost	2,820,215	26,221	15,853	159	7,015	2,869,463
Other liabilities	613,542	0	0	0	0	613,542
Total liabilities and equity	3,860,735	26,221	15,853	159	7,015	3,909,983
Assets-liabilities (including equity) mismatch	(73,258)	(21)	72,139	675	465	0
Derivatives	73,515	0	(73,823)	0	0	(308)
Assets-liabilities (including equity and derivatives) mismatch	257	(21)	(1,684)	675	465	(308)

4.5 Capital risk

	30.09.2014	31.12.2013
Original own funds		
Paid-up share capital	150,000	150,000
Share premium	360,572	360,572
Reserves and retained earnings or losses	702	702
Revaluation excesses (PP) – prudential filters	35,480	(702)
(-) Intangible long-term assets	(14,823)	(18,329)
(-) Other country specific deductions	(35,746)	(21)
Total	496,185	492,222
Additional own funds I		
Other	0	2,117
Total	0	2,117
(-) Deductions from original own funds and additional own funds I		
(-) Deductions from original own funds	0	(1,119)
(-) Deductions from additional own funds I	0	(1,119)
Total	0	(2,238)
Total equity (for solvency purposes)	496,185	492,101
Capital requirements		
Capital requirements for credit risk	141,336	167,097
Central governments and central banks	248	0
Regional governments and local authorities	79	142
Administrative bodies	201	46
Institutions	6,494	9,545
Corporates	28,950	38,527
Retail banking	45,407	56,361
Secured by real estate	5,277	3,120
Past due items	33,869	2,465
Items belonging to regulatory high-risk categories	13,549	34,688
Collective investment undertakings	222	524
Other items	7,040	21,679
Total capital requirements for market risks	3,130	4,119
Debt securities	175	193
Equity instruments	2,955	3,926
Capital requirement for operational risk	17,312	20,897
Total	161,778	192,113
Total capital adequacy ratio	24.54%	20.49%
Tier I capital ratio	24.54%	20.45%
Core Tier I capital ratio	24.54%	20.45%

5 Fair value of financial assets and financial liabilities

	30.09.2014		31.12.2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and balances with the central bank	153,110	153,110	334,830	334,830
Financial assets held for trading	202	202	612	612
Financial assets designated at fair value through profit or loss	19,685	19,685	24,586	24,586
Available-for-sale financial assets	1,363,191	1,363,191	1,210,799	1,210,799
Loans and advances to banks	127,960	133,780	151,294	156,285
Loans and advances to customers	1,697,325	1,705,033	1,826,371	1,835,125
Other financial assets	8,412	8,412	11,159	11,159
Held-to-maturity financial assets	99,510	104,232	192,437	193,305
Financial liabilities				
Financial liabilities to the central bank	50,721	50,723	426,002	425,385
Financial liabilities held for trading	1,702	1,702	976	976
Deposits from banks	3,018	3,021	51,982	52,065
Deposits from customers	2,502,580	2,510,457	2,359,553	2,368,603
Loans from banks	300,714	301,234	357,910	359,065
Loans from customers	3,646	3,648	4,549	4,553
Debt securities	69,269	74,730	69,284	74,443
Other financial liabilities	23,423	23,423	26,185	26,185

Analysis of fair value hierarchy

	30.09.2014				31.12.2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	202	0	202	0	612	0	612	0
Available-for-sale financial assets	1,363,191	1,321,925	37,984	3,282	1,210,799	1,178,297	29,475	3,027
– debt securities	1,348,615	1,310,631	37,984	0	1,180,979	1,151,504	29,475	0
– equity instruments	14,576	11,294	0	3,282	29,820	26,793	0	3,027
Financial assets designated at fair value through profit or loss	19,685	19,685	0	0	24,586	24,586	0	0
– equity instruments	19,685	19,685	0	0	24,586	24,586	0	0
Financial liabilities								
Derivatives	1,702	0	1,702	0	976	0	976	0

Level 1 includes financial assets whose fair value is determined on the basis of prices quoted on active markets.

Level 2 includes financial assets whose fair value is determined on the basis of valuation models which take into account variables derived from public market data (such as market interest rates).

Level 3 includes financial assets whose fair value is determined on the basis of valuation models which take into account subjective variables that are not publicly available.

Financial assets designated at fair value through profit or loss (equity financial instruments) are treated as parts of derivatives and are valued together with them.

Analysis of transitions between Level 1, Level 2 and Level 3

	30.09.2014		
	Transition from Level 1 to Level 2	Transition from Level 2 to Level 1	Transition from Level 1 to Level 3
Financial assets held for trading	0	0	0
Available-for-sale financial assets	8,529	0	0
– debt securities	8,529	0	0
– equity instruments	0	0	0
Financial assets designated at fair value through profit or loss	0	0	0

	31.12.2013		
	Transition from Level 1 to Level 2	Transition from Level 2 to Level 1	Transition from Level 1 to Level 3
Financial assets held for trading	0	0	0
Available-for-sale financial assets	2,000	27,807	1,527
– debt securities	2,000	24,259	0
– equity instruments	0	3,548	1,527
Financial assets designated at fair value through profit or loss	0	0	0

The Bank starts measuring financial assets according to the valuation model that takes into account available market prices once it establishes that the market is not active. Debt securities with a determinable cash flow and without an available market price are valued at the end of each month using the discounted cash flow model. The interest rate used for discounting is the sum of the interest rate of a risk-free instrument of comparable maturity, and a margin for credit risk. The transition from Level 2 to Level 1 is a result of re-availability of a financial asset's market price. The price of a financial asset 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. The transition from Level 1 to either Level 2 or Level 3 is the result of a valuation of a financial asset that was previously recorded at the market price.

Movements in financial assets included in Level 3

	Available-for-sale financial assets		
	Total	Shares	Participating interests
1 January 2014	3,026	2,540	486
– change due to sale	(928)	(928)	0
– change due to debt-to-equity swaps	2,035	2,035	0
– shares received back from BAMC	834	834	0
– change due to revaluation	(1,685)	(1,685)	0
30 September 2014	3,282	2,796	486
1 January 2013	11,460	10,987	473
– acquisition	13	0	13
– transfer of shares to BAMC	(9,238)	(9,238)	0
– revaluation of shares	(736)	(736)	0
– transition to Level 3 due to the valuation of shares	1,527	1,527	0
31 December 2013	3,026	2,540	486

The table above presents changes within Level 3 of the fair value hierarchy. The increase in the value of available-for-sale financial assets, which we saw in the first nine months of 2014, was the result of the Bank converting into equity its claims against several companies, but also due to BAMC returning some shares to the Bank. This increase was largely offset by the sale and revaluation of shares.

6 Transfer of assets to BAMC

On 11 July 2013, the Government of the Republic of Slovenia made a ruling that Nova KBM had met the conditions to be entitled to benefit from measures aimed at stabilising its financial position, in accordance with the first paragraph of Article 4 of the Decree on the Implementation of Measures to Strengthen Bank Stability.

According to the measures adopted for Nova KBM, it was agreed that the bad assets on the books of Nova KBM were to be transferred to BAMC (the state-run Bank Assets Management Company). On 18 December 2013, the European Commission consented to this transfer of assets.

For the purpose of transferring assets to BAMC, assets at risk held on the books of the Bank were valued on the basis of their long-term realistic economic value calculated according to the methodology described in the decree referred to above.

The legal and book transfer of assets was carried out on 20 December 2013.

In exchange for transferring the assets, Nova KBM received from BAMC state-guaranteed bonds.

The effect of transferring the assets to BAMC was reflected in the following statement of financial position items (as of 31 December 2013):

Item	Amount
Financial assets designated at fair value through profit or loss	182
Available-for-sale financial assets	13,305
Loans and advances to customers and other financial assets	362,542
– gross value	971,809
– impairment	609,267
Total net transfer value of assets	376,029

Notes to the income statement items

7 Interest income and expense

7.1 Analysis of interest by market segments

	9M 2014		9M 2013	
	Income	Expense	Income	Expense
Non-financial companies	29,951	2,745	52,451	3,556
State	32,105	765	16,776	14,197
Banks	4,045	7,482	5,532	13,212
Other financial organisations	5,040	2,633	7,434	5,145
Households	27,967	20,184	32,183	30,265
Foreign persons	3,345	496	3,959	757
Non-profit household service providers	84	104	124	208
Total	102,537	34,409	118,459	67,340
Net interest income	68,128		51,119	

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

	9M 2014		9M 2013	
	Current	Non-current	Current	Non-current
Interest income				
Balances with the central bank (measured at amortised cost)	251	0	121	0
Financial assets held for trading	121	0	132	0
Available-for-sale financial assets	25,098	5,337	8,467	3,406
Loans and advances (including finance leases)	18,208	50,566	21,421	76,566
Held-to-maturity financial assets	257	2,682	145	8,168
Other financial assets	17	0	33	0
Total by maturity	43,952	58,585	30,319	88,140
Total	102,537		118,459	
Interest expense				
Financial liabilities to the central bank (measured at amortised cost)	0	489	0	1,963
Financial liabilities held for trading	0	117	0	128
Financial liabilities measured at amortised cost	6,573	27,230	11,798	53,451
Total by maturity	6,573	27,836	11,798	55,542
Total	34,409		67,340	
Net interest income	68,128		51,119	

As a result of transferring its bad assets to BAMC in 2013, in exchange for which it was given state-guaranteed bonds, in 2014 the Bank registered a decline in interest earned on loans and an increase in interest income generated on available-for-sale financial assets.

8 Dividend income

	9M 2014	9M 2013
Financial assets designated at fair value through profit or loss	785	1,077
Available-for-sale financial assets	113	204
Investments in the equity of the Group companies accounted for using the cost method	488	526
Total	1,386	1,807

9 Fee and commission income and expense

	9M 2014	9M 2013
Fee and commission income	34,341	34,445
Guarantees	2,364	2,521
Services provided to banks in the Group	345	696
Services provided to other Group subsidiaries	263	153
Domestic payment transactions	13,745	14,066
Transactions under current accounts	7,441	6,864
Payment card operations	4,827	4,632
International payment transactions	1,013	1,161
Brokerage and agency services	1,086	364
Transactions in securities for customers	357	215
Lending operations	2,757	3,658
Safekeeping of objects and valuables	67	46
Other services	76	69
Fee and commission expense	2,856	3,212
Domestic banking services	2,061	1,955
Banking services abroad	280	698
Brokerage and agency services	31	27
Stock exchange transactions and other transactions in securities	249	239
Payment transactions	214	271
Services of banks in the Group	18	19
Other services	3	3
Net fee and commission income	31,485	31,233

10 Realised gains or losses on financial assets and liabilities not measured at fair value through profit or loss

	9M 2014			9M 2013		
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains/(losses)
Available-for-sale financial assets	5,608	3	5,605	606	219	387
Loans and advances (including finance leases and other financial assets)	923	83	840	1,101	82	1,019
Held-to-maturity financial assets	0	0	0	683	1,006	(323)
Total	6,531	86	6,445	2,390	1,307	1,083

11 Net gains or losses on financial assets and liabilities held for trading

	9M 2014			9M 2013		
	Gains	Losses	Net gains/(losses)	Gains	Losses	Net gains/(losses)
Trading in equity instruments	96	47	49	18	62	(44)
Trading in foreign exchange (purchase/sale)	673	256	417	715	415	300
Trading in derivatives	930	3,186	(2,256)	3,466	2,458	1,008
– futures/forwards	570	1,574	(1,004)	3,271	1,835	1,436
– options	0	0	0	0	424	(424)
– swaps	88	96	(8)	195	199	(4)
– other derivatives	272	1,516	(1,244)	0	0	0
Trading in financial liabilities	0	22	(22)	0	0	0
Total	1,699	3,511	(1,812)	4,199	2,935	1,264

The Bank uses derivatives (futures/forwards) for the economic hedging of its exposure to foreign exchange risk. The effects of derivatives are linked to the effects arising from exchange rate differences (Note 13).

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

	9M 2014			9M 2013		
	Gains	Losses	Net gains	Gains	Losses	Net (losses)
Financial assets designated at fair value through profit or loss	9,105	1,559	7,546	1,078	2,697	(1,619)
Total	9,105	1,559	7,546	1,078	2,697	(1,619)

Gains and losses on financial assets designated at fair value through profit or loss are attributable to the valuation and disposal of equities and bonds for which a joint-selling agreement has been made by the Bank.

13 Net exchange rate differences

	9M 2014	9M 2013
Foreign exchange gains	6,073	12,386
Foreign exchange losses	5,043	13,630
Net foreign exchange gain/(loss)	1,030	(1,244)

14 Administration costs

	9M 2014	9M 2013
Staff costs	25,641	28,219
Gross salaries	19,952	21,826
Social security and pension insurance contribution	3,206	3,525
Pay for annual leave	703	754
Other staff costs	1,780	2,114
General and administrative costs	19,711	22,000
Costs of materials	1,348	1,673
Costs of services	12,389	14,416
Maintenance costs of fixed assets	3,018	3,210
Advertising costs	2,056	1,573
Other administrative costs	900	1,128
Total administration costs	45,352	50,219

15 Provisions

	9M 2014	9M 2013
Provisions for off-balance sheet liabilities	(7,605)	(4,176)
Provisions for tax claims and other pending legal issues	3,054	671
Other provisions	(135)	(72)
Total	(4,686)	(3,577)

16 Impairment losses

	9M 2014	9M 2013
Financial assets not measured at fair value through profit or loss	19,288	67,214
Other assets	20,251	4,154
Total impairment losses	39,539	71,368

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

	9M 2014	9M 2013
Financial assets measured at cost	1,685	10,750
Available-for-sale financial assets designated at fair value	986	5,746
Loans and advances (including finance leases and other financial assets) measured at amortised cost	16,617	50,718
– loans and advances to banks	(10,986)	(2)
– loans and advances to customers	27,491	56,587
– other financial assets	112	(5,867)
Total impairment of financial assets not measured at fair value through profit or loss	19,288	67,214

17 Income tax related to profit or loss from continuing operations

	9M 2014	9M 2013
Income tax expense related to profit or loss from continuing operations	1,444	0
Deferred tax related to continuing operations	3,031	(2,215)
Total	4,475	(2,215)

The effective tax rate for the nine-month period ended 30 September 2014 is not shown because this rate is calculated by the Bank only for annual periods.

Notes to the statement of financial position items

18 Cash and balances with the central bank

	30.09.2014	31.12.2013
Cash in hand	38,931	41,113
Obligatory deposits with the central bank	110,279	289,938
Other deposits with the central bank	3,900	3,779
Total	153,110	334,830

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

18.1 Cash and cash equivalents

	30.09.2014	31.12.2013
Cash and balances with the central bank	153,110	334,830
Loans and advances to banks	79,155	118,294
Total	232,265	453,124

19 Financial assets held for trading

	30.09.2014	31.12.2013
Derivatives that are not quoted on a stock exchange	202	612

No assets of this portfolio are 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.

19.1 Movements in financial assets held for trading

	9M 2014	2013
1 January	612	1,178
Increase during the year	2,852	3,867
– acquisition	3,160	3,831
– exchange rate differences	6	0
– change in fair value (recovery and reversal of impairment)	(410)	0
– other (deferred interest, realised gains)	96	36
Decrease during the year	3,262	4,433
– disposal (sale and redemption)	3,215	3,797
– change in fair value (impairment and reversal of recovery)	0	566
– other (deferred interest, realised losses)	47	70
30 September/31 December	202	612

20 Financial assets designated at fair value through profit or loss

	30.09.2014	31.12.2013
Equity instruments that are quoted on a stock exchange	19,685	24,586

As of 30 September 2014, no assets of this portfolio were pledged as collateral, and during the nine-month period ended 30 September 2014, the Bank did not receive any financial assets that are included in this category from the realisation of collateral provided as security for loans.

Financial assets designated at fair value through profit or loss include equity instruments for which the Bank has entered into a joint-selling agreement.

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.

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

	9M 2014	2013
1 January	24,586	34,043
Increase during the year	9,105	9,134
– change in fair value (recovery and reversal of impairment)	7,442	9,134
– other	1,663	0
Decrease during the year	14,006	18,591
– disposal (sale and redemption)	12,447	8,046
– change in fair value (impairment and reversal of recovery)	1,552	2,252
– transfer to BAMC	0	182
– other	7	8,111
30 September/31 December	19,685	24,586

21 Available-for-sale financial assets

21.1 Analysis by type and market segments

	30.09.2014	31.12.2013
Equity instruments designated at fair value	12,821	28,321
Equity instruments measured at acquisition cost	1,755	1,499
Debt securities	1,348,615	1,180,979
– issued by the state and the central bank	1,273,697	1,099,301
– issued by banks	45,664	60,962
– issued by other issuers	29,254	20,716
Total	1,363,191	1,210,799
Quoted	1,357,132	1,199,406
Unquoted	6,059	11,393
Total	1,363,191	1,210,799

As of 30 September 2014, assets of this portfolio worth €665,507,000 were pledged with the Bank of Slovenia for the pool of collateral, the guarantee scheme and the guaranteed claims of depositors. In the nine-month period ended 30 September 2014, the Bank did not receive any financial assets that are included in this category 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.

21.2 Movements in available-for-sale financial assets

	Equity instruments		Debt securities	Total
	At fair value	At cost		
1 January 2014	28,321	1,499	1,180,979	1,210,799
Recognition of new financial assets	0	2,869	312,171	315,040
Interest	0	0	10,896	10,896
Net revaluation through equity	3,081	0	31,910	34,991
Net impairment through profit or loss	(986)	(1,685)	0	(2,671)
Derecognition of financial assets upon maturity	0	0	(168,153)	(168,153)
Derecognition of financial assets upon disposal	(21,112)	(1,581)	(20,623)	(43,316)
Net gains on sale	3,517	653	1,435	5,605
30 September 2014	12,821	1,755	1,348,615	1,363,191

	Equity instruments		Debt securities	Total
	At fair value	At cost		
1 January 2013	45,425	23,081	348,596	417,102
Recognition of new financial assets	8,343	10,763	1,073,958	1,093,064
Interest	0	0	6,472	6,472
Net revaluation through equity	588	0	10,152	10,740
Net impairment through profit or loss	(14,435)	(18,475)	(8,248)	(41,158)
Derecognition of financial assets upon maturity	0	0	(198,487)	(198,487)
Derecognition of financial assets upon disposal	(11,156)	0	(29,200)	(40,356)
Net (losses) on sale	(444)	(565)	(22,264)	(23,273)
Transfer to BAMC	0	(13,305)	0	(13,305)
31 December 2013	28,321	1,499	1,180,979	1,210,799

22 Loans and advances to banks

	30.09.2014	31.12.2013
Sight deposits	41,426	17,346
Impairment of sight deposits	(2)	0
Current loans	80,573	108,903
Impairment of current loans	(8,461)	(7,955)
Non-current loans	14,740	45,441
Impairment of non-current loans	(316)	(12,441)
Total – net amount	127,960	151,294
Impairment	8,779	20,396
Total – gross amount	136,739	171,690

23 Loans and advances to customers

	30.09.2014	31.12.2013
Current loans	455,041	420,225
Impairment of current loans	(116,556)	(118,665)
Non-current loans	1,704,600	1,846,670
Impairment of non-current loans	(348,671)	(323,725)
Claims under guarantees	8,958	6,347
Impairment of claims under guarantees	(6,047)	(4,481)
Total – net amount	1,697,325	1,826,371
Impairment	471,274	446,871
Total – gross amount	2,168,599	2,273,242

23.1 Movements in impairment of loans and advances to customers

	9M 2014	2013
1 January	446,871	573,234
Net impairment of principal	27,491	464,800
– additional impairment of principal	126,922	688,803
– reversal of impairment of principal	(99,431)	(224,003)
Additional impairment of interest	9,653	24,747
Additional impairment of fees	58	4
Write-off of loans and advances to customers	(12,799)	(7,308)
Transfer to BAMC	0	(608,606)
30 September/31 December	471,274	446,871

Recognition of additional impairment/reversal of impairment of interest and fees on loans given to customers is reflected in profit or loss (Note 7: Interest income and expense, and Note 9: Fee and commission income and expense).

24 Other financial assets

	30.09.2014	31.12.2013
Cheques	25	80
Claims for fees and commissions	963	1,403
Accounts receivables	291	38
Other financial assets	7,133	9,638
Total – net amount	8,412	11,159
Impairment	1,756	1,667
Total – gross amount	10,168	12,826

24.1 Movements in impairment of other financial assets

	9M 2014	2013
1 January	1,667	7,721
Net impairment of principal	112	(5,536)
– additional impairment of principal	430	2,343
– reversal of impairment of principal	(318)	(7,879)
Additional impairment of interest	23	28
Additional impairment of fees	189	498
Write-off of other financial assets	(235)	(383)
Transfer to BAMC	0	(661)
30 September/31 December	1,756	1,667

Recognition of additional impairment/reversal of impairment of interest and fees on other financial assets is reflected in profit or loss (Note 7: Interest income and expense, and Note 9: Fee and commission income and expense).

25 Held-to-maturity financial assets

	30.09.2014	31.12.2013
Debt securities		
– current securities issued by the state and the central bank	9,993	29,736
– non-current securities issued by the state and the central bank	79,616	152,739
– non-current securities issued by banks and savings banks	6,078	6,088
– non-current securities issued by other issuers	3,823	3,874
Total	99,510	192,437
Quoted	99,510	192,437
Total	99,510	192,437

As of 30 September 2014, assets of this portfolio worth €99,510,000 were pledged with the Bank of Slovenia for the pool of collateral and the guarantee scheme.

25.1 Movements in held-to-maturity financial assets

	9M 2014	2013
1 January	192,437	397,130
Increase during the year	2,939	40,386
– acquisition	0	29,628
– gains	0	903
– other (deferred interest)	2,939	9,855
Decrease during the year	95,866	245,079
– disposal (sale and redemption)	90,000	232,162
– impairment	0	1,657
– losses	0	4,295
– other (interest received)	5,866	6,965
30 September/31 December	99,510	192,437

26 Investments in the equity of subsidiaries, associates and joint-ventures

	30.09.2014	31.12.2013
Investments in the equity of banks in the Group	42,654	44,329
– equity investments in banks in the Group	42,654	44,329
Investments in the equity of other Group companies	10,940	9,810
– equity investments in financial associates	2,237	2,237
– equity investments in other financial subsidiaries	7,849	6,719
– equity investments in non-financial subsidiaries	854	854
Total	53,594	54,139

26.1 Movements in investments in the equity of subsidiaries, associates and joint ventures

	9M 2014	2013
1 January	54,139	55,980
Increase during the year	19,686	121,593
– acquisition	19,686	121,593
Decrease during the year	20,231	123,434
– impairment	20,231	119,483
– other (realised losses)	0	3,951
30 September/31 December	53,594	54,139

In May 2014, the Bank infused fresh capital of €12,200,000 into Adria Bank, its Austria-based subsidiary bank, while in July 2014 it infused €7,485,000 into KBM Leasing Hrvatska, its Croatia-based subsidiary.

26.2 Information on companies in which Nova KBM holds at least a 20% equity stake

Name and registered address of the company	Total equity as of 30.09.2014	Profit/(loss) for the nine months ended 30.09.2014	Equity attributable to Nova KBM	Acquisition cost	Nova KBM's shareholding (%)	Nova KBM's voting rights (%)	Investment value as of 30.09.2014
Investments in the equity of banks				112,041			42,654
Adria Bank AG, Vienna	13,724	1,167	13,724	28,349	100.00	100.00	0
KBM Banka a.d., Kragujevac	16,481	(215)	14,755	30,057	89.53	89.53	1,676
Poštna banka Slovenije d.d., Maribor	52,365	398	51,904	53,635	99.12	99.12	40,978
Investments in the equity of other companies				106,462			10,940
Gorica Leasing d.o.o., Nova Gorica	(20,968)	(847)	(20,968)	25,610	100.00	100.00	0
KBM Fineko, d.o.o. (in liquidation), Maribor	4,139	662	4,139	854	100.00	100.00	854
KBM Infond d.o.o., Maribor	13,423	1,102	11,085	8,660	72.73	72.73	6,660
KBM Invest d.o.o., Maribor	(14,234)	(925)	(14,234)	25,143	100.00	100.00	0
KBM Leasing d.o.o., Maribor	(36,709)	915	(36,709)	34,062	100.00	100.00	0
KBM Leasing Hrvatska d.o.o., Zagreb	765	(1,863)	765	9,837	97.45	97.45	1,130
M-PAY d.o.o., Maribor	221	12	111	59	50.00	50.00	59
Moja naložba, pokojninska družba d.d., Maribor	6,855	372	3,085	2,237	45.00	45.00	2,237
Total				218,503			53,594

27 Financial liabilities measured at amortised cost

	30.09.2014	31.12.2013
Deposits	2,505,598	2,411,535
Loans	304,360	362,459
Debt securities	69,269	69,284
Other financial liabilities	23,423	26,185
Total	2,902,650	2,869,463

27.1 Analysis of deposits by type of customers and maturity

	30.09.2014	31.12.2013
Deposits from banks	3,018	51,982
– sight deposits	1,959	2,657
– current deposits	550	2,298
– non-current deposits	509	47,027
Deposits from customers	2,502,580	2,359,553
– sight deposits	1,074,720	979,958
– current deposits	525,308	545,819
– non-current deposits	902,552	833,776
Total	2,505,598	2,411,535

27.2 Analysis of loans by type of customers and maturity

	30.09.2014	31.12.2013
Loans from banks	300,714	357,910
– non-current loans	300,714	357,910
Loans from customers	3,646	4,549
– non-current loans	3,646	4,549
Total	304,360	362,459

27.3 Other financial liabilities

	30.09.2014	31.12.2013
Liabilities for fees and commissions	1	25
Liabilities for gross salaries of employees	2,272	2,445
Liabilities to suppliers	1,485	3,965
Liabilities related to payment card transactions	7,831	7,599
Liabilities related to ATM transactions	1,906	1,640
Liabilities related to funds provided by customers for payments abroad	1,588	594
Liabilities related to cash transactions	1,232	1,240
Liabilities arising from participation in profits – dividends	74	75
Accruals and deferred income	2,812	3,472
Surplus arising from authorised transactions for customers	48	135
Other financial liabilities	4,174	4,995
Total	23,423	26,185

28 Provisions

	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 2014	1,680	15,867	3,940	61,943	421	83,851
Net creation of provisions through profit or loss	0	3,054	(135)	(7,605)	0	(4,686)
– provisions made during the period	0	3,403	0	33,640	0	37,043
– provisions reversed during the period	0	(349)	(135)	(41,245)	0	(41,729)
Provisions used during the period	(267)	(1,278)	(78)	0	0	(1,623)
30 September 2014	1,413	17,643	3,727	54,338	421	77,542

	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 2013	0	3,274	4,333	32,998	428	41,033
Net creation of provisions through profit or loss	1,680	12,593	87	28,945	(7)	43,298
– provisions made during the period	1,680	14,580	372	52,388	0	69,020
– provisions reversed during the period	0	(1,987)	(285)	(23,443)	(7)	(25,722)
Net reversal of provisions through equity	0	0	(293)	0	0	(293)
Provisions used during the year	0	0	(187)	0	0	(187)
31 December 2013	1,680	15,867	3,940	61,943	421	83,851

29 Share capital

	30.09.2014	31.12.2013
Ordinary shares	150,000	150,000
– subscribed by the state	150,000	150,000

In 2013, Nova KBM was recapitalised by the state. The details of this state-sponsored recapitalisation are set out in the Bank's Annual Report for 2013.

In the nine-month period ended 30 September 2014 and during 2013, the Bank did not purchase or sell treasury shares, and no treasury shares were held by the Bank at the end of 2013 or at the end of September 2014.

The paid-in capital surplus is included in the share premium, a portion of which was used at the end of 2013 to cover the losses incurred by the Bank.

30 Revaluation reserves

	30.09.2014	31.12.2013
Revaluation reserves in respect of available-for-sale financial assets	35,914	6,872
– revaluation	43,270	8,279
– deferred taxes	(7,356)	(1,407)
Other revaluation reserves	268	268
– revaluation	293	293
– deferred taxes	(25)	(25)
Total	36,182	7,140

30.1 Movements in revaluation reserves

	9M 2014	2013
1 January	7,140	(2,092)
Net change in valuation of available-for-sale financial assets	34,991	10,740
– gains recognised in revaluation reserves	34,991	4,895
– transferred from revaluation reserves to profit or loss	0	5,845
Net change in other revaluation reserves	0	293
Net change in deferred taxes	(5,949)	(1,801)
30 September/31 December	36,182	7,140

Gains recognised in revaluation reserves were derived mainly from the recovery in the value of the Republic of Slovenia bonds.

Other notes

31 Commitments and contingent liabilities by type

	30.09.2014		
	Current	Non-current	Total
Financial guarantees	37,399	40,746	78,145
Service guarantees	80,277	79,192	159,469
Total guarantees	117,676	119,938	237,614
Unsecured letters of credit	327	0	327
Approved and undrawn loans	90,526	8,802	99,328
Approved and undrawn overdrafts	154,549	0	154,549
Total commitments and contingent liabilities	245,075	8,802	253,877
Derivatives	128,504	0	128,504
Total	491,582	128,740	620,322

	31.12.2013		
	Current	Non-current	Total
Financial guarantees	39,391	36,888	76,279
Service guarantees	89,808	84,904	174,712
Total guarantees	129,199	121,792	250,991
Unsecured letters of credit	293	0	293
Approved and undrawn loans	68,093	870	68,963
Approved and undrawn overdrafts	157,640	0	157,640
Total commitments and contingent liabilities	225,733	870	226,603
Derivatives	112,213	40,000	152,213
Total	467,438	162,662	630,100

32 Related party transactions

32.1 Statement of financial position and off-balance sheet items

	Subsidiaries		Associates	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Assets				
Loans and advances given (gross amount)	207,562	323,994	1	1
– loans and advances to banks	41,810	76,283	0	0
– loans and advances to customers	165,736	247,661	1	1
– other financial assets	16	50	0	0
Investment in securities	51,356	56,752	2,237	2,237
– equity instruments	51,356	55,064	2,237	2,237
– debt securities	0	1,688	0	0
Other claims	135	165	0	0
Liabilities				
Deposits and loans received	7,572	53,924	1,729	1,748
– deposits and loans from banks	1,612	48,208	0	0
– deposits and loans from customers	4,901	4,616	1,729	1,748
– other financial liabilities	1,059	1,100	0	0
Securities issued	8,228	8,279	0	0
– debt securities	8,228	8,279	0	0
Subordinated liabilities	0	100	0	0
Other liabilities	0	1	0	0
Off-balance sheet items	4,660	4,063	3	4

	Key management personnel		Other related persons	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Assets				
Loans and advances given (gross amount)	323	297	316	4,621
– loans and advances to customers	323	297	316	4,621
Investment in securities	0	0	383	348
– equity instruments	0	0	383	348
Liabilities				
Deposits and loans received	417	474	1,177	164
– deposits and loans from customers	411	474	1,140	46
– other financial liabilities	6	0	37	118
Other liabilities	3	0	0	0
Off-balance sheet items	70	69	124	132

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

Other related persons are members of the immediate family of the Bank's key management personnel, and entities whose owners or members of the key management personnel are members of the Bank's key management personnel or their immediate family.

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

32.2 Income statement

	Subsidiaries		Associates	
	9M 2014	9M 2013	9M 2014	9M 2013
Net interest income	7,421	9,852	(67)	(67)
Dividend income	583	526	0	0
Net fee and commission income	484	727	4	7
Costs of services	(49)	(86)	0	0
Impairment of loans	16,161	2,235	0	0
Provisions	231	266	0	0
Impairment of investments	(20,231)	(4,155)	0	0
Write-offs	0	0	0	0
Total	4,600	9,365	(63)	(60)

	Key management personnel		Other related persons	
	9M 2014	9M 2013	9M 2014	9M 2013
Net interest income	(2)	(11)	284	556
Net fee and commission income	0	0	4	35
Costs of services	(210)	(185)	(1,216)	(1,036)
Impairment of loans	0	0	232	36
Provisions	0	0	0	0
Write-offs	0	0	0	0
Total	(212)	(196)	(696)	(409)

32.3 Loans and guarantees given

	Management Board members		Supervisory Board members		Other Bank employees on individual contracts	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Loans	74	6	33	47	1,401	1,422
Average interest rate on loans (%)	4.60	8.48	3.61	3.66	3.27	3.43
Repayments	2	0	6	12	147	267

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

Exposure to:	30.09.2014	31.12.2013
Bank of Slovenia	114,165	293,717
– settlement account	110,279	289,938
– other	3,886	3,779
Republic of Slovenia	1,112,701	1,155,415
– bonds	421,423	504,918
– other securities	284,836	263,594
– loans	23,217	0
– loans guaranteed by the Republic of Slovenia	380,449	385,587
– other	1,875	415
State-owned institutions	552,532	543,943
– loans	324,120	346,021
– securities	115,578	101,117
– commitments and contingent liabilities	101,040	83,302
– other	11,794	13,503
Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions	1,779,398	1,993,075
Share in total assets (%)	49.26	50.97
Off-balance sheet items covered by collateral provided by the Bank of Slovenia or the Republic of Slovenia	901	901
Total assets	3,611,868	3,909,983

34 Remuneration

	9M 2014	9M 2013
Management Board members	224	207
Aleš Hauc	102	104
Igor Žibrik	101	103
Robert Senica	21	0
Supervisory Board members	98	141
Members of Supervisory Board committees	51	61
Other Bank employees on individual contracts	2,188	2,696
Total	2,561	3,105

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

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

Remuneration paid to other Bank employees working on individual contracts comprises: salary, pay for annual leave, bonuses, the payment of supplementary pension insurance premiums, and other remuneration under employment contracts (severance benefits paid to employees who are made redundant for business reasons, severance benefits paid upon retirement, compensation for a non-competition clause, and some other remuneration under employment contracts).

The total amount paid in the first nine months of 2014 to Aleš Hauc, President of the Management Board, and Igor Žibrik, Management Board Member, for meeting attendances, reimbursement of costs, and bonuses in respect of their work on supervisory boards of subsidiaries and the associated company of the Group was €35,000 and €38,000, respectively.

35 Events after the statement of financial position date

Liquidation proceedings against KBM Fineko were completed in October 2014.