

4/4

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

JANUARY – DECEMBER 2014



FEBRUARY 2015



Nova KBM
READY FOR TOMORROW

Corporate governance bodies as of 31 December 2014

Management Board of Nova KBM

Aleš Hauc	President
Robert Senica	Member
Sabina Župec Kranjc	Member

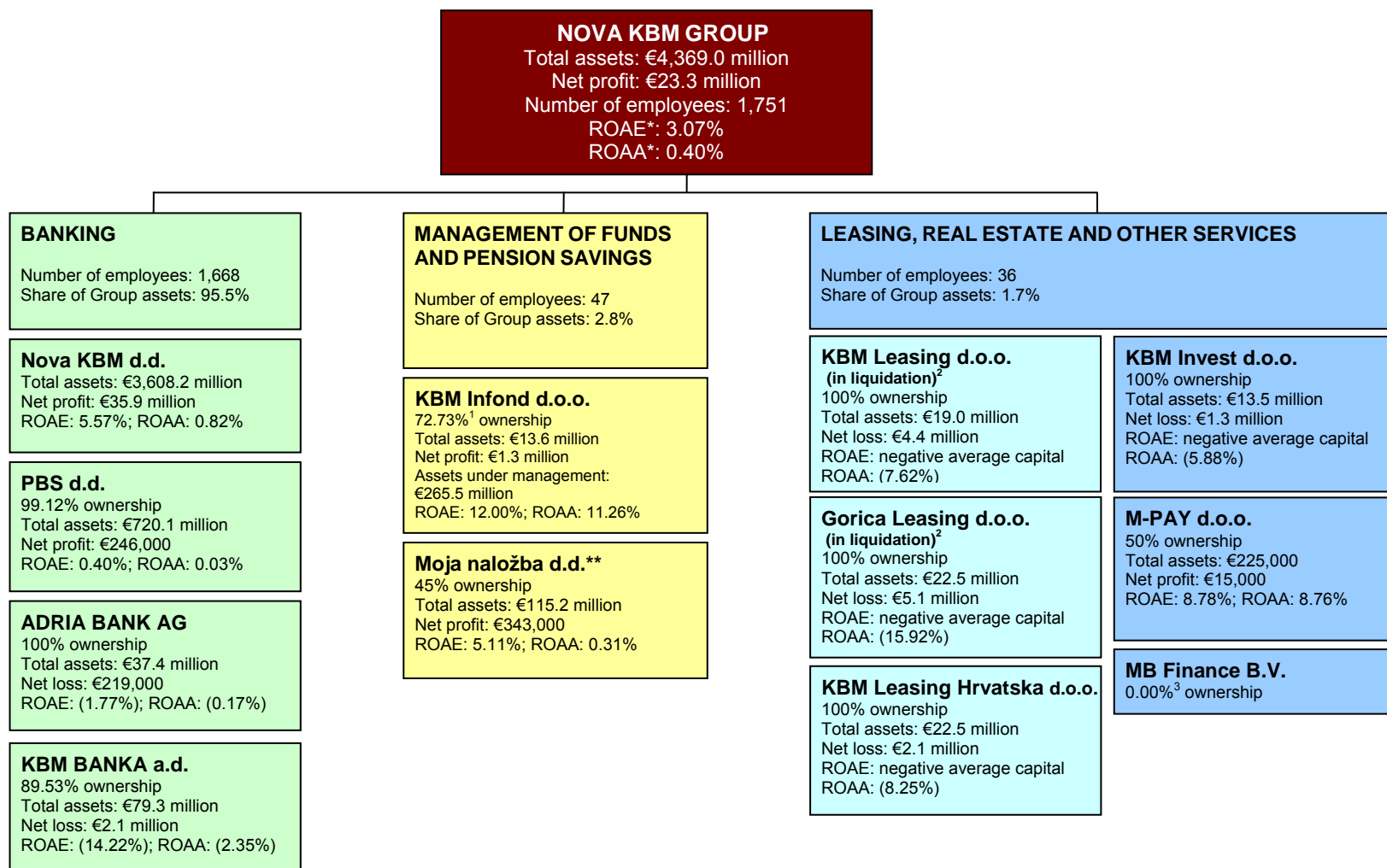
Executive Directors of Nova KBM

Aleksander Batič
Jernej Močnik
Peter Kupljen
Vlasta Brečko

Supervisory Board of Nova KBM

Peter Kukovica	Chair
Niko Samec	Deputy Chair
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 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%.

² The company filed for liquidation on 31 December 2014.

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.

Contents

KEY PERFORMANCE INDICATORS OF THE NOVA KBM GROUP AND NOVA KBM	5
PROFILE OF THE NOVA KBM GROUP AND NOVA KBM	6
SHAREHOLDER STRUCTURE OF NOVA KBM AND INFORMATION ON SHARES	7
ANALYSIS OF PERFORMANCE OF THE NOVA KBM GROUP	8
Operating results of the Nova KBM Group	8
Financial position of the Nova KBM Group	9
FINANCIAL STATEMENTS OF THE NOVA KBM GROUP AND NOVA KBM	10
Income statement	10
Statement of financial position	11

The data included in this report are unaudited and may be different from those 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

	Nova KBM Group			Nova KBM		
	2014	2013	Index	2014	2013	Index
Statement of financial position (€000)	31.12.	31.12.		31.12.	31.12.	
Total assets	4,369,010	4,810,793	91	3,608,215	3,909,983	92
Total deposits from the non-banking sector	3,076,875	3,079,299	100	2,466,097	2,364,102	104
Total loans and advances to the non-banking sector	1,920,875	2,231,765	86	1,593,294	1,826,371	87
Total equity	616,357	560,028	110	580,347	517,712	112
Statement of income (€000)	12M 2014	12M 2013		12M 2014	12M 2013	
Net interest income	110,726	78,683	141	93,591	60,628	154
Net fee and commission income	55,959	59,287	94	42,122	41,755	101
Net gains from trading in securities and foreign exchange	21,134	63,059	34	15,541	62,523	25
Other income/(loss) (including net gains or losses from discontinued operations)	(21,097)	(12,865)	164	52	(12,413)	
Operating costs	(103,608)	(121,475)	85	(74,045)	(83,030)	89
Impairment losses and provisions	(44,514)	(725,269)	6	(46,430)	(702,957)	7
Profit/(loss) before tax from continuing and discontinued operations	18,600	(658,580)		30,831	(633,494)	
Net profit/(loss) for the financial year	23,281	(684,908)		35,916	(656,500)	
Ratios (%)	31.12.	31.12.		31.12.	31.12.	
Interest margin	2.38	1.52		2.48	1.44	
Total capital adequacy ratio	23.30	18.13		25.79	20.49	
Tier I capital ratio	23.30	18.06		25.79	20.45	
Common Equity Tier I capital ratio	23.30	18.06		25.79	20.45	
ROAA before tax	0.40	(12.74)		0.82	(15.03)	
ROAE before tax	3.07	(221.22)		5.57	(249.42)	
Operating costs/Average total assets	2.23	2.35		1.96	1.97	
Cost/Income (CIR)	62.14	64.56		48.94	54.45	
Net loans and advances to customers/Deposits from customers (net LTD)	62.43	72.48		64.61	77.25	
Ratings (long-term)				31.12.	31.12.	
				Caa1 (Moody's)	Caa2 (Moody's)	
				BB- (Fitch)	BB- (Fitch)	

Profile of the Nova KBM Group and Nova KBM

Nova KBM (hereafter also referred to as the 'Bank') is the parent company of the Nova KBM Group (hereafter also referred to as the 'Group') which, as of 31 December 2014, comprised the parent company, 10 subsidiary companies, and an associated company.

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

Nova KBM is obliged to prepare consolidated financial statements.

Composition of the Nova KBM Group, including the associated company, as of 31 December 2014

Company	Position in the Group	Group's voting rights in the company (%)
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 Infond d.o.o.	subsidiary company	72.73 ¹
KBM Leasing d.o.o. (in liquidation)	subsidiary company	100.00 ²
KBM Invest d.o.o.	subsidiary company	100.00
Gorica Leasing d.o.o. (in liquidation)	subsidiary company	100.00 ²
M-Pay d.o.o.	subsidiary company	50.00
KBM Leasing Hrvatska d.o.o.	subsidiary company	100.00
Maribor 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 recapitalised KBM Leasing Hrvatska with €7,485,000.

Liquidation proceedings against KBM Fineko were completed on 30 September 2014, after which, in December, the company was deleted from the court register.

¹ 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%.

² The company filed for liquidation on 31 December 2014.

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.

Istra Plan, a company 100% owned by KBM Fineko (which is now in liquidation), is not regarded as a business entity, as a result of which only assets of this company, totalling €711,000, have been included in the consolidated financial statements.

Key performance indicators of individual Group companies for the year ended 31 December 2014

COMPANY	Number of employees	Net profit or (loss) (€000)	Total assets (€000)	ROAE before tax (%)	ROAA before tax (%)
Nova KBM d.d.	1,124	35,916	3,608,215	5.57	0.82
Poštna banka Slovenije d.d.	237	246	720,102	0.40	0.03
Adria Bank AG	30	(219)	37,359	(1.77)	(0.17)
KBM Banka a.d.	277	(2,120)	79,292	(14.22)	(2.35)
KBM Infond d.o.o.	33	1,309	13,563	12.00	11.26
KBM Leasing d.o.o. (in liquidation)	9	(4,421)	18,974	*	(7.62)
KBM Invest d.o.o.	8	(1,345)	13,492	*	(5.88)
Gorica Leasing d.o.o. (in liquidation)	11	(5,100)	22,545	*	(15.92)
M-Pay d.o.o.	0	15	225	8.78	8.76
KBM Leasing Hrvatska d.o.o.	8	(2,071)	22,493	*	(8.25)
Moja naložba d.d.	14	343	115,242	5.11	0.31

* Not calculated due to negative average capital.

Shareholder structure of Nova KBM and information on shares

As of 31 December 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			
	31.12.14	31.12.13	31.12.12	31.12.11	31.12.14	31.12.13	31.12.12	31.12.11
Book value per share ⁴ (€)	61.34	56.67	5.37	10.07	58.03	51.77	4.92	9.55
Net earnings/(loss) per share ⁵ (€)	2.19	(63.05)	(5.25)	(2.38)	3.59	(65.65)	(5.20)	(2.42)

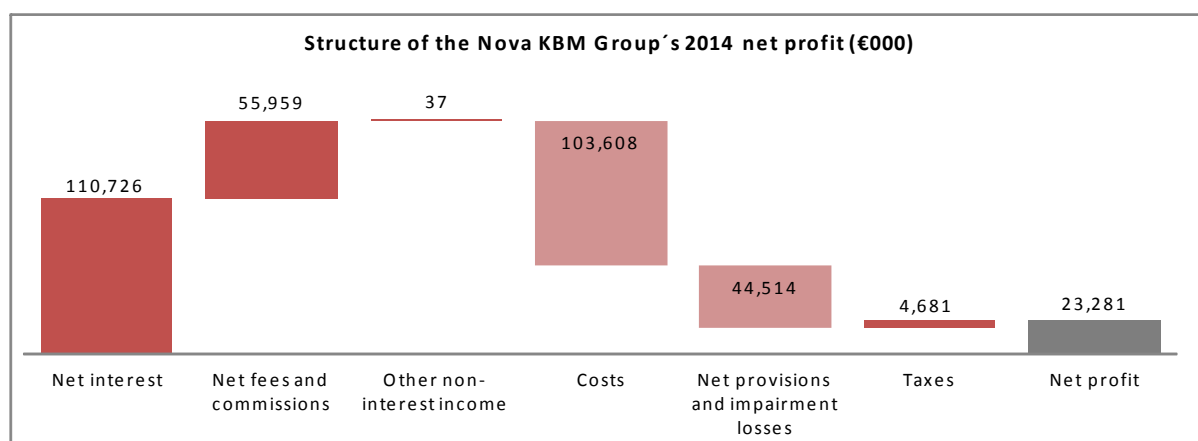
⁴ *Book value per share* on the last day of the reporting period is calculated as the ratio between the Bank's total equity (for the Group: equity attributable to owners of the parent) and the total number of Bank shares outstanding at the end of the reporting period.

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 2014 and 2013 net earnings or loss.

Analysis of performance of the Nova KBM Group

Operating results of the Nova KBM Group

For the year ended 31 December 2014, the Nova KBM Group reported a **net profit** of €23,281,000, compared to a net loss of €684,908,000 incurred a year ago. The total income from continuing and discontinued operations amounted to €166,722,000, down 11.4% on 2013, with most of the income deriving from net interest and net fees and commissions, which totalled €110,726,000 and €55,959,000, respectively. Operating costs declined year-on-year by 14.7% and reached €103,608,000 in 2014. Net provisioning charges set aside by the Group in 2014 totalled €44,514,000, a considerable reduction from 2013 when these charges stood at €725,269,000.



Net interest income earned by the Group in 2014 totalled €110,726,000, up 40.7% on 2013. The year-on-year increase in this category was the result of a 50.7% decline in interest expenses, partially offset by a 10.9% reduction in interest income. Nova KBM saw the largest fall in interest expenses, while a decline in interest income was registered across all segments of the Group.

The 2014 **net fee and commission income** was down 5.6% from 2013. Both fee and commission income, and fee and commission expenses saw a decline last year, with fees earned on payment transactions registering the largest drop.

Other non-interest income⁶ generated by the Group in 2014 totalled €37,000, compared to €50,194,000 reported for 2013. In 2014, the Group incurred a loss after tax of €19,107,000 from discontinued operations resulting from the initiation of the process of directly selling a

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; net gains or losses from non-current assets held for sale and liabilities associated therewith; and net gains or losses after tax from discontinued operations.

subsidiary bank. Other non-interest income earned in 2013 was attributable to the early redemption of hybrid notes by Nova KBM.

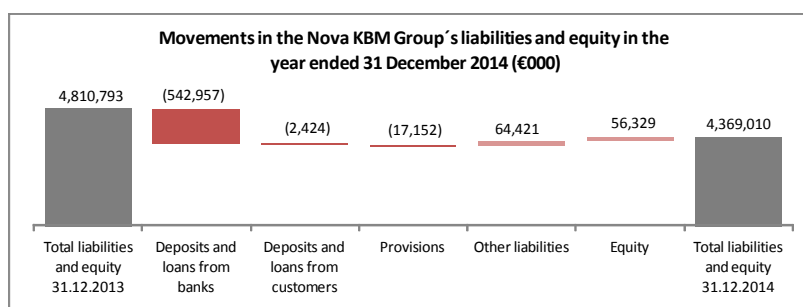
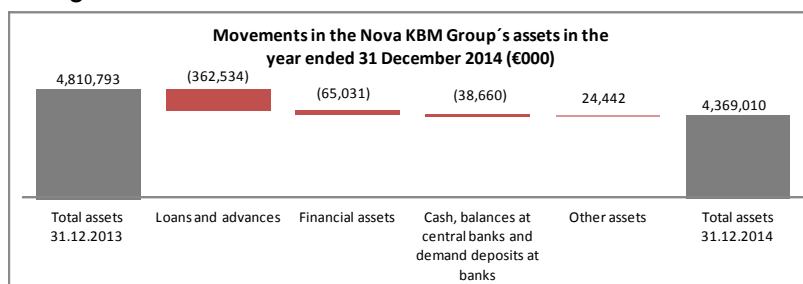
Operating costs (administration costs, including depreciation and amortisation) totalled €103,608,000 in 2014, down 14.7% on 2013, with the largest decline in these costs registered by Nova KBM. As regards the composition of operating costs, staff costs accounted for 48.0% of the total operating costs, followed by general and administrative costs (38.0%), and depreciation and amortisation (14.0%). The Group's cost-to-income ratio (CIR) stood at 62.14% at the end of 2014.

Net provisioning charges set aside by the Group in 2014 totalled €44,514,000, compared to €725,269,000 reported for 2013, with loan impairment losses of €60,011,000 recognised last year being partially offset by the release of provisions of €15,497,000, which had been created mainly for off-balance sheet liabilities and for restructuring costs.

Financial position of the Nova KBM Group

As of 31 December 2014, the Group's **total assets** amounted to €4,369,010,000, down 9.2%, or €441,783,000, on the 2013 year-end figure. The decline in total assets was in line with the requirements of the European Commission.

The year-on-year decline in total assets was mainly the result of a €310,890,000 drop in net loans outstanding to the non-banking sector, but also due to a decrease of €58,357,000 in the balance of available-for-sale and held-to-maturity financial assets. This decline was partially offset by an increase of €53,405,000 in the balance of non-current assets held for sale and discontinued operations resulting from the initiation of the process of directly selling a subsidiary bank. On the liabilities side of the statement of financial position, we saw a decline in the balance of liabilities to banks, which was attributable mainly to scheduled and early repayments of funds raised in the past.



At the end of 2014, the Group's **total equity** amounted to €616,357,000, up 10.1% on the 2013 year-end figure, with its **total capital adequacy ratio** standing at 23.30%.

A year-on-year decline in net loans outstanding to the non-banking sector, coupled with a broadly unchanged level of customer deposits, caused the Group's net loan-to-deposit ratio (**net LTD ratio**) to contract by 10.05 percentage points, to 62.43% at the end of 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.

Financial statements of the Nova KBM Group and Nova KBM

Income statement

ITEM DESCRIPTION	Nova KBM Group		Nova KBM	
	12M 2014	12M 2013	12M 2014	12M 2013
Interest income	161,255	181,082	136,738	145,907
Interest expenses	(50,529)	(102,399)	(43,147)	(85,279)
Net interest income	110,726	78,683	93,591	60,628
Dividend income	1,046	1,387	1,415	1,811
Fee and commission income	85,443	92,331	46,163	46,179
Fee and commission expenses	(29,484)	(33,044)	(4,041)	(4,424)
Net fee and commission income	55,959	59,287	42,122	41,755
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	15,100	63,430	10,203	64,033
Net gains/(losses) on financial assets and liabilities held for trading	(896)	2,532	(1,618)	1,062
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	5,718	(1,229)	5,718	(1,229)
Net exchange rate differences	1,212	(1,674)	1,238	(1,343)
Net gains on derecognition of assets other than those held for sale	161	544	3,697	85
Other net operating (loss)	(3,009)	(13,720)	(5,083)	(14,676)
Administration costs	(89,146)	(105,021)	(63,179)	(71,242)
Depreciation and amortisation	(14,462)	(16,454)	(10,866)	(11,788)
Provisions	15,497	(54,637)	8,460	(43,298)
Impairment losses	(60,011)	(670,632)	(54,890)	(659,659)
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	154	(174)	0	0
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	(85)	(902)	23	367
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	37,964	(658,580)	30,831	(633,494)
Tax expense/(income) related to profit or loss from continuing operations	4,424	(26,328)	5,085	(23,006)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	42,388	(684,908)	35,916	(656,500)
Net (loss) after tax from discontinued operations	(19,107)	0	0	0
NET PROFIT/(LOSS) FOR THE FINANCIAL YEAR	23,281	(684,908)	35,916	(656,500)
a) Attributable to owners of the parent	21,898	(630,456)	35,916	(656,500)
– continuing operations	39,458	(630,456)	35,916	(656,500)
– discontinued operations	(17,560)	0	0	0
b) Attributable to non-controlling interests	1,383	(54,452)	0	0
– continuing operations	2,930	(54,452)	0	0
– discontinued operations	(1,547)	0	0	0
Basic earnings/(loss) per share (€)	2.19	(63.05)	3.59	(65.65)
Diluted earnings/(loss) per share (€)	2.19	(63.05)	3.59	(65.65)

Statement of financial position

ITEM DESCRIPTION	Nova KBM Group		Nova KBM	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Cash, cash balances at central banks and other demand deposits at banks	422,264	460,924	335,417	352,176
Financial assets held for trading	1,841	1,786	187	612
Financial assets designated at fair value through profit or loss	17,857	24,586	17,857	24,586
Available-for-sale financial assets	1,482,120	1,466,864	1,275,213	1,210,799
Loans and advances	1,991,342	2,353,876	1,664,347	1,971,478
– loans and advances to banks	50,124	104,228	59,299	133,948
– loans and advances to customers	1,920,875	2,231,765	1,593,294	1,826,371
– other financial assets	20,343	17,883	11,754	11,159
Held-to-maturity financial assets	206,540	280,153	89,950	192,437
Non-current assets and disposal groups classified as held for sale and discontinued operations	61,273	7,868	865	780
Property, plant and equipment	61,431	73,677	52,570	58,010
Investment property	36,759	38,426	29,188	2,339
Intangible assets	25,483	32,863	14,335	18,329
Investments in the equity of associates and joint ventures accounted for using the equity method	3,164	2,957	96,764	54,139
Tax assets	12,984	11,699	12,291	10,290
– current tax assets	258	960	2	2
– deferred tax assets	12,726	10,739	12,289	10,288
Other assets	45,952	55,114	19,231	14,008
TOTAL ASSETS	4,369,010	4,810,793	3,608,215	3,909,983
Financial liabilities held for trading	1,229	1,422	1,170	976
Financial liabilities measured at amortised cost	3,585,893	4,133,833	2,935,277	3,295,465
– deposits from banks and central banks	20,875	60,271	11,780	51,982
– deposits from customers	3,074,146	3,074,748	2,463,368	2,359,553
– loans from banks and central banks	394,213	897,774	363,552	783,912
– loans from customers	2,729	4,551	2,729	4,549
– debt securities	59,129	60,973	67,452	69,284
– subordinated liabilities	1,250	1,250	0	0
– other financial liabilities	33,551	34,266	26,396	26,185
Liabilities included in disposal groups classified as held for sale and discontinued operations	59,823	0	0	0
Provisions	83,011	100,163	74,605	83,851
Tax liabilities	4,557	96	2,494	0
– current tax liabilities	3,021	88	2,494	0
– deferred tax liabilities	1,536	8	0	0
Other liabilities	18,140	15,251	14,322	11,979
TOTAL LIABILITIES	3,752,653	4,250,765	3,027,868	3,392,271
Share capital	150,000	150,000	150,000	150,000
Share premium	360,572	360,572	360,572	360,572
Accumulated other comprehensive income	42,841	8,981	33,859	7,140
Translation reserves	(3,208)	(2,486)	0	0
Reserves from profit	27,895	663	27,389	0
Retained earnings (including net profit for the reporting period)	35,338	48,937	8,527	0
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	613,438	566,667	580,347	517,712
Non-controlling interests	2,919	(6,639)	0	0
TOTAL EQUITY	616,357	560,028	580,347	517,712
TOTAL LIABILITIES AND EQUITY	4,369,010	4,810,793	3,608,215	3,909,983

Financial calendar of Nova KBM d.d. for 2015

All announcements will be available through the electronic dissemination system of the Ljubljana Stock Exchange (www.ljse.si) and on the Nova KBM website (www.nkbm.si).

Type of publication or event	Anticipated date of publication or event
The 2014 audited Annual Report of the Nova KBM Group and Nova KBM d.d.	Thursday, 2 April 2015
Statement of compliance with the Corporate Governance Code	Thursday, 2 April 2015
Preliminary information on the results of Nova KBM d.d. for the period January – March 2015	Tuesday, 28 April 2015
Notice of the 27th regular Shareholders´ Meeting of Nova KBM d.d.	Friday, 8 May 2015
Unaudited report on the operations of the Nova KBM Group and Nova KBM d.d. for the period January – March 2015	Friday, 29 May 2015
The 27th regular Shareholders´ Meeting of Nova KBM d.d.	Tuesday, 9 June 2015
Decisions adopted at the 27th regular Shareholders´ Meeting of Nova KBM d.d.	Wednesday, 10 June 2015
Preliminary information on the results of Nova KBM d.d. for the period January – June 2015	Friday, 31 July 2015
Unaudited report on the operations of the Nova KBM Group and Nova KBM d.d. for the period January – June 2015	Friday, 28 August 2015
Preliminary information on the results of Nova KBM d.d. for the period January – September 2015	Friday, 30 October 2015
Unaudited report on the operations of the Nova KBM Group and Nova KBM d.d. for the period January – September 2015	Monday, 30 November 2015
The 2016 Business Plan of the Nova KBM Group and Nova KBM d.d.	Tuesday, 22 December 2015

The dates specified above are indicative only and are subject to change. Any changes in dates will be posted on the Nova KBM website.

Nova KBM d.d., February 2015