

1/2

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



FOR THE PERIOD
JANUARY – JUNE 2017

AUGUST 2017

Corporate governance bodies of Nova KBM as of 30 June 2017

Management Board of Nova KBM

John Michael Denhof	President (CEO)
Robert Senica	Deputy President (Deputy CEO)
Sabina Župec Kranjc	Member (CFO)
Jonathan Charles Locke	Member (CRO)
Josef Gröblacher	Member (COO)

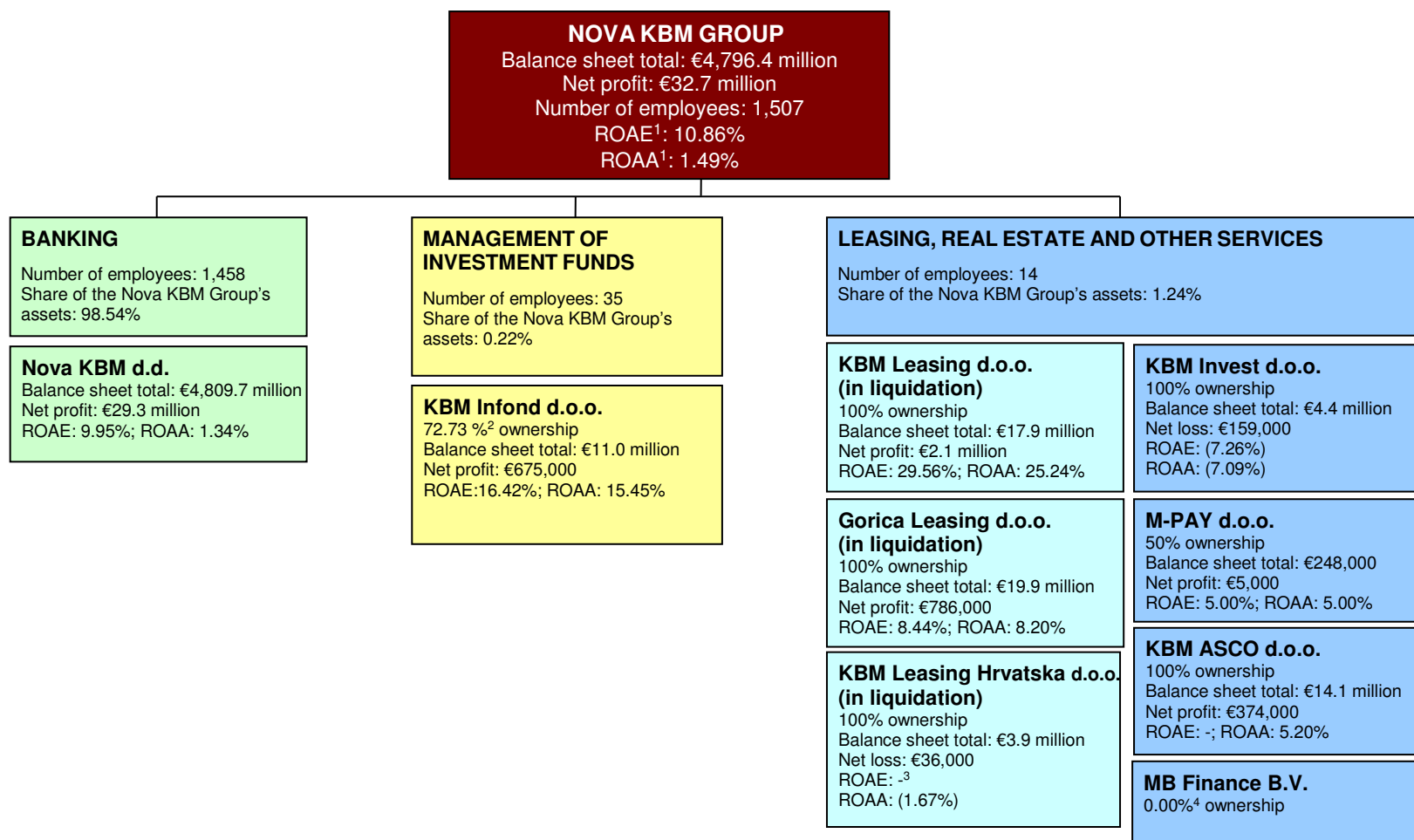
Authorised representatives of Nova KBM

Emin Sözer
Staša Popović

Supervisory Board of Nova KBM

Andrej Fatur	Chair
Manfred Puffer	Deputy Chair
Michele Rabà	Member
Gernot Wilhelm Friedrich Löhr	Member
Andrea Moneta	Member
Alexander Saveliev	Member

Name of the parent bank:	Nova Kreditna banka Maribor d.d.
Short name of the parent bank:	Nova KBM d.d. (Nova KBM Plc)
Registered office:	Ulica Vita Kraigherja 4, 2000 Maribor
BIC (SWIFT):	KBMASI2X
Reuters Dealing Code:	KBMS
IBAN:	SI56 0100 0000 0400 014
Account No.:	01000-0000400014
Registration No.:	5860580
Entry No. in the register of companies kept by the Maribor District Court:	062/10924200
VAT ID No.:	SI94314527
Share capital:	€150,000,000



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

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

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

⁴ In accordance with IFRS 10, MB Finance is regarded as a special purpose vehicle controlled by Nova KBM. Nova KBM has neither voting rights nor an equity stake in this entity.

Contents

INTERIM REPORT OF THE NOVA KBM GROUP JANUARY – JUNE 2017

KEY PERFORMANCE INDICATORS OF THE NOVA KBM GROUP AND NOVA KBM	5
SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2017	6
CHANGES IN THE SUPERVISORY BOARD OF NOVA KBM.....	8
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES	8
PROFILE OF THE NOVA KBM GROUP AND NOVA KBM	9
SHAREHOLDER STRUCTURE OF NOVA KBM AND INFORMATION ABOUT ITS SHARES	10
OPERATING RESULTS OF THE NOVA KBM GROUP	11
FINANCIAL POSITION OF THE NOVA KBM GROUP	12
INTERIM FINANCIAL REPORT OF THE NOVA KBM GROUP AND NOVA KBM.....	14
Interim Income Statement.....	16
Interim Statement of Other Comprehensive Income	19
Interim Statement of Financial Position	22
Interim Statement of Cash Flows	23
Interim Statement of Changes in Equity.....	25
Notes to the financial statements	27

Key performance indicators of the Nova KBM Group and Nova KBM

	Nova KBM Group			Nova KBM		
	2017	2016	Ind.	2017	2016	Ind.
Statement of financial position (€000)	30.6.	31.12.		30.6.	31.12.	
Balance sheet total	4,796,376	4,823,450	99	4,809,715	4,831,767	100
Customer deposits	3,565,586	3,626,247	98	3,595,503	3,650,858	98
Loans and advances to customers	1,959,674	1,963,849	100	1,948,336	1,948,737	100
Total equity	678,423	683,361	99	662,622	670,581	99
Income statement (€000)*	1.1. – 30.6.	1.1. – 30.6.		1.1. – 30.6.	1.1. – 30.6.	
Net interest income	39,493	47,530	83	38,978	46,658	84
Net non-interest income (including profit or loss before tax from discontinued operations)	30,741	27,925	110	28,401	30,416	93
- of which net fees and commissions	22,874	23,628	97	20,389	21,414	95
Operating costs	(55,365)	(47,704)	116	(52,254)	(44,107)	118
Impairments and provisions	20,569	344	-	16,730	2,035	-
Profit before tax from continuing and discontinued operations	35,438	28,095	126	31,855	35,002	91
Net profit for the reporting period	32,676	29,331	111	29,291	36,359	81
Ratios (%)	30.6.	31.12.		30.6.	31.12.	
Interest margin	1.66	2.04		1.64	2.01	
Total capital adequacy	24.45	23.98		23.94	23.26	
Tier 1 capital adequacy	24.45	23.98		23.94	23.26	
CET1 capital adequacy	24.45	23.98		23.94	23.26	
ROAA before tax	1.49	0.59		1.34	0.64	
ROAE before tax	10.86	3.98		9.95	4.41	
Operating costs/Average total assets	2.33	2.42		2.20	2.27	
Operating costs/Income (CIR)	78.83	74.67		77.55	70.18	
Net customer loans/Customer deposits (LTD)	54.96	54.16		54.19	53.38	
Ratings (long-term)				30.6.	31.12.	
				Ba2	B2	
				(Moody's)	(Moody's)	
				BB (Fitch)	BB- (Fitch)	

* In the report the results of the Nova KBM Group and Nova KBM for the first half of 2016 have not been restated to include the results of KBS banka, which Nova KBM acquired at the beginning of 2017. The results of Nova KBM for the first half of 2016 do include the results of PBS, an ex-subsidiary bank of Nova KBM that ceased to exist as an independent legal entity after being integrated into the latter in 2016.

Significant events during the first half of 2017

January

- On 1 January, after they had received the relevant approvals from the European Central Bank (ECB), Josef Gröblacher and Jonathan Charles Locke took up the roles of members of the Nova KBM Management Board, with the first acting as Chief Operating Officer (COO) and the latter as Chief Risk Officer (CRO).
- On 3 January, the District Court of Maribor issued a decision on entering into the court register the merger by acquisition of KBS banka by Nova KBM, based upon which the merger between the two banks became legally effective. Consequently, KBS banka ceased to exist as an independent legal entity, and all its obligations and rights were transferred to Nova KBM, its legal successor.
- On 9 January, based on the consent of the Slovene Securities Market Agency (ATVP) received on 23 December 2016, KBM Infond launched Infond 2040, a target-date sub-fund aimed at investors who are either saving for a long-term financial goal or do not intend to withdraw their funds before the year 2040.
- On 31 January, Adria Abwicklungs, an ex-subsiidiary of Nova KBM, was deleted from the court register after the liquidation proceedings against the company had been brought to an end.

February

- At the General Meeting of holders of Nova KBM's KBM10 bonds, held on 17 February, a resolution was passed to delist these bonds from the unregulated (third) market segment of the Vienna Stock Exchange.

March

- On 1 March, after he had received the relevant approval from the ECB, John Michael Denhof took up the role of President of the Nova KBM Management Board (CEO), replacing Robert Senica, who was appointed as the Deputy President of the Management Board (Deputy CEO) on the same day.
- On 10 March, based on the consent of the Nova KBM Supervisory Board, the Nova KBM Management Board signed an agreement with Biser Bidco S.à r.l (Biser Bidco), pursuant to which all rights and obligations of Biser Bidco under the sale and purchase agreement (SPA) relating to the acquisition of the entire share capital of

Summit Leasing Slovenija d.o.o. were transferred to Nova KBM. The SPA was signed on 3 March 2017 between Biser Bidco (as the buyer) and Sumitomo Corporation and Sumitomo Corporation Europe Limited (as the sellers). The closing of the Summit Leasing Slovenija d.o.o. acquisition process is subject to regulatory / ECB approval.

- At the 32nd Shareholders' Meeting of Nova KBM, held on 27 March, the sole shareholder of Nova KBM considered the Nova KBM Group's Internal Audit Report for 2016 and the 2016 Annual Report of the Nova KBM Group and Nova KBM. In addition, the shareholder passed a resolution on the appropriation of the distributable profit of Nova KBM, granted a discharge to the Management and Supervisory Boards of Nova KBM for their work in 2016, and considered the report on remuneration provided to members of the Nova KBM governance bodies in 2016.

April

- Nova KBM and the Nova KBM Group adopted their vision and development strategy for the period 2017 – 2020. The vision of Nova KBM is to become the best bank for customers in Slovenia by 2020, primarily by focusing on the following five strategic pillars: excellence in customer service; sustainable growth and profitability; effective risk management and strict compliance with the applicable regulations; operational efficiency; and a proper organisational culture and concern for the development of employees.

May

- On 5 May, Fitch Ratings upgraded Nova KBM's Long-Term Issuer Default Rating to 'BB' from 'BB-'.
▪ In accordance with the Nova KBM Group's restructuring strategy, the Nova KBM Management Board decided to begin the process of winding up KBM Invest, a Nova KBM subsidiary engaged in real estate business, by way of a simplified procedure without liquidation.

June

- On 21 June, Moody's Investors Service upgraded Nova KBM's Long-Term Deposit Rating to 'Ba2' from 'B2', while at the same time raising its Baseline Credit Assessment (BCA) and the Adjusted BCA to 'ba3' from 'b3'.
▪ The Nova KBM Management Board decided to reduce the number of members of the Supervisory Board of KBM Leasing Hrvatska, a Nova KBM subsidiary undergoing liquidation. This decision was taken as a result of the reorganisation of Nova KBM and in order to optimise the operations of the company until its liquidation process is completed.

Changes in the Supervisory Board of Nova KBM

There were no changes in the composition of the Nova KBM Supervisory Board in the first half of 2017.

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 Nova KBM and other companies included in the consolidation as a whole, and
- the interim business report, which has been drawn up in accordance with the relevant accounting standard, provides a fair view of significant transactions with related persons.

Maribor, 23 August 2017

Management Board of Nova KBM d.d.

Josef Gröblacher



Member

Jonathan Charles
Locke



Member

Sabina Župec
Kranjc



Member

Robert Senica



Deputy President

John Michael
Denhof



President

Profile of the Nova KBM Group and Nova KBM

Nova KBM d.d. (herein also referred to as 'Nova KBM') is the parent company of the Nova KBM Group which, as of 30 June 2017, comprised the parent company and eight subsidiary companies. Nova KBM is a commercial bank with a tradition of understanding and supporting its retail and corporate customers to whom it provides standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2000 Maribor, Republic of Slovenia.

Nova KBM is obliged to prepare consolidated financial statements.

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

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

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

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

Key performance indicators of individual Nova KBM Group companies for the six-month period ending 30 June 2017

COMPANY	Number of employees 30.6.2017	Net profit/(loss) (€000)	Balance sheet total (€000)	ROAE before tax (%)	ROAA before tax (%)
Nova KBM d.d.	1,458	29,291	4,809,715	9.95	1.34
KBM Infond d.o.o.	35	675	10,950	16.42	15.45
KBM Invest d.o.o.	8	(159)	4,390	(7.26)	(7.09)
KBM Leasing d.o.o. (in liquidation)	2	2,063	17,856	29.56	25.24
Gorica Leasing d.o.o. (in liquidation)	2	786	19,854	8.44	8.20
KBM Leasing Hrvatska d.o.o. (in liquidation)	2	(36)	3,905	*	(1.67)
KBM ASCO d.o.o.	0	374	14,081	-	5.20
M-PAY d.o.o.	0	5	248	5.00	5.00

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

Shareholder structure of Nova KBM and information about its shares

As of 30 June 2017, the share capital of Nova KBM totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares, all of which were held by Biser Bidco S.à r.l., 5 rue Guillaume Kroll, L-1882 Luxembourg. Nova KBM shares, with the ticker symbol KBMS, are not quoted on a regulated stock market.

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

Information about Nova KBM shares

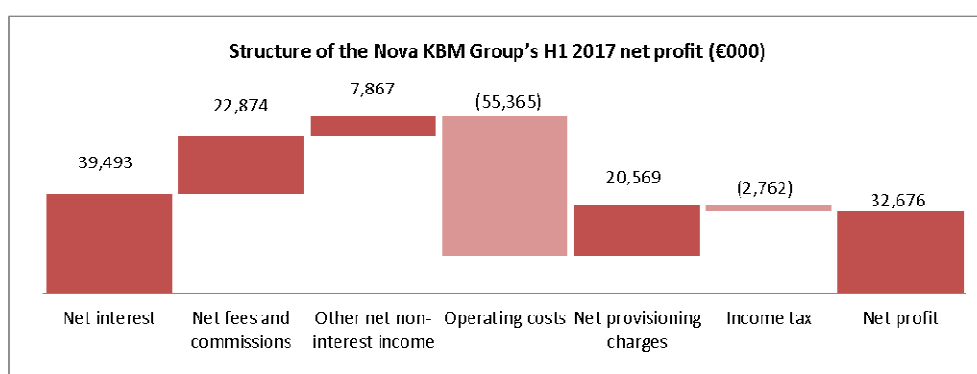
	Nova KBM Group				Nova KBM			
	30.6.17	31.12.16	31.12.15	31.12.14	30.6.17	31.12.16	31.12.15	31.12.14
Book value per share ³ (€)	67.55	68.05	62.00	61.34	66.26	67.06	60.67	58.03
Net earnings per share ⁴ (€)	6.50	3.02	1.66	2.19	5.86	3.30	3.44	3.59

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

⁴ Net earnings per share is calculated as the ratio between Nova KBM's annualised net profit (for the Nova KBM Group: net profit attributable to owners of the parent) and the weighted average number of Nova KBM shares outstanding during the year.

Operating results of the Nova KBM Group

For the six-month period ending 30 June 2017, the Nova KBM Group reported a **net profit** of €32,676,000, compared to €29,331,000 reported for the same period last year; the latter figure has not been restated to include the results of KBS banka, which Nova KBM acquired at the beginning of 2017. Total income earned by the Nova KBM Group in the first six months of 2017 amounted to €70,234,000, a decline of 6.9% relative to the same period last year, despite the acquisition of KBS banka. Net interest income reached €39,493,000, while net fee and commission income totalled €22,874,000. The Nova KBM Group's operating costs amounted to €55,365,000, up 16.1% on the same period last year, while its total impairments and provisions declined by €20,569,000 in the first six months of 2017, compared to a net reduction of €344,000 reported for the same period last year.



Net interest income earned by the Nova KBM Group in the first six months of 2017 reached €39,493,000, down €8,037,000, or 16.9%, on the same period last year, with interest income and interest expenses registering a year-on-year decline of 16.5% and 13.2%, respectively. The year-on-year decline in both interest income and interest expenses was attributable mainly to declining average interest rates.

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

Net fee and commission income generated by the Nova KBM Group in the first six months of 2017 totalled €22,874,000, a decline of 3.2% compared with the same period last year, with the year-on-year rate of growth in fee and commission expenses slightly above that of fee and commission income. Expenses related to payment services registered the largest year-on-year growth among fee and commission expenses. The structure of fees and commissions for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

Other non-interest income⁵ was €7,867,000, up from €4,297,000 reported for the same period last year.

The **operating costs** (administration costs, including depreciation and amortisation) incurred by the Nova KBM Group in the first six months of 2017 totalled €55,364,000, up 16.1% on the same period last year. As regards the composition of operating costs, staff costs accounted for 52.7% of the total operating costs, followed by general and administrative costs (37.8%), and depreciation and amortisation (9.5%). The Nova KBM Group's cost-to-income ratio reached 78.83% in the first six months of 2017.

Net impairments and provisions reversed by the Nova KBM Group in the first six months of 2017 amounted to €20,569,000, of which €13,691,000 was attributable to the reversal of impairments and €6,878,000 was attributable to the reversal of provisions. The total amount of impairments and provisions reversed in the first six months of 2016 reached €344,000, with additional impairments of €5,733,000 being more than offset by a reversal of €6,077,000 in provisions.

The structure of impairments and provisions by type of assets for both the Nova KBM Group and Nova KBM is presented in the notes to the financial statements.

The Nova KBM Group expects to end the financial year of 2017 with a profit.

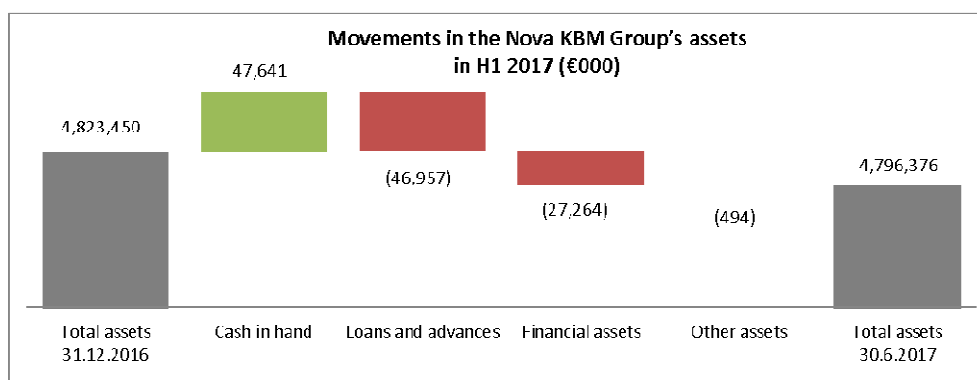
Financial position of the Nova KBM Group

At the end of June 2017, the Nova KBM Group's **balance sheet total** amounted to €4,796,376,000, down 0.6%, or €27,074,000, on the end of 2016.

For comparative purposes - the merger agreement between Nova KBM and KBS banka stipulated 30 June 2016 as the accounting date of the merger. Consequently, the 2016 results of the Nova KBM Group and Nova KBM include the results of KBS banka's operations for the period from 1 July 2016 to 31 December 2016, despite the latter continuing to operate as a standalone bank until the end of 2016. KBS banka ceased to exist as an independent legal entity on 3 January 2017, when the merger by acquisition of KBS banka by Nova KBM was registered with the court.

In the first six months of 2017, the Nova KBM Group saw an increase in the **balance of cash, deposits with the central banks and demand deposits placed with commercial banks**, which was mainly attributable to an increase in the volume of deposits held by Nova KBM with both the central bank and its partner banks, as well as an increase in the balance of cash in hand.

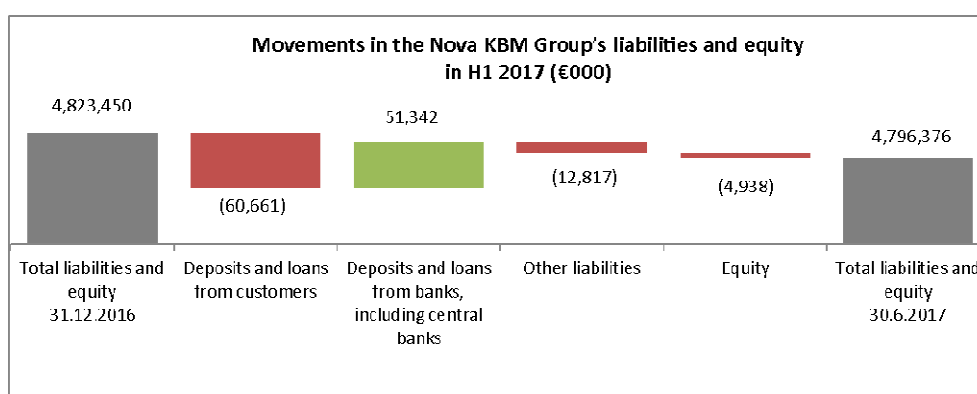
⁵ Other non-interest income includes: dividend income; realised gains or losses on financial assets and liabilities not measured at fair value through profit or loss; net gains or losses on financial assets and liabilities held for trading; gains or losses on financial assets and liabilities designated at fair value through profit or loss; net foreign exchange rate differences; net gains or losses on derecognition of assets other than non-current assets held for sale; other net operating income or loss; and net gains or losses from non-current assets held for sale and the liabilities associated therewith.



The decline in the volume of **loans and advances** in the first six months of 2017 was mostly the result of a reduction in the volume of loans outstanding to banks.

The balance of the Nova KBM Group's **financial assets** saw a decline in the first six months of 2017, with a reduction in the volume of financial assets designated at fair value through profit or loss (debt securities) contributing the most to this decline.

Regarding changes in the level and structure of **customer funds** registered in the first half of 2017, the decline in short- and long-term deposits was partially offset by an increase in demand deposits.



As of 30 June 2017, the Nova KBM Group's **total equity** amounted to €678,423,000, a decline of 0.7% from the end of last year, with its **total capital adequacy ratio** standing at 24.45%. The composition of the Nova KBM Group's and Nova KBM's equity is presented in the notes to the financial statements.

**INTERIM FINANCIAL REPORT OF THE
NOVA KBM GROUP
AND
NOVA KBM D.D.
JANUARY – JUNE 2017**

FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM D.D.

1 Interim Income Statement

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Interest income	8	45,176	54,078	44,661	53,206
Interest expenses	8	(5,683)	(6,548)	(5,683)	(6,548)
Net interest income	8	39,493	47,530	38,978	46,658
Dividend income	9	1,236	557	1,236	557
Fee and commission income	10	37,840	35,649	34,759	32,930
Fee and commission expenses	10	(14,966)	(12,021)	(14,370)	(11,516)
Net fee and commission income	10	22,874	23,628	20,389	21,414
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	11	3,850	5,927	3,824	7,535
Net gains on financial assets and liabilities held for trading	12	810	674	804	667
Net gains on financial assets and liabilities designated at fair value through profit or loss	13	2,336	463	2,336	463
Net (losses) from foreign exchange rate differences	14	(287)	(124)	(592)	(214)
Net gains/(losses) on derecognition of assets	-	(671)	36	(872)	16
Other net operating income/(loss)	-	542	(110)	710	(548)
Administration costs	15	(50,114)	(42,075)	(47,718)	(39,210)
Depreciation and amortisation	-	(5,251)	(5,629)	(4,536)	(4,897)
Provisions	16	6,878	6,077	4,480	5,505
Impairments	17	13,691	(5,733)	12,250	(3,470)
Share of profits of subsidiaries, associates and joint ventures	-	0	0	515	457
Total profit from non-current assets and disposal groups classified as held for sale	-	51	69	51	69
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	-	35,438	31,290	31,855	35,002
Income taxes on continuing operations	18	(2,762)	1,236	(2,564)	1,357
NET PROFIT FROM CONTINUING OPERATIONS	-	32,676	32,526	29,291	36,359
Total (loss) after tax from discontinued operations	-	0	(3,195)	0	0
NET PROFIT FOR THE REPORTING PERIOD	-	32,676	29,331	29,291	36,359
a) Attributable to owners of the parent	-	32,490	29,171	29,291	36,359
– continuing operations	-	32,490	32,366	29,291	36,359
– discontinued operations	-	0	(3,195)	0	0
b) Attributable to non-controlling interests	-	186	160	0	0
– continuing operations	-	186	160	0	0
Basic earnings per share (€)	-	3.25	2.92	2.93	3.64
Diluted earnings per share (€)	-	3.25	2.92	2.93	3.64

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

1.1 Interim Income Statement – presented by quarter

Nova KBM Group							€000
ITEM DESCRIPTION	Q2	2017 Q1	Q4	Q3	Q2	2016 Q1	
Interest income	21,482	23,694	27,976	23,733	27,203	26,875	
Interest expenses	(2,753)	(2,930)	(3,940)	(2,999)	(3,150)	(3,398)	
Net interest income	18,729	20,764	24,036	20,734	24,053	23,477	
Dividend income	1,235	1	1	235	541	16	
Fee and commission income	19,526	18,314	21,233	17,085	18,548	17,101	
Fee and commission expenses	(8,328)	(6,638)	(13,303)	(6,212)	(6,152)	(5,869)	
Net fee and commission income	11,198	11,676	7,930	10,873	12,396	11,232	
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	950	2,900	793	1,873	2,044	3,883	
Net gains/(losses) on financial assets and liabilities held for trading	687	123	(562)	15	362	312	
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	1,101	1,235	2,511	2,517	(785)	1,248	
Net gains/(losses) from foreign exchange rate differences	(461)	174	504	(69)	120	(244)	
Net gains/(losses) on derecognition of assets	(953)	282	(3,034)	7	3	33	
Other net operating income/(loss)	(519)	1,061	2,891	950	(314)	204	
Administration costs	(26,966)	(23,148)	(31,701)	(23,910)	(22,518)	(19,557)	
Depreciation and amortisation	(2,544)	(2,707)	(3,252)	(2,982)	(2,750)	(2,879)	
Provisions	4,503	2,375	(3,220)	1,887	2,964	3,113	
Impairments	13,901	(210)	(9,371)	(141)	(4,491)	(1,242)	
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	28	23	(486)	(453)	11	58	
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	20,889	14,549	(12,960)	11,536	11,636	19,654	
Income taxes on continuing operations	(907)	(1,855)	2,647	(78)	2,491	(1,255)	
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	19,982	12,694	(10,313)	11,458	14,127	18,399	
Total profit/(loss) after tax from discontinued operations	0	0	(1)	0	(3,463)	268	
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	19,982	12,694	(10,314)	11,458	10,664	18,667	
a) Attributable to owners of the parent	19,899	12,591	(10,362)	11,358	10,573	18,598	
– continuing operations	19,899	12,591	(10,361)	11,358	14,036	18,330	
– discontinued operations	0	0	(1)	0	(3,463)	268	
b) Attributable to non-controlling interests	83	103	48	100	91	69	
– continuing operations	83	103	48	100	91	69	
Basic earnings/(loss) per share (€)	1.99	1.26	(1.03)	1.13	1.06	1.86	
Diluted earnings/(loss) per share (€)	1.99	1.26	(1.03)	1.13	1.06	1.86	

						€000
Nova KBM d.d.						
						2017
						2016
ITEM DESCRIPTION	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	21,220	23,441	25,297	25,709	26,733	26,473
Interest expenses	(2,754)	(2,929)	(3,333)	(3,603)	(3,151)	(3,397)
Net interest income	18,466	20,512	21,964	22,106	23,582	23,076
Dividend income	1,235	1	1	235	541	16
Fee and commission income	18,025	16,734	18,261	17,179	17,177	15,753
Fee and commission expenses	(8,020)	(6,350)	(12,915)	(6,054)	(5,910)	(5,606)
Net fee and commission income	10,005	10,384	5,346	11,125	11,267	10,147
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	937	2,887	1,204	1,381	3,335	4,200
Net gains/(losses) on financial assets and liabilities held for trading	698	106	(640)	36	340	327
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	1,101	1,235	2,581	2,447	(785)	1,248
Net gains/(losses) from foreign exchange rate differences	(634)	42	594	(116)	155	(369)
Net gains/(losses) on derecognition of assets	(957)	85	(3,081)	25	(14)	30
Other net operating income/(loss)	(162)	872	3,884	782	(1,008)	460
Administration costs	(25,759)	(21,959)	(26,274)	(26,583)	(21,100)	(18,110)
Depreciation and amortisation	(2,185)	(2,351)	(2,648)	(2,864)	(2,384)	(2,513)
Provisions	2,078	2,402	(4,810)	1,327	2,433	3,072
Impairments	13,207	(957)	(7,697)	(5,320)	(2,530)	(940)
Share of profits of subsidiaries, associates and joint ventures	515	0	0	0	457	0
Total profit/(loss) from non-current assets and disposal groups classified as held for sale	28	23	(485)	(454)	11	58
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	18,573	13,282	(10,061)	4,127	14,300	20,702
Income taxes on continuing operations	(790)	(1,774)	2,579	0	2,558	(1,201)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	17,783	11,508	(7,482)	4,127	16,858	19,501
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	17,783	11,508	(7,482)	4,127	16,858	19,501
Basic earnings/(loss) per share (€)	1.78	1.15	(0.75)	0.41	1.69	1.95
Diluted earnings/(loss) per share (€)	1.78	1.15	(0.75)	0.41	1.69	1.95

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

2 Interim Statement of Other Comprehensive Income

€000

ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
NET PROFIT FOR THE REPORTING PERIOD AFTER TAX	32,676	29,331	29,291	36,359
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	(7,265)	9,063	(7,086)	5,726
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	3	0	0	0
Actuarial gains on defined benefit pension plans	3	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(7,268)	9,063	(7,086)	5,726
(Losses) from foreign currency translation	(192)	(129)	0	0
– translation (losses) taken to equity	(192)	(129)	0	0
Gains/(losses) in respect of available-for-sale financial assets	(8,736)	7,105	(8,748)	7,174
– valuation gains/(losses) taken to equity	(8,681)	9,781	(8,729)	9,753
– (losses) transferred to profit or loss	(55)	(2,676)	(19)	(2,579)
Gains recognised in other comprehensive income in respect of discontinued operations	0	3,195	0	0
Income tax relating to items that may be reclassified subsequently to profit or loss	1,660	(1,108)	1,662	(1,448)
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD AFTER TAX	25,411	38,394	22,205	42,085
a) Attributable to owners of the parent	25,222	38,254	22,205	42,085
b) Attributable to non-controlling interests	189	140	0	0

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

2.1 Interim Statement of Other Comprehensive Income – presented by quarter

Nova KBM Group							€000
ITEM DESCRIPTION	2017						2016
	Q2	Q1	Q4	Q3	Q2	Q1	
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	19,982	12,694	(10,314)	11,458	10,664	18,667	
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	(1,114)	(6,151)	(10,498)	5,314	3,440	5,623	
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	3	0	(434)	0	0	0	
Actuarial gains/(losses) on defined benefit pension plans	3	0	(475)	0	0	0	
Income tax relating to items that will not be reclassified to profit or loss	0	0	41	0	0	0	
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(1,117)	(6,151)	(10,064)	5,314	3,440	5,623	
Gains/(losses) from foreign currency translation	(33)	(159)	49	(9)	(11)	(118)	
– translation gains/(losses) taken to equity	(33)	(159)	49	(9)	(11)	(118)	
Gains/(losses) in respect of available-for-sale financial assets	(1,339)	(7,397)	(11,170)	6,465	33	7,072	
– valuation gains/(losses) taken to equity	(1,284)	(7,397)	(12,229)	7,027	2,709	7,072	
– gains/(losses) transferred to profit or loss	(55)	0	1,059	(562)	(2,676)	0	
Gains/(losses) recognised in other comprehensive income in respect of discontinued operations	0	0	1	0	3,324	(129)	
Income tax relating to items that may be reclassified subsequently to profit or loss	255	1,405	1,056	(1,142)	94	(1,202)	
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	18,868	6,543	(20,812)	16,772	14,104	24,290	
a) Attributable to owners of the parent	18,792	6,430	(20,868)	16,658	13,997	24,257	
– continuing operations	18,792	6,430	(20,868)	16,658	14,136	24,118	
– discontinued operations	0	0	0	0	(139)	139	
b) Attributable to non-controlling interests	76	113	56	114	107	33	
– continuing operations	76	113	56	114	107	33	

€000

Nova KBM d.d.	2017					2016
ITEM DESCRIPTION	Q2	Q1	Q4	Q3	Q2	Q1
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	17,783	11,508	(7,482)	4,127	16,858	19,501
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX	(1,056)	(6,030)	(12,108)	6,809	(278)	6,004
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	0	0	(429)	0	0	0
Actuarial (losses) on defined benefit pension plans	0	0	(470)	0	0	0
Income tax relating to items that will not be reclassified to profit or loss	0	0	41	0	0	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	(1,056)	(6,030)	(11,679)	6,809	(278)	6,004
Gains/(losses) in respect of available-for-sale financial assets	(1,301)	(7,447)	(12,887)	7,745	(60)	7,234
– valuation gains/(losses) taken to equity	(1,282)	(7,447)	(13,257)	7,842	2,519	7,234
– gains/(losses) transferred to profit or loss	(19)	0	370	(97)	(2,579)	0
Income tax relating to items that may be reclassified subsequently to profit or loss	245	1,417	1,208	(936)	(218)	(1,230)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE REPORTING PERIOD AFTER TAX	16,727	5,478	(19,590)	10,936	16,580	25,505

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

3 Interim Statement of Financial Position

€000

ITEM DESCRIPTION	Notes	Nova KBM Group		Nova KBM d.d.	
		30.6.2017	31.12.2016	30.6.2017	31.12.2016
Cash, cash balances at central banks and demand deposits at banks	19	831,556	783,915	830,617	779,469
Financial assets held for trading	20	1,317	1,119	323	232
Financial assets designated at fair value through profit or loss	21	48,583	86,732	48,583	86,732
Available-for-sale financial assets	22	1,596,757	1,584,514	1,594,424	1,582,095
Loans and advances		2,078,101	2,125,058	2,065,668	2,108,509
– loans and advances to banks	23	79,151	118,916	79,102	118,787
– loans and advances to customers	24	1,959,674	1,963,849	1,948,336	1,948,737
– other financial assets	25	39,276	42,293	38,230	40,985
Held-to-maturity financial assets	26	88,660	90,216	88,659	90,216
Non-current assets held for sale and discontinued operations	-	2,956	1,646	2,956	1,646
Property, plant and equipment	-	53,609	57,314	53,382	56,746
Investment property	-	39,768	37,807	32,794	30,459
Intangible assets	-	15,951	18,463	11,121	13,113
Investments in the equity of subsidiaries, associates and joint ventures	-	0	0	50,625	55,476
Tax assets	-	9,639	9,438	9,632	9,396
– current tax assets	-	8	1,109	1	1,067
– deferred tax assets	-	9,631	8,329	9,631	8,329
Other assets	-	29,479	27,228	20,931	17,678
TOTAL ASSETS	-	4,796,376	4,823,450	4,809,715	4,831,767
Financial liabilities held for trading	-	1,740	1,575	1,739	1,575
Financial liabilities measured at amortised cost	27	4,060,242	4,075,892	4,089,986	4,100,131
– deposits from banks and central banks	28	46,583	41,107	46,583	41,107
– deposits from customers	28	3,565,586	3,626,247	3,595,503	3,650,858
– loans from banks and central banks	29	378,954	333,088	378,954	333,088
– debt securities issued	-	8,760	14,376	8,760	14,376
– other financial liabilities	30	60,359	61,074	60,186	60,702
Provisions	31	50,400	59,220	50,381	56,785
Tax liabilities	-	2,515	233	2,213	8
– current tax liabilities	-	2,400	120	2,213	8
– deferred tax liabilities	-	115	113	0	0
Other liabilities	-	3,056	3,169	2,774	2,687
TOTAL LIABILITIES	-	4,117,953	4,140,089	4,147,093	4,161,186
Share capital	32	150,000	150,000	150,000	150,000
Share premium	-	403,302	403,302	403,302	403,302
Accumulated other comprehensive income	33	26,510	33,571	26,115	33,201
Translation reserves	-	(302)	(95)	0	0
Reserves from profit	34	20,545	20,545	20,228	20,228
Retained earnings (including net profit for the reporting period)	-	75,488	73,164	62,977	63,850
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-	675,543	680,487	662,622	670,581
Equity attributable to non-controlling interests	-	2,880	2,874	0	0
TOTAL EQUITY	-	678,423	683,361	662,622	670,581
TOTAL LIABILITIES AND EQUITY	-	4,796,376	4,823,450	4,809,715	4,831,767

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

4 Interim Statement of Cash Flows

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
a)	Total profit before tax	35,438	28,095	31,855	35,002
	Depreciation and amortisation	5,251	5,629	4,536	4,897
	Impairment/(reversal of impairment) of loans and advances	(13,075)	6,890	(12,250)	3,350
	Impairment/(reversal of impairment) of tangible assets, investment property, intangible assets and other assets	(616)	(1,149)	0	120
	Share of (profits) of subsidiaries, associates and joint ventures	0	0	(515)	(457)
	Net losses from foreign exchange rate differences	287	124	592	214
	Net (gains) from the sale of tangible assets and investment property	(47)	(36)	(24)	(16)
	Net losses from the sale of intangible assets	1,005	0	1,005	0
	Other (gains) from investing activities	(1,065)	(1,146)	(1,065)	(1,146)
	Net unrealised (gains) from non-current assets held for sale and discontinued operations and the liabilities associated therewith	(51)	(69)	(51)	(69)
	Other adjustments to total profit or loss before tax	(6,882)	(2,896)	(4,480)	(5,505)
	Cash flows from operating activities before changes in operating assets and liabilities	20,245	35,442	19,603	36,390
b)	Decrease in operating assets (excluding cash equivalents)	44,912	167,157	37,774	140,134
	Net (increase) in financial assets held for trading	(198)	(269)	(91)	(297)
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	38,149	(463)	38,149	(463)
	Net (increase)/decrease in available-for-sale financial assets	(22,444)	131,212	(22,542)	130,911
	Net decrease in loans and advances	30,948	8,531	25,689	11,845
	Net decrease in non-current assets held for sale	0	26,968	0	0
	Net (increase)/decrease in other assets	(1,543)	1,178	(3,431)	(1,862)
c)	Increase/(decrease) in operating liabilities	(11,777)	(51,780)	(5,631)	11,789
	Net increase in financial liabilities held for trading	165	466	164	466
	Net increase/(decrease) in deposits and loans taken, measured at amortised cost	(4,198)	5,113	1,748	11,934
	Net increase/(decrease) in debt securities in issue, measured at amortised cost	(5,616)	64	(5,616)	63
	Net (decrease) in liabilities associated with non-current assets held for sale	0	(56,941)	0	0
	Net (decrease) in other liabilities	(2,128)	(482)	(1,927)	(674)
d)	Cash flows from operating activities (a + b + c)	53,380	150,819	51,746	188,313
e)	Income taxes (paid)/refunded	(354)	1,451	(266)	1,383
f)	Net cash flows from operating activities (d + e)	53,026	152,270	51,480	189,696

€000

Designation	ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
		1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
a)	Receipts from investing activities	4,791	31,825	9,724	93,434
	Receipts from the sale of tangible assets and investment property	1,784	1,206	1,352	872
	Receipts from non-current assets or liabilities held for sale	386	153	386	153
	Receipts from the sale of held-to-maturity financial assets	2,621	30,466	2,621	30,466
	Cash acquired through a business combination	0	0	0	61,486
	Other receipts from investing activities	0	0	5,365	457
b)	Cash payments on investing activities	(4,288)	(11,044)	(4,205)	(20,432)
	(Cash payments to acquire tangible assets and investment property)	(717)	(9,119)	(636)	(935)
	(Cash payments to acquire intangible assets)	(3,571)	(1,645)	(3,569)	(1,617)
	(Cash payments for the investments in the equity of subsidiaries, associates and joint ventures)	0	(280)	0	(17,880)
c)	Net cash flow from investing activities (a + b)	503	20,781	5,519	73,002
C.	CASH FLOWS FROM FINANCING ACTIVITIES				
b)	Cash payments on financing activities	(30,320)	(115)	(30,167)	0
	(Dividends and shares in profits paid)	(30,320)	(115)	(30,167)	0
c)	Net cash flows from financing activities (a + b)	(30,320)	(115)	(30,167)	0
D.	Effects of change in foreign exchange rates on cash and cash equivalents	(1,827)	(1,906)	(1,863)	(1,898)
E.	Net increase/(decrease) in cash and cash equivalents (Af + Bc + Cc)	23,209	172,936	26,832	262,698
F.	Opening balance of cash and cash equivalents	838,835	398,836	834,260	302,382
G.	Closing balance of cash and cash equivalents (D + E + F)	860,217	569,866	859,229	563,182

The statement of cash flows includes cash flows, cash and cash equivalents in respect of discontinued operations. Reconciliation of cash and cash equivalents with the statement of financial position items is presented in Note 19.1.

As of 30 June 2016, the balance of cash and cash equivalents amounted to €569,866,000 and was made up of cash in hand, balances with the central bank and demand deposits placed with banks, in the amount of €515,221,000, and loans and advances to banks with an original maturity of up to three months, in the amount of €54,645,000.

Cash Flows from Interest, Dividends and Shares in Profits

€000

ITEM DESCRIPTION	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Interest paid	(8,175)	(10,254)	(8,175)	(9,650)
Interest received	68,536	78,354	68,052	74,753
Dividends and shares in profits paid	(30,320)	(115)	(30,167)	0
Dividends and shares in profits received	643	16	1,158	473

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

5 Interim Statement of Changes in Equity

Interim statement of changes in the equity of the Nova KBM Group for the six months ending 30 June 2017

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	403,302	33,571	(95)	20,545	73,164	680,487	2,874	683,361
Total comprehensive income for the reporting period after tax	0	0	(7,061)	(207)	0	32,490	25,222	189	25,411
Payment of (accounting for) dividends/profit	0	0	0	0	0	(30,167)	(30,167)	(153)	(30,320)
Other	0	0	0	0	0	1	1	(30)	(29)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	403,302	26,510	(302)	20,545	75,488	675,543	2,880	678,423

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

Interim statement of changes in the equity of the Nova KBM Group for the six months ending 30 June 2016

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Translation reserves	Reserves from profit	Retained earnings (including net profit for the reporting period)	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	32,815	(3,230)	54,069	25,731	619,957	3,116	623,073
Total comprehensive income for the reporting period after tax	0	0	5,995	3,088	0	29,171	38,254	140	38,394
Payment of (accounting for) dividends/profit	0	0	0	0	0	(16,710)	(16,710)	(115)	(16,825)
Transfer of net profit to reserves from profit	0	0	0	0	(106)	106	0	0	0
Other	0	0	13	0	0	104	117	(437)	(320)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	38,823	(142)	53,963	38,402	641,618	2,704	644,322

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

Interim statement of changes in the equity of Nova KBM d.d. for the six months ending 30 June 2017

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	403,302	33,201	20,228	63,850	670,581
Total comprehensive income for the reporting period after tax	0	0	(7,086)	0	29,291	22,205
Payment of (accounting for) dividends/profit	0	0	0	0	(30,167)	(30,167)
Other	0	0	0	0	3	3
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	403,302	26,115	20,228	62,977	662,622

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

Interim statement of changes in the equity of Nova KBM d.d. for the six months ending 30 June 2016

€000

ITEM DESCRIPTION	Share capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including net profit for the reporting period)	Total equity
OPENING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	25,799	53,648	16,710	606,729
Total comprehensive income for the reporting period after tax	0	0	5,726	0	36,359	42,085
Acquisition of PBS d.d.	0		6,975	0	(2,924)	4,051
Payment of (accounting for) dividends/profit	0	0	0	0	(16,710)	(16,710)
Other	0	0	0	(1)	(2)	(3)
CLOSING BALANCE FOR THE REPORTING PERIOD	150,000	360,572	38,500	53,647	33,433	636,152

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

NOTES TO THE FINANCIAL STATEMENTS

NOVA KBM GROUP AND NOVA KBM D.D.

1 General information

Nova KBM is the parent company of the Nova KBM Group which, as of 30 June 2017, comprised the parent company and eight subsidiary companies.

Nova KBM is a commercial bank with a tradition of understanding and supporting its retail and corporate customers to whom it provides standard banking products. Its registered office is at Ulica Vita Kraigherja 4, 2000 Maribor, Republic of Slovenia.

As of 30 June 2017, the share capital of Nova KBM totalled €150,000,000 and was split into 10,000,000 ordinary no-par-value shares.

Nova KBM is obliged to prepare consolidated financial statements.

2 Definition of the Nova KBM Group

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

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

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

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

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

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

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

On 28 October 2016, the Management Boards of Nova KBM and KBS banka (the latter being owned by Biser Bidco from 30 June 2016 until the date of its acquisition by Nova KBM) signed the agreement concerning the acquisition of KBS banka by Nova KBM. The agreement stipulated 30 June 2016 as the accounting date of the acquisition. Consequently, the results of KBS banka's operations for the period from 1 July 2016 to 31 December 2016 were included in the 2016 results of Nova KBM. Nova KBM's acquisition of KBS banka, being a business combination of entities under common control, was accounted for using the predecessor values method. The book value of KBS banka's assets and liabilities, as presented in the consolidated financial statements of its immediate parent company that was obliged to prepare consolidated financial statements (the Biser Topco Group), were recognised in the separate financial statements of Nova KBM on the accounting date of the acquisition, i.e. 30 June 2016. Given that Nova KBM and KBS banka had the same owner and were therefore regarded as sister entities, the acquisition was accounted for using the rules applicable to the acquisition of sister entities. Upon the acquisition, Nova KBM was not obliged to issue new shares, so the amount of its share capital did not change as a result of the acquisition. In accordance with the provisions of the Companies Act (ZGD-1) and an opinion provided by an independent legal expert, Nova KBM recognised the effects of the acquisition on its equity, as presented in its financial statements, by increasing its share premium by the net amount of KBS banka's share capital as of 30 June 2016. A decision regarding this acquisition was entered into the court register on 3 January 2017. Based on this, KBS banka ceased to exist as an independent legal entity, and all its assets, liabilities and rights were transferred to Nova KBM, with the result that the latter, being a legal successor to KBS banka, took over the obligations and rights under all transactions concluded by KBS banka prior to the acquisition. Nova KBM, now merged with KBS banka, continues to operate under its current name, with its headquarters remaining in Maribor.

On 22 May 2017, the Nova KBM Management Board decided to begin the process of winding up KBM Invest, a Nova KBM wholly-owned subsidiary engaged in real estate business, by way of a simplified procedure without liquidation. In accordance with a decision reached by the Nova KBM Management Board, work has begun to regulate KBM Invest's relations with its creditors and employees. The winding up of the company is expected to be completed by 31 August 2018.

3 Basis for the presentation of consolidated financial statements

The financial statements of the Nova KBM Group and Nova KBM for the six-month period ending 30 June 2017 were authorised for issue on 12 July 2017 by the Nova KBM Management Board.

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

3.1 Statement of compliance and purpose of financial statements

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

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

The interim financial statements presented herein are unaudited and are regarded as general-purpose financial statements. They are not intended for use by any party for purposes of decision-making concerning ownership, financing or any other specific transactions relating to the Nova KBM Group. Accordingly, users of these interim financial statements should not rely exclusively on the financial statements and should undertake other procedures before making decisions.

3.2 Presentation and functional currency

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

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

3.3 Reclassification of financial assets

In the six-month period ending 30 June 2017 and in 2016, the Nova KBM Group did not reclassify any of its financial assets into another category.

4 Significant accounting policies

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

At the date of authorisation of the interim financial statements included in this report the following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU were in issue but not yet effective:

- **IFRS 9 – Financial Instruments**; adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 15 – Revenue from Contracts with Customers**; adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).

Amendments to the existing standards that are not yet effective have not been early adopted by the Nova KBM Group.

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

- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016).
- **IFRS 16 – Leases** (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 2 – Share-Based Payment** – Classification and Measurement of Share-Based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IFRS 10 – Consolidated Financial Statements**, and **IAS 28 – Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the date of initial application has been postponed for an indefinite period, i.e. until the completion of the research project on the equity method of accounting).
- **Amendments to IFRS 15 – Revenue from Contracts with Customers** – Clarifications to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IAS 7 – Statement of Cash Flows** – Initiative to disclose additional information (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 12 – Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- **Amendments to IAS 40 – Investment Property** – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to various standards – Improvements to IFRSs (cycle 2014 – 2016)** resulting from the annual improvement project of IFRSs (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018).
- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IFRS 4 – Insurance Contracts** – the amendments address accounting consequences arising from different dates of initial application of IFRS 9 and the amended IFRS 4 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 17 – Insurance contracts** – IFRS 17 will replace IFRS 4 (effective for annual periods beginning on or after 1 January 2021).

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

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

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

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

The progress of implementing IFRS 9 is regularly monitored through weekly operational meetings of three of the five Nova KBM Management Board members, in addition to being discussed at the monthly meetings of the IFRS 9 Project Council.

As regards the classification and measurement of financial instruments, Nova KBM has completed the SPPI test of all of its products and MRA loans. All standard products provided by Nova KBM have passed the test. Furthermore, a list has been made of forbidden clauses in agreements not meeting the SPPI test, and the portfolios of financial instruments have been classified in accordance with the requirements of IFRS 9. The SPPI test has also been carried out by all other members of the Nova KBM Group.

The process of determining and recording impairments, both individual and collective, will be supported by a software solution provided by a reputable vendor. The implementation of the software began in January 2017.

The methodological part of the project of introducing IFRS 9 has been successfully completed, as has the development of the relevant 12-month parameters, as well as the Lifetime PD, LGD and EAD parameters. A proposal concerning the criteria applicable to the transfer of financial assets between different credit rating categories has been drafted and is awaiting approval by the relevant authorities.

From September 2017 to the end of the year, Nova KBM plans to have its accounting applications running in parallel, in order to be able to conduct a proper analysis of the new software and, based on the results of this analysis, reach the final decision regarding the impairment methodology.

The development of a methodology for determining individual impairments is under way, considering good banking practice on the assessment of individual impairments, which is based on the requirements of IFRS 9 and the ECB's guidelines on the management of distressed loans.

Nova KBM has also developed a methodology for identifying POCI assets and the criteria applicable to the derecognition of modified financial assets.

The preliminary effects of introducing IFRS 9 on the financial statements and capital adequacy of Nova KBM and the Nova KBM Group have been evaluated based on the financial data for the end of 2015 and 2016. Taking into consideration the results of this evaluation, it is expected that the introduction of IFRS 9 will have an impact on the level of impairments and will increase its volatility, mainly as a result of changes made to models for calculating expected credit losses, and to a lesser extent due to changes in the classification and measurement of financial assets.

5 Risk review

The Nova KBM Management Board delegates risk oversight and management to the senior management (policy holders). The policy holders, together with officers responsible for particular policies, determine the method of measuring individual risks. The responsible officers are specialised in defining, measuring and managing 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 rules of procedure, each risk management policy has to be approved by the Policy Approval Committee and, in addition, agreed by the President of the Nova KBM Management Board or his deputy. The Nova KBM Group companies may use their own approach in managing individual risks, taking into consideration the importance of risk and the regulatory framework.

Further details with respect to risk management are provided in the 2016 Annual Report of the Nova KBM Group.

5.1 Credit risk

Analysis of exposure to credit risk

Nova KBM Group	Loans to customers		Loans to banks	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Individual impairments				
Gross amount	578,745	630,553	1,111	1,105
Impairment	(380,048)	(409,853)	(1,109)	(1,105)
Net amount	198,697	220,700	2	0
Collective impairments				
Credit rating A	953,324	821,113	0	0
Credit rating B	464,427	529,489	0	0
Credit rating C	256,756	250,565	0	0
Credit rating D	31,193	32,514	0	0
Credit rating E	68,937	56,908	0	0
Gross amount	1,774,637	1,690,589	0	0
Impairments	(83,298)	(74,330)	0	0
Net amount	1,691,339	1,616,259	0	0
Net non-impaired loans	69,638	126,890	79,149	118,916
Total net outstanding loans	1,959,674	1,963,849	79,151	118,916

Nova KBM d.d.	Loans to customers		Loans to banks	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Individual impairments				
Gross amount	543,234	581,671	2	3
Impairment	(356,524)	(377,341)	0	(3)
Net amount	186,710	204,330	2	0
Collective impairments				
Credit rating A	957,389	825,678	0	0
Credit rating B	460,424	525,241	0	0
Credit rating C	257,606	251,598	0	0
Credit rating D	31,148	32,822	0	0
Credit rating E	56,975	53,696	0	0
Gross amount	1,763,542	1,689,035	0	0
Impairments	(71,554)	(71,378)	0	0
Net amount	1,691,988	1,617,657	0	0
Net non-impaired loans	69,638	126,750	79,100	118,787
Total net outstanding loans	1,948,336	1,948,737	79,102	118,787

Past due and unpaid claims

30.6.2017					
Nova KBM Group	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	1	0	0	235	236
Legal entities	3,234	255	62	358,837	362,388
Households	3,524	521	549	56,901	61,495
Total	6,759	776	611	415,975	424,121

31.12.2016					
Nova KBM Group	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	219	1	0	235	455
Legal entities	3,585	764	512	374,460	379,321
Households	3,330	641	381	53,582	57,934
Total	7,134	1,406	893	428,279	437,712

30.6.2017					
Nova KBM d.d.	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	1	0	0	235	236
Legal entities	3,174	233	21	330,747	334,175
Households	3,510	464	546	50,154	54,674
Total	6,685	697	567	381,138	389,087

					31.12.2016
Nova KBM d.d.	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Banks	0	0	0	2	2
State	219	1	0	235	455
Legal entities	3,308	739	504	346,423	350,974
Households	3,300	616	378	46,579	50,873
Total	6,827	1,356	882	393,239	402,304

Volume of NPLs and their proportion within total loans

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Total gross loans	2,503,280	2,568,053	2,455,516	2,516,246
Total net loans	2,038,825	2,082,765	2,027,438	2,067,524
Net NPLs	238,928	265,851	230,939	257,292
Net NPLs/total net loans (%)	11.72	12.76	11.39	12.44

Analysis of performing loans and NPLs by industry sectors

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

Nova KBM Group		30.6.2017			31.12.2016	
Industry sector	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	1,049,472	36,527	3.48	1,046,512	36,162	3.46
Agriculture and hunting, forestry, fishing	21,982	3,008	13.68	19,867	4,830	24.31
Mining	11,133	0	0.00	11,874	0	0.00
Manufacturing industry	266,784	37,021	13.88	262,279	47,596	18.15
Electricity, gas and steam supply	33,088	173	0.52	34,651	110	0.32
Water supply, waste and sewage management, rehabilitation of the environment	20,757	817	3.94	19,538	975	4.99
Construction	52,464	18,236	34.76	54,161	27,427	50.64
Trade, maintenance and repair of motor vehicles	138,794	56,701	40.85	136,108	52,336	38.45
Transportation and storage	51,693	13,933	26.95	54,181	15,485	28.58
Accommodation and food service activities	40,650	14,105	34.70	35,286	16,692	47.30
Information and communication activities	29,194	5,517	18.90	13,523	7,489	55.38
Financial intermediation	135,284	4,389	3.24	167,079	6,297	3.77
Real estate activities	38,723	26,070	67.32	35,281	26,733	75.77
Professional, scientific and technical activities	26,247	11,276	42.96	29,485	11,714	39.73
Other various business activities	19,894	1,198	6.02	59,279	1,775	2.99
Public administration and defence services, compulsory social security activities	39,123	0	0.00	40,579	0	0.00
Education	2,364	0	0.00	2,143	0	0.00
Health and welfare security	24,121	8,671	35.95	24,173	8,871	36.70
Arts, entertainment and recreation	33,479	598	1.79	32,853	611	1.86
Other activities	3,579	688	19.22	3,913	748	19.12
Total net loans	2,038,825	238,928	11.72	2,082,765	265,851	12.76

Nova KBM d.d.		30.6.2017			31.12.2016	
Industry sector	Total net loans	Net NPLs	Proportion of NPLs (%)	Total net loans	Net NPLs	Proportion of NPLs (%)
Households	1,046,427	34,985	3.34	1,043,139	34,646	3.32
Agriculture and hunting, forestry, fishing	21,753	2,779	12.78	19,633	4,595	23.40
Mining	11,134	0	0.00	11,874	0	0.00
Manufacturing industry	264,606	34,956	13.21	258,507	44,942	17.39
Electricity, gas and steam supply	32,888	173	0.53	33,029	110	0.33
Water supply, waste and sewage management, rehabilitation of the environment	20,757	816	3.93	19,513	975	5.00
Construction	51,546	17,389	33.73	53,181	26,535	49.90
Trade, maintenance and repair of motor vehicles	135,265	53,265	39.38	132,326	48,658	36.77
Transportation and storage	51,449	13,867	26.95	53,837	15,386	28.58
Accommodation and food service activities	39,849	13,338	33.47	34,465	15,919	46.19
Information and communication activities	28,855	5,308	18.40	13,155	7,245	55.07
Financial intermediation	137,785	6,940	5.04	170,375	9,721	5.71
Real estate activities	37,812	25,360	67.07	33,995	25,665	75.50
Professional, scientific and technical activities	25,738	10,842	42.12	28,863	11,180	38.73
Other various business activities	19,789	1,095	5.53	59,176	1,674	2.83
Public administration and defence services, compulsory social security activities	38,427	0	0.00	39,614	0	0.00
Education	2,365	0	0.00	2,143	0	0.00
Health and welfare security	24,119	8,671	35.95	24,167	8,871	36.71
Arts, entertainment and recreation	33,471	593	1.77	32,836	600	1.83
Other activities	3,403	562	16.51	3,696	570	15.42
Total net loans	2,027,438	230,939	11.39	2,067,524	257,292	12.44

5.2 Composition of regulatory capital and capital requirements

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Tier 1 capital	593,810	593,662	584,596	582,429
Paid-in capital instruments	150,000	150,000	150,000	150,000
Paid-in share premium	403,302	403,302	403,302	403,302
(–) Own CET1 capital instruments	0	0	0	0
Retained earnings and value adjustments from previous years in respect of investment property	42,998	49,719	33,685	31,890
Profit or loss for the current financial year	0	0	0	0
Accumulated other comprehensive income	1,540	100	1,525	1,756
Other reserves	20,545	20,545	20,228	20,228
(–) Intangible assets	(15,951)	(18,463)	(11,122)	(13,113)
(–) Deferred tax assets	(6,096)	(8,087)	(10,498)	(8,087)
(–) Deductions from CET1 capital for the net impact of credit risk adjustments and the fair-valued assets	(2,528)	(3,454)	(2,524)	(3,547)
Additional Tier 1 capital	0	0	0	0
Additional capital	0	0	0	0
Total capital	593,810	593,662	584,596	582,429
Risk weighted exposure amounts for credit risk	2,049,978	2,130,379	2,090,285	2,165,433
Central governments or central banks	2,640	5,391	2,640	5,391
Regional governments or local authorities	3,263	11,672	3,095	10,712
Public sector entities	6,396	1,140	6,409	1,140
Multilateral development banks	0	0	0	0
International organisations	0	0	0	0
Institutions	196,864	276,663	196,829	276,287
Corporates	559,315	498,014	559,182	495,370
Retail	648,950	736,211	647,136	733,979
Exposures secured by mortgages on immovable property	165,851	106,594	165,851	106,595
Exposures in default	245,313	285,657	232,821	266,843
Items associated with particular high risk	45,725	37,821	118,855	117,394
Collective investment undertakings	8,027	7,836	5,821	5,542
Equity	2,067	2,068	2,067	2,068
Other items	165,567	161,312	149,579	144,112
Risk weighted exposure amounts for market risks	46,914	41,847	42,939	38,298
Traded debt instruments	0	0	0	0
Equity instruments	46,905	41,829	42,930	38,280
Foreign exchange	0	0	0	0
Credit value adjustment risk	9	18	9	18
Risk weighted exposure amounts for operational risk	331,821	303,350	308,372	299,996
Total risk weighted exposure amount	2,428,713	2,475,576	2,441,596	2,503,727
Total capital adequacy ratio	24.45%	23.98%	23.94%	23.26%
Tier 1 capital ratio	24.45%	23.98%	23.94%	23.26%
CET1 capital ratio	24.45%	23.98%	23.94%	23.26%

6 Fair value of financial assets and financial liabilities

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

Further details with respect to the policy of determining the fair value of financial assets and financial liabilities are presented in the 2016 Annual Report of the Nova KBM Group.

Analysis of fair value hierarchy

Nova KBM Group	30.6.2017				31.12.2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	323	0	323	0	228	0	228	0
Financial assets held for trading	994	994	0	0	891	891	0	0
– debt securities	0	0	0	0	4	4	0	0
– equity instruments	994	994	0	0	887	887	0	0
Available-for-sale financial assets	1,596,757	4,775	1,588,934	3,048	1,584,514	1,536,399	45,025	3,090
– debt securities	1,563,856	127	1,563,729	0	1,551,512	1,531,757	19,755	0
– equity instruments	32,901	4,648	25,205	3,048	33,002	4,642	25,270	3,090
Financial assets designated at fair value through profit or loss	48,583	0	48,583	0	86,732	86,732	0	0
– debt securities	27,118	0	27,118	0	67,592	67,592	0	0
– equity instruments	21,465	0	21,465	0	19,140	19,140	0	0
Financial liabilities								
Derivatives	1,740	0	1,740	0	1,575	0	1,575	0

Nova KBM d.d.	30.6.2017				31.12.2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets								
Derivatives	323	0	323	0	228	0	228	0
Financial assets held for trading	0	0	0	0	4	4	0	0
– debt securities	0	0	0	0	4	4	0	0
– equity instruments	0	0	0	0	0	0	0	0
Available-for-sale financial assets	1,594,424	2,443	1,588,933	3,048	1,582,095	1,533,980	45,025	3,090
– debt securities	1,563,729	0	1,563,729	0	1,551,388	1,531,633	19,755	0
– equity instruments	30,695	2,443	25,204	3,048	30,707	2,347	25,270	3,090
Financial assets designated at fair value through profit or loss	48,583	0	48,583	0	86,732	86,732	0	0
– debt securities	27,118	0	27,118	0	67,592	67,592	0	0
– equity instruments	21,465	0	21,465	0	19,140	19,140	0	0
Financial liabilities								
Derivatives	1,739	0	1,739	0	1,575	0	1,575	0

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

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

Analysis of transfers between fair value hierarchy levels

No transfers of financial instruments between the fair value hierarchy levels were made in the first half of 2017.

Movements in financial assets classified in Level 3

Available-for-sale financial assets	Nova KBM Group			Nova KBM d.d.		
	Total	Shares	Stocks	Total	Shares	Stocks
Balance at 1 January 2016	6,008	5,318	690	5,797	5,310	487
Revaluations	(2,966)	(2,966)	0	(2,966)	(2,966)	0
Acquisition of new assets	47		47	258	8	250
Rounding adjustments – reconciliation of balances with the statement of financial position	1	1	0	1	1	0
Balance at 31 December 2016	3,090	2,353	737	3,090	2,353	737
Revaluations	(42)	0	(42)	(42)	0	(42)
Balance at 30 June 2017	3,048	2,353	695	3,048	2,353	695

All of the Nova KBM Group's investments classified in Level 3 of the fair value hierarchy at the end of June 2017 were attributable to the portfolio of Nova KBM. The changes made in the first half of 2017 to Level 3 of the fair value hierarchy were mainly due to the revaluation of investments.

Fair value of financial instruments measured at amortised cost

Nova KBM Group					30.6.2017
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	831,556	831,556	831,556	0	0
Loans and advances to banks	79,151	79,151	0	79,151	0
Loans and advances to customers	1,959,674	1,977,111	0	0	1,977,111
Other financial assets	39,276	39,276	0	0	39,276
Held-to-maturity financial assets	88,660	96,488	0	96,488	0
Financial liabilities					
Deposits from banks	46,583	46,637	0	46,637	0
Deposits from customers	3,565,586	3,568,488	0	3,568,488	0
Loans from banks	378,954	379,382	0	379,382	0
Debt securities	8,760	8,858	0	8,858	0
Other financial liabilities	60,359	60,359	0	0	60,359

Nova KBM Group					31.12.2016
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	783,915	783,915	783,915	0	0
Loans and advances to banks	118,916	118,916	0	118,916	0
Loans and advances to customers	1,963,849	1,974,484	0	0	1,974,484
Other financial assets	42,293	42,293	0	0	42,293
Held-to-maturity financial assets	90,216	99,298	0	99,298	0
Financial liabilities					
Deposits from banks	41,107	41,107	0	41,107	0
Deposits from customers	3,626,247	3,629,199	0	3,629,199	0
Loans from banks	333,088	333,524	0	333,524	0
Debt securities	14,376	14,738	0	14,738	0
Other financial liabilities	61,074	61,074	0	0	61,074

Nova KBM d.d.					30.6.2017
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	830,617	830,617	830,617	0	0
Loans and advances to banks	79,102	79,102	0	79,102	0
Loans and advances to customers	1,948,336	1,965,773	0	0	1,965,773
Other financial assets	38,230	38,230	0	0	38,230
Held-to-maturity financial assets	88,659	96,487	0	96,487	0
Financial liabilities					
Deposits from banks	46,583	46,637	0	46,637	0
Deposits from customers	3,595,503	3,598,405	0	3,598,405	0
Loans from banks	378,954	379,382	0	379,382	0
Debt securities	8,760	8,858	0	8,858	0
Subordinated liabilities	0	379,382	0	379,382	0
Other financial liabilities	60,186	60,186	0	0	60,186

Nova KBM d.d.					31.12.2016
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash balances at central banks	779,469	779,469	779,469	0	0
Loans and advances to banks	118,787	118,787	0	118,787	0
Loans and advances to customers	1,948,737	1,959,372	0	0	1,959,372
Other financial assets	40,985	40,985	0	0	40,985
Held-to-maturity financial assets	90,216	99,298	88,865	10,433	0
Financial liabilities					
Deposits from banks	41,107	41,107	0	41,107	0
Deposits from customers	3,650,858	3,653,810	0	3,653,810	0
Loans from banks	333,088	333,524	0	333,524	0
Debt securities	14,376	14,738	0	14,738	0
Other financial liabilities	60,702	60,702	0	0	60,702

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

7 Reporting by operating segments

Analysis of results by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.6.2017 Relationships with third parties
A. Net income/(expenses)	66,813	(11)	2,540	87	511	69,940	(243)	70,183
Interest income	44,661	308	7	0	221	45,197	21	45,176
Interest expenses	(5,683)	(303)	0	0	0	(5,986)	(303)	(5,683)
Net interest income	38,978	5	7	0	221	39,211	(282)	39,493
Dividend income	1,236	0	0	0	0	1,236	0	1,236
Fee and commission income	34,759	0	3,269	0	0	38,028	188	37,840
Fee and commission expenses	(14,370)	(32)	(777)	(2)	(1)	(15,182)	(216)	(14,966)
Net fee and commission income/(expenses)	20,389	(32)	2,492	(2)	(1)	22,846	(28)	22,874
Realised gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	3,824	(10)	36	0	0	3,850	0	3,850
Net gains on financial assets and liabilities held for trading	804	0	7	0	0	811	1	810
Net gains on financial assets and liabilities designated at fair value through profit or loss	2,336	0	0	0	0	2,336	0	2,336
Net gains/(losses) from foreign exchange rate differences	(592)	214	0	0	91	(287)	0	(287)
Net gains/(losses) on derecognition of assets	(872)	195	0	6	0	(671)	0	(671)
Other net operating income/(loss)	710	(383)	(2)	83	200	608	66	542
B. Other items by segments	(34,958)	2,824	(1,710)	(246)	(65)	(34,155)	590	(34,745)
Administration costs	(47,718)	(980)	(1,162)	(202)	(144)	(50,206)	(92)	(50,114)
Depreciation and amortisation	(4,536)	(164)	(548)	(3)	0	(5,251)	0	(5,251)
Provisions	4,480	2,477	0	(41)	0	6,916	38	6,878
Impairments	12,250	1,491	0	0	79	13,820	129	13,691
Share of profits of associates and joint ventures accounted for using the equity method	515	0	0	0	0	515	515	0
Total profit from non-current assets and disposal groups classified as held for sale	51	0	0	0	0	51	0	51
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	31,855	2,813	830	(159)	446	35,785	347	35,438
Income taxes on continuing operations	(2,564)	0	(155)	0	(67)	(2,786)	(24)	(2,762)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	29,291	2,813	675	(159)	379	32,999	323	32,676
Total profit or loss after tax from discontinued operations	0	0	0	0	0	0	0	0
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	29,291	2,813	675	(159)	379	32,999	323	32,676
D. Segment assets and liabilities								
Total assets	4,809,715	41,615	10,950	4,390	14,329	4,880,999	84,623	4,796,376
– non-current assets held for sale and discontinued operations	2,956	0	0	0	0	2,956	0	2,956
– investments in the equity of associates and joint ventures accounted for using the equity method	50,625	0	0	0	0	50,625	50,625	0
Liabilities (excluding equity) by segments	4,147,093	15,379	840	136	13,836	4,177,284	59,331	4,117,953
Total equity	662,622	26,236	10,110	4,254	493	703,715	25,292	678,423
Increase in property, plant and equipment and intangible assets	1,936	0	81	0	0	2,016	0	2,017

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

Analysis of results by operating segments

	Banking	Leasing	Fund management	Real estate activity	Other	Total	Inter-segment relationships	30.6.2016 Relationships with third parties
A. Net income/(expenses)	76,894	(348)	2,329	253	(109)	79,019	438	78,581
Interest income	53,705	889	5	1	108	54,708	630	54,078
Interest expenses	(7,047)	(329)	0	(52)	0	(7,428)	(880)	(6,548)
Net interest income/(expenses)	46,658	560	5	(51)	108	47,280	(250)	47,530
Dividend income	558	0	0	0	0	558	1	557
Fee and commission income	33,079	8	2,791	0	0	35,878	229	35,649
Fee and commission expenses	(11,612)	(17)	(561)	(4)	(1)	(12,195)	(174)	(12,021)
Net fee and commission income/(expenses)	21,467	(9)	2,230	(4)	(1)	23,683	55	23,628
Realised gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	7,822	(1,057)	100	0	(360)	6,505	578	5,927
Net gains on financial assets and liabilities held for trading	666	0	7	0	0	673	(1)	674
Net gains on financial assets and liabilities designated at fair value through profit or loss	463	0	0	0	0	463	0	463
Net gains/(losses) from foreign exchange rate differences	(213)	109	0	0	(19)	(123)	1	(124)
Net gains on derecognition of assets	16	12	0	9	0	37	1	36
Other net operating income/(loss)	(543)	37	(13)	299	163	(57)	53	(110)
B. Other items by segments	(41,605)	1,089	(1,633)	(225)	(143)	(42,517)	4,774	(47,291)
Administration costs	(39,269)	(1,488)	(1,083)	(223)	(165)	(42,228)	(153)	(42,075)
Depreciation and amortisation	(4,897)	(180)	(550)	(2)	0	(5,629)	0	(5,629)
Provisions	5,505	667	0	0	0	6,172	95	6,077
Impairments	(3,470)	2,090	0	0	22	(1,358)	4,375	(5,733)
Share of profits of associates and joint ventures accounted for using the equity method	457	0	0	0	0	457	457	0
Total profit from non-current assets and disposal groups classified as held for sale	69	0	0	0	0	69	0	69
C. Profit or loss								
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	35,289	741	696	28	(252)	36,502	5,212	31,290
Income taxes on continuing operations	1,358	0	(120)	0	(1)	1,237	1	1,236
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS	36,647	741	576	28	(253)	37,739	5,213	32,526
Total (loss) after tax from discontinued operations	(3,195)	0	0	0	0	(3,195)	0	(3,195)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD	33,452	741	576	28	(253)	34,544	5,213	29,331
D. Segment assets and liabilities								
Total assets	4,284,397	45,644	12,948	5,873	26,538	4,375,400	151,008	4,224,392
– non-current assets held for sale and discontinued operations	1,160	0	0	0	0	1,160	0	1,160
– investments in the equity of associates and joint ventures accounted for using the equity method	99,280	0	0	0	0	99,280	99,280	0
Liabilities (excluding equity) by segments	3,607,140	21,477	620	1,482	25,989	3,656,708	76,638	3,580,070
Total equity	677,257	24,167	12,328	4,391	549	718,692	74,370	644,322
Increase in property, plant and equipment and intangible assets	1,636	0	31	0	0	1,667	0	1,667

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

Notes to the income statement items

8 Interest income and interest expenses

8.1 Analysis of interest by market segments

	Nova KBM Group				Nova KBM d.d.			
	1.1.– 30.6.2017		1.1.– 30.6.2016		1.1.– 30.6.2017		1.1.– 30.6.2016	
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Non-financial companies	11,850	131	16,017	211	11,746	131	15,700	211
State	8,397	144	14,471	157	8,392	144	14,451	157
Banks	1,282	2,737	1,285	1,942	1,282	2,737	1,282	1,942
Other financial organisations	661	262	810	566	661	262	700	567
Households	22,036	2,089	20,129	3,577	22,003	2,089	20,082	3,577
Non-residents	898	207	1,324	74	523	207	953	74
Non-profit institutions serving households	52	113	42	21	54	113	38	20
Total	45,176	5,683	54,078	6,548	44,661	5,683	53,206	6,548
Net interest income	39,493		47,530		38,978		46,658	

8.2 Analysis of interest by type of assets and liabilities

	Nova KBM Group				Nova KBM d.d.			
	1.1.– 30.6.2017		1.1.– 30.6.2016		1.1.– 30.6.2017		1.1.– 30.6.2016	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Interest income								
Financial assets held for trading	53	0	8	0	53	0	8	0
Financial assets designated at fair value through profit or loss	58	0	0	0	58	0	0	0
Available-for-sale financial assets	8,789	108	12,343	2,705	8,790	108	12,231	2,705
Loans and deposits (including finance leases and other financial assets)	5,637	29,418	7,328	30,541	5,482	29,057	6,894	30,216
Held-to-maturity financial assets	0	1,065	4	1,142	0	1,065	4	1,142
Other assets	48	0	7	0	48	0	6	0
Total by maturity	14,585	30,591	19,690	34,388	14,431	30,230	19,143	34,063
Total	45,176		54,078		44,661		53,206	
Interest expenses								
Financial liabilities held for trading	0	41	0	7	0	41	0	7
Financial liabilities measured at amortised cost	551	3,593	344	5,686	550	3,594	344	5,686
Other liabilities	1,498	0	511	0	1,498	0	511	0
Total by maturity	2,049	3,634	855	5,693	2,048	3,635	855	5,693
Total	5,683		6,548		5,683		6,548	
Net interest income	39,493		47,530		38,978		46,658	

9 Dividend income

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Financial assets held for trading	3	0	3	0
Financial assets designated at fair value through profit or loss	289	542	289	542
Available-for-sale financial assets	944	15	944	15
Total	1,236	557	1,236	557

10 Fee and commission income and fee and commission expenses

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Fee and commission income	37,840	35,649	34,759	32,930
Guarantees	1,213	1,324	1,213	1,324
Payment transactions	20,356	20,118	20,357	20,117
Brokerage and agency services	403	313	383	293
Transactions in securities for customers	928	272	928	272
Lending operations	1,980	1,661	1,979	1,653
Other services	12,960	11,961	9,899	9,271
Fee and commission expenses	14,966	12,021	14,370	11,516
Banking services	2,021	3,271	2,019	3,267
Brokerage and agency services	944	416	477	35
Stock exchange transactions and other transactions in securities	228	143	228	142
Payment transactions	11,516	7,728	11,513	7,726
Other services	257	463	133	346
Net fee and commission income	22,874	23,628	20,389	21,414

The costs related to payment card and ATM operations were reclassified in November 2016 from administration costs to fee and commission expenses in order to provide a more consistent matching of expenses with income. The total costs incurred by the Nova KBM Group in respect of payment card and ATM operations in the first half of 2016 equalled €2,520,000.

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

Nova KBM Group			1.1.– 30.6.2017				1.1.– 30.6.2016
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains	
Available-for-sale financial assets	367	311	56	4,437	164	4,273	
Loans and advances (including finance leases)	4,368	586	3,782	3,118	1,680	1,438	
Financial liabilities measured at amortised cost	0	0	0	2	0	2	
Other financial assets and liabilities	61	49	12	280	66	214	
Total	4,796	946	3,850	7,837	1,910	5,927	

Nova KBM d.d.			1.1.– 30.6.2017			1.1.– 30.6.2016
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains
Available-for-sale financial assets	331	311	20	4,916	451	4,465
Loans and advances (including finance leases)	4,354	562	3,792	3,118	264	2,854
Financial liabilities measured at amortised cost	0	0	0	2	0	2
Other financial assets and liabilities	61	49	12	280	66	214
Total	4,746	922	3,824	8,316	781	7,535

12 Net gains on financial assets and liabilities held for trading

Nova KBM Group			1.1.– 30.6.2017			1.1.– 30.6.2016
	Gains	Losses	Net gains	Gains	Losses	Net gains
Trading in equity instruments	9	3	6	23	16	7
Trading in debt securities	0	0	0	19	0	19
Trading in foreign exchange (purchase/sale)	1,020	468	552	868	414	454
Trading in derivatives	1,403	1,151	252	1,371	1,177	194
– futures/forwards	1,139	511	628	950	694	256
– swaps	264	175	89	209	178	31
– other derivatives	0	465	(465)	212	305	(93)
Total	2,432	1,622	810	2,281	1,607	674

Nova KBM d.d.			1.1.– 30.6.2017			1.1.– 30.6.2016
	Gains	Losses	Net gains	Gains	Losses	Net gains
Trading in equity instruments	0	0	0	1	0	1
Trading in debt securities	0	0	0	19	0	19
Trading in foreign exchange (purchase/sale)	1,020	468	552	867	414	453
Trading in derivatives	1,403	1,151	252	1,371	1,177	194
– futures/forwards	1,139	511	628	950	694	256
– swaps	264	175	89	209	178	31
– other derivatives	0	465	(465)	212	305	(93)
Total	2,423	1,619	804	2,258	1,591	667

The Nova KBM Group uses derivatives (futures/forwards) to economically hedge its exposure to foreign exchange risk. The effects of derivatives are linked to the effects arising from foreign exchange rate differences (Note 14).

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

Nova KBM Group and Nova KBM d.d.	1.1.– 30.6.2017			1.1.– 30.6.2016		
	Gains	Losses	Net gains	Gains	Losses	Net gains
Financial assets designated at fair value through profit or loss	2,336	0	2,336	590	127	463
Total	2,336	0	2,336	590	127	463

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

14 Net losses from foreign exchange rate differences

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Foreign exchange gains	12,467	8,131	11,721	7,599
Foreign exchange losses	12,754	8,255	12,313	7,813
Net foreign exchange (losses)	(287)	(124)	(592)	(214)

15 Administration costs

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Staff costs	29,193	21,938	28,147	20,836
Gross salaries	22,230	16,341	21,447	15,520
Social security and pension insurance contributions	3,277	2,636	3,149	2,511
Pay for annual leave	1,445	1,113	1,396	1,062
Other staff costs	2,241	1,848	2,155	1,743
General and administrative costs	20,921	20,137	19,571	18,374
Costs of materials	1,220	1,091	1,168	1,016
Costs of services	12,595	13,800	11,582	12,442
Maintenance costs of fixed assets	4,529	2,991	4,424	2,895
Advertising costs	1,624	1,339	1,491	1,233
Other administrative costs	953	916	906	788
Total administration costs	50,114	42,075	47,718	39,210

16 Provisions

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Provisions for off-balance sheet liabilities	(3,795)	(4,473)	(3,834)	(4,567)
Provisions for tax claims and other pending legal issues	(854)	(838)	(646)	(825)
Other provisions	(2,229)	(766)	0	(113)
Total	(6,878)	(6,077)	(4,480)	(5,505)

Most of the other provisions reversed in the first half of 2017 comprised provisions that had been set aside in previous years for potential claims under lease transactions, but which were no longer needed because the time for filling any such claim has elapsed.

17 Impairments

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Financial assets not measured at fair value through profit or loss	(13,075)	6,882	(12,250)	3,350
Other assets	(616)	(1,149)	0	120
Total	(13,691)	5,733	(12,250)	3,470

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

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Financial assets measured at amortised cost	(13,075)	6,882	(12,250)	3,350
– demand deposits at banks	(39)	(8)	(39)	(8)
– loans and advances to banks	0	7	0	7
– loans and advances to customers	(13,717)	6,077	(12,860)	2,789
– other financial assets	681	806	649	562
Total	(13,075)	6,882	(12,250)	3,350

18 Income taxes on continuing operations

	Nova KBM Group		Nova KBM d.d.	
	1.1.– 30.6.2017	1.1.– 30.6.2016	1.1.– 30.6.2017	1.1.– 30.6.2016
Income tax on continuing operations	(2,402)	461	(2,204)	582
Deferred tax relating to continuing operations	(360)	775	(360)	775
Total	(2,762)	1,236	(2,564)	1,357

Notes to the statement of financial position items

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

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Cash in hand	91,575	75,758	91,575	75,758
Cash balances at central banks	699,544	666,651	699,544	666,650
Demand deposits at banks	40,437	41,506	39,498	37,061
Total	831,556	783,915	830,617	779,469

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

19.1 Cash and cash equivalents

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Cash, cash balances at central banks and demand deposits at banks	831,556	783,915	830,617	779,469
Loans and advances to banks	28,661	54,920	28,612	54,791
Total	860,217	838,835	859,229	834,260

20 Financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Derivatives	323	228	323	228
Equity instruments	994	887	0	0
Debt securities	0	4	0	4
Total	1,317	1,119	323	232
Unquoted	1,317	1,119	323	232
Total	1,317	1,119	323	232

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

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

20.1 Movements in financial assets held for trading

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	1,119	1,563	232	116
Increase during the year	221	38,960	95	38,774
– assets acquired through a business combination	0	2,649	0	2,649
– acquisition	100	36,051	0	35,994
– change in fair value (recovery and reversal of impairment)	120	222	95	112
– other (deferred interest, realised gains)	1	38	0	19
Decrease during the year	23	39,404	4	38,658
– disposal (sale and redemption)	4	39,337	4	38,658
– change in fair value (impairment and reversal of recovery)	19	61	0	0
– other (deferred interest, realised losses)	0	6	0	0
Balance at 30 June 2017/31 December 2016	1,317	1,119	323	232

21 Financial assets designated at fair value through profit or loss

Nova KBM Group and Nova KBM d.d.		
	30.6.2017	31.12.2016
Equity instruments	21,465	19,140
Debt securities	27,118	67,592
Total	48,583	86,732
Quoted	48,583	86,732
Total	48,583	86,732

As of 30 June 2017, the Nova KBM Group had securities of this portfolio worth €17,683,000 in total pledged with the Bank of Slovenia as security for the pool of collateral.

Bonds worth €40,161,000 in total, which the Nova KBM Group had held in this portfolio, fell due during the first half of 2017.

During the six-month period ending 30 June 2017, the Nova KBM Group did not receive any financial assets of this portfolio from the realisation of collateral provided as security for loans.

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

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

Nova KBM Group and Nova KBM d.d.		
	2017	2016
Balance at 1 January	86,732	13,421
Increase during the year	2,396	105,840
– assets acquired through a business combination	0	84,185
– acquisition	0	15,595
– change in fair value (recovery and reversal of impairment)	2,337	5,737
– deferred interest	59	323
Decrease during the year	40,545	32,529
– disposal (sale and redemption)	40,162	32,059
– change in fair value (impairment and reversal of recovery)	0	319
– deferred interest	71	0
– interest received	308	151
– foreign exchange rate differences	4	0
Balance at 30 June 2017/31 December 2016	48,583	86,732

22 Available-for-sale financial assets

22.1 Analysis by type

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Equity instruments	32,902	33,002	30,695	30,707
Debt securities issued by the state and the central banks	999,061	1,023,455	999,062	1,023,455
Debt securities issued by banks	412,629	421,326	412,629	421,326
Other debt securities	152,165	106,731	152,038	106,607
Total	1,596,757	1,584,514	1,594,424	1,582,095

As of 30 June 2017, the Nova KBM Group had assets of this portfolio worth €344,731,000 in total pledged with the Bank of Slovenia for the pool of collateral, the Guarantee Scheme and the Bank Resolution Fund.

During the six-month period ending 30 June 2017, the Nova KBM Group did not receive any financial assets of this portfolio from the realisation of collateral provided as security for loans.

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

22.2 Movements in available-for-sale financial assets

Nova KBM Group	Equity instruments	Debt securities	Total
Balance at 1 January 2017	33,002	1,551,512	1,584,514
Recognition of additional financial assets	0	268,402	268,402
Interest	0	(16,074)	(16,074)
Net revaluation through equity	42	(8,778)	(8,736)
Derecognition of financial assets upon disposal	(251)	(19,131)	(19,382)
Derecognition of financial assets upon maturity	0	(212,022)	(212,022)
Net gains/(losses) on sale	109	(54)	55
Balance at 30 June 2017	32,902	1,563,855	1,596,757

Nova KBM Group	Equity instruments	Debt securities	Total
Balance at 1 January 2016	26,736	1,649,171	1,675,907
Assets acquired through a business combination	12,141	12	12,153
Recognition of additional financial assets	82	441,976	442,058
Interest	0	(9,198)	(9,198)
Net revaluation through equity	(2,572)	4,972	2,400
Net impairments through profit or loss	(3,395)	0	(3,395)
Derecognition of financial assets upon disposal	(4,962)	(77,869)	(82,831)
Derecognition of financial assets upon maturity	0	(457,239)	(457,239)
Net gains/(losses) on sale	4,972	(313)	4,659
Balance at 31 December 2016	33,002	1,551,512	1,584,514

Nova KBM d.d.	Equity instruments	Debt securities	Total
Balance at 1 January 2017	30,707	1,551,388	1,582,095
Recognition of additional financial assets	0	268,402	268,402
Interest	0	(16,076)	(16,076)
Net revaluation through equity	30	(8,778)	(8,748)
Derecognition of financial assets upon disposal	(116)	(19,131)	(19,247)
Derecognition of financial assets upon maturity	0	(212,022)	(212,022)
Net gains/(losses) on sale	74	(54)	20
Balance at 30 June 2017	30,695	1,563,729	1,594,424

Nova KBM d.d.	Equity instruments	Debt securities	Total
Balance at 1 January 2016	22,095	1,420,193	1,442,288
Assets acquired through a business combination	13,836	224,016	237,852
Recognition of additional financial assets	82	441,976	442,058
Interest	0	(9,362)	(9,362)
Net revaluation through equity	(2,598)	4,630	2,032
Net impairments through profit or loss	(3,395)	0	(3,395)
Derecognition of financial assets upon disposal	(4,071)	(77,867)	(81,938)
Derecognition of financial assets upon maturity	0	(452,226)	(452,226)
Net gains on sale	4,758	28	4,786
Balance at 31 December 2016	30,707	1,551,388	1,582,095

23 Loans and advances to banks

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Current loans	79,772	120,021	78,614	118,790
Impairment of current loans	(1,109)	(1,105)	0	(3)
Non-current loans	488	0	488	0
Total – net amount	79,151	118,916	79,102	118,787
Impairments	1,109	1,105	0	3
Total – gross amount	80,260	120,021	79,102	118,790

24 Loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Current loans	318,330	334,113	306,193	313,031
Impairment of current loans	(87,920)	(100,301)	(77,275)	(84,460)
Non-current loans	2,098,936	2,108,804	2,064,681	2,079,522
Impairment of non-current loans	(371,927)	(380,858)	(347,495)	(361,425)
Claims under guarantees	5,754	5,115	5,540	4,903
Impairment of claims under guarantees	(3,499)	(3,024)	(3,308)	(2,834)
Total – net amount	1,959,674	1,963,849	1,948,336	1,948,737
Impairments	463,346	484,183	428,078	448,719
Total – gross amount	2,423,020	2,448,032	2,376,414	2,397,456

24.1 Movements in impairments of loans and advances to customers

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	484,183	620,649	448,719	426,379
Additional impairment/(reversal of impairment) of principals	(13,717)	5,989	(12,860)	8,309
Additional impairment/(reversal of impairment) of interest	192	(1,115)	497	(1,585)
Additional impairment/(reversal of impairment) of fees	57	(70)	57	(70)
Write-offs of loans and advances to customers	(8,832)	(212,171)	(8,796)	(151,767)
Foreign exchange rate differences	351	146	0	0
Assets acquired through a business combination	0	54,523	0	167,454
Other	1,112	16,232	461	(1)
Balance at 30 June 2017/31 December 2016	463,346	484,183	428,078	448,719

Recognition of additional impairment/reversal of impairment of interest and fees on loans and advances given to customers is reflected in Note 8 (Interest income and interest expenses) and Note 10 (Fee and commission income and fee and commission expenses) to the income statement.

25 Other financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Cheques	16	47	16	47
Claims for fees and commissions	1,918	1,805	1,327	1,295
Accounts receivables	513	915	60	128
Surplus of funds arising from fiduciary operations	19	9	18	7
Other	36,810	39,517	36,809	39,508
Total – net amount	39,276	42,293	38,230	40,985
Impairments	10,069	9,962	2,115	2,069
Total – gross amount	49,345	52,255	40,345	43,054

Other financial assets of the Nova KBM Group at the end of both June 2017 and December 2016 were mostly made up of the claims accounted for in respect of transactions with households (transactions under credit and charge cards).

25.1 Movements in other financial assets

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	9,962	11,674	2,069	2,170
Assets acquired through a business combination	0	204	0	267
Additional impairment of principals	681	804	649	468
Additional impairment/(reversal of impairment) of interest	(11)	15	(11)	19
Additional impairment of fees	41	76	41	76
Write-offs of other financial assets	(99)	(2,837)	(99)	(930)
Foreign exchange rate differences	29	18	0	(1)
Other	(534)	8	(534)	0
Balance at 30 June 2017/31 December 2016	10,069	9,962	2,115	2,069

Recognition of additional impairment/reversal of impairment of interest and fees on other financial assets is reflected in Note 8 (Interest income and interest expenses) and Note 10 (Fee and commission income and fee and commission expenses) to the income statement.

26 Held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Debt securities	88,660	90,216	88,659	90,216
– non-current securities issued by the state and the central banks	79,874	81,629	79,873	81,629
– non-current securities issued by other issuers	8,786	8,587	8,786	8,587
Total	88,660	90,216	88,659	90,216
Quoted	88,660	90,216	88,659	90,216
Total	88,660	90,216	88,659	90,216

As of 30 June 2017, the Nova KBM Group had assets of this portfolio worth €34,503,000 in total pledged with the Bank of Slovenia for the pool of collateral and the Bank Resolution Fund.

26.1 Movements in held-to-maturity financial assets

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	90,216	129,548	90,216	28,566
Increase during the year	1,065	2,244	1,064	104,883
– assets acquired through a business combination	0	0	0	100,982
– reversal of impairments	0	0	0	1,657
– other (deferred interest)	1,065	2,244	1,064	2,244
Decrease during the year	2,621	41,576	2,621	43,233
– disposal (sale and redemption)	0	37,657	0	39,314
– other (interest received)	2,621	3,919	2,621	3,919
Balance at 30 June 2017/31 December 2016	88,660	90,216	88,659	90,216

27 Financial liabilities measured at amortised cost

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Deposits	3,612,169	3,667,354	3,642,086	3,691,965
Loans	378,954	333,088	378,954	333,088
Debt securities	8,760	14,376	8,760	14,376
Other financial liabilities	60,359	61,074	60,186	60,702
Total	4,060,242	4,075,892	4,089,986	4,100,131

28 Deposits by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Deposits from banks	46,583	41,107	46,583	41,107
– demand deposits	26,166	16,095	26,166	16,095
– current deposits	333	966	333	966
– non-current deposits	20,084	24,046	20,084	24,046
Deposits from customers	3,565,586	3,626,247	3,595,503	3,650,858
– demand deposits	2,476,503	2,307,253	2,504,453	2,329,857
– current deposits	371,137	491,268	372,165	492,310
– non-current deposits	717,946	827,726	718,885	828,691
Total	3,612,169	3,667,354	3,642,086	3,691,965

29 Loans by type of customers and maturity

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Loans from banks	378,954	333,088	378,954	333,088
– non-current loans	378,954	333,088	378,954	333,088
Total	378,954	333,088	378,954	333,088

30 Other financial liabilities

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Liabilities for fees and commissions	10	8	10	8
Liabilities arising from gross salaries of employees	3,606	3,476	3,463	3,316
Liabilities to suppliers	1,626	3,731	1,367	3,318
Liabilities arising from payment card transactions	22,687	23,986	22,687	23,986
Liabilities arising from ATM transactions	2,495	1,416	2,495	1,416
Liabilities in respect of funds provided by customers for cross-border payments	4,104	1,627	4,104	1,627
Liabilities in respect of cash transactions	1,623	5,680	1,623	5,680
Liabilities arising from shares in profits and dividends	28	0	0	0
Accruals and deferred income	9,586	9,318	9,029	8,701
Other financial liabilities	14,594	11,832	15,408	12,650
Total	60,359	61,074	60,186	60,702

The largest proportion of the amount shown in the line item 'Other financial liabilities' arises from the balances held in transitional accounts.

31 Provisions

Nova KBM Group	Provisions for restructuring costs	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance-sheet liabilities	Other provisions	Total
Balance at 1 January 2017	4,860	16,714	6,938	28,314	2,394	59,220
Net (reversal) of provisions through profit or loss	(4)	(854)	(32)	(3,795)	(2,193)	(6,878)
– provisions made during the year	0	947	0	11,073	0	12,020
– provisions (reversed) during the year	(4)	(1,801)	(32)	(14,868)	(2,193)	(18,898)
Net (reversal) of provisions through equity	0	0	(3)	0	0	(3)
Provisions used during the year	(1,376)	(506)	(58)	0	0	(1,940)
Other	0	0	0	0	1	1
Balance at 30 June 2017	3,480	15,354	6,845	24,519	202	50,400

In the six-month period ending 30 June 2017, the Nova KBM Group reversed other provisions of €2,193,000, which had been set aside in previous years for potential claims in respect of lease transactions, but which were no longer necessary because the time for filing any such claim has elapsed.

Nova KBM Group	Provisions for restructuring costs	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance-sheet liabilities	Other provisions	Total
Balance at 1 January 2016	2,456	20,672	6,160	33,387	4,201	66,876
Assets acquired through a business combination	553	297	498	128	79	1,555
Net creation/(reversal) of provisions through profit or loss (Note 20)	3,490	(1,963)	185	(5,195)	(1,261)	(4,744)
– provisions made during the year	3,490	6,181	767	21,007	0	31,445
– provisions (reversed) during the year	0	(8,144)	(582)	(26,202)	(1,261)	(36,189)
Net creation of provisions through equity	0	0	475	0	0	475
Provisions used during the year	(1,639)	(2,550)	(378)	0	(367)	(4,934)
Other	0	258	(2)	(6)	(258)	(8)
Balance at 31 December 2016	4,860	16,714	6,938	28,314	2,394	59,220

In 2016, the Nova KBM Group reversed other provisions of €1,247,000, which had been set aside in previous years for legal actions brought against KBM Leasing, but which were no longer necessary after these actions had been settled.

Nova KBM d.d.	Provisions for restructuring costs	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance-sheet liabilities	Other provisions	Total
Balance at 1 January 2017	4,860	15,967	6,695	29,202	61	56,785
Net (reversal) of provisions through profit or loss	0	(646)	0	(3,834)	0	(4,480)
– provisions made during the year	0	875	0	11,072	0	11,947
– provisions (reversed) during the year	0	(1,521)	0	(14,906)	0	(16,427)
Provisions used during the year	(1,376)	(506)	(44)	0	0	(1,926)
Other	0	0	0	0	2	2
Balance at 30 June 2017	3,484	14,815	6,651	25,368	63	50,381

Nova KBM d.d.	Provisions for restructuring costs	Provisions for pending legal issues	Provisions for pensions and similar benefits	Provisions for off-balance-sheet liabilities	Other provisions	Total
Balance at 1 January 2016	2,456	19,054	4,318	32,949	308	59,085
Assets acquired through a business combination	553	352	1,376	1,500	117	3,898
Net creation/(reversal) of provisions through profit or loss	3,490	(889)	618	(5,241)	0	(2,022)
– provisions made during the year	3,490	6,103	746	20,961	0	31,300
– provisions (reversed) during the year	0	(6,992)	(128)	(26,202)	0	(33,322)
Net creation of provisions through equity	0	0	470	0	0	470
Provisions used during the year	(1,639)	(2,550)	(87)	0	(364)	(4,640)
Other	0	0	0	(6)	0	(6)
Balance at 31 December 2016	4,860	15,967	6,695	29,202	61	56,785

32 Share capital

Nova KBM Group and Nova KBM d.d.	30.6.2017	31.12.2016
Ordinary shares		
– subscribed by non-residents	150,000	150,000

In the first six months of 2017 and in 2016, the Nova KBM Group did not purchase or sell treasury shares, and no treasury shares were held by Nova KBM at the end of June 2017, nor were shares of Nova KBM held by any of the Nova KBM Group companies.

33 Accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Accumulated other comprehensive income in respect of available-for-sale financial assets	26,963	34,041	26,554	33,640
– revaluation	33,288	42,026	32,783	41,531
– deferred taxes	(6,325)	(7,985)	(6,229)	(7,891)
Accumulated other comprehensive (loss) in respect of actuarial gains or losses on defined benefit pension plans	(453)	(470)	(439)	(439)
– revaluation	(499)	(516)	(483)	(483)
– deferred taxes	46	46	44	44
Total	26,510	33,571	26,115	33,201

33.1 Movements in accumulated other comprehensive income

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	33,571	32,815	33,201	25,799
Net change arising from the valuation of available-for-sale financial assets	(8,738)	2,436	(8,748)	2,032
– recognised gains/(losses)	(8,693)	4,556	(8,729)	4,338
– transfer of (losses) to profit or loss	(45)	(2,120)	(19)	(2,306)
Net change in accumulated other comprehensive income in respect of actuarial gains or losses on defined benefit pension plans	17	(464)	0	(470)
Net change in deferred taxes	1,660	(1,216)	1,662	(1,135)
Other	0	0	0	6,975
Balance at 30 June 2017/31 December 2016	26,510	33,571	26,115	33,201

34 Reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Regulatory reserves	3,835	3,835	3,518	3,518
Other reserves from profit	16,710	16,710	16,710	16,710
Total	20,545	20,545	20,228	20,228

In accordance with amendments to its Articles of Association of 21 April 2016, Nova KBM no longer maintains statutory reserves.

34.1 Movements in reserves from profit

	Nova KBM Group		Nova KBM d.d.	
	2017	2016	2017	2016
Balance at 1 January	20,545	54,069	20,228	53,648
(Decrease) in regulatory reserves	0	(104)	0	0
(Decrease) in statutory reserves	0	(33,420)	0	(33,420)
Balance at 30 June 2017/31 December 2016	20,545	20,545	20,228	20,228

Other notes

35 Commitments and contingent liabilities by type

	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Guarantees	262,315	264,195	262,342	264,338
– financial guarantees	107,703	94,937	106,803	94,037
– service guarantees	154,612	169,258	155,539	170,301
Unsecured letters of credit	0	189	0	189
Approved and undrawn loans	161,637	143,291	161,637	143,291
Approved and undrawn overdrafts	234,365	240,038	234,373	240,046
Total	658,317	647,713	658,352	647,864

36 Related party transactions

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

	Subsidiaries Nova KBM d.d.	
	30.6.2017	31.12.2016
Assets		
Deposits and loans given (gross amount)	13,918	14,651
– loans to customers	13,914	14,640
– other financial assets	4	11
Investments in securities	50,625	55,476
– equity instruments	50,625	55,476
Liabilities		
Deposits and loans received	30,831	25,531
– deposits and loans from customers	29,916	24,611
– other financial liabilities	915	920
Other liabilities	1	0
Off-balance-sheet items	936	1,274

	Key management personnel						Other related persons	
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Assets								
Deposits and loans given (gross amount)	335	461	335	461	50,171	80,303	50,049	80,169
– deposits and loans to banks	0	0	0	0	50,000	80,006	50,000	80,006
– loans to customers	335	461	335	461	171	297	49	163
Investments in securities	0	0	0	0	1,948	375	1,948	375
– equity instruments	0	0	0	0	1,948	375	1,948	375
Other claims	0	0	0	0	2	0	2	0
Liabilities								
Deposits and loans received	829	479	829	479	6,006	13,067	5,711	12,668
– deposits and loans from customers	829	479	829	479	6,002	13,053	5,707	12,654
– other financial liabilities	0	0	0	0	4	14	4	14
Securities issued	0	0	0	0	1,540	1,581	1,540	1,581
– debt securities	0	0	0	0	1,540	1,581	1,540	1,581
Off-balance-sheet items	1,164	74	1,164	74	64	84	31	54

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

Other related persons of the Nova KBM Group include:

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

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

36.2 Income statement

	Subsidiaries	
	Nova KBM d.d.	
	1.1.–30.6.2017	1.1.–30.6.2016
Net interest income	303	853
Dividend income	515	416
Net fee and commission income	165	192
Other operating income	26	11
Costs of services	(22)	(43)
Loan impairments	(128)	(93)
Provisions	(37)	(29)
Total profit	822	1,307

	Key management personnel				Other related persons			
	Nova KBM Group		Nova KBM d.d.		Nova KBM Group		Nova KBM d.d.	
	1.1.–30.6.2017	1.1.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016
Net interest income	3	1	3	0	(8)	1	(4)	0
Net fee and commission income	0	1	0	1	4	4	3	1
Costs of services	(58)	(99)	(58)	(80)	(1,321)	(457)	(3)	(394)
Provisions	0	0	0	0	0	2	0	2
Total (loss)	(55)	(97)	(55)	(79)	(1,325)	(450)	(4)	(391)

36.3 Loans and guarantees given

Nova KBM Group	Management Board members		Supervisory Board members		Other Nova KBM Group employees on individual contracts	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Loans	0	0	0	0	1,779	2,079
Average interest rate on loans (%)	7.90	7.90	0	0	2.51	2.48
Repayments	0	0	0	0	341	381

Nova KBM d.d.	Management Board members		Supervisory Board members		Other Nova KBM employees on individual contracts	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Loans	0	0	0	0	1,549	1,801
Average interest rate on loans (%)	7.90	7.90	0	0	2.50	2.44
Repayments	0	0	0	0	307	311

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

Exposure to:	Nova KBM Group		Nova KBM d.d.	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Bank of Slovenia	724,749	695,921	724,749	695,921
Republic of Slovenia	546,665	707,014	546,606	706,697
State-owned institutions	188,150	184,524	188,130	184,293
Total exposure to the Bank of Slovenia, Republic of Slovenia and state-owned institutions	1,459,564	1,587,459	1,459,485	1,586,911
Total exposure as a proportion of the balance sheet total (%)	30.43	32.91	30.34	32.84
Balance sheet total	4,796,376	4,823,450	4,809,715	4,831,767

38 Remuneration

	Nova KBM Group		Nova KBM d.d.	
	1.1.–30.6.2017	1.1.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016
Management Board members	933	151	933	151
Supervisory Board members	38	50	38	50
Members of Supervisory Board committees	0	20	0	20
Other Nova KBM Group employees on individual contracts	2,737	2,398	2,493	2,129
Total	3,708	2,619	3,464	2,350

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

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

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

The total amount paid in the first half of 2017 to Robert Senica, Deputy President of the Nova KBM Management Board, and Sabina Župec Kranjc, Member of the Nova KBM Management Board, for meeting attendances in respect of their work on the Supervisory Board of KBM Infond, a Nova KBM subsidiary, was €4,320.00 and €3,280.02, respectively.

39 Events after the statement of financial position date

No significant events have been recorded by the Bank or the Group since the statement of financial position date.