

## Statement on corporate governance

### 1. CORPORATE GOVERNANCE CODE (application and deviation from provisions)

The Ljubljana Stock Exchange, the Slovene Directors Association and the Managers' Association of Slovenia jointly formulated and adopted on 8 December 2009 the amended Corporate Governance Code (hereafter the 'Code').

Considering that the amended Code entered into effect as of 1 January 2010, Nova KBM applied in the period from 1 January to 31 December 2009 with regard to the corporate governance the Code that was adopted on 18 March 2004, and amended and supplemented on 14 December 2005 and 5 February 2007 by the above stated entities. The Code which the Bank applied and the amended version of the Code are published on websites of the stated entities.

The Bank set out the reasons for deviations from the provisions of the Code applied during 2009 in the section headed 'Corporate governance statement', which is an integral part of the Bank's 2009 Annual Report.

In setting up and developing transparent, clear and successful governance and management system, the Bank will endeavour as much as feasibly possible to comply during 2010 with regulatory provisions, as well as with highest standards of responsible and well thought-out management of the Bank, which are set out in the amended Code (in particular with regard to the Management Policy, transparent and effective work of the Supervisory Board, and transparent management and supervisory bodies remuneration system), thus further increasing the confidence of domestic and foreign investors, employees and broader public in the Bank's management.

In addition to striving for maximising the Bank's value and creating a long-term share price growth, the Bank complies with these standards in order to satisfy the interests of employees, creditors and other stakeholders, as well as of the Bank as a whole, which, in accordance with internal and external global objectives, provides for successful long-term growth of the Bank's assets.

The Bank and its bodies were endeavouring to fully observe the provisions of the Code which was in effect and used in 2009. However, in certain instances the Bank's operations deviated from individual provisions of the Code. In compliance with the Preamble of the Code (and the principle of 'comply or explain'), the Bank sets out below the reasons for such deviations. The reasons were mainly related to the characteristics of the banking industry, the specific ownership structure of the Bank, and to other circumstances which had an impact on the governance and management of the Bank.

#### Point 1.1.1

##### *Code provision*

The key goal of a public limited company engaged in a gainful activity is to maximise the company's value. This and other goals, pursued by the company in performing its activity, should be stated in the company's articles of association.

##### *Reason for deviation*

For each financial year, the Bank sets out its objectives in the Business Policy and Financial Plan as well as in the strategy for a respective period.

**Point 1.3.10***Code provision*

If the general meeting is to elect members of the supervisory board or the board of directors, as proposed by the supervisory board or the board of directors, the substantiation of such proposals for resolutions to be adopted should include – along with the data required by law (name and surname, education, appropriate work experience and current employment) – at least the information on the proposed nominee's membership in other management or supervisory bodies and any potential conflicts of interests. The management should also express their view on whether the proposed nominee is independent in relation to the company (whether he is economically, personally or in any other way closely linked to the company or its management).

It is recommended that this information is made public and available to the proposed nominee for a member of a management or supervisory body from the time when the general meeting has been convened, in the manner described in subsections 1.3.7 and 1.3.9 of the Code.

*Reason for deviation*

Should the Shareholders' Meeting, at its next session, also decide about members of the Supervisory Board, and should proposals for nominations be submitted in due time, the Management Board and the Supervisory Board will ensure that, along with the data required by law, the information about the proposed nominee's membership in other management or supervisory bodies, and any potential conflicts of interest will be included in the proposal for a nomination. This information will be made public and available from the date of the call of the meeting, as set out in points 1.3.7 and 1.3.9 of the Code.

**Point 1.3.18***Code provision*

The general meeting should elect members of the supervisory board and members of the board of directors individually.

*Reason for deviation*

In accordance with the existing practice, the Shareholders' Meeting has been electing members of the Supervisory Board jointly. In the future, however, a decision of appointing members of the Supervisory Board (individually or jointly) will be at the discretion of the Bank's shareholders.

**Point 2.2.2***Code provision*

At the beginning of their term of office, the members of the management board should, in addition to the requirements stipulated by law, meet additional requirements related to the position of a management board member. These requirements should be stipulated by the company's articles of association or a supervisory board's resolution.

*Reason for deviation*

The provision of the Articles of Association in respect of requirements for a Management Board member refers to the Banking Act (ZBan-1) which, as a special law, stipulates additional requirements for a Management Board member to those stipulated in the Companies Act (ZGD-1). Therefore, stipulating these requirements in the Articles of Association or in a resolution of the Supervisory Board is not considered to be necessary.

However, the Supervisory Board did adopt in 2009 additional requirements, criteria and procedures for appointing a Management Board member.

### **Point 2.3.2**

#### *Code provision*

The policy of determining the level of remuneration, compensations and other benefits of the management board members should be specified in advance and should observe the following criteria:

- duties of individual members
- performance of individual members
- size of the company and its financial position
- pretentiousness of managing the company, with a view to its business and organisational complexity
- the company's performance
- implementation of strategic and annual plans
- remuneration of management board members in associated companies
- recommendations for remunerations, adopted by relevant professional organisations.

#### *Reason for deviation*

The remuneration, compensations and other benefits of the Management Board members are, considering the ownership structure of the Bank until the end of December 2009 and the specific operating environment in which the Bank conducted its business during 2009, adjusted to the provisions set out in the Decision of the Government of the Republic of Slovenia dated 22 January 2009 on recommendations to be followed upon signing management contracts by representatives of the Republic of Slovenia acting on supervisory bodies of companies which are majority owned by the Republic of Slovenia. In awarding the annual performance fee to the Management Board members for their work during 2008, the Supervisory Board complied with the criteria from the above stated Government's decision, and specific criteria based on this provision of the Code.

The Bank will formulate the Remuneration Policy for the Members of Management and Supervisory Bodies which will, in accordance with the amended Code, include criteria from the previous paragraph. The policy will be referred for decision to the 2010 Shareholders' Meeting.

### **Point 2.3.8**

#### *Code provision*

The total remuneration, compensations and other benefits of management board members should be annually disclosed in the notes to the financial statements and should be given in net and gross amounts for each management board member. Remuneration should be broken down as follows:

- fixed component of earnings
- variable component of earnings (long-term and short-term incentives for achieving higher productivity and performance-related earnings, excluding profit sharing)
- profit sharing
- share options
- other earnings of management board members (severance pay, additional insurance premiums, benefits).

If a management board member's remuneration consists also of the company's shares, the earnings should be broken down into money and company's shares.

It is recommended that the disclosure of management board members' remuneration includes a description of the policy of earnings (the ratio between the variable and fixed payment components; a detailed account of performance measures used to establish the

variable payment component; an estimate of the value of non-cash benefits; details regarding the severance pay; competition clause), as adopted and exercised by the supervisory board.

*Reason for deviation*

In 2009, the Management Board members did not participate in profit sharing and were not granted share options.

Following the adoption of the Remuneration Policy for the Members of Management and Supervisory Bodies by the Shareholders' Meeting and the Supervisory Board, the disclosure of Management Board members' remuneration will include also the information about the remuneration policy.

**Point 3.3.6**

*Code provision*

In collecting the nominations, the supervisory board or its special committee should consider special criteria, determined in advance. It is recommended that in selecting the nominees, the following is considered:

- comprehensive business knowledge and appropriate expertise for effective performance of the function (whereby the company's specific features should be taken into account, such as the industry in which the company operates, international activities, etc.)
- potential conflicts of interest as specified in point 3.5 of the Code
- business ethics and personal integrity
- appropriate documents and evidence of relevant knowledge, evidencing that a nominee is qualified for officiating on supervisory boards
- sufficient time available.

It is recommended that knowledge, experience and qualifications of individual members are well balanced.

*Reason for deviation*

The Bank complies with the provisions of the Banking Act that determine in detail obligatory criteria and requirements the nominees for the Supervisory Board must meet.

In compliance with the Companies Act and the Banking Act, the Supervisory Board set up Supervisory Board Committees, which, pursuant to the provisions of the Code, shall submit to the Shareholders' Meeting an opinion with regard to nominees for the Supervisory Board.

In preparing proposals for Supervisory Board members in 2010, the competent Supervisory Board Committees and the Supervisory Board will consider also provisions of the amended Code, thus ensuring improved efficiency and transparency in the selection of candidates.

**Point 3.4.1**

*Code provision*

For their work, the supervisory board members should be entitled to:

- remuneration for performing the function
- remuneration for officiating on the supervisory board committees
- attendance fees
- reimbursement of expenses.

Supervisory board members should not be remunerated with share options or comparable financial instruments. It is not recommended that the major part of their remuneration be directly related to the company's performance.

#### *Reason for deviation*

In accordance with the amended Companies Act (ZGD-1C) and on this basis adopted changes to the Bank's Articles of Association by the 2009 Shareholders' Meeting, the Supervisory Board members are not entitled to receive any remuneration that is directly related to the Bank's performance (i.e. to participate in profit), as disclosed in the Bank's Financial Statements. In 2009, the Supervisory Board members did not participate in profit and were not remunerated with share options or other comparable financial instruments.

#### **Point 3.4.4**

##### *Code provision*

A supervisory board member who is also a member of the management in an associated company should not receive any special remuneration for performing his/her duties as a supervisory board member, only the reimbursement of expenses.

#### *Reason for deviation*

The Bank derogates from this provision of the Code since the Banking Act, as a special law, allows that a member of the Management Board of Nova KBM receives a special remuneration for performing his/her duties as a Supervisory Board member in associated companies of the Bank. Information on remuneration of the Management Board members received for performing their duties as Supervisory Board members of Nova KBM Group companies is disclosed in the Financial Report. Remuneration of Supervisory Board members in associated companies is adjusted to the Decision of the Government of the Republic of Slovenia dated 22 January 2009 on recommendations to be followed upon signing management contracts by representatives of the Republic of Slovenia acting on supervisory bodies of companies which are majority owned by the Republic of Slovenia.

#### **Point 8.16**

##### *Code provision*

The company's management is responsible for preparing and implementing the company's communication strategy. The strategy should include:

- identification of stakeholders, and of the communication strategy and cooperation with individual shareholders (creditors, suppliers, buyers, the media, analysts, state authorities, local community, employees)
- selection of persons responsible for communicating with investors or the public (the recommended persons to handle the organisation of internal procedures are management board members or executive directors, financial directors or persons in charge of investor relations)
- clearly defined flow and internal supervision of price-sensitive information within the company, from its origin to its public announcement, and the provision of the protection of business secrets
- identification of the contents and procedures of public relations (e.g.: prompt disclosure of information through public announcements, publications, press conferences, the company's websites, delivery of materials, open-door day).

#### *Reason for deviation*

In addition to persons responsible for organising internal procedures, the Investor Relations Officer is in charge of communication with shareholders and the public.

Internal control of price-sensitive information, from its origin to its public announcement, and the provision of the protection of business secret were complied with during 2009 by observing applicable regulations. Rules for the protection of business secret in Nova KBM are also set out in the special Bank's Regulations on Business Secret and Information Protection.

In February 2009, rules of internal control of price-sensitive information, from its origin to its public announcement, were included in the special Regulations on Restrictions in Trading in Nova KBM shares.

## **2. DESCRIPTION OF MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH FINANCIAL REPORTING PROCEDURES**

The Management Board adopted operational and organisational rules for the establishment and the functioning of internal control system which are used also by the Group subsidiaries. The aim of internal controls is to ensure that the Bank's operations are focused on its main (cardinal) and basic business objectives, that proper accounting principles as well as internal and external financial reporting are applied, and that the Bank's operations are carried out in compliance with the law and business ethics. Internal controls are established within all processes and organisational units of the Bank, at all levels.

Risk management is an important part of the management and governance system, and relates to identification, measurement and assessment of risk arising from the Bank's operations and from its environment. The risk management system is supported by an appropriate internal control system.

Procedures of risk management, the objective of managing individual risks as well as duties and responsibilities for managing risks are set out in individual risk management policies. As a general rule, each company in the Group is responsible for identifying and managing all risks to which it is exposed.

Assessing and managing risks has an important impact on setting up the business and strategic plan of the Bank and the Group, and on the decision-making process in commercial transactions, individual agreements, investments and other activities. The control of risk management is based on monthly reports which are reviewed by ALCO.

The Internal Audit Centre assesses the adequacy and efficiency of applicable internal controls, including information technology security and control, and assesses their reliability in accomplishing strategic and implementation objectives, considering at the same time the management of risks to which the Bank is exposed. The Internal Audit Centre reports to the Management Board, the Audit Committee and the Supervisory Board on a regular basis.

The internal control system and the risk management system are evaluated each year by external auditors appointed for the audit of the Bank's annual report.

## **3. INFORMATION AND EXPLANATIONS OF COMPANIES SUBJECT TO THE APPLICATION OF THE ACT REGULATING ACQUISITIONS (INFORMATION FROM POINT 3, 4, 6, 8 AND 9 OF THE SIXTH PARAGRAPH OF ARTICLE 70 OF THE COMPANIES ACT)**

### **Point 3 of the sixth paragraph of Article 70 of the Companies Act**

Significant direct and indirect holdership of the company's securities in the sense of achieving a qualified stake as determined by the act regulating acquisitions

#### *Explanation*

As of 31 December 2009, the Bank had one direct holder of shares with a qualified ownership share (over 5%), which was the Republic of Slovenia that held 10,822,770 Nova KBM shares, representing a 41.50% shareholding.

**Point 4 of the sixth paragraph of Article 70 of the Companies Act**

Holders of securities that carry special control rights

*Explanation*

Nova KBM has issued 26,081,979 ordinary registered no-par value shares. All shares are of the same class and have the same rights, meaning that holders have no special rights arising from the ownership of Nova KBM shares.

**Point 6 of the sixth paragraph of Article 70 of the Companies Act**

Restrictions related to voting rights, in particular:

- restrictions of voting rights to a certain stake or a certain number of votes
- deadlines for executing voting rights
- agreement in which, on the basis of the company's cooperation, the financial rights arising from securities are separated from the rights of holdership of such securities.

*Explanation*

In accordance with the Bank's Articles of Association, the voting rights are not restricted.

**Point 8 of the sixth paragraph of Article 70 of the Companies Act**

The company's rules on appointment or replacement of members of the management or supervisory bodies

*Explanation*

Management Board of the Bank

In accordance with the amendments to the Bank's Articles of Association adopted at the Shareholders' Meeting on 8 July 2009, the Supervisory Board appoints and discharges the President and other Management Board members, whereby the President of the Management Board may propose to the Supervisory Board the appointment or discharge of individual or other Management Board members.

Management Board members are appointed for a five-year period and may be re-appointed, but no earlier than one year before the end of their term of office.

The Supervisory Board may discharge the President or a member of the Management Board, if there are grounds for such discharge in accordance with the second paragraph of Article 268 of the Companies Act.

Membership in the Management Board may also be terminated on request of the member himself/herself.

**Supervisory Board**

In accordance with the Bank's Articles of Association, the Supervisory Board is appointed by the Shareholders' Meeting for a period of four years.

The function of a Supervisory Board member may terminate before the expiry of his/her term of office referred to in the previous paragraph in the following cases:

1. if he/she gives a written notice, or
2. if he/she is discharged by the Shareholders' Meeting.

In accordance with provisions of the Companies Act and Article 30 of the Bank's Articles of Association, the Shareholders' Meeting reaches decisions with regard to amendments to the Articles of Association. In accordance with provisions of the Companies Act and the Articles of Association, at least three-quarters of the share capital represented in the voting is required to pass a resolution of the Shareholders' Meeting.

## **Point 9 of the sixth paragraph of Article 70 of the Companies Act**

Authorisations of the members of the management for issuing or purchasing own shares

### *Explanation*

In accordance with the Bank's Articles of Association and other Bank's documents, the authorisations of the Management Board for issuing or purchasing own shares are not restricted. The Management Board members may issue and purchase own shares under the terms and conditions determined by law.

## **4. INFORMATION ABOUT THE FUNCTIONING OF THE SHAREHOLDERS' MEETING AND OF ITS KEY COMPETENCES, AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THE METHOD OF THEIR EXERCISING**

### **Competences of the Shareholders' Meeting**

The Shareholders' Meeting shall decide about:

- adoption of the annual report
- appropriation of a profit available for distribution
- appointment and discharge of Supervisory Board members
- award of discharge note to members of the Management and Supervisory Board
- amendments to the Articles of Association
- measures for increasing or decreasing share capital
- dissolution of the Bank and status changes
- appointment of the auditor
- other matters, if so provided by the Articles of Association or the law.

The Shareholders' Meeting is responsible for the adoption of the annual report only if the Supervisory Board did not adopt it, or if the Management Board and the Supervisory Board leave the adoption of the annual report to the discretion of the Shareholders' Meeting.

### **Call of the Shareholders' Meeting**

The Shareholders' Meeting is called by the Management Board. The Shareholders' Meeting may also be called by the Supervisory Board, particularly in cases where the Management Board does not call the Shareholders' Meeting in time, or if the call of the Shareholders' Meeting is required for the smooth running of the Bank's operations. In accordance with the Bank's Articles of Association, the call of the Shareholders' Meeting is published in the Official Gazette of the Republic of Slovenia, in the Ljubljana Stock Exchange electronic information dissemination system SeoNet, and on the Bank's website.

### **Conducting the Shareholders' Meeting**

The Shareholders' Meeting of the Bank is chaired by the Chairman of the Shareholders' Meeting. The Chairman of the Shareholders' Meeting is appointed by the Shareholders' Meeting on motion of the Management or the Supervisory Board of the Bank.

### **Participation in the Shareholders' Meeting**

A shareholder is allowed to participate in the Shareholders' Meeting and exercise his/her right to vote, provided that he/she has informed the Management Board about his/her participation in the Shareholders' Meeting no later than 3 (three) days prior to the start of the Meeting. The conditions for participating and exercising the right to vote in the Meeting are specified in more detail in the notice of Shareholders' Meeting.



**Adoption of resolutions**

The Shareholders' Meeting shall adopt resolutions with a bare majority of the votes cast, unless a qualified majority has been laid down by the Articles of Association or the law.

**Shareholders' right to vote**

The right to vote of shareholders holding shares is exercised pro-rata to the number of their shares in the share capital. Each no-par value share with a voting right entitles the shareholder to one voting right.

**Exercising the right to vote by proxy**

The right to vote may also be exercised by a proxy. In order to be eligible to exercise the right to vote, the proxy must have a written power of attorney. The power of attorney remains deposited with the Bank.

The right to vote may also be exercised through a financial institution or a shareholders' association.

Information about the functioning of the Shareholders' Meeting is set out also in the section headed 'Corporate governance statement'.

**5. INFORMATION ABOUT THE COMPOSITION AND WORK OF THE MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES****MANAGEMENT BOARD**

The Supervisory Board appointed on 5 May 2005 for a five-year period a two-member Management Board as follows: Matjaž Kovačič, President of the Management Board; Manja Skernišak, Member of the Management Board. The term of office of both the President and the Member of the Management Board started on 21 May 2005.

On 21 October 2009, the Supervisory Board appointed Andrej Plos as a third Management Board member. His term of office started on 1 December 2009, after he was granted the authorisation of the Bank of Slovenia for performing the function of a Management Board member. On 23 December 2009, the Supervisory Board re-elected Matjaž Kovačič as the President of the Management Board for a five-year period starting on 22 May 2010. Considering these changes, the Management Board consists as of 1 December 2009 of three members: Matjaž Kovačič, President, Manja Skernišak, Member, and Andrej Plos, Member.

Pursuant to the legislation and the Articles of Association, the Management Board runs the Bank autonomously and on its own responsibility. At least two members of the Management Board jointly represent the Bank in accordance with provisions of the Banking Act. All Management Board members comply with legal requirements for performing their duties on the Management Board.

**Duties of Management Board members**

The Management Board must ensure that the Bank operates in compliance with the Banking Act and the regulations issued on its basis, in compliance with the laws governing the provision of financial services carried out by the Bank and the regulations issued on their basis, and in accordance with other regulations that apply to the financial and banking profession.

The Management Board must ensure that the Bank operates in compliance with the rules of risk management.

The Management Board must set up and implement adequate administrative and accounting procedures and a system of internal controls.

The Management Board regularly, and at least once every quarter, reports to the Supervisory Board of any issues important for the Bank's and the Group's operations.

### **Decision-making by the Management Board**

Decisions that fall within the competence of the Management Board are, as a rule, adopted unanimously by the President and members of the Management Board. In case of disaccord, a decision is adopted with a majority of votes cast by all members of the Management Board. In making the decisions or voting, the President and each member of the Management Board have one vote.

In case of an equal number of votes, the President of the Management Board has the casting vote.

The Management Board may authorise, by a special resolution adopted unanimously, each individual member of the Management Board to make autonomous decisions in respect of individual matters and transactions that relate to the current operations of the Bank.

### **Representation of the Bank**

In all legal transactions, the Bank is represented jointly by at least two members of the Management Board.

All members of the Management Board or, alternatively, two members of the Management Board may authorise one individual member of the Management Board in writing to represent the Bank autonomously in entering into certain transactions or certain types of transactions.

## **SUPERVISORY BOARD**

The managing of operations of Nova KBM is overseen by a nine-member Supervisory Board. In accordance with the Bank's Articles of Association, Supervisory Board members are appointed by the Shareholders' Meeting for a period of four years.

The function of a Supervisory Board member may terminate before expiry of his/her term of office in the following cases:

1. if he/she gives a written notice, or
2. if he/she is recalled by the Shareholders' Meeting.

On 8 July 2008, the Shareholders' Meeting appointed the following Supervisory Board members for a period of four years: Franc Škufca, Andrej Svetina, Daniel Blejc, Anton Jurgetz, Anton Guzej, Ivan Vizjak, Aljoša Valentinčič, Egon Žižmond and Boštjan Kramberger.

On the basis of his resignation notice dated 7 April 2009, Aljoša Valentinčič was discharged from the Supervisory Board on 8 July 2009. Janez Košak was appointed in place of him, starting his four-year term of office on 25 July 2009. Daniel Blejc, Anton Jurgetz and Boštjan Kramberger resigned, and Egon Žižmond was discharged at the Meeting. New Supervisory Board members appointed at the Shareholders' Meeting were the following: Danilo Toplek, Alenka Bratušek, Marko Jazbec and Dušan Jovanovič. The term of office of newly appointed Supervisory Board members ends on the day on which the term of office of discharged or recalled Supervisory Board members would have ended.

On 4 November 2009, Marko Jazbec resigned from the Supervisory Board.

### **Conditions for the Supervisory Board membership**

Only a person who meets the criteria determined by the law can be appointed as a member of the Supervisory Board. The Supervisory Board carries out its work in accordance with competences set out in legislation, the Articles of Association and the Regulations on the Activities of the Supervisory Board. The Supervisory Board conducts activities for which it is competent at regular and correspondent meetings.

As a rule, the Supervisory Board convenes at least once per quarter, depending on the importance of the issue to be discussed, or at the request of the Chairman of the Supervisory Board.

### **Competences and duties of the Supervisory Board**

In addition to the powers vested in the Supervisory Board under the Companies Act and the Banking Act, the Supervisory Board also gives consent to the Management Board in determining:

- the Bank's business policy
- the Bank's financial plan
- the organisation of the internal control system
- the annual plan of work of the Internal Audit Centre
- new issues of own securities exceeding €30 million
- all transactions regarding the acquisition and disposal of equity holdings in companies and other legal entities whose book value exceeds €550,000
- acquisition and disposal of investments in equity instruments with the purpose of portfolio investments, if such investment in any one issuer exceeds 5% of the Bank's equity
- any decisions in respect of actions resulting in status changes in companies and other legal entities in which the Bank holds a majority stake
- the formation of a banking and/or financial group or groups
- writing-off claims over €1 million
- the raising of funds and contracting other liabilities for the Bank which in one financial year, individually or in total, exceed 25% of the Bank's equity
- transactions in which, considering the Bank's total exposure, the Bank's exposure against a customer would reach or exceed 10% of the Bank's equity, and in which the Bank's exposure against a customer would be increased by so much as to reach or exceed 15% or 20% of the Bank's equity and each subsequent 5% of its equity
- concluding a transaction which is a basis for the Bank's exposure against a person having a special relationship with the Bank within the meaning of provisions of Article 167 of the Banking Act
- other matters in accordance with the regulations.

Members of the Supervisory Board are required to:

- supervise the adequacy of procedures and the efficiency of the work of the internal audit
- discuss the findings of the Bank of Slovenia, the tax inspection and other supervisory bodies during the process of supervision of the Bank
- check annual and other financial reports of the Bank and draw up a written opinion on their conclusions for the Shareholders' Meeting
- explain to the Shareholders' Meeting their opinion about the annual report of the Internal Audit Centre and their opinion about the annual report of the Management Board.

A member of the Bank's Supervisory Board must immediately inform the Bank of Slovenia of the following:

- his/her appointment and termination of his/her function in management and supervisory bodies of other legal entities

- legal transactions on the basis of which a member of the Supervisory Board himself/herself or a member of his/her immediate family has, directly or indirectly, acquired shares or participating interests in a legal entity, as a result of which the member of the Supervisory Board together with a member of his/her immediate family have reached or exceeded a qualified share in that legal entity, or their share has fallen below the qualified share level.

The Supervisory Board is required to:

- check the annual report together with the auditor's report and the proposal of the Management Board for the appropriation of a profit available for distribution
- draw up a written report for the Shareholders' Meeting in accordance with the second paragraph of Article 282 of the Companies Act.

The Supervisory Board adopts the annual report.

### **Decision-taking by the Supervisory Board**

The Supervisory Board constitutes a quorum if more than one half of its members are present. The Supervisory Board adopts its decisions with a simple majority of votes cast by the members present at the vote. In case of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

### **Special rights of Supervisory Board members**

Each member of the Supervisory Board shall be reimbursed for the costs of the participation in the meeting, and in addition to that he/she shall receive an attendance fee the amount of which shall be determined by a resolution of the Shareholders' Meeting.

Information about the activities of the Bank's Supervisory Board is set out also in section 3 headed 'Statement by the Supervisory Board'.

## **SUPERVISORY BOARD COMMITTEES**

Pursuant to the Companies Act and the Banking Act, the following committees conducted their work during 2009: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Information Technology Committee. The Supervisory Board constituted in 2009 also the Appointment Committee.

### **Supervisory Board Audit Committee**

During 2009, the Audit Committee was composed of two independent Nova KBM's Supervisory Board members and two outside experts. The Supervisory Board appointed on 22 September 2008 the following members to the Audit Committee: Andrej Svetina, Aljoša Valentinčič, Assistant Professor at the Faculty of Economics of the University of Ljubljana (both Supervisory Board members), Franc Koletnik, Professor at the Faculty of Economics and Business of the University of Maribor, and Blanka Vezjak, Manager of the company Vezjak svetovanje d.o.o. (both outside members).

Following his resignation from the Supervisory Board, Aljoša Valentinčič ended on 7 April 2009 also his term of office as a member of the Audit Committee, and Janez Košak, a Supervisory Board member, was appointed as a new member of the Audit Committee on 20 August 2009.

On 21 October 2009, the Supervisory Board recalled Blanka Vezjak from the Audit Committee and appointed instead Kosta Bizjak as a new outside member on 23 December 2009.

The Audit Committee supports the Supervisory Board in overseeing the management of the Bank and the Group companies, in particular with regard to legitimacy of operations, the risk management system, internal audit and the internal control system, and undertakes duties laid down in the Articles of Association, documents of the Audit Committee and Supervisory Board resolutions.

The Audit Committee carries out its activities in accordance with the law, the Bank's Articles of Association, and the Charter which regulates the purpose and the composition of the Committee, methods and conditions of its work as well as competencies and responsibilities of its members. The area and the method of work of the Committee, its decision-making process and all other issues deemed important for its work are regulated by the Rules of Procedure of the Audit Committee.

As a rule, the Audit Committee members adopt decisions at meetings. A quorum is constituted if at least one half of the Audit Committee members are present at the meeting, one of whom shall be President or Deputy President.

The Committee adopts its decisions with a simple majority of votes cast by the members present at the vote. Each member has one vote. In case of an equal number of votes, the President of the Committee has the casting vote.

Each member of the Committee is entitled to the attendance fee the amount of which is determined by the Shareholders' Meeting. Committee members are also reimbursed for the costs of their work on the Committee.

The Committee regularly reports to the Supervisory Board about its work at the meetings of the Supervisory Board.

Information about the work of the Supervisory Board Audit Committee is set out also in section 3 headed 'Statement by the Supervisory Board'.

### **Supervisory Board Nomination Committee**

During 2009, the Nomination Committee was composed of three Nova KBM's Supervisory Board members and one outside expert. The Supervisory Board appointed on 22 September 2008 the following members to the Nomination Committee: Anton Jurgetz, Franc Škufca, Daniel Blejc (all three Supervisory Board members) and Marko Vresk, Deputy President of the Management Board of the company Helios d.d., Domžale (outside member).

Following their discharge at the Shareholders' Meeting dated 8 July 2009, Anton Jurgetz and Daniel Blejc ended their term of office also as Nomination Committee members. The new Supervisory Board appointed on 20 August 2009 Dušan Jovanovič as the President of the Nomination Committee and Danilo Toplek as a Nomination Committee member. Since 20 August 2009, the Nomination Committee has been composed of the following members: Dušan Jovanovič, Danilo Toplek, Franc Škufca and Marko Vresk.

The Nomination Committee supports the Supervisory Board in assessing the structure, performance and composition of the Management Board on a regular basis, and in preparing proposals with regard to criteria and candidates for a position on the Management Board.

The area and the method of work of the Nomination Committee, its decision-making process and all other issues important for its work are regulated by the Rules of Procedure of the Supervisory Board Nomination Committee.

As a rule, the Nomination Committee members adopt decisions at meetings. A quorum is constituted if at least one half of its members are present at the meeting.

The Nomination Committee adopts its decisions with a simple majority of votes cast by the members present at the vote. Each member has one vote. In case of an equal number of votes, the President of the Committee has the casting vote.

Provisions on remuneration and cost-reimbursement of the Audit Committee members as well as provisions on reporting to the Supervisory Board shall be, mutatis mutandis, applied also to the Nomination Committee.

Information about the work of the Supervisory Board Nomination Committee is set out also in section 3 headed 'Statement by the Supervisory Board'.

### **Supervisory Board Remuneration Committee**

During 2009, the Remuneration Committee was composed of two independent Nova KBM's Supervisory Board members and one outside expert. The Supervisory Board appointed on 22 September 2008 the following members to the Remuneration Committee: Anton Guzej, Ivan Vizjak (both Supervisory Board members) and Marko Vresk (outside member). The composition of the Remuneration Committee had not changed by the end of 2009, and the Committee has proceeded with its work in the same composition also in 2010.

The Remuneration Committee supports the Supervisory Board in preparing proposals with regard to the salary policy, reimbursement of costs and other benefits of the Management Board members, and helps the Supervisory Board in assessing the performance of the Management Board.

The area and the method of work of the Remuneration Committee, its decision-making process and all other issues important for its work are regulated by the Rules of Procedure of the Supervisory Board Remuneration Committee.

Provisions on quorum and voting and on remuneration and cost reimbursement of the Nomination Committee members, as well as on reporting to the Supervisory Board, shall be, mutatis mutandis, applied also to the Remuneration Committee.

Information about the work of the Supervisory Board Remuneration Committee is set out also in section 3 headed 'Statement by the Supervisory Board'.

### **Supervisory Board Information Technology Committee**

During 2009, the Information Technology Committee was composed of two independent Nova KBM's Supervisory Board members and one outside member. From September 2008 until 8 July 2009, Daniel Blejc, Boštjan Kramberger (both Supervisory Board members) and Boštjan Berčič of the Institute for Economics, Law and Informatics in Ljubljana (outside member) were members of the Information Technology Committee. As a result of the Shareholders' Meeting's discharge of Daniel Blejc and Boštjan Kramberger from the Supervisory Board and the Information Technology Committee, the Committee became incomplete and without a quorum.

Following the Shareholders' Meeting and the appointment of the new Supervisory Board, the later decided – considering the need for providing professional and technical support and advice in discussing material and preparing proposals to the Supervisory Board with regard to information technology solutions and control of their implementation – not to appoint new members to the Information Technology Committee.

The Information Technology Committee provided during 2009 professional and technical support and advice in discussing material and preparing proposals for the Supervisory Board meetings, and helped controlling the implementation of Supervisory Board resolution, with

the aim to improve the efficiency of the Supervisory Board in resolving more demanding technical problems.

The area and the method of work of the Information Technology Committee, its decision-making process and all other issues important for its work are regulated by the Rules of Procedure of the Information Technology Committee.

Provisions on quorum and voting and on remuneration and cost reimbursement of the Remuneration Committee members, as well as on reporting to the Supervisory Board, shall be, *mutatis mutandis*, applied also to the Information Technology Committee.

### **Supervisory Board Appointment Committee**

The Supervisory Board constituted on 29 May 2009 the Appointment Committee composed of four representatives of the Bank's largest shareholders (Republic of Slovenia, Kapitalna družba d.d., Slovenska odškodninska družba d.d. and Pom-Invest d.d.), a representative of the Staff Accreditation Council and the Chairman of the Bank's Supervisory Board. The following members were appointed to the Appointment Committee: Franc Škufca, Supervisory Board member, as the President of the Committee, and members Andreja Kert (Ministry of Finance), Borut Jamnik (Kapitalna družba d.d.), Tomaž Kuntarič (Slovenska odškodninska družba d.d.), Ivan Vizjak (a Supervisory Board member and a representative of Pom-Invest d.d.) and Borut Bratina (Staff Accreditation Council).

Duties of the Appointment Committee are as follows:

- selecting candidates for the Supervisory Board and proposing to the Supervisory Board the names of candidates to be nominated at the Shareholders' Meeting
- controlling the composition of the Supervisory Board in the light of best practice recommendations and adopted codes, and the reporting thereof to the Supervisory Board
- supporting the Supervisory Board in the preparation of the Supervisory Board's remuneration system, and in submitting the remuneration system proposals to the Shareholders' Meeting for decision.

The area and the method of work of the Appointment Committee, its decision-making process and all other issues important for its work are regulated by the Rules of Procedure of the Appointment Committee.

Provisions on quorum and voting and on remuneration and cost reimbursement of the Information Technology Committee, as well as on reporting to the Supervisory Board, shall be, *mutatis mutandis*, applied also to the Appointment Committee.

The Appointment Committee held two meetings in the period from its constitution until 10 July 2009. At the first meeting held on 2 June 2009, it took note of the Committee Regulations and preparations for the Shareholders' Meeting. It adopted a decision to propose to the Supervisory Board Alenka Bratušek as an alternate Supervisory Board member, and to obtain the authorisation from the Staff Accreditation Council for additional candidates for the Supervisory Board. At the second meeting held on 11 June 2009, the Appointment Committee took note of the accreditation procedures for candidates to be appointed to the Bank's Supervisory Board.

This Corporate Governance Statement is an integral part of the Bank's Annual Report for the year 2009 and will be published in the Ljubljana Stock Exchange electronic information dissemination system SeoNet and on the Bank's website.

Maribor, 25 February 2010

Management Board of Nova KBM d.d.

Supervisory Board of Nova KBM d.d.

Andrej Plos    Manja Skernišak    Matjaž Kovačič  
Member        Member            President

Danilo Toplek, Chairman