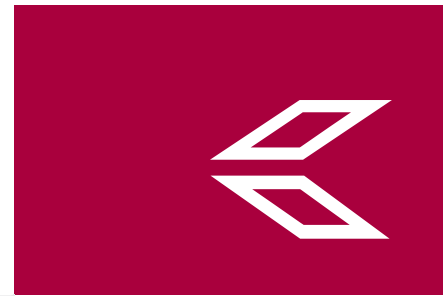


# 17<sup>th</sup> Shareholders' Meeting of Nova KBM d.d.



Announcement and Material

The Management Board of Nova KBM d.d., Maribor, calls the

which will take place on Tuesday, 8 July 2008 at 1:00 p.m. in the Turner Hall of Hotel Habakuk, Pohorska ulica 59, Maribor.

## Agenda

### **1. Opening of the Meeting, establishment of quorum, and acquaintance with the Shareholders' Meeting bodies**

On behalf of the convener of the Meeting, the President of the Management Board of the company will start the Meeting, establish the participation of shareholders, and advise the shareholders that the Meeting is to be chaired by Pavle Pensa, a counsel from Ljubljana, who will act as the chairperson, and by Robert Ernestl and Andraž Šuligoj as counters votes.

### **2. Acquaintance with the Report on internal auditing in 2007 together with the opinion of the Supervisory Board, with the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007 together with the auditor's report, and with the Report of the Supervisory Board on verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007**

The Shareholders' Meeting of the Bank takes note of the submitted Report on internal auditing in 2007 together with the opinion of the Supervisory Board, with the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007 together with the auditor's report, and with the Report of the Supervisory Board on verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007.

### **3. Adoption of the resolution on the allocation of the balance sheet profit (accumulated profit) for the financial year 2007 and for discharging the Management Board and the Supervisory Board of Nova KBM d.d. for the financial year 2007**

#### **Proposal for the resolution:**

1. Based on the proposal of the Bank's Management Board and on the opinion of the Bank's Supervisory Board, the 2007 balance sheet profit (accumulated profit) in the amount of €10,070,705.30 is to be used as follows:

- payment of dividends to the shareholders which amounts to €0.20 gross per share • €4,671,596.80
- remuneration of the Supervisory Board members • €135,000.00
- for other reserves • €5,264,108.23

Shareholders entered into the share register on 10 July 2008 are entitled to receive dividends. The dividend will be paid not later than 60 days after the adoption of the decision of the Shareholders' Meeting on the balance sheet profit (accumulated profit) allocation.

2. In accordance with the provision of Article 294 of the Companies Act (ZGD-1), the Shareholders' Meeting discharges the Management Board and the Supervisory Board for the financial year 2007.

#### **4. Adoption of the resolution on the appointment of a certified auditor for the audit of the Bank's financial statements for the year 2008**

##### **Proposal for the resolution:**

For the audit of the 2008 financial statements of Nova KBM d.d. and the Nova KBM Group the auditing firm KPMG Slovenija d.o.o. is appointed.

#### **5. Proposal for the amendment of the Bank's activities**

##### **Proposal for the resolution:**

The activities of the Bank are to be amended and harmonized with the new Decree on the Standard Classification of Activities (Official Gazette of RS, no. 17/2008) dated 19 February 2008 as follows:

a) activities of the Bank until now stipulated in the third paragraph of Article 3 of the Articles of Association should be deleted;

b) in the third paragraph of Article 3 of the Articles of Association, the following activities of the Bank should be entered:

- K/64.190 – Other monetary intermediation
- K/64.200 – Activities of holdings
- K/64.300 – Activities of trust and other funds and similar financial entities
- K/64.910 – Financial leasing activities
- K/64.920 – Other credit granting
- K/64.990 – Other financial service activities not elsewhere classified, except insurance and pension fund activities
- K/65.200 – Re-insurance activities
- K/65.300 – Pension fund activities
- K/66.120 – Brokerage in securities and stock exchange commodities trading
- K/66.190 – Other auxiliary activities for financial services, except for insurance and pension funds

- K/66.290 – Other auxiliary activities for insurance and pension funds
- K/66.300 – Financial funds management
- M/69.200 – Accounting, bookkeeping and auditing activities; tax advisory – except auditing activities
- M/70.220 – Other corporate and business advisory services
- N/82.910 – Collection of claims and assessment of credit capability

## **6. Proposal for the amendment of the Bank's Articles of Association**

### **Proposal for the resolution:**

#### **I. The Shareholders' Meeting of Nova KBM d.d. adopts the amendments of the Nova KBM d.d. Articles of Association as follows:**

1. Third paragraph of Article 3 is amended so as to read:

- »K/64.190 – Other monetary intermediation
- K/64.200 – Activities of holdings
- K/64.300 – Activities of trust and other funds and similar financial entities
- K/64.910 – Financial leasing activities
- K/64.920 – Other credit granting
- K/64.990 – Other financial service activities not elsewhere classified, except insurance and pension fund activities
- K/65.200 – Re-insurance activities
- K/65.300 – Pension fund activities
- K/66.120 – Brokerage in securities and stock exchange commodities trading
- K/66.190 – Other auxiliary activities for financial services, except for insurance and pension funds
- K/66.290 – Other auxiliary activities for insurance and pension funds
- K/66.300 – Financial funds management
- M/69.200 – Accounting, bookkeeping and auditing activities; tax advisory – except auditing activities
- M/70.220 – Other corporate and business advisory services
- N/82.910 – Collection of claims and assessment of credit capability«

2. The first paragraph of Article 11 is amended so as to read:

»Within five years from the entry of the amendments to the Articles of Association adopted at the general meeting dated 8 July 2008 into the register of companies, the management board is authorised, with the consent of the supervisory board, and without an additional resolution of the general meeting, to increase one or several times the share capital of the Bank by not more than 5,946,419.61 euro by issuing new shares. New shares issued bear the rights, and are issued under the conditions and in the manner determined in the resolution of the management board on increasing the capital.«

3. The third paragraph in Article 12 is deleted.

4. The third paragraph in Article 14 is amended so as to read:

»The members of the Bank's management board shall perform their duties of managing the Bank on a full-time basis.«

5. The second paragraph in Article 40 is amended so as to read:

»The purpose, the significance and the duties of the internal audit department have to be determined in a written document, which is to be approved by the management board with the consensus of the supervisory board.«

The third indent in the third paragraph is deleted.

**II. Based on the adopted amendments, the consolidated text of the Nova KBM d.d. Articles of Association should be drawn up.**

In accordance with Article 304 of the Companies Act (ZG-1), Ines Bukovič, notary public, will attend the 17<sup>th</sup> Shareholders' Meeting of Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor.

Submitters of the resolutions under points 3, 5 and 6 are the Management Board and the Supervisory Board, and the submitter of the resolution under point 4 is the Bank's Supervisory Board.

Shareholders, their proxies and representatives may attend the Shareholders' Meeting.

The Shareholders' Meeting may be attended by those shareholders - or their legal representatives or proxies who are required to present a written power of attorney - who are on 4 July 2008 entered into the share register in the central securities registry maintained by the Central Securities Clearing Corporation. The participation at the Shareholders' Meeting must be advised to the Bank in writing. The written registration must be received at the headquarters of the Bank on or before 4 July 2008 at the latest.

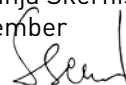
In order to start the Meeting in time, we kindly ask all participants to register at least one hour prior to the start of the session. The participants shall confirm their participation with their signature, and take over the materials needed for voting.

The materials along with the proposals for resolutions will be available for inspection at the headquarters of Nova KBM d.d., Maribor, Ulica Vita Kraigherja 4, from the date of publishing the call of the Meeting to 8 July 2008 inclusive, each working day between 10:00 a.m. and 1:00 p.m.. The materials together with the resolutions will also be made available on the Bank's website: [www.nkbm.si](http://www.nkbm.si).

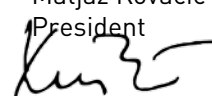
Maribor, 4 June 2008

Management Board of Nova KBM d.d.

Manja Skernišak  
Member



Matjaž Kovačič  
President



**ACQUAINTANCE**

**with the Report on internal auditing in 2007 together with the opinion of the Supervisory Board, with the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007 together with the auditor's report, and with the Report of the Supervisory Board on verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the financial year 2007**

**Point 2**

In accordance with the first paragraph of Article 282 of the Companies Act (ZGD-1), the Supervisory Board verified at its 44th regular meeting held on 21 May 2008 the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007, which was submitted by the Management Board (Appendix), and, in accordance with the second paragraph of Article 282 of the Companies Act (ZGD-1), it adopted at the same regular meeting the Report of the Supervisory Board on verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007 as well as the Resolution on approving the Report of the Group and of the Bank for the year 2007 (Appendix).

Pursuant to the second paragraph of Article 282 of the Companies Act (ZGD-1) and the third paragraph of Article 294 of the Companies Act (ZGD-1) under which the Management Board is obliged to submit the Annual Report and the Report of the Supervisory Board to the Shareholders' Meeting, the Shareholders' Meeting takes note of these documents.

In accordance with Article 201 of the Banking Act (ZBan-1), the internal audit department elaborated the Report on internal auditing (Appendix) which the Management Board should put on the agenda of the Shareholders' Meeting together with the audited Annual Report of the Bank and the opinion of the Supervisory Board. In line with these provisions, the Bank's Management Board submitted on 21 May 2008 to the Supervisory Board the Report on internal auditing in 2007, and the Supervisory Board drafted the following opinion in this respect:

»The Supervisory Board ascertains that the internal audit department carried out its internal auditing in 2007 in accordance with standards of professional conduct on internal auditing as well as in line with principles on internal auditing, the Code of professional ethics of internal auditors, regulations on conducting internal audit activities and the Banking Act (ZBan-1). The internal audit department coordinated its activities with the activities of the Bank's external auditor who audited the Bank's accounting statements, and cooperated with the Bank of Slovenia during special controls and reviews of the Bank's operations.

By carrying out its annual plan, the internal audit department assessed the system of controls and the risk management. An emphasis was put on the verification of adequacy and applicability of policies and methods of risk management. The internal audit department audited the credit and operational risks in customer operations in Poštna banka Slovenije d.d.

(hereinafter: PBS d.d.), and assessed the quality and the value of the loan portfolio and the integrity of loan approval procedures, with special emphasis on the quality of collateralising claims. During the special audit review in the Support to Corporate Customers Department, the internal auditors verified the adequacy of internal controls. The auditing of operations in securities was carried out in Nova KBM d.d. and PBS d.d.. The internal auditors evaluated the internal accounting controls, and tested the data for the preparation of the consolidated financial statements and for the calculation of the Bank's capital adequacy. In operations with households, the auditing of transaction account activities and crediting of households was carried out. In accordance with the request of the Bank of Slovenia, the internal audit department also audited operations of banking intermediaries.

The internal audit of IT systems included the access to the systems, carrying out of activities for concluding the implementation of the business continuity plan and the disaster recovery plan, human resources IT system and the upgrade of the software for monitoring accounts at carrying out anti-money laundering activities, the upgrade of the software for protecting and archiving data, the reporting system and the implementation of supervising tools for monitoring security policy, and conformity of the Bank with the Personal Data Protection Act.

The internal audit of the wage system was carried out as well as the audit of operating procedures in the Section for Organisation and the Section for Technological Development of Services. The internal audit department carried out the audit of the Basel II project and cooperated with the Bank of Slovenia at monitoring the execution of planned project activities, of the data warehouse project and of the "Severnica" programme.

All planned internal audit activities were carried out in the companies KBM Fineko d.o.o., KBM Infond d.o.o. in KBM Leasing d.o.o., Gorica Leasing d.o.o. as well as in the above mentioned PBS d.d..

The external assessment of the internal auditing quality was carried out in 2007 which additionally proves the expertise, independence and objectivity of the internal audit department as no notable remarks have been issued.

The Supervisory Board considers that the objectives of the internal auditing carried out by the internal audit department have been in accordance with the principal purpose of internal auditing – assessing the adequacy and efficiency of the systems of internal controls for managing operation risks, providing for legal, reliable and well-regulated operations, and advisory services relating to their improvement, with the emphasis on the security of IT systems and accuracy of reporting. The internal audit department stated numerous constructive recommendations which were incorporated in the Group's and Bank's operations.

By quarterly and annual reports, the internal audit department informed the Supervisory Board on important findings at individual audit reviews, on findings of irregularities, on recommendations for improving efficiency of internal controls, on risk management as well as on the implementation of the internal audit department recommendations

The reporting of the internal audit department was performed in a professional way and the Supervisory Board had no comments in this respect. As stated in the Annual Report on internal auditing, all agreed

activities were carried out, and the adequate internal control of the Bank and of the Group was assured.

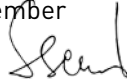
The Supervisory Board is of the opinion that the activities of the internal audit department have been carried out in accordance with the rules and authorisations, and the independence of the department has not been hindered.

Based on the aforementioned, the Management Board and the Supervisory Board propose to the Shareholders' Meeting to, in accordance with the second paragraph of Article 282 of the Companies Act (ZGD-1), the third paragraph of Article 294 of the Companies Act (ZGD-1) and Article 201 of the Companies Act (ZGD-1), take note of the submitted Report on internal auditing in 2007 together with the opinion of the Supervisory Board, of the Annual Report of the Nova KBM Group and Nova KBM d.d. together with the auditor's report, and of the Report of the Supervisory Board on verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007.

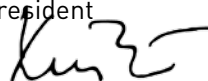
Maribor, 4 June 2008

Management Board  
of Nova KBM d.d.

Manja Skernišak  
Member

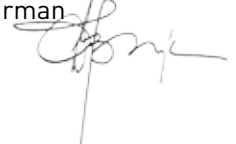


Matjaž Kovačič  
President



Supervisory Board  
of Nova KBM d.d.

mag. Daniel Blejc  
Chairman





## Annex to point 2

### Materials for the 17<sup>th</sup> SHAREHOLDERS' MEETING - Annex to point 2

#### REPORT on internal auditing in the year 2007

In consent with the Supervisory Board, the Management Report adopted the annual plan of internal auditing. The internal audit department reported quarterly and annually to the Management Board and the Supervisory Board on all important ascertainments and recommendations for improving the risk management internal controls and on the implementation of the annual programme. The report for the last quarter of 2007 was discussed by the Audit Committee before this was submitted to the Supervisory Board. Upon concluding any audit review, the internal audit department issued a report which was discussed by the Management Board during its meetings. Where weaknesses were ascertained, the Management Board took necessary measures through executive directors. The implementation of auditors' recommendations contributed to the improvement of operations and to risk reduction.

#### 1. IMPLEMENTATION OF THE ANNUAL PROGRAMME

The internal audit department assesses the system of controls and the risk management, ascertains weaknesses, recommends improvements, gives affirmation to the management and provides advice. The main stress is placed on the system of internal controls and the risk management, which is also international practice under the COSO model (The Committee of Sponsoring Organizations of Trade Way Commission) and ERM (Enterprise Risk Management). By applying these models, the internal audit department assesses the system of internal controls and the risk management.

In accordance with the annual programme on internal auditing, 11 internal auditors (out of 12 planned) carried out 44 scheduled and one extraordinary audit reviews, while 3 audit reviews remained unaccomplished and were completed in the first quarter of 2008.

In addition to auditing, internal auditors were involved in planning, organising and supervising the preparation of the data for the 2006 audited financial statements and the appendix to the auditor's report, and participated in the collection of data for preliminary audit of the Bank's 2007 operations. During the year, special attention was put on the Basel II activities and on the Bank's privatisation. Two audit reviews were carried out with the aim of reporting to the Bank of Slovenia: the audit of operations with credit intermediaries was carried out in accordance with the decision of the Bank of Slovenia, and the audit of the Basel II project was carried out upon a special request of the Bank of Slovenia. The internal audit department reported on its ascertainments to the banking supervision department of the Bank of Slovenia. The external auditor and the Bank of Slovenia assessed the Bank's internal audit department's activities as professionally adequate and in compliance with the Banking Act (ZBan-1).

The company Deloitte revizija d.o.o. assessed the quality of internal audit in Nova KBM d.d. in 2007 and ascertained that it is necessary to provide for the formal determination of the programme for the improvement of internal auditing. In addition, 22 recommendations for improving internal auditing were issued, which were classified by importance. By the end of 2007, the Audit Committee and later the Supervisory Board approved the new Principal document on internal audit in Nova KBM d.d.. The Management Board adopted the amended Regulations on the implementation of internal audit activities in Nova KBM d.d. which take into account the recommendations of the external assessment. Other recommendations will be gradually implemented during 2008.

The Banking Act (ZBan-1) and the Regulation on the Supervision of Banks and Saving Banks on a Consolidated Basis determine that the Group as a whole has to carry out its activities in compliance with the regulations on risk management. The controlling bank controls all risks to which the Nova KBM Group is exposed. The internal audit department of Nova KBM d.d. therefore provides for unified standards and methodologies of internal audit in PBS d.d., and carries out audit reviews in the subsidiaries. It reports on the ascertainties to the Supervisory Board of Nova KBM d.d.

## **2. THE SUMMARY OF IMPORTANT ASCERTAINMENTS ESTABLISHED UPON PERFORMED AUDIT REVIEWS**

### **2.1. Credit and operational risk in operations with customers**

#### 2.1.1. Internal audits in Nova KBM d.d.

Audit reviews in operations with customers relate to the review of the credit portfolio in Celje branch, Novo mesto branch and Pomurje branch as well as in the Maribor and Nova Gorica corporate department. In credit operations, such control environment is established that assures efficient activities in line with the regulations and business objectives of the Bank, as well as in accordance with regulatory provisions and recommendations of the Bank of Slovenia. Within the Basel II project, recommendations were taken into account following the internal audits, which resulted in reducing the Bank's exposure to operational and consequently credit risk. In 2007, based on the recommendations issued, the Bank ensured conditions for systematic monitoring of collateral for the needs of individual impairments as required by the International Financial Reporting Standards. All endeavours for improving the credit risk management were affirmed by adopting the policy on credit risk management, the policy of managing collateral at the Group level and the methodology for assessing the necessary Bank's economic capital.

A special audit on a draft collection procedure highlighted the increased complexity of the application of a draft which is often used as collateral but also as a payment instrument or a payment order. By carrying out the recommendations and through measures undertaken by the management, special instructions were issued, internal training was carried out and the authorisation of payment orders was complemented, which led to a more efficient risk management.

In operations with households, audit reviews were carried out in the same organisational units, in which, in addition to auditing the credit function, the audit of other services which are sold in the Bank's units and through

other channels was carried out. Credit risks are adequately disclosed and properly managed despite a slight increase in the volume of due and unpaid claims. Operations were performed in line with regulations and, due to the enhanced completeness of data in the NOBIS information system, a possibility of the occurrence of a significant operational risk event has been reduced compared to the previous year.

With the introduced organisational changes in operations with customers, the division of activities between the commercial and the support function was properly established. The only exception is operations with companies which will remain within the operations with customers until the Bank starts using only one information system – KREDE.

#### 2.1.2. Internal audit in PBS d.d.

Based on the audit of the PBS d.d. loan portfolio and procedures for granting loans to corporate customers, the recommendations for gradual harmonisation of credit risk management procedures between PBS d.d. and Nova KBM d.d. deriving from the agreement on business cooperation between the banks, for abolishing weaknesses and for a more qualitative limitation of credit and operational risks as well as for the adjustment of loan approval procedures and procedures for registering and insuring claims to the procedures applied in Nova KBM d.d. are carried out within the agreed deadlines. Classifications of joint customers have been harmonised, the methodology for classifying customers has been adjusted, instructions have been elaborated and the IT connection has been assured.

#### 2.1.3. Support to commercial activities

In organisational units engaged in the support to commercial activities, the work is well organised and such internal controls are established that assure the bookkeeping support activities to be carried out in accordance with the Bank's instructions, external provisions and the best banking practice. In addition, they ensure timely and complete posting of operating events to the correct accounts. Implementation of resolutions of enforcements will be more efficient once the IT software will be upgraded in 2008, and an anticipated separate organisational unit will be formed.

Work processes in cash operations ensure accurate and punctual handling with day and night vaults, ATMs in the Bank's branch offices, in the cash centre as well as in the depositary bank. The operations are carried out in accordance with instructions and provisions and with appropriate security measures.

## **2.2. Market risk**

#### 2.2.1. Internal audits in Nova KBM d.d.

The audit review of concluding transactions in the Treasury Department for the Bank's own portfolio was carried out. Furthermore, the audit review was carried out on concluding transactions (for customers) and conducting brokerage services in the Investment Banking Department. In managing its own portfolio, and in carrying out brokerage services, managing of securities and investment advisory services, the Bank established an appropriate organisational structure which enabled the separation of trading, support and risk management, and the adequate division of processes.

For managing market risk the Bank has an appropriate system of limits in place. Furthermore, it has an appropriate system of monitoring and reporting on limits in place, which will be amended with the provisions regarding the measures that have to be undertaken in cases where limits are exceeded, and regarding the setting up of a system of approving the exceeding of limits before such exceeding actually takes place. Moreover, as a consequence of the new legislation on trading in securities being adopted, Nova KBM d.d. provisions on trading in financial instruments have been set up. The policy on managing banking and trading book market risk at the Group level has been set up as well.

#### 2.2.2. Internal audit in PBS d.d.

PBS d.d. conducts activities in securities on its own behalf and for its account in line with the authorisation granted by the Bank of Slovenia. Based on the audit review carried out, we established that the bank conducts its activities in accordance with internally adopted procedures, which were amended in the part relating to local securities. In conducting operations with securities, the bank was not fully compliant with the Minimum standards for trading and related services in the banks. By implementing recommendations, the Bank eliminated weaknesses that mainly referred to the Bank's strategy and policy, internal procedures for work, and compliance of procedures with the actual individual job descriptions in the Treasury and the Support Department. The Bank also eliminated weaknesses in the Department for Credit Rating, Venture Investments and Risk Management, and in the risk management system present in operations with securities.

### 2.3. Financial reporting

On 1 January 2007 the new Banking Act (ZBan-1) with a number of executive acts came into force. These introduced a new approach of understanding and calculating banks' capital adequacy, with the new methodology for assessing losses from credit risk. The Bank provided for accurate and timely reporting to the Bank of Slovenia, which proves that the Bank specialists incorporated all Bank of Slovenia amendments to the provisions in the reporting procedures, and adapted the control data system.

Consolidated financial statements are being produced at the Group level. We checked the procedures for drafting these statements, considering the provisions of the Regulation on the supervision on a consolidated basis in banks and saving banks and the reporting within set deadlines. In 2007, the Bank drafted consolidated financial statements manually. In December the ASP (Automated Reporting of the Group) project was set up, which will ensure a more efficient and accurate preparation of financial statements. The Bank pays regard to the scope, methods and procedures of consolidation in accordance with the Regulation on the supervision on a consolidated basis, International Financial Reporting Standards and internal rules that are applied in all Group members. When drafting consolidated financial statements the necessary transparency in consolidated accounting items of the Bank and of the Group members at eliminating Group relations is assured. Consolidation adjustments are marked and explained (as for example adjustments arising from the equity method for the affiliated companies, adjustments arising from the harmonization of customers within the Group). Controls and links to

prescribed forms which are submitted by subsidiaries have been installed. Established weaknesses have been eliminated at drafting consolidated financial statements as at 31 December 2007.

#### **2.4. Information technology and information system risk**

The Bank successfully created the sub-project activities plan for executing further activities for concluding the implementation of the business continuity plan and disaster recovery plan. Furthermore, an action plan was set up – a schedule for the implementation of restoration tasks in the Bank's IT system that led to reduced risks. Based on the recommendations of the internal audit department, the activities for harmonizing the methodology for managing the business continuity plan have been implemented, and the connection with operational risks as defined within Base II was established.

Human resource information system was audited within the audit of the human resource policy. Informing on personnel turnover was improved and the server with the human resource information system data base was transferred to the main IT centre. Confidential data were transferred from PCs to the secure server environment, and the back-up copies of all important information (files) and audit trails are assured. All this presents a major improvement in the security of personal and other confidential information and, at the same time, provides for a reduced operational risk in the audited segment.

Based on given recommendations for the IT and by their implementations, the operational risk related to the unauthorised data processing and uncontrolled changes in the production environment of anti-money laundering software – Monitoring accounts and anti-money laundering – Reporting to the Office (for money laundering prevention) diminished. This was achieved by depriving software developers and product specialists the access to production data of the above stated software, and by transferring the software for anti-money laundering - Monitoring accounts and production information from the testing to the production servers and simultaneously assuring security mechanisms.

Within the scope of auditing operations with customers, the IT system auditor checked the regulation on access rights to individual software by employees in the audited organisational unit. By implementing recommendations, compliance with the security policy and operational risk reduction deriving from unauthorised and uncontrolled data change and processes in production environment have been assured.

#### **2.5. Human resource risk and the organisational structure**

Within the wage system, the audit of methods for registering working hours and the correctness on keeping accounts of compensated absence was carried out. In auditing the human resource functions, an assurance was given that all procedures in concluding contracts of employment and the content of the contract itself are fully in compliance with the employment law.

Upon auditing the work procedures in the section for organisation, it was established that all job positions are systematised (registered and described), and that the job positions provide for a well-planned and

organised work process, planning of personnel as well as for allocating and promoting of employees.

The Section for the Technological Development of Services sets up a plan of development tasks for the Bank on the basis of anticipated commercial and technical changes. The planned tasks had been concluded with delay. The reasons for the delay were: delays in external providers, new regulatory requirements, inconsistent users' requests and an increased scope of work. The unit audited did not provide for timely registering of work processes, which is considered to be a good basis for any process change. The tasks shall continue in 2008.

## **2.6. Execution of projects**

The internal audit department checked the compliance of individual project executions with the objectives determined in the document »Business policy and the financial plan of Nova Kreditna banka Maribor d.d. and the Nova KBM Group in 2007«. Reviews were carried out on the programme »Severnica«, in the data warehouse development and on the Basel II project activities. As a marketing tool, »Severnica« has not been implemented by the Bank. Activities shall continue in 2008 on a different platform. Within the data warehouse project, the activities for the fulfilment of prerequisites for setting up a central database have been accelerated. A central database is indirectly needed for creating the data warehouse; however, it is essential for implementing development tasks related to the Basel II project.

From January to December 2007, the audit reviews of the Bank of Slovenia and the Nova KBM d.d. internal audit department have been carried out, with the aim of checking the readiness of the Bank for timely and accurate reporting on capital requirements for credit risk under the standardised approach in the first quarter of 2008. Internal auditors were promptly informed on the execution of the Bank of Slovenia recommendations, and so contributed to setting up policies in line with the second and the third pillar of Basel II. By issuing recommendations, the internal audit department pointed to the regularity of organisational structure, the reporting system, system of authorisations and the control of access to IT system, which may call for an increased economic capital requirement.

## **2.7. Compliance with legislation**

A new anti-money laundering act was issued in 2007, and at the same time the Bank complemented the software for following and monitoring the procedures on anti-money laundering. The functional audit of implementing these procedures was carried out at the Bank level and within the scope of auditing individual organisational units.

In most cases, the system for anti-money laundering included only cash operations. The capability of the Bank to detect unusual and suspicious transactions is assured also in other operations of the Bank as the proper control mechanisms have been put in place in the IT support. The Bank has to provide for timely reporting to the Office for money laundering prevention, otherwise sanctions may be imposed. With the aim of reducing operational risks and to increase the efficiency of internal controls, the software which covers the Bank's anti-money laundering procedures was upgraded. The purpose of the audit on compliance with legislation in the personal data protection segment was to establish whether the Bank has

all documents requested by law, and whether its operation processes are in compliance with the legislation and the legal transmission and processing of data is assured. It was determined that the Bank has to systematically put in order missing regulations and documents (such as regulations at the Bank level, amend instructions for users, draft a request form which will be used by individuals for asking the right to review the Bank's personal data, set up an up-to-date catalogue of the Bank's register of personal data, setting up and registering the process of managing this catalogue with the aim of assuring its accuracy) in 2008. These tasks were included in the plan of activities of the Department for Technological Development, with the assistance of an external specialist.

## **2.8. Audit of the Group**

All planned internal audit activities were carried out in the companies KBM Fineko d.o.o., KBM Infond d.o.o. in KBM Leasing d.o.o., Gorica Leasing d.o.o. as well as in the above mentioned PBS d.d.. The manager of Gorica Leasing d.o.o. was requested to establish additional provisions for the year 2006 and to carry out activities to eliminate weaknesses. These were gradually eliminated during 2007.

The audit of the KBM Leasing d.o.o. proved that the company fully respects set limits when approving a leasing transaction as well as internal regulations, instructions and best practices. In its operations of managing investment funds, KBM Infond d.o.o. complies with the Investment Funds and Management Companies Act, and with the internal regulations. KBM Fineko d.o.o. successfully collected receivables from private individuals purchased from the Bank, which had already been written-off or classified as irrecoverable by the Bank. In most receivables the period between taking over a receivable and starting the collection procedure or signing a settlement contract is very long, which results in a small portion of receivables collected in the first year after taking them over. The sale of real estate depends on demand and on the type of real estate. The report on the sale performance is delivered by the Manager of the company to the Bank's Management Board.

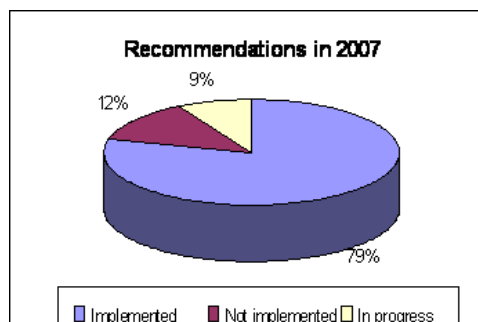
## **3. IMPLEMENTATION OF RECOMMENDATIONS**

### **3.1. Implementation of internal audit department recommendations**

In 2007 the internal audit department issued 130 recommendations, 79 per cent of which were implemented. The audits were focused on banking areas with the highest potential risks, such as credit operations and support to banking activities. The largest number of audit reviews was carried out in granting loans to corporate customers, followed by granting loans to households. In the support activities, the implementation of the Bank of Slovenia recommendations was checked, the audit of Basel II provisions, the assessment of the Bank's credit portfolio, the audit of reporting on capital adequacy and the readiness of the Bank to implement new regulatory provisions, the audit of trading in securities, the audit of operations with non-deposit investment products and the audit of the human resource function. The highest number of recommendations was issued for the IT and technology segment. The implementation of recommendations deriving from the audit of IT systems contributed



to an increased reliability of IT systems. By implementing further recommendations, this trend will continue in 2008.



130 recommendations were issued during 2007. Until 31 December 2007, 103 (79 per cent) recommendations were implemented.

11 recommendations have a deadline in 2008 and 16 recommendations (12 per cent) have not been executed, meaning that these recommendations have not

been fully implemented in due time. From the previous period, there were 19 recommendations not implemented. Together with persons in charge, we set a new deadline for these (end of April 2008).

There are different reasons for not executing recommendations. We believe that none of the not executed recommendations represents a potential risk of significant loss for the Bank. The effects of audit are shown in the successful introduction of new products, and in the proportional decrease of losses at an increased volume of operations.

### 3.2. Implementation of recommendations issued by the external auditor and the Bank of Slovenia

After concluding the auditing of the Annual Report and financial statement, the auditing firm KPMG Slovenija, podjetje za revidiranje, d.o.o., issued a Letter to the Management in which it pointed out three minor weaknesses and two weaknesses of considerable importance.

Based on ascertainties, the Bank posted intangible long-term assets within other assets and activated the licence for the software Ultra. For monitoring and managing the register of vinculation certificates, the Bank commenced to develop the unified register in electronic form. For managing loan files the Bank introduced a unified index which will provide for a prescribed sequence for filing of documents. The Bank prepared the basis for the software used for drafting consolidated financial statements.

In organising and managing IT, the Bank permanently carries out the process of integrating software solutions for all business segments. The Bank will harmonize job descriptions for the IT segment within the scope of the anticipated department restructuring. In 2008, the Bank continues with the project of migrating work stations and servers to the Windows XP operating system.

The Bank of Slovenia carried out a review of operations in March, during which the treasury activities, the implementation of warnings in respect of the liquidity risk, the review of activities in the IT segment on which the Bank had to report monthly to the Bank of Slovenia were audited. The Bank of Slovenia pointed out two important weaknesses: the level of control environment in treasury operations and the implementation of common standards in managing liquidity risk. Weaknesses and inconsistencies in the treasury activities were mastered by restructuring the Treasury Department. The Bank amended the system of limits for managing position risks. By doing so, adequate managing of general



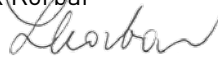
and specific positions risks is assured. The system for monitoring daily FX open position was complemented with the calculation of capital requirements for currency risk. The Bank commenced the activities for upgrading IT system for managing liquidity risk. For managing operation risk, the Bank started to draft a schedule on after-project activities in business continuity plan; the deadline for the implementation is 30 September 2008. Based on the recommendation of the Bank of Slovenia, the Bank drafted a list of activities and feasibility studies for the renewal of processes in operations with corporate customers, for the renewal of the payment system and managing transaction accounts, and for the renewal of the data warehouse.

The internal audit department followed the implementation of recommendations for eliminating weaknesses and assessed the method of their implementation during individual audit reviews. Internal controls in audit processes, the system of internal controls and the risk management improved in 2007. The Bank disposed of adequate capital with regard to the volume and the type of services, and with regard to the risks to which it is exposed.

Maribor, 4 June 2008

Internal audit department of Nova KBM d.d.

Boža Lešnik Korbar



## Annex to point 2

### Materials for the 17<sup>th</sup> SHAREHOLDERS' MEETING - Annex to point 2

#### REPORT

#### of the Supervisory Board on the verification of the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007

##### Introductory note

In the 2007 financial year, the Supervisory Board closely monitored the business development of Nova KBM d.d. and the Nova KBM Group, and, with its suggestions to the management, contributed to the successful management and performance of the Bank and of the Group.

The Supervisory Board of Nova KBM d.d. is comprised of nine members. In order to ensure careful and efficient supervision of the Bank's and the Group's operations' management in 2007, the Supervisory Board carried out its activities with utmost attention and complied with the basic principles of corporate governance. It conducted its supervising function in compliance with its authorisation, competence and the supervisory board duties, and in accordance with the provisions determined in the Banking Act (ZBan-1), the Companies Act (ZGD-1), the Bank's Articles of Association and other regulations. In accordance with its competences, the Supervisory Board considers that it monitored the performance of the Management Board and the Bank's operations in an appropriate manner.

##### Method and scope of the Bank's and the Nova KBM Group's management supervision

The Supervisory Board assesses its performance in 2007 as very successful. In order to efficiently monitor the Bank's operations, the Supervisory Board gave consideration to the Corporate Governance Code of Public Limited Companies. The Supervisory Board considers that its members performed their duties with full responsibility and commitment. In 2007, all members of the Supervisory Board participated in a training programme intended for supervisory board members, and received a relevant certificate upon its conclusion. In addition, the members of the Supervisory Board participated in several training sessions in supervisory board operations.

The Supervisory Board members regularly participated in Supervisory Board meetings, for which they were adequately prepared. Supervisory Board meetings were regularly attended by the majority of its members.

The Supervisory Board did not notice any conflict of interest of the Supervisory Board or the Management Board members in the previous year. The Supervisory Board discussed all business relations of the Supervisory Board members.

The chairman of the Supervisory Board carried out his duties in accordance with his competences and the Regulations on the activities of the Supervisory Board, and cooperated with the Bank's Management Board at the Supervisory Board meetings. The chairman of the

Supervisory Board chaired the meetings so as to ensure that the decision-making process of the Supervisory Board was conducted in a responsible manner.

The work of the Supervisory Board was well organised and conducted in accordance with the Regulations on the activities of the Supervisory Board. The documents about meetings were drafted professionally and in detail. The Supervisory Board was promptly informed on all important issues. Between the regular meetings of the Supervisory Board, it monitored the operations of the Bank and, together with the Management Board and the Bank's representatives, participated in the decision-making process.

Pursuant to the aforementioned and Articles 272 and 251 of the Companies Act (ZGD-1), the Supervisory Board ascertains that it regularly and thoroughly monitored the operations of Nova KBM d.d. and the Group in 2007, and thus, within its competence, adequately supervised the management of the Bank and the activities of the internal audit department.

### **Supervisory Board meetings**

The Supervisory Board held 16 regular and 11 correspondent meetings in 2007. At regular meetings it carried out activities for nominating new Management Board members, but later on suspended these activities due to the commencement of the privatisation process. The activities for the enlargement of the Management Board will be resumed once the new strategic cycle of the Bank and the Group starts. Three regular and one correspondent meetings of the Supervisory Board were devoted to the privatisation activities of the Bank. At the correspondent meeting, the Supervisory Board decided mainly on transactions relating to credit exposures of the Bank to individual customers that, in compliance with the Banking Act, require an approval of the Supervisory Board. In addition, it also decided on the transactions to be concluded with customers who have a special relation with the Bank, as determined in the Banking Act (ZBan-1). One Supervisory Board meeting was held in the Nova Gorica business unit.

In addition to the current performance of the Bank, the Supervisory Board discussed and reached decisions on the following topics at its regular meetings:

- It carried out activities and procedures for the enlargement of the Management Board,
- it gave its consent to the Business policy and the financial plan of the Bank for the year 2007,
- it approved the programme of the internal audit department for the year 2007,
- it discussed the reports on the information technology operations,
- it appointed the Supervisory Board's Audit Committee and, at the correspondent meeting, the Supervisory Board's Nomination Committee and the Supervisory Board's Remuneration Committee,
- it discussed the consolidated report on operations of the Nova KBM Group members for the year 2006,
- it discussed the unaudited report on the Bank's operations in 2006,
- it discussed quarterly reports on the Bank's and the Group's operations,
- it discussed quarterly reports on internal auditing,

- it issued the statement on the compliance with the Corporate Governance Code,
- it discussed the report on the acquisition of the majority stake in Adria Bank AG, Vienna,
- it discussed and approved the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2006,
- it discussed the materials for the 15th Shareholders' Meeting and submitted the materials for approval by the Shareholders' Meeting,
- it acquainted itself with the information on engaging an independent advisor for the capital markets transactions,
- it acquainted itself with the document "The programme for selling the capital investment of the Republic of Slovenia in Nova KBM d.d." and the document "The proposal for establishing and developing a bank-insurance holding",
- it acquainted itself with the Letter of the auditor to the Management Board,
- it discussed the Letter on the supervision review carried out by the Bank of Slovenia,
- it discussed the reports on the Bank's privatisation process,
- it gave its consent for raising long-term funds and the syndicated term loan facility in foreign financial markets,
- it gave its consents to the increase of the Bank's exposure to the customers as determined in the Banking Act (ZBan-1), and to the customers who have a special relation with the Bank,
- in addition to the aforementioned, the Supervisory Board discussed at its correspondent sessions the proposal on the amendment of the Articles of Association regarding the split of shares and on other amendments, and appointed the Remuneration Committee and the Nomination Committee.

The Supervisory Board discussed directly or through the Audit Committee all regulatory requirements and provisions, and monitored the SEPA project activities. A special attention was put on the Bank's preparation for the introduction of the second pillar of the Basel II capital accord.

### **Supervisory Board's Committees**

In 2007 the Supervisory Board appointed the Supervisory Board's Audit Committee, the Supervisory Board's Nomination Committee and the Supervisory Board's Remuneration Committee. In addition, the Supervisory Board appointed the Information Technology Committee at its first meeting in 2008.

Financial statements, the review and the approval of the Annual Report, and drafting the proposal on the allocation of the balance sheet profit (accumulated profit)

Within the statutory deadline, the Management Board submitted to the Supervisory Board the audited Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007 as well as the auditor's report on the financial statements. In addition, the annual report on internal auditing in 2007 was presented to the Supervisory Board.

On the recommendation of the Audit Committee and in the presence of the external auditor, the Supervisory Board discussed and approved the Annual Report of the Group and the Bank for the year 2007. It took note

of the opinion of the certified auditing firm KPMG Slovenija d.o.o., which stated that the financial statements of the Bank and the Group present fairly, in all material respects, the financial position of the Bank and of the Group as at 31 December 2007, the result of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union. The external auditor is of the opinion that the business report is in compliance with the audited financial statements as well.

The unqualified opinion of the auditor confirms the opinion of the Supervisory Board on the correct management of the Bank and its operations in 2007. Despite fierce competition and the decrease in interest rates, the Bank and the Group achieved an above-average volume of business activities, reached satisfactory profitability and maintained a high level of safety standards.

Furthermore, the Supervisory Board examined the proposal on the allocation of the 2007 balance sheet profit (accumulated profit), on which the Shareholders' Meeting will reach a decision. The Supervisory Board established that the proposal on the allocation of the balance sheet profit (accumulated profit) complies with the previously adopted dividend policy. The proposal of the Management Board on the allocation of the balance sheet profit (accumulated profit) is focused on the strengthening of reserves and anticipates the amount to be used for dividends. The Supervisory Board fully agrees with the Management Board's proposal on the allocation of the balance sheet profit (accumulated profit)

The Supervisory Board considers that the Group employees led by professional management achieved a performance which is in line with the broader business environment. With the accomplishment of important business decisions, the employees contributed to the future successful performance of the Bank. The Supervisory Board wishes to render thanks to the management and the employees for the results achieved, and assures them its support and commitment.

In accordance with Article 282 of the Companies Act (ZGD-1), the Supervisory Board adopted at its 44th meeting dated 21 May 2008 the following

**Resolution:**

1. The Report of the Supervisory Board on the verification of the Nova KBM Group and Nova KBM d.d. Annual Report for the year 2007 is being adopted.
2. The Supervisory Board approves the Annual Report of the Nova KBM Group and Nova KBM d.d. for the year 2007 and informs the Shareholders' Meeting on the Reports.

Maribor, 4 June 2008

Chairman of the Supervisory Board  
of Nova KBM d.d.

mag. Daniel Blejc



### Point 3

**PROPOSAL FOR  
adopting a resolution on the allocation of the balance sheet profit  
(accumulated profit) for the financial year 2007 and for discharging the  
Management Board and the Supervisory Board of Nova KBM d.d. for the  
financial year 2007**

In the financial year 2007, the Bank generated a net profit in the amount of €42,402,967.03 (euro forty-two-million-four-hundred-and-two-thousand-nine-hundred-and-sixty-seven 03/100)

	in €
Profit from continuing operations	53,543,743.87
Income tax	(10,832,835.79)
Deferred tax	(307,941.05)
<b>Net profit for the financial year</b>	<b>42,402,967.03</b>

In accordance with the Companies Act (ZGD-1) and the Bank's Articles of Association, the Management Board adopted on 6 February 2008 the resolution to allocate out of the net profit €2,120,148.00 (euro two-million-one-hundred-twenty-thousand-one-hundred-and-fourty-eight 00/100) for regulatory reserves and €20,141,409.00 (euro twenty-million-one-hundred-forty-one-thousand-four-hundred-and-nine 00/100) for statutory reserves.

**Regulatory reserves** are established gradually by discharging 5 per cent of the annual net profit each year (Article 64 of the Companies Act), deducted by the amount which would be used for any possible losses, until the sum of the regulatory and those reserves that are charged against regulatory reserves on the basis of the legislation applied for establishing of the requested amount of regulatory reserves does not equal four times the basic capital of the Bank (Article 43 of the Bank's Articles of Association).

After allocating the net profit for the financial year 2007, the sum of the regulatory and those reserves that are charged against regulatory reserves on the basis of the legislation applied for establishing of the requested amount of regulatory reserves amounts to €16,795 thousand. The Bank is allowed to establish regulatory reserves up to four times the amount of the basic capital or up to the amount of €97,468 thousand.

**Statutory reserves** are established by discharging up to 50 per cent of the amount that remains after the use of the net profit for any possible transferred losses, the establishing of regulatory reserves and reserves for own shares. Statutory reserves are established up to the amount which equals eight times the amount of basic capital of the Bank (Article 44 of the Bank's Articles of Association).

After allocating net profit for the financial year 2007, statutory reserves amount to €154,217 thousand. The Bank is allowed to establish statutory

reserves up to eight times the amount of the basic capital or up to the amount of €194,936 thousand.

In accordance with the third paragraph of Article 230 of the Companies Act (ZGD-1), the Supervisory Board gave at its 40th regular meeting held on 15 February 2008 the consent to the Bank's Management Board to establish, after establishing regulatory and statutory reserves, other reserves from net profit in the amount of 50 per cent of the remaining net profit, i.e. €10,070,705.00 (euro ten-million-seventy-thousand-seven-hundred-and-five 00/100).

Based on this, the balance sheet profit (accumulated profit) of the Bank amounts to €10,070,705.03 (euro ten-million-seventy-thousand-seven-hundred-and-five 03/100).

	in €
<b>Net profit for the financial year 2007</b>	<b>42.402.967.03</b>
- establishing of regulatory reserves in accordance with the first paragraph of Article 230 of the Companies Act (ZGD-1) and Article 43 of the Bank's Articles of Association	(2,120,148.00)
- establishing of statutory reserves in accordance with the first paragraph of Article 230 of the Companies Act (ZGD-1) and Article 44 of the Bank's Articles of Association	(20,141,409.00)
- establishing of other reserves from profit in accordance with the third paragraph of Article 230 of the Companies Act (ZGD-1)	(10,070,705.00)
<b>Balance sheet profit (accumulated profit)</b>	<b>10,070,705.03</b>

The Management Board and the Supervisory Board propose out of the balance sheet profit (accumulated profit) of €10,070,705.03 (euro ten-million-seventy-thousand-seven-hundred-and-five 03/100), which derives from the remaining of the net profit for the financial year 2007 (after establishing regulatory, statutory and other reserves from profit), €4,671,596.80 (euro four-million-six-hundred-thousand-seventy-one-five-hundred-and-ninety-six 80/100) to be allocated for the payment of dividends to the shareholders. The proposed amount for dividends represents 11 per cent of the 2007 net profit. For the remuneration of the Supervisory Board Members €135,000.00 (euro one-hundred-thirty-five-thousand 0/100) is allocated. The remaining amount of €5,264,108.23 (euro five-million-two-hundred-thousand-sixty-four-one-hundred-and-eight 23/100) is allocated to other reserves.

<b>Balance sheet profit (accumulated profit) in the amount of</b>	<b>10,070,705.03</b>
<b>is allocated by the Shareholders' Meeting to:</b>	
- paying of dividends to the shareholders, which amounts to €0.20 gross per share	4,671,596.80
- remuneration of the Nova KBM d.d. Supervisory Board members	135,000.00
- other reserves	5,264,108.23

The Management Board and the Supervisory Board propose to the Shareholders' Meeting, in accordance with Article 30 of the Bank's Articles of Association and Article 230 of the Companies Act (ZGD-1), to adopt the following

**Resolution:**

1. Based on the proposal of the Bank's Management Board and on the opinion of the Bank's Supervisory Board, the 2007 balance sheet profit (accumulated profit) in the amount of €10,070,705.30 is to be used as follows:

- paying of dividends to the shareholders which amounts to €0.20 per share €4,671.596.80
- remuneration of the Supervisory Board members €135,000.00
- for other reserves €5,264,108.23

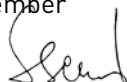
Shareholders entered into the share register on 10 July 2008 are entitled to receive dividends. The dividends will be paid not later than 60 days after the adoption of the decision of the Shareholders' Meeting on the balance sheet profit (accumulated profit) allocation.

2. The Shareholders' Meeting discharges the Management Board and the Supervisory Board for the financial year 2007.

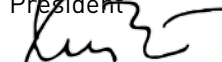
Maribor, 4 June 2008

Management Board  
of Nova KBM d.d.

Manja Skernišak  
Member

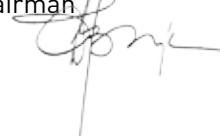


Matjaž Kovačič  
President



Supervisory Board  
of Nova KBM d.d.

mag. Daniel Blejč  
Chairman





**Point 4****PROPOSAL FOR  
appointing a certified auditor for the audit of the 2008 financial  
statements of Nova KBM d.d.**

For the audit of the 2008 operations of the Bank and of the Group the Bank received offers from the auditing firms to which it addressed an inquiry, which are: KPMG Slovenija d.o.o., PriceWaterhouseCoopers d.o.o. and Deloitte revizija d.o.o..

The Management Board drafted the proposal on appointing the auditor for the year 2008 and submitted it to the Supervisory Board. The Management Board followed standard criteria when preparing the proposal: the existence of the auditing firm and the volume of its operations, its own experience in auditing financial statements of banks and companies, the number of certified auditors and the number of auditors in the Group, the fee for the service rendered and additional services.

Based on the proposal submitted, the Supervisory Board adopted at its 44th meeting dated 21 May 2008 the decision to propose to the Shareholders' Meeting the auditing firm KPMG Slovenija d.o.o., Ljubljana to carry out the audit of the Bank's 2008 financial statements. KPMG Slovenija d.o.o. has been the certified auditor of the Bank's and of the Group's financial statement since the year 2004.

In accordance with Article 26 of the Bank's Articles of Association, the Supervisory Board proposes to the Shareholders' Meeting to adopt the following

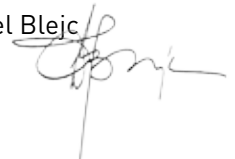
**Resolution:**

On the proposal of the Bank's Supervisory Board, the Shareholders' Meeting appoints the auditing firm KPMG Slovenija d.o.o., Ljubljana, for the audit of the 2008 financial statements of Nova KBM d.d..

Maribor, 4 June 2008

Chairman of the Nova KBM d.d.  
Supervisory Board

mag. Daniel Blejc



## Point 5

### **PROPOSAL FOR the amendment of the Bank's activities**

The Government of the Republic of Slovenia adopted on 19 February 2008 the Decree on the amendments of the Decree on the Standard Classification of Activities (hereinafter: Decree) which is applicable for the determination of activities and for classification of business entities and their divisions for the needs of different official and other administrative data registers, and for the needs of statistical and analytical records in the country and internationally. Article 2 of the Decree determines that the companies are obliged to harmonise their activities, stated in the Articles of Incorporation, in line with the new Decree at the first amendment of documents mentioned.

As the Shareholders' Meeting will discuss the proposal for the amendments of the Articles of Association, it will also be necessary, in line with the Decree, to harmonize the activities of the Bank determined in the Articles of Association with the new Decree.

The purpose of harmonizing the activities of the Bank with the new Decree is not the amendment of the activities which are described in the first paragraph of Article 3 of the Articles of Association and reconciled with the Banking Act (ZBan-1), but adapting the determined activities to the new activity item codes and titles of the new Standard Classification of Activities.

In accordance with Article 329 of the Companies Act (ZGD-1), the Shareholders' Meeting has to adopt a special resolution for any amendment to the Articles of Association (and thereby also to the activities of the Bank) to be made.

The Bank's Supervisory Board, pursuant to Article 298 of the Companies Act (ZGD-1) gave its consent to the amendment of the Bank's activities on 21 May 2008.

The Management Board and the Supervisory Board of the Bank propose to the Shareholders' Meeting, in accordance with Article 30 of the Bank's Articles of Association, to adopt the following

#### **Resolution:**

The activities of the Bank are to be amended and harmonized with the new Decree on the Standard Classification of Activities (Official Gazette of RS, no. 17/2008) dated 19 February 2008 as follows:

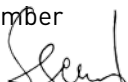
- a) activities of the Bank until now determined in the third paragraph of Article 3 of the Articles of Association should be deleted;
- b) in the third paragraph of Article 3 of the Articles of Association the following activities of the Bank should be entered:
  - K/64.190 – Other monetary intermediation

- K/64.200 – Activities of holdings
- K/64.300 – Activities of trust and other funds and similar financial entities
- K/64.910 – Financial leasing activities
- K/64.920 – Other credit granting
- K/64.990 – Other financial service activities not elsewhere classified, except insurance and pension fund activities
- K/65.200 – Re-insurance activities
- K/65.300 – Pension fund activities
- K/66.120 – Brokerage in securities and stock exchange commodities trading
- K/66.190 – Other auxiliary activities for financial services, except for insurance and pension funds
- K/66.290 – Other auxiliary activities for insurance and pension funds
- K/66.300 – Financial funds management
- M/69.200 – Accounting, bookkeeping and auditing activities; tax advisory – except auditing activities
- M/70.220 – Other corporate and business advisory services
- N/82.910 – Collection of claims and assessment of credit capability

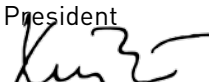
Maribor, 4 June 2008

Management Board  
of Nova KBM d.d.

Manja Skernišak  
Member

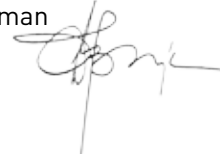


Matjaž Kovačič  
President



Supervisory Board of  
Nova KBM d.d.

mag. Daniel Blejc  
Chairman



**PROPOSAL FOR****the amendment and complementation of the Nova KBM d.d. Articles of Association****Point 6****I. Explanation of the amendments to the Articles of Association**

The currently valid consolidated text of the Bank's Articles of Association, in which the adopted amendments were considered, was approved at the 16th Shareholders' Meeting on 20 August 2007.

The reason for amending the currently valid Articles of Association is the deletion of certain provisions of the Articles of Association which are not legally in force anymore, or have expired. In particular, the provision on the basis of which the Management Board is authorised to issue convertible bonds (Article 12 of the Articles of Association) should be deleted. By amending the first paragraph of Article 11 of the Articles of Association, a new mandate for increasing the share capital on the basis of authorised capital is given to the Management Board, as the mandate determined in the quoted provision of the currently valid Articles of Association ceased to be valid as of 4 November 2007.

Due to the above stated amendments, it is necessary to harmonize the activities of the Bank (Article 3 of the Articles of Association) with the Decree on the Standard Classification of Activities (hereinafter: Decree adopted by the Government of the Republic of Slovenia on 19 February 2008. Article 2 of the Decree determines namely that the companies are obliged to harmonize their activities listed in their Articles of Incorporation (Articles of Association for public limited companies) with the Decree at the first amendment of the said documents.

All other amendments to the Articles of Association relate only to the harmonization of the text of certain provisions of the Articles of Association with the valid legislation (The Banking Act), or are only editing corrections which do not materially alter the content of individual provisions.

**II. Amendments of the Articles of Association by individual articles****1. Third paragraph of Article 3 is amended so as to read:**

- »K/64.190 – Other monetary intermediation
- K/64.200 – Activities of holdings
- K/64.300 – Activities of trust and other funds and similar financial entities
- K/64.910 – Financial leasing activities

- K/64.920 – Other credit granting
- K/64.990 – Other financial service activities not elsewhere classified, except insurance and pension fund activities
- K/65.200 – Re-insurance activities
- K/65.300 – Pension fund activities
- K/66.120 – Brokerage in securities and stock exchange commodities trading
- K/66.190 – Other auxiliary activities for financial services, except for insurance and pension funds
- K/66.290 – Other auxiliary activities for insurance and pension funds
- K/66.300 – Financial funds management
- M/69.200 – Accounting, bookkeeping and auditing activities; tax advisory – except auditing activities
- M/70.220 – Other corporate and business advisory services
- N/82.910 – Collection of claims and assessment of credit capability«

**Justification:**

In accordance with the adopted resolution of the Shareholders' Meeting on the amendment of its activities, the Bank's activities, which are determined in writing in the first paragraph of Article 3 of the Articles of Association and epitomized according to the Banking Act (ZBan-1), are now harmonized with the new Decree on the amendment and complementation of the Decree on the Standard Classification of Activities (hereinafter: Decree) adopted by the Government of the Republic of Slovenia on 19 February 2008. Article 2 of the Decree determines that the companies are obliged to harmonize their activities listed in their Articles of Incorporation (Articles of Association for public limited companies) with the Decree at the first amendment of said documents.

**2. The first paragraph of Article 11 is amended so as to read:**

»Within five years from the entry of the amendments and complementation to the Articles of Association adopted at the general meeting dated 8 July 2008 into the register of companies, the management board is authorised, with the consent of the supervisory board, and without the additional resolution of the general meeting, to increase one or several times the share capital of the Bank by not more 5,946,419.61 euro by issuing new shares. New shares issued bear the rights, and are issued under the conditions and in the manner determined in the resolution of the management board on increasing the capital.«

**Justification:**

For the purpose of increasing the share capital by issuing new shares, an amendment to the first paragraph of Article 11 of the Articles of Association is to be made by which a new mandate for increasing the capital on the basis of authorised capital is awarded to the Management Board. The authorised capital means increasing the capital by a simple procedure that is carried out in such a way that the Articles of Association of the company authorise the management, within five years from entering the amendments to the Articles of Association into the court register, with the consent of the Supervisory Board (and without an additional resolution

of the Shareholder's Meeting), to increase the share capital up to the amount which should not exceed 50 per cent of the basic capital existent at the time when the authorisation was awarded. For the increased amount of basic capital new shares have to be issued.

### **3. The third paragraph in Article 12 is deleted.**

#### **Justification:**

As the mandate of the Management Board for issuing convertible bonds, which is determined in the Articles of Association, ceased to be valid as of 4 November 2007, this provision is no longer necessary in the Articles of Association.

### **4. The third paragraph in Article 14 is amended so as to read:**

»The members of the Bank's Management Board shall perform their duties of managing the Bank on a full-time basis.«

#### **Justification:**

The amendment in the wording of the third paragraph is summarised from the Article 62 of the Banking Act (ZBan-1), and harmonized with the new regulation and concept of governing public limited companies as determined in the new Companies Act (ZGD-1; managing and supervising bodies) and in the employment law. The Banking Act does not require anymore the management to be employed on a full-time basis. Whilst the function of the management by itself, regulated by law and in the act of appointment, determines the corporate legal relationship of the management with the company, the decision on what contractual basis the management function will be conducted (contractual relationship with the company) lies solely at the discretion right of the contracting parties.

### **5. The second paragraph in Article 40 is amended so as to read:**

»The purpose, the significance and the duties of the internal audit department have to be determined in a written document which is to be approved by the management board with the consensus of the supervisory board.«

The third indent is deleted in the third paragraph.

#### **Justification:**

Upon the amendment of the currently valid Articles of Association, the provision of the second and third paragraph of Article 40 was summarised wrongly from the second paragraph of Article 197 and first paragraph of Article 198 of the Banking Act (ZBan-1). With the stated amendment, the Article 40 is now substantively reconciled with the provisions of the Banking Act (ZBan-1).

The Supervisory Board of Nova KBM d.d., in accordance with Article 298 of the Companies Act (ZGD-1), gave its consent to the amendment of the Articles of Association on 21 May 2008.

The Management Board and the Supervisory Board of the Bank propose to the Shareholders' Meeting, in accordance with Article 30 of the Bank's Articles of Association, to adopt the following

**Resolution:**

**1. The Shareholders' Meeting of Nova KBM d.d. adopts the amendments of the Articles of Association, namely:**

1. "The third paragraph of Article 3 is amended so as to read:

- K/64.190 – Other monetary intermediation
- K/64.200 – Activities of holdings
- K/64.300 – Activities of trust and other funds and similar financial entities
- K/64.910 – Financial leasing activities
- K/64.920 – Other credit granting
- K/64.990 – Other financial service activities not elsewhere classified, except insurance and pension fund activities
- K/65.200 – Re-insurance activities
- K/65.300 – Pension fund activities
- K/66.120 – Brokerage in securities and stock exchange commodities trading
- K/66.190 – Other auxiliary activities for financial services, except for insurance and pension funds
- K/66.290 – Other auxiliary activities for insurance and pension funds
- K/66.300 – Financial funds management
- M/69.200 – Accounting, bookkeeping and auditing activities; tax advisory – except auditing activities
- M/70.220 – Other corporate and business advisory services
- N/82.910 – Collection of claims and assessment of credit capability

2. The first paragraph of Article 11 is amended so as to read:

»Within five years from the entry of the amendments to the Articles of Association adopted at the general meeting dated 8 July 2008 into the register of companies, the management board is authorised, with the consent of the supervisory board, and without the additional resolution of the general meeting, to increase one or several times the share capital of the Bank by not more than 5,946,419.61 euro by issuing new shares. New shares issued bear the rights, and are issued under the conditions and in the manner determined in the resolution of the management board on increasing the capital.«

3. The third paragraph in Article 12 is deleted.

4. The third paragraph in Article 14 is amended so as to read:

»The members of the Bank's Management Board shall perform their duties of managing the Bank on a full-time basis.«

6. The second paragraph in Article 40 is amended so as to read:

»The purpose, the significance and the duties of the internal audit department have to be determined in a written document, which is to be approved by the management board with the consensus of the supervisory board.«

The third indent is deleted in the third paragraph.

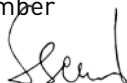
**2. Based on the adopted amendments, the consolidated text of the Nova KBM d.d. Articles of Association should be drawn up.**

Maribor, 4 June 2008

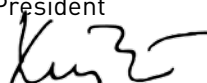
Management Board  
of Nova KBM d.d.

Supervisory Board  
of Nova KBM d.d.

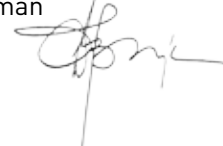
Manja Skernišak  
Member



Matjaž Kovačič  
President



mag. Daniel Blejc  
Chairman





To the Management Board  
Executive Directors  
Branch Managers  
Managers of individual organizational units

**Re: Consolidated version of the new Articles of Association**

Attached is the consolidated version of the new Articles of Association effective as of 28 August 2007. It contains all the amendments adopted at the Annual General Meeting of the Bank held on 20 August 2007.

The consolidated version of the Articles of Association containing all the amendments adopted at the Annual General Meeting of the Bank held on 27 June 2007 will not be delivered because all the amendments adopted on 27 June 2007 have been included in the consolidated version of the present text.

Significant amendment adopted on 27 June 2007 and on 20 August 2007 refer to: new activities of the Bank according to the new Banking Act (Article 3), new number of shares as a result of division of shares (Article 8), competence of the Management and the Supervisory Boards according to the new Banking Act ( Article 16, 23 and 24), formation of Supervisory Board Committees (Articles 28 and 29) and creation of reserves (Articles 43, 44 and 46). All other amendments are only for editorial purposes and have no effect on the content of individual articles.

Best regards,

Secretariat

Maks Juder      Ervin Hlede  
(signed)          (signed)

Stamp:  
Nova KBM d.d.

Attachment: see above

**NOTARY PUBLIC INES BUKOVIČ**  
**2000 MARIBOR, TPC "CITY" Vita Kraigherja 5**  
**Tel: 02 23 10 440**  
**Fax: 02 23 10 444**

**Ref. no. SV- 987/2007**  
**Date: 20 August 2007**

## **NOTARIAL CERTIFICATE**

The undersigned Nino Maletič, substitute of the notary public Ines Bukovič of Maribor, **confirm** that the consolidated text of the Articles of Association of NOVA KREDITNA BANKA MARIBOR, d.d., with registered office at 2000 (two thousand), Maribor, Ulica Vita Kraigherja 4 (four), is in compliance with the

- **item 2 (two) of the Resolution nr. 2 (two) on the amendment of the Articles of Association with respect to the division of shares and**
- **item 4 (four) of the Resolution nr. 2 (two) on other amendments of the Articles of Association**

adopted by the Annual General Meeting of the company held on 20 August 2007 ( twentieth August two thousand and seven), recorded in the form of the notarial protocol with ref. no. SV-986/2007 ( nine hundred and eighty six/two thousand and seven) dated 20 August 2007 ( twentieth August two thousand and seven).

The consolidated version of the Articles of Association is attached to this notarial certificate, and joined with it in the prescribed manner.

**Ines Bukovič**  
**Notary Public**

**Round stamp**  
**Ines Bukovič**  
**Notary Public; Maribor**

**Nino Maletič**  
**Substitute of Notary Public**

At its 16 (sixteenth) meeting held on 20 August 2007 (twentieth August two thousand and seven), the Annual General Meeting of the Bank adopted amendments to the Articles of Association, the consolidated text of which runs as follows:

# **ARTICLES OF ASSOCIATION**

of

## **NOVA KREDITNA BANKA MARIBOR d.d.**

### **1. GENERAL PROVISIONS**

#### **Name**

##### Article 1

1. The name of the Bank is Nova Kreditna Banka Maribor d.d.
2. The abbreviated name of the Bank is Nova KBM d.d.
3. Organisational parts of the Bank that are entered in the register of companies use their own name in addition to the name of the Bank.
4. For its business operations, the Bank also uses a logo, consisting of stylized small printed letters, and the name which is protected as a trademark in accordance with industrial property regulations.

#### **Registered office**

##### Article 2

The registered office of the Bank is in Maribor.

## The activities of the Bank

### Article 3

1. The Bank carries out the following types of financial services:

- a) Banking services such as acceptance of deposits and approval of loans for its own account
- b) Financial services such as:
  - acceptance of deposits
  - approval of loans including:
    - consumer loans
    - mortgage loans
    - factoring
    - forfeiting
    - leasing
    - payment services except for payment systems management
    - issuance and management of other payment instruments (e.g. payment and credit cards, travellers cheques, bills of exchange)
    - issuance of guarantees and other sureties
    - trading for its own account and for the account of clients:
      - in money market instruments
      - dealing in foreign means of payment, including exchange activities
      - options
      - currency and interest rate financial instruments
      - transferable securities
    - cooperation in the issue of securities
    - advising companies about capital structure, business strategy and similar matters
    - brokerage in interbank markets
    - investment management and consultancy
    - safekeeping of securities
    - collection, analysis and provision of information concerning the credit standing of legal entities
    - renting of safety deposit boxes
    - investments and auxiliary investments services.

c) Additional financial services:

- brokerage in the sale of insurance policies in accordance with the law
- payment systems management
- management of pension and investment funds in accordance with the law

- performance of fiduciary services
- agency services in the provision of consumer and other loans
- other services similar to financial and auxiliary financial services in terms of the Bank's risk exposure.

2. The Bank carries out auxiliary banking services: real estate management, management of data processing systems and other services for the support of services carried out by one or more credit institutions.

3. In compliance with the standard classification of activities, the activities referred to in the first paragraph of this Article are classified into the following classes and subclasses:

J/65.121 – Banking activities

J/65.220 – Other lending activities

J/65.230 – Other financial brokerage n.e.c.

J/66.020 – Pension funds activities

J/67.110 – Financial market activities

J/67.120 – Brokerage in securities

J/67.130 - Supporting activities in connection with financial brokerage

J/67.200 - Supporting activities in insurance and pension funds

K/74.120- Accounting, book-keeping and auditing activities, tax consultancy, except auditing activities

K/74.140 - Business and management consultancy activities, except arbitration and mediation in negotiations between managers and employees

K/74.873 - Other business activities, n. e. c.

4. In case of any changes to the standard classification of activities, the supervisory board of the Bank is authorised to classify the activities of the Bank referred to in the first paragraph of this Article into appropriate classes and subclasses of the standard classification of activities.

### **The meaning of terms and abbreviations used**

#### Article 4

Individual terms and abbreviations used in the present articles of association have the following meaning:

1. The Bank is Nova Kreditna Banka Maribor d.d.;
2. Zban in the Banking Act ( Official Gazette of the RS No. 7/99 and 59/01);
3. ZGD is the Companies Act ( Official Gazette of the RS No. 30/93, 29/94, 82/94, 20/98, 84/98, 6/99 and 45/01);
4. ZNVP is the Securities in Electronic Form Act ( Official Gazette of the RS No. 23/99).

## **Duration of the Bank**

### Article 5

The Bank is to have perpetual existence.

## **Publication of information by the company**

### Article 6

The information to be published under the law and information for which the Management Board believes to be of significant importance to the shareholders are published in the Official Gazette of the Republic of Slovenia and on the Bank's website ([www.nkbm.si](http://www.nkbm.si)).

## **2. SHARE CAPITAL AND SHARES**

### **Share capital amount**

#### Article 7

*The Bank's share capital amounts to EUR 24,367,785.01 ( twenty four million three hundred and sixty seven thousand seven hundred and eighty five 01/100) euros.*

### **Shares**

#### Article 8

*1. The share capital of the Bank is divided into 23,357,984 (twenty three million three hundred and fifty seven thousand nine hundred and eighty four) ordinary no-par value shares.*

2. All shares are registered shares.

3. Ordinary shares give their owners the right to:

- participate in managing the Bank
- participate in net profits ( dividend)
- participate in liquidation or bankruptcy estate

4. The contribution in kind represents 170,965 ( one hundred and seventy thousand nine hundred and sixty five) electronic-form ordinary registered shares of Poštna banka Slovenije, d.d. (Postal Bank of Slovenia), whose estimated value amounts to 7,538,419.30 euros ( seven million five hundred and thirty eight thousand four hundred and nineteen 30/100) euros, for which the investor, the Republic of Slovenia, acquired on 11 October 2004 (eleventh October two thousand and four) 119,748 ( one hundred and nineteen thousand seven

hundred and forty eight) new electronic-form ordinary registered shares of Nova Kreditna banka Maribor d.d., *which, following the division of each no-par value share into 8 (eight) no-par value shares, decided by the Annual General Meeting on 20.08.2007 (twentieth August two thousand and seven), amounts to 957,984 (nine hundred and fifty seven thousand nine hundred and eighty four) ordinary no-par value shares.* A list of the contributions in kind is attached to the articles of association and represents its component part.

## **Shares as securities**

### Article 9

1. The shares are issued in electronic form.
2. The Bank's share capital may not consist of more than one third of preference shares.

## **Transfer of shares**

### Article 10

1. The shares are freely transferable.
2. The shares are transferable by transfers between the owner accounts in the central register of electronic-form securities in compliance with the Securities in Electronic Form Act.

## **3. MEASURES FOR THE INCREASE IN SHARE CAPITAL**

### **Authorized share capital**

#### Article 11

*1. For a period of five years from the entry into the register of companies of this resolution on authorized capital, adopted at the general meeting dated 9 July 2002 (ninth July two thousand and two) i.e. until 4 (fourth) November 2007 (two thousand and seven), the management board of the Bank is authorised, with the consent of the supervisory board, and without an additional resolution of the general meeting, to increase one or several times the share capital of the Bank by not more than 4,673,677.18 EUR (four million six hundred and seventy three thousand six hundred and seventy seven 18/100) euros (authorized capital). For the amount of the increased share capital, not more than 4,480,000 (four million four hundred and eighty thousand) ordinary or preference shares may be issued in total, at an issue price determined by the management board with the consent of the supervisory board. New shares are issued with the rights, under the conditions, and in the manner as set forth in the resolution of the management board relating to the capital increase. New shares can be issued against payment in cash, contribution in kind, or property takeover, insofar as this is in accordance with applicable regulations in force at the time of adoption of the resolution on the capital increase and on the issue of new shares for the amount of the authorized capital. New shares can be issued for the*

*purpose of a public offer of shares, or as compensation to shareholders of those banks which were merged with the Bank, all with the possibility to exclude pre-emptive rights of shareholders until new shares have been taken over.*

2. The supervisory board of the Bank is authorised, following the increase in share capital from authorized share capital, to appropriately amend the articles of association of the Bank in order for its provisions to comply with the new facts which have arisen due to the increase in share capital and the issue of new shares.

## **Hybrid securities**

### Article 12

1. On the basis of a resolution adopted by the general meeting, the Bank may issue convertible bonds, call options and dividend bonds - hybrid securities.

2. In order for the resolution to be valid, at least a three-quarter majority of the votes of the share capital represented is required.

*3. The management board of the Bank is authorised to issue convertible bonds during the period of the coming 5 (five) years, i.e. until 4 November 2007 (fourth November two thousand and seven).*

## **4. MANAGEMENT SYSTEM**

### Article 13

The Bank has a two-tier management system with a Management and a Supervisory Board.



## **5. THE BODIES OF THE BANK**

### **5.1 Composition of the Management Board of the Bank**

#### Article 14

1. The management board has at least two members. One of the board members is appointed as president of the management board.
2. The number of the members of the management board is determined by a resolution of the supervisory board.
3. The members of the Bank's management board must be full-time employees with contracts concluded for an indefinite period of time.
4. Only a person who meets the conditions for a member of the management board pursuant to Article 24 of the Banking Act, and who has acquired a licence from the Bank of Slovenia for performing the function of a member of the management board pursuant to Article 25 of the Banking Act may be appointed as a member of the management board.

### **Appointment and removal or dismissal of the members of the management board**

#### Article 15

1. The members of the management board are appointed by the supervisory board for a period of five years and can be reappointed, however, not more than one year prior to the expiry of their term of office.
2. The supervisory board can remove a member or the president of the management board, if there are grounds for such removal in compliance with the second paragraph of Article 250 of the Companies Act.
3. The membership in the management board may expire on request of the member himself/herself.

## Duties of the members of the management board

### Article 16

1. 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 other legislative and executive regulations.
2. The management board must ensure that the Bank operates in compliance with the rules on risk management, and must in this connection:
  1. define exact internal relations with respect to responsibilities:
    - providing exact division of competencies and assignments in the bank and
    - preventing conflict of interest,
  2. regularly check strategies and policies to establish and monitor risks to which the Bank is or could be exposed, including risks arising from the macroeconomic environment in which the Bank operates.
3. In order to establish, measure and monitor risks in connection with the Bank's operations, the management board must define a risk management plan to include:
  1. internal procedures for risk management,
  2. risk management procedures and internal procedures for carrying out these measures,
  3. internal procedures for monitoring risk management measures.
4. The management board must set up and implement adequate administrative and accounting procedures and a system of internal controls:
  1. to establish and monitor risks to which the Bank is or could be exposed and to calculate the fulfilment of capital adequacy with respect to such risks and
  2. to establish and monitor large exposures and their compliance with the Bank's policies regarding exposures.
5. The Bank's management board must organise the Bank's operations and keep its business and other records and other administrative documents up-to-date so that they can be checked anytime to establish whether the Bank operates in line with the rules on risk management.
6. The Bank's management board must immediately inform the supervisory board of the following events:
  - if the liquidity or solvency of the Bank is at risk,
  - if conditions arise which would lead to expiry or withdrawal of the licence for performing banking services, or to a prohibition to perform individual banking services or other financial services,

- if the financial position of the Bank changes to such an extent that it does not meet the minimum capital requirements set by the Banking Act,
- cases of large exposure, and exposure of the Bank against persons in a special relationship with the Bank in compliance with the Banking Act,
- findings of the Bank of Slovenia, the tax inspection and other supervisory bodies during a supervision process in the Bank.

7. A member of the management board must immediately inform the Bank's supervisory board in writing of the following events:

- his/her appointment and termination of his/her function in supervisory bodies of other legal entities,
- legal cases on the basis of which a member of the management board himself/herself or his/her near relatives has directly or indirectly acquired equities or shares in a legal entity, as a result of which the member of the management board together with his/her near relatives have reached or exceeded a qualified share in that legal entity, or their share has fallen below the qualified share level.

8. The management board is required to submit the annual report to the supervisory board together with the auditor's report and the proposal of the management board for the appropriation of accumulated profit in eight days after receipt of the auditor's report.

### **Decision-taking by the management board**

#### Article 17

1. Decisions that fall within the competence of the management board are, as a rule, adopted unanimously by the president and the members of the management board, and in case of a disaccord, with a majority of votes cast by all the members of the management board. In taking the decisions or voting, the president and each member of the management board have one vote.

2. In case of an equal number of votes, the president of the management board has the casting vote.

3. The management board of the Bank may authorise each individual member of the management board by a special resolution, adopted unanimously, to take autonomous decisions regarding individual matters and transactions that relate to the current operations of the Bank.

## **Representation of the Bank**

### Article 18

1. In legal transactions, the Bank is represented jointly by at least two members of the management board.
2. 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 when concluding certain transactions or certain types of transactions.

## **Rules for the work of the management board**

### Article 19

The management board of the Bank adopts in agreement with the supervisory board rules for the work of the management board in which the rights and obligations of individual members of the management board regarding the management of operations are settled.

## **Relations with the members of the management board**

### Article 20

1. Mutual rights and obligations between individual members of the management board and the Bank are laid down in a special contract concluded, on the Bank's behalf, by the chairman of the supervisory board.
2. The members of the management board are entitled to participate in the profit which may be distributed in the form of shares or call options.

## **4.2 Supervisory board of the Bank**

### **Composition**

#### Article 21

The supervisory board of the Bank is composed of 9 (nine) members.

## **Term of office**

### Article 22

1. The members of the supervisory board are elected by the general meeting for the period until the end of the session of the general meeting which adopts resolutions in connection with the annual report for the fourth business year from their election. The first business year is deemed to be the year in which the members of the supervisory board were elected.

2. The function of a supervisory board member may terminate before expiry of his/her term of office referred to in the first paragraph of this Article in the following cases:

1. if he/she gives a written notice, or
2. if he/she is removed by the general meeting, in which case it is required for the resolution on early removal of the member of the supervisory board to be adopted with at least a three-quarter majority of votes cast.

3. If the function of a supervisory board member terminates before the expiry of his/her term of office referred to in the first paragraph of this Article, a substitute member is appointed at the next regular annual general meeting of the Bank. A special session of the general meeting to appoint substitute members of the supervisory board is necessary only, if due to early termination of the function of individual members, the number of supervisory board members falls below 5 (five). The term of office of such substitute member of the supervisory board shall terminate at the time when the term of office of the member would have terminated instead of whom he was elected.

## **Conditions for the supervisory board membership**

### Article 23

1. Only a person who meets the following conditions can be appointed as member of the supervisory board:
  - has adequate professional qualifications, characteristics and experiences necessary for supervising the Bank's operations,
  - has not been finally convicted of a criminal offence, committed intentionally, and prosecuted ex officio, or of any of the following criminal offences, committed by negligence: Negligent homicide ( Article 129 of the Penal Code-KZ), Serious bodily injury ( Article 134 of KZ), Extremely serious bodily injury (Article 135 of KZ), Endangering safety at work (Article 208 of KZ), Concealment (Article 221 of KZ), Disclosing and unauthorised obtaining of a business secret (Article 241 of KZ), Money laundering (Article 252 of KZ), Disclosing of an official secret (Article 266 of KZ), Causing general danger (Article 317 of KZ) or Disclosing a state secret (Article 359 of KZ), and the punishment has not been expunged yet.

- has not been member of the management board of a company, in which composition, liquidation, bankruptcy, or special administration has been introduced.
2. It is deemed that the condition referred to under indent 1 of the first paragraph of this Article has been met, if the relevant person has experiences of not less than five years in managing and supervising operations in an institution of a comparable size and field of operations as a bank or other comparable field, or if the person is an expert in such a field.
  3. The Bank of Slovenia is entitled to request of the management board of the Bank to call a general meeting of the Bank, and propose dismissal of a supervisory board member, if
    - the supervisory board member violates his/her duties
    - there are obstacles for appointment of member of the supervisory board in line with Article 24 of these articles of association,
    - he/she does not meet the conditions referred to under the first paragraph of this Article.

#### Article 24

The function of the supervisory board member cannot be taken over by a person:

- who is linked with the legal entity:
    - in which the Bank holds more than 5 (five) percent in voting rights, or a stake in the share capital and
    - which does not have the position of a controlled company within the Banking Group or
  - who is a member of the supervisory board, member of the management board, authorised signatory, or *owner of majority of voting rights or shares in the following legal entities, regardless of their registered office*:
    - in another controlled financial company;
    - in a company which is directly or indirectly controlling another bank or controlled financial company, or
    - in a financial holding;
2. The prohibition referred to in the second item of the first paragraph of this Article does not apply to persons who are members of the supervisory board, of the management board, or are authorised signatories of the controlling bank or another controlling company within the banking group.
  3. Regardless of the fourth indent of the first paragraph Article 273 of the Companies Act, a person referred to in the second paragraph, carrying out the function of the member of supervisory board or another body supervising the bank and other companies of the Banking Group, may carry out this function

1) if it is carried out during regular employment in the Banking Group, and if the person does not receive any special reimbursement: in an unlimited number of supervisory boards of the Bank and other companies within the Banking Group.

2) in other cases, in a total of seven supervisory boards of banks and other companies within the Banking Group.

## **Powers and duties of the supervisory board**

### Article 25

1. 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,
- annual plan of work of the internal audit department,
- new issues of own securities exceeding 30 (thirty) million euros,
- *all transactions regarding the acquisition and disposal of holdings in companies and other legal entities whose book value exceeds 550,000.00 euros (five hundred and fifty thousand euros 00/100),*
- acquisition and disposal of investments in equities with the purpose of portfolio investments, if such investment in any one issuer exceeds 5 per cent of the Bank's capital,
- deciding on 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 euros,
- raising loans and taking over other liabilities for the Bank which in one business year, individually or in total, exceed 25 per cent of the Bank's capital,
- concluding deals in which, considering the Bank's total exposure, the Bank's exposure against a client would reach or exceed 10 (ten) per cent of the Bank's capital, and in which the Bank's exposure against a client would be increased by so much as to reach or exceed 15 (fifteen) or 20 (twenty) per cent of the Bank's capital,
- concluding a deal which is a basis for the Bank's exposure against a person having a special relationship with the Bank in accordance with the provisions of Article 83 of the Banking Act,
- other matters in accordance with the regulations.

2. The members of the supervisory board are required to:

- supervise the adequacy of procedures and the efficiency of the work of the internal audit department,
  - deal with 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,
  - explain to the general meeting their opinion about the annual report of the internal audit department and their opinion about the annual report of the management board.
3. A member of the supervisory board of the Bank must immediately inform the Bank of Slovenia of the following:
- his/her appointment and termination of his/her function in administrative and supervisory bodies of other legal entities,
  - legal cases on the basis of which a member of the supervisory board himself/herself or his/her near relatives has directly or indirectly acquired equities or shares in a legal entity, as a result of which the member of the supervisory board together with his/her near relatives have reached or exceeded a qualified share in that legal entity, or their share has fallen below the qualified share level.
4. 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 accumulated profit,
  - draw up a written report for the general meeting in accordance with the second paragraph of Article 274a of the Companies Act.
5. The supervisory board adopts the annual report.

### **Decision-taking by the supervisory board**

#### Article 26

1. The supervisory board constitutes a quorum, if more than one half of its members are present.
2. The supervisory board adopts its decision with a simple majority of votes cast by the members present at the vote.
3. In case of an equal number of votes, the chairman of the supervisory board has the casting vote.
4. The work of the supervisory board is governed by the Rules for the Work of the Supervisory Board.



## **Special rights of the members of the supervisory board**

### *Article 27*

1. 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 payment for work in the form of director's fees the amount of which shall be determined by a resolution of the general meeting.

2. For the work performed, the members of the supervisory board are entitled to participate in profit which may be distributed in the form of shares or call options.

## **Supervisory Board Committees**

### *Article 28*

1. The Supervisory Board appoints a audit committee in compliance with Article 75 of the Banking Act and Article 280 of the Companies Act.

2. In compliance with Article 279 of the Companies Act, the Supervisory Board appoints a committee for earnings and committee for appointments.

### *Article 29*

In compliance with Article 279 of the Companies Act, the Supervisory Board appoints other committees to prepare resolution proposals and to carry out other assignments.

## **4.3 General meeting**

### **Competence of the general meeting**

#### *Article 30*

1. The general meeting shall decide about:

- adoption of the annual report,
- appropriation of the accumulated profit,
- appointment and removal of the members of the supervisory board,
- award of discharge note to the members of the management board and the 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.

2. The general 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 general meeting.

### **Call of the general meeting**

#### Article 31

1. The general meeting is called by the management board.
2. The general meeting may also be called by the supervisory board, especially in cases, if the management board does not call the general meeting in time, or if the call of the general meeting is required for the smooth running of the Bank's operations.
3. The general meeting must be called in cases in accordance with the law, at least once a year within a period laid down by the law.
4. As a rule, the general meeting takes place at the Bank's registered office or in a place specified in the notice of general meeting.

### **Conducting the general meeting of the Bank**

#### Article 32

1. The general meeting of the Bank is chaired by the chairman of the general meeting. The chairman of the general meeting is appointed by the general meeting on motion of the management board or the supervisory board of the Bank.
2. The work procedures of the general meeting of the Bank are laid down in detail in the *Rules for the Work of the General Meeting* adopted by the general meeting of the Bank.

### **Call of the general meeting on request of a minority**

#### Article 33

1. The general meeting must be called, if the shareholders holding jointly one-twentieth of the share capital request in writing for the general meeting to be called, and state the purpose and the reasons for the call.
2. The request must be sent to the management board of the Bank.

### **Participation in the general meeting**

#### Article 34

1. A shareholder is allowed to participate in the general meeting and exercise his/her right to vote under the condition that he/she has informed the management board about his/her participation in the general meeting 3 (three) days before the start of the meeting at the latest.
2. The conditions for participating and exercising the right to vote in the meeting are specified in more detail in the Notice of general meeting.

### **Adoption of resolutions**

#### Article 35

The general meeting shall adopt resolutions with a bare majority of the votes cast, unless a qualified majority is laid down by these articles of association or the law.

### **Shareholders' right to vote**

#### Article 36

The right to vote of the shareholders holding ordinary shares is exercised in proportion to the nominal value of their shares.

## **Exercising the right to vote by proxy**

### Article 37

1. The right to vote may also be exercised by proxy.
2. In order to be eligible to exercise the right to vote, the proxy must have a written power of attorney.
3. The power of attorney remains deposited with the Bank.
4. The right to vote may also be exercised through a financial institution or a shareholder association.

## **5. OTHER BODIES OF THE BANK**

### **Credit committees**

#### Article 38

1. The Bank may have one or several credit committees.
2. Credit committees decide about the Bank's investments, the taking over of liabilities for the Bank as well as about other banking operations falling within the authority of the management board.
3. Credit committees, their members as well as their authorities are determined by the Bank's management board. The method of work of credit committees is determined by the management board in rules of procedure.

### **Other bodies and committees**

#### Article 39

1. The management board can appoint other committees for performing individual tasks falling within the management board's authority.
2. The composition, powers, authorities as well as the work method of such committees are determined by the Bank's management board in rules of procedure and a resolution on their appointment.

## 6. INTERNAL AUDIT

### Internal audit

#### Article 40

1. The internal audit department performs continuous and comprehensive supervision of the Bank's operations, it is an independent organisational unit separated from the other organisational parts of the Bank, and is directly subordinated to the Bank's management board.

2. After consultation with the supervisory board, the management board determines the rules for the work of the internal audit department.

3. Internal auditing encompasses:

- checking and assessing the adequacy and efficiency of the internal control systems,
- review of performance and efficiency of procedures by means of risk management and risk management methodology,
- review of the Bank's capital assessment system in terms of risk assessment,
- review of the information system reliability, including the electronic information system and electronic banking services,
- review of accuracy and reliability of accounting records and financial reports,
- checking of completeness, reliability and timeliness of reporting in accordance with regulations,
- checking of the Bank's compliance with regulations, internal rules and of the measures adopted,
- carrying out of special investigations.

4. In accordance with the Banking Act, the internal audit department is required to draw up quarterly and annual reports and present them to the management and the supervisory board.

The internal audit department carries out internal audit of the operations in accordance with professional principles and standards for internal auditing, the code of internal auditors' professional ethics, and rules for the work of internal audit.

## **7. ANNUAL REPORT, APPROPRIATION OF ACCUMULATED PROFIT AND CREATION OF RESERVES**

### **Business year**

Article 41

The business year equals the calendar year.

### **Types of reserve**

Article 42

For its operations, the Bank creates the following types of reserves:

- capital reserves,
- legal reserves,
- reserves for own shares,
- statutory reserves,
- other reserves.

### **Capital reserves and legal reserves**

Article 43

1. Capital reserves and legal reserves are used under such condition and for the purposes determined by the Companies Act.

2. Legal reserves are created in such an amount that the sum of legal reserves and of those capital reserves which are under the law and for the purpose of establishing the necessary amount of legal reserves added to legal reserves equals four times the amount of the Bank's share capital.

### **Statutory reserves**

Article 44

1. Statutory reserves of the Bank are created from the net profit.

2. Statutory reserves are created in the amount equalling eight times the amount of the Bank's share capital.

3. For as long as statutory reserves do not reach the amount referred to in the second paragraph of this Article, or if they fall below the said amount as a result of having been used, statutory reserves shall be created by allocating to them each business year an amount equalling up to 50% (50 per cent) of the amount which remains after the appropriation of accumulated profit for the purposes of item 1 and 3 of the eleventh paragraph of Article 64 of the Companies Act.

4. Statutory reserves may be used for the following purposes:

1. creation of reserves for own shares,
2. coverage of losses which cannot be covered from the net profit, profit brought forward or other reserves,
3. increase in the Bank's share capital from the Bank's assets.

Statutory reserves may also be used for any liability for damages caused by the Bank's operations or other extraordinary expenditures, if the total amount of such expenditures of Bank exceeds the amount of 500,000.00 euros ( five hundred thousand euros 00/100). In such cases, the appropriate amount of statutory reserves is released.

The creation and the use of statutory reserves under the provisions referred to in the previous paragraphs are taken into consideration in the annual report for the business year in which the reserves were created or used.

### **Reserves for own shares**

#### Article 45

1. If the company acquires own shares in a business year, it is required to create reserves for own shares on the balance sheet for that same business year in the amount which was paid for acquiring own shares.

2. Reserves for own shares are created and used in the method and under conditions laid down in the Companies Act.

### **Other reserves**

#### Article 46

1. Other reserves created from the net profit are used for creating reserves for own shares, for covering losses, and for increasing the share capital of the company.

2. Other reserves created from the accumulated profit may be used for purposes referred to in the first paragraph of this Article until they reach the amount equalling 2.7 (two point seven) times the share capital of the Bank..

3. Other reserves created from the accumulated profit exceeding the amount equalling 2.7 (two point seven) times the share capital of the Bank may be used, in addition to purposes referred to in the first paragraph of this Article, for distribution to shareholders, employees, members of the management board and the supervisory board.

## **Discussion of the annual report at the general meeting of the Bank**

### Article 47

1. If the general meeting is not competent for the adoption of the annual report because the report which was drawn up by the management board was adopted by the supervisory board, the president of the management board and the chairman of the supervisory board are required, before the general meeting is deciding about the appropriation of the accumulated profit and the award of the discharge note, to inform shareholders about the adopted annual report and the report of the supervisory board on the review of the annual report.

2. If the general meeting is competent for the adoption of the annual report, the president of the management board is required to inform the shareholders at the general meeting about the content of the annual report drawn up by the management board. The chairman of the supervisory board is required to inform shareholders at the general meeting about the content of the report of the supervisory board on the review of the annual report, and give reasons which have led to the supervisory board's decision not to adopt the annual report drawn up by the management board.

3. The general meeting to discuss the annual report must be called by the management board not later than two months after receiving the report of the supervisory board on the review of the annual report or after the day when the supervisory board would be required to submit the report on the review of the annual report to the management board.

4. The annual report and the report of the supervisory board on the review of the annual report must be available to the shareholders at the registered office of the Bank from the day of announcement of the call of the general meeting at which the annual report is to be discussed. The place where both reports shall be available must be stated in the Notice of the general meeting.



## **Deciding about the appropriation of accumulated profit**

### Article 48

1. The general meeting decides about the appropriation of accumulated profit for an individual business year at the meeting at which it discusses the annual report for the same business year.
2. Based on a resolution, the general meeting can decide for the accumulated profit to be appropriated for all or some of the following purposes:
  1. distribution to shareholders,
  2. creation of additional other reserves pursuant to the sixth paragraph of Article 228 of the Companies Act,
  3. participation in profit of the members of the management board, members of the supervisory board, or employees.
- 3) Based on a resolution, the general meeting can decide for the appropriation of the entire or a part of the accumulated profit to be determined in the coming business years (retained net profit).

## **Deciding about the award of the discharge note**

### Article 49

The general meeting decides about the award of the discharge note to the members of the management board and the supervisory board for the business year at the meeting at which it discusses the annual report for the same business year.

## **Amount of the dividend**

### Article 50

Each individual shareholder's interest within the accumulated profit, which is according to the resolution of the general meeting on the appropriation of the accumulated profit to be distributed to shareholders, is determined in proportion to their interest in the share capital of the Bank.

## **Distribution of the dividend**

### Article 51

The dividend is distributed to the shareholders within three months from the adoption of the general meeting's resolution on the appropriation of the accumulated profit, unless the general meeting decides otherwise.

## **Other payments made from accumulated profit**

### Article 52

A part of the accumulated profit allocated by the general meeting to the supervisory board, the management board and the senior executives is paid out under the same conditions as set forth in Article 51 of these articles of association.

## **Interim dividend**

### Article 53

1. On approval of the supervisory board, the management board is allowed to distribute an interim dividend in accordance with the projected net profit for the business year in which the interim dividend is distributed.
2. Not more than one half of the amount which remains of the projected net profit after reserves have been created may be distributed as an interim dividend, and the amount of the interim dividend may not exceed one half of the net profit of the previous business year.

## **8. DISSOLUTION OF THE BANK**

### **Reasons for the dissolution of the Bank**

#### Article 54

In addition to reasons for the dissolution of the Bank provided by the law, the Bank can be dissolved on the basis of a resolution of the general meeting which must be adopted with at least a three-quarter majority of the votes of the represented share capital.

## **Liquidator**

### Article 55

1. Liquidators can be appointed by the general meeting based on a resolution which must be adopted with a three-quarter majority of the votes of the represented share capital.
2. Only a natural person who meets the conditions to be appointed as member of the Bank's management board, can be appointed as liquidator of the Bank.

## **9. TRANSITIONAL AND FINAL PROVISIONS**

### **Expiry of the previous articles of association**

#### Article 56

The articles of association of the Bank dated 27 June 2007 (twenty seventh June two thousand and six) shall expire on the day when the consolidated text of the present articles of association is entered in the register of companies.

### **Alignment of the wording of the articles of association**

#### Article 57

The supervisory board is authorised to perform amendments to the articles of association as regards the alignment of their wording with the resolutions adopted by the general meeting or the management board.

### **Effective date of the articles of association**

#### Article 58

1. The consolidated text of the articles of association as is drawn up on the basis of the resolution of the Annual General Meeting dated 20.08. 2007 (twentieth August two thousand and seven), and shall become effective on the date of its entry into the register of companies.

Maribor, 20.08. 2007 (twentieth August two thousand and seven).