

**Disclosures made by Nova KBM d.d.
for the year 2011 on the basis of its
consolidated financial situation**

Maribor, April 2012

Pursuant to the Regulation on Disclosures by Banks and Savings Banks, Nova KBM d.d. (hereafter also the 'Bank') is, on the basis of its consolidated financial situation, obliged to disclose important information that could, if omitted or misstated, change or influence the assessment or decision of a user relying on that information to make business decisions. The legislation gives banks the option of not disclosing confidential information or business secrets.

Considering the options available to banks and savings banks, Nova KBM d.d. decided to publish the disclosures in a separate document in which it described each individual disclosure in accordance with the Regulation on Disclosures by Banks and Savings Banks. The majority of requested information is disclosed by the Bank in its annual report in compliance with the applicable legislation and International Financial Reporting Standards. The disclosures, which form an integral part of the annual report and must, in addition, be published under the Regulation on Disclosures by Banks and Savings Banks, are not contained herein; only a reference is given in this document to the relevant disclosures in the annual report.

The disclosures have been verified from the point of view of integrity and accuracy by the Internal Audit Centre of Nova KBM d.d.

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Disclosure 1 The name of the bank obliged to make disclosures and entities included in disclosures

(Article 11(a) and (b) of the Regulation on Disclosures by Banks and Savings Banks)

The disclosures are made by Nova KBM d.d.

In accordance with the requirements of International Financial Reporting Standards, all subsidiaries, associates and joint ventures shall be included in consolidated financial statements; the subsidiaries are fully consolidated, while the associates and joint ventures are included in the consolidation using the equity method (the Bank does not have any joint ventures). The Bank has set up a reporting, controlling and risk monitoring system for all Nova KBM Group (hereafter also the 'Group') companies through their integration in the risk assessment system, in spite of the fact that the associates are not subject to the control on a consolidated basis. A brief description of Nova KBM Group companies is included in the annual report.

In 2011, KBM Fineko d.o.o., a subsidiary of Nova KBM d.d., acquired a 100% shareholding in the company Istra Plan d.o.o. Due to the fact that the company Istra Plan d.o.o. is not considered a business entity, the acquisition has not been treated as a business combination but as a takeover of assets and liabilities of Istra Plan d.o.o. Assets of Istra Plan d.o.o. totalling €5,197,000 have been recognised in the consolidated financial statements of the Nova KBM Group.

Subsidiaries:

- Poštna banka Slovenije d.d.
- Adria Bank AG
- Credy banka a.d.
- KBM Infond d.o.o.
- KBM Leasing d.o.o.
- Gorica Leasing d.o.o.
- KBM Invest d.o.o.
- KBM Fineko d.o.o.
- M-Pay d.o.o.
- KBM Leasing Hrvatska d.o.o.
- KBM Projekt d.o.o.

Associates:

- Zavarovalnica Maribor d.d.
- Moja naložba, pokojninska družba, d.d.

Disclosure 2 The strategies and processes for managing risks

(Article 10(a) of the Regulation on Disclosures by Banks and Savings Banks)

This disclosure is included in the annual report; the overall aspect of strategies and processes with respect to risk management is presented in the business part of the annual report, while the disclosures by individual types of risk are set out in the notes to the financial statements.

In accordance with its mission, the Group will always ensure the security of its operations, assume risk in a thoughtful and responsible manner, and comply with the highest standards of risk management. The principal guidance of risk management in the Group is based on this premise. The Group is aware of all the risks that are inherent in its operations, and categorizes these according to the type of risk, individual organisational units, business processes, and employees.

The Group uses a systematic approach for measuring risks. It identifies, measures (or assesses), monitors and manages each type of risk. For each type of risk, the Bank identifies the factors that have an impact on the size of exposure, and risk factors that cause a change in value. A quantified level of acceptable risk is determined for each type of risk at least at the level of each independent legal entity and, where appropriate and reasonable, also at the level of organisational units.

The following risk management processes reflect the Group's overall approach:

- the identification of all risks that arise in the operations of the Group,
- the evaluation of the extent of risk as well as the method of monitoring individual risk factors,
- the continuous monitoring of Nova KBM Group companies exposure to a specific risk and consideration of established limits, and
- learning and adapting to the changed business environment, which includes re-assessment of limits and methodologies for setting up limits as the conditions change.

Disclosure 3 The structure and organisation of the relevant risk management function
(Article 10(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Group revises the document Strategy of the Nova KBM Group on an annual basis. The Strategy of the Group is a key document in the preparation of annual business plans, both at the level of individual Group companies and at the Group level. The responsibility for attaining the objectives of a business plan, including those with respect to risk management, lies with the management boards of Group companies.

The Bank's Management Board has delegated risk oversight and management to the senior management (policy holders). The policy holders, together with officers responsible for particular policies, determine the method of measuring respective risks. The responsible officers are specialised in defining, measuring and controlling individual types of risk. The organisational unit responsible for defining the acceptable level of a specific type of risk and the method of measuring and monitoring the risk is organisationally separate from the unit it monitors. In accordance with the rules of procedure, each risk management policy has to be approved by the Policy Adoption Committee and, in addition, agreed by the President of the Management Board or his deputy. Risk management policies form the basis for managing risks across the entire Group. Considering the volume of their operations, the Group companies may use their own approach in managing risks, but shall in each case receive an approval from the person who is at the Bank in charge of the respective risk.

Risk management is conducted in accordance with established and approved risk management policies. The system of limits and the limits themselves are proposed by organisational units that are specialised in managing individual risks and are organisationally independent of the units accepting risks, whereas the approval lies with decision-making bodies or the Management Board. Organisational units specialised in managing individual risks report periodically on risk exposure and possible violation of limits.

At the Group level, the Bank manages risks on the basis of monthly reporting provided by all Group companies. Through its representatives on supervisory boards of Group companies, the Bank regularly exercises control over individual members of the Group.

Disclosure 4 The scope and nature of internal risk reporting and risk measurement systems

(Article 10(c) of the Regulation on Disclosures by Banks and Savings Banks)

Respective risk management policies set out the methods and frequency of reporting. The scope and frequency of reporting depends on the category of risk and the recipients of reports. The persons responsible for managing and reporting of individual risks are independent of the organisational units accepting risks, which ensures the prevention of conflicts of interest.

The reports comply with the requirements for impartial, informative and transparent reporting of individual risks. The regular reports are standardised. For compiling consolidated accounts, an automated system for collecting data has been set up at the Group level.

Disclosure 5 The policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

(Article 10(d) of the Regulation on Disclosures by Banks and Savings Banks)

The monitoring and managing of specific types of risk is described in detail in the respective risk management policy that takes into account specific characteristics of individual risk types. For each risk management policy, one person is responsible. This person must also take care of adjusting the respective policy to other policies, while taking into account the applicable legislation and best banking practice. The minimum scope of risk management policies has been determined; each policy shall include the definition of risk, the method for measuring risk and reporting of risk, the method for limiting the exposure, and a clear definition of responsibilities of individual persons.

The following risk management policies are deemed to be the most important for managing risks at the Group level:

- the Credit Risk Management Policy
- the Collateral Policy
- the Policy of Restructuring and Collecting Doubtful Debts
- the Liquidity Risk Management Policy
- the Policy of Managing the Banking Book Market Risks
- the Policy of Managing the Trading Book Market Risks
- the Interest Rate Risk Management Policy
- the Operational Risk Management Policy
- the Capital Risk Management Policy
- the Organisation and Staff Development Policy
- the Reputation Risk Management Policy
- the Strategic Risk Management Policy
- the Consolidated Supervision Policy
- the Information Security Policy

Risk management policies form the basis for managing respective risks across the entire Group. Considering the volume of their operations, the Group companies may use their own approach in managing risks, but shall in each case receive an approval from the person in who is at the Bank in charge of the respective risk.

Disclosure 6 Any current or foreseen practical or legal impediments to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

(Article 11(c) of the Regulation on Disclosures by Banks and Savings Banks)

Subject to observance of regulatory requirements applicable to operations of Group companies, there are no legal impediments to the transfer of own funds or repayment of liabilities between the Bank and its subsidiaries.

Disclosure 7 The aggregate amount by which the own funds are less than the required minimum in all subsidiaries not included in the consolidation, and the name(s) of these subsidiaries

(Article 11(d) of the Regulation on Disclosures by Banks and Savings Banks)

Moja naložba, pokojninska družba, d.d. and Zavarovalnica Maribor d.d. are not included in the supervision on a consolidated basis. As of 31 December 2011, both of these two companies complied with the minimum capital requirements.

Disclosure 8 Key information on the terms and conditions of the main features of all own funds items and components thereof

(Article 12(a) of the Regulation on Disclosures by Banks and Savings Banks)

With respect to its characteristics, the Bank's equity is made up of three components: original own funds (Tier I), additional own funds I (Tier II) and additional own funds II (Tier III). The characteristics of each component of equity are set out in the Decision Regulating Banks' and Savings Banks' Capital Calculation.

Original own funds include paid-up share capital, share premium, retained earnings, hybrid instruments eligible for inclusion in original own funds, and non-controlling interest.

Until 31 December 2010, a hybrid instrument (treated as 'innovative' prior to the legislation change) was included in the Bank's calculation of original own funds. Following the legislation change, this instrument does no longer meet the criteria to be included in the calculation of original own funds; however, in accordance with Article 34 of the Decision Regulating Banks' and Savings Banks' Capital Calculation, the Bank continues to include this instrument in the calculation of its original own funds, taking into account restrictions applicable to the transitional period. In accordance with the anticipated transitional period, this hybrid instrument will continue to be included in the calculation of the Bank's original own funds in its full amount, until recall or until 31 December 2040 at the latest.

Additional own funds include subordinated debt, hybrid instruments eligible for inclusion in additional own funds, revaluation adjustment in respect of available-for-sale financial assets, and adjustment of effect of investment property valuation. The amount of subordinated debt included in the calculation of additional own funds I is gradually reduced by a cumulative 20% discount rate over the final five years before maturity.

The following instruments were included in the calculation of the Nova KBM Group's equity as of 31 December 2011:

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ISIN code	Currency	Date of maturity	Interest rate	Nominal amount	Included in the calculation of equity
Subordinated debt					
-	EUR	call option exercisable at the end of each financial year; redemption after 4 years	variable	1,250	1,000
Hybrid instruments as a component of additional own funds					
-	EUR	perpetual	6M EURIBOR + 2.70%	6,456	6,456
-	EUR	perpetual	6M EURIBOR + 3.50%	1,890	1,890
XS0270427163	EUR	perpetual; call option after 05.10.2016	3M EURIBOR + 1.60%	50,000	50,000
XS0325446903	EUR	perpetual; call option after 12.10.2012	7.02%	100,000	100,000
Hybrid instruments as a component of original own funds					
SI0022103046	EUR	perpetual; call option after 29.12.2014	8.70%	26,030	26,030

Disclosure 9 Capital and capital requirements with a description of differences in the basis of consolidation for accounting and prudential purposes

(Articles 11(b), 12(b), (c), (d) and (e), 13(b), (d) and (e) and 18 of the Regulation on Disclosures by Banks and Savings Banks)

This information is disclosed in section 4 of the financial report of the annual report. In accordance with the Regulation on the Calculation of Capital Requirements, the calculation of capital requirements for credit risk is made under the standardised approach, while the basic indicator approach is used for the calculation of capital requirements for operational risk.

The calculation of capital adequacy is based on consolidated financial statements, in accordance with the Regulation on the Supervision on a Consolidated Basis.

The Bank complies with the prescribed ratios and restrictions relating to individual components of equity.

For the purpose of complying with the requirements of the Regulation on the Supervision on a Consolidated Basis, the Bank does not include Moja naložba, pokojninska družba, d.d. and Zavarovalnica Maribor d.d. in the supervision on a consolidated basis. In the calculation of equity on a consolidated basis, the investments in these two associates are capital deduction items.

Disclosure 10 A summary of the bank's approach to assessing the adequacy of its internal capital to support current and planned activities

(Article 13(a) of the Regulation on Disclosures by Banks and Savings Banks)

Within the process of assessing adequate capital, the Bank has adopted a methodology for calculating available capital and adequate economic capital.

Available economic capital is the Group's own consideration of the amount of available capital. The amount of available economic capital equals the amount of regulatory available capital, increased by a portion of the profit for the current year.

Adequate economic capital is the Group's own consideration of the amount of capital needed for covering any unexpected risks the Group is exposed to in its operations. The amount of adequate economic capital equals the amount of minimum capital as prescribed by the regulator (pillar I), taking into account additional capital requirements.

Adequate economic capital takes separately into account the following risks:

- credit risk: in accordance with pillar I
- market risks (other than currency risk): in accordance with pillar I
- operational risk: in accordance with pillar I
- interest rate risk of the banking book: an internal methodology based on stress testing
- currency risk: an internal methodology based on value-at-risk (VaR)
- liquidity risk: an internal methodology based on the calculation of costs of substituting an unexpected loss of liquidity
- capital risk: availability of raising additional capital
- reputation risk: an expert assessment
- strategic risk: an expert assessment

Target values of capital components for the Group as a whole are determined by the Bank in its annual plans. ALCO is responsible for reviewing regulatory available and minimum capital as well as economic available and adequate capital.

Disclosure 11 A description of the methodology used to assign internal capital and credit limits for counterparty credit exposures; a description of the method that it uses for calculating the exposure value for derivatives, swaps, securities or commodities lending or borrowing transactions, margin lending transactions, and long settlement transactions

(Article 14(a) and (f) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group monitors counterparty credit risk exposure using the current exposure methodology, pursuant to the provisions of the Regulation on the Calculation of Capital Requirements for Market Risks. The credit replacement value is the aggregate of current and potential exposure.

Repo transactions are valued as the difference between the current value of investment (nominal amount plus accrued interest) and the current value of collateral (market value of the instrument). The maximum exposure shall be within the defined limits, and additional collateral is required in case of exceeding defined limits. Counterparty exposure is controlled in accordance with the Credit Risk Management Policy.

Currency forward contracts used to regulate the open foreign currency position are entered into only with prime banks, and within the defined limits. Currency forward contracts of the trading book are concluded up to the limit set for each counterparty.

The calculation of adequate economic capital for the transactions referred to above is made in accordance with an internal methodology that defines the method for calculating available and adequate economic capital. The calculation of adequate economic capital for the

transactions referred to above is made in accordance with pillar I and is the same as prescribed by the regulator for the calculation of capital requirements for credit risk.

Disclosure 12 **A description of policies for securing collateral and a description of policies with respect to wrong-way risk exposures**
(Article 14(b) and (c) of the Regulation on Disclosures by Banks and Savings Banks)

The Bank offers transactions in derivatives without requesting collateral only to customers with the highest credit rating; the exposure to credit risk under these transactions is included in the calculation of the total exposure. Transactions in derivatives concluded with all other customers are subject to providing adequate collateral.

For repo transactions, the Bank has determined the minimum eligible credit quality of assets accepted as collateral.

The Bank enters into transactions that involve wrong-way risk exposure only to the extent that allows the Bank closing a position, if a customer fails to provide additional prime collateral required. Counterparty credit risk is controlled daily on the basis of available market prices or prices calculated according to the internal methodology, the input data of which are prevailing market prices.

Disclosure 13 **A description of the effects of a downgrade in the bank's credit assessment in increasing the amount of collateral to be secured by the bank**
(Article 14(d) of the Regulation on Disclosures by Banks and Savings Banks)

The Bank has not entered into any transactions that would, in case of a downgrade in the Bank's credit rating, require an increase in the amount of collateral provided by the Bank.

Disclosure 14 **The gross positive fair values of contracts, netting benefits, netted current credit exposures, collateral at the bank's disposal, and net credit exposure from derivatives**
(Article 14(e) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group does not use netting contracts. The gross positive value of contracts equals net credit exposure from derivatives.

Type of derivative	Total gross positive value of contracts or net credit exposure
Currency forwards	117
Forwards on securities	10,763
Interest rate swaps	0

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Disclosure 15 **The nominal value of credit derivatives used for hedging, and the distribution of current credit exposure by types of credit exposure; the nominal value of credit derivatives transactions, the value of these instruments for the bank's own portfolio and the values for clients being illustrated separately, and an indication of the types of credit derivatives further broken down as bought and sold**
(Article 14(g) and (h) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group does not hold credit derivatives in its portfolios.

Disclosure 16 **An estimate of α if the bank holds the Bank of Slovenia authorisation to use its own estimate of α**
(Article 14(i) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group has not obtained the Bank of Slovenia authorisation to use its own estimate of α .

Disclosure 17 **A definition of past due and impaired items for accounting purposes**
(Article 15(a) of the Regulation on Disclosures by Banks and Savings Banks)

The Nova KBM Group treats as past due items all on- and off-balance sheet items for which a counterparty has not met its contractual obligations on time and in the agreed-upon scope.

Impaired items for accounting purposes are all items for which the Nova KBM Group has recognised impairment losses. Individually impaired items and collectively impaired items are treated separately.

Disclosure 18 **A description of the methodology for making value adjustments to items and provisions**
(Article 15(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Group records financial assets and liabilities at amortised cost or at fair value, while the off-balance sheet commitments are recorded at contractual value.

Amortised cost of a financial asset equals the amount of outstanding principal, increased by outstanding interest and fees and decreased by corresponding impairment losses recognised in accordance with the Nova KBM's Methodology for Assessing Credit Risk Losses.

Fair value of a financial asset equals its current market value. If the market price for a financial asset cannot be determined, the Bank applies the fair value hierarchy in accordance with International Accounting Standards. If the market price of a financial asset is not available for one month, the fair value of such an asset is determined by applying the model that takes into consideration market prices. If the value of a financial asset cannot be determined according to this model, the acquisition cost of a financial assets is regarded as its fair value.

The Group continuously, or at least quarterly, assesses whether impartial evidence exists, or events have occurred since recognition of an asset, and whether these events have an impact on the future cash flows of a financial asset or a group of financial assets, or off-balance sheet commitments, which can be reliably assessed. Significant information that indicates impairment of a financial asset or a possibility of loss under off-balance sheet items includes: non-fulfilment of obligations to Group companies, significant financial difficulties of a borrower, and the probability of bankruptcy, receivership or a financial reorganisation.

Individually significant financial assets or off-balance sheet items are assessed individually.

If, in an individual assessment of a financial asset, the impartial evidence exists that the asset is impaired, the replacement value of such asset must be assessed. The replacement value is assessed based on the expected discounted cash flows generated from the realisation of collateral. The contractual interest rate applicable to the financial asset is used for discounting cash flows.

Individually insignificant financial assets or off-balance sheet items are assessed collectively. In accordance with the Methodology for Assessing Credit Risk Losses, the collective impairment rates are determined for homogeneous asset groups.

The method for assessing collective impairment and provisioning rates is based on:

- the proportion of customers becoming delinquent (credit rating 'D' and 'E') in a period of one year
- assessed losses
- loss identification period (LIP).

If the amount of impairment loss or provision decreases in the subsequent period, the previously recognised impairment loss shall be reversed. The amount of reversed loss is recognised in the statement of income.

Disclosure 19 The total amount of exposures, minus impairments and provisions, without taking the effects of credit protection into consideration, and the average exposure amount in the reporting period (from quarterly data), broken down by category of exposure; the exposure values and the exposure values allowing for the effects of credit protection, broken down by credit quality step in accordance with the standardised approach regulation and the Regulation on Credit Protection, and the values of capital deduction items; for a bank that uses the standardised approach or an IRB approach to calculating credit risk capital requirements without its own estimates of LGDs (and CFs), the total exposure value (after balance sheet netting, if used) that is covered by collateral, after the application of volatility adjustments, for each category of exposure; the total exposure value (after balance sheet netting, if used) that is covered by personal guarantees or credit derivatives for each category of exposure (Articles 15(c), 16(e) and 25(f) and (g) of the Regulation on Disclosures by Banks and Savings Banks)

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Category of exposure	ORIGINAL EXPOSURE PRE CONVERSION FACTORS	% OF EXPOSURE BY CATEGORY	NET VALUE OF EXPOSURE	CRM WITH SUBSTITUTION EFFECTS ON THE EXPOSURE				VALUE OF COLLATERAL/NET VALUE OF EXPOSURE	NET EXPOSURE AFTER CRM SUBSTITUTION EFFECTS PRE CONVERSION FACTORS	FULLY ADJUSTED EXPOSURE VALUE	RISK WEIGHTED EXPOSURE AMOUNT	CAPITAL REQUIREMENT	SHARE OF CAPITAL
				UNFUNDED CREDIT PROTECTION		FUNDED CREDIT PROTECTION							
				GUARANTEES	CREDIT DERIVATIVES	FINANCIAL COLLATERAL: SIMPLE METHOD	OTHER FUNDED CREDIT PROTECTION						
1	2=1/sum(1)	3	4	5	6	7	8=(sum4:7)/3	9	10	11	12	13=12/sum(12)	
Central governments and central banks	844,137	12.02%	843,422	0	0	0	0	0.00%	1,085,243	1,078,929	53,182	4,255	1.18%
Regional governments and local authorities	8,677	0.12%	8,649	0	0	0	0	0.00%	8,649	8,629	4,327	346	0.10%
Administrative bodies	8,457	0.12%	8,448	4,044	0	1	0	47.88%	12,514	11,365	5,682	455	0.13%
Multilateral development banks	858	0.01%	858	0	0	0	0	0.00%	858	858	0	0	0.00%
Institutions	502,388	7.16%	501,992	90,334	0	5,000	0	18.99%	414,715	410,836	229,350	18,348	5.10%
Corporates	2,446,762	34.85%	2,335,573	111,513	0	4,561	0	4.97%	2,219,500	2,059,021	2,060,277	164,822	45.78%
Retail banking	1,539,007	21.92%	1,522,869	1,741	0	18,314	0	1.32%	1,502,814	1,315,081	986,311	78,905	21.92%
Secured with real estate property	142,901	2.04%	142,536	0	0	0	0	0.00%	142,536	142,468	49,864	3,989	1.11%
Past due items	170,918	2.43%	128,958	227	0	102	0	0.25%	128,630	127,132	175,212	14,017	3.89%
Items belonging to regulatory high-risk categories	730,594	10.41%	416,728	2,228	0	10,842	0	3.14%	403,657	384,540	453,464	36,277	10.08%
Collective investment undertakings	32,928	0.47%	32,927	0	0	0	0	0.00%	32,927	32,927	32,927	2,634	0.73%
Other exposure	593,813	8.46%	517,453	9,083	0	0	0	1.76%	508,370	508,109	449,892	35,991	10.00%
TOTAL	7,021,440	100.00%	6,460,413	219,169	0	38,820	0	3.99%	6,460,413	6,079,894	4,500,488	360,039	100.00%

Disclosure 20 The geographic distribution of exposures, broken down by material category of exposure, and further detailed if appropriate; for significant geographical areas the amount of past due exposures as at the end of the reporting period, and within this the amount of impaired exposures, including, if practical, the amounts of impairments and of provisions related to each geographical area

(Article 15(d) and (h) of the Regulation on Disclosures by Banks and Savings Banks)

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COUNTRY	Central governments and central banks	Regional governments and local authorities	Administrative bodies	Multilateral development banks	Institutions	Corporates	Retail banking	Secured with real estate property	Past due items	Items belonging to regulatory high-risk categories	Collective investment undertakings	Other exposure	TOTAL
Slovenia	747,178	8,651	8,457	0	196,353	2,152,870	1,459,635	142,901	147,829	645,408	32,928	589,759	6,131,968
Croatia	889	0	0	0	8,491	173,803	22,181	0	19,161	51,452	0	1,425	277,402
Serbia	51,986	27	0	0	11,457	65,631	46,237	0	2,891	15,003	0	266	193,498
Austria	5,510	0	0	0	69,528	17,180	5,688	0	0	17,290	0	1,751	116,948
USA	0	0	0	0	57,355	0	250	0	0	145	0	0	57,751
Germany	12,994	0	0	0	27,820	0	785	0	0	393	0	0	41,992
France	5,228	0	0	0	33,246	2,546	196	0	0	0	0	0	41,217
Italy	0	0	0	0	15,378	12,674	1,653	0	0	602	0	11	30,319
The Netherlands	10,624	0	0	0	5,994	4,722	11	0	0	48	0	0	21,399
Great Britain	0	0	0	0	21,110	0	215	0	0	0	0	0	21,325
Spain	0	0	0	0	20,969	0	0	0	0	0	0	0	20,969
Switzerland	0	0	0	0	3,347	8,000	95	0	0	0	0	0	11,442
Russia	0	0	0	0	11,053	0	33	0	0	0	0	0	11,085
Denmark	0	0	0	0	9,862	0	0	0	0	0	0	0	9,862
Romania	1,500	0	0	0	5,000	0	30	0	0	0	0	0	6,530
Portugal	0	0	0	0	5,594	0	0	0	0	0	0	0	5,594
Belgium	5,254	0	0	0	8	0	137	0	0	0	0	12	5,411
Bosnia and Herzegovina	0	0	0	0	0	3,513	33	0	614	33	0	0	4,194
Hungary	0	0	0	0	0	3,693	67	0	0	10	0	0	3,770
Republic of Macedonia	0	0	0	0	0	2,444	27	0	107	0	0	0	2,579
The Slovak Republic	2,009	0	0	0	0	0	132	0	0	208	0	0	2,350
Other	965	0	0	858	(177)	(315)	1,600	0	315	0	0	589	3,835
TOTAL	844,137	8,677	8,457	858	502,388	2,446,762	1,539,007	142,901	170,918	730,594	32,928	593,813	7,021,440

Disclosure 21 The distribution of exposures by institutional sector or counterparty type, broken down by category of exposure, and further detailed if appropriate

(Article 15(e) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY	CENTRAL GOVERNMENT	REGIONAL GOVERNMENT	PUBLIC SECTOR	INSTITUTIONS	CORPORATE CUSTOMERS	HOUSEHOLDS AND SOLE PROPRIETORS	FUNDS	OTHER	TOTAL
Central governments and central banks	844,137	0	0	0	0	0	0	0	844,137
Regional governments and local authorities	0	8,677	0	0	0	0	0	0	8,677
Administrative bodies	0	0	8,457	0	0	0	0	0	8,457
Multilateral development banks	0	0	0	858	0	0	0	0	858
Institutions	0	0	0	500,691	1,697	0	0	0	502,388
Corporates	0	0	0	0	2,403,318	43,445	0	0	2,446,762
Retail banking	0	0	0	0	379,015	1,159,992	0	0	1,539,007
Secured with real estate property	0	0	0	0	4,768	138,133	0	0	142,901
Past due items	9	240	0	1,161	139,478	30,030	0	0	170,918
Items belonging to regulatory high-risk categories	0	22	0	3,044	683,165	44,362	0	0	730,594
Collective investment undertakings	0	0	0	0	0	0	32,928	0	32,928
Other exposure	0	0	0	282,378	282,141	0	0	29,293	593,813
TOTAL	844,146	8,939	8,457	788,132	3,893,582	1,415,962	32,928	29,293	7,021,440

Disclosure 22 A breakdown of all categories of exposure into residual maturities of up to one year and more than one year, and further detailed if appropriate
(Article 15(f) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY OF EXPOSURE	Residual maturity	Exposure
Central governments and central banks	non-current	146,926
	current	697,211
Regional governments and local authorities	non-current	7,962
	current	715
Administrative bodies	non-current	4,546
	current	3,911
Multilateral development banks	non-current	0
	current	858
Institutions	non-current	71,571
	current	430,817
Corporates	non-current	1,276,774
	current	1,169,988
Retail banking	non-current	1,083,340
	current	455,667
Secured with real estate property	non-current	128,611
	current	14,290
Past due items	non-current	83,021
	current	87,897
Items belonging to regulatory high-risk categories	non-current	280,572
	current	450,022
Collective investment undertakings	non-current	0
	current	32,928
Other exposure	non-current	39
	current	593,774
TOTAL		7,021,440

Disclosure 23 For significant institutional sectors or counterparty types as at the end of the reporting period: the amount of past due exposures, and within this the amount of impaired exposures (net amounts); the amount of value adjustments due to impairments and provisions; the amount of eliminated/formed value adjustments due to impairments and provisions
(Article 15(g) of the Regulation on Disclosures by Banks and Savings Banks)

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CATEGORY	01.01.2011		31.12.2011	
	Opening balance – past due exposures	Impairment	Closing balance – past due exposures	Impairment
Retail banking	50,123	24,208	30,030	7,186
Institutions	0	0	1,161	785
Corporates	273,891	75,985	139,478	30,107
TOTAL	324,014	100,193	170,669	38,079

Customers belonging to the regulatory high-risk category are not included in the table.

- Disclosure 24** For impaired exposures an illustration of the changes in value adjustments and an illustration of the changes in provisions, these comprising:
- a description of the value adjustments and provisions by type of asset
 - the opening balance of the value adjustments and provisions as at the beginning of the year
 - the increase in the reporting period
 - the decrease in the reporting period
 - the closing balance of the value adjustments and provisions as at the end of the reporting period
- (Article 15(i) of the Regulation on Disclosures by Banks and Savings Banks)*

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Category of exposure	Impairment losses and provisions at the beginning of the period	Impairment losses and provisions at the end of the period	Increase/decrease in the reporting period
On-balance sheet items	435,300	534,573	99,273
Off-balance sheet items	11,478	26,455	14,977
TOTAL	446,778	561,028	114,250

- Disclosure 25** The business names of the nominated external credit assessment institutions (hereinafter: ECAI) or export credit agencies (hereinafter: ECA), and the reasons for any replacements; an indication of the ECAI or ECA whose credit assessments are used for a particular category of exposure; a general description of the process for determining the risk weights for individual exposures on the basis of the credit assessments available for the obligor and its financial instruments
- (Article 16(a), (b), (c) and (d) of the Regulation on Disclosures by Banks and Savings Banks)*

The Group calculates capital requirements for credit risk using the standardised approach. As a reference export agency for the category 'exposure to central governments and central banks', the Bank nominated SID Bank Inc., Ljubljana. As a reference external rating agency for the category 'exposure to institutions, including exposure to institutions with a short-term rating', the Bank nominated the rating agency Moody's.

The Bank of Slovenia considers SID Bank Inc. as an appropriate export credit agency and Moody's as an appropriate external credit rating agency. The Bank Slovenia publishes publicly a comparison of ratings used by SID Bank Inc. and Moody's.

The process of assigning weights to individual exposure categories on the basis of available ratings of a debtor and its financial instruments is made in compliance with the Regulation on the Calculation of Capital Requirements for Credit Risk under the Standardised Approach. For exposure categories for which the external rating agency has been nominated, the assignment of weights is based on ratings of financial instruments. If the rating of a financial instrument is not available, the long-term rating of a debtor or of a comparable financial instrument of the same debtor is taken into account. In case these ratings are not available, the sovereign rating of the country in which the debtor is located is used.

For exposure categories for which the external rating agency has not been nominated, the assignment of weights is made according to the applicable legislation, meaning that weights

are assigned by taking into account the rating of a country in which the debtor is located, or on the basis of specific rules applicable to each exposure category.

Disclosure 26 Operational risk – the approach to operational risk
(Article 20(a) of the Regulation on Disclosures by Banks and Savings Banks)

In 2011, the Group monitored operational risk and calculated capital requirements for operational risk in accordance with the basic indicator approach.

Disclosure 27 Investments in equities not included in the trading book
(Article 21 of the Regulation on Disclosures by Banks and Savings Banks)

With respect to the investment purpose, the Nova KBM Group's portfolio of equity instruments is divided into the following three sub-portfolios:

- investments needed for regular operations of the Group (Bankart, S.W.I.F.T.)
- investments in equities and funds for which the Group, as an investor, has adopted appropriate exit strategies to be carried out once the financial objectives are achieved
- temporary investments in equities which result from the realisation of collateral and which the Group intends to sell within a short period of time.

All of the investments listed above are kept in the available-for-sale portfolio and measured at fair value through equity, taking into account capital requirements for credit risk. The market price of an instrument, if available, is disclosed in the accounts. If the market price of an instrument is not available, a team of valuation experts determines the value of investment on the basis of an internal methodology.

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Type of investment	Investment value as of 31.12.2011
Investments needed for regular operations of the Group	388
Investments in equities and funds with an exit strategy	59,364
Temporary investments in equities resulting from the realisation of collateral	29,428
TOTAL	89,180

As of 31 December 2011, the aggregate investment in both associated companies, Zavarovalnica Maribor d.d. and Moja naložba d.d., amounted to €31,918,000.

Pursuant to the applicable legislation, the Group deducts from the share capital the entire unrealised loss on equities of the banking book, which, as of 31 December 2011, amounted to €4,274,000. In accordance with the legislation, the Group includes 80% of unrealised gains on equities of the banking book in the calculation of additional capital, which, as of 31 December 2011, amounted to €5,522,000.

In 2011, the Nova KBM Group realised a gain of €272,000 from the sale of equities of the banking book.

Disclosure 28 Interest rate risk from items not included in the trading book
(Article 22(a) and (b) of the Regulation on Disclosures by Banks and Savings Banks)

Interest rate risk is a risk of loss arising due to unexpected changes in market interest rates, and derives from maturity mismatches of interest-sensitive assets and liabilities, which form the largest proportion of total assets and liabilities. In addition, interest rate risk may derive

from a shift in the yield curve, from the basis risk, or from the risk resulting from options built into interest-sensitive items.

The Bank assesses its exposure to interest rate risk on the basis of assumptions set out in the Methodology for Managing Interest Rate Risk, and monitors interest rate risk in accordance with the Interest Rate Risk Management Policy. Exposure of the Bank and the Group to interest rate risk is measured on a monthly and a quarterly basis, respectively. To manage interest rate risk, the Bank calculates monthly the impact on its net interest income of interest rate changes in the next three months, as well as of the parallel shift of the yield curve by 200 basis points.

Disclosure 29 Liquidity risk
- methodologies for managing liquidity risk
- mitigation of liquidity risk
- measures for preventing and removing the causes of liquidity shortages
(Article 23(a) of the Regulation on Disclosures by Banks and Savings Banks)

Liquidity risk is the risk of loss resulting from the Bank's inability to meet all of its payment obligations, or the risk that it has to provide necessary funding at significantly higher than usual costs. For managing liquidity risk at the operational level, the Bank has set up the Methodology for Projecting the Liquidity Position. For managing liquidity risk at the structural level, the Bank uses the following two methodologies: the Methodology for Calculating Liquidity Ratios and Other Components of Liquidity Risk; and the Methodology for Managing Structural Liquidity Risk.

For mitigating liquidity risk, the Bank has set up a system of limits containing those on selected liquidity ratios, liquidity indicators, net liquid assets, the diversification of funding sources, and limits with respect to the structure of liabilities. Based on the results of adverse scenarios, the Bank has determined the necessary level and structure of liquidity reserves to be used during a one-month period of most difficult liquidity situations. Within this period, the Bank has determined a one-week period of emergency liquidity situation for which it can provide sufficient amount of additional liquidity reserves. Additional liquidity reserves include cash in hand, highly-liquid assets in the private markets (which are also eligible as collateral for Eurosystem credit operations), interbank sight deposits, and obligatory deposit with the central bank that is freely available to the Bank. Furthermore, to analyse the diversification of its funding, the Bank calculates its exposure to 30 largest depositors. Limits on liquidity ratios and other components of liquidity risk as well as limits on cumulative net liquidity gaps are approved and regularly controlled by the ALCO.

In order to avoid and remedy any liquidity shortages, the Bank has set up the Methodology for Implementing Stress Scenarios, and formulated the Contingency Plan. The Methodology for Implementing Stress Scenarios of Liquidity Risk sets out the basic methods for conducting various reasonable stress scenarios. Based on these scenarios, the Bank has determined the procedure for providing adequate liquidity under normal operating conditions (baseline scenario) and under adverse liquidity conditions (adverse scenario). Adverse scenarios are classified into the following three main groups: the idiosyncratic scenario, the market scenario and the combined scenario. These scenarios take into account two different difficulty levels and different periods of adverse liquidity. The impact of on- and off-balance sheet items on liquidity is taken into consideration as well. The Bank has determined limits for the baseline scenario and for the second-level combined scenario. The Bank's Contingency Plan sets out measures and activities for the prevention and management of various situations of liquidity crisis, including appropriate measures aimed at remedying any liquidity crisis and restoring normal liquidity position of the Bank.

Disclosure 30 The policies and processes for using balance-sheet netting, and the extent of use of this type of protection

(Article 25(a) of the Regulation on Disclosures by Banks and Savings Banks)

The Group does not use balance-sheet netting as an instrument of credit protection.

Disclosure 31 The policies and processes for collateral valuation and management

(Article 25(b) of the Regulation on Disclosures by Banks and Savings Banks)

The Collateral Policy of the Nova KBM Group sets out the key aspects in respect of accepting, continuously valuing, and verifying the enforcement of collateral.

The principal aim of the Collateral Policy is to reduce the Bank's exposure to credit risk. Collateral provided for loans represents a secondary source for the repayment of contractual obligations; it is liquidated in case a borrower, for whatever reason, ceases to settle its obligations, or in case of a change in circumstances that prevailed at the time of approving the loan.

Upon entering into any transaction, the Group obtains appropriate documentation for each type of collateral, which ensures adequate legal protection in case the secondary repayment source needs to be utilised. For each type of collateral, the frequency and the method of valuation has been determined. During the contractual relationship, the Bank regularly controls the collateral coverage ratio and, where appropriate, requests additional collateral be provided in case of a drop in the value of collateral.

The Bank systematically collects for the entire Group the data regarding the success rate in enforcing individual types of collateral. The results of analysis of the data collected are of key importance when accepting individual types of collateral.

Disclosure 32 A description of the main types of collateral taken by the bank

(Article 25(c) of the Regulation on Disclosures by Banks and Savings Banks)

In accordance with the Collateral Policy, the following classification of collateral has been adopted:

- prime collateral
- adequate collateral
- pledge of real estate
- pledge of moveable property
- other types of collateral.

Prime collateral is collateral that can be liquidated within a 30-day period, such as:

- bank deposits
- securities issued by the Republic of Slovenia, the Bank of Slovenia and governments and central banks of the A-zone countries
- irrevocable guarantees at first request issued by banks that have obtained the authorisation of the Bank of Slovenia for banking operations, or issued by prime banks of the Member States and other prime foreign banks
- prime senior debt securities issued by banks and traded on the financial markets
- irrevocable guarantees of the Republic of Slovenia.

Adequate collateral:

- an independent guarantee issued by the company of a good financial standing that meets the criteria to be classified into the A credit rating group and generates sufficient cash flows for the settlement of obligations
- a guarantee of a private individual with appropriate creditworthiness
- insurance with insurance companies
- pledge of life insurance policies
- liquid securities that can be sold on the active market of a regulated stock exchange.

The Bank's aim is that, in terms of collateral coverage ratio, its loan portfolio is adequately secured and that legal certainty is provided in case of realisation of collateral.

The largest proportion of the Bank's loan portfolio is secured with real estate, guarantees and securities.

Disclosure 33 **The major types of personal guarantor and counterparties in credit derivatives transactions, and their creditworthiness**
(Article 25(d) of the Regulation on Disclosures by Banks and Savings Banks)

Personal guarantors	% of total
State guarantees	29.5%
Guarantees by corporate customers	48.7%
Guarantees by private individuals	20.1%
Bank guarantees	1.7%
Total	100.0%

The Nova KBM Group does not enter into credit derivatives transactions.

Disclosure 34 **Information about market or credit risk concentrations within the credit protection taken (by type of protection)**
(Article 25(e) of the Regulation on Disclosures by Banks and Savings Banks)

In accordance with its policies, the Nova KBM Group grants loans and advances for which the primary source of repayment is the expected cash flow; collateral provided represents a secondary source of repayment and is utilised to a lesser extent.

In monitoring large exposures, the Nova KBM Group controls the concentration of credit risk resulting from personal guarantees taken as collateral.

A guarantee given by the guarantor as security for a loan is included in the lending limit assigned to the customer acting as a guarantor. The amount of a guarantee is weighted depending on the rating of the underlying obligor for whom the guarantor gives a guarantee.

The Nova KBM Group monitors the concentration of market risks within the credit protection from the point of view of liquidity of securities obtained. With the support of competent departments, the Group assesses the liquidity of securities taken as protection on the basis of regular turnover in securities and the amount of securities received. In the same way, it also assesses value adjustments to be made as a result of reduced liquidity.

The Bank monitors the value of collateral by type and reports thereof to the competent authorities.

Disclosure 35 Remuneration system for categories of employees whose work is of a specific nature

(Article 23(b) of the Regulation on Disclosures by Banks and Savings Banks)

The proposal with respect to the remuneration policy was prepared by the Organisation and Human Resource Development Department, with the support provided by the Bank's Secretariat, the Internal Audit Centre, and the Monitoring and Controlling Division. No external advisers were involved in the preparation of the remuneration policy. The policy was approved by the Policy Adoption Committee. The Remuneration Committee participated in the preparation of the remuneration policy's principles and guidelines, and was given a presentation of the complete remuneration policy and of the legal basis for it.

The composition of the Remuneration and Nomination Committee (as of 31 December 2011) is as follows: Dušan Jovanovič, President, and members Franc Škufca, Ivan Simič and Marko Vresk. The Committee is responsible for the following:

- helping the Supervisory Board prepare proposals in respect of criteria and candidates for membership on the Management Board
- helping the Supervisory Board assess, on a regular basis, the size, composition and work of members of the Management Board
- helping the Supervisory Board assess the performance of the Management Board and prepare justified proposals for the recall of individual Management Board members, if reasons for a recall arise
- providing support in formulating proposals in respect of the salary policy, reimbursement of costs and other benefits of Management Board members
- participating in the preparation of the company's remuneration policy
- helping the Supervisory Board control and assess the work of members of the Supervisory Board
- participating in the preparation of proposals with respect to the improvement of the Bank's governance policy
- providing support to the Supervisory Board in selecting candidates for the Supervisory Board
- taking care of and preparing proposals for training programmes for Supervisory Board members
- preparing proposals with respect to common principles applicable to the remuneration policy, including opinions regarding individual aspects of the remuneration policy
- assessing the adequacy of established methodologies on the basis of which the remuneration system stimulates appropriate management of risks, capital and liquidity
- preparing recommendations for the Supervisory Board on the implementation of the remuneration policy
- preparing proposals with respect to the employee remuneration, including those that have an impact on risks and the Bank's risk management
- evaluating the suitability of a potential external adviser whose services would be required in case of any amendment to the Bank's remuneration policy
- revising the adequacy of common principles applicable to the remuneration policy, and of their implementation
- controlling compliance of the remuneration policy with the Bank's business policy over a long time horizon.

In assessing the performance of employees, which forms the basis for determining any variable component of remuneration, the Bank takes into consideration mainly the criteria and measures as stipulated by the law, collective employment agreements and general acts (e.g.: quality and quantity of work, the attitude towards employees and customers, economy), except for Management Board members for whom other quantitative measures are observed as well.

The Bank ensures that the ratio between the fixed and the variable component of remuneration provided to various categories of employees is properly balanced, which means that the total remuneration of an employee is not significantly dependent on the variable component; yet at the same time the variable component provides an efficient tool for encouraging employees to achieve or surpass the performance targets.

For employees on a collective employment agreement, an internal document sets out the methodologies, conditions and the method of paying a (non-binding) variable component of remuneration on the basis of the employees' performance. The variable component of remuneration is based on the assessment by respective managers of the employees' performance, taking into account the criteria and measures related to the work of employees, including the management of risks.

The Bank employees have clearly defined competencies and limits for transactions, both in terms of type and volume. The control of transactions entered into (regularity of procedures, satisfaction of conditions, control of limits) is carried out by separate organisational units.

Hence it follows that the ratio between the fixed and any variable component of remuneration provided to these employees is properly balanced and that the amount of the variable component of remuneration provided to employees on a collective employment agreement is not such that it would have an adverse effect on the risk-taking decisions. In the light of the foregoing, the category of employees referred to above is exempt from the remuneration policy within the meaning of the Regulation on Disclosures by Banks and Savings Banks, since these employees don't have a significant impact on the Bank's risk profile.

Employees on individual agreements (managers with specific competencies and responsibilities) may receive a variable component of remuneration, the annual amount of which shall not exceed a monthly salary. This non-binding variable remuneration is paid for extraordinary performance to be assessed at the discretion of the Management Board. Any variable component of remuneration is not directly related neither to the volume or value of transactions completed, nor to the exposure to risk associated with these transactions. The ratio between the fixed and the variable component of remuneration is properly balanced, by which the Bank justifies the exemption of managers from special treatment within the remuneration policy.

Remuneration provided to members of the Management Board is determined and limited by the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities. In accordance with this Act, members of the Management Board are, apart from a fixed remuneration, entitled to a variable component of remuneration, which depends on the performance achieved, and to a severance pay. The annual variable remuneration shall not exceed 30% of the basic salary paid to a member of the Management Board in one year, while the amount of severance pay shall not exceed sixfold the amount of basic monthly salary paid to a Management Board member. The method of paying any variable component of remuneration (criteria, restrictions, in the form of a financial instrument or cash, payment deferral, reimbursement) is laid down in the Act referred to above, the Corporate Governance Code for Public Limited Companies, and resolutions of the Supervisory Board. The amount of variable remuneration paid to Management Board members is determined on the basis of a balanced system of performance indicators, which is such that it stimulates members of the Management Board to strive for an equal growth in assets and deposits, and to achieve profits, efficiently manage costs, preserve a low level of provisioning, and maintain a robust control environment.

Considering the aforementioned restrictions and the fact that any payment of variable remuneration, up to a limited amount and in the defined manner, does not encourage Management Board members to take excessive risks, which is the result of variable and fixed remuneration being properly balanced, the Bank deems that there is no need for members of the Management Board to be treated separately within its remuneration policy.

Variable component of remuneration is paid by the Bank after the end of the accounting period, without any deferral.

The Bank employees are not entitled to shares or options. As regards other non-cash benefits, which do not have a material impact on the amount of remuneration, the Bank employees are entitled to such benefits in accordance with their employment agreements and internal acts.

The following table sets forth the information on remuneration provided by the Bank in 2011, and on the number of employees entitled to remuneration as at 31 December 2011, irrespective of their nature of work:

OPERATING AREA	GROSS REMUNERATION (SALARY + PAY FOR ANNUAL LEAVE)	VARIABLE COMPONENT	NUMBER OF EMPLOYEES*
BANK'S MANAGEMENT BOARD	379,299.54		3
COMMERCIAL DEPARTMENTS	18,727,203.20	1,285,688.44	755
SUPPORT TO COMMERCIAL DEPARTMENTS	5,386,128.56	327,236.14	237
OTHER AREAS AND DEPARTMENTS	10,181,83.15	469,280.49	351
TOTAL	34,674,014.45	2,082,05.07	1,346

Remuneration provided to employees whose work is of a specific nature is disclosed in the financial part of the annual report.

Disclosure 36 Significant business contact

(Article 23(c) of the Regulation on Disclosures by Banks and Savings Banks)

A direct business contact is a contact between a member of the Management or Supervisory Board or a member of his or her immediate family and the Bank or its subsidiary.

In 2011, no agreements on the provision of goods and services, including financial and advisory services, were entered into between a member of the Management or Supervisory Board or a member of his or her immediate family and the Bank or any of its subsidiaries.

Members of the Management or Supervisory Board or members of their immediate family were, as the users of banking or other services provided by the Bank or its subsidiaries, treated in accordance with the adopted business policy and usual practices of the Bank and its subsidiaries.

An indirect business contact exists if a member of the Management or Supervisory Board or a member of his or her immediate family is a business partner, holder of a qualifying holding, managing director or member of the management staff of a company or organisation that has a significant business contact with the Bank or its subsidiary.

In 2011, an agreement on issuing a legal opinion was concluded between PBS and the Institute for Economic and Corporate Governance, Maribor, the director and 50% owner of which is Dušan Jovanovič, Chairman of Nova KBM's Supervisory Board.

Customer:	PBS
Service provider:	Institute for Economic and Corporate Governance, Maribor
Type of service provided:	legal opinion
Amount paid:	€9,180

The volume of operations between the Group and persons that are regarded as a significant business contact for the Group is set out in the financial part of the annual report.

Disclosure 37 Compliance with regulations
(Article 23(d) of the Regulation on Disclosures by Banks and Savings Banks)

With respect to any conflicts of interest, the Bank complies with the regulations and internal acts, both at the Management Board level and the Supervisory Board level. The Bank's subsidiary companies also comply with the applicable regulations and standards of corporate practice, in particular with the Corporate Governance Code for Public Limited Companies. With the aim of applying the same standards across the Group, the Bank has made necessary adjustments to internal regulations of subsidiary companies, except in case of different regulatory requirements, which provides for unified work of management and supervisory bodies in subsidiary companies. All members of the Supervisory Board have signed a statement declaring that they meet the criteria of independence, which includes the criteria with respect to identifying and avoiding conflicts of interest. Any conflicts of interest that the Management and Supervisory Board identified in performing their work in 2011 were avoided by complying with the applicable regulations (abstain from voting in decisions that could result in conflicts of interest).

The Bank regularly follows all regulations and makes necessary amendments to its internal documents. Consideration of conflicts of interest is set out in the Bank's Governance Policy.