

Summary of the 2013 Business Policy and Financial Plan of Nova Kreditna banka Maribor d.d. and the Nova KBM Group

1. Strategy of Nova KBM d.d. and the Nova KBM Group

The planning of the business policy and the financial plan of Nova Kreditna banka Maribor d.d. and the Nova KBM Group for the year 2013 was based on the strategy and starting-points that were formulated and discussed at the meeting of the Bank's Management Board.

The operations of the Group, in particular of the banking division, continue to be affected by the economic and financial crises. Banks are faced with completely new challenges and customer expectations, while at the same time they must adapt to increasingly stringent regulatory requirements. Elevated capital requirements force banks to conduct their business more cautiously and to put particular focus on managing all types of risk. The Group is in the process of redefining its strategy and its business models, and of determining which markets and products are of the greatest strategic importance for its development, taking into consideration the scarcity of capital, primary funding sources, and properly trained and experienced personnel. Over the coming months, the Group will start pulling back from the markets that do not generate adequate return and suffer from a lack of growth potential, while strategically focusing its efforts on markets and products where it has competitive advantages and which are expected to register above-average growth.

The key directions and performance targets that the Bank aims to follow and achieve in the period 2013 to 2016 are as follows:

- active management of the loan portfolio in order to promptly identify and address any increase in risk and adopt measures to reduce the volume of bad loans
- maintenance of adequate capital levels and compliance with capital requirements
- cost reduction and improvement of cost efficiency by operational streamlining to attain a cost-to-income ratio of not more than 60%
- active management of funding and loans to bring the loan-to-deposit ratio to 110%
- return on average equity before tax to reach at least 12% by 2016

1.1 Strategy of the Nova KBM Group

Given the present business environment, the ongoing economic and financial crises, and forecasts of slow economic growth, and taking into account the expectations and requirements of our stakeholders, the Management Board plans to reformulate the strategy of both the Bank and the Group. The new strategy will cover the period 2013 to 2016.

Key strategic directions of the Group and the Bank for the period 2013 to 2016

- The Bank will continue providing **universal banking services** to retail and corporate customers. Based on a careful analysis of its performance, the Bank will restructure or withdraw from businesses that are not regarded as strategic ones.
- **The Group will be prudently developed**; it may become smaller, but it will be more efficient.
- The Group will **focus even more on its customers**. It intends to strengthen customer relations by implementing an integrated approach and a thoroughly professional and customer-friendly service. New products and services will be developed and the existing ones upgraded.

- The Group will develop and implement **positive values** that will strengthen confidence in the Bank and the Group.
- Adequate care will be taken to ensure the **development of personnel**, and the staffing structure will be adjusted to the business requirements and objectives.
- Business processes will be further streamlined with the aim of **slimming down the Group and simplifying its organisational structure**.
- **Efficiency and profitability** will be carefully measured and monitored across all business segments and for all products.
- The Group will establish business models that will enhance the **stability of the Bank** and strengthen confidence in the **safety of deposits** placed with the Bank.
- All business processes will be adequately supported by an **efficient and up-to-date** information system.
- The **social responsibility** of the Group will be met to the highest degree possible.
- The Bank will meet all the **requirements and standards** imposed on international financial institutions in the euro area.

2. Business Policy and Financial Plan of Nova KBM d.d. and the Nova KBM Group

The planning of the business policy and the financial plan of Nova Kreditna banka Maribor d.d. and the Nova KBM Group for the year 2013 was based on the starting-points that were supported mainly by the autumn forecasts of the Institute of Macroeconomic Analysis and Development. The following forecasts of macroeconomic indicators were taken into consideration in the drafting of the 2013 financial plan:

| (in %) | 2013 |
|--|------|
| GDP growth | -1.4 |
| ILO unemployment rate | 9.1 |
| Exports of goods and services, real growth | 1.9 |
| Imports of goods and services, real growth | -1.0 |
| Domestic consumption, real growth | -3.7 |
| - gross fixed capital formation | 1.3 |
| - private consumption | -3.6 |
| - government consumption | -6.9 |
| Inflation (annual average) | 2.2 |

Source: IMAD; Autumn Forecast; September 2012

2.1 Nova KBM d.d. – financial projections for the 2013 year-end

Management forecast that the **total assets** of Nova KBM d.d. will reach approximately €4,347.5 million by the end of 2013, about 2.0% less than at the end of 2012.

Interest income is forecast to be approximately €173.1 million, while interest expense is expected to be approximately €95.0 million, providing **net interest income** of approximately €78.1 million (a decrease of about 1.5% relative to 2012). The projected **interest margin**, calculated as the ratio between net interest income and the average total assets, is forecast at 1.78%.

According to the projection, **net fee and commission income** will amount to approximately €40.9 million. Administration costs, including depreciation and amortisation, are expected to

be approximately €77.7 million in 2013, down 7.5% on 2012. The staff level is expected to be reduced according to the reorganisation plans and business processes changes.

Due to the ongoing economic crisis and the projected negative GDP growth in Slovenia, **impairment losses and provisions** incurred by the Bank in 2013 are expected to remain at an elevated level, but below the figure projected for 2012. As a result, for 2013, the Bank expects to report a **loss from continuing operations**.

2.2 Nova KBM Group – consolidated financial projections for the 2013 year-end

The Nova KBM Group is comprised of a group of complementary organisations that are active in the field of financial intermediation and provide all main financial services. These organisations are: Nova KBM d.d., Poštna banka Slovenije d.d., Adria Bank AG, Credi banka a.d., KBM Infond d.o.o., Moja naložba d.d., 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. and KBM Leasing Hrvatska d.o.o.

Management forecast that the **total assets** of the Nova KBM Group will reach approximately €5,345.7 million by the end of 2013, down approximately 1.7% on 2012.

Interest income is forecast to be approximately €227.0 million, while interest expense is expected to be approximately €113.3 million, providing **net interest income** of approximately €113.7 million, a decrease of about 2.4% relative to 2012. The projected **interest margin**, calculated as the ratio between net interest income and the average total assets, is forecast at 2.11%. **Net fees and commissions** are projected to be approximately €58.3 million, up 0.2% on 2012. Administration costs, including depreciation and amortisation, are expected to be approximately €116.9 million in 2013, down 4.8% on 2012.

Due to the ongoing economic crisis and the projected negative GDP growth in Slovenia, **impairment losses and provisions** incurred by the Group in 2013 are expected to remain at an elevated level, but below the figure projected for 2012. As a result, for 2013, the Group expects to report a **loss from continuing operations**.

Maribor, 19 December 2012

Nova KBM d.d.