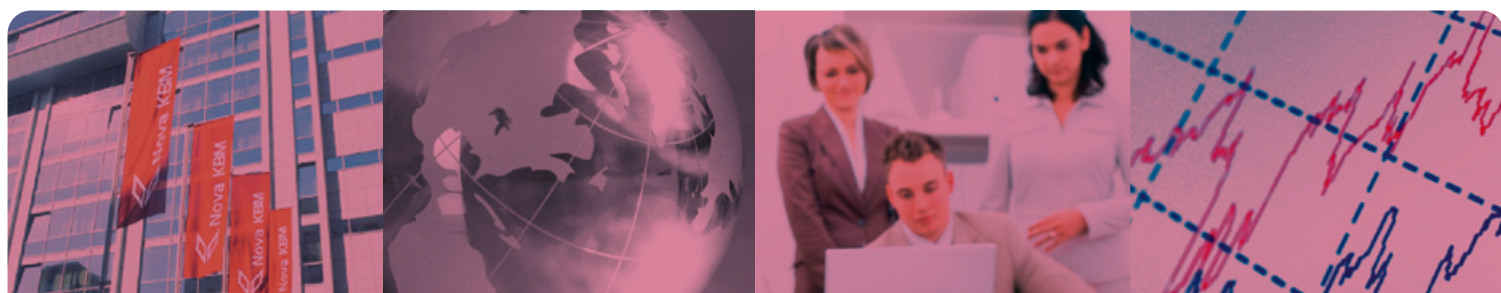


# 24<sup>th</sup>

Shareholders'  
Meeting of  
**Nova KBM d.d.**



## NOTICE AND MATERIALS

 **Nova KBM**  
READY FOR TOMORROW



# The 24th Shareholders' Meeting of Nova Kreditna banka Maribor d.d.

will take place on Monday, 10 June 2013, at 10:00 a.m. in the Minarik Hall of Hotel Habakuk, Pohorska ulica 59, Maribor.

## AGENDA:

### 1. Opening of the Shareholders' Meeting, establishment of quorum and election of Shareholders' Meeting bodies

On behalf of the convener of the Shareholders' Meeting, the President of the Bank's Management Board will start the Shareholders' Meeting, establish the participation of shareholders, and propose to shareholders to appoint Pavle Pensa, an attorney of Ljubljana, as the chairperson of the Shareholders' Meeting and Robert Ernestl and Svit Mavsar as the counters of votes.

#### Resolution proposal:

The Shareholders' Meeting appoints Pavle Pensa, an attorney of Ljubljana, as the chairperson of the Shareholders' Meeting and Robert Ernestl and Svit Mavsar as the counters of votes.

Ines Bukovič, a notary public of Maribor, will attend the 24th Shareholders' Meeting of Nova KBM, Ulica Vita Kraigherja 4, Maribor, in accordance with Article 304 of the Companies Act (ZGD-1).

The resolution is being proposed by the Management Board.

### 2. Taking note of the 2012 Report on Internal Audit, together with the opinion of the Supervisory Board, the 2012 Annual Report of the Nova KBM Group and Nova KBM d.d., together with the auditor's report, and the report of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM d.d.

### 3. Information on the amount and the covering of the 2012 loss of Nova KBM d.d.; granting discharge to the Management and the Supervisory Board of Nova KBM d.d. for the financial year 2012; and information on the remuneration provided in 2012 to members of the management and supervisory bodies.

#### Resolution proposal:

3.1. In accordance with the proposal of the Bank's Management and Supervisory Boards, the Shareholders' Meeting takes note that the 2012 loss of Nova KBM will not be covered and that the accumulated loss of Nova KBM amounted to €286,971,694.10 at the end of 2012.

3.2. The Shareholders' Meeting grants discharge to the Bank's Management Board for the financial year 2012.



3.3. The Shareholders' Meeting grants discharge to the Bank's Supervisory Board for the financial year 2012.

The resolution is being proposed by the Management and Supervisory Boards.

#### **4. Adoption of resolution on the appointment of the certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group**

##### **Resolution proposal:**

Based on the proposal of the Supervisory Board, the auditing firm Deloitte revizija d.o.o., Ljubljana, is appointed as the certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group.

The resolution is being proposed by the Supervisory Board.

#### **5. Proposal to increase the Bank's share capital by converting interest on hybrid loan facility into Bank equity**

##### **Resolution proposal:**

The share capital of Nova KBM, which as of the day of adopting this resolution totals €140,814,313.08 and is split into 137,645,135 ordinary registered freely transferable no-par value shares (existing shares), is increased by a contribution in kind, i.e. by converting interest of €2,410,959.00 accrued on the €100 million hybrid loan facility, provided to the Bank by the Republic of Slovenia in accordance with the Hybrid Loan Facility Agreement dated 31 December 2012, into Bank equity through the issuance of 2,375,329 new shares (new shares).

New shares to be issued have the following characteristics/rights:

- Issuer: Nova Kreditna banka Maribor d.d., 2000 Maribor, Ulica Vita Kraigherja 4, Registration No.: 5860580.
- Ordinary registered freely transferable no-par value shares issued in book-entry form, ISIN code: SI0021104052, identification: KBMR.
- Share class: new shares are of the same class as the shares already outstanding.
- Rights attached to new shares: the rights attached to new shares are identical to the rights attached to the ordinary registered shares of Nova KBM d.d. already outstanding, i.e.: (1) participation in the management of the Bank (voting right); (2) participation in profits (dividend); and (3) pro-rata distribution of residual assets in case of bankruptcy or liquidation of the Bank.
- Accountable par value of one share: €1.02288.
- Share issue price: €1.015.
- Total amount of the issue: €2,410,959.00.
- Date of issue: date of entering new shares into the central registry.
- Deadline for the subscription and payment of shares: 7 days of the entry of the resolution into the companies register.
- The subscription for new shares becomes non-binding on 15 July 2013 if the increase in share capital is not entered into the companies register until that date.

A total of 2,375,329 new shares shall be issued. The pre-emptive rights of existing shareholders to acquire new shares are excluded.

New shares are paid by contribution in kind. The subject of in-kind contribution is the claim of the Republic of Slovenia (Registration No. 5854814) arising from interest in the amount of €2,410,959.00 accrued on the €100 million hybrid loan facility, provided to Nova KBM, as the borrower, by the Republic of Slovenia, as the lender, in accordance with the Hybrid Loan Facility Agreement dated 31 December 2012. All new shares (2,375,329) will be issued to



the Republic of Slovenia in exchange for in-kind contribution.

The Shareholders' Meeting authorizes the Supervisory Board of Nova KBM to adopt necessary amendments to Nova KBM's Articles of Association to reflect the share capital increase by contribution in kind.

The resolution is being proposed by the Management and Supervisory Boards.

#### **5a. Increase in Nova KBM's share capital by contribution in cash**

##### **Resolution proposal:**

The share capital of Nova KBM, which as of the day of adopting this resolution totals €143,225,272.08 and is split into 140,020,464 ordinary registered freely transferable no-par value shares with voting rights, is increased by a contribution in cash of €300,002,387.14 to reach a total of €443,227,659.22, via the issuance of new ordinary registered freely transferable no-par value shares with voting rights. The new shares are of the same class as the existing shares of Nova KBM.

The increase in share capital shall be made by issuing 293,289,535 ordinary registered freely transferable no-par value shares with voting rights, so that following the share capital increase, the total number of Nova KBM's ordinary registered freely transferable no-par value shares with voting rights will be 433,309,999.

The issue price of one share shall be €1.02288, and the total amount of the issue shall be €299,999,999.56. The subscribers of new shares shall pay the entire issue price of each subscribed new share upon such subscription.

All newly issued shares shall grant their holders the same entitlements and rights as the previously issued shares of the same class. The new shares shall be issued in book-entry form and entered into the register kept by KDD d.d. following the entry of the increase in share capital into the Companies Register.

The new shares shall be offered to the public according to the regulations applicable to the financial instruments market. The public offering of shares shall be carried out based on the Prospectus for the public offering of shares which has to be previously approved by the Securities Market Agency. The method of offering the shares to the public, the time frame of actions related to the public offering, and all other conditions of the issue as well as other information about the public offering of shares shall be set out in the Prospectus for the public offering of shares.

The share capital increase shall be carried out in two rounds. In the first round, the new shares shall be offered for purchase to all the shareholders entered in the share register on the day of publication of the Prospectus; these will be able to subscribe and pay for a number of shares proportionate to their respective shareholdings (first round). The deadline for subscription and payment of shares in the first round shall be 30 days from the publication of the Prospectus.

The shares not subscribed and paid for in the first round can be subscribed and paid for in the second round by all the shareholders entered in the share register on the day of the publication of the Prospectus, or, if invited by the Management Board, by third persons. There are no special restrictions as regards the subscription for shares.

All the details with respect to the increase in the share capital in two rounds shall be determined by the Management Board and consented by the Supervisory Board, and published in the Prospectus. The deadline for subscription and payment of shares in the second round shall be 30 days from the date of publication of the announcement of the beginning of the second round.

If the increase in share capital hereunder is not entered into the Companies Register by 31 December 2013, such entry shall become non-binding.



The Supervisory Board of Nova KBM is authorised to adopt necessary amendments to Nova KBM's Articles of Association with the aim of aligning its text with the implemented share capital increase.

The resolution is being proposed by the shareholder The Republic of Slovenia.

## **6. Proposal for amendments to Nova KBM's Articles of Association**

### **Resolution proposal:**

- 6.1. The Shareholders' Meeting of Nova KBM adopts the amendments to the Articles of Association as proposed.
- 6.2. The consolidated text of Nova KBM's Articles of Association shall be drawn up by taking account of proposed amendments.

The resolution is being proposed by the Management and Supervisory Boards.

## **7. Appointment of a new Supervisory Board member**

### **Resolution proposal:**

- 7.1. The Shareholders' Meeting is informed of the resignation of Dušanka Jurenc as a Nova KBM's Supervisory Board member, effective from 21 November 2012.
- 7.2. The Shareholders' Meeting appoints Gojko Koprivec as a new Supervisory Board member. His term of office starts on the date of his appointment by the Shareholders' Meeting, i.e. 10 June 2013, and ends on the date on which the term office of the previous Supervisory Board member (Dušanka Jurenc) would have ended, i.e. 15 July 2016.

The resolution is being proposed by the Supervisory Board.

## **INFORMATION FOR SHAREHOLDERS**

### **Materials for the Shareholders' Meeting, resolution proposals along with explanations, and information related to the Shareholders' Meeting**

The materials for the Shareholders' Meeting, including resolution proposals along with explanations, proposed amendments to, and a clean copy of, the Bank's Articles of Association, the 2012 Annual Report, the report of the Supervisory Board and the corporate governance statement as well as other materials referred to in the second paragraph of Article 297(a) of the Companies Act, are available for inspection at the headquarters of Nova KBM d.d., Maribor, Ulica Vita Kraigherja 4, from the date of publishing the notice until the day of the Shareholders' Meeting, each working day between 10:00 a.m. and 1:00 p.m., as well as on the Bank's website at [www.nkbm.si](http://www.nkbm.si). The notice of the Shareholders' Meeting, resolution proposals along with explanations, and other materials are also published on the website of the Ljubljana Stock Exchange (<http://seonet.ljse.si>) and on the website of the Warsaw Stock Exchange ([http://gpw.pl/root\\_en](http://gpw.pl/root_en)).

Information referred to in the third paragraph of Article 296 of the Companies Act, as well as detailed information on the rights of shareholders in respect of requesting additional agenda items, proposing counter-proposals to resolutions, election proposals, and rights of shareholders to information (first paragraph of Article 298, first paragraph of Article 300, Article 301 and Article 305 of the Companies Act) are published on the Bank's website.



### **Shareholder requests and proposals**

The shareholders whose total shares reach one twentieth of the Bank's share capital may request in writing an additional item be put on the agenda seven days after publication of the notice of the Shareholders' Meeting. The written resolution proposal to be decided by the Shareholders' Meeting must be attached to the request, or, if no resolution is to be adopted about an individual item, the explanation of the agenda item. In accordance with the third paragraph of Article 298 of the Companies Act, the Bank's Management Board shall publish additional agenda items required by the shareholders and sent to the Bank no later than seven days following the publication of the notice of the Shareholders' Meeting.

Shareholders may also communicate their requests for additional agenda items by e-mail: delnicar@nkbm.si or by fax: +386 2 229 2014.

To each agenda item, shareholders may provide written resolution and election proposals. In the same manner as the present notice of the Shareholders' Meeting, the Management Board shall also publish those shareholder proposals that will be sent to the Bank no later than seven days following the publication of the notice of the Shareholders' Meeting, that will be reasonably substantiated, and for which the shareholder-proposer advises that he plans to object to the Management or Supervisory Board's resolution at the Shareholders' Meeting, and that he will bring other shareholders to vote for his proposal. In accordance with Article 301 of the Companies Act, shareholders need not substantiate election proposals. Resolution and election proposals may also be communicated to the Bank by e-mail: delnicar@nkbm.si or by fax: +386 2 229 2014.

Requests for additional agenda items and resolution and election proposals communicated to the Bank by e-mail must be scanned and sent as an attachment, they must contain the personal signature of the natural person, and in case of legal entities they must contain the personal signature of the statutory representative and a stamp of the legal entity, if used. The Bank is entitled to check the identity of the shareholder or the principal sending the request or proposal by e-mail as well as the authenticity of his signature.

### **Shareholders' right to information**

At the Shareholders' Meeting, shareholders may put questions and request information on matters concerning the Bank, if this is necessary to assess the agenda, and they may exercise their right to information in accordance with the first paragraph of Article 305 of the Companies Act.

### **Conditions for the participation in the Shareholders' Meeting and exercising of the voting right**

The Shareholders' Meeting may be attended by only those shareholders who register their participation in the Shareholders' Meeting with the Management Board by the end of the fourth day prior to the session, i.e. by 6 June 2013 inclusive, and are entered in the central registry of book-entry securities as owners of Bank shares at the end of 6 June 2013. The registration for the Shareholders' Meeting must arrive at the Bank no later than the end of the day on 6 June 2013. The registration form is to be sent by mail to the address: Nova Kreditna banka Maribor d.d., Bank Secretariat – for the Shareholders' Meeting, 2505 Maribor, Slovenia. The registration for the Shareholders' Meeting cannot be sent via electronic means. Only registrations with original signatures will be considered valid and taken into consideration.

Each shareholder entitled to participate in the Shareholders' Meeting may appoint a proxy to attend it on his behalf and to exercise his voting right. The written power of attorney must be submitted to the Bank where it will be kept. The form for exercising the voting right via a proxy is available on the Bank's website, and each shareholder can obtain it free of charge at the Bank's headquarters in Maribor, Ulica Vita Kraigherja 4, each working day between 10:00 a.m. and 1:00 p.m., from the date of publishing the notice until the day of the Shareholders' Meeting. The power of attorney may also be sent to the Bank by e-mail to: delnicar@nkbm.



si; it must be scanned and sent as an attachment, it must contain the personal signature of the natural person, and in case of legal entities it must contain the personal signature of the statutory representative and a stamp of the legal entity, if used. The Bank is entitled to check the identity of the shareholder or the principal sending the power of attorney by e-mail as well as the authenticity of his signature. The power of attorney may also be sent to the Bank by fax to: +386 2 229 2014. Until the day of the Shareholders' Meeting, the power of attorney may be revoked by the shareholder anytime in the same manner as it was granted.

If so requested, shareholders or their representatives or proxies must provide their personal documents and a written power of attorney; statutory representatives must also provide the extract from the court or business register.

On the day of the notice of the Shareholders' Meeting, the Bank has 137,645,135 ordinary registered no par value shares outstanding. According to the applicable law, each ordinary share entitles its owner to one vote at the Shareholders' Meeting. On the day of the notice of the Shareholders' Meeting, the Bank does not hold any treasury (its own) shares; however, Poštna banka Slovenije d.d., a member of the Nova KBM Group, holds 136,000 ordinary registered no par value shares of Nova KBM d.d.

Upon their arrival at the venue, the participants are kindly invited to register with the reception office one hour prior to the session in order to confirm their presence at the Shareholders' Meeting and to take over the material necessary for voting.

Maribor, 10 May 2013

Management Board of Nova KBM d.d.

Igor Žibrik

Member

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Aleš Hauc

President

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**Point 1**

# Opening of the Shareholders' Meeting,

## **establishment of quorum and election of Shareholders' Meeting bodies**

The Shareholders' Meeting bodies need to be appointed in order for the regular annual meeting of shareholders to be carried out. Pursuant to Nova KBM's Articles of Association, the Shareholders' Meeting is chaired by a chairperson who is appointed by the Shareholders' Meeting on the motion of the Bank's Management Board. The Bank's Management Board proposes that Pavle Pensa, an attorney of Ljubljana, is elected to chair the Shareholders' Meeting. In addition, the Bank's Management Board proposes that the representatives of the company IXTLAN FORUM d.o.o., Ljubljana, are elected as the counters of votes. This company was selected on the basis of good references, and has already carried out the counting of votes at the Shareholders' Meetings of Nova KBM in previous years. The attendance of a notary public must also be ensured for smooth running of the Shareholders' Meeting.

On the basis of Article 32 of the Bank's Articles of Association, the Management Board proposes to the Shareholders' Meeting to adopt the following

**RESOLUTION:**

The Shareholders' Meeting appoints Pavle Pensa, an attorney of Ljubljana, as the chairperson of the Shareholders' Meeting and Robert Ernestl and Svit Mavsar as the counters of votes.

Ines Bukovič, a notary public of Maribor, will attend the 24th Shareholders' Meeting of Nova KBM, Ulica Vita Kraigherja 4, Maribor, in accordance with Article 304 of the Companies Act (ZGD-1).

Maribor, 10 May 2013

Management Board of Nova KBM d.d.

Igor Žibrik

Member

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Aleš Hauc

President

Handwritten signature of Aleš Hauc in black ink.



**Point 2**

## Taking note

### **of the 2012 Report on Internal Audit, together with the opinion of the Supervisory Board, the 2012 Annual Report of the Nova KBM Group and Nova KBM d.d., together with the auditor's report, and the report of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM d.d.**

Pursuant to the first paragraph of Article 282 of the Companies Act (ZGD-1), the Supervisory Board verified at its 25th regular meeting held on 25 April 2013 the complete 2012 Annual Report of the Nova KBM Group and Nova KBM, submitted by the Bank's Management Board, and, in accordance with the second paragraph of Article 282 of the Companies Act (ZGD-1), adopted at the same meeting the report of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM as well as the resolution on approving the 2012 Annual Report of the Bank and the Group (Appendix).

In accordance with the second paragraph of Article 282 and the third paragraph of Article 294 of the Companies Act (ZGD-1), on the basis of which the Management Board is obliged to present to the Shareholders' Meeting the annual report and the report of the Supervisory Board, the Shareholders' Meeting takes note of the foregoing documents.

Pursuant to Article 201 of the Banking Act (ZBan-1), the internal audit department shall draw up the annual report on internal audit (Appendix), which must be put by the Management Board on the agenda of the Shareholders' Meeting of the Bank, together with the audited annual report of the Bank and the report of the Supervisory Board. In accordance with these provisions, on 2 April 2013 the Bank's Management Board submitted to the Supervisory Board the 2012 Report on Internal Audit, based on which the Supervisory Board formulated the following **opinion**:

»The Supervisory Board notes that the organisational independence of internal auditors was not threatened in any way during 2012. The Supervisory Board also notes that the content of the Charter of Internal Auditing in the Group is such that it provides for proper functioning of the internal auditors of Group companies with regard to their mission, the method of their work, their competences and responsibilities, and the area and scope of their work. The Internal Audit Centre of the Bank is responsible for coordinating the work of all internal auditors in the Group, and for the transfer of good practice.

The internal auditors of the Group performed the audit reviews on the basis of the Group's annual plan of internal audits (with the exception of Adria Bank). With respect to the audit of the banking division, a special attention was devoted to the management of liquidity, interest rate, currency and capital risks. Credit risk management was also subject to a detailed audit, both at the level of commercial departments and from the point of view of the system for measuring, monitoring and reporting on risk. The audit of commercial departments was focused on the loan approval procedures, on collateral provided for loans, and on the procedures for collecting debts. In the audit of the corporate banking segment of Nova KBM, especially during extraordinary audits carried out on request of the Supervisory Board, strong focus was put on loan approval and monitoring procedures. As for operational risk management, audits were carried out of the following: information technology, cash operations, and accounting. Operational compliance and the procedures for the prevention of money laundering were also subject to an audit review.



In Zavarovalnica Maribor, audits were carried out of the risk management system, with particular emphasis on insurance risk in the non-life insurance segment, market risks and credit risk. In addition, audits were carried out of the collection of debts under insurance business, and of insurance risk in the area of life insurance. With respect to operational risk management, an audit was carried out of operational compliance.

The fund management and pension savings division includes KBM Infond and the pension company Moja naložba. In both companies, audits were carried out of key operating areas, and were focused on investments, marketing, proper provision of services (supplementary annuity insurance and payment of annuities), and risk management. The system of internal controls and operational compliance procedures were also subject to an audit review.

The leasing and real estate activity division includes KBM Leasing, Gorica Leasing, KBM Leasing Hrvatska, KBM Invest, KBM Projekt (until last year) and KBM Fineko. The audit reviews in these companies were focused mainly on the credit and operational risk management system, and on cost management. The auditors warned of risks associated with these companies due to their high volume of overpriced inventory and considerable amount of outstanding claims.

At the Group level, audits were carried out of the following: a new application used by Moja naložba; the loan portfolio of Credy banka; and the loan portfolio of PBS.

The Audit Committee believes that the objectives of internal audit reviews have been met and that the audit reviews carried out by internal auditors in 2012 were in accordance with the principal purpose of internal auditing – i.e. assessing the adequacy and efficiency of the system of internal controls for managing and controlling risks, the security of IT systems, and the accuracy of reporting. By implementing the recommendations, an improvement has been achieved in the efficiency of the system of internal controls, resulting in a more sophisticated risk management system, which is of crucial importance in view of the current operating environment. A special attention was devoted to the results of extraordinary audits carried out on request of the Supervisory Board. Apart from regular audits of its operations, a forensic audit review of the Bank and its subsidiaries was included in the annual plan of internal auditing of Nova KBM for 2012 on request of the Management Board. In the second half of the year, the Supervisory Board closely monitored the carrying out of the forensic audit review and the audit of procedures related to lending, forward transactions, leasing transactions and real estate financing.

At the end of the year, Nova KBM and Credy banka improved the implementation of recommendations given by the internal auditors, which helped enhance the efficiency of the system of internal controls and the risk management system.

Through interim reports and the annual Report on Internal Audit in the Nova KBM Group, the Internal Audit Centre informed the Supervisory Board of Nova KBM on important findings of individual audit reviews, on recommendations to eliminate irregularities, and on the implementation of recommendations given by the Internal Audit Centre. As stated in the Report on Internal Audit, all tasks aimed at controlling the operations of the Bank and other companies in the Nova KBM Group were carried out properly.«



Based on the aforementioned, the Management and the Supervisory Boards propose to the Shareholders' Meeting to consider, in accordance with the second paragraph of Article 282 and the third paragraph of Article 294 of the Companies Act (ZGD-1), as well as in accordance with Article 201 of the Banking Act (ZBan-1), the 2012 Report on Internal Audit, together with the opinion of the Supervisory Board, the 2012 Annual Report of the Nova KBM Group and Nova KBM, together with the auditor's report, and the report of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM.

Maribor, 10 May 2013

Management Board  
of Nova KBM d.d.

Igor Žibrik

Aleš Hauc

Member

President

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Handwritten signature of Aleš Hauc.

Supervisory Board  
of Nova KBM d.d.

Peter Kukovica

Chairman

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To point 2

# REPORT

## on internal audit in the Nova KBM Group for the year 2012

The supervisory bodies and management boards of Nova KBM Group companies are aware that the setting up and implementation of a proper risk management system and a system of internal controls is of key importance for secure, effective, economical and successful management of the Nova KBM Group. The internal auditors give assurance of their organisational independence, which was not threatened in any way during 2012. The internal auditors also give assurance as to the consistency of the Charter of Internal Auditing in the Group, which provides for proper functioning of the internal auditors of Group companies with regard to their mission, the method of their work, their competences and responsibilities, and the area and scope of their work.

### Implementation of the annual programme of work

The internal auditors perform their work in compliance with the Charter of Internal Auditing in the Group and the rules applicable to functioning of the internal auditors of Group companies. No significant changes were made in the organisation and method of work of the internal auditors in 2012. The annual plan for internal auditing was prepared based on the document Methodology for Planning Internal Auditing on the Basis of Risk Assessment, the Group's business policy, the annual business plans of individual Group companies, and on the basis of annual plans of work of the Group companies' internal auditors. A total of 23 internal auditors conducted the audit of all those key segments of individual Group companies that are considered to be most at risk. The Internal Audit Centre (hereafter 'CNR') took part in the audit of Credy banka and PBS, and the internal auditor specialising in information systems participated in the audit review in Moja naložba. A total of 99 audit reviews were carried out last year, based on which 268 recommendations were given on how to improve the operations and management of both individual Group companies and the Group as a whole. Apart from regular audits of its operations, a forensic audit review of the Bank and its subsidiaries was included in the annual plan of internal auditing of Nova KBM for 2012. This audit review will be completed during 2013.

In addition to carrying out audit reviews, the internal auditors offer advice, coordinate audit reviews and inspections conducted by external auditors and the Bank of Slovenia, participate in due diligence reviews and other projects deemed important for the Group, and follow the implementation of recommendations given by them or by external auditors or authorities. Quarterly reports and the annual CNR report were discussed by the Supervisory Board Audit Committee prior to being submitted to the Supervisory Board.

### Accomplishing the objectives of internal auditing

The principal objectives of the internal auditors set out in the plan of internal auditing for 2012 were accomplished. The implementation of key findings and recommendations given by internal auditors to the management of Group companies contributed to reducing risk to an acceptable level.

The **banking division** includes the following companies: Nova KBM, PBS, Credy banka and Adria Bank. In 2012, CNR discussed the quarterly reports of internal auditors of all banks included in the banking division, with the exception of Adria Bank.

In **Nova KBM**, audits were carried out of interest rate risk management and of corporate and retail lending. Branch offices of the Bank were also subject to audit of cash and payment card transactions. In addition, the annual audit of disclosures according to the Banking Act was carried out. As regards operational risk management, audits were carried out on



the management of costs of materials and on the implementation of rules and regulations governing the prevention of money laundering. There were also checks of the accuracy and timeliness of the implementation of measures imposed by the Bank of Slovenia. The audit of information systems focused on the implementation of applications and the execution of projects. In addition to scheduled audit reviews, 13 extraordinary audits were carried out based on the decisions of the Bank's Management and Supervisory Boards, and following the implementation of a corrective measure imposed by the Bank of Slovenia. On the proposal of the Bank's Management Board, the Audit Committee and the Supervisory Board discussed an agreement for a forensic review of certain operating segments of the Bank and the Group. Most of the external audit reviews were carried out with the aim of establishing whether all the procedures related to corporate lending were carried out with due care and diligence and in compliance with legislation. The audit findings disclosed that the system of controls in procedures related to lending to corporate customers and sole proprietors had not been of a sufficiently high standard in previous years and that internal controls had sometimes not worked. The deficiencies detected during the review contributed to an increased exposure to credit and operational risk due to the breach of internal organisational rules and, consequently, incomplete procedures applied to approval and utilisation of loans. Increased credit risk was also due to insufficient collateral for loans, and incomplete documentation on, and the recording of, collateral. Loan recovery procedures are adequate, but need to be properly documented by setting up a reporting system. Extraordinary audit reviews confirmed that the recommendations given by the internal auditors in respect of lending to particular customers of the Bank had not been complied with. By implementing recommendations given once again by the internal auditors, an adequate control environment will be set up that will help improve the lending procedures and better control the exposure of the Bank to operational and credit risk. The responsible officers are implementing the recommendations with due diligence and within required deadlines.

Nova KBM has set up a system for managing interest rate risk that is substantially in compliance with the common standards. Following an audit review, the Bank improved its system used for measuring, monitoring, managing and reporting on interest rate risk by defining undated interest-sensitive items and confirming assumptions regarding the impact of embedded options in interest-rate sensitive items.

The audit of transactions with households focused on the collection of past due and unpaid loans and unauthorised account overdrafts. The recording of collateral provided for loans was also subject to an audit review. The implementation of recommendations and of the projected organisational changes will improve the loan recovery procedures and enable the centralised management of defaulting customers. The audit of cash operations in branch offices is carried out on an annual basis. The implementation of the findings of audit reviews ensures compliance of cash handling with internal rules as regards the cash handling processes, cash-storing sites, cash and information protection. Procedures related to the banknotes that are placed in the custody of the Bank by the Bank of Slovenia are in compliance with the rules and provisions set out in the agreement governing the custody of banknotes and the Decision on the Recycling of Euro Banknotes.

The scope and the type of disclosures provided by the Bank in its annual reports are in accordance with the Regulation on Disclosures by Banks and Savings Banks. The findings of the audit gave an assurance that the information included in the annual reports of the Bank are complete and accurate and in accordance with applicable legislation. The information and reporting system is an adequate one and ensures compliance with the provisions of the Regulation on Disclosures by Banks and Savings Banks. As regards compliance with legislation, an audit was carried out of the procedures related to prevention of money laundering and terrorism financing. The Bank has set up a system of internal controls to allow for transparent monitoring of the implementation of measures taken in this regard, but must improve the monitoring of customer transactions and the traceability of internal controls carried out by supervising coordinators.

In the area of information systems, audits were carried out of the following: the application



used to administer and implement enforcement activities; the application used to provide financial services of the Bank through universal-service post counters; the application used to record losses; the CRM project; the procedures related to the settlement of outstanding amounts in payment card operations; and an application used by Moja naložba. By implementing the recommendations given by the auditors, the Bank has appropriately limited risks identified in access controls, service outsourcing, management of changes in the information technology support, planning and implementation of testing, user testing, and the assignment of access rights. Bankart, a company specialising in payments processing, requested that an independent review be carried out periodically of compliance with the terms and conditions applicable to the participation in the payment system used to process payment card and ATM transactions. Such a review is now conducted by the internal auditor specialising in information systems. The findings of the review carried out last year gave an assurance that the Bank meets the requested conditions, while minor deficiencies will be corrected following the implementation of recommendations given at the end of the review.

In **PBS**, audits were carried out last year of the credit risk management, which included an audit of loan approval procedures and procedures related to the management of collateral in the corporate banking segment. The audit of the PBS's loan portfolio was completed at the beginning of 2013. As for risk management, audits were carried out of capital risk management, market risk management, and cash transactions. Based on the findings of the audits, recommendations were made to set up a more efficient system of internal controls and to improve risk management practices in the audited segments.

In the area of information systems, audits were carried out of the process and data flows in the PPB software (used for payment services), of the application support used for reporting, and of the adequacy and functioning of controls in the CRE software (central register of enforcements), which is used to support transactions with legal entities. Audits of compliance with the legislation focused on the prevention of money laundering and terrorism financing, on the remuneration system, and on the verification of credibility of disclosures and data included in the semi-annual report of PBS. Furthermore, an audit was carried out of the overhaul of software used to support retail banking operations, and of the implementation of recommendations given to commercial banks regarding harmonised control of the use of sub-loans financed from SID Banka sources.

In **Credy banka**, the auditors carried out six extraordinary audit reviews on the basis of the decision of the Management and Executive Boards, in addition to scheduled regular audit reviews. Extraordinary audit reviews were carried out related to the audit of balances of branch offices that were later closed, to the accounting of travel orders, to the bank's corporate loan portfolio, and to cost management. The Management Board discussed with particular care the findings and recommendations in respect of the loan portfolio and the management of credit risk, the purpose of which was to align the lending policies, methodologies and instructions with those of Nova KBM. A legally required audit was carried out of Credy banka's operations to verify the compliance of its internal documents with the legislation governing the prevention of money laundering, and the compliance of its training programmes and methodologies with the implementation of the training of employees. In addition to extraordinary audit reviews with respect to credit risk management, scheduled audits were carried out of the loan recovery procedures, of collateral provided as security for loans, and of the analysis used to assess the creditworthiness of borrowers. Credy banka must improve the quality of risk assessments for borrowers by including an opinion on the borrowers' future operations and cash flows. With respect to the audit of its retail loan portfolio, an assurance was given that necessary controls are carried out and that the identification and measurement of credit and operational risk, as well as the limiting of risks, are properly managed. Loan files needed to be put in order, and regular monitoring of bad and doubtful loans must be provided. Based on the audit of cash transactions, a reconciliation had to be made of the figures in the account books with the actual cash balances.

In the **insurance division**, which includes **Zavarovalnica Maribor**, an audit was carried out of the procedures for managing insurance risk in the non-life insurance segment.



This included an audit of the completeness of the bordereau of policies that exceed Zavarovalnica Maribor's own insurance coverage, an audit of payments of damages, an audit of the efficiency and effectiveness of the system of internal controls, an audit of the list of special terms and conditions applicable to insured people who make many claims, and an audit of the management of the payment of damages within the stop-loss aggregate. The audit of the credit risk management related to the audit of the management of the risk of a drop in the value of investments, which could result in a mismatch between technical provisions and investments, and to the audit of the redemption of standard and unit-linked insurance policies. In addition, six audits were carried out of the insurance risk related to the life insurance segment, which included an audit of the functioning of internal control for administering the portfolio of life insurance policies, and an audit of the operations of specialised life-insurance agents, ZM Providus and Vivus, in 2011 and 2012. With respect to audits of operational risk, there was an audit of the register of insurance agents, an audit of compliance with the regulatory provisions in respect of the prevention of money laundering and terrorism financing, an audit of the Maribor business unit, an audit of contracts entered into with insurance agents, an audit of internal controls implemented with the aim of ensuring operations in the long run (exclusiveness, non-compete clause, etc.), an audit of internal competition between agents when renewing insurance policies, and an audit of the functioning of internal investigation control. In 2012, no events were detected that would have suggested any suspicion of material losses due to internal fraud. Suspicion of external insurance fraud is dealt with by the Department for Control, Supervision and Investigation of Insurance Procedures in the Non-life Insurance Segment on a daily basis.

Based on the internal audits carried out, an assurance was given that the key risks to which Zavarovalnica Maribor is exposed in its operations are at an acceptable level. The Management Board has appropriately discussed and approved the measures recommended by the internal auditors in 2012, with the aim of improving the functioning of internal controls and making the risk management practices more efficient. The internal controls of the audited segments function efficiently and in such a way as to prevent the occurrence of significant fraud and substantial losses to the company. The situation in this regard has improved even further following the implementation of the measures recommended by the internal auditors.

The **fund management and pension savings division** includes KBM Infond and the pension company Moja naložba.

In **Moja naložba**, audits were carried out of working procedures and internal controls in the following segments: pension insurance, administration of personal accounts of policyholders, and investments. Focus was also put on the control of costs. Based on the audit findings, an assurance was given that Moja naložba has an adequate system of internal controls in place and that the organisation of the company is such that there is proper separation between commercial activities, the bookkeeping segment, and the execution of payments. The Management Board controls the performance of the company through monthly reports. In addition, it is actively involved in the reporting and the decision-making processes in respect of investment activities of the company and the investment policy applied to the company's long-term business fund. By verifying the register of working procedures and internal controls, and by testing internal controls in key processes, the internal auditors obtained proof that the decree issued by the Insurance Supervision Agency had been taken account of in the administration of personal accounts of policyholders. An audit of the software used to administer annuity insurance plans was also carried out in 2012. Exposure to operational risk was reduced following the implementation of recommendations given by the internal auditors.

Based on the audits carried out in **KBM Infond**, an assurance was given that the company has set up proper internal controls in the key operating segments. The company has a proper management system in place, and the management and supervision bodies carry out their work in accordance with regulatory requirements. In order to improve the transparency of the work carried out by the Supervisory Board, CNR recommended that the company set up a



procedure that will allow for self-assessment of the work of the Supervisory Board by using a self-assessment matrix. Also, a recommendation was given by the internal auditors to amend and redraft the regular report for the Supervisory Board on operations of the company and the funds it manages. In accordance with the annual plan of work, in 2012 an audit was made of the procedures related to the takeover of the management of the sub-funds of two umbrella funds and one mutual fund. The procedures were carried by the company's own personnel and were in compliance with legislation, and the Supervisory Board was regularly updated on the progress. Following the takeover, the company rationalised its operations by either merging mutual funds with similar investment policies or restructuring mutual funds.

The **leasing and real estate activity division** includes KBM Leasing, Gorica Leasing, KBM Leasing Hrvatska, KBM Invest, KBM Projekt (until last year) and KBM Fineko.

The audit findings revealed that the risks of companies involved in leasing operations and of the company undertaking real estate projects increased as a result of both adverse economic conditions and internal factors, such as business organisation, a growth in non-performing investments, inadequate management of operational risks, and ineffective supervision. These increased risks were reflected in lower income, losses, a higher volume of NPLs and inactive investments, a high level of impairment losses, an increase in inventories, poor liquidity of companies, failure to meet the projections, and unsatisfactory implementation of some recommendations given by the internal auditors. The overestimated value of inventories and their large volume, as well as an increased amount of outstanding claims and the related lower cash inflow, represent the most considerable risks to operations of leasing companies. KBM Invest, a company undertaking real estate development projects, was faced with a substantial reduction in sales revenue from both the construction and sale of real estate as well as investment engineering services provided to the Bank. KBM Fineko is the only company in this division that managed to increase its business volume and to generate a profit. The companies included in this division need to mark to market their assets, adjust their liabilities to the value of their assets, and ensure the adequate composition and responsibility of supervisory boards.

Maribor, 10 May 2013

Internal Audit Centre

Boža Korbar, Chief Internal Auditor





To point 2

# REPORT

## of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM d.d.

### Introduction

The Supervisory Board of the Bank pursued its activities during 2012 in two different formations.

Until the Nova KBM Shareholders' Meeting on 8 June 2012, the Supervisory Board was composed of the following members: Dušan Jovanovič, Chairman, Franc Škufca, Deputy Chairman, and members Janez Košak, Anton Guzej, Andrej Svetina, Aleš Krisper, Darjan Petrič and Vida Lebar. Ivan Simič resigned as a Supervisory Board member on 27 January 2012.

On 8 June 2012, the Shareholders' Meeting recalled the then members of the Supervisory Board and appointed instead Peter Kukovica, Niko Samec, Egon Žižmond, Andrej Fatur, Keith Charles Miles, Miha Glavič, Karmen Dvorjak, Peter Kavčič and Dušanka Jurenc. The term of office of the newly appointed Supervisory Board members started on 15 July 2012. At the first meeting of the new Supervisory Board on 24 July 2012, Peter Kukovica was appointed as its Chairman, and Niko Samec as his Deputy.

Dušanka Jurenc resigned as a Supervisory Board member on 21 November 2012.

In both formations, the Supervisory Board carried out its function of assuring efficient supervision over the management of the Bank and the Group, and its duty of careful and scrupulous performance, on the basis of its competencies as laid down by law and other regulations as well as by internal acts of Nova KBM. The Corporate Governance Code for Public Limited Companies was also observed by the Supervisory Board in performing its duties.

Based on a review of performance of the Supervisory Board, we are of the opinion that the Supervisory Board carried out its work of supervising the Bank's Management Board as well as operations of the Bank and the Group in compliance with its competencies and in an appropriate manner.

### Method and scope of supervising the management of the Bank and the Nova KBM Group

The work of the Supervisory Board was adequately organised and was carried out in accordance with the Rules of Procedure of the Supervisory Board. Supervisory Board members received professionally prepared materials which enabled them to be well-informed on the matters on which they had to decide.

We believe that the Supervisory Board had sufficient reports and information available to responsibly control the operations of the Bank and the work of the Internal Audit Centre, to supervise the management of the Bank during the year, and to actively participate in the creation of the governance policy. The Supervisory Board was furnished with additional commentary or explanations when this was found necessary.

Members of the Supervisory Board took all precautionary measures to avoid any conflicts of interest that might influence their decisions. In case of conflicts of interest, the Supervisory Board members acted in accordance with law and the Corporate Governance Code for Public Limited Companies.



Any conflicts of interest for individual Supervisory Board members were only provisional and were not a reason for ending his/her term of office.

In accordance with the Corporate Governance Code for Public Limited Companies, all members of the Supervisory Board have signed a statement declaring that they meet the criteria of independence, that they are professionally qualified to act on the Supervisory Board, and that they have sufficient experience and skills to perform such work.

The Chairman of the Supervisory Board did his work in accordance with the competencies and the Rules of Procedure of the Supervisory Board, and also cooperated with the Bank's Management Board during Supervisory Board meetings. The Chairman of the Supervisory Board encouraged other Supervisory Board members to perform their duties efficiently and actively. He chaired the meetings in such a way as to provide for responsible decision-making by the Supervisory Board. The communication of the Supervisory Board with the public was conducted through its Chairman.

The composition of the Supervisory Board, the members of which have proper and complementary knowledge, experience and skills, as well as personal integrity and professional ethics, provides for responsible supervision and decisions to be reached to the benefit of the Bank. The manning of the Supervisory Board provides for and enables well-focused discussions and the adoption of correct decisions based on the excellent balance of experience and skills of its members.

Supervisory Board members came to meetings well prepared, and meetings were regularly attended by the majority of its members. Supervisory Board members were adequately prepared for discussing relevant affairs; they presented constructive proposals and, on the basis of professionally prepared and comprehensive information provided by the Management Board, reached decisions in compliance with the Rules and competencies. The Rules of Procedure of the Supervisory Board are harmonised with the Corporate Governance Code for Public Limited Companies. The Management Board of the Bank was invited to all Supervisory Board meetings.

The Supervisory Board believes that its members carried out their work with great responsibility and commitment. In 2012, some members of the Supervisory Board attended the supervisory board members' training programmes organised by the Slovene Directors' Association and the Bank Association of Slovenia.

In addition to exhaustive materials prepared for the Supervisory Board, the Management Board of the Bank provided all necessary explanations on individual issues. Beside detailed arguments of the Management Board given directly at the meetings, the members of the Management Board were also prepared to discuss in detail any questions from the Supervisory Board members. The communication and cooperation between the Management and the Supervisory Board was adequate and correct.

Based on a self-assessment of the Supervisory Board and its committees carried out in 2012, it was established that, as regards the preparation for the meetings, their participation in and activity at the meetings, and their contribution to formulating individual decisions reached, the Supervisory Board members had effectively performed their supervising function during 2012 and had acted in accordance with the interests of the Bank. The change in the composition of both the Management Board and Supervisory Board in 2012 led to an improvement in the work of both these governing bodies, which undoubtedly contributed to the efficient corporate governance of the Bank and the Group and to better protection of the interests of the Bank's shareholders and creditors.

The analysis of the self-assessment carried out in 2012 showed that the Supervisory Board achieved a high overall level and a high average rating of governance, which enabled its members to perform their work and duties effectively. Compared to the previous assessment period, the ratings assigned to the work of the Supervisory Board improved in all key categories. This improvement can be attributed to both the new Management Board and the new composition of the Supervisory Board.



### **Examination of Bank's operations and consideration of most important issues relating to the Bank's business**

During 2012 the Supervisory Board (in both formations) met at 20 regular and two correspondence meetings. The most important issues discussed at the Supervisory Board meetings in 2012 were connected with the Bank's current operations that had been impacted by the changed market conditions as a result of the financial and economic crisis. The Supervisory Board was given the reports prepared by the Bank's Management Board on the exposure to customers with financial difficulties, and the reports on changes in the quality of portfolios of leasing companies and banks in the Group. It was also informed of the measures and activities undertaken by the Bank's Management Board with the aim of reducing the Bank's exposure to credit risk. Furthermore, the Supervisory Board was given reports prepared by the Bank's Management Board on the method and progress of the capital raising by Nova KBM. In January 2012, it gave consent to the 2012 Business Policy and Financial Plan of Nova KBM, while in February 2012 it was informed of the 2012 Business Policy and Financial Plan of the Nova KBM Group. The Supervisory Board monitored the implementation of the 2012 Business Policy and Financial Plan of Nova KBM and the Nova KBM Group. In July 2012, it consented to the revised Business Policy and Financial Plan of Nova KBM for 2012. The Supervisory Board directed particular attention to efforts made to ensure the Bank had an adequate capital position. In addition to these key issues, the Supervisory Board deliberated on and approved the 2011 Annual Report of the Bank and the Group, as well as other materials which the Supervisory Board submitted for approval to the Shareholders' Meeting. It discussed other important affairs as well.

The Supervisory Board dealt with the following key affairs and issues in 2012:

- At the beginning of the year, it reviewed the unaudited 2011 report on operations of the Bank and the Group.
- In January 2012, it considered the Bank's Management Board's proposal regarding the covering of the 2011 loss incurred by the Bank.
- It considered the action plan for the Bank to maintain a sufficient level of capital, and was regularly informed of the Management Board's reports regarding the implementation of measures in this regard.
- Within the scope of following the operations of the Bank, it regularly discussed quarterly reports on the Bank's and the Group's performance and quarterly internal audit reports.
- It discussed and approved the 2011 Annual Report of Nova KBM and the Nova KBM Group.
- It discussed the materials for the 21st Shareholders' Meeting, and proposed that the Shareholders' Meeting should reach decisions on the covering of the 2012 loss; on granting the discharge to the Management and the Supervisory Board; on nominating the auditor; on amendments to the Bank's Articles of Association; and on candidates for new Supervisory Board members. Furthermore, the Shareholders' Meeting was informed of the remuneration provided to members of management and supervisory bodies in 2011.
- Considering the fact that no auditor was appointed for the financial year 2012 at the 21st Bank's Shareholders' Meeting on 8 June 2012, in July 2012 the Supervisory Board made a new proposal for the appointment of the auditor for the audit of the 2012 accounts of Nova KBM and the Nova KBM Group, which it submitted for approval to the 22nd Bank's Shareholders' Meeting that took place on 14 August 2012.
- It consented to the Management Board's proposal for setting up a system of internal controls in the Bank. It regularly followed and assessed the strategies and policies of risk acceptance and management, and of the risk management system and capital adequacy.
- On 9 March 2012, it appointed Aleš Hauc as the new President of Nova KBM's Management Board, with a five-year term of office starting on 24 April 2012.
- In April 2012, it took a declaratory decision based on which Manja Skernišak, then a Management Board member, ended her term of office as of 24 April 2012, while Andrej Plos, then the President of the Management Board, was appointed as a Management Board member on the same day.
- In May 2012, as part of measures to improve the Bank's capital position, it consented to the sale of the Bank's shareholding in Zavarovalnica Maribor, and considered the



- Management Board's reports on the implementation of capital raising activities.
- On 6 June 2012, it appointed Igor Žibrik as a new Management Board member, with his term of office starting on 18 August 2012.
  - In July 2012, it was informed of the progress made in the selection of the adviser for the sale of the Bank's shareholding in Zavarovalnica Maribor.
  - Also in July 2012, it took a declaratory decision to terminate the term of office of Andrej Plos as a Management Board member, effective from 14 July 2012.
  - On 24 July 2012, it appointed Peter Kukovica as its Chairman, and Niko Samec as his Deputy.
  - In August 2012, it considered the report on the due diligence review of Nova KBM, drafted by European Resolution Capital.
  - It consented to the offer of PricewaterhouseCoopers (PwC) regarding a forensic audit of Nova KBM's operations.
  - In November 2012, it was given the oral report of PwC representatives on the forensic audit, on further steps to be taken in this regard, and on the time schedule of the audit.
  - In November 2012, it discussed materials for the 23rd Shareholders' Meeting concerning the amendments to the Bank's Articles of Association related to the capital raising activities and maintenance of adequate capital levels, and submitted proposals in this regard to the Shareholders' Meeting for approval.
  - In December 2012, it was informed of the progress made in the Bank's capital improvement efforts, i.e. the redemption of hybrid instruments.
  - Also in December 2012, it consented to the sale of the Bank's shareholding in Zavarovalnica Maribor.
  - In March 2013, it considered the action plan to increase the capital of Nova KBM in 2013.
  - On 2 April 2013, it was informed of the Nova KBM Group's final restructuring plan.
  - In April 2013, it was informed of the forensic audit report.

At each of its meetings, the new Supervisory Board was informed of the progress of policies to improve the Bank's and the Group's capital position, and monitored their implementation.

In addition to the above stated key issues, the Supervisory Board discussed the following important matters:

- A report on the Bank's exposure to the largest borrowers, including collateral provided.
- It gave its consent to the annual plan of work of the Internal Audit Centre for 2012.
- It was informed of the 2011 Report on Internal Audit in the Nova KBM Group.
- On 29 February 2012, it adopted the Corporate Governance Statement for 2011.
- In February 2012, it made a ruling requiring the Bank's Management Board to order an audit of the company Zadar Projekt from the point of view of diligence, efficiency and effectiveness.
- It was informed of the letters of the Bank of Slovenia to the Management and the Supervisory Board, and of the decisions, resolutions and recommendations of the Bank of Slovenia and the explanations of the Management Board in respect of these documents.
- It considered the report by the Internal Audit Centre on certain transactions entered into by the Bank.
- It was informed of the extraordinary audit review of the Bank and the Group carried out by the Bank of Slovenia on the request of the Capital Assets Management Agency of the Republic of Slovenia.



- At its regular meetings, the Supervisory Board gave its consent to the Bank's exposure to individual customers pursuant to the Banking Act, and approval to the exposure of the Bank to persons having a special relation with the Bank.
- It considered the reports on Nova KBM's information system overhaul.
- It considered the report drafted by the Internal Audit Centre following an extraordinary audit review of transactions entered into between Nova KBM Group companies and several companies located in Croatia.
- It gave its consent to the Rules of Procedure of Nova KBM's Management Board.
- In July 2012, it adopted the revised annual plan of work of the Internal Audit Centre.
- It was informed of the decision made by the Securities Market Agency regarding the suppression of voting rights of shareholders belonging to the so-called state bloc.
- It appointed new members to the Audit Committee and the Remuneration and Nomination Committee.
- In November 2012, it adopted the amended Remuneration Policy of Nova KBM.
- In December 2012, it adopted the amended Governance Policy of Nova KBM.
- In January 2013, it considered the draft report on the forensic audit of past operations, and proposed measures and actions to be taken to establish the responsibility of persons involved in the transactions that had been subject to audit, and measures to be taken to remedy deficiencies set out in the forensic report.
- In January 2013, it was informed of the proposal on the Bank's new organisation structure, and was given a report setting out a review of business processes and proposed optimisations.
- On 29 January 2013, it adopted the Corporate Governance Statement for 2012.
- In March 2013, it was informed of the 2012 risk profile of the Bank.
- In March 2013, it considered the Bank's Management Board's proposal regarding the covering of the 2012 loss.

Based on the aforementioned, and Articles 272 and 281 of the Companies Act, the Supervisory Board asserts and establishes that it regularly and thoroughly monitored the operations of the Bank and the Group in 2012 within its competencies, thus adequately supervising the management and operations of the Bank and the Nova KBM Group and the work of the Internal Audit Centre.

### **Supervisory Board committees**

The following committees carried out their work during 2012 in accordance with the Companies Act and the Banking Act: the Audit Committee, the Remuneration and Nomination Committee, and the Appointment Board.

The Nomination Committee was dissolved on 14 July 2012, i.e. on the day the previous Supervisory Board ended its term of office.

Supervisory Board committees performed their work in accordance with the respective programme of work or in accordance with decisions and duties adopted by the Supervisory Board. Supervisory Board committees provided support to the Supervisory Board in controlling the management of the Bank and Group companies. Committees carried out their work in accordance with law, and the Bank's Articles of Association and Rules of Procedure which set out the areas and the method of work of individual committees. Committees are composed of Supervisory Board members and one or more external experts who have extensive knowledge of the area for which a particular committee is responsible.

### **Review and approval of the Annual Report and taking note of the proposal of the Bank's Management Board with regard to covering the 2012 loss**

The Management Board submitted to the Supervisory Board the audited 2012 Annual Report of Nova KBM and the Nova KBM Group, together with the auditor's report, within the legal deadline. It also submitted the annual report on the internal audit of the Nova KBM Group for the year 2012.



The Supervisory Board deliberated on the audited 2012 Annual Report of Nova KBM and the Nova KBM Group. It established that both annual reports gave a complete overview of the Bank's and the Group's operations in 2012. The Supervisory Board was also informed of the opinions of the certified auditor Deloitte revizija. As stated in these opinions, the financial statements of the Bank and the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2012, and their financial performance and their cash flows for the year ended 31 December 2012 in accordance with International Financial Reporting Standards as endorsed by the EU, and in accordance with the requirements of the Companies Act and the Banking Act relating to the drafting of the financial statements. The external auditor is of the opinion that the business part of the annual report is also in compliance with the audited financial statements.

The Supervisory Board also verified the proposal of the Bank's Management Board with regard to covering the 2012 loss. It agreed that the 2012 loss would not be covered and that the total accumulated losses would amount to €286,971,694.10 at the end of 2012.

At its 11th meeting held on 25 April 2013, the Supervisory Board adopted in accordance with Article 282 of the Companies Act (ZGD-1) the following

**RESOLUTIONS:**

1. The report of the Supervisory Board on verification of the 2012 Annual Report of the Nova KBM Group and Nova KBM is adopted.
2. The Supervisory Board approves the 2012 Annual Report of the Nova KBM Group and Nova KBM, and informs the Shareholders' Meeting of the report.

Maribor, 10 May 2013

Supervisory Board of Nova KBM d.d.

Peter Kukovica, Chairman

A handwritten signature in black ink, appearing to be 'Peter Kukovica', written over a faint circular stamp or watermark.



Point 3

## Information

### on the amount and the covering of the 2012 loss of Nova KBM d.d.; granting discharge to the Management and the Supervisory Board of Nova KBM d.d. for the financial year 2012; and information on the remuneration provided in 2012 to members of the management and supervisory bodies

For the year ended 31 December 2012, Nova KBM reported a net loss of €203,255,070.41 (two-hundred-three-million-two-hundred-fifty-five-thousand-seventy 41/100 euro).

	€
Loss from continuing operations	(214,336,241.97)
Income tax	0.00
Deferred taxes	11,081,171.56
<b>Net loss for the financial year</b>	<b>(203,255,070.41)</b>

At the time of drawing up the 2012 Annual Report, the 2012 loss of Nova KBM remained uncovered.

	€
<b>Net loss for the financial year 2012</b>	<b>(203,255,070.41)</b>
retained loss	83,716,623.69
release of reserves	0.00
<b>Accumulated loss</b>	<b>(286,971,694.10)</b>

At the time of drawing up the 2012 Annual Report, the Bank did not charge the loss against reserves from profit. In accordance with Article 320 of the Companies Act (ZGD-1), it is compulsory to cover the loss from the net profit. The Companies Act (ZGD-1), however, does not include any obligation to cover the loss from reserves or from share capital. Until the loss is covered, the Bank may neither show any profit available for distribution nor pay out any dividends, since the uncovered loss automatically reduces the profit available for distribution. The reason for not covering the loss from reserves from profit arises from the following facts:

- The dividends for 2012 will not be paid out.
- The 2012 loss will be covered automatically by the profit that might be generated in 2013.
- The 2012 loss, which will not be covered automatically, may be covered by releasing other reserves from profit (may also be covered by regulatory, statutory and capital reserves, as stipulated in the Companies Act).

As of 31 December 2012, the Bank's reserves from profit, which may be used to cover the loss, amounted to €275,044,320.45 and were made up as follows:

- regulatory reserves: €12,144,695.54
- statutory reserves: €172,158,127.31
- other reserves from profit: €90,741,497.60

To cover the loss, the Bank may also use capital reserves, which totalled €165,774,716.64 as of 31 December 2012.



At its 9th meeting held on 7 March 2013, the Supervisory Board considered the Management Board's proposal that the 2012 loss would not be covered, but would be, in its full amount, transferred to retained earnings or losses. The Supervisory Board consented to this proposal of the Management Board at the time of approving the 2012 Annual Report.

In accordance with the provision of Article 294 of the Companies Act, the Shareholders' Meeting shall also decide on granting discharge to the Management and Supervisory Boards for the previous financial year. By granting discharge, the Shareholders' Meeting approves the performance of the Management and Supervisory Boards in the previous financial year.

In accordance with the fifth paragraph of Article 294 of the Companies Act (ZGD-1), the Management Board must inform the shareholders of remuneration provided to members of the management and supervisory bodies for performing their work in the company in the previous financial year.

Pursuant to the Companies Act (ZGD-1), this information shall be discussed by the Shareholders' Meeting upon reaching a decision on granting discharge to members of the management and supervisory bodies.

Remuneration provided to members of the Management Board, the Supervisory Board and Supervisory Board committees is disclosed in the appendix.

The Management and Supervisory Boards propose to the Shareholders' Meeting to adopt, on the basis of Article 294 of the Companies Act (ZGD-1) and Article 30 of the Bank's Articles of Association, the following

#### RESOLUTIONS:

1. In accordance with the proposal of the Bank's Management and Supervisory Boards, the Shareholders' Meeting takes note that the 2012 loss of Nova KBM will not be covered and that the accumulated loss of Nova KBM amounted to €286,971,694.10 at the end of 2012.
2. The Shareholders' Meeting grants discharge to the Bank's Management Board for the financial year 2012.
3. The Shareholders' Meeting grants discharge to the Bank's Supervisory Board for the financial year 2012.

Maribor, 10 May 2013

Management Board  
of Nova KBM d.d.

Igor Žibrik  
Member

Aleš Hauc  
President

Supervisory Board  
of Nova KBM d.d.

Peter Kukovica  
Chairman





To point 3

## **Information on remuneration provided in 2012 to members of the Management Board, members of the Supervisory Board and members of Supervisory Board committees of Nova KBM**

### **Notes:**

Remuneration of members of the Management Board comprises: salary, pay for annual leave, bonuses and supplementary pension insurance premiums. All amounts are expressed in €.

On the basis of Article 6 of the Act Regulating the Incomes of Managers of Companies Owned by the Republic of Slovenia and Municipalities, the Supervisory Board informs the Shareholders' Meeting that, in accordance with internal regulations of the Bank, the Management Board of Nova KBM is entitled to the following bonuses under their employment contracts, taking into consideration the financial position of the Bank and its performance:

- the right to use a company car for business and private purposes (none of the Management Board members uses a car whose value would exceed a limit determined by the Bank's internal regulations)
- the right to the payment of supplementary pension insurance premiums (all Bank employees who have joined the pension scheme run by the pension company Moja naložba are entitled to the payment of supplementary pension insurance premiums)\*
- the right to the payment of accident insurance premiums\*
- the right to supplementary health insurance\*
- the right to the payment of a preventive medical examination once a year

\* Management Board members are entitled to this right only on the condition that other Bank employees are entitled to such right as well.

Remuneration of members of the Supervisory Board, the Audit Committee, the Remuneration and Nomination Committee and the Appointment Board comprises: attendance fees, reimbursement of costs and seminar participation fees.

The total amount paid in 2012 to Aleš Hauc, President of the Management Board, in the form of attendance fees, reimbursement of costs and awards for acting on Supervisory Boards of Nova KBM Group companies was €27,000, while Igor Žibrik, a Management Board member, was paid €6,000.



### Remuneration of members of the Management Board, Supervisory Board and Supervisory Board committees

#### Remuneration of the Management Board in 2012

€

Name and surname	Salary		Pay for annual leave		Awards		Bonuses		Supplementary pension insurance premium		Other emolument		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Aleš Hauc	88,118.32	41,391.50	508.71	361.11	0.00	0.00	5,071.46	0.00	1,837.12	0.00	0.00	0.00	95,535.61	41,752.61
Igor Žibrik	45,168.49	20,982.10	0.00	0.00	0.00	0.00	4,227.59	0.00	918.56	0.00	0.00	0.00	50,314.64	20,982.10
Manja Skerlišak	36,738.23	18,134.57	763.06	474.68	0.00	0.00	1,445.78	0.00	918.56	0.00	0.00	0.00	39,865.63	18,609.25
Andrej Plos	67,792.87	33,539.19	763.06	472.46	0.00	0.00	2,524.15	0.00	1,607.48	92.77	0.00	0.00	72,780.33	34,011.65
<b>Total</b>	<b>237,817.91</b>	<b>114,047.36</b>	<b>2,034.83</b>	<b>1,308.25</b>	<b>0.00</b>	<b>0.00</b>	<b>13,268.98</b>	<b>0.00</b>	<b>5,281.72</b>	<b>92.77</b>	<b>0.00</b>	<b>0.00</b>	<b>258,496.21</b>	<b>115,355.61</b>



## Remuneration of the Supervisory Board in 2012

€

Name and surname	Attendance fees	Reimbursement of costs	Seminar participation fees	Total
Franc Škufca	12,583.19	2,576.29	673.55	15,833.03
Andrej Svetina	9,684.23	785.07	433.55	10,902.85
Anton Guzej	11,169.23	737.32	433.55	12,340.10
Aleš Krisper	8,804.23	433.36	921.29	10,158.88
Janez Košak	11,224.23	1,703.29	433.55	13,361.07
Dušan Jovanovič	14,718.87	279.20	710.71	15,708.78
Ivan Simič	1,798.33	133.13	0.00	1,931.46
Darjan Petrič	10,894.23	1,938.68	1,184.52	14,017.43
Vida Lebar	11,664.23	715.49	433.55	12,813.27
Peter Kukovica	11,161.13	1,357.67	0.00	12,518.80
Niko Samec	8,481.85	13.78	1,006.45	9,502.08
Karmen Dvorjak	7,880.73	446.84	0.00	8,327.57
Andrej Fatur	8,375.73	816.39	0.00	9,192.12
Miha Glavič	8,155.73	0.00	976.13	9,131.86
Peter Kavčič	8,375.73	503.81	983.87	9,863.41
Dušanka Jurenec	5,922.40	0.00	0.00	5,922.40
Keith Charles Miles	5,972.40	3,412.00	0.00	9,384.40
Egon Žižmond	7,880.73	0.00	0.00	7,880.73
<b>Total remuneration paid by the Bank</b>	<b>164,747.20</b>	<b>15,852.32</b>	<b>8,190.72</b>	<b>188,790.24</b>
Dušan Jovanovič	21,032.00	258.00	0.00	21,290.00
<b>Total remuneration paid by subsidiaries</b>	<b>21,032.00</b>	<b>258.00</b>	<b>0.00</b>	<b>21,290.00</b>
<b>Total</b>	<b>185,779.20</b>	<b>16,110.32</b>	<b>8,190.72</b>	<b>210,080.24</b>



### Remuneration of the Audit Committee in 2012

€

Name and surname	Attendance fees	Reimbursement of costs	Seminar participation fees	Total
Andrej Svetina	5,254.65	945.78	0.00	6,200.43
Kosta Bizjak	6,228.55	956.89	0.00	7,185.44
Franc Koletnik	6,228.55	0.00	0.00	6,228.55
Janez Košak	3,507.29	679.52	0.00	4,186.81
Aleksander Igličar	3,280.97	587.51	441.29	4,309.77
Keith Charles Miles	2,844.15	459.65	0.00	3,303.80
Andrej Fatur	1,312.06	181.42	0.00	1,493.48
John Harris	1,666.77	1,299.52	0.00	2,966.29
<b>Total</b>	<b>30,322.99</b>	<b>5,110.29</b>	<b>0.00</b>	<b>35,874.57</b>

### Remuneration of the Remuneration and Nomination Committee in 2012

€

Name and surname	Attendance fees	Reimbursement of costs	Total
Dušan Jovanovič	5,034.65	119.35	5,154.00
Franc Škufca	3,287.29	14.32	3,301.61
Marko Vresk	5,733.55	329.43	6,062.98
Ivan Simič	490.83	23.87	514.70
Peter Kukovica	2,844.15	479.21	3,323.36
Niko Samec	1,312.06	0.00	1,312.06
Peter Kavčič	1,752.06	17.54	1,769.60
Romana Košorok	3,280.97	287.33	3,568.30
Jure Srhoj	2,316.78	128.90	2,445.68
<b>Total</b>	<b>26,052.34</b>	<b>1,399.95</b>	<b>27,452.29</b>

### Remuneration of the Appointment Board in 2012

€

Name and surname	Attendance fees	Reimbursement of costs	Total
Dušan Jovanovič	761.67	0.00	761.67
Slava Horvat	870.00	0.00	870.00
Marko Garbajs	870.00	0.00	870.00
Vanessa Grmek	870.00	0.00	870.00
Anja Strojín Štampar	870.00	0.00	870.00
<b>Total</b>	<b>4,241.67</b>	<b>0.00</b>	<b>4,241.67</b>

**Point 4**

# Adoption of a resolution

## **on the appointment of a certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group**

The 2012 financial statements of Nova KBM and companies in the Nova KBM Group, with the exception of Adria Bank, Vienna, were audited by Deloitte revizija d.o.o., Ljubljana.

An offer for the audit of the 2013 financial statements of the Bank and the Group has been submitted by the following auditing firms: Deloitte Revizija d.o.o., PricewaterhouseCoopers d.o.o. and KPMG d.o.o.

The Supervisory Board Audit Committee has selected the auditor for the audit of the 2013 financial statements based on the assessment of criteria set out in the offers.

The criteria for selecting the auditor are as follows:

- the price for the audit of accounts of Nova KBM Group companies
- experience in auditing, independency, any possible conflicts of interest
- audit approach and methodology.

At its correspondence meeting held on 8 May 2013, the Audit Committee established that the auditing firm Deloitte Revizija d.o.o. meets all the criteria to be selected as the auditor for the audit of 2013 financial statements of the Bank and the Group. Therefore, in accordance with Article 28 of the Bank's Articles of Association, as well as in accordance with provisions of the Charter of the Audit Committee, the Audit Committee has proposed to the Supervisory Board to adopt a resolution on the basis of which Deloitte Revizija d.o.o. would be appointed as the certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group. The Supervisory Board consented to the proposal of the Audit Committee at its 4th correspondence meeting held on 9 May 2013, and decided to propose to the Shareholders' Meeting to appoint Deloitte Revizija d.o.o. as the certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group.

Pursuant to Article 25 of the Bank's Articles of Association, the Supervisory Board proposes to the Shareholders' Meeting of Nova KBM to adopt, on the basis of Article 30 of the Bank's Articles of Association, the following

**RESOLUTION:**

Deloitte Revizija d.o.o., Ljubljana, is appointed as the certified auditor for the audit of the 2013 financial statements of Nova KBM and the Nova KBM Group.

Maribor, 10 May 2013

Supervisory Board of Nova KBM d.d.

Peter Kukovica, Chairman

A handwritten signature in black ink, appearing to be 'Peter Kukovica'.

**Point 5**

# Proposal

## **to increase the Bank's share capital by converting interest on hybrid loan facility into Bank equity**

The €100 million Hybrid Loan Facility Agreement was entered into by Nova KBM and the Republic of Slovenia on 31 December 2012. According to the agreement, the hybrid loan facility is to be converted into common stock of the Bank if the Group's Core Tier I capital ratio (without taking into account the hybrid loan facility) falls to below 7.00%.

On 18 March 2013, Nova KBM gave an announcement that it would convert the principal of the hybrid loan facility into the Bank's share capital, given that the condition for conversion was fulfilled on 8 March 2013. On 18 April 2013, the Maribor District Court made a decision to register the Bank's share capital increase arising from the conversion of the hybrid loan facility into Bank equity. Since a decision was reached by the Shareholders' Meeting on 11 December 2012 to increase the authorised capital of the Bank by €100 million, it was not possible for the Bank to also convert accrued interest on the hybrid loan facility into Bank equity. Interest accrued on the hybrid loan facility until the conversion date amounts to €2,410,959.00. The proposed increase in share capital resulting from the conversion of accrued interest on the hybrid loan facility, which was provided by the Republic of Slovenia, into Bank equity excludes the pre-emptive rights of shareholders. The conversion of interest into Bank equity shall be made at the rate at which the principal of the hybrid loan facility was converted into Bank equity on 18 March 2013, i.e. €1.015 for each new ordinary no-par value share.

Considering the conversion rate and the amount of the claim of the Republic of Slovenia against Nova KBM arising from the interest on the €100 million hybrid loan facility, totalling €2,410,959.00, the share capital of the Bank is increased by the same amount, i.e. €2,410,959.00, through the issuance of 2,375,329 new ordinary shares, identification KBMR. Following the share capital increase, the accountable par value of one share will be €1.02288.

Following the share capital increase, the Bank will have a total of 140,020,464 ordinary no-par value shares outstanding, while its share capital is expected to amount to €143,225,272.08.

The Supervisory Board consented to the share capital increase through the conversion of interest on the hybrid loan facility into Bank equity at its 11th meeting on 25 April 2013.

In accordance with Article 25 of the Bank's Articles of Association, the Management and Supervisory Boards propose to the Shareholders' Meeting to adopt, on the basis of Article 30 of the Bank's Articles of Association, the following

**RESOLUTION:**

The share capital of Nova KBM, which as of the day of adopting this resolution totals €140,814,313.08 and is split into 137,645,135 ordinary registered freely transferable no-par value shares (existing shares), is increased by a contribution in kind, i.e. by converting interest of €2,410,959.00 accrued on the €100 million hybrid loan facility, provided to the Bank by the Republic of Slovenia in accordance with the Hybrid Loan Facility Agreement dated 31 December 2012, into Bank equity through the issuance of 2,375,329 new shares (new shares).



New shares to be issued have the following characteristics/rights:

- Issuer: Nova Kreditna banka Maribor d.d., 2000 Maribor, Ulica Vita Kraigherja 4, Registration No.: 5860580.
- Ordinary registered freely transferable no-par value shares issued in book-entry form, ISIN code: SI0021104052, identification: KBMR.
- Share class: new shares are of the same class as the shares already outstanding.
- Rights attached to new shares: the rights attached to new shares are identical to the rights attached to the ordinary registered shares of Nova KBM already outstanding, i.e.: (1) participation in the management of the Bank (voting right); (2) participation in profits (dividend); and (3) pro-rata distribution of residual assets in case of bankruptcy or liquidation of the Bank.
- Accountable par value of one share: €1.02288.
- Share issue price: €1.015.
- Total amount of the issue: €2,410,959.00.
- Date of issue: date of entering new shares into the central registry.
- Deadline for the subscription and payment of shares: 7 days of the entry of the resolution into the companies register.
- The subscription for new shares becomes non-binding on 15 July 2013 if the increase in share capital is not entered into the companies register until that date.

A total of 2,375,329 new shares shall be issued. The pre-emptive rights of existing shareholders to acquire new shares are excluded.

New shares are paid by contribution in kind. The subject of in-kind contribution is the claim of the Republic of Slovenia (Registration No. 5854814) arising from interest in the amount of €2,410,959.00 accrued on the €100 million hybrid loan facility, provided to Nova KBM, as the borrower, by the Republic of Slovenia, as the lender, in accordance with the Hybrid Loan Facility Agreement dated 31 December 2012. All new shares (2,375,329) will be issued to the Republic of Slovenia in exchange for in-kind contribution.

The Shareholders' Meeting authorizes the Supervisory Board of Nova KBM to adopt necessary amendments to Nova KBM's Articles of Association to reflect the share capital increase by contribution in kind.

Maribor, 10 May 2013

Management Board  
of Nova KBM d.d.

Igor Žibrik

Member

Aleš Hauc

President

Supervisory Board  
of Nova KBM d.d.

Peter Kukovica

Chairman

**Point 5a****SLOVENSKA ODŠKODNINSKA DRUŽBA d.d.**

SLOVENSKA ODŠKODNINSKA DRUŽBA d.d.

Ljubljana, Mala ulica 5/IV

Telephone: (01) 300 91 15

Telefax: (01) 300 91 16

Reg. No.: 5727847

No.:

Date: 17 May 2013

**Nova KBM d.d.**

**Attn: Management Board**

**Ulica Vita Kraigherja 4**

**2000 Maribor**

In accordance with the provisions of the Slovenia Sovereign Holding Act (Official Gazette of RS, Nos. 105/2012 and 39/2013), and Article 298 of the Companies Act, and pursuant to the notice of Nova KBM's Shareholders' Meeting, scheduled for 10 June 2013, Slovenska odškodninska družba d.d. hereby submits on behalf of the Republic of Slovenia the following

**REQUEST TO SUPPLEMENT THE AGENDA OF THE 24th SHAREHOLDERS'  
MEETING**

The Republic of Slovenia holds 109,344,972 ordinary registered shares of Nova KBM d.d., Ulica Vita Kraigherja 4, Maribor (hereafter: Nova KBM), which accounts for 79.44% of Nova KBM's share capital. This justifies its legal interest in submitting a request to expand the agenda of the 24th Shareholders' Meeting of Nova KBM by including an additional item (5a) on the agenda, which reads as follows:

**5a. Increase in Nova KBM's share capital by contribution in cash**

Resolution proposal:

The share capital of Nova KBM, which as of the day of adopting this resolution totals €143,225,272.08 and is split into 140,020,464 ordinary registered freely transferable no-par value shares with voting rights, is increased by a contribution in cash of €300,002,387.14 to reach a total of €443,227,659.22, via the issuance of new ordinary registered freely transferable no-par value shares with voting rights. The new shares are of the same class as the existing shares of Nova KBM.

The increase in share capital shall be made by issuing 293,289,535 ordinary registered freely transferable no-par value shares with voting rights, so that following the share capital increase, the total number of Nova KBM's ordinary registered freely transferable no-par value shares with voting rights will be 433,309,999.

The issue price of one share shall be €1.02288, and the total amount of the issue shall be €299,999,999.56. The subscribers of new shares shall pay the entire issue price of each subscribed new share upon such subscription.

All newly issued shares shall grant their holders the same entitlements and rights as the previously issued shares of the same class. The new shares shall be issued in book-entry form and entered into the register kept by KDD d.d. following the entry of the increase in share capital into the Companies Register.





The new shares shall be offered to the public according to the regulations applicable to the financial instruments market. The public offering of shares shall be carried out based on the Prospectus for the public offering of shares which has to be previously approved by the Securities Market Agency. The method of offering the shares to the public, the time frame of actions related to the public offering, and all other conditions of the issue as well as other information about the public offering of shares shall be set out in the Prospectus for the public offering of shares.

The share capital increase shall be carried out in two rounds. In the first round, the new shares shall be offered for purchase to all the shareholders entered in the share register on the day of publication of the Prospectus; these will be able to subscribe and pay for a number of shares proportionate to their respective shareholdings (first round). The deadline for subscription and payment of shares in the first round shall be 30 days from the publication of the Prospectus.

The shares not subscribed and paid for in the first round can be subscribed and paid for in the second round by all the shareholders entered in the share register on the day of the publication of the Prospectus, or, if invited by the Management Board, by third persons. There are no special restrictions as regards the subscription for shares.

All the details with respect to the increase in the share capital in two rounds shall be determined by the Management Board and consented by the Supervisory Board, and published in the Prospectus. The deadline for subscription and payment of shares in the second round shall be 30 days from the date of publication of the announcement of the beginning of the second round.

If the increase in share capital hereunder is not entered into the Companies Register by 31 December 2013, such entry shall become non-binding.

The Supervisory Board of Nova KBM is authorised to adopt necessary amendments to Nova KBM's Articles of Association with the aim of aligning its text with the implemented share capital increase.

**Explanation:**

The Republic of Slovenia proposes that the share capital of Nova KBM be increased by €299,999,999.56 via the issuance of new shares. This additional capital will substantially improve the capital position of Nova KBM and will help facilitate its restructuring process.

**The proposer calls upon the Management Board of Nova KBM to publish, pursuant to Article 298 of the Companies Act, this request to supplement the agenda of the 24th Shareholders' Meeting of Nova KBM within the prescribed deadline and in the same manner as it published the notice of the Shareholders' Meeting.**

Prepared by:  
Marko Garbajs, MBA

Slovenska odškodninska družba d.d.  
Tomaž Kuntarič  
President of the Management Board  
(by his power of attorney: signature and stamp)

Matej Runjak  
Member of the Management Board  
(signature)

**Point 6**

# Proposal

**for amendments to Nova KBM's Articles of Association**

Amendments to the Articles of Association, including explanation of amendments, are set out below:

- 1. In Article 4, the text of the second point is amended in such a way that after the wording »ZBan-1 is the Banking Act (Official Gazette of RS Nos. 131/06, 1/08, 109/08, 19/09, 98/09, 79/10, 99/10, 35/11), the following text is added: »59/11, 85/11, 48/12, 105/12«**

**The text of the third point is amended in such a way that after the wording »ZGD-1 is the Companies Act (Official Gazette of RS Nos. 42/06, 10/08, 68/08, 42/09), the following text is added: »65/09, 33/11, 91/11, 32/12, 57/12«**

**The text of the fourth point is amended in such a way that after the wording »ZNVP is the Book-Entry Securities Act (Official Gazette of RS Nos. 23/99, 75/02, 114/06, 67/07, 58/09), the following text is added: »78/11«**

**Explanation:**

These amendments must be made to reflect the amendments made recently to the Banking Act, the Companies Act and the Book-Entry Securities Act.

- 2. After Section 1 – GENERAL PROVISIONS, a new subsection is added, headed »Principles of corporate governance by taking into account the defined objectives«, which reads:**

»Nova KBM, as a public limited company, fully complies in its governance system with the principles of prudent and responsible management, as laid down in the Corporate Governance Code for Public Limited Companies.«

»The long-term objectives of the Bank's governance is the pursuit of a gainful activity and efforts to maximize the value of the Bank, taking into consideration social and environmental aspects of its activities, with the aim of ensuring sustainable development of the Bank. In addition to accomplishing the main objectives of shareholders according to internal and external global orientations, the Bank strives to meet the interests of its employees, customers, creditors and other stakeholders in order to ensure successful long-term growth of its assets.«

Subsequent sections shall be renumbered accordingly.

**Explanation:**

This amendment is made on the basis of recommendations of the Corporate Governance Code for Public Limited Companies.

- 3. The text of Article 6 is amended to read as follows:**

»Data and notices which must be published by law and data and notices for which the Management Board believes are important to shareholders are published on the website of AJPES or in a daily newspaper distributed throughout the Republic of Slovenia, and on the Bank's website (www.nkbm.si).«

**Explanation:**

This amendment is made to comply with an amendment to the Companies Act (ZGD-1G), adopted on 28 July 2012.

**4. The text of Article 11 is amended by adding a new third paragraph to read:**

»The Management Board of the Bank is authorised, with the consent of the Supervisory Board and without any additional resolution of the Shareholders' Meeting, to increase the share capital of the Bank by not more than €400,000,000 (authorised capital) through the issuance of new shares in the period of five years after the amendments to the Articles of Association, adopted by the Shareholders' Meeting on 10 June 2013, have been entered in the companies register. New shares are issued with the rights, under the conditions and in the manner as set forth in the resolution of the Management Board on the increase in share capital and issuance of new shares.«

**Explanation:**

By amending the provision of Article 11, the Bank's Management Board is entitled to increase the share capital on the basis of the institute of authorised capital. Consent of the Supervisory Board is required for this action. The share capital increase must be carried out in the manner and by the procedure set out in the Companies Act (ZGD-1). The authorisation given to the Management Board is valid for five years from the date of entering the authorisation into the companies register and follows the requirements of the national and European banking regulators regarding the maintenance of the Bank's capital adequacy.

The amount of authorised capital is such as to allow the Bank to cover its current capital needs and to enable the Management Board to take instant action in case of further deterioration in the economic outlook.

The aforementioned instrument makes it possible for the Management Board to ensure an appropriate structure and quality of the Bank's capital, and to maintain the Bank's capital adequacy ratio above the regulatory minimum value, in compliance with the requirements of the Bank of Slovenia, EBA and the documents of the Basel Committee on Banking Supervision (Basel 3).

The Management and Supervisory Boards propose not to exclude the pre-emptive rights of existing shareholders, since they believe the existing shareholders must be given the option to participate in the capital raising process.

The share capital may be increased only for cash consideration.

**5. In the current Article 14, the second paragraph is added that reads as follows:**

»The President of the Management Board shall nominate one member of the Management Board as his deputy.«

Subsequent paragraphs of this Article shall be renumbered accordingly.

**Explanation:**

In view of the anticipated enlargement of the Management Board, the President of the Management Board will delegate certain of his powers to the Management Board member appointed as his Deputy.



6. In the fourth paragraph of the current Article 31, the wording »in the Official Gazette of RS« is replaced by the wording »on the website of AJPES«.

**Explanation:**

This amendment is made to comply with an amendment to the Companies Act (ZGD-1G), adopted on 28 July 2012.

7. In Article 57, the date »11 December 2012« is replaced by the date »12 April 2013«.

**Explanation:**

The update is only an editorial change.

The Management and Supervisory Boards propose to the Shareholders' Meeting to adopt, on the basis of Article 30 of the Bank's Articles of Association, the following

**RESOLUTION:**

1. The Shareholders' Meeting of Nova KBM adopts the amendments to the Articles of Association as proposed.
2. The consolidated text of Nova KBM's Articles of Association shall be drawn up by taking account of proposed amendments.

Maribor, 10 May 2013

Management Board  
of Nova KBM d.d.

Igor Žibrik  
Member

Aleš Hauc  
President

Supervisory Board  
of Nova KBM d.d.

Peter Kukovica  
Chairman

**Point 7**

# Appointment

## of a new Supervisory Board member

Duška Jurenc resigned as a Supervisory Board member on 21 November 2012. The Supervisory Board asks the Shareholders' Meeting to take note of her resignation. In accordance with the provisions of Nova KBM's Articles of Association regulating the composition of the Supervisory Board, a replacement member of the Supervisory Board must be appointed.

Following a decision of the Supervisory Board, the Remuneration and Nomination Committee conducted a selection procedure to appoint a new Supervisory Board member, on the basis of a public call for applications dated 11 March 2013.

After it had reviewed all applications received, and after careful evaluation of CVs and presentation letters, the Supervisory Board unanimously assessed that Gojko Koprivec would best meet the requirements to be appointed as a new Supervisory Board member. Mr. Koprivec has experience in banking, insurance and corporate management.

Now in retirement, **Gojko Koprivec** has an MSc in Economic Sciences. In the past, he acted as a senior adviser to the Management Board of OMV Refining and Marketing, and was a logistics and procurement director at OMV Refining, President of the Management Board of OMV Istrabenz Holding d.d., President of the Management Board of Zavarovalnica Adriatic d.d. and Deputy President of the Management Board of SKB Banka d.d. For a number of years, he was a senior officer at NLB d.d. (director of NLB's representative office in London, executive director of international operations at Ljubljanska banka).

Prior to being appointed, the proposed candidate must, in accordance with Article 274 of the Companies Act, give a presentation on his skills (training programmes he has attended) and the work he is currently doing. In addition, he must state all the circumstances that could lead to conflicts of interest or contribute to his bias. The proposed candidate will submit his presentation in writing, while the presentation of the candidate to the Shareholders' Meeting will be made by the Chairman of Nova KBM's Supervisory Board.

The Supervisory Board proposes to the Shareholders' Meeting to adopt, in accordance with Article 293 of the Companies Act and Article 30 of Nova KBM's Articles of Association, the following

**RESOLUTIONS:**

- The Shareholders' Meeting is informed of the resignation of Duška Jurenc as a Nova KBM's Supervisory Board member, effective from 21 November 2012.
- The Shareholders' Meeting appoints Gojko Koprivec as a new Supervisory Board member. His term of office starts on the date of his appointment by the Shareholders' Meeting, i.e. 10 June 2013, and ends on the date on which the term office of the previous Supervisory Board member (Duška Jurenc) would have ended, i.e. 15 July 2016.

Maribor, 10 May 2013

Supervisory Board of Nova KBM d.d.

Peter Kukovica, Chairman

# 24<sup>th</sup>

Shareholders'  
Meeting of  
Nova KBM d.d.



## Resignation form of a Supervisory Board Member Duška Jurenc

Duška Jurenc  
Pod vinogradi 17  
2000 Maribor

 Nova KBM d.d.

Prejeto: 21 -11- 2012			
Org. enota:	Številka:	Priloge:	
903			

Nova Kreditna banka Maribor  
Ul. Vita Kraigherja 4  
2000 Maribor

Maribor, 19.11.2012

Spoštovani predsednik nadzornega sveta  
gospod dr. Peter Kukovica,

spodaj podpisana Duška Jurenc, rojena dne 18.9.1978 v Mariboru, podajam odstopno izjavo z mesta članice nadzornega sveta Nove Kreditne banke Maribor d.d..

Zahvaljujem se vam za odlično sodelovanje.

Vam in vsem ostalim članom nadzornega sveta želim veliko uspehov in pravih odločitev.

Lepo pozdravljeni!

Duška Jurenc



**Statement on fulfilment of conditions for Supervisory Board member of  
Nova Kreditna banka Maribor d.d.**

I, the undersigned **Gojko Koprivec**, candidate for Supervisory Board member of Nova Kreditna banka Maribor d.d. (Nove KBM d.d.) hereby declare that:

- In the last five years from the given moment, I have not be finally convicted of a criminal offence against the economy, against labour relations and social security, against legal transactions, against property, against environment, space and natural resources, or more than two years have passed since having served the sentence. (basis: Article 255 of ZGD-1);
- At the time of candidacy, no security measure has been passed prohibiting me from the pursuit of the profession as a consequence of the security measure (basis: Article 255 of ZGD-1);
- I have not been acting as a member of the management board of a company against which bankruptcy proceedings were instituted, I have not been pronounced liable to repay damage to the creditors in accordance with the law, or more than two years have passed since the court ruling became final (basis: Article 255 of ZGD-1);
- I have been informed about the fact that I may be member of supervisory board or management board in not more than three companies at the same time (basis: Article 273 of ZGD-1);
- At the given moment, I am not member of another management or supervisory body of Nova KBM d.d. (basis: Article 255 of ZGD-1);
- I am not a member of a management or supervisory board of a company associated with Nova KBM d.d. (basis: Article 273 of ZGD-1);
- I am not a specially authorised representative or procurator of Nova KBM d.d. (basis: Article 273 of ZGD-1);
- I am not a member of the management board of another company limited by shares, on whose supervisory board is a member of Nova KBM d.d. management board (basis: Article 273 of ZGD-1);
- I meet all the conditions for member of the supervisory board of the company, and there are no impediments to my appointment as provided by the Articles of Association of Nova KBM d.d. (basis: Article 273 of ZGD-1, Articles 23 and 24 of the Articles of Association of Nova KBM d.d.);
- I agree with the candidacy for Supervisory Board member of Nova KBM d.d.;
- I have a positive attitude and experience in the business area in which Nova KBM d.d. operates;
- At the time of candidacy, I am not performing management, supervisory function or representation or consulting assignments for competing companies, and I am not a major shareholder or partner in a competing company;
- I am owner of 0 shares of Nova KBM d.d. or its associated companies;
- At the time of candidacy, I am/ I am not (circle as appropriate) a significant supplier of goods or services, including advising and auditing services;
- With this statement, I allow processing and the use of personal data provided in this application for the requirements of the candidacy procedure.

Date: 18.3. 2013

Signature:

24<sup>th</sup>

Shareholders'  
Meeting of  
Nova KBM d.d.



**REGISTRATION FOR THE 24<sup>th</sup> SHAREHOLDERS' MEETING OF  
NOVA KBM d.d.**

The undersigned  
(shareholder's name and surname): \_\_\_\_\_  
Name and surname of the  
authorised person  
(if the shareholder is legal entity): \_\_\_\_\_  
Residing at  
(street and number, place): \_\_\_\_\_  
Date and place of birth: \_\_\_\_\_  
Personal ID number/Registration  
number: \_\_\_\_\_

**hereby register**

my participation in the 24<sup>th</sup> Shareholders' Meeting of Nova KBM d.d., with its headquarters in Maribor, Ulica Vita Kraigherja 4, to be held on Monday, 10 June 2013, at 10:00 a.m. in the Minarik Hall of Hotel Habakuk, Pohorska ulica 59, Maribor, Slovenia.

The Shareholders' Meeting will be attended by me personally.

Place and date: \_\_\_\_\_

Shareholder's signature:



# 24<sup>th</sup>

Shareholders'  
Meeting of  
Nova KBM d.d.



## REGISTRATION AND POWER OF ATTORNEY FOR THE 24<sup>th</sup> SHAREHOLDERS' MEETING OF NOVA KBM d.d.

The undersigned  
(shareholder's name and surname): \_\_\_\_\_  
Name and surname of the  
authorised person  
(if the shareholder is legal entity): \_\_\_\_\_  
Residing at  
(street and number, place): \_\_\_\_\_  
Date and place of birth: \_\_\_\_\_  
Personal ID number/Registration  
number: \_\_\_\_\_

shareholder of Nova KBM d.d.,

### hereby register

my participation in the 24<sup>th</sup> Shareholders' Meeting of Nova KBM d.d., with its headquarters in Maribor, Ulica Vita Kraigherja 4, to be held on on Monday, 10 June 2013, at 10:00 a.m. in the Minarik Hall of Hotel Habakuk, Pohorska ulica 59, Maribor, Slovenia.

For participation in the Shareholders' Meeting and for exercising my voting rights, I hereby

### authorise

Name and surname of the authorised  
person: \_\_\_\_\_  
Personal ID number/Registration  
number: \_\_\_\_\_  
Born in: \_\_\_\_\_  
Residing at: \_\_\_\_\_

The authorised person may participate in the 24<sup>th</sup> Shareholders' Meeting of Nova KBM d.d. and exercise the voting rights on behalf and for the account of the authorising shareholder. Pursuant to the applicable law, the authorised person shall exercise the voting rights on behalf and for the account of the authorising shareholder on all shares of Nova KBM d.d. owned by the authorising shareholder.

This power of attorney may be revoked at any time. The authorised person is not allowed to transfer this power of attorney to any other person.

Place and date: \_\_\_\_\_

Shareholder's signature: \_\_\_\_\_



## Information for shareholders

Pursuant to Article 296 of the Companies Act (ZGD-1), Nova KBM d.d. hereby publishes the following information for shareholders concerning their rights at the Shareholders' Meeting which will be held on 10 June 2013 at 10:00 a.m.

Shareholders who jointly hold at least one-twentieth of the Bank's share capital may request within seven days from the publication of the call of the Shareholders' Meeting additional items to be put on the agenda. They shall enclose to the request a written proposal for the resolution on which the Shareholders' Meeting is to reach a decision, or, if the Shareholders' Meeting does not pass a decision on a particular item of the agenda, explanation of the agenda item. Pursuant to the third paragraph of Article 298 of the Companies Act (ZGD-1), the Bank's Management Board will publish those additional agenda items for which shareholders will send a request to the Bank no later than seven days after the call of the Shareholders' Meeting.

Shareholders may send requests to the Bank for additional agenda items via e-mail to the e-mail address [delnicar@nkbm.si](mailto:delnicar@nkbm.si) or by telefax to the number +386 2 229 2014.

The Management Board shall immediately after expiration of the above stated period publish additional agenda items to be discussed at the Shareholders' Meeting. An additional agenda item can be discussed at the Shareholders' Meeting only if it is published no later than 14 days prior to the day of the Shareholders' Meeting, otherwise it shall be discussed at the first subsequent Shareholders' Meeting.

Shareholders may give in written form proposals for resolutions and voting proposals for each agenda item. The Bank's Management Board will publish in the same way as this call of the Shareholders' Meeting those well-founded proposals of shareholders that will be sent to the Bank within seven days after publication of this call of the Shareholders' Meeting and for which the shareholder-proposer will give a notification that he/she will challenge the proposal of the Management or Supervisory Board at the Shareholders' Meeting and that he/she will try to convince other shareholders to vote in favour of his/her proposal. Pursuant to Article 301 of the Companies Act (ZGD-1), the shareholder is not obliged to justify a voting proposal. Shareholders may send to the Bank proposals for resolutions and voting proposals also via e-mail to the e-mail address [delnicar@nkbm.si](mailto:delnicar@nkbm.si) or by telefax to the number +386 2 229 2014.

Requests for additional agenda items as well as proposal for resolutions and voting proposals that are communicated to the Bank via e-mail shall be sent in a scanned format as attachment and shall have a hand-written signature of the natural person or, in case of legal entities, a hand-written signature of the legal representative and a stamp or a seal of the legal entity where this is used. The Bank has the right to verify the identity of the shareholder or principal, including the authenticity of his/her signature, who sends a request or proposal via e-mail.

The Management Board does not need to publish the proposal and the reasoning of a shareholder, if:

- publishing the proposal would constitute a criminal offence or an economic infringement;
- the proposal may give rise to a resolution of the Shareholders' Meeting that would be against the law or the Articles of Association;
- the reasoning for a proposal contains in essential points apparently false or misleading information or insults;
- the proposal of a shareholder containing the same content has already been communicated to the Shareholders' Meeting;
- during the last five years, the same proposal of a shareholder with essentially the same reasoning has been submitted to at least two Shareholders' Meetings, and if less than one-twentieth of the capital represented at the Shareholders' Meeting voted in favour of such a proposal;



- the shareholder makes it known that he/she will not attend the Shareholders' Meeting and has not made arrangements to be represented; or
- during the last two years, the shareholder has not raised his/her proposal or has not requested the proposal to be raised at the Shareholders' Meeting.

The reasoning for a proposal does not need to be published if it contains more than 3,000 characters.

The Management Board may publish only a summary of those proposals and the reasoning for proposals for which more shareholders have submitted identical requests.

Proposals of shareholders that are not sent to the Bank within the period of seven days, but are submitted directly at the Shareholders' Meeting, are discussed at the Shareholders' Meeting.

At the Shareholders' Meeting, the Management Board shall furnish the shareholders with reliable information about the Bank's affairs when this is necessary for assessing agenda items. If the same question is raised by more than one shareholder, the Management Board may provide information in one single reply. The shareholders' right to information shall also apply in respect of the Bank's legal and business relations with its affiliated companies.

The Management Board is not obliged to provide information:

- if reasonable business judgement suggests that the provision of information could cause damage to the Bank or its affiliated companies;
- on the method of compiling the balance sheet and of making estimates, if stating these methods in notes to the financial statements is sufficient for an assessment of the property and the financial and profit position of the Bank which conforms with the actual circumstances;
- if disclosure of the information would constitute a criminal offence or an economic infringement or would be in breach of good business practices; or
- if the information is published on the Bank's website in the form of questions and answers at least seven days prior to the Shareholders' Meeting.

If a shareholder is given information outside a session of the Shareholders' Meeting, that information must be passed on to every other shareholder upon request even if it is not necessary for the assessment of an agenda item. If a shareholder is not given the information, he/she may request his/her question and the reasons for which his/her request was refused to be included in the minutes of the Shareholders' Meeting.