Nova Kreditna banka Maribor d.d.

(incorporated in the Republic of Slovenia as a joint stock company, with its registered office at Ulica Vita Kraigherja 4, 2505 Maribor, Slovenia)

€45,285,000 6.00% Bonds due 2017

Issue Price: 100 %

The €45,285,000 6.00% bonds (the "**Bonds**") will be issued on 14 December 2012 (the "**Issue Date**") by Nova Kreditna Banka Maribor d.d. ("**Nova KBM**" or the "**Issuer**"). Interest on the Bonds is payable annually in arrear on 14 December in each year. Payments on the Bonds will be made without deduction for or on account of taxes of the Republic of Slovenia to the extent described under "Terms and Conditions of the Bonds - Taxation".

The Bonds mature on 14 December 2017 (the "**Maturity Date**"). Unless previously redeemed the Bonds will be redeemed at their principal amount on the Maturity Date. The Bonds may, and in certain circumstances, shall, be redeemed, subject to certain conditions, in whole (but not in part) at their principal amount together with accrued interest in the event that certain Slovenian taxes are imposed. See "Terms and Conditions of the Bonds — Redemption and Purchase".

The Bonds will be in dematerialised registered form and will be issued through KDD - Centralna klirinško depotna družba, delniška družba ("**KDD**"). The Terms and Conditions of the Bonds are governed by Slovenian laws.

Application has been made to admit the Bonds to listing and trading on the Vienna Stock Exchange, Third Market.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

This Offering Circular is dated 13 December 2012

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, from the requirement to publish a prospectus for offers of Bonds. Accordingly, any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this Offering Circular may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. The Issuer has not authorised, nor does it authorise, the making of any offer of Bonds in circumstances in which an obligation arises for the Issuer to publish a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

This Offering Circular is to be read in conjunction with all the documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons.

For a description of further restrictions on offers and sales of Bonds and distribution of this Offering Circular, see "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Unless otherwise specified or the context requires, references to "**euros**", "**Euros**" and "**€**" are to the single currency of the participating member states of the European Union which was introduced on 1 January 1999.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the following documents which have been previously published. Such documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

i. The Slovenian language financial report of the Issuer for the financial year ended 2011 (the "**2011 Financial Report**"), including the audited consolidated financial statements of the Issuer as of, and for the year ended, 31 December 2011 and the respective audit reports thereon; and

ii. The Slovenian language financial report of the Issuer for the financial year ended 2010 (the "**2010 Financial Report**"), including the audited consolidated financial statements of the Issuer as of, and for the year ended, 31 December 2010 and the respective audit reports thereon.

iii. The Slovenian language unaudited financial report of the Issuer for the first half of the 2012 financial year (the "**2012 Half Year Financial Report**")

Copies of documents incorporated by reference in this Offering Circular will be published on the website of the Issuer (*http://www.nkbm.si/investors*), or may be obtained from the registered office of the Issuer.

TABLE OF CONTENTS

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Terms used below will have the same meaning as set out in the Terms and Conditions of the Bonds or elsewhere in this Offering Circular.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds.

The Nova KBM Group's Non Performing Loans have increased in recent years and may increase further.

While the Nova KBM Group believes that the risks relating to its non-performing loans ("**NPLs**") are sufficiently covered by loan loss reserves and collateral, there can be no assurance that additional provisions will not be required, which could adversely affect the Nova KBM Group's profitability. As at 31 December 2010 and 2011, gross NPLs (being loans to clients in credit rating categories D and E) represented 12.06 per cent., and 15.07 per cent. of total gross loans, respectively. If there is any deterioration in the quality of the Nova KBM Group's collateral or further ageing of the assets after being classified as non-performing, an increase in provisions will be required. Any increase in provisions may adversely impact the Nova KBM Group's financial condition and results of operations.

A number of factors could affect the Nova KBM Group's ability to control and reduce NPLs. Some of these factors, including developments in the local economy, movements in global markets, competition, market interest rates and exchange rates, are not within the Nova KBM Group's control. There can be no assurance that its credit approval and monitoring procedures will reduce the amount of loans that become non-performing in the future or that it will be successful in its efforts to improve collections and foreclose on collateral for existing NPLs or that the overall quality of the Nova KBM Group's loan portfolio will not deteriorate in the future. If it is not able to control its asset quality, or if there is a further significant increase in its NPLs, the Nova KBM Group's business, financial condition could be adversely affected. Furthermore, when the Nova KBM Group restructures its NPLs, it may receive lower interest payments than originally agreed to and, in some cases, it may collect less than the original principal amounts outstanding on the loans.

Any increase in NPLs could adversely impact the Nova KBM Group's financial condition and results of operations.

Nova KBM faces challenges associated with the integration and management of banking subsidiaries

Nova KBM faces risks associated with the operations of its banking subsidiaries. The Nova KBM Group comprises a number of banking and non-banking businesses, some of which have recently been acquired and are still in the process of being integrated into the Nova KBM Group.

Since it acquired a 72.38 per cent. shareholding in Credy Banka in 2010, the Nova KBM Group has been faced with challenges associated with consolidating the operations of Credy Banka into those of the Nova KBM Group as a whole as well as managing new risks inherited from Credy Banka. The consolidation and integration of Credy Banka has put additional pressure on the Nova KBM Group's information technology ("**IT**"), accounting and risk management systems. There can be no assurance that the Nova KBM Group will be able to meet the challenges and maximize the benefits of the acquisition.

Nova KBM also faces challenges related to the management of its other banking subsidiaries, Poštna banka Slovenije d.d. ("**PBS**") and Adria Bank AG ("**Adria Bank**"). Any inability to align the strategy of its banking subsidiaries with its business plan or otherwise successfully integrate them into its business may adversely impact its ability to achieve its strategic objectives, as well as the financial condition and results of operations of the Nova KBM Group as a whole.

The Nova KBM Group's growth through strategic acquisitions has required significant allocation of capital and management resources, further development of its financial, internal controls and IT systems, continued upgrading and streamlining of its risk management systems and additional training and recruitment of management and other key personnel. At the same time, the Nova KBM Group must maintain a consistent level of client services and current operations to avoid loss of business or damage to its reputation. Any inability to effectively manage any of these operating issues may adversely affect the Nova KBM Group's business growth and, as a result, may materially impact its financial condition and results of operations.

The Nova KBM Group faces specific risks related to Zavarovalnica Maribor d.d.

The Nova KBM Group faces specific risks related to its 50.9963 per cent. owned associated insurance company, Zavarovalnica Maribor d.d. ("**ZM**"). The Nova KBM Group is currently in process relating to the sale of its stake in ZM. No binding agreement for the sale of the shares has been concluded and there can be no assurance that the sale will be completed, in which case the Nova KBM Group may be unable to execute its strategy derive the expected return on its investment in ZM.

The Slovenian financial services sector is very competitive, and the nova KBM Group's strategy depends on its ability to compete effectively.

As at 31 December 2011, there were 19 commercial banks operating in Slovenia, with the top three banking groups, including the Nova KBM Group, comprising more than half of the market as measured by assets. The Nova KBM Group faces competition from both Slovenian and foreign commercial banks for all of its products and services. The Slovenian financial sector may experience consolidation, resulting in fewer banks and financial institutions. Merged entities may have competitive advantages over the Nova KBM Group in terms of pricing and delivery channels. Since the Nova KBM Group raises funds largely from the Slovenian companies and individual depositors, it, like all Slovenian banks, faces increasing competition for these funds.

This competitive environment has put downward pressure on net interest margins and, therefore, the Nova KBM Group's profitability in recent years. Its net interest margin decreased to 2.3 per cent. for the year ended 31 December 2011 from 2.5 per cent. for the year ended 31 December 2010. Due to competitive pressures, the Nova KBM Group may be unable to successfully execute its strategy and offer products and services at prices which will deliver reasonable returns, which may materially adversely affect the Nova KBM Group's business, financial condition and results of operations.

The Republic of Slovenia and its related entities are in breach of a takeover provision and cannot exercise voting rights from their shares of Nova KBM's which could have a material adverse effect on the Bank's business and financial situation and may lead to the takeover of the Bank by a third party.

The Republic of Slovenia and its related entities (including Slovenska odškodninska družba d.d. and Kapitalska družba d.d.) currently hold shares carrying 51.9 per cent. of the total voting rights in Nova KBM. In September 2011, the Slovenian Securities Market Agency ("**ATVP**") found that, since 18 December 2007, the Republic of Slovenia, along with the related entities, were in breach of a mandatory takeover provision under Slovenian law as a result of a failure to make a mandatory tender offer for all issued shares in Nova KBM following their acquisition of additional shares carrying voting rights in NKBM after such shares had been admitted to listing and trading on the Ljubljana Stock Exchange. Consequently, the Republic of Slovenia and the related entities are prohibited from exercising their voting rights with respect to all of their shares held in Nova KBM from the time when the decision is issued until either: a) the Republic of Slovenia makes a mandatory tender offer for Nova KBM's issued shares; or b) the Republic of Slovenia and its related entities sell a sufficient number of their shares in Nova KBM such that the voting rights connected with their aggregate shareholding falls below 1/3 of the total voting rights in Nova KBM. This sanction affecting Nova KBM's single biggest shareholder's ability to exercise its voting rights could have a material adverse effect on the Bank's business and financial situation and may lead to the takeover of the Bank by a third party.

Risk is inherent to the banking business

The Nova KBM Group's banking business is subject to various risks inherent in the banking business, including liquidity risk, market risk (including position risk, interest rate risk and currency risk) and operational risk.

Liquidity Risk

Nova KBM Group is exposed to the risk that it will be unable to meet its payment obligations when they fall due, known as liquidity risk. This risk is likely to materialize if the Nova KBM Group experiences significant maturity mismatches between its assets and liabilities.

If the Nova KBM Group suffers any liquidity gaps as a result of maturity mismatches between its assets and liabilities in the future this may have an adverse impact on its ability to comply with the capital requirements imposed on it by virtue of it being a credit institution and the mandatory reserves that it is required to maintain in connection with the Eurosystem's minimum reserve system, which may have a material adverse effect on the Bank's business, financial condition and results of operations.

Market Risk

The Nova KBM Group is exposed to market risks, including interest rate, currency and securities portfolio risks. The Nova KBM Group is exposed to interest rate risk risks resulting from mismatches between the interest rates on its interest-bearing assets and liabilities. While the Nova KBM Group monitors interest rate positions, interest rate movements may adversely affect the Nova KBM Group's financial position. In addition, although the Nova KBM Group tries to maintain a neutral position in individual foreign currencies in order to limit the Group's exposure to fluctuations in currency, any adverse movements in the exchange rates of the currencies in which it maintains its assets and liabilities may have an adverse impact on its financial position. Furthermore, the Nova KBM Group carries out proprietary trading operations in respect of certain types of security and, as a result, it is exposed to a number of risks related to the movement of market prices of the underlying instruments, including the risk of unfavourable market price movements relative to the Group's long or short positions and the risk that the instruments that the Group chooses to hedge certain positions do not track the market value of those positions. If the Nova KBM Group suffers substantial losses from any of these exposures, this could have a material adverse effect on the Group's financial results.

The Nova KBM Group's banking business is exposed to interest rate risk

The Nova KBM Group's profitability is primarily based on its net interest margin, which is a function of the pricing of its liabilities and assets. For the year ended 31 December 2011, net interest income (before provisions for loan impairments) accounted for 36.8 per cent. of the Nova KBM Group's operating income.

Fluctuations in interest rates can adversely affect the Nova KBM Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the value of its fixed rate loans and raise its funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in its securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer defaults, while general volatility in interest rates may result in a gap between the Nova KBM Group's interest-rate sensitive assets and liabilities. Interest rates are sensitive to many factors beyond the Nova KBM Group's control, including the policies of the European Central Bank, domestic and international economic conditions and political factors. There can be no assurance that the Nova KBM Group will be able to protect itself from the adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates could lead to a reduction in net interest income and adversely affect the Nova KBM Group's results of operations.

Nova KBM faces maturity mismatches between assets and liabilities

Nova KBM meets its funding requirements through short-term and long-term deposits from retail and corporate depositors, interbank loans and through the capital markets. A significant portion of Nova KBM's assets have maturities with longer terms than its liabilities, and it expects these maturity mismatches to continue. As at 31 December 2011, 65.3 per cent. of Nova KBM's liabilities were short term in nature (defined as liabilities having maturities of less than one year) including current/demand accounts which have no restrictions on withdrawal. If a substantial number of Nova KBM's depositors were to withdraw funds or fail to rollover deposited funds upon maturity, its liquidity position could be adversely affected and it could be required to pay higher interest rates on deposits in order to attract and/or retain further deposits. While Nova KBM measures the stability of its current/demand deposits daily and it believes that the majority of its current/demand deposits represent core and stable funding from relatively non-price sensitive customers, a failure to obtain rollovers of customer deposits upon maturity or to replace them with new deposits could have a material adverse effect on Nova KBM's business, financial conditions and results of operations.

If the Nova KBM Group fails to attract and retain deposits, its business may be adversely affected

Financing of the Nova KBM Group's current operations is based to a large extent on customer deposits. If the Nova KBM Group fails to attract and retain customer deposits, it will be forced to seek other sources of financing, such as funds raised through the capital markets, or secured borrowings or asset sales. Nova KBM's ability to raise funding through the capital markets in amounts sufficient to meet its liquidity needs and on commercially reasonable terms could be adversely affected by a number of factors, including, in particular, Slovenian and international credit market conditions. If short-term funding is not available on commercially reasonable terms, Nova KBM would be required to utilise other, more expensive, methods to meet its liquidity needs, such as secured borrowings or asset sales, which may not be available on commercially reasonable terms. The use of more expensive funding sources may have a material adverse effect on Nova KBM's business, financial condition and results of operations.

The inability of Nova KBM and its banking subsidiaries to foreclose on collateral in the event of a default, or a decline in the value or the liquidity of the collateral may result in a failure to recover the expected value of the collateral

Nova KBM and its banking subsidiaries provide loans to customers that are generally secured. However, they may experience delays before they are able to enforce and realise the value of collateral underlying their NPLs, and a particular loan may be classified as non-performing for several years before collateral may be seized and liquidated. In particular, although the laws relating to mortgages in Slovenia permit the recovery of commercial and domestic property in the event of a default, Nova KBM and PBS have experienced difficulties in collecting non-performing home loans secured by real estate in the past. These difficulties may significantly reduce their ability to realise the value of their collateral in a timely fashion or at all and, therefore, reduce the effectiveness of taking security for the mortgage loans they make.

A substantial portion of the Nova KBM Group's loans to corporate and retail customers is secured by collateral such as real estate, production equipment, vehicles, liquid securities and inventory. Downturns in the relevant markets or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, or there is no market available for the collateral, the collateral may not be sufficient to cover uncollectible amounts on secured loans, which may require the Nova KBM Group to reclassify the relevant loans, establish additional provisions for loan impairment and increase reserve requirements. A failure to recover the expected value of collateral may expose the Nova KBM Group to losses, which may materially adversely affect its financial condition and results of operations.

The Nova KBM Group may be unable to meet its regulatory requirements relating to capital adequacy

The Nova KBM Group is required by the Bank of Slovenia to maintain a minimum capital adequacy ratio as stipulated in accordance with Bank of Slovenia regulations on capital adequacy. Its capital adequacy ratio was 11.47 per cent. as at 31 December 2011. The Nova KBM Group's ability to obtain additional capital may be restricted by a number of factors, including:

- general market conditions for capital-raising activities by commercial banks and other financial institutions;

- its future financial condition and results of operations;

- decisions of Nova KBM's shareholders at the General Meeting with respect to the appropriation of accumulated profit; and

- any necessary Bank of Slovenia approvals.

The Nova KBM Group faces challenges related to maintaining sufficient levels of capital adequacy and implementing Basel III. If the Nova KBM Group requires additional capital in the future, it cannot guarantee that it will be able to obtain this capital on favourable terms, in a timely manner, or at all. If it is unable to raise further capital to support its growth, or if its capital position otherwise declines, its ability to comply with applicable capital adequacy ratios and/or to implement its business strategy may be materially adversely affected.

Significant security breaches, fraud and theft could adversely impact the Nova KBM Group's business

The Nova KBM Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches, system-related fraud and other disruptive problems caused by its increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through the Nova KBM Group's computer systems and its network infrastructure. Although it intends to continue to implement technological improvements to its security systems and to establish operational procedures to prevent computer break-ins, damage and failures, there can be no assurance that the security measures the Nova KBM Group employs, now or in the future, will be adequate or successful.

The Nova KBM Group is also exposed to risks of fraud or theft by its staff, customers and third parties. While the Nova KBM Group believes that it maintains the types and levels of insurance consistent with banking industry standards in Slovenia, it does not maintain insurance in relation to all relevant risks and, in particular, does not maintain insurance in relation to fraudulent charge card use. The Bank cannot provide any assurance that any loss it suffers in the future will be covered by its insurance, or that the proceeds of any insurance claim will be sufficient to cover any or all losses it may suffer. As a result, the failure of any of the Nova KBM Group's security measures or its inability to protect against fraud and theft could result in the Nova KBM Group suffering losses for which it may not be insured, which, in turn, could have a material adverse effect on its business, financial condition and results of operations.

Adverse economic conditions in Slovenia could cause the Nova KBM Group's business to suffer

A substantial part of the Nova KBM Group's operations are in the domestic Slovenian market, and its performance and the growth of its business are necessarily dependent on the overall health of the Slovenian economy. Real GDP growth in Slovenia was negative (-0.2 per cent.) in 2011, after 1.2 per cent. growth in 2010, according to the Statistical Office of the Republic of Slovenia ("**SURS**"). In the future, the Slovenian economy could be negatively affected by a number of factors, including inflation and a slowdown in foreign direct investment into Slovenia. Any continuation or worsening of the economic conditions in Slovenia may adversely affect the financial viability of the Nova KBM Group's retail, corporate and brokerage businesses and result in a significant decrease in the demand for financial services, including a decrease in demand for new loans, a decrease in loan values, or an increase in NPLs or provisions for loan losses, any of which could have a material adverse effect on the Nova KBM Group's financial condition and results of operations.

Changes in the regulatory framework of the Nova KBM Group's countries of operation could adversely affect the Nova KBM Group's business

The Nova KBM Group is subject to extensive regulation and supervision by the Bank of Slovenia, the European Central Bank and the European System of Central Banks. The banking laws to which it is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, as well as to limit each bank's exposure to risk. As some of the banking laws and regulations affecting the Nova KBM Group have recently been adopted or amended, or will need to be amended (for example, to comply with Basel III), the manner in which such laws and related regulations are applied to the operations of financial institutions is still evolving. As a result, no assurance can be given that laws and regulations will not be adopted, enforced or interpreted in a manner that would have an adverse effect on the Nova KBM Group's business, financial condition and results of operations.

Adverse economic conditions in countries of operation other than Slovenia could cause the Nova KBM Group's business to suffer

The Nova KBM Group also operates in countries other than Slovenia, principally Serbia and Croatia, each of which (to varying degrees) has been adversely affected by the recent global economic crisis. Any worsening of the economic conditions in these countries may adversely affect the financial viability of the Nova KBM Group's banking subsidiaries in those countries, which could have a material adverse effect on the Nova KBM Group's financial condition and results of operations.

Investors have recourse only to Nova KBM

The Bonds are the liabilities of the Nova KBM only, and investors will therefore only have recourse to the Issuer for payments due under the Bonds. There are no guarantees provided by the shareholders of Nova KBM or any other persons in relation to the Bonds, and the Bonds do not benefit from any security. Investors must therefore make an informed assessment of the creditworthiness of the Issuer.

Nova KBM Group's business may be affected by the financial markets and the global economy

The continuing global financial crisis and economic uncertainty could adversely affect the activities and earnings of the Issuer, in particular if an economic downturn led to significant changes in European or Slovenian economic policy, in interest rate changes and in reduced consumer spending and borrowing.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

The secondary market generally

The Bonds are new issues of securities and have no established trading market. An established trading market in the Bonds may never develop. If a secondary market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds in the secondary market (in which case the market or trading price and liquidity may be adversely affected) or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

i. have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

ii. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

iii. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

iv. understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

v. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Independent Review and Advice

Each prospective investor in the Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Market value of the Bonds

The market value of the Bonds will be affected by the creditworthiness of the Nova KBM and a number of additional factors.

The value of the Bonds depends on a number of interrelated factors, including economic, financial and political events in Slovenia or elsewhere, including factors affecting capital markets generally and the stock exchanges on which such Bonds are traded. The price at which a holder of such Bonds will be able to sell such Bonds prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Modification

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including such Bondholders who did not attend and vote at the relevant meeting and such Bondholders who voted in a manner contrary to the majority.

Change of law

The terms and conditions of the Bonds are based on the laws of Slovenia in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Slovenia or administrative practice after the date of this Offering Circular. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in Slovenia and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Offering Circular.

Taxation

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax summaries contained in this Offering Circular but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Bonds. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Offering Circular.

EU Savings Directive

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**Directive**") requires each Member State as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to, or under certain circumstances collected for the benefit of a beneficial owner (within the meaning of the Directive), resident in that other Member State, except that Luxembourg and Austria impose instead a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information. The rate of this withholding tax is currently 35 per cent.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither Nova KBM nor any other person would be obliged to pay additional amounts with respect to any Bonds as a result of the imposition of such withholding tax.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds which (subject to completion and amendment) will be applicable to each Bond (the Slovenian language version will be included in the Registration Order and shall prevail over the English language version):

The issue of the Bonds was authorised by decisions of the Management Board (*uprava*) of the Issuer passed on 7 February and 7 November 2012 and the Supervisory Board (*nadzorni svet*) of the Issuer passed on 29 February 2012.

1 Form, Denomination and Title

The Bonds are in uncertified and dematerialized form in minimum denomination of €100,000 and multiples of €1,000.

The Bonds are issued in accordance with the provisions of the Dematerialised Securities Act (*Zakon o nematerializiranih vrednostnih papirjih, Uradni list RS No 2/2007 – uradno prečiščeno besedilo, 67/2007 and 58/2009*, hereinafter: the "**ZNVP**") as entries in the central register (the "**Central Register**") maintained by KDD d.d., Tivolska cesta 48, SI-1000 Ljubljana, Slovenia ("**KDD**"). No global or definitive Bonds or interest coupons will be issued in respect of the Bonds in any circumstances.

The Bonds are transferable in accordance with the provisions of the ZNVP, other applicable Slovenian legislation and the rules and regulations applicable to, and/or issued by, KDD. Title to the Bonds will pass by registration in the Central Register.

Each person that is for the time being recorded in the Central Register as the holder of a particular number of the Bonds (in which regard any certificate or other document issued by KDD as to the number of Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer as the legal holder of such number of Bonds for all purposes (and the expressions "**Bondholder**" and the "**holder of Bonds**" and related expressions shall be construed accordingly).

The legal holder of any Bond shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein) and no person shall be liable for so treating such holder.

No person other than the Issuer and the respective Bondholder shall have any right to enforce any term or condition of any Bond.

2 Status

The Bonds constitute direct, unsubordinated, unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations (including liabilities in respect of deposits).

3 Interest

The Bonds bear interest from 14 December 2012 (the "**Issue Date**") at the rate of 6.00 per cent. per annum, payable in arrear on 14 December in each year commencing 14 December 2013 (each, an "**Interest Payment Date**"), subject as provided in Condition 5.

Each Bond will cease to bear interest from the due date for final redemption. If payment of principal is improperly withheld or refused, the Bondholder will be entitled to receive interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder or (b) the day which is five business days after the Issuer has notified the Bondholders that all sums due in respect of such principal and interest will be paid subject only to the receipt by the Issuer of a notice specifying the details of the euro account of the relevant Bondholder in accordance with Condition 5.2 (except to the extent that there is any subsequent default in payment).

The amount of interest due in respect of any Bonds will be calculated by reference to the aggregate principal amount of Bonds held by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01.

Where interest is to be calculated in respect of a period which is shorter than an Interest Period, it will be calculated on the basis of the number of days in the relevant period, from and including the first day of such period to but excluding the last day of such period, divided by the number of days in the Interest Period in which such period falls.

As used herein:

i. "**business day**" means any day which is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) payment system which utilises a single shared platform and which was launched on 19 November 2007 is operating; and

ii. "**Interest Period**" means the period from and including the Issue Date to but excluding the first Interest Payment Date and each period from and including an Interest Payment Date to but excluding the next Interest Payment Date.

4 Redemption and Purchase

4.1 Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 December 2017, subject as provided in Condition 5.

Redemption for taxation reasons

i. If, by reason of any change in Slovenian law, or any change in the official application or interpretation of such law, becoming effective after 14 December 2012, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 6 below the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 13 redeem all, but not some only, of the Bonds at their principal amount together with any interest accrued to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for Slovenian taxes.

ii. If the Issuer would on the next payment of principal or interest in respect of the Bonds be prevented by Slovenian law from making payment to the Bondholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 6 below, then the Issuer shall upon giving not less than seven days' prior notice to the Bondholders in accordance with Condition 13, redeem all, but not some only, of the Bonds then outstanding at their principal amount together with any interest accrued to the date set for redemption on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Bonds, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Bondholders shall be the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Bonds or (B) if so specified on this Bond, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Bonds or, if that date is passed, as soon as practicable thereafter.

4.2 Purchase and cancellation

The Issuer and its Subsidiaries (as defined below) may at any time purchase Bonds in the open market or otherwise and at any price. Any Bonds so purchased may be cancelled or held and resold (provided that such resale is outside the United States, as defined in Regulation S under the United States Securities Act of 1933, as amended). Any Bonds so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meeting of Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Bondholders. Any Bonds so cancelled will not be reissued.

In this Condition 4.2, "**Subsidiary**" means at any particular time, a company or any other entity which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer, or one or more of its Subsidiaries. For a company or entity to be "**controlled**" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the management board or other governing body of that company or entity or otherwise controls or has the power to control the affairs and policies of that company or entity and "**control**" shall be construed accordingly.

5 Payments

5.1 Principal and interest

Payments of principal and interest will be made in euro by transfer to the euro accounts of the Bondholders. Each payment so made will discharge the Issuer's obligation in respect thereof.

In this Condition 5:

i. "**Relevant Time**" means, in relation to any amount payable in respect of a Bond, the end of the third KDD Business Day (as defined below) prior to the due date for such amount;

ii. "**KDD Business** Day" means any day which is a day on which KDD is open for business; and

iii. "**euro account**" means, in relation to a person, an account nominated by or on behalf of such person pursuant to Condition 5.2 and into which euro payments in respect of the Bonds may be credited or transferred.

5.2 Notification of euro account

Each Bondholder shall nominate its euro account by notifying details in respect thereof to the Issuer either (a) in the manner notified to the Bondholder by the Issuer following a request from such Bondholder to the Issuer in accordance with Condition 13 or (b) in such other manner as may from time to time be specified in a notice given by or on behalf of the Issuer in accordance with Condition 13.

If a Bondholder fails to nominate its euro account in accordance with the foregoing before the third KDD Business Day prior to the due date for payment of such amount, such Bondholder shall not be entitled to payment of the amount due until the fifth business day after details of its euro account have been properly nominated in accordance with the foregoing, and the relevant Bondholder shall not be entitled to any interest or other payment in respect of any such delay.

5.3 Payments subject to fiscal laws

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 6. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

5.4 Payments on business days

If the due date for payment of any amount in respect of any Bond is not a business day, the Bondholder shall not be entitled to payment of the amount due until the next succeeding business day and shall not be entitled to any interest or other payment in respect of any such delay.

5.5 Paying agent

The Issuer reserves the right at any time to appoint or terminate the appointment of a paying agent who acts solely as an agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

6 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Slovenia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond presented for payment:

a. Other connection: by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Republic of Slovenia; or

b. Payment more than 30 days after the Relevant Date: in respect of any amount payable in respect of a Bond received more than 30 days after the Relevant Date (as defined below) except to the extent that the recipient thereof would have been entitled to such additional payment on the last day of such 30 day period; or

c. Payment to individuals: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For the purposes of this Condition 6, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the payment in question is improperly withheld or refused, the day on which the Issuer has notified the relevant Bondholder that the amount in question will be paid subject only to the receipt by the Issuer of a notice specifying the details of its euro account in accordance with Condition 5.2 (except to the extent that there is any subsequent default in payment). Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

7 Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing:

a. *Non-Payment:* the Issuer fails to pay the principal of or any interest on any of the Bonds when due and such failure continues for a period of 5 days; or

b. *Breach of Other Obligations*: the Issuer does not perform or does not comply with any one or more of its other obligations under the Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer at its specified office by any Bondholder; or

c. *Insolvency, etc*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) by reason of its financial difficulties the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or

d. *Winding up, etc*: an order is made or an effective resolution is passed by any competent authority for the winding up, liquidation or dissolution of the Issuer; or

e. *Analogous event*: any event occurs which under laws of the Republic of Slovenia has an analogous effect to any of the events referred to in paragraphs c) (*Insolvency, etc.*) to d) (*Winding up, etc.*) above,

then any Bond may, by written notice addressed by the Bondholder thereof to the Issuer and delivered to the Issuer at its specified office, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality unless such event of default have been redeemed prior to the receipt of such notice by the Issuer. Upon such declaration the Issuer shall give notice to the Bondholders in accordance with Condition 13.

8 Prescription

Claims in respect of principal and interest will become void unless claim for payment is made as required by Condition 5 within a period of five years in the case of principal and three years in the case of interest from the appropriate Relevant Date.

9 Meetings of Bondholders and Modification

9.1 Definitions

In these Conditions, the following expressions have the following meanings:

"**Chairman**" means, in relation to any Meeting, the individual who takes the chair in accordance with Condition 9.4;

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with this Condition 9 by a majority of at least:

i. in the case of a Reserved Matter, 75 per cent. of the aggregate principal amount of the outstanding Bonds; or
ii. in the case of a matter other than a Reserved Matter, 66 2/3per cent. of the aggregate principal amount of the outstanding Bonds which are represented at that meeting;

"**Meeting**" means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

a Bond shall be considered to be "**outstanding**" unless one or more of the following events has occurred:
i. it has been redeemed in full or purchased under Condition 4, and if purchased under Condition 4, has been cancelled in accordance with Condition 4.2; or
ii. for the purposes of Condition 9, it is being held by or on behalf of the Issuer or any Subsidiary (as defined in Condition 4.2);

"**Proxy**" means, in relation to any Meeting, a person appointed to vote on behalf of one or more Bondholders, other than:
i. any such person whose appointment has been revoked and in relation to whom the Issuer has been notified in writing of such revocation by the time which is at least 24 hours before the time fixed for such Meeting; and
ii. any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"**Reserved Matter**" means, subject as provided in the paragraph below (Matters requiring unanimity), any proposal of the Issuer:
i. to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Bonds, to reduce or cancel the amount of principal, interest or any other

amount payable on any date in respect of the Bonds or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Bonds on any date;

ii. to change the currency in which any amount due in respect of the Bonds is payable or the manner in which any payment is to be made;

iii. to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution, Written Resolution or any other resolution of Bondholders or the number or percentage of votes required to be cast, or the number or percentage of Bonds required to be held, in connection with the taking of any decision or action by or on behalf of the Bondholders or any of them;

iv. to change this definition, the definition of "Extraordinary Resolution", the definition of "outstanding" or the definition of "Written Resolution";

v. to change or waive the provisions of the Bonds set out in Condition 2; or

vi. to change any provision of the Bonds describing circumstances in which Bonds may be declared due and payable prior to their scheduled maturity date, set out in Condition 7.

"**Matters requiring unanimity**":
Any proposal:

i. to change the law governing the Bonds, the courts to the jurisdiction of which the Issuer has submitted in the Bonds or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Bondholder, in each case set out in Condition 14;

ii. to modify any provision of these Conditions in connection with any exchange or substitution of the Bonds for, or the conversion of the Bonds into, any other obligations or securities of the Issuer (except in such case where an exchange of Bonds is to occur solely as a result of the operation of Condition 11) or any other person, which would result in the Conditions as so modified being less favourable to the holders of Bonds which are subject to the Conditions as so modified than:

    (a) the provisions of the other obligations or securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

    (b) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series having the largest aggregate principal amount; or

iii. to modify the provisions of this paragraph above (Matters requiring unanimity),

may only be given effect with the consent of the holders of all of the outstanding Bonds.

"**Modifications**" Subject as provided in the paragraph above (Matters requiring unanimity), any modification of any provision of these Conditions may be made if approved by an Extraordinary Resolution or a Written Resolution;

"**Voter**" means, in relation to any Meeting, any person registered in the Central Register as the holder of any Bond 48 hours before the time fixed for such Meeting or a Proxy appointed by such Bondholder;

"**Written Resolution**" means a resolution in writing signed by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding Bonds, in the case of a Reserved Matter, or 662/3 per cent. of the aggregate principal amount of the outstanding Bonds, in the case of a matter other than a Reserved Matter. Any Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day upon which banks are open for business in the place where the relevant Meeting is to be held (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means 2 consecutive periods of 24 hours.

9.2 Convening of Meeting

The Issuer may convene a Meeting at any time and shall be obliged to do so upon the request in writing of Bondholders holding not less than one tenth of the aggregate principal amount of the outstanding Bonds.

9.3 Notice

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Bondholders. The notice shall set out (i) the full text of any resolutions to be proposed, (ii) details of the manner in which Proxies may be appointed and the deadline for any such appointment, which shall be 24 hours before the time fixed for such Meeting and (iii) the name of the Chairman appointed by the Issuer.

9.4 Chairman

An individual (who may, but need not, be a Bondholder) appointed by the Issuer may take the chair at the respective Meeting. If the individual appointed is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman.

9.5 Quorum

The quorum at any Meeting convened to vote on an Extraordinary Resolution will be:

i. one or more persons present and holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Bonds; or
ii. where a Meeting is adjourned and rescheduled owing to a lack of quorum, at any rescheduled Meeting, one or more persons present and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Bonds,

provided, however, that any proposals relating to a Reserved Matter may only be approved by an Extraordinary Resolution passed at a Meeting at which one or more persons present and holding or representing at least 75 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum.

9.6 Adjournment for want of quorum

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

i. in the case of a Meeting requested by Bondholders, it shall be dissolved; and
ii. in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines;

provided, however, that the Meeting shall be dissolved if the Issuer so decides and no Meeting may be adjourned more than once for want of a quorum.

9.7 Adjourned Meeting

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

9.8 Notice following adjournment

Condition 9.3 shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

i. 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
ii. the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

9.9 Participation

The following may attend and speak at a Meeting:

i. Voters;
ii. representatives of the Issuer;
iii. the financial advisers of the Issuer;
iv. the legal counsel to the Issuer;
v. the financial advisers of the Bondholders present or represented at the Meeting;
vi. the legal counsel to the Bondholders present or represented at the Meeting; and
vii. any other person approved by the Meeting.

9.10 Show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

9.11 Poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Bonds. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

9.12 Votes

Every Voter shall have: (i) on a show of hands, one vote; and (ii) on a poll, one vote in respect of each Bond represented or held by him. In the case of a voting tie the Chairman shall have a casting vote.

A Voter shall not be obliged to exercise all votes to which he is entitled or (in case of a poll) to cast all the votes which he/she exercises in the same way.

9.13 Validity of Votes by Proxies

If the Issuer requires, a notarised copy of each document appointing a Proxy and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Issuer shall not be obliged to investigate the validity of any such appointment or the authority of any Proxy.

Any vote by a Proxy shall be valid even if the appointment of such Proxy or any instruction pursuant to which it was given has been amended or revoked, provided that the Issuer has not been notified in writing of such amendment or revocation by the time which is at least 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; provided, however, that no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed as a Proxy to vote at the Meeting when it is resumed.

9.14 Powers

A Meeting shall have the power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

i. to approve any Reserved Matter;
ii. to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Bonds;
iii. to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Bonds;
iv. to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect

of the Bonds or any act or omission which might otherwise constitute an Event of Default under the Bonds;

v. to authorise any person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;

vi. to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and

vii. to appoint any persons as a committee to represent the interests of the Bondholders and to confer upon such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution.

9.15 Extraordinary Resolution binds all holders

Any Extraordinary Resolution duly passed at a Meeting duly convened and held in accordance with this Condition 9 shall be binding upon all Bondholders whether or not present at such Meeting, and whether or not they voted in favour, and each of the Bondholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given by the Issuer to the Bondholders within 14 days of the conclusion of the Meeting in accordance with Condition 13.

9.16 Minutes

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

9.17 Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution and shall be binding on all Bondholders whether or not signed by them.

10 Manifest error

The Bonds and these Conditions may be amended without the consent of the Bondholders to correct a manifest error or for the purposes of any amendment which is of a formal, minor or technical nature as determined by a major international law firm and evidenced by a signed legal opinion from that law firm.

11 Exchange of the Bonds

If (a) an Extraordinary Resolution is passed or a Written Resolution is signed, approving in each case an amendment, modification, variation or abrogation of any provision of the Bonds or these Conditions or the substitution of any person for the Issuer as principal obligor under the Bonds; or (b) an amendment of the Bonds or these Conditions is permitted pursuant to Condition 10, such amendment, modification, variation, abrogation or substitution shall, to the extent required under Slovenian law, be effected by way of deemed redemption of the Bonds prior to their scheduled maturity date and by the Issuer procuring that, on the Exchange Date (as defined below) Replacement Bonds (as defined below) are credited to the account of each Bondholder with KDD in exchange for each Bond which had been credited to the account of such Bondholder with KDD at close of business on the KDD Business Day prior to the Exchange Date.

It shall be deemed that each Bondholder has consented to the exchange of Bonds in accordance with the foregoing and has authorised KDD to debit its securities account maintained with KDD accordingly.

In this Condition 11:

i. "**Exchange Date**" means the date specified by the Issuer in a notice given to the Bondholder in accordance with Condition 13 not less than seven days before such date; and

ii. "**Replacement Bonds**" means securities differing from the Bonds solely in such respects as had been approved by the relevant Extraordinary Resolution or Written Resolution or as permitted pursuant to

Condition 10.

12 Further issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

13 Notices

A notice to a Bondholder shall be valid if either (at the sole discretion of the Issuer) (a) sent by mail to such Bondholder at the address registered for a Bondholder in the Central Register or at the address notified by such a person to the Issuer in accordance with this Condition 13, and any such notice shall be deemed to have been given on the eighth day following the day the notice was sent by mail or (b) published in a leading Slovenian language daily newspaper having general circulation in Slovenia and in a leading English language daily newspaper having general circulation in Europe and, in any event, shall be published in such other manner as may be required by the rules of any regulated market on which the Bonds are at such time listed and/or traded. Any such notice given by publication shall be deemed to have been given on the date of publication or, if so published more than once on different dates, on the date of the first publication.

Notices to the Issuer shall be sent by letter or fax as follows:

Nova Kreditna banka Maribor d.d.
Sektor spremljave finančnih trgov
Ulica Vita Kraigherja 4
2505 Maribor
Slovenia
Fax: + 386 2 229 2260
Attention: Director

or, in any case, to such other address or fax number or for the attention of such other person or department as the Issuer has by prior notice to the Bondholders specified for a particular purpose.

Notices to the Issuer shall be valid upon receipt by the Issuer provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day or on any day which is not a business day in the place of the addressee shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

All notices hereunder shall only be valid if made (a) in the case of Notices to the Bondholders, in English and Slovenian; and (b) in the case of Notices to the Issuer, in English or Slovenian or in any other language provided that such notices are accompanied by a certified English or Slovenian translation thereof. Any certified English or Slovenian translation delivered hereunder shall be certified a true and accurate translation by a professionally qualified translator or by some other person competent to do so.

14 Governing law and jurisdiction

14.1 Governing law

The Bonds and any non-contractual obligations arising out of or in connection with these are governed by and shall be construed in accordance with Slovenian law.

14.2 Jurisdiction

The Issuer agrees for the benefit of the Bondholders that the courts of the Republic of Slovenia shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Bonds (collectively, "**Proceedings**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

14.3. Non-exclusivity

The submission to the jurisdiction of the courts of the Republic of Slovenia shall not (and shall not be construed so as to) limit the right of any Bondholder to take proceedings in any other court of competent jurisdiction, nor shall the taking of proceedings in any one more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

14.4 Consent to enforcement, etc.

The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

14.5 Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

CLEARING AND SETTLEMENT

The Bonds will be issued in accordance with the provisions of the Slovenian Dematerialised Securities Act (*Zakon o nematerializiranih vrednostnih papirjih, Uradni list RS No. 2/2007 - uradno prečiščeno besedilo, 67/2007 and 58/2009,* hereinafter: the "**ZNVP**") as entries within the central register (the "**Central Register**") maintained by KDD - Centralna klirinško depotna družba, delniška družba, Tivolska cesta 48, SI-1542 Ljubljana, Slovenia (KDD - Central Securities Clearing Corporation Inc., hereinafter: the "**KDD**").

KDD was established to provide central securities register services, clearance and settlement of securities transactions and maintenance of the Central Register of dematerialised securities (and their holders) in the Republic of Slovenia. KDD's shareholders are banks, stock brokers, fund management companies, government funds and issuers. Currently KDD's legal status and operation is regulated by the Slovenian Financial Instruments Market Act (*Zakon o trgu finančnih instrumentov, Uradni list RS No. 67/2007, 100/2007, 69/2008, 40/2009, 88/2010 and 108/2010 – uradno prečiščeno besedilo*) hereinafter: the "**ZTFI**").

The Bonds will be issued in accordance with an order (the "**Registration Order**") issued by the Issuer which requests KDD to enter the Bonds into the Central Register and credit them to the accounts of the person(s) specified in the Registration Order. The person on whose account a Bond is credited in KDD will be considered the legal holder of such Bond except if such Bond has been credited to such person's account without a valid order of the Issuer or previous holder of such Bond and such person was not acting in good faith.

The Bonds will be transferable between accounts held with KDD by registration of such transfers in the Central Register. For the purpose of transfers, a Bondholder shall maintain a trading account operated by a KDD member (a stockbroker or a bank). A list of KDD members is available on the website of KDD at www.kdd.si (the contents of such website do not form part of, nor are they incorporated in, this Offering Circular).

Transactions in the Bonds concluded on the Vienna Stock Exchange, Third Market will be settled in KDD through the fiduciary account held by Oesterreichische Kontrollbank AG (OeKB) in KDD. **Persons holding interests in the Bonds through the account with OeKB (rather than directly in KDD) will not be considered the legal owners of such Bonds under Slovenian laws**. All other transfers of the Bonds between accounts held with KDD will be registered in the Central Register on the basis of an order submitted by the transferor to the KDD member operating the transferor's account.

DESCRIPTION OF THE ISSUER

Group Structure – Subsidiaries and Associated Companies

NKBM Group with its subsidiaries covers the full spectrum of financial services sector. Besides the domestic Slovenian market it is present in Croatia and Serbia. NKBM's subsidiaries and associated companies served as a platform for business diversification and international expansion.

Besides the core banking business NKBM Group is exposed to various segments within the financial sector through cooperation or direct ownership in Slovenia as well as abroad. The Company is now in the process of divesting non-core activities and reviewing other operations. The activities include:

Banking
1. Nova KBM (Slovenia)
2. Poštna Banka Slovenije (Slovenia)
3. Adria Bank (Austria)
4. Credy Banka (Serbia)

Insurance
1. Zavarovalnica Maribor (Slovenia)

Fund Management
2. KBM Infond (Slovenia)
3. Moja nalozba (Slovenia)

Leasing subsidiaries
1. KBM Leasing (Slovenia)
2. Gorica Leasing (Slovenia)
3. KBM Leasing Hrvatska (Croatia)

Real Estate Subsidiaries
1. KBM Fineko (Slovenia)
2. KBM Invest (Slovenia)
3. KBM Projekt (Croatia)

Mobile Payment
1. M-Pay

Poštna Banka Slovenije d.d. / Bančna Skupina Nove KBM .d.d (PBS)

Established in 1991 and part of NKBM since 2004, PBS is an independent bank operating mainly through post office branches across Slovenia.
Product and service offering includes:

- Deposit accounts

- Retail and Corporate Loans

- Payment Instruments

- Domestic & International foreign exchange transactions

In 2004 NKBM started offering its payment services at post offices (deposits, withdrawals, insights). Since 2010 three new products were added to this offer: opening of an account, loan "Kredit takoj" (up to € 3,000) and time deposits (highest in the amount of € 20,000). Currently PBS operates via 528 post office locations, four branches located in the cities of Koper, Kranj, Celje and Murska Sobota, two commercial centres in Ljubljana and Maribor as well as 23 ATMs across Slovenia. PBS focuses on retail customers without access to traditional branches and/or are used to executing banking transactions through post offices. As of year 2011 PBS's customer base included 202,250 retail customers as well as corporate banking customers primarily being SMEs and local municipalities.

Primary focus is on domestic payments conducted through own post office outlets (PBS processes ca. 50% of all payment orders of the Slovenian banking sector made via post office counters). In 2011, PBS processed 28.9mn payment orders (bill payments and BN02 payment orders included) equaling € 2.1bn. On top of that PBS executes cash payments for the National Pension Institute, General Tax Service and the National Lottery.

In €	2010	2011	1H 2012[(1)]	2012F
Total Assets	818.5	826.0	815.3	841.7
Total Equity	44.0	45.4	47.3	49.4
Net Profit	5.1	2.5	1.7	3.4
ROAE after tax (%)	12.2%	5.5%	7.5%	n.m.
Total deposits (of the non-banking sector)	623.0	623.0	612.7	645.0
Total loans (to the non-banking sector)	433.5	440.0	432.7	460.4
Loans to deposits	69.6%	70.6%	70.6%	71.4%

(1) ROAE annualized

Despite the economic downturn and net impairment losses putting a drag on the bottom line, PBS managed to stay profitable throughout 2011, with last year result being better than those reported by the banking system as a whole. PBS stayed profitable also throughout first half year of 2012 with profits reaching € 1.7mn. Net interest income rose by 1% compared to the previous year and equaled € 24.9mn (+1.0% year on year vs. 2010), whereas net fee commission income declined by 4% to € 8.7mn, caused by a decrease in the volume and value of payment transactions made in cash at post offices and an increase in fees charged by Posta Slovenije.

In 2011 total assets of PBS amounted to € 826mn (+0.9% year on year vs. 2010). On the funding side financial liabilities to the central bank, increased by € 45mn, offset by a decrease of € 36.9 in deposits and loans from banks and a decline of € 4.1mn in debt securities.

Adria Bank AG

Adria Bank founded in 1980 is a fully licensed Austrian bank and part of NKBM group since 2001. NKBM's stake in Adria Bank AG equals 50.54% while the remaining 49.46% of shares are held by NLB with 28.46% and Beogradska banka a.d. with 21.00%.

Main Activities of Adria Bank AG include:

- Trade finance
- Corporate banking
- Lending operations
- Documentary and guarantee business
- Foreign exchange and money market operations

Adria Bank's primary geographical focus is set on Slovenia and Croatia, however the coverage includes also Czech Republic, Hungary, Serbia, Montenegro, Macedonia, Russia, Belarus and Ukraine.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	231.7	229.8	217.7	221.0
Total Equity (€ mn)	38.9	36.4	36.7	37.9
Net Profit (€ mn)	2.3	(1.0)	1.2	2.4
ROAE after tax (%)	6.0%	(0.3%)	6.9%	n.m.

(1) ROAE annualized

As of first half year 2012 total assets amounted to € 217.7 (-5.3% vs. year 2011). Net loans and advances to banks reached € 35.1mn, whereas loans to customers stood at € 154.4mn (vs. € 151.9 as of year 2011). On the funding side Adria Bank held deposits from banks in the amount of € 165.6 in first half year of 2012.

The bank managed to return to profitability with net profit of € 1.2mn as of first half year of 2012. Net interest income reached € 4.6mn and net fee and commission income amounted to € 0.6mn for the same period. The interest margin, calculated on the average total assets was 4.2%.

Credy banka a.d.

Serbian Credy banka is a fully licensed bank, which exists in its current form since 1991. It is listed on the Belgrade Stock Exchange.

In 2010 NKBM acquired 55.1% in Credy Banka and further built up the stake to currently 76.64% following a capital increase. As per shareholders' agreement, the Serbian Government owns a put option to sell its shareholding at the higher of price paid by NKBM increased by 10% p.a (capped by a ceiling of 20%) after three years of NKBM's initial acquisition, or market price.

Credy banka's key geographical focus is central Serbia with 56 branches in that region. In accordance with the Group's strategy, the bank intends to expand and cover the whole Serbian market. Product offering focuses on loans to corporate clients.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	101.7	128.5	124.3	143.8
Total Equity (€ mn)	19.7	25.7	22.7	24.9
Net Profit (€ mn)	(8.1)	0.3	0.1	0.1
ROAE after tax (%)	(54.5%)	1.2%	0.5%	n.m.

(1) ROAE annualized

In 2011 total assets of Credy banka rose ca. € 26.9mn (+26.4% year on year vs. 2010), while total equity increased by ca. € 6mn (+30% year on year vs. 2010). The financial liabilities in 2011 totaled € 100.6mn of which € 5mn related to subordinate liabilities and € 95.5 to customer deposits (+27.8% year on year vs. 2010). On the asset side loans and advances amounted € 89.9mn in 2011 an increase of € 22.6mn compared to 2010.

In 2011 the bank reported a net profit of € 282thsd following a loss of € 8.1mn in the previous year (largely caused by one-off redundancy benefits paid to former employees discharged during an initiative to streamline Credy banka's branch network).

The operational performance increased mainly due to a rise in the volume of loans and the number of customers as well as diverse cost cutting measures. In 2011 NKBM invested additional capital of € 5mn into Credy banka.

Moja naložba, pokojninska družba, d.d.

Moja naložba is one of eleven pension insurance companies operating in Slovenia and is incorporated as joint-stock company under the Pension and Disability Insurance Act as well as the Insurance Act.
The main activities include:

- Collecting voluntary supplementary pension insurance premiums and administration of personal accounts
- Managing the assets of the pension company
- Paying of annuities
- Managing closed and mutual pension funds

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	125.5	135.0	138.5	132.1
Total Equity (€ mn)	6.3	6.4	6.8	7.5
Net Profit (€ mn)	0.8	0.4	0.4	0.7
ROAE after tax (%)	14.0%	6.3%	13.1%	n.m.

(1) ROAE annualized

KBM Infond d.o.o.

KBM Infond is the fund management subsidiary of NKBM established in 1993. Core focus is the management of mutual funds among others the Infond Umbrella Fund with nine sub-funds and the Krekov Umbrella Fund with six sub-funds. The mutual funds managed by the company include:

- Infond Global, a flexible portfolio fund
- Infond Dynamic, an equity mutual fund
- Infond Umbrella Fund with seven equity sub-funds, one bond sub-fund and one balanced sub-fund
- Krekov Umbrella Fund with four equity sub-funds, one bond sub-fund and one mixed sub-fund

Combined NAV of the funds as of 2011 totaled to € 194.2mn

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	9.6	17.6	17.5	15.1
Total Equity (€ mn)	7.7	13.6	14.1	13.0
Net Profit (€ mn)	1.1	0.7	0.5	1.0
ROAE after tax (%)	12.0%	8.4%	7.7%	n.m.

(1) ROAE annualized

KBM Fineko d.o.o.

KBM Fineko was established in 1991 and is one of NKBM's real estate subsidiaries active in property development and related operations in Slovenia. KBM Fineko undertakes inter-related and integral services in the area of collection of claims under loans granted to individuals and SME's, real estate activity as well as service and advisory activities, which include capital investment management, financial and economic advice, as well as financial control over large investment projects financed by NKBM.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	4.0	5.6	3.9	3.5
Total Equity (€ mn)	2.1	2.4	2.8	2.7
Net Profit (€ mn)	0.2	0.3	0.4	0.4
ROAE after tax (%)	11.5%	12.7%	35.8%	n.m.

KBM Invest d.o.o.

Established in 1998 KBM Invest d.o.o., undertakes investment engineering services and the management of NKBM's large investments. Moreover the company is also active in the construction, maintenance and refurbishment of commercial buildings and business premises of the bank as well as in the construction of real estate for the market and real estate brokerage services.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	43.6	48.7	58.3	50.2
Total Equity (€ mn)	5.1	3.9	3.1	3.2
Net Profit (€ mn)	0.0	(1.2)	(0.8)	(0.6)
ROAE after tax (%)	0.5%	(26.1%)	(40.7%)	n.m.

(1) ROAE annualized

KBM Projekt d.o.o.

KBM Projekt d.o.o. was established in 1992 and conducts real estate operations, investment engineering, project financing as well as factoring.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	50.2	11.7	11.8	1.1
Total Equity (€ mn)	(11.6)	(11.3)	(7.5)	(7.7)
Net Profit (€ mn)	(9.8)	0.1	3.9	(0.2)
ROAE after tax (%)	n.m.*	n.m.*	n.m.*	n.m.*

*Not calculated due to negative average capital

(1) ROAE annualized

KBM Leasing d.o.o.

KBM Leasing was established in 1989 and offers finance leasing and operating leasing of moveable property and real estate in Slovenia.

In €	2010	2011	1H 2012(1)	2012F
Total Assets (€ mn)	130.7	148.3	143.5	145.2
Total Equity (€ mn)	4.0	0.3	0.2	0.1
Net Profit (€ mn)	3.4	6.7	(0.1)	(0.1)
ROAE after tax (%)	(60.1%)	(271.3%)	(45.3%)	n.m.

(1) ROAE annualized

Gorica Leasing d.o.o.

Established in 1998 Gorica Leasing offers finance leasing of:

- moveable property
- technological equipment
- gaming equipment and office equipment
- finance and operating leasing of Real Estate and
- investment leasing related to efficient use of energy

In €	2010	2011	1H 2012[(1)]	2012F
Total Assets (€ mn)	90.5	91.5	84.9	87.5
Total Equity (€ mn)	2.8	2.8	0.3	3.1
Net Profit (€ mn)	(1.3)	0.0	(2.6)	0.2
ROAE after tax (%)	(37.7%)	1.7%	(143.6%)	n.m.

(1) ROAE annualized

KBM Leasing Hrvatska d.o.o.

Established in 2006 KBM Leasing Hrvatska offers finance and operating leasing of real estate and equipment in Croatia.

In €	2010	2011	1H 2012[(1)]	2012F
Total Assets (€ mn)	43.0	47.5	45.1	55.0
Total Equity (€ mn)	(1.1)	0.5	(0.4)	1.6
Net Profit (€ mn)	(2.1)	(0.8)	(0.9)	0.1
ROAE after tax (%)	n.m.*	n.m.*	n.m.*	n.m.*

*Not calculated due to negative average capital

(1) ROAE annualized

M-Pay d.o.o.

Established in 2004 M-Pay d.o.o. acts as a coordinator of the developments of the Moneta system. Core business is to provide advisory services to owners and strategic partners.

In €	2010	2011	1H 2012[(1)]	2012F
Total Assets (€ mn)	0.2	0.2	0.2	0.2
Total Equity (€ mn)	0.2	0.2	0.2	0.2
Net Profit (€ mn)	0.0	0.0	0.0	0.0
ROAE after tax (%)	5.4%	7.3%	6.5%	n.m.

(1) ROAE annualized

Risk management

Impairments and Provisions

The NKBM Group creates impairments for on-balance sheet claims and provisions for off-balance sheet liabilities in accordance with IFRS and internal rules of the NKBM Group on creating impairments and provisions on a consolidated basis.

Financial assets and committed liabilities under off-balance sheet items may be impaired collectively or individually.

On each balance sheet date, the NKBM Group assesses whether there are objective criteria of impairment of a financial asset or a group of financial assets.

The NKBM Group assesses on individual basis whether there is objective evidence of impairment of individually significant financial assets or collectively insignificant financial assets exist. If impairment is not established for an individually significant financial asset, such asset is included in the group of similar financial assets and assessed collectively.

Table: Loan structure of the Group by rating class:

	1H20	YE201	YE201	YE200
Rating	% of			
A	52.7%	45.2%	48.9%	54.3%
B	18.2%	27.9%	27.4%	27.0%
C	13.8%	14.8%	11.6%	11.2%
D	3.5%	3.3%	5.4%	4.0%
E	11.8%	11.8%	6.7%	3.4%

The following table sets forth, for the periods indicated, exposure to credit risk and the allocation of the total loan impairments held by the NKBM Group:

€ '000	Loans to customers			Loans to banks		
	YE2011	YE2010	YE2009	YE2011	YE2010	YE2009
Net disbursed loans	3,844,085	4,034,927	3,844,138	177,420	246,360	211,764
Individual impairment:						
Gross amount	1,060,635	772,661	612,337	37,926	38,218	25,097
Impairment	-341,592	-201,237	-128,240	-3,429	-3,865	-2,364
Net amount	719,043	571,424	484,097	34,497	34,353	22,733
Collective impairment:						
Credit rating A	1,669,190	1,737,518	2,012,614	0	0	0
Credit rating B	1,050,560	1,215,869	1,050,830	0	0	0
Credit rating C	337,034	362,694	238,427	0	0	0
Credit rating D	25,815	30,390	30,645	0	0	0
Credit rating E	42,677	44,286	44,554	0	0	0
Gross amount	3,125,276	3,390,757	3,377,070	0	0	0
Impairment	-101,729	-126,511	-147,283	0	0	0
Net amount	3,023,547	3,264,246	3,229,787	0	0	0
Net non-impaired loans	101,495	199,257	130,254	142,923	212,007	189,031
Total net loans	3,844,085	4,034,927	3,844,138	177,420	246,360	211,764

The impairments coverage reached 8.97% as of 30 June 2012, representing an increase of 1.03% as compared to end year 2011.

As of first half of year 2012, the bank had 29.05% of bad loans (C,D,E rating), representing an increase of 3.31% as compared end year 2011, due to reclassification of the customers. The impairments coverage of these loans amounts to 29.61% as of 30 June 2012.

The coverage of loans rated C, D and E with total impairments amounting to 90.89%, shows an increase of 0.05% as compared to end year 2011.

Furthermore, NKBM had 15.22% of loans rated D and E, which is significantly higher (3.17%) as compared to end year 2011. The coverage of these loans with impairments amounts to 43.36%.

As of 30 June 2012, NKBM had impairments with a total value of € 424.3mn, which is an increase of € 64.1mn, as compared to end year 2011.

Exposure

As of 30 June 2012, the exposure of NKBM amounts to € 5.562,3mn, representing a decrease of €43.4mn as compared to end year 2011.

The largest part of the reduction of exposure is attributed to exposure to non-financial corporations (€68.1mn), and households (€ 37.6mn). Exposure to financial corporations has increased by € 56.9mn in first half of year 2012.

The ten largest exposures include the following companies:

Top 10 Exposures – 1H2012 (inc. Banks)		
Rank	**Client**	**Exposure in € '000**
1	Republic of Slovenia	437,134
2	Bank of Slovenia	135,174
3	KBM Leasing	99,657
4	Adria Bank AG Wien	79,605
5	Gorica Leasing	74,235
6	Mercator	63,600
7	DARS	60,899
8	KBM Invest	59,606
9	NLB	56,493
10	Primorje d.d.	49,441
	TOTAL	**1,115,844**

Top 10 Exposures – 1H2012 (Excl. Banks)		
Rank	**Client**	**Exposure in € '000**
1	Republic of Slovenia	437,134
2	KBM Leasing	99,657
3	Gorica Leasing	74,235
4	Mercator	63,600
5	DARS	60,899
6	KBM Invest	59,606
7	Primorje d.d.	49,441
8	HIT	44,649
9	KBM Leasing Hrvatska	39,213
10	MTB d.o.o. (In Bankrupcy Procedures)	36,862
	TOTAL	**965,296**

Loan Recovery

„Doubtful claims" are claims classified in the C rating category. Clients are classified in this category if:

- they are more than 90 days late in paying a significant amount due;
- there is a substantial likelihood that clients' future cash flows will not cover their liabilities;
- NKBM has negative information on their performance; and/or
- their financial statements disclose negative capital.

A loan is considered “at risk” when payment is overdue for 90 days or following a critical event, such as the declaration of bankruptcy. The Loan Recovery Department is responsible for monitoring and recovering outstanding loans in accordance with legal and regulatory requirements. „At risk“ loans are initially handled at the branch level, with coordination and assistance by the Loan Recovery Department, as needed. When payments are overdue for more than 180 days, "at risk" loans are transferred to the Loan Recovery Department. The Loan Recovery Department evaluates all available information, particularly collateral coverage and the expected amount which is recoverable. The Loan Recovery Department also evaluates the underlying reasons for default to prevent future loans from becoming at risk loans. The Loan Recovery Department then contacts the borrower to discuss the options for restructuring the loan by rescheduling interest payments and extending the term of the loan in order to restore the borrower’s ability to resume interest payments, or repay the loan, or by trying to obtain additional security. If the loan is restructured, the Loan Recovery Department also continues to monitor the borrower’s compliance with the terms of the restructured loan.

Legal proceedings against the borrower and/or the borrower’s guarantors take place in case the loan cannot be restructured. Such legal action may result in the borrower’s bankruptcy or financial restructuring. NKBM has, in general, been successful in obtaining partial repayment of loans through bankruptcy/legal proceedings. Occasionally, additional measures are taken to recover some or all of the borrowed funds, e.g. selling the NKBM’s rights to the loan to third parties.

In case all necessary and sufficient measures provided by law and internal regulations to recover the loan have been utilized without sufficient result, the loans are written off. Write-offs must be approved according to internal regulations at different levels: the Executive Directors, the Management Board and the Supervisory Board, based on the size of the write-off needed.

Non – Performing Loans

Non-Performing Loans (NPL) are exposures to clients, which have reclassified as D and E rated. According to the NKBM methodology, clients are classified in these rating categories if:

- they have been more than 180 days late in paying their liabilities;
- they are under compulsory settlement or compulsory settlement has been confirmed;
- they are undergoing bankruptcy proceedings; and/or
- the NKBM Group has information which indicates that they may be incapable of paying their liabilities.

The following table sets forth overdue unpaid claims as of year-end 2011:

€ '000	YE				
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	Over 90 days	Total
Banks	2	0	0	3,065	**3,067**
State	311	0	0	3	**314**
Legal entities	28,730	9,501	19,425	549,624	**607,280**
Households	6,509	951	707	37,226	**45,393**
Total	35,552	10,452	20,132	589,918	**656,054**

Analysis of NPLs by Industry Sector

The following table sets forth, for the periods indicated, the NKBM Group’s NPLs, by borrowers’ industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. The following table presents bad loans by sector:

€ '000	2010			2011			1H 2012		
	Total loans	NPLs	Share of NPLs	Total loans	NPLs	Share of NPLs	Total loans	NPLs	Share of NPLs
Private citizens	1,104,259	26,043	2.4%	1,094,298	35,142	3.2%	1,040,340	25,932	2.5%

Agriculture, forestry and fishing	26,005	2,865	11.0%	30,620	3,713	12.1%	42,089	4,131	9.8%
Mining	5,126	1,728	33.7%	5,762	3,601	62.5%	5,074	3,514	69.3%
Manufacturing	890,903	156,592	17.6%	895,378	180,844	20.2%	882,286	203,195	23.0%
Electricity, gas, steam and air conditioning supply	71,503	0	0.00%	93,789	0	0.0%	96,024	0	0.0%
Water supply, Sewerage, waste management and remediation activities	11,921	483	4.1%	14,284	926	6.5%	14,798	2,996	20.3%
Construction	507,507	144,121	28.4%	501,126	184,056	36.7%	493,838	259,030	52.5%
Trade, maintenance and repair of motor vehicles	564,482	111,002	19.7%	510,873	65,906	12.9%	491,863	76,338	15.5%
Transportation and storage	93,405	4,236	4.5%	91,767	13,826	15.1%	89,144	13,518	15.2%
Accommodation and food service activities	141,682	13,052	9.2%	155,786	24,413	15.7%	154,797	31,010	20.0%
Information and communication	65,384	4,957	7.6%	67,243	33,577	49.9%	88,322	39,287	44.5%
Financial and insurance activities	607,017	21,256	3.5%	505,203	50,644	10.0%	547,199	68,157	12.5%
Real estate activities	126,787	22,252	17.6%	133,427	26,470	19.8%	139,935	59,594	42.6%
Professional, scientific and technical activities	195,631	37,546	19.2%	194,109	39,919	20.6%	189,571	46,115	24.3%
Administrative and support service activities	22,540	4,258	18.9%	20,338	4,878	24.0%	18,324	5,028	27.4%
Public administration and defense	35,394	0	0.0%	24,217	234	1.0%	22,425	237	1.1%
Education	5,442	308	5.7%	8,138	275	3.4%	5,629	405	7.2%
Health and social work	29,359	67	0.3%	30,926	70	0.2%	34,008	76	0.2%
Arts, Entertainment and recreation	85,256	3,440	4.0%	77,259	3,723	4.8%	74,564	3,830	5.1%
Other service activities	23,297	2,278	9.8%	13,712	1,072	7.8%	19,866	2,347	11.8%
Total	4,612,900	556,484	12.1%	4,468,255	673,289	15.1%	4,450,096	844,740	19.0%

Liquidity Risk

Liquidity risk is the risk of loss resulting from the Bank's inability to meet all of its payment obligations, or the risk that it has to provide necessary funding at significantly higher than usual costs. It arises from maturity mismatches between assets and liabilities.

Liquidity risk management is an integral part of the Bank's prudent and secure operations. Liquidity risk management in the Bank is applied separately to both operational liquidity and structural liquidity. The Bank manages its operational liquidity in such a way that it ensures the daily settlement of all liabilities that are due, and compliance with regulations relating to the provision of liquidity and obligatory reserves. Structural liquidity risk is measured by calculating and analysing the net liquidity gap, the liquidity ratios, net liquid assets, and the average residual maturity of assets and liabilities.

The Bank's own methodologies for identifying, measuring, managing and monitoring liquidity risk are applied at the Group level. These methodologies enable the matching of actual and potential liquidity sources with the actual and potential use of liquid assets within the same time periods.

The Bank’s principal objectives with respect to liquidity risk management are as follows:

- continuous provision of liquidity
- daily settlement of all on- and off-balance sheet liabilities that are due, across all currencies
- compliance with all regulatory requirements
- setting up liquidity risk limits which are regularly monitored and controlled
- setting up and managing an adequate pool of assets used for collateralising claims of the central bank
- efficient management of daily liquidity surpluses and the creation of an adequate liquidity reserve
- controlling the liquidity gap.

The Bank regularly carries out various liquidity management scenarios, adopts measures to reduce liquidity risk, and controls the adequacy and accuracy of assumptions used in the scenarios. Based on the results of adverse scenarios, the Bank has determined the necessary level of liquidity reserves to be used in the periods of most difficult and emergency liquidity positions. During 2011, the Bank managed liquidity risk in accordance with the adopted policy and methodologies approved by the ALCO. It fully complied with the regulations on minimum requirements concerning liquidity position, which prescribe as obligatory the category one liquidity ratio (up to 30 days), while the category two ratio (up to 180 days) is only of an informative nature. The prescribed liquidity ratio is set at 1.0. The ALCO reviews regular reports on the diversification of funding and on the results of the dynamic liquidity gap analysis. The latter takes into consideration the time component of cash flows and is used for the early detection of negative moments in the anticipated liquidity position. The main cash flows are assessed on the basis of a statistical analysis of time series data on liquidity items.

The following table presents the contractual maturity of the principal components of the NKBM Group’s balance sheet and liquidity position as at 30 June 2012:

EUR '000	Total Up to	1 to months	3 to 12 months	1 to 5 years	Over 5 years	EUR '000
Assets						
Cash and balances with the central bank	223,852	223,852	0	0	0	0
Financial assets held for trading	1,932	1,932	0	0	0	0
Financial assets at FVtPl	32,491	31,957	534	0	0	0
Available-for-sale financial assets	564,429	564,429	0	0	0	0
Loans and advances	3,957,030	1,033,594	252,361	779,127	1,205,475	686,473
Held-to-maturity financial assets	52,318	55,496	10,594	191,181	233,493	32,416
Other assets*	446,913	91,039	9,584	1,716	117,139	211,991
Total assets	5,749,827	2,002,299	273,073	987,468	1,556,107	93,088
Liabilities						
Financial liabilities due to the central bank	486,293	5	6,004	0	475,289	0
Financial liabilities held for trading	991	991	0	0	0	0
Financial liabilities measured at amortised cost	4,770,548	1,908,093	504,593	1,278,483	88,467	194,709
Financial liabilities associated to transferred assets	2,113	2,113	0	0	0	0
Other liabilities*	470,865	21,106	4,093	19,038	18,397	408,231
Total liabilities	5,749,827	1,956,320	51,469	1,297,521	1,378,356	60,294
Assets-liabilities mismatch	0	45,979	-241,617	-310,053	177,751	32,794
Guarantees	316,924	39,648	31,063	100,384	94,402	51,427

Liquidity Risk

Liquidity risk arises from maturity mismatches between assets and liabilities. The Group companies monitor daily liquidity in accordance with regulatory requirements and methodologies, taking into account their activities and the volume of operations. In its liquidity projections, the Bank takes into account liquidity needs of Group companies. The Group uses a harmonised method for monitoring structural liquidity. In the period from 1 January to 31 December 2011, the Group managed liquidity risk in accordance with its Policy of Managing Liquidity Risk in the NKBM Group which sets out the methods and responsibilities for managing assets and liabilities to provide for sufficient cash inflows within a certain period of time. The Policy sets out the measures for assessing, measuring, managing and controlling liquidity risk. It includes liquidity planning for the timely repayment of obligations, measures to be adopted under adverse liquidity conditions, and procedures for checking variables on the basis of which the policy of managing liquidity risk has been formulated.

The Group companies have prepared business continuity plans for managing liquidity risk that set out appropriate measures for early detection of crisis situations as well as adequate steps for restoring a normal liquidity position. The Group carries out, on a monthly basis, liquidity stress scenarios in compliance with the Methodology for Implementing Stress Scenarios of Liquidity Risk in the NKBM Group. The results of stress tests are used for the purpose of assessing negative effects of potentially critical events on the Group's liquidity position, and for preparing measures to mitigate the liquidity risk.

Net liquid assets

The Group uses an internal methodology for determining net liquid assets, which represent the difference between the portion of assets that can be converted to liquid funds within a short period of time and the unstable portion of liabilities. The unstable portion of liabilities is the portion of the Group's liabilities that may become due in the same short period of time. According to the internal regulation, at least a positive amount of net liquid assets must be maintained for the Group's operational and regulatory liquidity.

Liquidity gap

The liquidity gap, which is regularly controlled and thoroughly analysed by individual time buckets, is a measure of the level of maturity matching of assets and liabilities. The Group cannot avoid the liquidity gap, but can manage it effectively. A positive gap represents the surplus of funds that can be invested profitably. On the other hand, a negative gap is a sign of a shortage of funds that need to be provided for.

The following table presents the contractual maturity of the principal components of the NKBM Group's balance sheet and liquidity position as at 31 December 2011:

€ '000	Total	Up to 1 month	1 to months	3 to 12 months	1 to 5 years	Over 5 years
Assets						
Cash and balances with the central bank	147,373	147,332	0	0	0	0
Financial assets held for trading	8,741	8,741	0	0	0	0
Financial assets at FVtPl	38,475	0	27,161	11,314	0	0
Available-for-sale financial assets	699,603	699,603	0	0	0	0
Loans and advances	4,021,505	840,296	231,016	926,402	1,287,563	736,228
Held-to-maturity financial assets	449,605	3,975	10,599	39,408	360,226	35,397
Other assets	450,895	104,639	18,812	27,947	99,612	199,885
Total assets	5,816,197	1,804,586	287,588	1,005,071	1,747,401	971,551
Liabilities						
Financial liabilities due to the central bank	415,478	0	70,382	0	345,096	0
Financial liabilities held for trading	2,486	2,486	0	0	0	0
Financial liabilities measured at amortised cost	4,857,565	1,901,922	585,705	1,151,987	1,050,202	167,749
Financial liabilities associated to transferred assets	8,022	8,022	0	0	0	0
Other liabilities	532,646	57,491	8,109	14,053	17,243	435,750
Total liabilities	5,816,197	1,969,921	664,196	1,166,040	1,412,541	603,499
Assets-liabilities mismatch	0	(165,335)	(376,608)	(160,969)	334,860	368,052
Guarantees	349,962	28,534	37,416	119,246	110,947	53,819

Asset and Liability Management
Maturity Profile

When conducting an analysis of the average maturity of assets and liabilities it should be noted that it is difficult to unambiguously determine maturity for certain items in the balance sheet. For this reason the average maturity is calculated only for items with known maturity.

As of first half year of 2012 the average maturity of the assets was 2.20 years and for liabilities 1.17 years for the same period. Based on that the maturity gap has decreased when compared to the previous month.

The analysis of the maturity structure of assets indicates that 29% of assets have a maturity of less than a month, 14% between one and six months and 48% of over one year.

The liabilities with maturity of less than one month account for 29% of the portfolio, between one and 6 months for 18% and 53% for the rest.

Market Risk

The Group monitors market risks of trading book and markets risks of banking book separately. The method of monitoring and reporting as well as of limiting exposure to market risks is set out in respective risk management policies. The Group companies monitor market risks in compliance with regulatory requirements and methodologies, taking into account their activities and the volume of operations.

Position Risk

Position risk is a risk of loss arising due to a change in the price of financial instrument that the Group holds in its portfolio for the purpose of trading on its proprietary account. The trading limit methodology is based on the value-at-risk (VaR) measure and is compliant with Basel requirements: 99% one-sided confidence interval, a 10-day retention period and the calculation of volatility based on 250 days of data. The basis for establishing trading limits is the capital requirement set out in the financial plan. The Group measures the market value of all trading items on a daily basis. The volume of transactions by specific type of financial instruments is defined in detail by the methodology for establishing limits.

The Group monitors VaR of trading portfolios on a daily basis. The value-at-risk of the Group's aggregate trading portfolios for the year 2011 demonstrates with a 99% probability that, by holding the unchanged position in securities, a portfolio loss over the 10 consecutive working days would not exceed €339,000.

The following table shows the 10 day value at risk, for the recent three years:

10 Day VaR (in € '000)	2011	2010	2009
Highest	339	3,274	1,925
Lowest	111	147	523
Average	174	1,143	1,033

Minimum reserves

NKBM is subject to the Eurosystem's minimum reserve system which applies to all credit institutions in the Euro area and primarily pursues the aims of stabilising money market interest rates and creating or enlarging a structural liquidity shortage. The reserve requirements of each institution are determined in relation to elements of its balance sheet. The basis for calculation of minimum reserves is 2% of the balance of deposits of clients other than banks and issued securities with maturity of up to two years, as on the last day of the current month. In order to pursue the aim of stabilising interest rates, the Eurosystem's minimum reserve system enables institutions to make use of averaging provisions. Compliance with the reserve requirements is determined on the basis of the institution's average daily reserve holdings over the maintenance period. Institutional holdings of required reserves are remunerated at the rate of the Eurosystem's main refinancing operations.

Concentration of Depositors

An important element of liquidity risk management is the diversification of deposits with regard to size and maturity. As part of its liquidity planning, NKBM monitors the concentration of depositors. The share of total deposits of the thirty largest depositors was 22.6%. as at 31 December 2008, compared to 22.2% as at 31 December 2009 and to 21.8% as at 31 December 2010, whereas the thirty largest depositors in year 2011 contributed to 22.9%, in first half year of 2012 contributed to 22.3%.

Interest Rate Risk

Interest rate risk is the risk of losses arising due to changes in interest rates or the structure of interest rates for maturity mismatches of interest-bearing assets and liabilities with regard to interest rate re-pricing and the method of charging interest.

Interest rate risk management of trading book items is included in the methodology for establishing trading limits. Interest rate risk management of non-trading book items is carried out using an interest rate matching methodology.

The Group monitors interest-bearing statement of financial position items and off-balance sheet items with regard to maturity of variable interest rate items, separated by the key currencies and reference interest rates in which it operates.

The Group calculates, on a quarterly basis, the results of the standardised stress test for interest rate risk as the impact of a parallel shift in interest rate curve on its equity and net interest income in a period of one year.

The table below shows the decline in the fair value of the debt securities portfolio in case of a parallel rise of the interest rate curve by 200 basis points. A change in fair value is reflected in equity. Data as of 31 December 2011:

€ '000	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
EUR	(43)	(614)	(1,177)	(31,628)	(12,616)	(46,078)
USD	0	0	0	0	0	0
RSD	(4)	0	0	0	0	0
Total	(47)	(614)	(1,177)	(31,628)	(12,616)	(46,082)

The table below shows the distribution of interest sensitive items, by period gaps, depending on the time of re-determination of interest rate, as of 30 June 2012:

€ '000	Total	Non-interest-bearing	Interest-bearing	Up to 1 month	1 to months	3 to 12 months	1 to 5 years	Over 5 years
Cash and balances with the central bank	223,852	72,696	151,156	151,156	0	0	0	0
Financial assets held for trading	1,932	1,932	0	0	0	0	0	0
Financial assets FVtPL	32,491	32,491	0	0	0	0	0	0
Available-for-sale financial assets	564,429	85,351	479,078	53,521	76,074	10,144	270,959	68,380
Loans and advances	3,957,030	182,695	3,774,335	1,609,460	811,168	1,228,540	105,100	20,067
Held-to-maturity financial	523,180	2,335	520,845	55,667	9,970	188,047	235,628	31,533
Other assets	167,654	167,091	563	563	0	0	0	0
Total assets	5,470,568	544,591	4,925,977	1,870,367	897,212	1,426,731	611,687	119,980
Financial liabilities held for trading	486,293	240	486,053	13,043	6,003	0	467,007	0
Financial liabilities due to Central Bank	991	281	710	710	0	0	0	0
Financial liabilities measured at amortised cost	4,770,548	27,786	4,742,762	2,062,267	519,281	1,658,458	500,429	2,327
Financial liabilities associated to transferred assets	21,130	0	21,130	21,130	0	0	0	0
Other liabilities	18,461	18,262	199	199	0	0	0	0
Total liabilities	5,297,423	46,569	5,250,854	2,097,349	525,284	1,658,458	967,436	2,327
Assets-liabilities mismatch	173,145	498,022	(324,877)	(226,982)	371,928	(231,727)	(355,749)	117,653

Currency Risk

NKBM maintains a daily aggregate closed foreign position. The aggregate open position for all individual currencies is limited by its impact on NKBM's capital adequacy ratio.

The methodology for monitoring and maintaining a balanced foreign currency position is based on the VaR method in compliance with Basel II requirements. The maximum allowable VaR is established at the individual currency level just as for the entire currency portfolio. The open foreign currency position is monitored daily by the Risk Management Department which, in addition to NKBM's open position, calculates the daily result due to discrepancies in the foreign currency position.

The following table presents the NKBM Group's risk exposure for each currency as at 30 June 2012:

	EUR	USD	CHF	HRK	Other currencies	Total
Cash and balances with the central bank	209,883	629	1,677	2,391	9,272	223,852
Financial assets held for trading	1,808	0	0	0	124	1,932
Financial assets FVtPL	32,491	0	0	0	0	32,491
Available-for-sale financial assets	563,313	0	0	1,062	54	564,429
Loans and advances	3,690,051	54,177	122,522	49,169	41,111	3,957,030
Held-to-maturity financial	520,070	0	0	0	3,110	523,180
Other assets	429,440	10	0	5,531	11,932	446,913
Total assets	**5,447,056**	**54,816**	**124,199**	**58,153**	**65,603**	**5,749,827**
Financial liabilities due to Central Bank	486,293	0	0	0	0	486,293
Financial liabilities held for trading	991	0	0	0	0	991
Financial liabilities measured at amortised cost	4,643,846	54,658	26,164	284	45,596	4,770,548
Financial liabilities associated to transferred assets	21,130	0	0	0	0	21,130
Other liabilities	492,976	1	0	(16,370)	(5,742)	470,865
Total liabilities	**5,645,236**	**54,659**	**26,164**	**(16,086)**	**39,854**	**5,749,827**
Assets-liabilities mismatch	(198,180)	157	98,035	74,239	25,749	0
Derivatives	98,066	0	(97,922)	0	0	144
Assets-liabilities mismatch	**(100,114)**	**157**	**113**	**74,239**	**25,749**	**144**

Operational Risk

NKBM annually revises the risk profile of the group. For each group of risks a director is assigned and individually responsible for establishing and periodically reviewing policy of identifying, measuring and controlling of all aspects of the risk. NKBM considers risks as an identified threat evaluated through probability of occurrence and estimate of impact. A risk registry is established and all threats are annually evaluated. Risk profile of the NKBM group is annually presented to the management and supervisory board.

With the goal of making each employee aware of the importance of monitoring operational risk, a designated operational risk management analyst moderates a periodical self-analysis of risks within an organisational unit. Results in the form of identification and evaluation of threats are presented to the management board and are the basis for improving risk mitigation.

NKBM daily collects operational risk events, which represent financial consequences for the bank. An operational risk management analyst reports to the risk management director on a monthly basis, to the executive director on a quarterly basis and to the management board on a semi-annually basis.

NKBM periodically revises its recovery plan. It determines the maximum downtime of necessary IT resources for each process and establishes the backup plans accordingly.

Capital Risk

Capital risk arises from inadequate size of capital, inadequate structure of capital with regard to the volume and method of conducting business, or from difficulties in acquiring new capital. The Group has set up appropriate procedures and mechanisms to ensure adequate structure and size of its capital.

The Group manages its capital by:

- controlling current and projected capital requirements for credit, market and operational risks
- regularly controlling available capital and adopting measures to raise additional capital in the form of subordinated instruments if needs arise

- controlling movements in its capital adequacy ratio.

For the purpose of capital risk management, the Group monitors current and anticipated capital needs and capital requirements as well as the movements in the capital adequacy ratio, in accordance with the legislation and internal methodology.

The capital adequacy ratio requirement is set at 8%. In the period from 1 January to 31 December 2011, the Group fully complied with this regulatory requirement.

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

The Group calculates capital requirements for market risks in accordance with the applicable regulations and does not use internal models for the time being. The capital requirement for operational risk is calculated according to the basic indicator approach.

For assessing adequate internal capital of the Group, the same methodology is used as for the Bank.

NKBM business – Corporate banking

Overview of Corporate Banking

In line with the strategy of being a commercial Bank, NKBM client base remains slightly skewed towards corporate customers in terms of assets. The Bank currently serves 12,162 corporate clients. As of first half year of 2012 the total volume of net corporate loans amounted to € 2,557mn.

NKBM's corporate clients are predominantly SME's and micro enterprises followed by large corporates, as well as other corporate clients (e.g. state, other financial organisations, foreign customers, customers not classified by market segment). Target clients operate in the non-banking sector especially manufacturing and construction industry.

Client Segmentation

The clients are classified into groups in accordance with the Slovenian Companies Act:

SMEs (non-financial institutions) are companies which have:

- Fewer than 250 employees
- Revenues lower than € 29.2mn
- Year-end asset value of no more than € 14.6mn

Large Corporations are classified as such, if at least two of the three characteristics of SMEs are exceeded

Micro clients are non-banking companies meeting at least two of the following three criteria

- Fewer than ten employees
- Net sale revenues of less than € 2mn
- Year-end asset value of less than € 2mn

Other corporate customers

- State
- Other financial organisations
- Foreign customers
- Customers not classified by market segment

Product Offering

SMEs and large corporates are assigned to an individual customer relationship officer who ensures access to all of NKBMs products and services. Besides being the point of contact with the bank, the relationship officer also monitors the operations of the respective customer. The core product offering includes:

- Loans

- Deposits

- Non-funded products

- Payment cards

Loans

Corporate loans (including financial) account for 68.9% of net loans to customers and retail loans for the remaining 31.1%. The split is equal between large corporates and SME's and micro enterprises. Typical clients of NKBM are companies active in the manufacturing, trade, auto trade and construction sectors.

As of first half year of 2012 NKBM had a total of 12,162 corporate loan clients, mainly SMEs and micro enterprises (54.8% of total corporate loans). The total net volume of corporate loans reached € 2,557mn (-6.7%

year on year).

As of first half year of 2012 NKBM's loan book had highest exposure to manufacturing industry with 26.5%, financial with 16.3% and motor vehicles trade taking up a 14.9% share of the corporate net loan portfolio.

Deposits

NKBM's corporate client deposit offering includes short-term and long-term deposit accounts.

Short-term deposits include overnight deposits, deposits of up to 30 days and deposits with maturities in the range of one to twelve months. Interest rates are mainly fixed rates except for some short-term deposit accounts available at variable interest rates.

Long-term deposits made in Euros and in a limited number of foreign currencies, have maturities between one to five years. In addition to traditional long-term deposits NKBM offers certificates of deposit, which bear a maturity date and a specified interest rate.

The overall volume of deposits increased slightly in 2011 by 1.0% year on year reaching € 1,349mn. In terms of deposit structure, over 42.3% of funds classified as corporate deposits were provided by the state.

Non-funded Products

NKBM's non funded products are mostly standardised, however can be tailored to customer needs.

The products include mainly guarantees and assumed liabilities, provided for trade finance purposes. Guarantees are issued in domestic and foreign currencies and are available to residents as well as non- residents. On top of that NKBM provides cash management services to corporate customers. As of 31 December 2011 financial payment guarantees represented € 105.8mn (34%) of all guarantees outstanding, the remainder being service guarantees, performance bonds and guarantees for warranty obligations.

Payment Cards

NKBM offers corporate clients charge cards branded by Activa, Master Card, and VISA as well as VISA Business Electron functioning as either charge or debit card. Currently 2,755 charge and 19,731 VISA Business Electron cards are used by corporate clients.

NKBM business – Retail banking

Overview of Retail Banking

NKBM is a full service retail bank, offering products and services through a wide distribution network across Slovenia. On top of that the bank uses its retail banking network for cross selling products offered by other members in the NKBM group of companies. Included in cross selling are KBM Infond mutual funds, Moja naložba pension funds and ZM insurance products.

Product Offering

The Bank offers a broad range of retail products tailored to its customers base including:

- Deposits
- Loans
- Various payment cards
- Mobile payment system
- Other Savings Products (ZA-TO!, Pension Savings, Housing Savings Account)

Deposits

As of first half year of 2012 the bank served 346,805 retail clients who had € 2,040.6mn (including current/demand deposits). In order to match the customer needs with a fitting product NKBM offers various types of deposits, including short-term deposits, savings books, long-term deposits, and other savings products

- **Short-term deposits** have varying interest rates, rising with the amount deposited and the duration until maturity. Maturity ranges offered are 8-14 days, 15-30 days, 31-90 days, 91-180 days and 181-365 days. Total value of the 24,841 short-term deposit accounts totaled to € 423.1mn (first half year of 2012)

- **Savings book accounts** (with notice of withdrawal) account for 81,359 deposits at NKBM with a volume of € 78.0mn.This type of account is a flexible savings account, allowing clients unlimited deposits with a one-, three, or twelve-month notice period required for withdrawals. Customers may also withdraw prior the dictated term of the account, however will be charged interest on the bridge loan taken

- **Long term deposits** are offered either in Euros or foreign currencies with maturities in the range of one to two years. Interest rates rise with the amount deposited and the length of maturity. Total number of registered long-term deposits at NKBM equaled 43,973 with a volume of € 720.3mn

- **ZA-TO! Savings** is one of NKBM's newer saving instruments. It allows clients to choose savings periods in the range of six months to a year. The minimum amount of monthly savings is fixed and as per the end of the saving period, the saved amount is available to the client

- **Pension Savings** offer saving terms in the range of three to thirty years. As soon as the saving period expires the client starts receiving payments from his pension savings account. Total volume of pensions savings at NKBM amounted to € 19.9mn

- **Housing saving** accounts are long-term savings accounts with a maximum saving period of ten years. At expiration of the savings period the saved amount becomes available to the client

Loans

NKBM's loan offering includes a variety of short- and long-term loans with maturities ranging up to 25 years for individuals and 10 years for sole proprietors. As of 1H 2012 the total volume of more than € 1.1bn was spread among 76,996 outstanding retail loans. Product offering includes:

- **Consumer loans** were awarded to 51,513 customers in first half year of 2012. On top of that, 90,950 personal accounts were authorised for overdrafts with a total value of € 71.3mn. Consumer loans and overdrafts amounted to € 315.5mn as per first half year of 2012. More than 90% of loans in this category have maturities of up to 90 days. Consumer loans can be further subdivided into:

    - General use loans, covering the majority of individual consumer loans
    - Instant loans which rank among NKBM`s most popular general loan products. This all-purpose loan can be a short or long-term loan with a maximum maturity of five years and with a principal amount of up to € 21,000. Instant loans exclusively target current NKBM customers with current or demand accounts with the Group and steady salary inflows for at least the past three months. Key attractive features are a minimum approval fee and simple and quick scoring process. The loan bears a fixed interest rate in the range of 7.5% to 7.65% as of 2012.
    - Other individual consumer loans include bridge loans, car and student loans

- **Housing loans** provided to retail customers for purchasing residential property, renovations and acquisition of building plots. This type of loan was awarded to 22,958 customers with a value of € 584.4mn. As of first half year of 2012 approximately 62.1% of home loans were secured by a lien on the borrowers' property, with the remaining 37.9% secured by other collateral (principally suretyship or charges over amounts on deposit)

- **Loans to Sole Proprietors** offer various types of short-term loans, bridge loans and long-term loans for investment funding. The 2,525 outstanding loans of this type and further 1,030 utilized overdrafts on accounts add up to a value of € 109.1mn.

Payment Cards

Total number of cards in use by either corporate or retail customers amounted to more than 401thsd last year, thus giving NKBM a market share of 12% in the domestic payment cards channel. Even higher was the growth of total transactions executed via payment cards (+6.6% year on year vs. 2010) equaling to more than 13.8mn in 2011. Brands cooperating with NKBM in the payment cards sector include reputable brands such as Maestro and VISA Business Electron for debit cards, Activa and Karanta for charge cards, as well as VISA and Master for credit cards. As of April 2011 NKBM became a principal member of Master Card and VISA.

TAXATION

The statements herein regarding taxation are based on the laws in force in Slovenia and the European Union as of the date of this Offering Circular and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of, the Bonds. Each prospective holder or beneficial owner of Bonds should consult its tax adviser as to the Slovenian, or the European Union tax consequences of any investment in, or ownership and disposition of, the Bonds.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to, or under certain circumstances collected to the benefit of, a beneficial owner (within the meaning of the Directive) resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or under certain circumstances collected to the benefit of, a beneficial owner (within the meaning of the Directive) resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or under certain circumstances collected to the benefit of, a beneficial owner (within the meaning of the Directive) resident in one of those territories.

On 13 November 2008 the European Commission published a detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive they may amend or broaden the scope of the requirements described above.

Taxation in Slovenia

The following is a general description of certain Slovenian tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of Bonds and any other person that may become entitled to receive (directly or indirectly) any payment in respect of the Bonds, should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Republic of Slovenia of acquiring, holding and disposing of Bonds and receiving payments of interest, principal and/or other amounts under the Bonds. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date

Corporate Investors

Interest on the Bonds received and/or capital gains earned on the sale or disposition of the Bonds, in each case by:

- a legal person resident for taxation purposes in the Republic of Slovenia; or
- a permanent establishment (*poslovna enota*) in the Republic Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia;

is subject to Slovenian Corporate Income Tax (*davek od dohodkov pravnih oseb*) as a part of the overall income of such legal person resident for taxation purposes in the Republic of Slovenia, or, as the case may be, a permanent establishment in the Republic of Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia.

No withholding tax is levied on payments under the Bonds to legal persons regardless of their residence for taxation purposes [provided that the Bonds are traded on an organized market or in a multilateral trading facility (MTF) in the EU or an OECD country].

Individuals

The amounts of interest on the Bonds received by an individual resident for tax purposes in Slovenia are generally subject to Slovenian Personal Income Tax (*dohodnina*) at the rate of 20 per cent. [Provided that the Bonds are traded on an organized market or in a multilateral trading facility (MTF) in the EU or an OECD country] there is no withholding tax on such interest; instead, residents are obliged to submit a return declaring such interest by the 15th day in the month for interest received in the previous three-month period. Such tax is the final tax imposed by Slovenia on interest derived by residents from the Bonds.

An individual who is not resident for taxation purposes in Slovenia is fully exempt from Slovenian tax on interest derived from the Bonds [provided that the Bonds are traded on an organized market or in a multilateral trading facility (MTF) in the EU or an OECD country].

The paying agent (as defined in the Slovenian Tax Procedure Act (*Zakon o davčnem postopku, Uradni list RS, No 117/2006, last amended in 97/2010)*) is required to report the payment of interest on the Bonds to the tax authorities in accordance with the provisions implementing the European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments.

Individuals are not liable to Slovenian Personal Income Tax on capital gains resulting from disposals of the Bonds.

SUBSCRIPTION AND SALE

General

The Issuer has not made any representation that any action will be taken in any jurisdiction by the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

GENERAL INFORMATION

1. Application has been made to the Vienna Stock Exchange for the Bonds to be admitted to the Vienna Stock Exchange, Third Market.

2. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Slovenia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by decisions of the Management Board (*uprava*) of the Issuer passed on 7 February 2012 and 7 November 2012 and of the Supervisory Board (*nadzorni svet*) of the Issuer passed on 29 February 2012.

3. The Bonds will be in dematerialized from and held with KDD with the following code and identification number.

   Common Code: KBM10

   International Securities Identification Number (ISIN): SI0022103301

4. Copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays except), for inspection at the office of the Issuer:

   (a) the articles of association (*statut*) of the Issuer;
   (b) the 2010 Financial Report of the Issuer,
   (c) the 2011 Financial Report of the Issuer;
   (d) the 2012 Half Year Financial Report of the Issuer;
   (e) a copy of this Offering Circular or further Offering Circular.

   This Offering Circular will be published on the website of the Issuer (*http://www.nkbm.si/investors*).

5. Ernst & Young d.o.o., have audited the Issuer's consolidated accounts for the years ended 31 December 2010 and 2011, without qualification, in accordance with professional standards applicable in Slovenia.

Registered Office of the Issuer

Nova Kreditna banka Maribor d.d.
Ulica Vita Kraigherja 4
2505 Maribor
Slovenia