



Material

**for the 22nd Annual General Meeting of Shareholders of NLB d.d.
on 11/06/2013**



**PUBLICATION OF THE AGENDA AND PROPOSED RESOLUTIONS TO BE PASSED AT THE
22ND ANNUAL GENERAL MEETING OF SHAREHOLDERS OF NLB D.D.**

Pursuant to Article 295 of the Companies Act (ZGD-1) and Article 13 of the Articles of Association of NLB d.d., the Management Board of NLB d.d. hereby convenes the

22nd Annual General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana,

which will be held on Tuesday, 11/06/2013, at 10 a.m. in the Conference Hall on the ground floor of the building at Trg republike 3 in Ljubljana

with the following agenda:

1. Opening, establishment of quorum and election of the working bodies of the Annual General Meeting of NLB d.d.

The Management and Supervisory Boards of NLB d.d. propose that the following resolution be adopted:

The working bodies of the Annual General Meeting of NLB d.d. shall be elected as follows:

- Mr Marko Jerič as member of the Credentials Committee,
- Mr Jure Košar as member of the Credentials Committee.

2. Presentation of the 2012 Annual Report and the NLB d.d. Supervisory Board's Report on the results of examining the 2012 Annual Report, the Information on the income of the NLB d.d. Management Board and Supervisory Board members in 2012 and acknowledgement of the Rules on determining other rights under management employment contracts or the Bank's regulations

The Annual General Meeting of NLB d.d. hereby acknowledges the adopted 2012 Annual Report and the Report by the Supervisory Board of NLB d.d. on the results of examination of the 2012 Annual Report. Furthermore, the Annual General Meeting of NLB d.d. acknowledges the Information on the income of the members of the Management Board and Supervisory Board of NLB d.d. in the previous financial year and the rules of the Supervisory Board of NLB d.d. for determining other rights pursuant to the Act Regulating the Income of Managers of Companies Owned by the Republic of Slovenia and Municipalities (ZPPOGD).

3. Decision on the allocation of distributable profit for 2012 and granting of a discharge from liability to the Management and Supervisory Boards of NLB d.d.

The Management and Supervisory Boards of NLB d.d. propose that the following resolution be adopted:

3.1. The Annual General Meeting of NLB d.d. hereby acknowledges that the accumulated loss for 2012 equals EUR 304,874,319.04. NLB d.d. recorded a loss of EUR 304,876,406.92 in 2012 and, when it compiled its financial statements, the net loss for the financial year was covered by retained profit in the amount of EUR 2,087.88; the difference of EUR 304,874,319.04 remained uncovered and was posted as retained loss.

3.2. A discharge from liability is hereby granted to the Management Board of NLB d.d. for the 2012 financial year.

3.3. A discharge from liability is hereby granted to the Supervisory Board of NLB d.d. for the 2012 financial year.

4. Appointment of the auditor for the 2013 financial year

The Supervisory Board of NLB d.d. proposes that the following resolution be adopted:

The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2013.

5. Discussion on the Internal Audit's Report for 2012 and the opinion of the Supervisory Board of NLB d.d.

The Annual General Meeting of NLB d.d. hereby acknowledges the adopted Internal Audit's Report on Internal Auditing for 2012 and the opinion of the Supervisory Board of NLB d.d.

6. Amendments and supplements to the Articles of Association of NLB d.d.

The Management and Supervisory Boards propose that the following resolution be adopted:

The Annual General Meeting of NLB d.d. hereby adopts the amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana.

7. Election of members of the Supervisory Board of NLB d.d.

The Supervisory Board proposes that the following resolution be adopted:

The following persons shall be elected members of the Supervisory Board of NLB d.d. for the term of office as of the day of their election until the end of the Annual General Meeting of NLB d.d. where the use of accumulated profit for the fourth financial year since they have been elected shall be decided, whereby the first year shall be the financial year during which the Supervisory Board members were elected:

7.1. Gaël de Pontbriand

7.2. Mariane Økland

7.3. Stephan Wilcke

7.4. Miroslav Germ

7.5. Sašo Cunder

7.6. Dimitrios Stratikopoulos

7.7. Sergeja Slapničar

7.8. Peter Testen

8. Determination of attendance fees of the members of the Supervisory Board and the committees of the Supervisory Board of NLB d.d.

The Management and Supervisory Boards propose that the following resolution be adopted:

8.1. The members of the Supervisory Board shall receive the fee for the participation at a meeting, which amounts to EUR 275.00 gross per member of the Supervisory Board. The members of a Supervisory Board committee shall receive the fee for the participation at a committee meeting, which amounts to 80% of the fee for the participation at a meeting of the Supervisory Board. The attendance fee for a correspondence meeting shall be 80% of the full regular attendance fee.

The previous paragraph hereof notwithstanding, each Supervisory Board member shall be entitled to attendance fees in an individual month of a financial year only up to 1/12 of the amount equalling 50% of the base pay for performing the office per supervisory board member, as stipulated in the next paragraph hereof. If Supervisory Board members perform the office for less than one month, they shall be entitled to the proportional payment calculated based on the number of days. If within a certain month the total amount of all attendance fees for the current month is below the monthly limit, the Supervisory Board member shall receive at the end of the year or the term of office the difference up to the proportional payment for each financial year, depending on the duration of his/her term of office.

8.2. In addition to the attendance fees, the members of the Supervisory Board shall receive the base pay for the performance of the office in the amount of EUR 15,000.00 gross per member annually. The Chair of the Supervisory Board is entitled to receive extra payment accounting for 50% of the base pay for performing the office of a member of the Supervisory Board, and the Deputy Chair of the Supervisory Board to extra payment accounting for 10% of the base pay for performing the office of a member of the Supervisory Board.

The members of a Supervisory Board committee shall receive extra payment for performing the function, which amounts to 25% of the base pay for performing the office of a member of the Supervisory Board. The Chair of a Supervisory Board committee shall receive extra payment which amounts to 50% of the base pay for performing the office of a member of the Supervisory Board.

The members of the Supervisory Board and the members of a Supervisory Board committee shall receive the base pay and the extra payment for performing the office in proportional monthly payments to which they are entitled for as long as they perform the office. The monthly payment shall amount to one twelfth of the above stated annual amounts. If they perform the office for less than one month, they shall be entitled to the proportional payment calculated based on the number of days.

Regardless of the number of participations at the committee meetings, either as member or chair, each member of a Supervisory Board committee shall only be entitled to be paid the extra amounts until the total amount of such payments has reached the value of 50% of the base pay for performing the office per member of the Supervisory Board.

8.3. The limitation of the amount of total payments of attendance fees or extra payments to the members of the Supervisory Board shall in no way affect a member's duty to participate at all meetings of the Supervisory Board and committees of which he or she is a member and their legal and statutory liability.

8.4. The Supervisory Board members shall be entitled to the reimbursement of travel expenses, daily allowances and costs of overnight accommodation related to their work in the Supervisory Board, namely up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when a Supervisory Board member is unable to return as there is no public transport connection scheduled or due to objective reasons.

8.5. Supervisory Board members shall not be entitled to any benefits exceeding the provision of the conditions for unhindered work of the supervisory board (payment of insurance premiums, except for liability insurance, company car, company flat and fuel). Supervisory Board members shall be entitled to benefits providing for or improving the conditions or method of their work, considering the Bank's needs and the



individual requirements of individual Supervisory Board members, on which the Supervisory Board shall decide

(ICT equipment, professional training, visits to fairs, exhibitions, institutions, organisations and bodies, and liability insurance), in the amount of up to EUR 1200 in a financial year while the Chair of the Supervisory Board shall be entitled to up to EUR 2000 in a financial year.

8.6. On the day this resolution is adopted, the resolution on the determination of the Supervisory Board and committee members' attendance fees which was adopted at the 17th Annual General Meeting of NLB d.d. on 30/06/2011, shall cease to be valid.

9. Authorised capital

The Management and Supervisory Boards of NLB d.d. propose that the following resolution be adopted:

A new fourth paragraph shall be added after the third paragraph, reading as follows:

'Without prejudice to the provisions of the previous paragraph and independent of them, the Bank's Management Board is authorised to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association which was adopted at the General Meeting of Shareholders on 11/06/2013 (eleventh June two thousand and thirteen), the Bank's share capital once or several times by no more than EUR 367,217,489.35 (authorised capital), subject to the approval of the Bank's Supervisory Board and not subject to the additional resolution of the General Meeting of Shareholders. For the amount of the authorised capital equalling the increased share capital, a total of no more than 44,000,000 new ordinary or preference shares may be issued at the issue price specified by the Bank's Management Board and subject to the approval by the Bank's Supervisory Board. The new shares shall be issued with the rights, under the conditions and in the manner specified in the Management Board's resolution on increasing the share capital and issuing new shares. New shares can be issued against payment in cash, non-cash contributions or real takeover, if this is in accordance with the regulations applicable at the time of adopting the resolution on increasing the share capital and on issuing new shares arising from the authorised capital. The issue of shares for non-cash contributions need not be reviewed by the auditor. The Management Board may decide to completely or partially exclude the existing shareholders' pre-emptive right to buy new shares, if the Bank's Supervisory Board approves this.'

The current fourth and fifth paragraphs shall become the fifth and sixth paragraphs, respectively.

In accordance with the Companies Act, the proposer of the resolutions under Items 4 and 7 shall be the Supervisory Board of NLB d.d.; Items 2 and 5 are for information purpose only and the Annual General Meeting does not vote on them, whereas the remaining items on the agenda shall be proposed by the Management and Supervisory Boards of NLB d.d.

Material

The proposed resolutions and other material for the Annual General Meeting are available to the shareholders for inspection at the Bank's registered office at Trg republike 2, 1520 Ljubljana, Secretariat, every business day from 9 a.m. to 12 noon, and are also published in the SEOnet electronic notification system of the Ljubljana Stock Exchange and on the website www.nlb.si (all explanations included). A fair copy of the applicable Articles of Association of NLB d.d., Ljubljana with proposed amendments and supplements is published on the Bank's website.

Conditions for participation

Those shareholders who are registered in the central register of dematerialised securities kept by the Klirinško depotna družba, d.d., as at the end of the fourth day prior to the General Meeting of Shareholders (hereinafter: the cross-section date), i.e. at the end of 07/06/2013, or their legal representatives or authorised persons who shall present a written power of attorney can attend the General Meeting of Shareholders and

vote. Attendance must be notified to the Bank's Management Board using an application form which must be submitted to the Bank's registered office at least by the end of the fourth day prior to the Annual General Meeting. The applications shall be accepted as timely if they are sent to the Bank's registered office (at Trg republike 2, Ljubljana), addressed to Secretariat, by the end of the fourth day prior to the Annual General Meeting. The legal representatives of natural persons or legal entities must, on the day of the Annual General Meeting, present a public document wherefrom it is evident that they have the right to act as a shareholder's representative; the document in question must not be older than 3 (three) days.

Supplements to the agenda:

Shareholders whose total interest accounts for at least one-twentieth of the share capital can, after the publication of the notice of convocation, make a written request to add an item to the agenda. The request must be enclosed with a written proposed resolution to be decided upon by the Annual General Meeting or an explanation to the item on the agenda if no resolution is adopted in relation to such item by the Annual General Meeting. The shareholders who meet the conditions for making a request to add an item to the agenda must send the respective request to the Bank within seven days after the publication of the notice to convene the meeting at the latest, i.e. by 07/05/2013.

Shareholders' proposals:

Shareholders may submit written proposals for resolutions to each item on the agenda, in compliance with Article 300 of the Companies Act (ZGD-1) (hereinafter: the counterproposal). The counter proposal shall be published and notified in the manner laid down in Article 296 of the ZGD-1, but only if the shareholder sends to the Bank a proposal for publication in compliance with Article 300 of ZGD-1 within seven days after the publication of the notice to convene the General Meeting of Shareholders, i.e. by 07/05/2013 at the latest.

Shareholders' right to be informed:

During the Annual General Meeting, the shareholders can exercise their right to be informed in compliance with the first paragraph of Article 305 of the ZGD-1.

Information on the procedure for exercising the right through a proxy:

The shareholders may exercise their voting right also through a proxy after they have signed and submitted a written form which is available on the website www.nlb.si and sent it to the Bank's registered office by the end of the fourth day prior to the Annual General Meeting. A proxy may be submitted to the Bank via e-mail by the same deadline as applicable to the written form, namely by sending an attached scan of the proxy to the following e-mail: Skupscina2013@nlb.si. The Bank reserves the right to verify the authenticity of the shareholder or the person who has authorised another person and submitted the proxy by e-mail.

Use of electronic media for sending additional items on the agenda and counterproposals:

Shareholders may submit additional items to the agenda and counterproposals to the Bank via e-mail by the same deadline and with the same contents as applicable to the written form, namely by sending an attached scan to the e-mail Skupscina2013@nlb.si. The Bank reserves the right to verify the authenticity of the shareholder or the sender of additional items of the agenda and counterproposals by e-mail.



**FOUNDATIONS FOR THE PROPOSED RESOLUTIONS
FOR THE 22nd ANNUAL GENERAL MEETING OF SHAREHOLDERS OF NLB D.D.**

Item 1 on the agenda: Opening, establishment of quorum and election of the working bodies of the Annual General Meeting of NLB d.d.

The Management Board and the Supervisory Board of NLB d.d.

hereby propose to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 1

The working bodies of the Annual General Meeting of NLB d.d. shall be elected as follows:

- *Mr Marko Jerič as member of the Credentials Committee, and*
- *Mr Jure Košar as member of the Credentials Committee.*

Explanation

Pursuant to the Companies Act (ZGD-1), the Articles of Association of NLB d.d. (Articles of Association) and the Rules of Procedure of the General Meeting of Shareholders of NLB d.d. (Rules of Procedure), the Management Board is the convener of the General Meeting of Shareholders. The Management Board and the Supervisory Board must propose to the General Meeting of Shareholders the adoption of resolutions according to the Companies Act (ZGD-1), including, according to the Rules of Procedure, the election of the working bodies of the General Meeting of Shareholders, i.e. members of the Credentials Committee. The Management Board and the Supervisory Board propose Mr Marko Jerič and Mr Jure Košar from the Legal Affairs Centre, as members of the Credentials Committee of the 22nd General Meeting of Shareholders.

In line with the Articles of Association and the Rules of Procedure, the Management Board is, as the convener, competent to appoint the Chairperson of the General Meeting of Shareholders and ensure that a notary public is present. The Management Board appointed Ms Aleksandra Hrovatin, Director of the Legal Affairs Centre, Chair of the General Meeting of Shareholders and invited Miro Košak, a notary public from Ljubljana, to attend the General Meeting of Shareholders. He accepted the invitation and confirmed his attendance.

Supervisory Board of NLB d.d.

Management Board of NLB d.d.

Item 2 on the agenda: Presentation of the 2012 Annual Report and the NLB d.d. Supervisory Board's Report on the results of examining the 2012 Annual Report, the Information on the income of the NLB d.d. Management Board and Supervisory Board members in 2012 and acknowledgement of the Rules on determining other rights under management employment contracts or the Bank's regulations

Explanation

Since the amendment F to the Companies Act which entered into force in 2001 places the competence for the adoption of the Annual Report primarily onto the Supervisory Board and since the General Meeting of Shareholders decides on the adoption of the Annual Report only in specific cases, of which this is not one, the General Meeting of Shareholders shall under this item of the agenda only acknowledge the adopted 2012 Annual Report and the Report of the Supervisory Board of NLB d.d.

In 2012, the Supervisory Board of NLB d.d. supervised the operations of NLB d.d. and the NLB Group in the scope of authorisations and powers specified in the legal regulations and the Articles of Association.

Due to all above stated findings, at its 46th regular meeting held on 25/04/2013, the Supervisory Board of NLB d.d. adopted the 2012 Annual Report without comments and in the form submitted by the Management Board.

In line with Article 282 of the ZGD-1 the Supervisory Board prepared its Report for the General Meeting of Shareholders.

Furthermore, the General Meeting of Shareholders of NLB d.d. acknowledges the Information on the income of the members of the Management Board and Supervisory Board in the previous year, as stipulated by the provisions of the ZGD-1 and the rules of the Supervisory Board of NLB d.d. for determining other rights pursuant to the Act Regulating the Income of Managers of Companies Owned by the Republic of Slovenia and Municipalities (ZPPOGD).

Attachments:

1. Annual Report 2012
2. Report of the Supervisory Board of NLB d.d.
3. Information on the income of the members of the Management Board and Supervisory Board of NLB d.d.
4. Rules on determining other rights under management employment contracts or the Bank's other internal regulations

Attachment 2: Report of the Supervisory Board of NLB d.d.

On 30 June 2009, the Supervisory Board of NLB d.d. was appointed for the period lasting until the end of the Bank's Annual General Meeting deciding on the Annual Report for the fourth business year after the election of the members. The following members of the Supervisory Board were recalled at the 19th Annual General Meeting held on 27/06/2012: Marko Simoneti, Rasto Ovin, Andrej Baričič, Jurij Detiček, Anton Macuh, Igor Masten and Boris Škapin, and the following substitute members of the Supervisory Board were elected: Janko Medja, Stephan Wilcke, Klemen Vidic, Miroslav Germ, Miran Pleterski, Sašo Cunder, Albin Hojnik and Matjaž Schroll.

At the 20th General Meeting of Shareholders held on 14/12/2012, Gaël de Pontbriand and Marianne Økland were elected substitute members replacing Jan Vanhevel and Matjaž Schroll who submitted their resignations. Resignations were also submitted by Janko Medja, Miran Pleterski, Albin Hojnik, John Hollows and Riet Docx.

Expert support to the Supervisory Board's work was provided by four committees in 2012: the Risk Committee, the Audit Committee, the Appointment and Remuneration Committee, and the Strategy and Development Committee.

Work of the Supervisory Board

In 2012, the Supervisory Board held thirteen regular and two correspondence meetings, where it discussed the regular reports on the operations of NLB d.d., the NLB Group as well as other current and important issues.

Thus, among other, the Supervisory Board:

- discussed and approved the Annual Report 2011, adopted the report on its work for the previous year and, in cooperation with the Management Board, prepared the *Corporate Governance Statement* of the NLB for 2011, and approved the proposal of the Management Board concerning the use of distributable profit;
- discussed materials and approved the proposals for adopting resolutions at the General Meeting of Shareholders, including the proposed amendments to the Articles of Association regarding authorised capital, proposed increase in the share capital and the proposal for electing a substitute members of the Supervisory Board;
- regularly treated and discussed quarterly reports on the operations of the Bank and the Group;
- approved the NLB Plan for the period 2012-2016;
- regularly monitored the activities for the implementation of the Bank's strategic guidelines, and made proposals to the Management Board regarding possible measures in individual areas, including the programme of divestment of non-strategic investments and selling of the seized stakes in companies and the cost reduction programme;
- continuously monitored capital adequacy projections and activities in the area of capital management, and approved the Management Board's proposal to increase the Bank's capital;
- approved the Restructuring Plan of the NLB Group prepared by the Bank based on the decision of the European Commission within the procedure of establishing compliance of state aid with the EU common market, and regularly monitored the activities in relation to this procedure;
- regularly discussed the risk reports and the reports of the internal audit, and regularly acknowledged the letters of the Bank of Slovenia and external regulators and regularly monitored the implementation of their recommendations, regularly and thoroughly discussed the reports on clients in intensive care with the measures adopted for an active management of risks, and reports on write-offs of receivables, conversions and major lending transactions;
- issued and rejected approvals of the Bank's exposure to clients in line with the *ZBan-1* and approvals of exposure to persons in special relations with the Bank, and approved the plan of long-term borrowing of the NLB for 2012;
- based on the letter of resignation received from Božo Jašovič, appointed Janko Medja new President of the Management Board, and based on agreements on early termination of the term of office

concluded with David Benedek and Marko Jazbec, appointed Blaž Brodnjak and Nima Motazed new members of the Management Board.

Verification and approval of the 2012 Annual Report

On 04/04/2013, the Management Board of NLB d.d. submitted the *2012 Annual Report* to the Supervisory Board, including the audited financial statements of NLB d.d., the consolidated financial statements of the NLB Group and the auditor's opinions. According to the auditor, the financial statements with notes give a true and fair view of the financial position of the Bank and the NLB Group as at 31/12/2012 and are in compliance with the International Financial Reporting Standards. It is also established on the basis of the audit of the business report that the information contained in the business section of the Annual Report is consistent with the financial statements of the Bank and the NLB Group.

The Supervisory Board had no objections to the report of the auditing company PwC, Ljubljana. Following a careful examination of the audited annual report for the business year 2012, the Supervisory Board had no objections to it and approved it unanimously.

Assessment of the Supervisory Board's work

The Supervisory Board in the new composition has been dealing primarily with personnel issues, restructuring plan and capital adequacy. The Supervisory Board acknowledged the resignation of the President of the Management Board Božo Jašovič at the beginning of its term and began to look for his replacement. It changed the organisation of the Management Board and joined some of the functions, such as purchasing, IT and back office. The law restricting executive pay poses a large obstacle in the search for Management Board president and members; furthermore, the *Fiscal Balance Act* raised the top personal income tax rate from 41% to 50%.

The Supervisory Board and the Management Board of the Bank immediately initiated the work on preparation of a restructuring plan which the Republic of Slovenia submitted to the European Commission. The main problem in the restructuring plan preparation was ambiguities concerning legislation. The restructuring plan also outlines the Bank's strategy for the next five years. The Supervisory Board also monitored the establishment of the internal restructuring unit.

The Supervisory Board monitored the capital adequacy of the Bank, including convening a general meeting of shareholders and proposing a capital increase.

The main task ahead concerns revamping risk management. The Supervisory Board acknowledged the resignation of Guy Snoeks, responsible for risk management. The aim is setting up a comprehensive ERM system in the parent bank and subsidiaries. The ERM system is the main tool for improving corporate governance in the Bank.

The members of the Supervisory Board participated in advanced training, mostly at seminars organised by the Slovenian Directors' Association and the Bank Association of Slovenia, and within the Faculty and Institute of Actuaries.

The Supervisory Board also discussed and adopted the report on the costs of its operation. The costs largely depend on the fact that the Supervisory Board and its committees work in both the Slovenian and English languages.

Supervisory Board costs from 01/01/2012 to 31/12/2012 and comparison with 2011:

Type of cost (in EUR)	2012	2011
Attendance fees	51,008	60,723
Reimbursement of expenses	56,640	25,961
Remuneration for performing the function	144,337	83,050
Transport services and travel expenses	16,094	12,217
Printing services	39,133	13,911
Translation services	214,284	173,318
Other costs	101,314	21,910
Total	622,810	409,366

The period was again characterised by a very large commitment of the members of the Supervisory Board, which also reflects the demanding circumstances in which the Bank operates and the active restructuring of the Bank. In 2012, there were thus 13 regular meetings and two correspondence meetings of the Supervisory Board, eight regular meetings of the Audit Committee, seven regular meetings of the Risk Committee and one regular meeting of the Strategy and Development Committee. The members of the Remuneration and Appointment Committee were also very active, meeting informally at least three times a month in the period from August to December.

When deciding on individual issues at the Supervisory Board meetings, its members followed the general rules of corporate governance concerning conflicts of interests (*ZGD-1*, corporate governance codes and banking regulations); at the meetings, they informed the Supervisory Board of the existence of a conflict of interests in the specific case and excluded themselves from discussion and decision-making on the issue. The members of the Supervisory Board also signed Statements of Independence of Supervisory Board member according to the *Corporate Governance Code for Joint-Stock Companies*.

Conclusion

The Supervisory Board thanks the business partners, owners and all employees for their contribution and effort invested in the past year, which are, unfortunately, not yet reflected in the Bank's results due to the very aggravated economic conditions at home and abroad and the deteriorated quality of the Bank's portfolio. Special thanks also to all clients who remain loyal to the NLB Group.

The Supervisory Board expresses its support to the Bank's Management Board in its efforts to restructure the operations, which is a process bringing benefits for both the Bank itself and the entire Slovenian economy. The first steps towards a turnaround in operations were already made at the end of the year, with clear priorities being set. We are convinced that, with joint efforts and cooperation of all stakeholders, following a reformed strategy based on the restructuring plan, we can achieve the planned turnaround to a sound, long-term viable, again successful and reputable bank which will be competitive at home and abroad.

Supervisory Board of the NLB

Klemen Vidic
Chairman of the Supervisory Board

Attachment 3: Information on the income of the members of the Management Board and Supervisory Board of NLB d.d.

Disclosure of stated income of members of the management board from 01/01/2012 to 31/12/2012

in EUR

	Name and surname	Type of income	Amount
1	Božo Jašovič 01/01/2012 - 30/09/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	98,703.25 98,703.25 979.20 1,148.20 0.00 1,148.20 0.00
		Total	100,830.65
2	Janko Medja 02/10/2012 - 31/12/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	31,902.90 31,902.90 324.36 229.64 0.00 229.64 0.00
		Total	32,456.90
3	David Benedek 01/01/2012 - 31/12/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	128,078.90 128,078.90 1,095.48 10,067.24 0.00 10,067.24 0.00
		Total	139,241.62
4	Guy Snoeks 01/01/2012 - 31/12/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	129,596.03 129,596.03 1,266.84 1,377.84 0.00 1,377.84 0.00
		Total	132,240.71
5	Marko Jazbec 01/01/2012 - 31/12/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	128,128.42 128,128.42 1,181.16 1,377.84 0.00 1,377.84 0.00
		Total	130,687.42

	Name and surname	Type of income	Amount
6	Robert Kleindienst 01/01/2012 - 30/06/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	64,571.87 64,571.87 446.76 3,905.54 0.00 3,905.54 0.00
		Total	68,924.17
	Name and surname	Type of income	Amount
7	Blaž Brodnjak 01/12/2012 - 31/12/2012	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits	10,786.35 10,786.35 110.16 0.00 0.00 0.00 0.00
		Total	10,896.51
	Total		615,277.98

Disclosure of stated income of members of the Supervisory Board from 01/01/2012 to 31/12/2012

in EUR

	Name and surname	Type of income	Amount
1	Marko Simoneti 01/01/2012 - 27/06/2012	Attendance fees	2,310.00
		Remuneration for performing the function	11,000.00
		Other benefits	403.93
		Reimbursement of expenses	1,394.65
		Total	15,108.58
2	Andrej Baričič 01/01/2012 - 27/06/2012	Attendance fees	5,390.00
		Remuneration for performing the function	8,250.00
		Other benefits	403.93
		Reimbursement of expenses	0.00
		Total	14,043.93
3	Jurij Detiček 01/01/2012 - 27/06/2012	Attendance fees	4,290.00
		Remuneration for performing the function	8,250.00
		Other benefits	403.93
		Reimbursement of expenses	0.00
		Total	12,943.93
4	Anton Macuh 01/01/2012 - 27/06/2012	Attendance fees	3,410.00
		Remuneration for performing the function	6,875.00
		Other benefits	403.93
		Reimbursement of expenses	465.18
		Total	11,154.11
5	Igor Masten 01/01/2012 - 27/06/2012	Attendance fees	3,190.00
		Remuneration for performing the function	8,250.00
		Other benefits	403.93
		Reimbursement of expenses	331.58
		Total	12,175.51
6	Rasto Ovin 01/01/2012 - 27/06/2012	Attendance fees	2,915.00
		Remuneration for performing the function	8,800.00
		Other benefits	403.93
		Reimbursement of expenses	2,455.89
		Total	14,574.82
7	Stojan Petrič 01/01/2012 - 24/01/2012	Attendance fees	495.00
		Remuneration for performing the function	1,145.83
		Other benefits	0.00
		Reimbursement of expenses	0.00
		Total	1,640.83
8	Boris Škapin 01/01/2011 - 27/06/2011	Attendance fees	3,410.00
		Remuneration for performing the function	8,250.00
		Other benefits	403.93
		Reimbursement of expenses	563.62
		Total	12,627.55
9	Rita Paula C L Docx 01/01/2012 - 31/12/2012	Attendance fees	5,500.00
		Remuneration for performing the function	16,591.66
		Other benefits	638.50
		Reimbursement of expenses	26,131.82
		Total	48,861.98

	Name and surname	Type of income	Amount
10	John Artur Hollows 01/01/2012 - 31/12/2012	Attendance fees	2,420.00
		Remuneration for performing the function	13,750.00
		Other benefits	234.57
		Reimbursement of expenses	7,707.76
		Total	24,112.33
11	Janko Medja 27/06/2012 - 01/10/2012	Attendance fees	1,265.00
		Remuneration for performing the function	4,552.78
		Other benefits	0.00
		Reimbursement of expenses	129.20
		Total	5,946.98
12	Klemen Vidic 27/06/2012 - 31/12/2012	Attendance fees	2,750.00
		Remuneration for performing the function	9,018.80
		Other benefits	234.57
		Reimbursement of expenses	1,475.62
		Total	13,478.99
13	Stephan Wilcke 27/06/2012 - 31/12/2012	Attendance fees	1,870.00
		Remuneration for performing the function	7,824.19
		Other benefits	234.57
		Reimbursement of expenses	10,037.54
		Total	19,966.30
14	Sašo Cunder 27/06/2012 - 31/12/2012	Attendance fees	2,750.00
		Remuneration for performing the function	7,791.66
		Other benefits	234.57
		Reimbursement of expenses	63.23
		Total	10,839.46
15	Miro Germ 27/06/2012 - 31/12/2012	Attendance fees	2,365.00
		Remuneration for performing the function	7,170.69
		Other benefits	234.57
		Reimbursement of expenses	982.07
		Total	10,752.33
16	Albin Hojnik 27/06/2012 - 24/10/2012	Attendance fees	1,320.00
		Remuneration for performing the function	3,666.66
		Other benefits	0.00
		Reimbursement of expenses	1,122.89
		Total	6,109.55
17	Miran Pleterski 27/06/2012 - 11/10/2012	Attendance fees	1,265.00
		Remuneration for performing the function	3,614.92
		Other benefits	0.00
		Reimbursement of expenses	3,028.76
		Total	7,908.68
18	Marianne Økland 14/12/2012 - 31/12/2012	Attendance fees	0.00
		Remuneration for performing the function	532.26
		Other benefits	0.00
		Reimbursement of expenses	0.00
		Total	532.26

	Name and surname	Type of income	Amount
19	Gaël de Pontbriand 14/12/2012 - 31/12/2012	Attendance fees Remuneration for performing the function Other benefits Reimbursement of expenses	0.00 532.26 0.00 0.00
		Total	532.26
	Total		243,310.38



Attachment 4: Rules on determining other rights under management employment contracts or the Bank's other internal regulations

Rules

on determining other rights under management employment contracts or the Bank's other internal regulations

2nd issue, January 2013

Table of contents

1. Introductory provisions	19
2. Content of other rights	19
3. Final provisions	21

Chronology of amendments

Version	Date	Description
1st	13/05/2010	First version
2nd	January 2013	Amendments to the Rules

1. Introductory provisions

Article 1

The Rules on determining other rights under employment contracts or the Bank's other internal regulations (hereinafter: the Rules) are adopted based on the provisions of Article 270 of the Companies Act, the provisions of Article 6 of the Act Regulating the Incomes of Managers of Companies Owned by the Republic of Slovenia and Municipalities, and the provisions of the Articles of Association of NLB d.d. in accordance with the competences of the Supervisory Board of NLB d.d., with the aim of determining such a scope of other rights of the members of the Management Board of NLB d.d. that are in proportion to the tasks of the Bank's Management Board and the financial standing of NLB d.d.

2. Content of other rights

Article 2

The Rules define the following other rights which can be determined in the employment contract of a member of the Bank's Management Board:

2.1. Company car for both business and private purposes

A member of the Management Board shall be entitled to a top class company car worth up to EUR 70,000 for both business and private purposes so as to facilitate and streamline the work and to reduce the Bank's material costs.

2.2. Company car with a driver

A member of the Management Board shall be entitled to a company car with a driver for business purposes.

2.3. Company mobile phone

A member of the Management Board shall be entitled to a top-range mobile phone and approved an annual budget of EUR 5,670; if a higher amount is spent, the member of the Management Board shall report to the Supervisory Board at the year-end.

2.4. Air travel

The costs of air travel in economy class shall be reimbursed to the member of the Management Board for business trips by plane to countries within Europe and in business class for business trips by plane to countries outside Europe.

The Bank shall reimburse the member of the Management Board travel costs equalling at most four return air tickets in economy class per month for family visits.

2.5. Accommodation

The Bank shall provide for the member of the Management Board at its own expenses adequate accommodation in Ljubljana (a permanent hotel room or a flat) and shall cover the pertaining costs.

2.6. Separation allowance

A member of the Management Board shall be entitled to a monthly separation allowance if they perform work and reside outside the place where their family resides.

2.7. Housing loans for the staff

Housing loans for the staff may be granted to a member of the Management Board under the same conditions which apply to the key staff employed under collective agreement. The respective conditions and criteria shall be laid down in an internal regulation.

2.8. Eurocard NLB business card

A member of the Management Board shall use the Eurocard NLB business card as a means of payment for settling business-related costs.

2.9. Entertainment allowance

A member of the Management Board shall use entertainment allowance in accordance with the financial plan of the Bank approved by the Supervisory Board.

2.10. Life, accident and disability insurance

A member of the Management Board shall have accident insurance for the case of death, disability or temporary inability to work, in line with the applicable insurance policy. The current monthly premium is EUR 75.

2.11. Above-standard health insurance A and B

A member of the Management Board shall be insured by the Bank for the highest insurance sum with the Vzajemna insurance company.

2.12. Voluntary collective supplementary pension insurance - Skupna

This supplementary voluntary collective pension insurance was introduced by the NLB for its employees in 2001; the Bank pays the highest possible amount within the framework of tax relief for the member of the Management Board.

2.13. Managers' medical examination

In line with the Declaration on safety including risk assessment, regulating health and safety at work of employees of NLB d.d. which is in line with the Occupational Health and Safety Act, the Bank shall provide annual managers' medical examination and medically programmed active holidays or spa treatment and rehabilitation, if so recommended by the specialist physician.

2.14. Membership fees

Fees for membership of various institutions, associations and societies shall be paid by the Bank to the member of the Management Board, provided that such membership is in the interest of the Bank.

2.15. Parking space

A member of the Management Board shall be allocated a parking space.

2.16. Accommodation while on business trip

A member of the Management Board may use a top class hotel.

2.17. Third-party liability insurance

The Bank will pay premiums for insurance covering liability of the member of the Management Board in accordance with the concluded insurance contract between the Bank and the insurance company.

2.18. Holiday allowance

Upon acquiring the right to annual leave, the holiday allowance shall be paid to the member of the Management Board according to the Bank's applicable resolutions.

2.19. Severance pay

In the case of dismissal for other business reasons and termination of employment, a member of the Management Board may receive severance pay in the amount of not more than six monthly salaries.

3. Final provisions

Article 3

The Supervisory Board of NLB d.d. shall annually review the Rules when adopting the Bank's financial plan and decide, based on the Bank's financial position, on the granting of other rights to the members of the Management Board as well as set the criteria for the variable part of salary of members of the Management Board.

Article 4

These Rules shall enter into force on the day they are adopted by the Supervisory Board of NLB d.d.

Ljubljana, 11/01/2013

Klemen Vidic
Chairman of the Supervisory Board

Item 3 on the agenda: Decision on the allocation of distributable profit for 2012 and granting of a discharge from liability to the Management and Supervisory Boards of NLB d.d.

The Management Board and the Supervisory Board of NLB d.d.

hereby propose to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 3

- 3.1. The Annual General Meeting of NLB d.d. hereby acknowledges that the accumulated loss for 2012 equals EUR 304,874,319.04. NLB d.d. recorded a loss of EUR 304,876,406.92 in 2012 and, when it compiled its financial statements, the net loss for the financial year was covered by retained profit in the amount of EUR 2,087.88; the difference of EUR 304,874,319.04 remained uncovered and was posted as retained loss.*
- 3.2. A discharge from liability is hereby granted to the Management Board of NLB d.d. for the 2012 financial year.*
- 3.3. A discharge from liability is hereby granted to the Supervisory Board of NLB d.d. for the 2012 financial year.*

Explanation

Pursuant to the provisions of the Companies Act, the General Meeting of Shareholders decides about the allocation of accumulated profit, based on the audited 2012 Annual Report which the Supervisory Board adopted at its 46th regular meeting held on 25/04/2013.

In line with Article 294 of the Companies Act, the General Meeting of Shareholders also decides about the granting of discharge from liability to the Management Board and Supervisory Board for their work in the past business year.

Supervisory Board of NLB d.d.

Management Board of NLB d.d.



Item 4 on the agenda: Appointment of the auditor for the 2013 financial year

The Supervisory Board of NLB d.d.

hereby proposes to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 4

The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2013.

Explanation

Pursuant to Article 297.a of the Companies Act, this resolution was proposed by the Supervisory Board of NLB d.d., which proposed the General Meeting of Shareholders to appoint the auditing company PricewaterhouseCoopers d.o.o., Ljubljana, since this company belongs to an international auditing group and because NLB d.d. has cooperated with it in the past.

Supervisory Board of NLB d.d.

Attachment:

1. Credentials of the External Auditor



Attachment: Credentials of the External Auditor

Company name: **PRICEWATERHOUSECOOPERS d.o.o.**
Registered office: Cesta v Kleče 15, 1000 LJUBLJANA

References:

- 1.) The company is an international auditing company with opulent experience in the field of the auditing of and advising to financial institutions, and familiar with the International Financial Reporting Standards.
- 2.) It has professional and good-quality audit teams.
- 3.) It has offices in all countries in which the members of the NLB Group are based.
- 4.) Good knowledge of the NLB Group.
- 5.) Good cooperation, quick responsiveness and provision of good-quality services.
- 6.) Other clients to which we have provided auditing or related services in Slovenia in the last three years:

Banks:

Nova Ljubljanska banka d.d., Banka Celje d.d., Factor banka d.d., Banka Slovenije, Volksbank Slovenija d.d., Sparkasse d.d., Nova KBM d.d.

Insurance companies:

NLB Vita, Arag

Management companies:

NLB Skladi

Investment funds:

All investment and mutual funds managed by the abovementioned management companies.



Item 5 on the agenda: Discussion on the Internal Audit's Report for 2012 and the opinion of the Supervisory Board of NLB d.d.

Explanation

This is an informative item on the agenda which is, according to the Companies Act (ZGD-1) and the Banking Act (ZBan-1), not voted on by the General Meeting of Shareholders.

Article 201 of the Banking Act stipulates that the Internal Audit Department must formulate an annual report on internal auditing and submit it to the Management Board and the Supervisory Board. The Management Board must submit to the General Meeting of Shareholders the said report together with the opinion of the Supervisory Board, the Annual Report of the Bank and the Report of the Supervisory Board. Article 74 of the Banking Act further requires that the members of the Supervisory Board explain to the General Meeting of Shareholders their opinion on the Internal Audit's Annual Report.

At its 45th regular meeting held on 04/04/2013 the Supervisory Board of NLB d.d. discussed and approved the Internal Audit's Report for 2012.

Attachment:

1. Internal Audit's Report for 2012



Internal Audit's Report for 2012

Polona Kurtevski
Director

1. IMPLEMENTATION OF THE ANNUAL PLAN

In 2012, the Internal Audit (IA) conducted regular internal audits in accordance with the adopted Action Plan as well as unscheduled audits and other tasks in line with the Charter of the Internal Audit. We carried out all the planned audits in the Bank and participated in all the planned audits in the NLB Group. In addition, five extraordinary audits were carried out. A total of 77 audits of various segments of operations of the Bank and other Group members were conducted. The Internal Audit regularly (quarterly) reported to the Management Board, the Audit Committee and the Supervisory Board of NLB d.d. on the findings and recommendations from the completed audits and on the implementation of the Action Plan.

Type of audit	Planned number	Implemented number
Audits from 2011 completed in 2012	9	15
Regular audits in 2012	57	57
Extraordinary audits in 2012	-	5
Total	58	77

2. SUMMARY OF THE MAJOR FINDINGS FROM THE COMPLETED AUDITS

In the framework of internal audits, the auditors checked and assessed the adequacy and efficiency of risk management as well as the functioning of the internal control system. Below are brief summaries of the key findings and recommendations from the audits completed in 2012.

2.1. NLB d.d.

2.1.1. Lending

The following segments were audited in 2012: credit risk management, client credit rating classification, credit approval, monitoring and collection, credit collateral, and impairments and provisions calculation.

The Bank has made a number of systemic changes in order to strengthen the control system. The Bank's business environment and the situation concerning the Bank's loan portfolio demand further process, organisational and personnel changes. The Bank's loan segment is undergoing a comprehensive redesign that will significantly improve the risk management system.

Too many tasks are given to account managers in the credit approval process at the moment, which enhances the risk of error; therefore, we recommended reducing their load. We have further recommended developing a credit rating model for retail clients and a comprehensive revision of the internal retail credit approval instructions to make them simple, clear, transparent and useful. Another recommendation was to remove the calculation of provisions and impairments from the front office and change controls in business transactions because they are too fragmented and repeat themselves which is inefficient.

Improvements in the loan collateral segment made in 2012 aimed to ensure accurate and complete records thus improving the recovery of claims should the collateral be liquidated. We have recommended centralising the entry of data on collateral and enhancing the role of in-house appraisers of pledged property.

We have further recommended timely and consistent transfer of accounts of clients in default to an intensive care and recovery department separated from the front office. The front office was reminded to strictly monitor the early warning signals showing difficulties in the client's business, initiate collection on time and, in particular, enhance their efforts in that area considerably.

2.1.2. Financial markets and neutral banking transactions

The following segments were audited in 2012: liquidity risk management, trading in debt instruments and derivatives, and domestic payment transactions.

Liquidity risk management is in line with the regulations of the Bank of Slovenia. The Management Board receives weekly information on the liquidity situation, stress test results and the activities planned. The staff is qualified and has been transferring knowledge to other NLB Group members. A project of increased automation of liquidity risk management is under way. The recommendations concern eliminating errors in internal reports and addressing the understaffing issues.

Trading in debt securities is organisationally separated in line with the regulations of the Bank of Slovenia. The conclusion of transactions and monitoring of trading take place in an organised manner and according to well-established procedures. Regular reporting to the appropriate levels is provided for. The recommendations concern supplementing the master documents, regulating authorisations and taking action if the rules are broken.

Trading in derivatives has been automated for the most part. The regulations of the Bank of Slovenia are complied with; the few violations are consistently reported to the management in charge. A change of the existing limit system has been recommended.

Domestic payment transactions: direct debit and bulk credit payment processing is automated, has established procedures and complies with the interbank rules and the SEPA (Single European Payment Area) standards. The staff has many years of experience and professional knowledge. The recommendations concern arranging contractual relations with business partners, automating controls, integrating IT support to operations, regulating authorisations, charging fees to clients and providing for a secure subsequent cancellation of payment orders in the e-bank.

2.1.3. Retail banking

The following segments were audited in 2012: cash operations, vault management, personal and business bank account operations, card operations, money laundering prevention and client data management.

Cash handling: the internal control system in cash operations is up and running. The procedures are backed by appropriate instructions, the staff is qualified, bank counters are properly equipped and the process has sound IT support. The recommendations concern security in cash handling in outlets and daily closing of counter operations.

Transport of cash and other valuables is suitably organised. The employees are regularly attending trainings and are properly qualified. The transport is secure. The recommendations concern the security aspect of cash deliveries and handover & acceptance process, supplementing contracts with security contractors, and executive supervision over compliance with the internal instructions.

Vault management is properly organised. The recommendations concern strict compliance with the internal instructions on key holding and record keeping.

The personal bank accounts segment is well regulated. The software support features a number of controls for the process of entering into contracts. The Bank has recorded no major client complaint or loss event in this segment. The recommendations concern in particular compliance with the money laundering prevention regulations and sending statements to clients.

Business bank accounts: new such accounts are opened mostly in line with the instructions. A significant progress has been made in ongoing monitoring of clients, one of the main requirement of the money laundering prevention regulations. A project of archiving the documentation on corporate clients is underway to ensure greater transparency and faster access to the information needed. The recommendations concern harmonising the processes of collecting, managing and controlling contractual documentation, streamlining the process of business bank account opening, and arranging documents.

Another recommendation was to put the fixed client data in a central database and build additional functionalities and controls in the application supporting that database.

Bank cards: the internal control system in card operations is up and running. Efficient card abuse management, including the system for early detection of abuse and for taking action in the case of an incident, is in place. The recommendations concern safe handling of cards and PINs not yet handed to clients, enhanced marketing of SMS Alerts, improved coverage of bank accounts with business cards, and timely termination of contracts if a payment default occurs.

Money laundering prevention: the Bank made significant progress in this segment in 2012. The Bank has established the Money Laundering and Terrorism Financing Prevention Centre which is organisationally separated from other parts of the Bank and reports directly to the Management Board. A committee has been formed, which assesses unusual transactions of clients and proposes measures to reduce risks. The Bank purchased new software for better success in detection of unusual and suspicious client transactions. The recommendations mostly concern the process of introducing the new software.

2.1.4. Corporate governance of the Bank and the Group

The corporate governance system of the NLB Group has been set up and its operation has been improving. Corporate governance in NLB Group members is performed via the Supervisory Board, the Management Board, the NLB Group Management Division and business line managers. The Management Board correctly and promptly informs the Supervisory Board on the strategy, guidelines, business goals and problems of the Bank and the Group members.

The recommendations concern improving the processes of implementing the compulsory business standards in NLB Group members and creating a list of business lines that need full alignment with the NLB standards and those where standards may be adapted in consideration of the member's size and business environment. The standards should be supplemented by a set of internal controls by business segment.

2.1.5. Accounting and other support activities

Subsidiary ledger record keeping of granted loans was audited in 2012. The record keeping complies with the accounting standards. The recommendations concern ensuring correct, accurate and complete record keeping of loan collateral data, write off of receivables and their tax treatment, defining the rules for entering into agreements with clients on a pre-court debt settlement, and automating the processes of offsetting overdue receivables.

The Management Board requested an extraordinary audit of the tender to select the Bank's IP telephony provider. The audit revealed that the procedure was opaque and contrary to the internal rules and good practice; the Management Board relieved from office the managers responsible and began to introduce comprehensive changes to the purchasing process.

2.1.6. Capital management

The Bank carried out a number of activities in 2012 to ensure sufficient capital with regard to the business risks present. Capital and capital adequacy projections until the end of 2012 were regularly made but proved insufficiently reliable because of the constant changes in the key assumptions underlying the projections; a comprehensive analysis of the reasons and adoption of appropriate corrective action were therefore recommended. Another recommendation was to improve capital management by taking into account various profit/loss scenarios in projections, including the blackest ones, in order to take the necessary action on time.

2.1.7. Information and communication technology (ICT)

The segments of management, protection, purchase and development of ICT systems, and business continuity were audited in 2012.

The management of the ICT follows good practices, is based on the well-established COBIT frame, documented and supported by a valid ISO 9001:2008 quality certificate. ICT systems are stable without any major breakdowns and the backup capacity is in place. The necessary reconstruction of the ICT network's core is under way. Executive supervision over the management of development and investments has been set up. We recommended setting a clear ICT strategy, efficient planning of ICT development and purchases, and managing development projects in a manner that would enable measuring their profitability/value added.

The information protection system has been improving. We recommended streamlining internal regulations, specifying ownership of process and data ownership and improving authorisation management, personal data protection, control over security incidents, development of secure solutions in electronic marketing channels and supervision over outsourced contractors.

Process streamlining was recommended in operational risk management because certain activities are unnecessarily repeated.

2.2. Other members of the NLB Group

According to the Charter of the Internal Audit Departments, the auditors of the Internal Audit also perform their activity in those members of the NLB Group that do not have their own internal audit services. In other members, they participate in audits as consultants, providing additional professional assistance to the auditors of those members.

In 2012, the Internal Audit's auditors participated in audits of loan portfolios and IT.

2.2.1. Lending

The audits in 2012 concerned loan approval, monitoring and collection. We recommended strictly complying with the compulsory NLB standards, strengthening supervisory controls over correct reporting by members, improving procedures for obtaining, recording and following loan collateral information, and improving efficiency of intensive care and recovery.

2.2.2. Information and communication technology (ICT)

The members have stable ICT systems which are regularly maintained, business continuity plans (BCP) are in place, appropriate internal regulations adopted and supervisory bodies in the IT segment working. The recommendations concern improving security in access to systems and personal information, handling personal data in line with the law, setting up and following audit trails, improvements in the introduction of new functionalities, and implementing the compulsory NLB standards.

3. IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Internal Audit regularly monitored the implementation of the recommendations given by the Internal Audit, the Bank of Slovenia and the external auditor, until their final implementation. The Internal Audit quarterly reported to the Management Board, the Audit Committee and the supervisory Board of the NLB on the status of the audit recommendations made. For this purpose, the Bank's competent and responsible management bodies regularly reported to the Internal Audit on the status and implementation of the recommendations.

The Internal Audit gave 264 recommendations in 2012 of which 249 were implemented. The average share of overdue recommendations was around 16%, which was more than in the past and resulted from the abolished option of extending their deadlines.

4. WORK ORGANISATION AND PERSONNEL

Formally, the Internal Audit functions as a single management support service and, informally, it is divided into seven areas of operations, as shown in the table below. Each area has a manager who is responsible for professional and efficient work in their area and further development of internal audit standards and procedures.

As at 31/12/2012 the Internal Audit had 29 employees i.e. 4% less than the year before. No replacement was hired, in compliance with the strategic guidelines on reducing costs at the entire Bank.

Twelve auditors hold various professional licences issued by the Slovenian Institute of Auditors.

The allocation of employees by area is presented in the table below.

Area of work	Number of auditors
Management of the Internal Audit	1
Administration	1
Retail banking	5
Lending	6
Information and communication technology	5
Treasury, financial markets and neutral banking transactions	5
Accounting and other support activities	4
Corporate governance of the Bank and the NLB Group	1
Methodology development	1
Total	29

5. OTHER ACTIVITIES

5.1. Internal supervision

- a. Supervision over the work of internal auditors of the Internal Audit by the director and chief experts:
 - o *Continuous supervision* was implemented:
 - daily at the level of each audit and other tasks related to the audit;
 - weekly, by checking the actual status of audits, including the control over the use of the planned time;
 - monthly, based on the reports by all audits on the actual use of time for individual tasks compared to the planned figure;
 - o *occasional supervision* was implemented by means of controls of correctness, completeness and quality of the audit files.
- b. Supervision over the work of the internal audit departments of the NLB Group members:
 - occasional audits of the quality of work of the internal audit departments;
 - use of a uniform work methodology and internal auditing standards;
 - organisation of training and education of internal auditors;
 - expert co-operation and assistance in audits;
 - reviewing reports of internal audit departments (action plans, quarterly reports, implementation of audit recommendations etc.).

5.2. External quality assessment



An external assessment of the quality of work of the internal audit departments in the NLB Group was conducted again in 2012 (the first assessment was in 2007). This assessment was extended to the NLB Group and included NLB d.d., other banks and two non-bank members of the NLB Group. All internal audits were issued "positive opinions, which means that we work in accordance with the International Standards for the Professional Practice of Internal Auditing, the Banking Act, the Code of Ethics of Internal Auditors and the Code of Internal Auditing Principles.

5.3. Audit of disclosures

The Bank of Slovenia's Regulation on Disclosures by Banks and Savings Banks among other defines the internal audit department's obligation to check the authenticity of information in disclosures that banks publish on their websites. Accordingly, the Internal Audit verified the information in the NLB Group's disclosures for 2011 by checking their completeness and accuracy and thus the consistency of data in the disclosures with other data in the annual report and the publication of correct data in general.

5.4. Other

The Internal Audit coordinated inspections by the Bank of Slovenia and external audits, rendered consultancy services, prepared expert opinions, participated in expert committees of the Bank Association of Slovenia and the Slovenian Institute of Auditors, and performed other tasks.



Item 6 on the agenda: Amendments and supplements to the Articles of Association of NLB d.d.

The Management Board and the Supervisory Board of NLB d.d.

hereby propose to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 6

The Annual General Meeting of NLB d.d. hereby adopts the amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana.

Explanation

Among other things, the General Meeting of Shareholders is competent to adopt amendments and supplements to the Bank's basic corporation act, i.e. the Articles of Association, proposed by the Management Board and the Supervisory Board.

We give the explanation of each item of the proposed amendments and supplements in the same order as in the enclosure to this material.

1. In view of the foreseen scope and streamlining of the Bank's operations, its withdrawal from the non-strategic markets and better corporate governance of the Bank, the first paragraph of Article 20 of the Articles of Association is amended so that the number of the members of the Supervisory Board is reduced to eight.
2. The amendment of the second paragraph of Article 21 of the Articles of Association stipulates the new threshold for the convocation of the General Meeting due to early termination of the term of office of individual members of the Supervisory Board as a result of the amended Article 20 of the Bank's Articles of Association.
3. The text that clearly stipulates that the attendance at the meetings of the Supervisory Board can be either with physical presence of the members of the Supervisory Board or their attendance via a video or telephone conference which enables adequate discussion. The Supervisory Board membership may be international and therefore physical presence of all members may not always be possible. Therefore, the members have the possibility to participate in the meetings via a video or telephone conference which enables adequate discussion.
4. The terms and conditions for the quorum of the Supervisory Board are detailed in compliance with the Companies Act (ZGD-1) in the second paragraph of Article 23 of the Articles of Association.
5. Due to the exit of the majority shareholder from the Bank's ownership structure and the amendment of Article 20 of the Articles of Association, the need for defining the threshold for the quorum of the Supervisory Board that decides on the approvals of the Management Board's resolutions in the matters from points (b), (c) and (d) of the second paragraph of Article 27 of the Articles of Association. Accordingly, the third paragraph of Article 23 of the Articles of Association is deleted.

6. In the current fourth paragraph of Article 23 of the Articles of Association, the word "telephone" is replaced by "via telephone voting". This amendment stipulates the details of the method of adopting resolutions in correspondence meetings of the Supervisory Board.
7. A new Article 32 is added to the Articles of Association (and the remaining articles are renumbered accordingly) entitled "Directors and other executives of the Bank". The Articles of Association need to be amended due to the amended Employment Relationships Act which entered into force on 14/04/2013. The amendment to the Act stipulates that an executive managing a business segment or an organisational unit of the employer and having authorisations to enter into legal transactions or take independent staff and organisational decisions may exceptionally conclude a fixed-term employment contract if already employed by the employer on other duties on a permanent contract or if the executive was appointed to a managerial post in accordance with the law or articles of association. The amendment to the Articles of Association will enable employment of directors and other executives of the Bank on a fixed-term contract even if they have previously not been employed at the Bank on a permanent contract.
8. The amendment of the first paragraph of Article 35 of the Articles of Association refers to the alignment of the wording of the Articles of Association with the applicable legal regulation, namely Article 11 of the ZGD-1.

Supervisory Board of NLB d.d.

Management Board of NLB d.d.



Attachment:

1. Amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d.

Attachment: Amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d.

AMENDMENTS AND SUPPLEMENTS TO THE ARTICLES OF ASSOCIATION OF NLB d.d.

Article 20

The first paragraph shall be amended to read:

"The Supervisory Board of the Bank is comprised of 8 (eight) members who are appointed and recalled by the General Meeting of the Bank from among the persons nominated by shareholders or the Supervisory Board of the Bank."

Article 21

The second paragraph shall be amended to read:

"In case of a premature cessation of term of office of members of the Supervisory Board of the Bank appointed at a General Meeting of the Bank, by-elections shall be necessary at the next regular General Meeting of the Bank. Earlier by-elections shall be required only if, due to a premature cessation of term of office of an individual member, the number of members of the Supervisory Board of the Bank elected at the General Meeting of the Bank decreases to less than five. The appointment of a member filling a vacancy shall be effective until the expiry of the term of office of the originally elected member of the Supervisory Board of the Bank."

Article 23

The first paragraph shall be amended to read:

"As a rule, the work and adoption of resolutions of the Bank's Supervisory Board is done at the meetings either with physical presence of the members of the Supervisory Board or their attendance via a video or telephone conference which enables adequate discussion. Meetings of the Supervisory Board of the Bank shall be convened by the Chair or in their absence, by the Deputy Chair, by means of a registered letter to each member's address most recently communicated to the Bank, with a statement of agenda, venue and time of the meeting. As a rule, a meeting shall be convened 10 (ten) business days prior to the meeting date. In urgent cases, a meeting may also be convened by telephone, fax or by using similar technical devices, to the last telephone or fax number or e-mail address of a Supervisory Board member communicated to the Bank, not less than 5 (five) business days prior to the meeting date."

The second paragraph shall be amended to read:

"Unless stipulated otherwise by these Articles of Association, the Supervisory Board of the Bank shall constitute a quorum if convened in the correct manner and if at least 4 (four) members of the Supervisory Board are present, of whom either the Chairman or a Deputy Chairman must always be present. As regards correspondence meetings, members of the Supervisory Board present shall be



those, who have cast votes for individual items on the agenda and those who have abstained from voting in respect to that same item."

The third paragraph is deleted and the previous fourth, fifth and sixth paragraphs shall become the third, fourth and fifth paragraphs, respectively.

The current fourth paragraph shall be amended to read:

"The Supervisory Board of the Bank may adopt decisions through correspondence or via telephone, by means of electronic media or some other method (hereinafter: the correspondence meeting). A correspondence meeting shall be permissible at the Chair's proposal, under the condition that such a manner of decision-making is not opposed in writing by any member of the Supervisory Board of the Bank not later than within the period specified in the convocation of the correspondence meeting. If a member of the Supervisory Board does not oppose in writing to the correspondence meeting within the final deadline as specified in the previous sentence, it shall be deemed that such member agrees with the correspondence meeting. Resolutions adopted by telephone shall only be valid if each member of the Supervisory Board who voted by telephone confirms his/her decision in writing."

Article 32

A new Article 32 shall be added (other articles of the Articles of Association shall be renumbered accordingly), to read as follows:

"Directors and other executives of the Bank
Article 32

"A fixed-term employment contract may be concluded with directors and other executives of the Bank for the term of their office."

Article 35

The first paragraph shall be amended to read:

"The Bank shall publish information and announcements, obligatory publication of which is stipulated by legislation, on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services or the Delo newspaper or the Dnevnik newspaper or the Official Gazette of the Republic of Slovenia or, if deemed an equal publication method by the regulations, on SEOnet or any other such information system, which may replace it, and on the Bank's web portal."



Item 7 on the agenda: Election of members of the Supervisory Board of NLB d.d.

The Supervisory Board of NLB d.d.

hereby proposes to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 7

The following persons shall be elected members of the Supervisory Board of NLB d.d. for the term of office as of the day of their election until the end of the Annual General Meeting of NLB d.d. where the use of accumulated profit for the fourth financial year since they have been elected shall be decided, whereby the first year shall be the financial year during which the Supervisory Board members were elected:

- 9.1. Gaël de Pontbriand
- 9.2. Mariane Økland
- 9.3. Stephan Wilcke
- 9.4. Miroslav Germ
- 9.5. Sašo Cuder
- 9.6. Dimitrios Stratikopoulos
- 9.7. Sergeja Slapničar
- 9.8. Peter Testen

Explanation

Pursuant to Article 21 of the Articles of Association, the term of office of the current members of the Supervisory Board shall expire on the day of the 22nd Annual General Meeting, which is why the Annual General Meeting must elect new members. Pursuant to the provisions of the ZGD, such resolution is proposed by the Supervisory Board which proposes to the Annual General Meeting to elect the Supervisory Board members. In accordance with the ZGD-1, the Annual General Meeting votes separately on each proposed Supervisory Board member.

Supervisory Board of NLB d.d.

Attachment:

- 1. Description of candidates for members of the Supervisory Board

Gaël de Pontbriand

Gaël de Pontbriand graduated from Institut d'Etudes Politiques de Paris, took an MBA course at Wharton School, University of Pennsylvania, and obtained a Master's degree from economics, law and organisational sciences at different universities in Paris. After the completed training in banking in the USA, he held different positions in commercial banks in Germany, including being the General Manager of some banks in France and Germany. As consultant and partner in the consulting company PwC, he provided consulting services in the area of banking to a large number of governments and financial institutions in Europe, North America, Central Asia and North Africa. Since his retirement from the position of a member of the PwC European consulting committee, he has participated in supervisory boards of financial institutions in France and abroad.

Marianne Økland

Marianne Økland won a Master's degree in finance and economics at the Norwegian School of Economics and Business Administration (NHH), where she worked as a researcher and lectured mathematics and statistics. She is the Manager of the consulting company Avista Partners, London, involved in consulting and capital raising. She performs the function of a Non-executive Manager at Islandsbanka (Iceland) and the company IDFC (India). She spent most of her career in investment banking, involved in raising and structuring of capital at different positions in the banks JP Morgan and UBS. She managed transactions for almost all large Scandinavian banks and insurance companies, and participated in many of the largest mergers and acquisitions in this area. Before she dedicated her career to banking, she was the head of the European operations in the consulting company Marsoft based in Boston, Oslo and London, providing advice to large transport, petrol and goods companies and banks on their transport strategy and investments.

She is a non-executive manager in Islandsbanka (Iceland), IDFC (bank for the financing of infrastructure in India) and Scorpio Tankers Inc.(a logistics company in the USA).

Stephan Wilcke

Stephan Wilcke currently serves as executive Chairman of the Board of Directors of OneSavings Bank Plc, as a non-executive director and chief investment officer at EMF Capital Ltd., and as a member of the Jersey Financial Services Commission. Prior to that, he served as Chief Executive of the Asset Protection Scheme (APS - the UK government bad bank for Lloyds and RBS), as head of European Financial Services investing at Apax Partners' and as a partner at Oliver, Wyman & Company, where he began his career.

Miro Germ

In his 30-year career, Miro Germ, holding a university degree in mathematics, has worked in the international environment of the corporations Hewlett-Packard and DEC, where he was in charge of introducing modern management approaches (Hermes Softlab, Hermes Plus) and for computer-aided construction and production (Litostroj). He received training in the IECD Bled and IMD Lausanne business schools, in the corporation Hewlett-Packard in Vienna and Palo Alta as well as in the foundation EFQM in Brussels. The Government of the Republic of Slovenia has appointed him as member of a working team of the Competitiveness Council and, several times, he was the judge for the Award for Business Excellence of the RS. He is actively involved in the management of Slovenian civil society organisations operating in this field of expertise (Slovenian Association for Quality and Excellence, Slovenian Foundation for Business Excellence). He has lectured on his experience at Slovenian and international conferences (the conference of the European Association for Quality Assurance in Berlin) and has received several domestic and international awards (the best support group in Europe in the Hewlett-Packard corporation).

Key competences: management (ISO 9001, BSC and lean principles) and assessment (EFQM Excellence Model) systems, approaches to business planning, managing of life cycle of the organisation, business process transformation, software development and HR management.

Sašo Cunder

Sašo Cunder graduated from the Faculty of Economics in Ljubljana. He also has the CFA title, which he won in 2005. He is employed as a Finance Manager in the company Droga Kolinska, which is part of the Atlantic Group. In the Atlantic Group, he is responsible for finance in Slovenia, Bosnia and Herzegovina and Russia. Before, he was employed at Deutsche Bank, London, in the investment banking department, where he worked on projects in Central Europe, with the emphasis on the countries of the former Yugoslavia.

Dimitrios Stratikopoulos

Dimitrios Stratikopoulos holds a double master's degree in Chemical Engineering (Technology and Policy Program) and Business Administration from the Massachusetts Institute of Technology, where he studied as a Fulbright scholar. He is currently the Managing Partner of Domius Capital Advisors in London, a firm specialising in providing strategic advice and capital introduction to corporations and funds. Dimitrios started his investment banking career in London at Merrill Lynch in the Mergers and Acquisitions (M&A) department in 1997. He subsequently worked at Deutsche Bank (2003-2012) in London, originally in the Technology, Media and Telecommunications M&A department, and later as Managing Director of Central & Eastern Europe M&A. The latter was a department Dimitrios helped established in 2006, and where he led the execution of a number of landmark transactions.

Sergeja Slapničar

Sergeja Slapničar is Associate Professor and Head of the Accounting and Auditing Department at the Faculty of Economics of the University of Ljubljana where she was employed in 1995. She is a member of the Supervisory Board of Krka d.d., an independent member of the Audit Committee of Mercator d.d., the Chair of the Settlement Committee in compliance with the Companies Act (ZGD-1) for testing exchange ratios in ownership restructuring of companies, as well as an active lecturer in the Slovenian Directors' Association. She is also a member of the European Accounting Association and the American Accounting Association. Sergeja Slapničar is the author of many research studies in the field of managerial performance measurement and remuneration.

Peter Testen

Peter Testen graduated from the Faculty of Electrical Engineering in Ljubljana. After a short period at Iskra in Ljubljana he joined Hewlett-Packard where he spent 35 years in various positions within company Groups. He started as technical consultant in the sales of computing solutions. Later he was leading the growth of HP in the Emerging markets of Europe Middle East and Africa as general manager and VP. He retired from HP as the VP of HP services sales for Europe, including Consulting & System Integration, Outsourcing, and Customer Support. He was then asked to manage a turn-around and the sale of Hermes Softlab, an international software development and outsourcing company. During this time he was chairman of the Association of the computing industry at the Chamber of Commerce in Slovenia. He is currently acting as an independent management consultant. He was the chairman of Hermes Softlab's Supervisory board and has also chaired over 10 Supervisory Boards of Hewlett-Packard's legal entities in different countries.



Item 8 on the agenda: Determination of attendance fees of the members of the Supervisory Board and the committees of the Supervisory Board of NLB d.d.

The Management Board and the Supervisory Board of NLB d.d.

hereby propose to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 8

8.1. The members of the Supervisory Board shall receive the fee for the participation at a meeting, which amounts to EUR 275.00 gross per member of the Supervisory Board. The members of a Supervisory Board committee shall receive the fee for the participation at a committee meeting, which amounts to 80% of the fee for the participation at a meeting of the Supervisory Board. The attendance fee for a correspondence meeting shall be 80% of the full regular attendance fee.

The previous paragraph hereof notwithstanding, each Supervisory Board member shall be entitled to attendance fees in an individual month of a financial year only up to 1/12 of the amount equalling 50% of the base pay for performing the office per supervisory board member, as stipulated in the next paragraph hereof. If Supervisory Board members perform the office for less than one month, they shall be entitled to the proportional payment calculated based on the number of days. If within a certain month the total amount of all attendance fees for the current month is below the monthly limit, the Supervisory Board member shall receive at the end of the year or the term of office the difference up to the proportional payment for each financial year, depending on the duration of his/her term of office.

8.2. In addition to the attendance fees, the members of the Supervisory Board shall receive the base pay for the performance of the office in the amount of EUR 15,000.00 gross per member annually. The Chair of the Supervisory Board is entitled to receive extra payment accounting for 50% of the base pay for performing the office of a member of the Supervisory Board, and the Deputy Chair of the Supervisory Board to extra payment accounting for 10% of the base pay for performing the office of a member of the Supervisory Board.

The members of a Supervisory Board committee shall receive extra payment for performing the function, which amounts to 25% of the base pay for performing the office of a member of the Supervisory Board. The Chair of a Supervisory Board committee shall receive extra payment which amounts to 50% of the base pay for performing the office of a member of the Supervisory Board.

The members of the Supervisory Board and the members of a Supervisory Board committee shall receive the base pay and the extra payment for performing the office in proportional monthly payments to which they are entitled for as long as they perform the office. The monthly payment shall amount to one twelfth of the above stated annual amounts. If they perform the office for less than one month, they shall be entitled to the proportional payment calculated based on the number of days.

Regardless of the number of participations at the committee meetings, either as member or chair, each member of a Supervisory Board committee shall only be entitled to be paid the extra amounts until the total amount of such payments has reached the value of 50% of the base pay for performing the office per member of the Supervisory Board.

8.3. The limitation of the amount of total payments of attendance fees or extra payments to the members of the Supervisory Board shall in no way affect a member's duty to participate at all meetings of the Supervisory Board and committees of which he or she is a member and their legal and statutory liability.

8.4. The Supervisory Board members shall be entitled to the reimbursement of travel expenses, daily allowances and costs of overnight accommodation related to their work in the Supervisory Board, namely up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when a Supervisory Board member is unable to return as there is no public transport connection scheduled or due to objective reasons.

8.5. Supervisory Board members shall not be entitled to any benefits exceeding the provision of the conditions for unhindered work of the supervisory board (payment of insurance premiums, except for liability insurance, company car, company flat and fuel). Supervisory Board members shall be entitled to benefits providing for or improving the conditions or method of their work (ICT equipment, professional training, visits to fairs, exhibitions, institutions, organisations and bodies, and liability insurance), considering the Bank's concrete needs and the individual requirements of a relevant Supervisory Board member, on which the Supervisory Board shall decide, in the amount of up to EUR 1,200 in a financial year while the Chair of the Supervisory board in the amount of up to EUR 2,000 in a financial year.

8.6. On the day this resolution is adopted, the resolution on the determination of the Supervisory Board and committee members' attendance fees which was adopted at the 17th Annual General Meeting of NLB d.d. on 30/06/2011, shall cease to be valid.

Explanation

The Management Board adopted on 26/02/2013 the resolution entitled "Information on the payments to the former members of the Supervisory Board and proposed new method of paying attendance fees in 2013" whereby the Management Board of NLB d.d. proposed to the Annual General Meeting to adopt a resolution amending the second paragraph of Item 8.1 of the resolution of the Annual General Meeting held on 30/06/2011. The amendment brings clear and specific instructions on the payment method for attendance fees.

The Slovenian Compensation Fund adopted in March 2013 the Recommendations of the manager of direct and indirect equity investments of the Republic of Slovenia ("Recommendations") supplementing in this part the Criteria for remuneration of members of supervisory bodies of companies with state capital investments, adopted by the Capital Assets Management Agency of the Republic of Slovenia on 28/01/2011.

The resolution proposed to the Annual General Meeting is aligned with the Management Board resolution and the Recommendations, except in a part of the second paragraph of Item 8.2 of the Annual General Meeting's resolution because there is a discrepancy between the explanation of the Recommendations and the sample resolution presented therein. The explanation of the Recommendations was followed, which is identical to what was substantively laid down in the AGM 2011 resolution, with the ceiling amounts of income being set.

Supervisory Board of NLB d.d.

Management Board of NLB d.d.



Item 9 on the agenda: Authorised capital

The Management Board and the Supervisory Board of NLB d.d.

hereby propose to the

General Meeting of Shareholders of NLB d.d.
to discuss and pass the following

proposed resolution under Item 9

A new fourth paragraph shall be added after the third paragraph, reading as follows:

'Without prejudice to the provisions of the previous paragraph and independent of them, the Bank's Management Board is authorised to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association which was adopted at the General Meeting of Shareholders on 11/06/2013 (eleventh June two thousand and thirteen), the Bank's share capital once or several times by no more than EUR 367,217,489.35 (authorised capital), subject to the approval of the Bank's Supervisory Board and not subject to the additional resolution of the General Meeting of Shareholders. For the amount of the authorised capital equalling the increased share capital, a total of no more than 44,000,000 new ordinary or preference shares may be issued at the issue price specified by the Bank's Management Board and subject to the approval by the Bank's Supervisory Board. The new shares shall be issued with the rights, under the conditions and in the manner specified in the Management Board's resolution on increasing the share capital and issuing new shares. New shares can be issued against payment in cash, non-cash contributions or real takeover, if this is in accordance with the regulations applicable at the time of adopting the resolution on increasing the share capital and on issuing new shares arising from the authorised capital. The issue of shares for non-cash contributions need not be reviewed by the auditor. The Management Board may decide to completely or partially exclude the existing shareholders' pre-emptive right to buy new shares, if the Bank's Supervisory Board approves this.'

The current fourth and fifth paragraphs shall become the fifth and sixth paragraphs, respectively.

Explanation

The Bank of Slovenia expects that upon the convocation of the General Meeting, the Bank would propose to the General Meeting to change the Bank's Articles of Association so that they would grant the Management Board the authority to increase the Bank's share capital (authorised capital) by issuing new shares for BAMC contributions.

Attachment:

1. Report of the Management Board of NLB d.d. for the General Meeting of Shareholders of NLB d.d. on the reasons for the option of excluding the shareholders' pre-emptive right to subscribe new shares in relation to authorised capital



Attachment 1: Report of the Management Board of NLB d.d. for the General Meeting of Shareholders of NLB d.d. on the reasons for the option of excluding the shareholders' pre-emptive right to subscribe new shares in relation to authorised capital

Report by the Management Board of NLB d.d. for the General Meeting of Shareholders of NLB d.d.

ABOUT THE REASONS FOR THE OPTION OF EXCLUDING THE SHAREHOLDERS' PRE-EMPTIVE RIGHT TO SUBSCRIBE NEW SHARES related to authorised capital

The Management Board of Nova Ljubljanska banka d.d., Ljubljana ("Management Board") adopted this Report on the reasons for the option of excluding the shareholders' pre-emptive right to subscribe new shares related to authorised capital ("Report") with the aim of submitting it to the General Meeting of Shareholders pursuant to Article 337 of the Companies Act ("ZGD-1").

The Management Board and the Supervisory Board of NLB d.d. ("Supervisory Board") propose that the 22nd General Meeting of Shareholders of NLB d.d. ("General Meeting of Shareholders") adopts the resolution supplementing Article 5 of the Articles of Association of NLB d.d. which stipulates the Management Board's authorisation to increase, subject to the consent of the Supervisory Board, the share capital of NLB d.d. by issuing new shares ("authorised capital") so that the new Article reads as follows:

"A new fourth paragraph shall be added after the third paragraph, reading as follows:

"Without prejudice to the provisions of the previous paragraph and independent of them, the Bank's Management Board is authorised to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association which was adopted at the General Meeting of Shareholders on 11/06/2013 (eleventh June two thousand and thirteen), the Bank's share capital once or several times by no more than EUR 367,217,489.35 (authorised capital), subject to the approval of the Bank's Supervisory Board and not subject to the additional resolution of the General Meeting of Shareholders. For the amount of the authorised capital equalling the increased share capital, a total of no more than 44,000,000 new ordinary or preference shares may be issued at the issue price specified by the Bank's Management Board and subject to the approval by the Bank's Supervisory Board. The new shares shall be issued with the rights, under the conditions and in the manner specified in the Management Board's resolution on increasing the share capital and issuing new shares. New shares can be issued against payment in cash, non-cash contributions or real takeover, if this is in accordance with the regulations applicable at the time of adopting the resolution on increasing the share capital and on issuing new shares arising from the authorised capital. The issue of shares for non-cash contributions need not be reviewed by the auditor. The Management Board may decide to completely or partially exclude the existing shareholders' pre-emptive right to buy new shares, if the Bank's Supervisory Board approves this."

The current fourth and fifth paragraphs shall become the fifth and sixth paragraphs respectively."

Article 353 of the ZGD-1 stipulates that the Articles of Association may authorise the Management Board, for a period of maximum five years after the entry of the amendment to the Articles of Association in the Register, to increase share capital up to a certain amount by issuing new shares for stakes (authorised capital). In order for a resolution on authorised capital to be valid, a majority of at least three-quarters of the share capital represented in the voting is required. The third paragraph of Article 353 of the ZGD-1 stipulates that the amount of authorised capital may not exceed half of the subscribed capital existing at the time the authorisation was given; however, pursuant to Article 43.a of the Banking Act (ZBan-1), the Articles of Association of the Bank can stipulate a Management Board's authorisation to increase share capital (authorised capital) regardless of the said limitations. Furthermore, the ZGD-1 also stipulates certain procedural requirements related to granting the Management Board authorisation for increasing share capital in the framework of authorised capital and also in relation to the subsequent actual implementation of share capital increase. In this respect,

the most significant is the provision of the second paragraph of Article 354 of the ZGD-1, regulating the formal procedure in case the Management Board is also authorised to decide on the exclusion of the shareholders' pre-emptive right to subscribe new shares (subject to the consent of the Supervisory Board). If the Management Board is authorised to exclude the shareholders' pre-emptive right to subscribe the newly issued shares in the framework of the authorised capital, the provisions of the fourth paragraph of Article 337 of the ZGD-1 must therefore be applied, as appropriate, which oblige the Management Board to also submit a written report, justifying the reason for the exclusion of pre-emptive right, to the General Meeting of Shareholders.

This report had to be compiled according to ZGD-1 and also because the Management Board and the Supervisory Board proposed to the General Meeting of Shareholders to authorise, by amending the Articles of Association, the Management Board to adopt, subject to the consent of the Supervisory Board, decisions regarding the issue of new shares for stakes up to the specified amount, with the option to decide on the full or partial exclusion of the existing shareholders' pre-emptive right to subscribe new shares. The Management Board entitled it "Report on the reasons for the option of excluding the shareholders' pre-emptive right to subscribe new shares in relation to the authorised capital", since in this concrete case involves a justification of the authorisation to exclude pre-emptive right which is not necessarily going to be implemented.

For the purpose of improving capital adequacy, NLB d.d. is preparing to issue an initiative to apply the measures stipulated in The Measures to Strengthen the Stability of Banks Act ("ZUKSB") under which the Bank Assets Management Company ("BAMC") would assume against payment specific risk items from NLB d.d. In compliance with the Decree on the implementation of measures to strengthen the stability of banks ("Decree"), the BAMC can assume the risk items of the bank against payment only if the measures for increasing share capital or other equity instruments of the bank are carried out at the same time in the bank pursuant to the Decree, so that capital adequacy of the bank is guaranteed in line with the requirements of the supervisor of the banking system. In line with the above, NLB d.d. intends to increase its share capital in the amount defined based on the appraisal report of an independent appraiser of companies. As the amount of the projected capital increase will have to be determined based on the elements of the BAMC's assumption of risk items against payment, the Management Board and the Supervisory Board propose that the General Meeting of Shareholders adopts the above stated resolution on authorised capital for the purpose of increasing share capital.

Given the above, in the framework of the increase in share capital from authorised capital, the new shares of NLB d.d. will presumably be paid up by the BAMC. The fourth and fifth paragraph of Article 5 envisage that the subscription and payment of ordinary shares and other equity instruments of the bank based on public offering (prospectus) are first offered to the existing shareholders and other (private) investors, whereas the BAMC based on such public offering of equity instruments subscribes those equity instruments of the bank that have not been subscribed by the said investors, provided that the previously published prospectus defines the adequate reduction in the issue value of shares or appropriately higher return of other equity instruments of the bank that are subscribed by the BAMC. Moreover, if the new shares are directly or indirectly subscribed by the Republic of Slovenia, NLB d.d. must also abide by the EU regulations on state aid. In the opposite case, the European Commission could conclude that such participation of the Republic of Slovenia in the capital increase of NLB d.d. is considered a prohibited state aid and that NLB d.d. must return this (and the past) aid. The EU regulations on state aid envisage that the recipient of a state aid compensates the state for the received financial aid, whereas part of the burden of re-establishment of long-term business operations ("viability") of the recipient of state aid is also shouldered by the shareholders of the recipient ("burden sharing").

If NLB d.d. offers new shares at a discounted price only to the BAMC (and not to the existing shareholders too), this in substantive terms represents an exclusion of the existing shareholders' pre-emptive right to subscribe new shares.

Moreover, after the publication of the proposed resolution of the General Meeting of Shareholders on authorised capital, some amendments to the ZUKSB and the Decree are possible; it is also not completely defined, for other reasons, who and under what conditions will be invited to subscribe new shares when the share capital of NLB d.d. is increased based on authorised capital (under special



conditions in line with relevant regulations perhaps also with exclusion of existing shareholders' pre-emptive right).

To improve its capital adequacy, NLB d.d. must carry out the capital increase, whereby its Management Board needs an opportunity to exclude the existing shareholders' pre-emptive right to subscribe new shares under the conditions that comply with relevant regulations.

Based on the above, the granting of the possibility to the Management Board to exclude the existing shareholders' pre-emptive right to subscribe new shares is in the interest of NLB d.d. and all of its shareholders, and not merely in the interest of individual shareholders or bodies of the company. Given the above we believe that substantive bases exist for granting of such possibility to the Management Board.

As the Management Board presents this report in relation to the authorised capital, the issue amount has not yet been proposed. It will be defined in the future, which is why the Management Board has not justified it in this report.

Ljubljana, 30/04/2013

Management Board of NLB d.d.