



**Material**

**for the 17<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d.  
on 30 June 2011**



**PUBLICATION OF THE AGENDA AND PROPOSED RESOLUTIONS TO BE PASSED AT THE  
17<sup>TH</sup> 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

**17<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana,**

scheduled for 30 June 2011, at 1 p.m. in the Conference Hall on the ground floor of the Bank's office building at Trg republike 3 in Ljubljana

**with the following agenda:**

**1. Opening, establishment of quorum and election of the bodies of the General Meeting of Shareholders 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 General Meeting of Shareholders of NLB d.d. shall be elected as follows:

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

**2. Presentation of the 2010 Annual Report and the NLB d.d. Supervisory Board's Report on the results of examining the 2010 Annual Report, the Information on the receipts of the NLB d.d. Management Board and Supervisory Board members in 2010 and acknowledgement of the Rules on determining other rights under management employment contracts or the Bank's regulations.**

The General Meeting of Shareholders of NLB d.d. hereby acknowledges the adopted 2010 Annual Report and the report by the Supervisory Board of NLB d.d. on the results of examining the 2010 Annual Report. Furthermore, the General Meeting of Shareholders of NLB d.d. hereby acknowledges the Information on the receipts of the members of the Management Board or Supervisory Board of NLB d.d. in the previous year and the rules of the Supervisory Board for determining other rights pursuant to the Act Regulating the Incomes of Managers of Companies Owned by the Republic of Slovenia and Municipalities (ZPPOGD).

**3. Decision on the allocation of distributable profit for 2010 and granting a discharge from liability to the NLB d.d. Management and Supervisory Boards**

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

3.1. The General Meeting of Shareholders of NLB d.d. is hereby informed that the net accumulated profit for 2010 totals EUR 1,309.13. NLB d.d. recorded operating loss of EUR 183,423,205.56 in 2010 and, when it prepared its financial statements, it covered the net loss for the financial year by revenue reserves. The total disclosed distributable profit arose from non-paid dividends to those shareholders that could not be paid dividends within five years after the resolution of the General Meeting because the beneficiaries failed to submit the data for the payment. In accordance with the provisions of the applicable legislation, these dividends have been time-barred and transferred to retained profit which is part of distributable profit. The portion of non-paid dividends amounting to EUR 1,309.13 shall be allocated to other revenue reserves.

3.2. A discharge from liability is hereby granted to the Management and Supervisory Boards of NLB d.d. for the 2010 financial year.

#### **4. Amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana**

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

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

#### **5. Appointment of the auditor for the 2011 financial year**

*The Supervisory Board of NLB d.d. proposed the adoption of the following resolution:*

The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2011.

#### **6. Obravnava Poročila Centra notranje revizije za leto 2010 ter mnenja Nadzornega sveta NLB d.d.**

The General Meeting of Shareholders of NLB d.d. hereby acknowledges the adopted Internal Audit's Report on Internal Auditing for 2010 and the opinion of the Supervisory Board of NLB d.d.

#### **7. Election of a substitute member of the Supervisory Board of NLB d.d.**

*The Supervisory Board of NLB d.d. proposed the adoption of the following resolution:*

The Annual General Meeting of Shareholders of NLB d.d. hereby establishes that Mr Jan Vanhevel, Member of the Supervisory Board, submitted his letter of resignation on 7 February 2011.

The elected substitute member of the Supervisory Board shall be Mr. Dirk Mampaey whose term of office shall expire on the same date as the term of office of the originally elected members of the Supervisory Board of NLB d.d. who were elected at the 14<sup>th</sup> Annual General Meeting of NLB d.d. held on 30 June 2009.

#### **8. Determination of the payment for performing the function and the session fees of the members of the Supervisory Board and its committees**

*The Management and Supervisory Boards of NLB d.d. 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 session shall be 80% of the full regular attendance fee.

Regardless of the aforementioned and the number of participations at the meetings, each member of the Supervisory Board shall only be entitled to be paid the session fees until the total amount of session fees, either Supervisory Board or its committee, has reached the value of 50% of the basic payment for performing the function per member of the Supervisory Board, stipulated in the next paragraph of this resolution.

8.2. In addition to the session fees, the members of the Supervisory Board shall receive the basic payment for the performance of the function in the amount of EUR 11,000.00 gross per member annually. The



Chairman of the Supervisory Board is entitled to receive extra payment accounting for 50% of the basic payment for performing the function of the member of the Supervisory Board and the Deputy Chairman of the Supervisory Board to extra payment accounting for 10% of the basic payment for performing the function of the 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 fee for performing the function of a member of the Supervisory Board. The Chairman of a Supervisory Board committee shall receive extra payment which amounts to 50% of the basic payment for performing the function of a member of the Supervisory Board. The members of the Supervisory Board and the members of a Supervisory Board committee shall receive the basic payment and the extra payment for performing the function in proportional monthly payments to which they are entitled for as long as they perform the function. The monthly payment shall amount to one twelfth of the above stated annual amounts. If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of working 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 basic payment for performing the function per member of the Supervisory Board.

8.3. The limitation of the amount of total payments of session 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. On the day this resolution is adopted, the resolution on the determination of the Supervisory Board and committee members' session fees which was adopted at the 15<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d. of 30 June 2010, shall cease to be valid.

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In compliance with the Companies Act (ZGD-1), the proposer of the resolutions referred to in Items 5 and 7 shall be the Supervisory Board of NLB d.d.; Items 2 and 6 are for information purpose only and the General Meeting of Shareholders 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 General Meeting of Shareholders are available to the shareholders for inspection at the Bank's registered office at Trg republike 2, 1520 Ljubljana, Secretariat, every working 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](http://www.nlb.si) (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 Share Register kept by the Klirinško depotna družba, d.d., Ljubljana, as at the end of the fourth day prior to the General Meeting of Shareholders (hereinafter: the cut-off date), i.e. by 26 June 2011, or their legal representatives or authorised persons who present a written power of attorney can attend the General Meeting of Shareholders and vote. The attendance must be notified to the Bank's Management Board using an application form which must be submitted to the Bank's registered office within the period from the publication of this notice of convocation up until and including three days prior to the General Meeting of Shareholders at the latest. 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, up until and including three days prior to the General Meeting of Shareholders. The legal representatives of

natural persons or legal entities must, on the day of the General Meeting of Shareholders, 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.

Amendments to the Agenda:

The 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 General Meeting of Shareholders or an explanation to the item on the agenda if no resolution is adopted in relation to such item by the General Meeting of Shareholders. 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 3 June 2011.

Shareholders' proposals:

The 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 Companies Act (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 3 June 2011.

Shareholders' right to be informed:

During the General Meeting of Shareholders 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 to authorised person:

The shareholders may exercise their voting right also through an authorised person after they have signed and submitted a written form which is available on the website [www.nlb.si](http://www.nlb.si) and sent it to the Bank's registered office in the period from the publication of the notice to convene the meeting up until and including three days prior to the General Meeting of Shareholders. They may submit the power of attorney to the Bank via electronic mail by the same deadline as applicable for the written form, namely by sending a scan of the power of attorney to the following e-mail: [Skupscina2011@nlb.si](mailto:Skupscina2011@nlb.si). The Bank shall reserve the right to verify the authenticity of the shareholder or the person who has authorised another person and submitted the power of attorney by electronic mail.

Use of electronic media for sending additional items on the agenda and publishing the proposals for the publication of counter proposals:

The shareholders may submit additional items on the agenda and counter proposals to the Bank via electronic mail by the same deadline and with the same contents as applicable to the written form, namely by sending a scan as an attachment to the following e-mail: [Skupscina2011@nlb.si](mailto:Skupscina2011@nlb.si). The Bank shall reserve the right to verify the authenticity of the shareholder or the person who has sent additional items on the agenda and counter proposals by electronic mail.



**FOUNDATIONS FOR THE PROPOSED RESOLUTIONS  
FOR THE 17<sup>TH</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS OF NLB D.D.**

**Item 1 on the agenda: Opening, establishment of quorum and election of the bodies of the General Meeting of Shareholders 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**

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

- *Marko Jerič, member of the Credentials Committee, and*
- *Jure Košar, 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 convenor of the General Meeting of Shareholders. The Management Board and the Supervisory Board shall propose to the General Meeting of Shareholders the adoption of resolutions according to the Companies Act (ZGD-1) and according to the Rules of Procedure also the election of 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 Compliance Institute, as members of the Credentials Committee of the 17<sup>th</sup> Annual General Meeting of Shareholders.

In line with the Articles of Association and the Rules of Procedure, the Management Board is, as the convenor, 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 and Compliance Office, Chairman of the General Meeting of Shareholders and invited Miro Košak, a notary public from Ljubljana, to attend the General Meeting of Shareholders, who accepted the invitation and confirmed his attendance.

Supervisory Board of NLB d.d.  
of NLB d.d.

Management Board

**Item 2 on the agenda: Presentation of the 2010 Annual Report and the NLB d.d. Supervisory Board's Report on the results of examining the 2010 Annual Report, the Information on the receipts of the NLB d.d. Management Board and Supervisory Board members in 2010 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 2010 Annual Report and the Report of the Supervisory Board of NLB d.d.

In 2010, 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 the Supervisory Board of NLB d.d. at its 20<sup>th</sup> regular meeting held on 7 April 2011 adopted the 2010 Annual Report without comments and in the form submitted by the Management Board.

In line with Article 282 of the Companies Act 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 receipts 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 2010
2. The Report of the Supervisory Board of NLB d.d.
3. Information on the receipts 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 company regulations

## **Attachment 2: The Report of the Supervisory Board of NLB d.d.**

The Supervisory Board of NLB d.d. was appointed at the Bank's General Meeting of Shareholders held on 30 June 2009 for the period lasting until the end of the Bank's Annual General Meeting which decides on the Annual Report for the fourth business year since they have been elected. Andrej Baričič, Riet Docx, Gregor Dolenc, John Hollows, Igor Masten, Rasto Ovin (Deputy Chairman), Stojan Petrič, Marko Simoneti, Boris Škapin, Jan Vanhevel and Stanislava Zadavec Capriolo were appointed members of the Supervisory Board. After the resignation of Stanislava Zadavec Capriolo in November 2009, Marko Simoneti was elected Chairman of the Supervisory Board.

In 2010, the member of the Supervisory Board Gregor Dolenc resigned from the function. At the 15<sup>th</sup> General Meeting of Shareholders of NLB d.d. on 30 June 2010, Jurij Detiček was appointed substitute member in the place of the member Stanislava Zadavec Capriolo and at the 16<sup>th</sup> General Meeting of Shareholders on 25 November 2010, Anton Macuh was appointed substitute member in the place of the member Gregor Dolenc. Expert support to the Supervisory Board's work is provided by four committees in 2010: The Risk Committee, the Audit Committee, the Appointment and Remuneration Committee, and the Strategy and Development Committee.

### **Work of the Supervisory Board**

In 2010, the Supervisory Board held nine regular and four correspondence meetings, where it discussed the regular reports on the operations of NLB d.d., the NLB Group and other important issues.

Thus, the Supervisory Board:

- discussed and approved the annual report for 2009 and the proposal on the use of distributable profit;
- approved the proposals for adopting resolutions at the General Meeting of Shareholders, including the amendments to the Articles of Association and the proposal for electing the new members of the Supervisory Board;
- approved the strategy of the NLB Group for the period 2010 – 2015, which contained short-term and long-term guidelines for the Bank's restructuring and for the improvement of its operations;
- regularly monitored the programme of short-term activities aimed at improving the operations of NLB d.d. in the fields of disinvestments of non-strategic companies, reduction of risk-weighted assets, cost-reduction and maintenance of the minimum capital adequacy;
- regularly monitored the measures taken in relation to the clients in intensive care and acknowledged the major deals and issued approvals to large exposures of the Bank to individual clients;
- approved the NLB Plan for the period 2011–2013;
- acknowledged the capital projection of the Bank and the Group for 2010 and 2011 and the following years, and supported the proposal on increasing the Bank's capital;
- approved the borrowing of NLB d.d. on the international markets in the form of syndicated loan;
- regularly monitored the implementation of the programme of restructuring LHB Internationale Handelsbank based on the adopted strategy of operations for the period 2010 – 2012;
- regularly discussed the reports on internal audit and acknowledged the letters of the Bank of Slovenia and the external regulators, and monitored the implementation of their recommendations;
- regularly acknowledged the reports on the co-operation of the Bank in the guarantee schemes of the Republic of Slovenia and the development of the Bank's credit activity;
- adopted a new system of Management Board remuneration and defined the criteria of Management Board remuneration in 2010.



## Verification and Approval of the 2010 Annual Report

On 7 April 2011, the Management Board of NLB d.d. submitted the 2010 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 Groups as at 31 December 2010 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 PricewaterhouseCoopers d.o.o., Ljubljana. Following a careful examination of the audited annual report for the business year 2010, the Supervisory Board approved it unanimously.

## Assessment of the Supervisory Board's work

The Supervisory Board regularly monitored the efficiency of its work and discussed various proposals of the members aimed at improving its work throughout the year. It discussed the strengths and weaknesses of the introduction of one-tier management structure in view of the fact that the Bank is controlled by two shareholders based on the Shareholder Agreement. Changes have been introduced into the composition and organisation of the committees of the Supervisory Board. Two new members joined the Supervisory Board. Some Rules of Procedure were amended and supplemented. These amendments improved the efficiency of the work of the Supervisory Board and its committees in the monitoring of strategy implementation by area and in the discussion of risks and audit reports.

When discussing the Annual Report, the Supervisory Board also made a formal self-assessment of its work. It was established in the discussion that the work of the Supervisory Board in the last period was very difficult because of the Bank's serious problems with non-performing loans and also because of lengthy procedures of finding an agreement between the shareholders on the suitability of the proposed strategic measures for exiting the crisis, which were only supported by all major shareholders of the Bank at the end of 2010.

The members of the Supervisory Board participated in advanced training at seminars organised by the Slovenian Directors' Association and the Bank Association of Slovenia. The Supervisory Board discussed and adopted the report on the costs of its operations for 2010. These were mainly related to the international structure of the Supervisory Board and the fact that the Supervisory Board and its committees operate in the Slovene and the English languages.

Cost type (in EUR)	
Session fees	81,291
Reimbursement of expenses	30,363
Remuneration for performing the function	0
Cost of transportation and travel costs	13,370
Printing services	19,195
Translation services	238,335
Other costs	26,812
<b>Total</b>	<b>409,366</b>

It was established that the commitment of the Supervisory Board members in the last year was considerable which, given the conditions of operations and the changes in the Bank's strategic guidelines is understandable. In 2010, 9 regular and 4 correspondence meetings of the Supervisory Board have been convened, 9 meetings of the Audit Committee, 8 meetings of the Risk Committee, 5 meetings of the Strategy and Development Committee and 3 meetings of the Appointment and Remuneration Committee. The Supervisory Board members have also been active in the two General



Meetings of Shareholders and at several meetings with the bank supervisor, auditors, representatives of shareholders and also the prospective new shareholders of the Bank.

The following opportunities for improvements in the work of the Supervisory Board have been mentioned in the discussion: better communication between the Supervisory Board and the shareholders, better co-ordination between the work of the specialised commissions and better transparency of reports regularly discussed at the meetings of the Supervisory Board.

## **Conclusion**

The Supervisory Board wishes to thank the Management Board and all the employees for their contribution and efforts in 2010. Because of heavy burdens from the past, the efforts invested could not have shown the desired effects in the Bank's performance in 2010 yet. The Bank will face great challenges also in the future. All those working in and for the Bank carry our own share of responsibility. The Supervisory Board estimates that it is possible to face these challenges with the Bank's new strategic guidelines and achieve the necessary and planned improvement in the Bank's operations through joint and responsible efforts of all partners involved.

Supervisory Board of the NLB

Dr. Marko Simoneti  
Chairman of the Supervisory Board of the NLB

### Attachment 3: Information on the receipts 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 1 January to 31 December 2010

Name and surname	Income type	
1 Božo Jašovič 1.1.2010 - 31.12.2010	Short-term bonuses:	<b>163,033.66</b>
	Gross salary, benefits and holiday allowance	163,033.66
	Reimbursement of expenses	<b>1,149.04</b>
	Long-term bonuses:	<b>2,646.24</b>
	Severance pay	0.00
	Benefits after termination of employment	2,646.24
	Other benefits	0.00
	Bonuses	0.00
	Bonuses by shares and option schemes	0.00
	Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>166,828.94</b>
2 David Benedek 1.1.2010 - 31.12.2010	Short-term bonuses:	<b>159,571.63</b>
	Gross salary, benefits and holiday allowance	159,571.63
	Reimbursement of expenses	<b>1,111.10</b>
	Long-term bonuses:	<b>11,834.73</b>
	Severance pay	0.00
	Benefits after termination of employment	11,417.44
	Other benefits	417.29
	Bonuses	0.00
	Bonuses by shares and option schemes	0.00
	Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>172,517.46</b>
3 Claude J C Deroose 1.1.2010 - 31.12.2010	Short-term bonuses:	<b>161,692.52</b>
	Gross salary, benefits and holiday allowance	161,692.52
	Reimbursement of expenses	<b>1,051.48</b>
	Long-term bonuses:	<b>11,450.74</b>
	Severance pay	0.00
	Benefits after termination of employment	11,450.74
	Other benefits	0.00
	Bonuses	0.00
	Bonuses by shares and option schemes	0.00
	Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>174,194.74</b>
4 Marko Jazbec 1.1.2010 - 31.12.2010	Short-term bonuses:	<b>159,092.70</b>
	Gross salary, benefits and holiday allowance	159,092.70
	Reimbursement of expenses	<b>1,176.14</b>
	Long-term bonuses:	<b>2,646.24</b>
	Severance pay	0.00
	Benefits after termination of employment	2,646.24
	Other benefits	0.00
	Bonuses	0.00
	Bonuses by shares and option schemes	0.00
	Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>162,915.08</b>

5	Robert Kleindienst 1.1.2010 - 31.12.2010	Short-term bonuses:	<b>160,588.07</b>
		Gross salary, benefits and holiday allowance	160,588.07
		Reimbursement of expenses	<b>1,111.10</b>
		Long-term bonuses:	<b>10,804.24</b>
		Severance pay	0.00
		Benefits after termination of employment	10,804.24
		Other benefits	0.00
		Bonuses	0.00
		Bonuses by shares and option schemes	0.00
		Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>172,503.41</b>	
<b>Total</b>		<b>848,959.63</b>	

**Disclosure of stated income of members of the supervisory board from 1 January to 31 December 2010**

	Name and surname	Income type	
1	Marko Simoneti 1.1.2010 - 31.12.2010	Session fees	9,627.75
		Bonuses	0.00
		Reimbursement of expenses	0.00
2	Andrej Baričič 1.1.2010 - 31.12.2010	Session fees	11,484.00
		Bonuses	0.00
		Reimbursement of expenses	2,646.39
3	Jurij Detiček 1.7.2010 - 31.12.2010	Session fees	3,877.50
		Bonuses	0.00
		Reimbursement of expenses	0.00
4	Stanislava Zadavec Capriolo 1.1.2010 - 30.6.2010	Session fees	429.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
5	Anton Macuh 26.11.2010 - 31.12.2010	Session fees	412.50
		Bonuses	0.00
		Reimbursement of expenses	0.00
6	Gregor Dolenc 1.1.2010 - 25.11.2010	Session fees	3,300.00
		Bonuses	0.00
		Reimbursement of expenses	4,585.46
7	Igor Masten 1.1.2010 - 31.12.2010	Session fees	8,579.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
8	Rasto Ovin 1.1.2010 - 31.12.2010	Session fees	6,951.00
		Bonuses	0.00
		Reimbursement of expenses	3,089.81
9	Stojan Petrič 1.1.2010 - 31.12.2010	Session fees	8,690.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
10	Boris Škapin 1.1.2010 - 31.12.2010	Session fees	9,900.00
		Bonuses	0.00
		Reimbursement of expenses	271.60
11	Rita Paula C L Docx 1.1.2010 - 31.12.2010	Session fees	9,900.00
		Bonuses	0.00
		Reimbursement of expenses	17,174.51
12	John Artur Hollows 1.1.2010 - 31.12.2010	Session fees	6,490.00
		Bonuses	0.00
		Reimbursement of expenses	2,595.82
13	Jean O C Vanhevel 1.1.2010 - 31.12.2010	Session fees	1,650.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
	<b>Total</b>		<b>111,654.34</b>



**Attachment 4**

**Rules**

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

**Issue 1, May 2010**

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## Chronology of amendments

<b>Version</b>	<b>Date</b>	<b>Description</b>
1.	13 May 2010	First version

## **1. Introductory provisions**

### Article 1

Rules on determining other rights under employment contracts or the Bank's company regulations (hereinafter: the Rules) are adopted on the basis of the provisions of Article 270 of the Companies Act 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 the member of the Bank's Management Board:

#### 2.1. Company car for both business and private purposes

A top class company car with the value of up to 70,000 euros for both business and private purposes shall be granted to a member of the Management Board in order to simplify and streamline the work and to cut the Bank's material costs.

#### 2.2. Company car including the driver

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

#### 2.3. Company mobile phone

A member of the Management Board shall be given a top-range mobile phone and approved an annual budget of 5,670 euros; if a higher amount is spent, the member of the Management Board will 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.

#### 2.5. Housing loans for the staff

Housing loans for the staff may be granted to a member of the Bank's 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.

#### 2.6. Eurocard NLB business card

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

#### 2.7. Entertainment allowances





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

#### 2.8. Accident 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 75 euros.

#### 2.9. 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.

#### 2.10. Annuity savings with NLB

NLB d.d. may pay monthly premiums to the members of the Management Board for annuity savings with NLB d.d. in the maximum amount of 350 euros.

#### 2.11. Voluntary collective supplementary pension insurance - Skupna

This is a supplementary voluntary collective pension insurance which was introduced by the NLB for its employees in 2001, the Bank pays highest possible amount within the framework of tax reliefs.

#### 2.12. 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.

#### 2.13. Membership fees

Fees for membership of various institutions, associations, 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.

#### 2.14. Parking space

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

#### 2.15. Accommodation while on business trip

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

#### 2.16. 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.

#### 2.17. Holiday allowances

Upon acquiring the right to annual leave, the annual leave allowance shall be paid to the member of the Management Board equalling the amount of one average salary in the Bank for the previous month.



#### 2.18. Severance and gratuity pay

The members of the Management Board shall be entitled to gratuity pay in the case of retirement in the amount of not more than six salaries. 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 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, 27 May 2010

Marko Simoneti  
Chairman of the Supervisory Board



**Item 3 on the agenda: Decision on the allocation of distributable profit for 2010 and granting a discharge from liability to the NLB d.d. Management and Supervisory Boards**

**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 General Meeting of Shareholders of NLB d.d. is hereby informed that the net accumulated profit for 2010 totals EUR 1,309.13. NLB d.d. recorded operating loss of EUR 183,423,205.56 in 2010 and, when it prepared its financial statements, it covered the net loss for the financial year by revenue reserves. The total disclosed distributable profit arose from non-paid dividends to those shareholders that could not be paid dividends within five years after the resolution of the General Meeting because the beneficiaries failed to submit the data for the payment. In accordance with the provisions of the applicable legislation, these dividends have been time-barred and transferred to retained profit which is part of distributable profit.

The portion of non-paid dividends amounting to EUR 1,309.13 shall be allocated to other revenue reserves.

3.2. A discharge from liability is hereby granted to the Management and Supervisory Boards of NLB d.d. for the 2010 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 2010 Annual Report which the Supervisory Board adopted at its 20<sup>th</sup> regular meeting held on 7 April 2011. Distributable profit for 2010 amounts to EUR 1,309.13. At this year's General Meeting of Shareholders the shareholders will decide to allocate distributable profit to other revenue reserves.

In line with Article 294 of the Companies Act, the General Meeting of Shareholders decides also 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: Amendments and supplements to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana**

**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 4**

The General Meeting of Shareholders of NLB d.d. 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. The word Bank is added in the second indent of Article 10 of the Articles of Association. The change is merely editorial.
2. In the first paragraph of Article 12 of the Articles of Association, the new conditions for the participation and voting at the General Meeting of Shareholders are laid down, so that only those shareholders may participate in the General Meeting which were registered in the central register of book-entry securities at the end of the fourth day prior to the General Meeting. The deadline for registering participation or exercising of shareholders' rights at the General Meeting is also changed. Registration shall only be possible until the end of the fourth day prior to the General Meeting. This is due to alignment of the Articles of Association with the currently applicable legislation (Article 297 of the ZGD-1).
3. In the second paragraph of Article 13 of the Articles of Association, the word Supervisory Board is replaced with the word convenor. The convenor, i.e. the Management Board of the Bank or the Supervisory Board of the Bank pursuant to the first paragraph of Article 13, is competent to determine the place of the General Meeting. The change is merely editorial.
4. In the first and the second paragraph of Article 14, the word Supervisory Board shall be deleted. Pursuant to the provision of Article 295, the shareholders collectively holding at least one twentieth of the share capital are entitled to demand in writing than the management convene the General Meeting of Shareholders. The management of the Bank as a public limited company is the Management Board and not the Supervisory Board, which is why the phrase Supervisory Board is deleted from the wording.
5. In the first paragraph of Article 15 of the Articles of Association, the shareholders collectively holding at least one twentieth of the share capital shall be entitled to an extension of the deadline for supplementing the agenda of the General Meeting from five to seven days and additionally, the amended provision allows them to submit the request for supplementing the agenda of the General Meeting in electronic form. Thereby the Articles of Association will be aligned with the legislation (Article 298 of the ZGD-1).
6. In the fifth indent of the second paragraph of Article 18 of the Articles of Association, the terms mergers, demergers, transfer of a significant share of assets are changed to the collective term status transformation of the company. Thereby the Articles of Association will be aligned with the appropriate legal terminology (Article 579 of the ZGD-1).

7. The amendment of the eleventh indent of the first paragraph of Article 19 of the Articles of Association is the result of the editorial change, namely alignment with the appropriate legal terminology, as in Article 18 of the Articles of Association.
  8. The fourth paragraph of Article 20 of the Articles of Association stipulates that the members of the Supervisory Board are entitled to remuneration for performing their function and/or attendance fees for the membership on the Supervisory Board of the Bank and the committees of the Supervisory Board of the Bank stipulated by the resolution of the General Meeting of Shareholders applicable at the time." The supplemented text now covers all remuneration and compensation belonging to the members of the Supervisory Board of the Bank and external experts.
  9. The amendment of the fifth paragraph of Article 23 of the Articles of Association allows the members of the Supervisory Board to perform their functions and adopt decisions in an easier and faster manner. With this amendment, the Chairman of the Supervisory Board will be able to convene a correspondence meeting, 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 no later than within the period specified in the convocation of the correspondence meeting. The current regulation of the statute defines a five-day deadline for opposing to the convocation of the correspondence meeting in writing, which often turned out to be too-long, if the members of the Supervisory Board had to decide urgently on a matter. With the proposed change, the Chairman of the Supervisory Board will be able to determine the deadline for deciding on the correspondence meeting that is most suitable, depending on the urgency and the weight of the decision.
  10. The second indent of the second paragraph of Article 28 of the Articles of Association shall be amended to read, that the Management Board of the Bank may decide, subject to obtaining prior approval from the Supervisory Board, on the write-off of a receivable higher than EUR 500,000.00 and that no approval for the write-off of such receivable is required if it is based on completed and final bankruptcy proceedings. Nevertheless, the Management Board is obliged to inform the Supervisory Board also of such write-offs. The write-offs are based on the business decisions of the Bank's Management Board, when it is no longer possible to recover the receivable by legal means and if bankruptcy proceedings are initiated against the debtor, the Bank can no longer adopt business decisions concerning such receivables, which is why it is not possible to do anything and it is therefore pointless to require the approval of the Supervisory Board.
- In Article 28, the third paragraph is also deleted, according to which the Management Board of the Bank must, in addition to its general obligation to report in accordance with regulations applicable from time to time, report to the Supervisory Board on a quarterly basis on any actions and transactions which do not exceed the limits specified in the preceding paragraph. The paragraph is stricken out because its contents mainly refer to Article 27 of the Articles of Association and such reporting to the Supervisory Board of the Bank is implemented in the resolutions of the Supervisory Board and the standard practice of the Bank's management. Namely, the Management Board always reports to the Supervisory Board, if necessary, and quarterly in any case; part of this reporting is also the content covered by the third paragraph that has been deleted.
11. In the second paragraph of Article 31, the term for the Audit Committee is changed (translator's note: not applicable to the English version). The change is merely editorial.
  12. Until 31 December 2005 the Bank had compiled the financial statements in accordance with the Slovenian Accounting Standards as well as the International Financial Reporting Standards. As of 1 January 2006, only the International Financial Reporting Standards are used by banks pursuant to the Decision on Books of Account and Annual Reports of Banks and Savings Banks. In the text of Article 32 of the Articles of Association, the term "Slovenian Accounting Standards" shall be replaced by the term "International Accounting Standards".
  13. In Article 34 of the Articles of Association, the names of two newspapers have been added, which are issued on the entire territory of the Republic of Slovenia, in which the Bank shall publish data and messages, in order to comply with the legal provisions on information to be published.
  14. Article 37 of the method of dissolution of the Bank is stricken out, since the content is covered by Article 18 of the Articles of Association.
  15. Furthermore, Article 38 which covers the first adoption of the Articles of Association and the subsequent amendments is also stricken out. This provision is unnecessary according to the good business practice.

**Attachment:**

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

**AMENDMENTS AND SUPPLEMENTS TO THE ARTICLES OF ASSOCIATION OF NOVA LJUBLJANSKA BANKA D.D., LJUBLJANA**

Article 10

Article 10 shall be amended to read:

“The bodies of the Bank are:

- the General Meeting of Shareholders,
- the Supervisory Board of the Bank,
- the Management Board of the Bank.”

Article 12

The first paragraph shall be amended to read:

“Taking into account the class of their shares only shareholders and who are registered in the Share Register kept by Klirinško depotna družba, d.d., Ljubljana, as at the end of the fourth day prior to the General Meeting of Shareholders, or their legal representatives or authorised persons who present a written power of attorney can attend the General Meeting of Shareholders and vote, provided that they make their intention to participate in the General Meeting of Shareholders of the Bank and vote known in due time, i.e. at least four days the end of the fourth day prior to the General Meeting of Shareholders, with a declaration of the total number of their shares.”

Article 13

The second paragraph shall be amended to read:

“The General Meeting of the Bank, which shall decide on allocation of balance sheet profit and on relief shall be held within the first eight month following the end of the financial year, unless the legislation prescribes otherwise. As a rule the venue of the General Meeting of Shareholders session shall be the locality of the registered office of the Bank, yet it may convene also in another locality within the Republic of Slovenia specified by the convenor.”

Article 14

The first and the second paragraphs shall be amended to read:

The shareholders collectively holding at least one twentieth of the share capital are entitled to demand in writing that the Management Board convene the General Meeting of the Bank. Together with their request, they must submit a written agenda for each proposed item on the agenda to be decided upon by the General Meeting of the Bank or an explanation to the item on the agenda if no resolution is adopted in relation to such item by the General Meeting of the Bank.

In such a case as described in the preceding paragraph, the Management Board of the Bank must convene the General Meeting of Shareholders within a period not exceeding one month from the receipt of a complete request in writing.”

#### Article 15

*The first paragraph shall be amended to read:*

“One or more shareholders holding collectively at least one twentieth of the share capital of the Bank may request in writing that an additional item be put on the agenda of the General Meeting of Shareholders. The request shall be granted if it contains a formulated and substantiated proposal of a resolution within the competence of the General Meeting, or an explanation to the item on the agenda if no resolution is adopted in relation to such item by the General Meeting of the Bank and if the shareholder delivered the request to the Bank not later than seven days after the publication of the notice of the General Meeting of the Bank. In such case, the Management Board or the Supervisory Board of the Bank shall immediately after the expiry of the deadline from the previous sentence of this paragraph publish a supplemented agenda of the General Meeting or a clean copy of the agenda in accordance with applicable regulations and in the same manner in which the notice of the General Meeting of the Bank was published. In relation to the sending of additional items on the agenda pursuant to this paragraph, the shareholders must have the possibility to submit such request to the Bank using electronic channels.”

#### Article 18

The fifth indent of the second paragraph shall be amended to read:

“ – the status restructuring of the Bank (merger, division, transfer of property, changed form of legal organisation),”

#### Article 19

The eleventh indent of the first paragraph shall be amended to read:

“ – the status restructuring of the Bank (merger, division, transfer of property, changed form of legal organisation) and bank dissolution.”

#### Article 20

The fourth paragraph shall be amended to read:

“The Members of the Supervisory Board and external experts appointed by the Supervisory Board into boards or committees of the Supervisory Board shall be entitled to the reimbursement of travel expenses, daily allowances and costs of overnight accommodation up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Members of the Supervisory Board are entitled to remuneration for performing their function and/or attendance fees for the membership on the Supervisory Board of the Bank and the committees of the Supervisory Board of the Bank stipulated by the resolution of the General Meeting of Shareholders applicable at the time.”

#### Article 23

The fifth 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 Chairman'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 28

The second indent of the second paragraph shall be amended to read:

“- the write-off of claims exceeding EUR 500,000.00 (five hundred thousand 00/100) or its equivalent in any other currency, calculated according to the medium exchange rate of the Bank of Slovenia valid on the date of approval, unless the write-off of individual receivable is based on a completed bankruptcy proceeding, of which the Management Board of the Bank informs the Supervisory Board of the Bank,”

The third paragraph is stricken out.

#### Article 31

The second paragraph shall be amended to read:

“Based on the preliminary opinion of the Audit Committee of the Supervisory Board, the Management Board and the Supervisory Board of the Bank shall approve the annual action plan of the Internal Audit and may request that the Internal Audit perform specific tasks.”

#### Article 32

The first to fifth paragraphs shall be amended to read:

“The Bank shall prepare financial statements and annual report in accordance with the applicable legislation and the International Financial Reporting Standards.

It is an obligation of the Management Board of the Bank to ensure that the stipulated unconsolidated and consolidated financial statements, as well as the annual report are prepared in accordance with the International Financial Reporting Standards prior to the deadlines specified by regulations then in effect. Furthermore, it is an obligation of the Management Board of the Bank to ensure that the annual report is reviewed by an authorised auditor (audited annual report).

Prior to the deadlines for forwarding of the audited annual report to the competent bodies and institutions, or prior to the deadlines for convocation of the regular annual General Meeting of Shareholders session, the Management Board shall forward the audited annual report, together with the proposal for the use of balance sheet profits, to the Supervisory Board of the Bank.

The Management Board of the Bank shall prepare and submit to the Supervisory Board of the Bank, in principle within the time periods prescribed for the submission of the annual report prepared in accordance with the International Financial Reporting Standards, also the annual financial statements of the Bank and the consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards.

The Supervisory Board of the Bank shall inspect the submitted annual report and the proposal for the use of the balance sheet profits and submit the report to the General Meeting of Shareholders.”





#### Article 34

The first paragraph shall be amended to read:

"The Bank shall publish information and announcements, obligatory publication of which is stipulated by legislation, in the Official Gazette of the Republic of Slovenia or the newspapers *Delo* or *Dnevnik* or on SEOnet or any other such information system, which may replace it, and on the Bank's web portal if the relevant regulations stipulate such manner of publication to be equivalent to that first specified."

#### Article 37

The second paragraph is stricken out.

#### Article 38

Is stricken out.

The editorial errors in the text of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana are eliminated and the relevant bodies of the Bank are indicated throughout the text pursuant to Article 10 of the Articles of Association of Nova Ljubljanska banka d.d.



**Item 5 on the agenda: Appointment of the auditor for the 2011 financial year**

**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 5**

*5. The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2011.*

**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 co-operated 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

### Credentials:

- 1.) The company is an international auditing company with a lot of experience in the field of the auditing of financial institutions, and familiar with the International Financial Reporting Standards.
- 2.) It has professional and quality audit teams.
- 3.) It has offices in all countries in which the members of the NLB Group are operating.
- 4.) Good knowledge of the NLB Group.
- 5.) Good co-operation, quick responsiveness and provision of quality services.
- 6.) Other clients in Slovenia in the past three years (in addition to the NLB Group):

### Banks:

Banka Celje, Abanka Vipava, Gorenjska banka, Factor banka, Hypo Alpe Adria Bank;

### Insurance companies:

Generali, ARAG, NLB Vita;

### Management companies:

NFD, NLB Skladi, Abančna družba za upravljanje;

### Investment funds:

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



**Item 6 on the agenda: Discussion of the Internal Audit's Report for 2010 and the opinion of the Supervisory NLB d.d. Board**

**Explanation**

This is an informative item on the agenda which is according to the Companies Act and the Banking Act 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 (ZBan-1) 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 20<sup>th</sup> regular meeting held on 7 April 2011 the Supervisory Board of NLB d.d. discussed and approved the Internal Audit's Report for 2010.

**Attachment:**

1. Internal Audit's Report for 2010



Internal Audit

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**Internal Audit's Report for 2010**

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Polona Kurtevski  
Director of Internal Audit

## 1. IMPLEMENTATION OF THE ANNUAL PLAN

In 2010 the Internal Audit performed regular internal audits in line with the adopted Action Plan as well as unscheduled (extraordinary) audits and other regular and extraordinary activities in line with the Charter of the Internal Audit.

In 2010 the Internal Audit conducted 73 regular and extraordinary audits in different business lines of the NLB and other NLB Group members, of which 12 audits (10 regular + 2 extraordinary) will be completed in the first months of 2011, due to extensive and demanding tasks in terms of contents, implemented according to the resolution of the management and supervision bodies. The Internal Audit regularly reported the findings from the audits and recommended measures to the Management Board, the Audit Committee and the Supervisory Board of the NLB.

The Management Board, the Audit Committee and the Supervisory Board of the NLB regularly (quarterly) monitored the implementation of the Internal Audits' annual plan.

Audit type	Planned number	Implemented number
Audits from 2009 completed in 2010	6	11
Regular audits 2010	61	45
Extraordinary audits 2010	-	5
<b>Total</b>	<b>67</b>	<b>61</b>

## 2. SUMMARY OF MAJOR AUDIT FINDINGS

Below are brief summaries of the key findings and recommendations arising from the completed audits of the Internal Audit in 2010.

### 2.1. NLB d.d.

#### ***Credit risks***

The changes in the external environment in which the Bank operates dictate certain organisational and process changes in the field of crediting. It has therefore been established that the process of granting loans to corporate and retail clients needs to improve the credit rating system, to ensure up-to-date and appropriate credit rating of clients, and that internal rules concerning creditworthiness of borrowers have to be strictly observed. Recommendations to supplement work authorisations have also been given to align them with the instructions and work organisation. Due to excessive concentration of tasks and duties with account managers, the appropriate organisational changes have been recommended.

Due to the established errors and deficiencies in the area of obtaining, recording, monitoring and reporting data on the current value of collaterals securing the loans, we have given recommendations to renew the existing system and improve supervision controls. The area of insurance and collaterals is managed by the Bank within a special project which is carried out in phases and will be concluded by 30 Sep 2012.

We further recommended consistent and timely transfer of bad clients treatment to a special organisational unit Intensive Care and Recovery which is separated from the Bank's business lines.

In the area of pre-court collection of overdue receivables we brought attention of the operative sections of the Bank to timely and more intensive collection.

#### ***Non-credit risks***

Interest rate risk in the banking book is regularly monitored and reported to the competent bodies of the Bank. The NLB Group members report in line with the guidelines of NLB d.d. Management of positions of

the banking book is efficient and generally within the prescribed limits. The Bank draws up various stress scenarios used to assess losses in exceptional circumstances; it takes their results into account when determining stop loss limits. The recommendations given refer to compliance of internal regulations with the banking regulations and their regular updating.

Calculation of the capital requirement for market risks: the Bank has prepared appropriate internal regulations, which delimit responsibilities and specify bodies in charge of tasks in the process of capital management in the Bank and the Group. The procedure of calculating the capital requirements for the Bank is mostly automated. There is an ongoing project for automation of reporting by members of the Group. Recommendations refer to elimination of minor errors in calculation and establishment of additional controls of data reported by the Group members.

Nostro and loro accounts: dispersion of current and correspondence account networks provides for fast and high-quality execution of transactions and settlement of deals in the field of international operations. Computer solutions provide for automated and efficient system of keeping these accounts and prompt monitoring of open positions. The recommendations given refer mainly to the formulation of new strategy and definition of rules for managing the current account network in the whole Group.

Trading in derivatives: the area is adequately organised and the tasks are appropriately separated, i.e. in compliance with applicable regulations. The back office process for trading is automated which improved the procedures of recording and evaluating deals in the general ledger. The internal acts are regularly updated. The system of introducing new products is appropriate. The recommendations refer to monitoring and control over credit exposure towards counterparties from trading operations as well as adequate organisation of the administration of Reuters information systems.

Trading in money market instruments: the area is adequately organised and the tasks are appropriately separated, i.e. in compliance with applicable regulations. The procedures of accepting orders, concluding contracts and monitoring transactions are well organised and follow the well-established procedures. Recording and handling of complaints are timely and appropriate. Internal and external reports are adequate in terms of contents and represent a sound base for efficient control over trading. The recommendations given refer to the formulation of the missing internal acts (policy).

International payment transactions: a wide-spread current account and correspondent network as well as the integration in the pan-European payment systems (STEP2, Target 2 and SEPA EKP) allow the Bank to effect payments quickly and with good quality. Processing of payment orders is almost fully automated. The computer support enables on-line monitoring of balances and daily making of possible corrections in subsidiary books of accounts. The recommendations given refer to the establishment of a subsequent control of the corrections on payment orders and the withdrawal of technologists' access to data in the production environment.

### ***Branch network***

Cash and treasury operations: on the basis of unannounced audits it was established that in general functioning of internal controls has improved, especially in the area of cash handling, daily closing of cash transactions and vault records. In spite of the large volume of cash transactions the Bank does not record any major loss events. A significant improvement has been noted in supervisory controls, security assessments with critical points in processes have been prepared and standards for the NLB Group have been adopted. The recommendations given refer to routine procedures in counting and handover and acceptance of cash in the vault.

Day/night safe deposit operations: the business process is well established. The Bank recorded no major loss events, only minor deficiencies have been established, which do not represent significant risk. The majority of day/night safe deposits are equipped with alarm devices The Bank started the streamlining processes with the aim of transferring as many payment transactions as possible from branches to new ATMs, so the branches would be relieved of routine operations.

Bank cards: in recent years a significant progress has been achieved in the area of monitoring, early detection and prevention of abuses in card transactions. Magnetic cards were replaced by chip cards, POS terminals and most ATMs were technologically upgraded, protection was introduced at the NLB points of sales of web merchants, as well as SMS alerts. The Bank also adopted suitable measures to accelerate the process of upgrading ATM machines to new technology and carried out alternative measures of technical nature to reduce the risk of abuse at those ATMs.

Prevention of money laundering: Activities carried out in the Bank to purchase new computer support, which will enable consistent and efficient implementation of legal requirements as regards money laundering and terrorist financing prevention (e.g. monitoring of business activities, implementation of restrictive measures, conducting analyses and making reports on transactions and unusual operations of clients, etc.). This will significantly reduce the scope of manual procedures, which will further add to more efficient money laundering risk management. We have also recommended the acquisition of missing but legally prescribed data on clients.

Electronic distribution channels (EDC): The Bank offers an expanding range of services via the EDC and therefore the number of users is increasing. In this area it is practically impossible for the banks to ensure total security, however, the risk of abuse can be efficiently reduced by combining adequate safety elements. The functioning of early detection of abuse, centralised treatment of damage claims and safe operation of EDC for corporate clients were assessed as positive. Regardless of recently reduced scope of abuse the Bank was recommended to constantly monitor and supplement security solutions and to introduce 24/7 system of checking suspicious transactions.

Private banking: is one of the more risky areas because the service is designed for wealthy clients and was therefore often subject of audit in the past. The majority of issued recommendations refer to the arrangement of contractual relations, ordering of services, functioning of the system for providing feedback information to clients on received orders and implemented services, and separation of control function from operational tasks. Service range of other banks in the NLB Group does not include this service.

Executions in clients' accounts: the volume of received court and tax decisions of execution on clients' accounts to be implemented by the Bank has continuously been growing in the recent years. As a result, the Bank occasionally faces delays in the processing of decisions. The development of a new IT support for managing executions is underway, however a significant contribution to a decrease in the volume of manual procedures and therefore delays will be made by electronic data exchange between issuers of decisions (courts, TARS) and the Bank. The scheduled implementation deadline for the latter is within 5 years, but the Bank already carries out all necessary activities to shorten this deadline.

### ***Financial management***

Bookkeeping recording of impairments and write offs of corporate loans is carried out in accordance with accounting standards. The recommendations given refer to close monitoring of legal costs borne by the client, establishment of centralised control over hiring of external lawyers and notaries cooperating with different organisational units of the Bank and strict compliance with the applicable legislation in closing overdue claims.

Reporting to the Securities Market Agency is adequately software supported and is carried out in accordance with legislation in force. It was recommended to uniformly define related parties and set up adequate connections between sub-ledger applications.

The project of restructuring the accounting architecture is carried out adequately and within the planned financial assets. We have recommended more detailed monitoring of deadlines regarding completing of individual phases of the project and separate presenting of financial assets used for adjustment of sub-ledger applications, carried out in the line organisation.



### ***Management of operating risks and information communication technology (ICT)***

The Bank has in place a suitable operational risk management system. Recording and assessing operational risks and monitoring of loss events have good computer support. There has been notable progress in the management of operational risks and loss events, which has to be encouraged further and improved in all business areas.

The established IT Committee, comprised of the Management Board members, enables good management and supervision of the development and investments in IT support as well as greater efficiency in defining the IT strategy and harmonising it with business strategies. ICT process management is based on the COBIT framework and supported by a valid ISO 9001 quality certificate. The Bank recorded no major interruption in operation of ICT systems, as it regularly monitors and plans the capacity and functioning of ICT systems; most IT service level agreements have been defined. We have also recommended more analytical management of incidents, improved audit trail management in all ICT systems and processes, streamlining of consumption by some ICT systems, strengthening of control over authorisations and implementation by in-house and outsourced developers and maintenance staff for production systems.

The Bank has set up a business continuity system, which it regularly tests and supplements on the basis of test results. Moreover, the Bank started regulating risks related to outsourced service providers more systematically.

The Bank has established system frameworks for comprehensive information protection management. In future it will have to upgrade control systems in view of the risks identified at the time, ensure coverage of all projected areas by information protection system and establish suitable supervision of control implementation.

### ***General operations***

The functioning of the internal control system was examined with respect to lawsuits filed against and by NLB d.d. It was recommended to provide comprehensive monitoring of overdue receivables at one place (within a single application), and to devote more attention to proper implementation of procedure in case of regular and extraordinary termination of employment contracts due to fault-based liability and consistently carry out procedures to prevent unsuccessful lawsuits

## **2.2. Other members of the NLB Group**

In 2010, the members of the NLB Group were adjusting their operations to the standards and guidelines of the NLB. The operation of the Business Line was oriented to the improvement of the reporting to NLB d.d. for the needs of consolidated supervision of the operations of the Group

### ***Credit function***

We have undertaken activities of unifying the work procedures with new minimum standards applying to the area of risk management and corporate and financial institutions. Accordingly, the members supplemented internal rules in the area of calculation of impairments and provisions, granting and monitoring of loans, account management, collateralisation of loans and management of non-performing loans. All internal acts were formally approved by the management and decision-making bodies of individual group member. In future, it will be necessary to ensure consistent compliance with the standards set by NLB. For the needs of monitoring the quality of credit portfolio, we recommended to strengthen the supervision controls over the data reported by the members to NLB d.d., loan collaterals and the documentation of the calculated impairments, and to ensure regular monitoring of the value of collaterals. We have also recommended to upgrade the existing system of managing non-performing loans.

### ***Branch network***

In 2010, the activities concerning harmonisation with the NLB standards continued. The Banks started introducing new distribution channels, such as private banking and direct communication with clients through a call centre. We have recommended improvement of security conditions in cash operations (instalment of video surveillance and GPS communication) and at the premises where valuables are kept and cash is exchanged between the vault and front offices of the Bank.

### ***Non-credit risks***

Progress is evident in the area of the implementation of minimum standards prescribed by the NLB. Formally, the area is generally well-supported by internal policies and instructions. The recommendations given refer to adequate discussion on reports about risks by the supervisory bodies.

### ***Information technology***

Activities were focused on ensuring computer tools for monitoring the stability and availability of the system, upgrading of the existing IT support, completion of business continuity plans (BCP) and preparing for implementation of the Minimum IT Standards prescribed by the NLB. We have recommended improvement of security in accessing the system, establishment of procedures for testing business requests and new functionalities, implementation of project work in line with the adopted work methodology, planning and regular monitoring of investments in computer equipment, and implementation of minimum standards which will provide the basis for comprehensive IT management.

### ***Accounting***

For the needs of reporting accounting data, the members of the NLB Group use a uniform IT support, ensuring appropriate reporting both during the year and at the end of the year, when the members must report additional data needed for the preparation of disclosures in the NLB Group annual report. We have recommended to eliminate deviations from prescribed bookkeeping procedures, which were detected in individual members under some accounting items.

### ***Support activities***

The area of back office activities – real estate management and processing-logistic function for the needs of NLB d.d. is well arranged. The business process is performed routinely, with no major shocks from external factors and is well organised and manageable.

### ***Leasing activity***

Formal acts in the area of corporate governance and supervision over the leasing group will have to be supplemented by provisions regarding uniform management of subsidiary and sister leasing companies in the Group. We have also recommended the preparation and adoption of a framework document to define internal control system and at the same time to commit the management of leasing companies to establish this system in all organisational units of these companies.

The audits of client crediting in leasing companies have shown certain irregularities in the procedures of granting and monitoring loans, client management, loan collateralisation and management of non-performing loans. The Management Board of NLB d.d. adopted a series of measures to eliminate the established irregularities, improve the existing procedures in these companies and initiated adequate

activities related to legal proceedings. As of March 2010, the non-banking members of the NLB Group (including the leasing companies) are not allowed to credit their clients.

### 3. IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Internal Audit regularly monitored the implementation of audit/inspection recommendations given by the Internal Audit, the Bank of Slovenia and the external auditor, until they are finally implemented. The Internal Audit regularly (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 that purpose, the competent and responsible management bodies of the Bank reported to the Internal Audit on the status and implementation of the recommendations quarterly (or when an individual task was completed).

In 2010, a total of 374 audit recommendations and requirements were issued, with 460 open recommendations and requirements being implemented (also including those issued in 2009). The average share of overdue outstanding recommendations in 2010 was around 4% (in 2009: 3%).

### 4. WORK ORGANISATION AND PERSONNEL

In 2010, the Internal Audit's internal organisation remained unchanged. Formally, the Internal Audit functions as a single management support service, and it is informally divided into 6 areas of operations, as shown in the table below. Each area has a manager responsible for professional and efficient work in their area and further development of internal audit standards and procedures.

As at 31 Dec 2010, the internal Audit had 33 employees, of which 12 auditors have various professional licences, issued by the Slovenian Institute of Auditors. Allocation of employees by area is presented in the table below.

Area of work	Number of auditors
Management of the Internal Audit	2
Administration	2
Branch network	5
Credit risks	6
Information technology	5
Non-credit risks & payment transactions	6
Financial management and accounting	5
NLB Group – Business Line	2
<b>Total</b>	<b>33</b>

In 2010, there were a few minor personnel changes in the Internal Audit. Besides the usual maternity leave absences, one new auditor from the external market was employed in the area of information technology to substitute for a departure in the past.

### 5. DEVELOPMENT ACTIVITIES OF THE INTERNAL AUDIT

In the last year we started developing our own new computer support, which will be used for monitoring implementation of issued audit recommendations. The aim of developing new support is mainly to optimise the process of monitoring recommendations in such a way as to achieve more efficient operations, eliminate paper documentation and communication through regular post, to prepare reports for various purposes and provide for elements of good practice of information protection. Development activities refer to the preparation of business requirements, education and testing of all functionalities of the application, where most employees of the Internal Audit were included. New support will be implemented at the end of April 2011.

## 6. OTHER ACTIVITIES

In 2010, the Internal Audit carried out many other activities, among which the following should be emphasised:

- a) supervision over Internal Audit Departments in the members of the NLB Group:
  - use of a uniform work methodology and internal auditing standards;
  - organisation of trainings;
  - practical training of internal auditors,
  - expert participation in the audits, carried out by the Internal Audit Departments of the members of the NLB Group;
  - examining reports of internal audit departments (annual and long-term action plans, quarterly and annual activity reports, quarterly reports on implementation of audit recommendations, material for supervisory bodies of members, etc.).
- b) co-ordination of inspections by the Bank of Slovenia (gathering and compiling appropriate documentation, organising meetings, defining deadlines and persons in charge of implementing the recommendations as well as monitoring the implementation of the requirements and recommendations and reporting to the Bank of Slovenia, the Management Board, the Audit Committee and the Supervisory Board of the NLB);
- c) co-ordination of the work of external auditors in the entire NLB Group;
- d) consultancy and issuing of expert opinions to the draft internal regulations and rules;
- e) participation in expert committees within the Bank Association of Slovenia and the Slovenian Institute of Auditors.

The Bank of Slovenia's Decision on Disclosures by Banks and Savings Banks among other defines the obligation of internal audit department 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 2010 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.



**Item 7 on the agenda: Election of a substitute member of the Supervisory Board of NLB d.d.**

**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 Annual General Meeting of Shareholders of NLB d.d. hereby establishes that Mr Jan Vanhevel, Member of the Supervisory Board, submitted his letter of resignation on 7 February 2011.

The elected substitute member of the Supervisory Board shall be Mr. Dirk Mampaey whose term of office shall expire on the same date as the term of office of the originally elected members of the Supervisory Board of NLB d.d. who were elected at the 14<sup>th</sup> Annual General Meeting of NLB d.d. held on 30 June 2009.

**Explanation**

In the period between the previous General Meeting of Shareholders of NLB d.d. and today, one member of the Supervisory Board submitted the letter of resignation, namely Jan Vanhevel on 7 February 2011. A substitute member must be appointed to his position in line with Article 21 of the Articles of Association of NLB d.d. Pursuant to the provisions of ZGD-1, such resolution is proposed by the Supervisory Board which proposes to the General Meeting of Shareholders to elect a substitute member. The term of office of the substitute member shall according to the Articles of Association of NLB d.d. last until the expiry of the term of office of the originally elected member of the Supervisory Board of NLB d.d., who shall be replaced by substitute member.

Supervisory Board of NLB d.d.

**Attachment:**

1. Description of the candidate for the members of the Supervisory Board of NLB d.d.

## *Curriculum Vitae*

### 1. Personal data

Name	Dirk Mampaey
Date of birth	25 October 1965
Place of birth	Deurne (Antwerp)
Address	De Schietboog 99, 2970 Schilde
Telephone	+32 3 354 26 35
GSM	+32 495 59 83 48
e-mail	<a href="mailto:dirk.mampaey@kbc.be">dirk.mampaey@kbc.be</a>

### 2. Education

Period	Study	Institution
... - 1983	Mathematics	Stedelijk Hoger Instituut voor Technische Studie
1983-1988	Commercial engineer (Solvay)	Vrije Universiteit Brussels
1995	International Banking School	Union Bank of Switzerland (Wolfsberg Switzerland)
1998	International Banking School	CoreStates Bank (Philadelphia, Pennsylvania)
2000	Advanced management programme	Wharton School, Philadelphia (University of Pennsylvania)

### 3. Professional Career

07/07 - today	<p>KBC Group, Brussels Senior General Manager Banking - Central and Eastern Europe and Russia Permanent invitee of the Management Board for the Central and Eastern Europe and Russia Absolut Bank, Russia (since 07/07) Member of the Management Board and Chairman of the Audit Committee CIBank Bulgaria (since 01/08) Member of the Supervisory Board and Chairman of the Audit Committee Kredyt Bank, Poland (since 05/09) Member of the Supervisory Board and Chairman of the Audit Committee CSOB Bank, the Czech Republic (since 09/09) Member of the Supervisory Board and Chairman of the Audit Committee CSOB Bank, Slovakia (since 10/09) Member of the Supervisory Board and Chairman of the Audit Committee K&amp;H Bank, Hungary (since 11/09) Member of the Management Board and chairman of the Audit Committee K&amp;H Bank, Serbia (since 11/09) President of the Management Board and member of the Audit Committee</p>
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04/07 – 07/07	KBC Group, Brussels General Manager in charge of card operations, cash and current accounts, KBC Payment Directorate CEO of Europay Belgium Member of the Management Board of BCC Corporate Member of the Forum of MasterCard holders for the Western Europe Member of the Supervisory Board of Pinto
01/05 – 03/07	KBC Group, Brussels CEO, Retail Northern Antwerp Member of the Bizidee jury Antwerp area: Co-ordination of the Loans and SME Banking Area
11/01 - 12/04	KBC Bank, Brussels General Manager of General Co-ordination Banking Strategy and Expansion Division Member of the Strategic Committee for Central Europe Kredyt Bank, Poland Member of the Supervisory Board and the Audit Committee CSOB, Czech Republic Member of the Supervisory Board and the Audit Committee K&H Bank, Hungary Member of the Management Board and the Audit Committee Nova Ljubljanska banka, Slovenia Member of the Supervisory Board, member of the Strategic Committee and member of the Audit Committee
11/00 - 10/01	KBC Bank, Brussels Assistant General Manager of International Directorate Support and monitoring of KBC's subsidiaries from the Central Europe Member of the Supervisory Board, Kredyt Bank, Poland Member of the Management Board, K&H Bank, Hungary
8/99 - 10/00	KBC Bank, Brussels Deputy General Director of Central and Eastern European region
11/96 - 7/99	<i>Kredietbank/KBC Bank, Brussels</i> <i>International banking</i> <i>Senior Regional Manager for the Americas</i> Member of the Belgium Chamber of Commerce - Chile
10/95 - 10/96	<i>Kredietbank, Antwerp</i> <i>Corporate Banking</i> <i>Senior Account Manager</i>
5/93 - 9/95	<i>Kredietbank, Brussels</i> International Directorate <i>Regional Manager for Iran - Near East - Africa</i>
4/90 - 4/93	Kredietbank, Brussels  International Directorate
3/89 - 3/90	Regional Manager for the Near East - Indian subcontinent and ASEAN <i>Military service (reserve officer)</i>
7/88 - 2/89	<i>Kredietbank Antwerp/Gent</i> Trainee



**Item 8 on the agenda: Determination of the payment for performing the function and the session fees of the members of the Supervisory Board and its committees**

**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 session shall be 80% of the full regular attendance fee.

Regardless of the aforementioned and the number of participations at the meetings, each member of the Supervisory Board shall only be entitled to be paid the session fees until the total amount of session fees, either Supervisory Board or its committee, has reached the value of 50% of the basic payment for performing the function per member of the Supervisory Board, stipulated in the next paragraph of this resolution.

8.2. In addition to the session fees, the members of the Supervisory Board shall receive the basic payment for the performance of the function in the amount of EUR 11,000.00 gross per member annually. The Chairman of the Supervisory Board is entitled to receive extra payment accounting for 50% of the basic payment for performing the function of the member of the Supervisory Board and the Deputy Chairman of the Supervisory Board to extra payment accounting for 10% of the basic payment for performing the function of the 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 fee for performing the function of a member of the Supervisory Board. The Chairman of a Supervisory Board committee shall receive extra payment which amounts to 50% of the basic payment for performing the function of a member of the Supervisory Board. The members of the Supervisory Board and the members of a Supervisory Board committee shall receive the basic payment and the extra payment for performing the function in proportional monthly payments to which they are entitled for as long as they perform the function. The monthly payment shall amount to one twelfth of the above stated annual amounts. If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of working 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 basic payment for performing the function per member of the Supervisory Board.

8.3. The limitation of the amount of total payments of session 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. On the day this resolution is adopted, the resolution on the determination of the Supervisory Board and committee members' session fees which was adopted at the 15<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d. of 30 June 2010, shall cease to be valid.

### **Explanation**

Until now, the payments of the members of the Supervisory Board of the Bank were regulated by the Resolution of the General Meeting on the determination of the session fees of Supervisory Board and committee members which was adopted at the 15<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d. on 30 June 2010. The Bank recently increased its share capital and the major shareholder (Republic of Slovenia) indirectly acquired the majority of the Bank's shares. Therefore, the Bank must comply with certain provisions relating to the companies directly or indirectly owned by the Republic of Slovenia. Thus, the Capital Investment Management Agency of the Republic of Slovenia (Agency) adopted the Criteria for payments to the members of the supervisory bodies of companies with state equity on 18 January 2011 and the Recommendations for deciding on session fees and payments for the members of the supervisory boards on 11 April 2011 (guidelines). In line with the provisions of the said guidelines, a proposal has been drafted for a resolution of the General Meeting, which specifies the types and amount of payments of the members of the Bank's Supervisory Board. The Bank used the sample of the General Meeting resolution prepared by the Agency as the basis for formulating the decision, taking into account the criteria stipulated by the guidelines (the Bank is defined as a large company with currently bad financial position).

Supervisory Board of NLB d.d.

Management Board of NLB d.d.