



**Material**

**for the 19<sup>th</sup> Annual General Meeting of Shareholders of NLB d.d.  
on 27/06/2012**



**PUBLICATION OF THE AGENDA AND PROPOSED RESOLUTIONS TO BE PASSED AT THE  
19<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

**19th General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana,**

which will be held on Wednesday 27 June 2012 at 1.00 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:

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

**2. Presentation of the 2011 Annual Report and the Report of the Supervisory Board of NLB d.d. on the results of examining the 2011 Annual Report and Information on the income of the members of the Management Board and Supervisory Board of NLB d.d. in 2011**

The General Meeting of Shareholders of NLB d.d. hereby acknowledges the adopted 2011 Annual Report and the Report by the Supervisory Board of NLB d.d. on the results of examination of the 2011 Annual Report. Furthermore, the General Meeting of Shareholders of NLB d.d. hereby acknowledges the Information on the income of the members of the Management Board or Supervisory Board of NLB d.d. in the previous business year.

**3. Decision on the allocation of distributable profit for 2011 and granting of a discharge from liability to the Management and Supervisory Boards of NLB d.d.**

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

3.1. The General Meeting of Shareholders of NLB d.d. hereby acknowledges that the distributable profit for 2011 totals EUR 0.00. In 2011 NLB d.d. recorded an operating loss of EUR 233,201,121.89 and, when it prepared its financial statements, it covered the net loss for the financial year by retained profit in the amount of EUR 1,262.88 and revenue reserves in the amount of EUR 233,199,859.01.

- a. A discharge from liability is hereby granted to the Management Board of NLB d.d. for the 2011 financial year.
- b. A discharge from liability is hereby granted to the Supervisory Board of NLB d.d. for the 2011 financial year.

#### 4. Appointment of the auditor for the 2012 financial year

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

The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2012.

#### 5. Discussion on the Internal Audit's Report for 2011 and the opinion of the Supervisory Board of NLB d.d.

The General Meeting of Shareholders of NLB d.d. hereby acknowledges the adopted Internal Audit's Report on Internal Auditing for 2011 and the opinion of the Supervisory Board of NLB d.d.

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In compliance with the Companies Act (ZGD-1), the proposer of the resolutions under Item 4 shall be the Supervisory Board of NLB d.d.; Items 2 and 5 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).

#### 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 23/06/2012, 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 at least by the end of the fourth day prior to the General Meeting of Shareholders. The applications shall be accepted as timely if they are sent to the Bank's registered office (at Trg republike 2, Ljubljana), addressed to Secretariat, by the end of the fourth day prior to the 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.

#### Supplements 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 2 June 2012.

#### 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: counterproposal). A counterproposal 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 the ZGD-1 within seven days after the publication of the notice to convene the General Meeting of Shareholders, i.e. by 2 June 2012.

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 through an 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 by the end of the fourth day 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: [Skupscina2012@nlb.si](mailto:Skupscina2012@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 counterproposals:

They may submit the additional items of the agenda and counterproposals to the Bank via electronic mail by the same deadline and with the same contents as applicable for the written form, namely by sending a scan to the following e-mail: [Skupscina2012@nlb.si](mailto:Skupscina2012@nlb.si). The Bank shall reserve the right to verify the authenticity of the shareholder or the sender of additional items of the agenda and counterproposals by electronic mail.

Ljubljana, 26 May 2012

Management Board of NLB d.d.

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## GROUNDS FOR THE PROPOSED RESOLUTIONS FOR THE 19TH 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:*

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

### **Explanation**

Pursuant to the Companies Act (ZGD-1), the Articles of Association of NLB d.d. (Articles of Association) and the Rules of Procedure of the General Meeting of Shareholders of NLB d.d. (Rules of Procedure), the Management Board is the convener of the General Meeting of Shareholders. The Management Board and the Supervisory Board must propose to the General Meeting of Shareholders the adoption of resolutions according to the Companies Act (ZGD-1), including, according to the Rules of Procedure, the election of the working bodies of the General Meeting of Shareholders, i.e. members of the Credentials Committee. The Management Board and the Supervisory Board propose Mr. Marko Jerič and Mr. Jure Košar from the Legal and Compliance Institute as members of the Credentials Committee of the 19th Annual General Meeting of Shareholders.

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

**Item 2 on the agenda: Presentation of the 2011 Annual Report and the Report of the Supervisory Board of NLB d.d. on the results of examining the 2011 Annual Report and Information on the income of the members of the Management Board and Supervisory Board of NLB d.d. in 2011**

**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 2011 Annual Report and the Report of the Supervisory Board of NLB d.d.

In 2011, the Supervisory Board of NLB d.d. supervised the operations of NLB d.d. and the NLB Group in the scope of authorisations and powers specified in the legal regulations and the Articles of Association.

Due to all above stated findings, at its 20th regular meeting held on 05/04/2012 the Supervisory Board of NLB d.d. adopted the 2011 Annual Report without comments and in the form submitted by the Management Board.

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

Furthermore, the General Meeting of Shareholders hereby acknowledges the Information on the income of the members of the Management Board and Supervisory Board in the previous year as laid down in the ZGD-1.

**Attachments:**

1. Annual Report 2011
2. Report of the Supervisory Board of NLB d.d.
3. Information on the income of the members of the Management Board and Supervisory Board of NLB d.d.

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

On 30 June 2009, the Supervisory Board of NLB d.d. was appointed for the period until the conclusion of the Bank's Annual General Meeting which decides on the Annual Report for the fourth business year from the election of the members. In 2011 it consisted of: Marko Simoneti (Chairman), Rasto Ovin (Deputy Chairman), Andrej Baričič, Jurij Detiček, Riet Docx, John Hollows, Anton Macuh, Igor Masten, Stojan Petrič, Boris Škapin and Jan Vanhevel (until 16 May 2011).

Based on the letter of resignation of the member of the Supervisory Board Jan Vanhevel, a proposal for the election of a substitute member of the Supervisory Board was submitted to the General Meeting of Shareholders on 30/06/2011, but was not approved. In the second half of 2011 the Supervisory Board of NLB d.d. thus operated as a 10-member board.

Expert support to the Supervisory Board's work was provided by four committees in 2011: the Risk Committee, the Audit Committee, the Appointment and Remuneration Committee, and the Strategy and Development Committee.

### Work of the Supervisory Board

In 2011, the Supervisory Board held eleven regular and four correspondence meetings, where it discussed the regular reports on the operations of NLB d.d., the NLB Group as well as other current and important issues.

Thus, among other, the Supervisory Board:

- discussed and approved the Annual Report 2010, adopted the report on its work for the previous year and, in cooperation with the Management Board, prepared the *Corporate Governance Statement* of the Bank for 2010, and approved the proposal of the Management Board concerning the use of distributable profit;
- discussed materials and approved the proposals for adopting resolutions at the General Meeting of Shareholders, including the proposed amendments to the Articles of Association regarding authorised capital and the proposal for electing a substitute member of the Supervisory Board;
- regularly treated and discussed quarterly reports on the operations of the Bank and the Group;
- regularly monitored the activities for the implementation of the Bank's strategic guidelines, and made proposals to the Management Board regarding possible measures in individual areas, including the programme of disinvestment of non-strategic investments and selling of the seized stakes in companies, the cost reduction programme, and treated the *Retail and SME Banking Strategy and Restructuring Programme for the period 2011-2015*;
- treated the capital projection of the Bank and the Group for the period 2011-2013, approved the proposal of the Management Board to increase the Bank's capital, and regularly monitored the capital adequacy projections and activities in the field of capital management, as well as acknowledged the results of the EBA stress tests;
- approved the Restructuring Programme of the NLB for the period 2011-2015, which was the basis for the programme which the Republic of Slovenia submitted to the European Commission, and regularly monitored the activities concerning the relevant decision of the European Commission;
- regularly discussed the reports of the internal audit and regularly acknowledged the letters of the Bank of Slovenia and external regulators and regularly monitored the implementation of their recommendations, regularly and thoroughly discussed the reports on the Bank's participation in the Guarantee Schemes of the Republic of Slovenia, reports on the movement of the Bank's lending activity, reports on clients in intensive care with the measures adopted for an active management of risks, and reports on write-offs of receivables, conversions and major lending transactions;
- treated the report on the measures and activities the Bank implemented concerning non-performing loans and improvement of operations, and discussed and provided guidelines to the Management Board regarding the Bank's organisation in the area of resolving non-performing loans;

- issued and rejected approvals of the Bank's exposure to clients in line with the *ZBan-1* and approvals of exposure to persons in special relations with the Bank, and approved the NLB's borrowing on foreign markets in the form of a club loan;
- set the criteria for the remuneration of the Management Board in 2011 and adopted the *Policy of Remuneration for the Employees Performing Special Work*;
  
- following the letter of resignation of the member of the Management Board Claude Deroose, appointed Guy Snoeks as a new member of the Management Board in charge of risk management, payment systems and back office, as well as evaluation of investments and property.

### **Verification and approval of the 2011 Annual Report**

On 05/04/2012, the Management Board of NLB d.d. submitted the 2011 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 31/12/2011 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 2011, the Supervisory Board had no objections to it and approved it unanimously.

### **Assessment of the Supervisory Board's work**

According to the recommendations on good practice and based on the proposed methodology of the Slovenian Directors' Association, the Supervisory Board self-assessed its work in 2011. In an anonymous survey, the members of the Supervisory Board stated that the quality of work of the Supervisory Board was at a very high level, but that there were differences between individual areas. The major positive findings are assessments on the independence of the members of the Supervisory Board, the presence, activity and quality of contribution of individual members to the work of the Supervisory Board, the monitoring of the implementation of the resolutions, and the quality of the work of the committees of the Supervisory Board. The method of selecting the candidates for the Supervisory Board is rather problematic, but objectively depending on the arrangement between the two largest owners controlling the Bank based on a shareholders agreement. Possibilities for improving the work of the Supervisory Board which the latter will try to realise in the next period primarily exist in the introduction of the Supervisory Board members to their function, in the professional development of the Supervisory Board members in specific banking areas, and in more intensive handling of HR and organisational issues at the meetings of the Supervisory Board and specialised committees of the Supervisory Board.

The members of the Supervisory Board participated in advanced training, mostly at seminars organised by the Slovenian Directors' Association, the Bank Association of Slovenia and the Capital Assets Management Agency of the RS.

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

Supervisory Board costs from 31/12/2011 to 31/12/2011 and comparison with 2010:



Type of cost (in EUR)	2011	2010
Session fees	60,723	81,291
Reimbursement of expenses	25,961	30,363
Remuneration for performing the function	83,050	0
Transport services and travel expenses	12,217	13,370
Printing services	13,911	19,195
Translation services	173,318	238,335
Other costs	21,910	26,812
<b>Total</b>	<b>391,090</b>	<b>409,366</b>

It was established in the discussion that the commitment of the Supervisory Board members in the last period was considerable, which is understandable given the difficult business conditions and active restructuring of the Bank. In 2011, there were 11 regular and 4 correspondence meetings of the Supervisory Board, 8 regular meetings of the Audit Committee, 6 regular meetings of the Risk Committee, 5 regular meetings of the Strategy and Development Committee, and 2 regular meetings of the Appointment and Remuneration Committee.

When deciding on individual issues at the Supervisory Board meetings, its members followed the general rules of corporate governance concerning conflicts of interests (*ZGD-1*, corporate governance codes and banking regulations); at the meetings, they informed the Supervisory Board of the existence of a conflict of interests in the specific case and excluded themselves from discussion and decision-making on the issue. (Self-)exclusion of the Supervisory Board members thus occurred in four cases by a total of eight member of the Supervisory Board. In addition to signing a *Statement of Independence of Supervisory Board member* in line with the *Corporate Governance Code for Joint-Stock Companies*, the Supervisory Board members also signed a *Statement of Independence in line with the Code of the Capital Assets Management Agency of the RS*.

## Conclusion

The Supervisory Board thanks the owners, the Management Board and all employees for their contribution and efforts invested in the past year, which have not yet given the desired positive results due to the burdens of the past and difficult economic conditions at home and abroad. A special thanks to many Bank's clients who, in the times of large global financial shocks and numerous organisational changes in the Bank, remain loyal clients of the NLB Group, as they are still satisfied with our services and believe that we are on the right way towards restructuring of the Bank and finding the way out of the crisis. There will also be large challenges for the NLB Group in the future, but we can successfully face them and achieve the planned changeover in the operations based on the new strategic guidelines.

Supervisory Board of the NLB

Marko Simoneti  
Chairman of the Supervisory Board

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

**Disclosure of stated income of members of the management board from 1/1/2011 to 31/12/2011**

	Name and surname	Type of income	
1	Božo Jašovič 01/01/2011 - 31/12/2011	Short-term benefits:	<b>143,479.98</b>
		gross salary, benefits and holiday allowance	143,479.98
		Reimbursement of expenses	<b>1,253.14</b>
		Long-term benefits:	<b>2,683.20</b>
		- severance pays	0.00
		- benefits after termination of employment	2,683.20
		- other benefits	0.00
		Bonuses	0.00
		Bonuses in the form of shares and option schemes	0.00
		Session fees for supervision in subsidiaries	0.00
		<b>Total</b>	<b>147,416.32</b>
2	David Benedek 01/01/2011 - 31/12/2011	Short-term benefits:	<b>140,306.11</b>
		gross salary, benefits and holiday allowance	140,306.11
		Reimbursement of expenses	<b>1,101.72</b>
		Long-term benefits:	<b>11,395.90</b>
		- severance pays	0.00
		- benefits after termination of employment	11,395.90
		- other benefits	0.00
		Bonuses	0.00
		Bonuses in the form of shares and option schemes	0.00
		Session fees for supervision in subsidiaries	0.00
		<b>Total</b>	<b>152,803.73</b>
3	Claude J C Deroose 01/01/2011 - 15/05/2011	Short-term benefits:	<b>61,257.32</b>
		gross salary, benefits and holiday allowance	61,257.32
		Reimbursement of expenses	<b>314.36</b>
		Long-term benefits:	<b>4,053.20</b>
		- severance pays	0.00
		- benefits after termination of employment	4,053.20
		- other benefits	0.00
		Bonuses	0.00
		Bonuses in the form of shares and option schemes	0.00
		Session fees for supervision in subsidiaries	0.00
		<b>Total</b>	<b>65,624.88</b>
4	Marko Jazbec 01/01/2011 - 31/12/2011	Short-term benefits:	<b>140,246.69</b>
		gross salary, benefits and holiday allowance	140,246.69
		Reimbursement of expenses	<b>1,059.06</b>
		Long-term benefits:	<b>2,683.20</b>
		- severance pays	0.00
		- benefits after termination of employment	2,683.20
		- other benefits	0.00
		Bonuses	0.00
		Bonuses in the form of shares and option schemes	0.00
		Session fees for supervision in subsidiaries	0.00
		<b>Total</b>	<b>140,246.69</b>

	Session fees for supervision in subsidiaries	0.00
	<b>Total</b>	<b>143,988.95</b>
	<b>Name and surname</b>	<b>Type of income</b>
5	Robert Kleindienst 01/01/2011 - 31/12/2011	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits Bonuses Bonuses in the form of shares and option schemes Session fees for supervision in subsidiaries
		<b>141,742.55</b> 141,742.55 <b>994.18</b> <b>10,166.80</b> 0.00 10,166.80 0.00 0.00 0.00 0.00 0.00
	<b>Total</b>	<b>152,903.53</b>
6	Guy Snoeks 01/07/2011 - 31/12/2011	Short-term benefits: gross salary, benefits and holiday allowance Reimbursement of expenses Long-term benefits: - severance pays - benefits after termination of employment - other benefits Bonuses Bonuses in the form of shares and option schemes Session fees for supervision in subsidiaries
		<b>63,680.88</b> 63,680.88 <b>587.52</b> <b>1,118.00</b> 0.00 1,118.00 0.00 0.00 0.00 0.00
	<b>Total</b>	<b>65,386.40</b>
	<b>TOTAL</b>	<b>728,123.81</b>

**Disclosure of stated income of members of the Supervisory Board from 1/1/2011 to 31/12/2011**

	Name and surname	Type of income	
1	Marko Simoneti 01/01/2011 - 31/12/2011	Session fees	6,437.75
		Remuneration for performing the function	11,000.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
		<b>Total</b>	<b>17,437.75</b>
2	Andrej Baričič 01/01/2011 - 31/12/2011	Session fees	7,947.50
		Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
		<b>Total</b>	<b>16,197.50</b>
3	Jurij Detiček 01/01/2011 - 31/12/2011	Session fees	6,517.50
		Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
		<b>Total</b>	<b>14,767.50</b>
4	Anton Macuh 01/01/2011 - 31/12/2011	Session fees	6,242.50
		Remuneration for performing the function	6,875.00
		Bonuses	0.00
		Reimbursement of expenses	656.16
		<b>Total</b>	<b>13,773.66</b>
5	Igor Masten 01/01/2011 - 31/12/2011	Session fees	6,022.50
		Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	196.25
		<b>Total</b>	<b>14,468.75</b>
6	Rasto Ovin 01/01/2011 - 31/12/2011	Session fees	5,445.00
		Remuneration for performing the function	8,800.00
		Bonuses	0.00
		Reimbursement of expenses	3,046.24
		<b>Total</b>	<b>17,291.24</b>
7	Stojan Petrič 01/01/2011 - 31/12/2011	Session fees	4,730.00
		Remuneration for performing the function	6,875.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
		<b>Total</b>	<b>11,605.00</b>
8	Boris Škapin 01/01/2011 - 31/12/2011	Session fees	5,225.00
		Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	452.06

	<b>Total</b>	<b>13,927.06</b>	
9	Rita Paula C L Docx	Session fees	7,315.00
	01/01/2011 - 31/12/2011	Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	15,146.17
	<b>Total</b>		<b>30,711.17</b>

	Name and surname	Type of income	
10	John Artur Hollows	Session fees	4,510.00
	01/01/2011 - 31/12/2011	Remuneration for performing the function	8,250.00
		Bonuses	0.00
		Reimbursement of expenses	6,464.38
		<b>Total</b>	<b>19,224.38</b>
11	Jean O C Vanhevel	Session fees	330.00
	01/01/2011 - 31/12/2011	Remuneration for performing the function	0.00
		Bonuses	0.00
		Reimbursement of expenses	0.00
		<b>Total</b>	<b>330.00</b>
	<b>TOTAL</b>		<b>169,734.01</b>



**Item 3 on the agenda: Decision on the allocation of distributable profit for 2011 and granting of a discharge from liability to the Management and Supervisory Boards of NLB d.d.**

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

hereby propose to the

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

**proposed resolution under Item 3**

3.1. The General Meeting of Shareholders of NLB d.d. hereby acknowledges that the distributable profit for 2011 totals EUR 0.00. In 2011 NLB d.d. recorded an operating loss of EUR 233,201,121.89 and, when it prepared its financial statements, it covered the net loss for the financial year by retained profit in the amount of EUR 1,262.88 and revenue reserves in the amount of EUR 233,199,859.01.

3.2. A discharge from liability is hereby granted to the Management Board of NLB d.d. for the 2011 financial year.

3.3. A discharge from liability is hereby granted to the Supervisory Board of NLB d.d. for the 2011 financial year.

**Explanation**

Pursuant to the provisions of the Companies Act (ZGD-1), the General Meeting of Shareholders decides about the allocation of the distributable profit based on the audited 2011 Annual Report which the Supervisory Board adopted at its 31st regular meeting held on 05/04/2012.

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

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

Management Board



**Item 4 on the agenda: Appointment of the auditor for the 2012 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 4**

*4. The auditing company PricewaterhouseCoopers d.o.o. Ljubljana shall be appointed the auditor of NLB d.d. for 2012.*

**Explanation**

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

Supervisory Board of NLB d.d.

**Attachment:**

1. Credentials of the External Auditor



## **Attachment 1: Credentials of the External Auditor**

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

### References:

- 1.) The company is an international auditing company with 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 good-quality audit teams.
- 3.) It has offices in all countries in which the members of the NLB Group are based.
- 4.) Good knowledge of the NLB Group.
- 5.) Good cooperation, quick responsiveness and provision of good-quality services.
- 6.) Other clients in Slovenia in the past three years:

### Banks:

Nova Ljubljanska banka d.d., Banka Celje, Abanka Vipava, Gorenjska banka, Factor banka

### Insurance companies:

NLB Vita

### Management companies:

NFD, Abančna družba za upravljanje, NLB Skladi

### Investment funds:

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





**Item 5 on the agenda: Discussion on the Internal Audit's Report for 2011 and the opinion of the Supervisory Board of NLB d.d.**

**Explanation**

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

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

At its 31st regular meeting held on 05/04/2012, the Supervisory Board of NLB d.d. discussed and approved the Internal Audit's Report for 2011.

**Attachment:**

1. Internal Audit's Report for 2011



**Internal Audit**

**Internal Audit's Report for 2011**

Polona Kurtevski  
Director of Internal Audit

## 1. IMPLEMENTATION OF THE ANNUAL PLAN

In 2011 the Internal Audit conducted regular internal audits in accordance 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 2011 the Internal Audit conducted 67 regular and extraordinary audits in different business lines of NLB d.d. and other NLB Group members. The demanding and comprehensive extraordinary audits which were performed pursuant to the management and supervisory bodies' resolutions required some corrections to the Action Plan. Therefore, some areas were audited by an external auditor by means of broadening and deepening the audit which was conducted in the framework of the regular 2011 audit, whereas some audits will be completed during the first few months of 2012.

The Internal Audit regularly (quarterly) reported to the Management Board, the Audit Committee and the Supervisory Board of NLB d.d. on the findings and recommendations from the completed audits and on the implementation of the Action Plan.

Audit type	Planned number	Implemented number
Audits from 2010 completed in 2011	6	9
Regular audits in 2011	52	34
Extraordinary audits in 2011	-	7
<b>Total</b>	<b>58</b>	<b>50</b>

## 2. SUMMARY OF THE MAJOR FINDINGS FROM THE COMPLETED AUDITS

In the framework of internal audits, the auditors checked and assessed the adequacy and efficiency of risk management as well as the functioning of the internal control system. Below are brief summaries of the key findings and recommendations from the completed audits in 2011.

### **2.1. NLB d.d.**

#### ***2.1.1. Lending***

In 2011 the Internal Audit conducted audits of the loan granting, monitoring and debt collection procedures in relation to different clients of the Bank. A special emphasis was put on the correctness, completeness and accuracy of data on received collaterals.

The stringent economic conditions in which the Bank operated called for some major improvements in the lending organisation and processes, along with the staffing levels. Accordingly, the recommendations concerned the establishment of additional controls over the adequacy of documentation before loan disbursement, consistent control over the use of the granted loans for a specified purpose, the redesigning of the existing system of recording, monitoring and reporting data on collateral values, the upgrading of the existing non-performing loan management system as well as the timely and consistent transfer of treatment of bad clients from front offices to a special service for managing non-performing loans which is organisationally separated from the Bank's front offices.

We have also warned about an increased need for timely and more intensive collection of overdue receivables and for consistent monitoring of early signs that indicate potential problems in the clients' operations and thus also debt servicing.

The Bank adopted and already started implementing all necessary measures aimed at implementing the recommendations and thus adjusting the operations to the stringent conditions. They mainly include a

comprehensive redesign of risk management, establishment of additional supervisory controls in front offices, establishment of a system for early detection of higher credit risks and intensive care of clients as well as the project of systematisation of clients' loan collateral data. The results of the measures are already visible, though the bulk of them will be seen in the Bank's future operations.

### **2.1.2. Treasury, financial markets and neutral banking transactions**

In 2011 the Internal Audit audited trading with equity securities, market risk management, custodian services and collection business.

Equity security trading is regularly monitored and reported to the Bank's competent bodies. The activities and tasks have been adequately reorganised in accordance with the legal requirements. The conclusion of transactions and monitoring of trading take place in an organised manner and according to prescribed procedures. The recommendations concerned the updating of the underlying documents and obligatory legal verification of futures and forwards before concluding them.

Market risks are regularly monitored and reported to the Bank's competent bodies. The management supervision is in place and operational. The activities and tasks have been adequately reorganised in accordance with the legal requirements. Market risks at the level of the NLB Group are regularly monitored and binding measures for individual NLB Group members have been adopted. The recommendations concerned the harmonisation of client credit exposure data in all databases and documents.

Custodian services: provision of services and monitoring of operations are conducted in an organised manner and mostly according to prescribed procedures. The management supervision is in place and operational. The existing information system was upgraded and improved in 2011. The recommendations concerned the list of clients who need not provide a cash advance to purchase a financial instrument as well as the process of drawing up, controlling and sending monthly notifications to clients.

The collection business complies with the international rules governing this area. The new IT support has optimised the handling of collection thanks to introduction of a link between the opening of collections and the payments, automatic posting as well as drawing up of SWIFT reports for foreign banks, various client notifications and different reports. The recommendations mainly concerned the implementation of individual controls in the collection opening and closing procedures.

### **2.1.3. Retail banking**

In 2011 the Internal Audit performed audits in the following areas: cash operations, ensuring cash transport security, card and ATM operations, personal and private banking, operations with savings products, depository and safe deposit operations, the money laundering prevention function, agency for non-deposit banking products, telephone banking and functioning of Western Union Money Transfer.

Cash operations: from the overall perspective, the functioning of the internal controls has improved. A considerable progress has been established in the implementation of supervisory controls and ensuring "committee approach" to handling of cash. The number of clients' complaints was negligible in view of the quantity of handled cash. The recommendations referred to the routine cash-counting procedures and the procedures for using keys and switches when opening doors.

Ensuring of cash transport security: the operational procedures in transport planning, ensuring staff availability and establishing teams are smooth and transparent. The logistic and controlling-supervisory centre operate efficiently. The supervision of cash transport is adequate. The employees are regularly attending trainings and are properly qualified. The Bank has not recorded major loss events. The Bank has increased the level of security by purchasing cash demolition systems which are built in the ATM strong boxes. The recommendations concerned the improvement in the servicing of ATM strong boxes and security cases for transferring cash.

Bank cards: progress has been established in the functioning of card risk management, including the system for early detection of abuse and for emergency action. The measures aimed at improving the security of on-line payments have systematically been introduced. Adequate work organisation, high qualifications of employees and prompt reporting to the competent bodies ensure efficient risk management in this area. The recommendations referred to the analysis of the situation and adoption of adequate measures due to the decline in the number of points of sale and card operations.

ATMs: the operational procedures in ATM replenishment are well-organised and running smoothly. The recommendations concerned the immediate replacement of those ATMs which were non-compliant with the international EMV safety standards and the security aspect of the location of some ATMs in the sense of ensuring secure and uninterrupted supply of cash.

Western Union: the procedures of sending and receiving money through WU are mostly automated. The recommendations mainly concerned the definition of categories of client risks in terms of money laundering and continuous training of employees in this area.

Personal and private banking: it is considered to be a more risky area of banking operations in terms of internal abuse because a special relationship is established between the clients and the bank employees; therefore, this area is subject to frequent audits. In 2011, we audited the implementation of the recommendations in private banking and established that the management had duly implemented all major recommendations. The Bank has improved the spatial conditions, the work organisation and the IT support in the area of personal banking. The recommendations concerned the implementation of supervisory/management controls and temporary exceeding of the secured amounts of cash in workplaces.

Money laundering prevention: some organisational and personnel changes (i.e. establishment of an individual organisational unit accountable directly to the Management Board and increased staffing level) were implemented in the past year and a new IT support is currently being introduced that will enable efficient monitoring of the clients' activities, analysis of unusual operations and determining of the risk category in terms of money laundering. In 2011 we audited the implementation of the issued recommendations. Some of them were duly implemented, but in general the implementing activities are still underway, particularly in relation to the acquiring of the missing legally prescribed client data and establishing the real owners of clients.

Savings products: the operations are well-organised in terms of in-built controls in computer applications which prevent the conclusion of business relationships without prior acquiring of all necessary client data and the unauthorised use of the saved assets by clients. The recommendations concerned the improvement of controls in the procedures governed by the Prevention of Money Laundering and Terrorist Financing Act.

Depository and safe deposit operations: the safe deposit operations are computer supported enabling the record keeping of the clients renting safe deposits, their visits and printing of contracting documentation. The recommendations concerned the redesigning of the internal instructions, the keeping of records on the key-holders of safe deposits and the storing of the documentation. The Bank has recorded no complaints or loss events in this area.

Telephone banking: The internal controls are in place and functioning well. The supervision and analysis of the quality of performed services are regularly implemented. The Bank has introduced a new computer support which increased the available capacities and optimised the functioning of the area. The recommendations concerned the improvement of the telephone exchange and the installation of additional controls in the IT support.

Non-deposit bank products: the agency in the sales of non-deposit bank products (insurance and mutual funds) are well organised in terms of internal controls. The recommendations concerned the consistent use of the prescribed forms and improved control of completeness and correctness of the clients' contractual documentation.

#### **2.1.4. Corporate governance of the Bank and the Group**

Formally, the corporate governance system in the Bank is well established, especially with regard to the functioning of the Supervisory and Management Boards and their committees. The established basic corporate governance rules are in line with the Decision on Diligence of Members of Management and Supervisory Boards. The framework for corporate governance of the NLB Group members is well set-up and is under the responsibility of the Supervisory and Management Boards, the Executive Office for Corporate Governance of the NLB Group and the managements of business lines. The Management Board correctly and promptly informs the Supervisory Board on the strategy, guidelines, business goals and problems of the Bank and the Group members.

The recommendations concerned the efficiency of the supervisory bodies in the NLB Group members, more frequent reporting by the Group members and better supervision over the compliance of the Group members with the NLB standards and rules. The Bank must improve the efficiency of directors' management of individual areas and cooperation between them, redesign the existing system of remuneration and motivation of directors as well as establish regular reporting by directors on the implementation of control functions in their areas. Some improvements are required in the organisation of some areas.

#### ***2.1.5. Accounting and other support activities***

In 2011 the Internal Audit conducted audits of accrual of corporate income tax and bookkeeping of granted loans in the sub-ledger.

Corporate income tax: the internal control system has been established and functions adequately. Data for tax calculation are obtained from different sources, therefore it is of key importance that the instructions for the preparation of data are clear and understandable and the reporters must be aware of their responsibility for data correctness. The recommendations concerned the reinforcement of subsequent control of reported data accuracy and the establishment of adequate control of correct and timely preparation of documentary evidence for transfer prices.

The system of bookkeeping loans in the sub-ledger is adequate and compliant with the accounting standards. The recommendations concerned the correctness, accuracy and completeness of the bookkeeping of data on acquired collaterals and writing off of receivables (forming a 100% value adjustment of a receivable before it is finally written off and correct tax treatment).

#### ***2.1.6. Information and communication technology***

The management of the information and communication support to the operations follows good practices as appropriate, is based on the well-established COBIT frame and is supported by a valid certificate of quality ISO 9001:2008.

The IT Committee, composed of the Management Board members, improves the efficiency of IT strategy formulation and its harmonisation with business strategies as well as facilitates good management and supervision of the development and investments in IT support. The Security Committee directs and supervises the level of protection of information and information resources.

The recommendations concerned: the implementation of the information protection system, the establishment of a more systematic incident management and monitoring, the supervision over audit trail integrity and adequacy, a more consistent use of project approaches and rules for IT infrastructure development tasks, a better project coordination, a better supervision over external contractors in charge of long-term storage of documents for the Bank, the supplementing of the contracts concluded with external contractors with a description of personal data protection procedures, improvement in the test procedures as well as reassessment of the security risk for the premises with IT infrastructure and server environment.

The Bank will have to continue the already started modernisation of its communication equipment and the IT infrastructure premises as well as ensure timely participation and cooperation of all internal and external services and contractors.

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

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

In 2011, the auditors of the Internal Audit mainly participated in the audits of lending and information technology, but also audits of liquidity risk, money laundering prevention and transactions with related persons in investment fund management.

### ***2.2.1. Lending***

Pursuant to the requirement by NLB d.d., the Group members implemented some changes in the areas of loan granting and monitoring, account management, loan collateralisation and non-performing loan management. All changes were formally approved by the management and supervision bodies of individual Group members. To consistently implement the required changes in practice, appropriate supervisory controls must be set up and their functioning facilitated. The recommendations concerned the strengthening of supervisory controls over loan collaterals, the use of granted loans for the specified purpose, the documenting of the calculated impairments of receivables and the upgrading of the existing non-performing loan management.

### ***2.2.2. Information and communication technology***

The activities at the Group level focused on the centralisation of individual support segments by NLB d.d. (Swift, E-mail). The Group members have stable systems, a BCP system, adequate resources for maintaining the systems, adopted internal regulations and well functioning supervisory bodies in the area of information technology. The recommendations concerned better security of access to the systems and personal data, the handling of personal data in compliance with the legislation, the establishment and monitoring of audit trails, the setting up of procedures for testing requests for new functionalities, the planning and regular monitoring of investments in computer equipment as well as the implementing of minimum standards which will provide the basis for comprehensive IT management.

### ***2.2.3. Retail banking***

The auditors of the Internal Audit participated in the audit of the money laundering prevention in one of the banking members of the NLB Group. The bank has established an adequate system in terms of functioning of the Money Laundering Prevention Officer, monitoring of clients' business activities and functioning of the controls of transactions in the bank accounts. Adequate controls have been built in the IT support and are functioning well. Adequate internal regulations have been drawn up. The recommendations concerned the acquiring of the missing legally prescribed data on clients and consistent application of criteria to determine the risks entailed by clients in terms of money laundering.

### ***2.2.4. Treasury, financial markets and neutral banking transactions***

The auditors of the Internal Audit participated in the audit of the liquidity risk prevention in one of the banking members of the NLB Group. The bank has appropriate bodies and adequate internal regulations; it implements stress tests monthly. Consistent reporting to the external supervisory institutions is ensured. The recommendations concerned the automation of compiling of the structural liquidity reports.

### ***2.2.5. Management of investment funds***

The auditors of the Internal Audit participated in the audit of the transactions with related persons in a company dealing in investment fund management. The area is well-organised and the risks are managed properly. The company keeps adequate records of related persons. The internal instructions have been issued. The information flow within the company is very good. The recommendations concerned the list of risks in internal regulations and establishment of supervisory control in reporting.

### 3. IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Internal Audit regularly monitored the implementation of the audit/inspection recommendations given by the Internal Audit, the Bank of Slovenia and the external auditor, until their final implementation. The Internal Audit regularly (at least quarterly) reported to the Management Board, the Audit Committee and the Supervisory Board of NLB d.d. on the status of the issued audit recommendations. For this purpose, the Bank's competent and responsible management bodies regularly reported to the Internal Audit on the status and implementation of the recommendations.

In 2011, a total of 328 audit recommendations and regulator's requirements were issued and 229 implemented. The average share of overdue non-implemented recommendations in 2011 was around 7% (in 2010: 4%). The audit recommendations were mostly implemented adequately and within the deadlines set.

### 4. WORK ORGANISATION AND PERSONNEL

In 2011, the Internal Audit's internal organisation remained unchanged. Formally, the Internal Audit functions as a single management support service and, informally, it is divided into seven areas of operations, as shown in the table below. Each area has a manager who is responsible for professional and efficient work in their area and further development of internal audit standards and procedures.

As at 31 December 2011 the Internal Audit had 30 employees i.e. 10% less than the year before. This decrease is the result of the Bank's comprehensive cost-reduction project.

Twelve auditors hold various professional licences issued by the Slovenian Institute of Auditors. The allocation of employees by area is presented in the table below.

Area of work	Number of auditors
Management of the Internal Audit	2
Administration	1
Retail banking	5
Lending	6
Information and communication technology	5
Treasury, financial markets and neutral banking transactions	5
Accounting and other support activities	4
Corporate governance of the Bank and the Group	1
Methodology development	1
<b>Total</b>	<b>30</b>

### 5. DEVELOPMENT ACTIVITIES



In the past year the Internal Audit implemented a new computer support for record keeping and monitoring of the implementation of audit recommendations. The new support optimised the recommendation monitoring process.

Moreover, the existing audit planning methodology was redesigned. The redesigned methodology has done away with the obligatory four-year audit cycles and has put a greater emphasis on the assessed risks during the drawing up of the annual Action Plan. These changes have been implemented throughout the NLB Group.

Due to the above novelties, the Charter of the Internal Audit of NLB d.d. and the Internal Auditing Manual were redesigned and supplemented in 2011.

## 6. OTHER ACTIVITIES

In 2011, the Internal Audit carried out many other activities, among which the following should be emphasised:

- a. **supervision over the work of internal auditors of the Internal Audit** by the director and chief experts:
  - o continuous supervision is implemented:
    - at the level of each audit and other tasks related to the audit,
    - weekly, by checking the actual status of audits, including the control over the use of the planned time,
    - monthly, based on the reports by all audits on the actual use of time for individual tasks compared to the planned figure;
  - o occasional supervision is implemented by means of controls of correctness, completeness and quality of the audit files.
- b. **supervision over the work of the internal audit departments in the NLB Group members:**
  - occasional audits of the quality of work of the internal audit departments,
  - use of a uniform work methodology and internal auditing standards,
  - organisation of trainings and annual meetings of internal auditors,
  - training of internal auditors,
  - expert participation in the audits within the NLB Group,
  - reviewing of reports by internal audit departments (annual and long-term action plans, quarterly and annual activity reports, quarterly status of audit recommendations, material for supervisory bodies of the members etc.);
- c. coordination of inspections by the Bank of Slovenia (gathering and compiling of appropriate documentation, organisation of meetings, setting of deadlines and appointing of persons in charge of implementing the recommendations, monitoring of the implementation of the requirements and recommendations as well as reporting to the Bank of Slovenia, the Management Board, the Audit Committee and the Supervisory Board of NLB d.d.),
- d. coordination of external auditors' work in the entire NLB Group,
- e. consulting and issuing of expert opinions,
- f. participation in expert committees within the Bank Association of Slovenia and the Slovenian Institute of Auditors.



The Bank of Slovenia's Regulation on Disclosures by Banks and Savings Banks among other defines the internal audit department's obligation to check the authenticity of information in disclosures that banks publish on their websites. Accordingly, the Internal Audit verified the information in the NLB Group's disclosures for 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.