

## **FOUNDATIONS FOR THE PROPOSED RESOLUTIONS FOR THE 12<sup>TH</sup> GENERAL MEETING OF SHAREHOLDERS OF NLB D.D., LJUBLJANA,**

which will be held on 30 August 2007, at 1 p.m. in the Conference Hall on the ground floor of the Bank's office building at Trg republike 3 in Ljubljana.

Ad Item on the agenda:

### **Ad 3: Election of the working bodies**

#### **Grounds for the proposed resolution:**

The Annual General Meeting is among other things competent to elect the working bodies of the AGM, i.e. members of the Credentials Committee, proposed by the Management Board and the Supervisory Board.

Members of the Credentials Committee for the 12<sup>th</sup> Annual General Meeting of NLB d.d. Ljubljana shall be Milan Jerman from the General Secretariat and Boris-Anže Dugar from the Legal and Compliance Institute.

### **Ad 4. Informing the General Meeting of Shareholders of the Annual Report for the business year 2006 and the report of the Supervisory Board of NLB d.d.**

#### **Grounds for the proposed resolution:**

As the annual report of NLB d.d. is already adopted through the confirmation by the Supervisory Board, the General Meeting of Shareholders is merely to be acquainted with the adopted annual report, which is also true of the report of the Supervisory Board on the results of checking the annual report.

The Bank's annual report is available at the Bank's web address:  
<http://www.nlb.si/?doc=10066>

### **Ad 5. Proposed distribution of balance sheet profit and granting a relief to the Management Board and the Supervisory Board**

#### **Grounds for the proposed resolution:**

Under this item on the agenda, the General Meeting decides on the use of balance sheet profit. Upon preparing of the Annual Report the amount of the balance-sheet profit, the distribution of which is decided by the Annual General Meeting, must be determined. In accordance with the Articles of Association of NLB d.d. the balance sheet profit may be formed from net profit and retained profit of the Bank. At its 11<sup>th</sup> regular meeting the Supervisory Board adopted a resolution specifying that in accordance with the third paragraph of Article 230 of the Companies Act (ZGD-1), 50% of net profit for the year shall be transferred to other profit reserves while the remaining amount shall be transferred in the balance sheet profit. Additionally, the Supervisory Board at its 9<sup>th</sup> regular meeting discussed the applicable policy for profit distribution (i.e. allocating 40% of net profit for the year for dividends).

Within the framework of this item on the agenda, the General Meeting will also decide on granting a discharge to the Management Board and Supervisory Board of NLB d.d., which is subject to Article 294 of ZGD-1.

### **Ad 6: Proposed amendments to the Articles of Association of NLB d.d.**

## **AMENDMENTS AND SUPPLEMENTS TO THE ARTICLES OF ASSOCIATION of Nova Ljubljanska banka d.d. Ljubljana**

Article 1

In the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana (hereinafter: the Articles of Association) the heading of Article 1 shall be amended so as to read:

**»Bank name and registered office«.**

#### Article 2

The first and second paragraphs of Article 2 (Activity of the Bank) of the Articles of Association are amended so as to read:

"The Bank is established for the purpose of performing banking and other financial services for which an authorization has been obtained from the Bank of Slovenia or of which it has informed the Bank of Slovenia, as well as other business operations normally performed by banks in accordance with regulations applicable from time to time. The Bank may in accordance with regulations in effect at any one time perform business operations both in Slovenia and abroad.

The activity of the Bank is the provision of financial services as prescribed by the Banking Act, namely banking services (including auxiliary services), mutually recognised financial services, additional financial services and other financial services."

#### Article 3

The second paragraph of Article 16 (Representation of Shareholders at General Meetings) of the Articles of Association is amended so as to read:

"The provisions of the Companies Act referring to the exercising of voting rights through financial and other organisations and other parties are sensibly applied also to the exercising of rights and of the voting right arising from registered shares."

#### Article 4

The fourth paragraph of Article 20 (Supervisory Board) of the Articles of Association is amended so as to read:

"The Members 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."

#### Article 5

Article 21 (Term of Office of Members of the Supervisory Board) of the Articles of Association is amended so as to read:

- the following text is stricken from the first paragraph:  
», however, their term of office may not exceed 4 (four) years.«,

- a new sentence is added at the end of the third paragraph, which reads: "The notice period may be shorter than three months if so proposed by the resigning member of the Supervisory Board in his/her notice and subject to the approval of the Supervisory Board."

#### Article 6

A new indent is added after the first indent of the first paragraph of Article 24 (Powers of the Supervisory Board) of the Articles of Association, which reads:

" – Discuss reports of the Management Board and monitor and supervise managing of the banking group and suggest actions to be taken in case of irregularities with the aim to eliminate the latter;"

#### Article 7

The first paragraph of Article 34 (Publication of Information and Reports) of the Articles of Association is amended so as 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 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. The Bank shall publish the convocation of the General Meeting in the Official Gazette of the Republic of Slovenia."

#### Article 8

The text of Article 38 (Final Provision) of the Articles of Association is amended so as to read:

"These Articles of Association were adopted on 16 July 1997 (July sixteenth nineteen ninety-seven), with subsequent amendments thereto adopted at the Bank's General Meetings held on 23 June 1999 (June twenty-third nineteen ninety-nine), 27 June 2000 (June twenty-seventh two thousand), 27 June 2001 (June twenty-seventh two thousand and one), 28 June 2002 (June twenty-eighth two thousand and two), 4 September 2002 (September fourth two thousand and two), 23 June 2003 (June twenty-third two thousand and three), 7 July 2004 (July seventh two thousand and four), 29 June 2005 (June twenty-fifth two thousand and five), 28 June 2006 (June twenty-eighth two thousand and six) and 30 August 2007 (August thirtieth two thousand and seven), and by resolution of the Supervisory Board of the Bank dated 21 November 2001 (November twenty-first two thousand and one)."

#### **Grounds for the proposed resolution:**

Management Board of Nova Ljubljanska banka d.d. Ljubljana

1. Amendment to Article 1 of the Articles of Association is purely a matter of terminology as it stems from harmonisation of terms used in the Articles of Association with those prescribed by the Companies Act (Official Gazette of the RS, no. 42/2006, ZGD-1).
2. Amendment to Article 2 of the Articles of Association is necessary because the new Banking Act (Official Gazette of the RS, no. 131/2006, Zban-1) entered into force on 1 January 2007, which

among other things includes new provisions on the system of activities which a bank can perform and for which a bank requires *either a licence or approval* from the Bank of Slovenia. The new text of the first paragraph of Article 2 of the Articles of Association has been drafted accordingly. Article 407 of the Banking Act explicitly preserves the validity of licences for provision of banking or other services and other licences issued in accordance with the Banking Act. However, as the Banking Act classified financial services (by group and contents) slightly differently than the previous Banking Act and as the listing of individual financial services for which the Bank has obtained the licence from the Bank of Slovenia is not a compulsory provision of the Articles of Association it is hereby proposed the new text of the second paragraph of Article 2 of the Articles of Association. The text includes only listing of the basic groups of financial services under the Banking Act and does not list individual services. It is evident from the Articles of Association that the Bank provides only those individual (concrete) services for which it has obtained a licence from the Bank of Slovenia or on which the Bank of Slovenia has been informed by the Bank. The essential matter is classification of the Bank's activity under the standard classification of activities and that remains unchanged in the third paragraph of Article 2 of the Articles of Association.

3. Amendments to the second paragraph of Article 16 of the Articles of Association are not substantial, they are just a more general – in terms of substance (and not numbers) reference to the Act.

4. Amendments to the fourth paragraph of Article 20 of the Articles of Association are not substantial, they are just a more general – in terms of substance – reference to the legislation.

5. The currently applicable provision of the first paragraph of Article 21 of the Articles of Association stipulating that the term of office of a Supervisory Board member expires four years after appointment causes problems in practice. For example: if the General Meeting of Shareholders electing the member four years ago was convened in May and the General Meeting of Shareholders in the current year is convened in August, the result will be that the Supervisory Board member's term of office will expire in May of the current year, i.e. before the General Meeting of Shareholders. As Article 255 of the Companies Act stipulates that the supervisory bodies are appointed for a period specified in the Articles of Association however not exceeding six years, we propose that the relevant text of the Articles of Association be deleted.

The third paragraph of Article 21 of the Articles of Association stipulates early termination of office of a Supervisory Board member. The applicable legislation does not provide for the possibility of a shorter notice period for Supervisory Board members as do not the currently applicable Articles of Association of the Bank. Supplements to this Article of the Articles of Association regulate the manner of shortening of the notice period set forth in the Articles of Association in case a Supervisory Board member resigns from office before the notice period expires. The institute is regulated *mutatis mutandis* as for Management Board members wanting early termination of their office.

6. The proposed supplements to Article 24 of the Articles of Association concern the competencies of the Supervisory Board related to monitoring and supervising management of the banking group. This involves implementation of the recommendations by the Bank of Slovenia.

7. The proposed amendments to the first paragraph of Article 34 of the Articles of Association mean that the Articles of Association will stipulate that the Bank will publish data and notices *the publication of which is stipulated by the law* in the Official Gazette of the RS as set forth by the Companies Act. The text of the Articles of Association explicitly stating that those data can be published in the Delo newspaper will be deleted. The Articles of Association will continue to stipulate that the Bank may in addition to the compulsory publication in the Official Gazette of the RS also publish those data on SEOnet. The Bank will in any case publish the data on its website.

8. As regards final provisions of the Articles of Association (Article 38), the date of last amendments to the Articles of Association, i.e. the date of the General Meeting of Shareholders in August was added.

#### **Ad 7: Election of the substitute members of the Supervisory Board**

##### **Grounds for the proposed resolution:**

In the period between the previous General Meeting of Shareholders and today, four members of the Supervisory Board, namely Katja Božič, Zvone Ivanušič, Žiga Lavrič and Tomaž Rotar, submitted letters of resignation. Substitute members must be appointed to their positions in line with Article 21 of the Articles of Association of NLB d.d. According to the third paragraph of Article 298 of ZGD-1, the Supervisory Board independently proposes its new members.

**Ad 8: Appointing the auditor for the 2007 audit of operations**

**Grounds for the proposed resolution:**

On the basis of many year's experience and acquired opinions we estimate that the auditing company PricewaterhouseCoopers d. o. o., Cesta v Kleče 15, Ljubljana is suitable for auditing the Annual Report of NLB d.d. and the NLB Group for 2007. Given the proposed appointment this auditing house will for the 5<sup>th</sup> year in a row audit the Bank and the Group which is deemed suitable also with respect to procedures for the selection of the external auditor adopted at the 4<sup>th</sup> regular session of the Audit Committee on 16 February 2006 and which, among other things, stipulate that the external auditor should be replaced in 5-7 years.

The auditor's proposal for the business years 2007 may, according to the third paragraph of Article 298 of ZGD-1, only be submitted by the Supervisory Board.

**Ad 9: Report of the Internal Audit for 2006**

**Grounds for the proposed resolution:**

On the basis of the Banking Act (Article 201 of ZBan-1), the internal audit annual report and the Supervisory Board's opinion must be submitted to the General Meeting of Shareholders.

**Ad 10: Determination of session fees for participation at individual meetings of the Supervisory Board and its committees (working bodies)**

**Grounds for the proposed resolution:**

The Government of the Republic of Slovenia adopted on 15 February 2007 the Decree on the positions regarding remuneration of members of supervisory boards and boards of directors in government owned companies and other enterprises owned by the Republic of Slovenia, and on incompatibility of performing public office with the supervisory function in supervisory boards and boards of directors of companies (hereinafter: the Decree).

The Decree specifically stipulates and sets the session fee amounts for chairpersons and members of supervisory boards of micro, small, medium-sized and large companies, which are partly or full in direct or indirect ownership of the Republic of Slovenia. According to the criteria set forth in the Decree and the ZGD-1, NLB d.d. is a large company.

The Decree prescribes the following amounts of regular session fees:

- ~ € 550 gross for supervisory board members;
- ~ € 715 gross for supervisory board chairpersons.

However, as according to the Decree NLB d.d. meets the criterion of a financial institution with assets of at least € 800,000,000, gross session fee shall equal 150% of the regular session fee for members of supervisory boards of large companies, i.e.

- ~ € 825 gross for supervisory board members; and
- ~ € 1072.50 gross for supervisory board chairpersons.

Members shall be entitled to the session fee if they participate in work of the body at:

- ~ Regular or extraordinary meeting – in the amount of regular session fee for each participation at a meeting; and
- ~ Correspondence meeting – the amount equalling 80% of the regular session fee.

Previous session fees for members and chairman of the Supervisory Board of NLB d.d. equalled € 271.24 (SIT 65,000.00) and € 354.70 (SIT 85,000.00), respectively.

The Decree does not prescribe the session fee for members of supervisory boards for participation at meetings of committees (working bodies) of the Supervisory Board. Because of past experience we propose that it is specified that the Supervisory Board members are entitled to a session fee for participation at meetings of working bodies.

If the Supervisory Board members were entitled to a session fee for participation at meetings of working bodies, we propose that the General Meeting of Shareholders adopt the resolution that such session fees would equal:

- ~ € 825 gross for working body chairpersons; and
- ~ € 634.60 gross for working body members.

As regards ad hoc working bodies with members being the Supervisory Board members, we propose that the General Meeting of Shareholders adopt a resolution whereby the same rules as those used for session fees for participation in committees (working bodies) of the Supervisory Board would apply for session fees of the Supervisory Board members for participation in ad hoc working bodies.

The General Meeting of Shareholders is competent for deciding on session fees for the Supervisory Board members and the decision will be adopted at this year's meeting.