



Material

**for the 18th General Meeting of Shareholders of NLB d.d.
on 27 October 2011**



**PUBLICATION OF THE AGENDA AND PROPOSED RESOLUTIONS TO BE PASSED AT THE 18TH
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

18th Annual General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana,

which will be held on Thursday, 27 October 2011, at 1 p.m. in the conference room E1-2, 2nd lobby of Cankarjev dom in Ljubljana (entrance from the passage under Maximarket)

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. Authorised capital

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

The third paragraph of Article 5 of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana shall be replaced by a new text so as to read as follows:

“The Bank’s Management Board is authorised to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association adopted at the General Meeting of Shareholders held on 27 October 2011, the Bank’s share capital once or several times by no more than EUR 46,157,252.55 (forty-six million, one hundred and fifty-seven thousand two hundred and fifty-two euros 55/100) (authorised capital), subject to the approval of the Supervisory Board and not subject to the additional resolution of the General Meeting of Shareholders. For the amount of the authorised capital equalling the increased share capital, a total of no more than 5,530,562 (five million five hundred and thirty thousand five hundred and sixty-two) new ordinary or preference shares may be issued at the issue price specified by the Management Board of the Bank subject to the approval of the Supervisory Board of the Bank. The new shares shall be issued with the pertaining rights, under the terms and conditions and in the manner specified in a relevant resolution of the Bank’s Management Board on capital increase and issue of new shares. The new shares can be issued against payment in cash, assets in kind or real takeover, if this is in accordance with the regulations applicable at the time of adopting the resolution on increasing the share capital and on issuing new shares arising from the authorised capital.”



In compliance with the provisions of the Companies Act (ZGD-1), both resolutions (1 and 2) on the agenda are proposed by the Management Board and the Supervisory Board 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 (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 23 October 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 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.

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 30 September 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 30 September 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 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: 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. 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.

Ljubljana, 23 September 2011

Management Board of NLB d.d.



**GROUNDS FOR THE PROPOSED RESOLUTIONS
FOR THE 18TH 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.*

Statement of grounds

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 18th 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.

Management Board of NLB d.d.



Item 2 on the agenda: Authorised capital

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

hereby propose to the

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

proposed resolution under Item 2

The third paragraph of Article 5 of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana shall be replaced by a new text so as to read as follows:

“The Bank’s Management Board is authorised to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association adopted at the General Meeting of Shareholders held on 27 October 2011, the Bank’s share capital once or several times by no more than EUR 46,157,252.55 (forty-six million, one hundred and fifty-seven thousand two hundred and fifty-two euros 55/100) (authorised capital), subject to the approval of the Supervisory Board and not subject to the additional resolution of the General Meeting of Shareholders. For the amount of the authorised capital equalling the increased share capital, a total of no more than 5,530,562 (five million five hundred and thirty thousand five hundred and sixty-two) new ordinary or preference shares may be issued at the issue price specified by the Management Board of the Bank subject to the approval of the Supervisory Board of the Bank. The new shares shall be issued with the pertaining rights, under the terms and conditions and in the manner specified in a relevant resolution of the Bank’s Management Board on capital increase and issue of new shares. The new shares can be issued against payment in cash, assets in kind or real takeover, if this is in accordance with the regulations applicable at the time of adopting the resolution on increasing the share capital and on issuing new shares arising from the authorised capital.”

Statement of grounds

Under this item on the agenda, the General Meeting of Shareholders decides on the amendment to the Articles of Association by means of which the General Meeting of Shareholders authorises the Management Board to increase, during the period of five years after the entry in the Companies Register of the amendment to the Articles of Association subject to the approval of the Supervisory Board and not subject to an additional resolution of the General Meeting of Shareholders, the Bank’s share capital by the maximum of one half of the Banks share capital as at the time the amendment to the Articles of Association are adopted.

In its Order of 17 May 2011 the Bank of Slovenia (hereinafter: the BS Order) requested from Nova Ljubljanska banka d.d., Ljubljana (hereinafter: the NLB) to improve its capital adequacy by the end of the year, namely by achieving the capital adequacy ratio of at least 11.2% and the Tier 1 ratio of at least 9%. The BS also requested that the targeted capital adequacy ratios be achieved by increasing Tier 1 capital.

As at 30 June the capital adequacy ratio of the NLB Group was 12.1% and the Tier 1 ratio 8%. The estimated capital adequacy of the NLB Group at the end of 2011 is 12.0% and the Tier 1 ratio 7.8% which does not suffice to fully implement the BS’s request from the Order. The level of the estimated



capital adequacy is sufficient to achieve the required capital adequacy ratio (11.2%), however the quality of the capital structure is not sufficient to achieve the Tier 1 ratio (9%).

The capital adequacy estimate assumes that the macroeconomic environment will not deteriorate; it also includes some key assumptions which are exposed to various internal and external risks and mainly depend on the realisation of the programme of selling companies and investments in line with the strategy, the decrease in the risk-weighted assets, the changes in portfolio quality and, consequently, the necessary volume of additional impairments.

To ensure stable operations of the NLB that would also neutralise any other potential shocks, a reasonable contingency reserve must be provided through capital increase above the ratios prescribed by the BS.

With a capital increase of EUR 400 million the capital adequacy ratio is forecast to improve to 14.7% at the end of the year and the Tier 1 ratio to 10.5%; this would be in line with the BS's requirements and the NLB would have a sufficient contingency reserve also in the case some risks realise.

There are only two possible ways to increase the Bank's capital as required:

- **Variant A:** based on a preliminary binding agreement between both major owners of the Bank, i.e. the Republic of Slovenia and KBC Bank NV to provide additional capital either by themselves or with the aid of another international financial institution (IFC or EBRD).
- **Variant B** – in the event the owners fail to reach an agreement: through a public offering of shares at market conditions, which would guarantee the sale of the entire issue of shares to unknown investors and admission of the NLB shares to a stock exchange. In such case, the market price of the share is expected to be much lower than the one achieved in the latest capital increase.

The agreement for the implementation of Variant A should be reached before the General Meeting that will decide on the increase of the Bank's share capital. If no such agreement is reached by that time, the shareholders will decide on capital increase according to Variant B.

Supervisory Board of NLB d.d.

Management Board of NLB d.d.