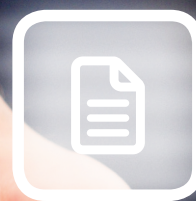
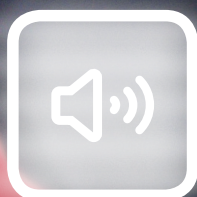


# CORPORATE GOVERNANCE STATEMENT OF NOVA KBM 2012



**Nova KBM**  
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# CORPORATE GOVERNANCE STATEMENT OF NOVA KBM

## **1 CORPORATE GOVERNANCE CODE**

The Corporate Governance Code comprises:

- **Corporate Governance Code for Public Limited Companies (application and deviation)**
- **Code of Best Practice for WSE Listed Companies (application and deviation)**
- **Corporate Governance Code for Companies with State Capital Investments (application and deviation):**
  - **Guidelines for Reporting of Companies with State Capital Investments (application and deviation)**
  - **Recommendations of the Capital Assets Management Agency of the Republic of Slovenia.**

The Ljubljana Stock Exchange, the Slovene Directors Association and the Managers' Association of Slovenia jointly formulated and adopted on 8 December 2009 the amended Corporate Governance Code (hereafter also referred to as the 'Code') which came into effect as of 1 January 2010. The said Code is available on the websites of these entities.

The Bank has set out the reasons for deviations from the provisions of the Code applied during 2012 in the section headed 'Corporate governance statement of Nova KBM', which is an integral part of the Bank's 2012 Annual Report.

In setting up and developing a transparent, clear and successful governance and management system, during 2012 the Bank endeavoured, as far as practicable, to comply with regulatory provisions and the highest standards of responsible and well thought-out governance of the Bank, as laid down in the Code, thus further increasing the confidence of domestic and foreign investors, employees, and the wider public in the governance of the Bank.

In addition to striving to maximise the Bank's value, the Bank complies with these standards in order to satisfy the interests of employees, creditors, and other stakeholders, as well as of the Bank as a whole. Taking into consideration its internal and global objectives, this approach shall ensure a successful and long-term growth of the Bank's assets.

The Bank and its bodies endeavoured to fully observe the provisions of the Code that was in effect and used in 2012. However, in certain instances the Bank's operations deviated from individual provisions of the Code. In compliance with the Preamble of the Code (and the principle of 'comply or explain'), the Bank sets out below the reasons for such deviations. The reasons were mainly related to the specific circumstances under which the Bank operated due to changed conditions in the Bank and in its environment (market); to payment characteristics of the banking sector; to the specific ownership structure of the Bank; and to other circumstances which had an impact on the governance and management of the Bank.

As a result of being listed on the Warsaw Stock Exchange (WSE), Nova KBM also complies with the Code of Best Practice for WSE Listed Companies. In its Statement of Compliance with the Code of Best Practice for WSE Listed Companies,



which is an integral part of the Bank's Corporate Governance Statement, Nova KBM has provided justification and explanation of code items for which recommendations have not been complied with in 2012.

In addition, Nova KBM, as a company in which the Republic of Slovenia holds an equity investment, complied in 2012 with the Corporate Governance Code for Companies with State Capital Investments, which was adopted by the Council of the Capital Assets Management Agency of the Republic of Slovenia on 13 January 2011. The purpose of this Code is to make members of the management and supervisory bodies of companies with a state shareholding aware of, and compliant with, the best corporate governance practice. Based on the provisions of the Management of Capital Investments of the Republic of Slovenia Act, in 2011 the Capital Assets Management Agency of the Republic of Slovenia issued a number of recommendations as well as the Guidelines for Reporting of Companies with State Capital Investments, the aim of which was to set up a better system of capital investment management. Within its Corporate Governance Statement, Nova KBM states the extent to which it complies with the Corporate Governance Code for Companies with State Capital Investments, the Guidelines for Reporting of Companies with State Capital Investments, and individual recommendations of the Capital Assets Management Agency of the Republic of Slovenia.

## Corporate Governance Code for Public Limited Companies

### Point 1

#### Code provision

The key objective of a joint-stock company engaged in a revenue-generating business is to maximise the company's value. This, as well as the company's other objectives pursued in the course of its business, such as the long-term value creation for shareholders and the social and environmental aspects ensuring a sustainable development of its business, is stated in the company's articles of association.

#### Reason for deviation

The objectives of the Bank are set out in each year's business policy and financial plan, and in the Bank's strategy. They are also laid down in the Corporate Governance Policy of Nova KBM.

### Point 5.7

#### Code provision

If the shareholders' meeting is to decide on the management remuneration policy, it should adopt it at the proposal of the supervisory board and align it substantively with the current market situation and the situation in the company. The management remuneration policy should substantively follow the provisions of the Code, and should define:

- the amount of non-variable remuneration to members of the management board
- the possibility of variable remuneration for a member of the management board
- criteria used for determining types of variable remuneration
- any potential restrictions with respect to variable remuneration
- the annual dynamics of setting the criteria for variable remuneration
- specification of remuneration given as shares, stock options and other types of financial instruments, along with any restrictions of such remuneration
- the annual assessment of the criteria being fulfilled and of the supervisory board activities in this area.

### Reason for deviation

In 2012, remuneration of the Management Board complied with the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities, and the Regulation on Setting the Highest Correlation of Basic Payments and the Rate of Variable Remuneration of Directors.

## **Point 22.7**

### Code provision

The company discloses the gross and net remuneration of each member of the management board and of the supervisory board. Such a disclosure is clear and comprehensible to an average investor, and includes aside from statutorily-imposed content:

- an explanation how the choice of performance criteria contributes to the company's long-term interests
- an explanation of the methods applied to determine whether the performance criteria have been met
- precise information on the deferment periods with regard to variable components of remuneration
- information on the policy regarding termination payments, including the criteria conditioning termination payments and the amounts of termination payments
- information with regard to vesting periods for share-based remuneration
- information on the policy regarding the retention of shares after vesting
- information on the composition of peer groups in companies that have been studied with respect to their remuneration policies in the course of setting up a remuneration policy in the company concerned.

### Reason for deviation

With respect to the disclosure of remuneration of Management Board members, the Bank fully complies with legal requirements, as evident also from the Annual Report. In accordance with the provisions of the Companies Act and the Bank's Articles of Association, the Management Board of the Bank informs the shareholders of the Bank, at the Shareholders' Meeting at which the resolution on the appropriation of profit available for distribution is passed, about the remuneration paid to members of management and supervisory bodies for performing their duties in the previous financial year.

In 2012, the Supervisory Board of Nova KBM adopted the currently applicable remuneration policy. The disclosure of remuneration provided to Management Board members in 2012 also includes information on the remuneration policy and follows the recommendations of the Code.

## **Code of Best Practice for Warsaw Stock Exchange Listed Companies (Code of Best Practice for WSE Listed Companies)**

Nova KBM sets out below a brief description of its non-compliance with certain provisions of the Code of Best Practice for WSE Listed Companies.

### **1. Recommendation I. 1 with respect to the scope of a company's website**

Nova KBM already maintains on its website information for investors that conforms to the Slovene market standards. Nova KBM has neither the intention to enable on-line broadcasts of its Shareholders' Meetings over the internet, nor the intention to record Shareholders' Meetings or publish the recordings on its website.

### **2. Rules II. 1.7 with respect to the publication on a company's website of shareholders' questions on issues on the agenda of a Shareholders' Meeting**

Nova KBM will not publish shareholders' questions on its website because, according to Slovene legislation, shareholders do not have the right to submit questions concerning the agenda of a Shareholders' Meeting.

**3. Rules II. 1.9 (a) with respect to the publication, in audio and video form, on a company's website of the minutes of a Shareholders' Meeting**

The minutes of Shareholders' Meetings are prepared in the form of a notarial record, and published as such on the Bank's website.

**4. Rules IV. 2 with respect to the amendment of the rules of Shareholders' Meetings**

Rules of Shareholders' Meetings are not mandatory under Slovene legislation and Nova KBM has not adopted such rules.

**5. Rules IV. 6 with respect to the date of setting the right to dividend and the date of dividend payment**

Nova KBM has usually paid dividends after the date of setting the right to dividend, within a period longer than 15 business days, as laid down in the Code of Best Practice for WSE Listed Companies.

**6. Rules IV. 7 with respect to a conditional dividend payment**

Conditional dividend payments are not allowed under Slovene legislation.

**7. Rules IV. 10 with respect to a company's duty to broadcast on-line its Shareholders' Meetings and to enable its shareholders to exercise their right to vote at Shareholders' Meetings using electronic communication means**

In the foreseeable future, Nova KBM has neither the intention to enable on-line broadcasts of Shareholders' Meetings, nor the intention to enable its shareholders to exercise their right to vote at Shareholders' Meetings using electronic communication means.

## **The Corporate Governance Code for Companies with State Capital Investments (application and deviation from provisions)**

### **Point 88**

#### Code provision

Shareholders must annually approve the remuneration policy at a shareholders' meeting. The preparation of a remuneration policy falls under the responsibility of the chairman of a supervisory board and the appointment committee if formed. At the shareholders' meeting, the chairman of a supervisory board presents to the shareholders the current remuneration policy and its implementation and evaluates the function and the role of the remuneration policy. A supervisory board must ensure that the remuneration package of the president of the management board and other members of the management board complies with the policy adopted at a shareholders' meeting.

In a limited liability company the director presents the rewarding system at a shareholders' meeting.

#### Reason for deviation

With respect to the disclosure of remuneration of Management Board members, the Bank fully complies with legal requirements, as evident also from the Annual Report. In accordance with the provisions of the Companies Act and the Bank's Articles of Association, the Management Board of the Bank informs the shareholders of the Bank, at the Shareholders' Meeting at which the resolution on the appropriation of profit available for distribution is passed, about the remuneration paid to members of management and supervisory bodies for performing their duties in the previous financial year.

Remuneration of Management Board members complies with the currently applicable remuneration policy, which was adopted by the Bank's Supervisory Board in 2012. In accordance with the provisions of the Companies Act, the supervisory board of a company must adopt the remuneration policy in cases where the shareholders' meeting fails to do so.

Remuneration of Management Board members is also adjusted to the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities, and the Regulation on Setting the Highest Correlation of Basic Payments and the Rate of Variable Remuneration of Directors.

## **Guidelines for Reporting of Companies with State Capital Investments**

In accordance with Point 5.1 of the Guidelines, Nova KBM, as a public limited company, fully complies in its reporting and transparency with the Corporate Governance Code for Public Limited Companies.

## **Individual recommendations by the Capital Assets Management Agency of the Republic of Slovenia**

### **Recommendation: Attendance fees and remuneration of Supervisory Board members**

#### Reason for deviation

Nova KBM does not deviate from the provisions of this recommendation.

### **Recommendation: Pay for annual leave for 2012**

#### Reason for deviation

Pay for annual leave provided by Nova KBM in 2012 equalled the amount of the legal minimum salary.

### **Recommendation: Risk management, internal control and internal auditing**

#### **Risk management, internal control**

##### Reason for deviation

Nova KBM does not deviate from the provisions of this recommendation referring to risk management and internal control.

#### **Internal auditing**

##### Reason for deviation

The Bank deviates from the recommendation stipulating that the Supervisory Board shall appoint, remunerate and remove the chief audit executive of the internal audit activity. In accordance with the Bank's organisational structure, the Internal Audit Centre is subordinated directly to the Management Board; therefore, the appointment, remuneration and removal of the chief audit executive is completely at the discretion of the Management Board. In accordance with its Charter, the Supervisory Board Audit Committee is responsible only for assessing the proposal of the Bank's Management Board concerning the appointment, remuneration and removal of the chief audit executive, and reports thereon to the Supervisory Board.

The Bank also deviates from the recommendation stipulating that the Supervisory Board shall approve the medium-term internal audit plan, since, in accordance with the doctrine of internal audit, the formulation of such a plan is not mandatory.

## **Recommendation: Quarterly reporting of the performance of a company/group**

### Reason for deviation

The Bank deviates from this recommendation because it has set up a governance system that complies with the principle of equitable treatment of all shareholders. This means that the Management Board fully observes the principle referred to above also in exercising the right of shareholders to information. Equitable treatment of shareholders in this regard prohibits the Bank from putting certain shareholders in a privileged position that would occur if quarterly reports were submitted to the Capital Assets Management Agency of the Republic of Slovenia as the representative of the largest, but not the only, shareholder of the Bank.

The Management Board prepares quarterly, half-yearly and annual reports, of which the Supervisory Board is informed in accordance with the Companies Act, the Banking Act and executive regulations. These reports are publicly available and may be examined by shareholders, and are also published on the Bank's website. In its Corporate Governance Policy, the Bank has defined the equitable right to information of all shareholders as one of the most important principles of its corporate governance. This principle is exercised based on open and transparent communication with shareholders. Pursuant to the Guidelines for Reporting of Companies with State Capital Investments, the Bank fully complies with the Corporate Governance Code for Public Limited Companies as regards the part concerning reporting and transparency requirements.

## **Recommendation: Three-year business planning by a company/group**

### Reason for deviation

The explanation of deviation given under the previous recommendation (Quarterly reporting of the performance of a company/group) can, mutatis mutandis, also be applied to this recommendation. The Bank does not prepare three-year business plans, but prepares a standard document for each year – a Business Policy and Financial Plan of the Bank and the Group. This document is formulated by the Management Board and agreed by the Supervisory Board. The summary of this document is published on the Bank's website. The planning is based on the adopted strategy.

## **Recommendation: Transparency of procedures of making business deals involving company expenditure (ordering goods and services, grants, sponsorships)**

### Reason for deviation

The Bank does not comply with this recommendation as regards the part referring to the transparency of procedures when making business deals in accordance with the Public Procurement Act, since this Act does not apply to banks. Nevertheless, in negotiating and making any business deals, the Management Board and competent departments of the Bank act with due care and diligence and according to the highest ethical standards, objectives, strategies and policies of the Bank, all in the best interests of the Bank.

In accordance with the regulations governing the protection of internal information, the Bank also classifies as internal information any data that concerns business or events occurring at the Bank and its affiliated companies that may have a material effect on the performance or position of the Bank and the Group as a whole. Pursuant to the regulations and its internal rules, the Bank publishes such information through the information dissemination system of the Ljubljana Stock Exchange and on its website.

With respect to the publication and reporting of grants and sponsorships as well as of any other transactions which may incur costs, the Bank respects the confidentiality of information and does not reveal any information that is classified as a business secret. Such information is not published by the Bank, since its release may have a negative impact on the Bank's customers and other business partners.

## **Recommendation: Optimisation of labour costs in 2012**

### Reason for deviation

In 2012, the Management Board of the Bank adopted certain cost-cutting measures and adjusted its salary policy to the current economic conditions. These measures have been set out by the Management Board in the Strategy of the Bank and the Group for the period from 2010 to 2013, and in the 2013 Business Policy and Financial Plan of the Bank and the Group. Following the initiative of the Remuneration Committee, the Supervisory Board of the Bank requested the Management Board to reduce the operating costs across the entire Group and to start negotiations with the aim of adjusting the collective agreement to weak performance of the Bank.

Information about pay-outs relating to other types of remuneration (pay for annual leave, Christmas allowance, 13th salary, etc.) is disclosed in the Bank's annual report and is publicly available.

To protect confidential information, the Bank and companies in the Nova KBM Group do not publish binding collective agreements or arrangements regulating remuneration for work, which they have entered into with representatives of the trade union.

## **Recommendation: Work of the audit committee, evaluation of efficiency of work of supervisory boards and reporting to supervisory boards**

### Reason for deviation

The Bank fully complies with this recommendation.

## **Recommendation: Audits**

### Reason for deviation

The Bank substantially complies with this recommendation, except for certain provisions regarding the importance and role of internal auditing. It deviates from the recommendation with respect to ensuring the independence of internal audit function, according to which the Supervisory Board must appoint, recall, and approve the remuneration of the chief audit executive. The explanation of deviation given under item *Internal auditing* above can, mutatis mutandis, also be applied to this recommendation.

## **Recommendation: Remuneration of external members of supervisory board committees and other external experts with whom the supervisory board cooperates in its work**

### Reason for deviation

In accordance with the provisions of the Corporate Governance Code for Public Limited Companies, the Criteria for Remuneration to the Members of Supervisory Bodies of Companies with State Capital Investments and a decision of the Shareholders' Meeting of Nova KBM, the amount of remuneration provided to external members of Supervisory Board committees has been determined by the Supervisory Board, taking into consideration the recommendations of



the Corporate Governance Code for Public Limited Companies, the Corporate Governance Code for Companies with State Capital Investments and certain recommendations by the Capital Assets Management Agency of the Republic of Slovenia.

Taking into consideration that remuneration of the Supervisory Board and its committees is in accordance with Point 8.12 of the Corporate Governance Code for Public Limited Companies disclosed in the annual report, the Bank does not include this information in the report submitted by the Supervisory Board to the Shareholders' Meeting.

### **Recommendation: Company Code of Ethics**

#### *Reason for deviation*

The Bank has adopted the Code of Ethics of Nova KBM Employees. This code applies only to the Bank employees, and the Management Board has informed the Supervisory Board of its content.

### **Recommendation: Shareholders' Meetings**

Notwithstanding the recommendation that a Shareholders' Meeting must be convened as soon as possible and not later than 14 days following the receipt of the request from a shareholder, the Bank complies with the provision of the Companies Act, which provides that a Shareholders' Meeting must be convened as soon as possible, but not later than within two months of the receipt of such a request.

To enable the shareholders to post questions regarding the operations of the Bank, or to post questions in the period pending a Shareholders' Meeting, the Bank has set up the Investor Relations section on its website, which conforms to the Slovene market standards.

### **Recommendation: Attaining quality and excellence in the operations of a company/group**

The Bank holds the ISO 9001:2008 certificate (issued by the International Organization for Standardization) for its retail operations. This standard specifies the requirements for an efficient quality management system that meets the demands of customers. In terms of content, the requirements of the standard do not deviate from the criteria used by the EFQM Excellence Model to assess the development of excellence and quality improvement.

## **2 DESCRIPTION OF MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH FINANCIAL REPORTING PROCEDURES**

The aim of internal controls is to ensure that the risks to which the Bank is exposed are properly managed, that proper accounting principles as well as internal and external financial reporting and communicating are applied, and that the Bank's operations are carried out in compliance with law and business ethics. Internal controls are established within all processes and organisational units of the Bank and the Group, at all levels.

Risk management is an important part of the management and governance system. It relates to the systematic identification, measurement, and assessment of risks arising from operations of the Group and its environment. Procedures of risk management, the objectives for risk management, as well as duties and responsibilities for managing risks are set out in respective risk management policies. A general rule applies that each company in the Group is responsible for identifying and managing all risks to which it is exposed in its operations.

Assessing and managing risks has an important impact on setting up the business and strategic plan of the Bank and the Group, and on the decision-making process in commercial transactions, individual agreements, investments and other activities.

Control over risk management is based on monthly reports which are reviewed by the competent bodies of the Bank responsible for monitoring the exposure to individual types of risk.

For the purpose of obtaining a complete overview of risks to which the Bank and the Group are exposed, a Risk Profile is created once a year, which contains an assessment of the key types of risk and of the related controls. This document is reviewed by the Policy Adoption Committee which is also responsible for adopting new policies and changes to the existing ones.

The Internal Audit Centre assesses the adequacy and efficiency of applicable internal controls, including information technology security and control, and assesses their reliability in accomplishing the strategic and implementation objectives of the Bank, at the same time taking into consideration the management of risks to which the Bank is exposed. The Internal Audit Centre reports to the Management Board, the Audit Committee and the Supervisory Board on a regular basis.

The system of internal controls and the risk management system are examined each year by external auditors appointed for the audit of the Bank's annual report.

### **3 INFORMATION AND EXPLANATIONS PROVIDED BY COMPANIES THAT ARE SUBJECT TO THE APPLICATION OF THE ACT REGULATING ACQUISITIONS (INFORMATION FROM POINT 3, 4, 6, 8 AND 9 OF THE SIXTH PARAGRAPH OF ARTICLE 70 OF THE COMPANIES ACT)**

**Significant direct and indirect holdership of the company's securities in the sense of achieving a qualified stake as determined by the act regulating acquisitions (Point 3 of the sixth paragraph of Article 70 of the Companies Act)**

As of 31 December 2012, the Bank had three direct holders of shares with a qualified ownership stake (over 5%): the Republic of Slovenia, which held 10,822,805 shares, or a 27.66% equity stake; Pošta Slovenije d.o.o., which held 2,599,192 shares, or a 6.64% equity stake; and GEN d.o.o., which held 2,500,000 shares, or a 6.39% equity stake.

KDPW (the Polish National Depository for Securities) is also entered in the share registry at the Central Securities Clearing Corporation. KDPW maintains a trust account on behalf of third parties – depository banks, which maintain for their customers a register of the ultimate owners of KBMR shares.

**Holders of securities that carry special control rights (Point 4 of the sixth paragraph of Article 70 of the Companies Act)**

Nova KBM has issued 39,122,968 ordinary registered no-par value shares. All shares are of the same class and have the same rights, meaning that holders have no special rights arising from the ownership of Nova KBM shares.

**Restrictions related to voting rights, in particular: restrictions of voting rights to a certain stake or a certain number of votes; deadlines for executing voting rights; agreements in which, on the basis of the company's cooperation, the financial rights arising from securities are separated from the rights of holdership of such securities (Point 6 of the sixth paragraph of Article 70 of the Companies Act)**

The voting rights are in accordance with the Bank's Articles of Association not restricted.

**The company's rules on appointment or replacement of members of the management or supervisory bodies (Point 8 of the sixth paragraph of Article 70 of the Companies Act)**

#### Management Board

In accordance with the provisions of the Bank's Articles of Association, the Supervisory Board appoints and recalls the President and other Management Board members, whereby the President of the Management Board may propose to the Supervisory Board the appointment or discharge of individual or other Management Board members.

Management Board members are appointed for a five-year period and may be re-appointed, but no earlier than one year before the end of their term of office.

The Supervisory Board may recall the President or a member of the Management Board, if there are grounds for such recall in accordance with the second paragraph of Article 268 of the Companies Act.

Membership in the Management Board may also be terminated on request of the member himself/herself.

#### Supervisory Board

The Supervisory Board is appointed by the Shareholders' Meeting for a period of four years, in accordance with the Bank's Articles of Association.

The function of a Supervisory Board member may terminate before the expiry of his/her term of office referred to in the previous paragraph in the following cases:

1. if he/she gives a written notice, or
2. if he/she is recalled by the Shareholders' Meeting.

The Shareholders' Meeting is in accordance with provisions of the Companies Act and Article 30 of the Bank's Articles of Association authorised to reach decisions with respect to amendments to the Articles of Association. In accordance with provisions of the Companies Act and the Bank's Articles of Association, at least three-quarters of the share capital represented in the voting is required to pass a resolution of the Shareholders' Meeting.

**Authorisations of the members of the management for issuing or purchasing own shares (Point 9 of the sixth paragraph of Article 70 of the Companies Act)**

The authorisation of the Management Board for issuing or purchasing the Bank's own shares is, in accordance with the Bank's Articles of Association and other Bank's documents, not restricted. The Management Board members may issue and purchase the Bank's own shares under the terms and conditions stipulated by law.

## **4 INFORMATION ABOUT THE FUNCTIONING OF THE SHAREHOLDERS' MEETING AND OF ITS KEY COMPETENCES, AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THE METHOD OF THEIR EXERCISING**

### **Competences of the Shareholders' Meeting**

The Shareholders' Meeting shall decide about:

- adoption of the annual report
- appropriation of profit available for distribution
- appointment and recall of Supervisory Board members
- granting discharge to members of the Management and Supervisory Boards
- amendments to the Articles of Association
- measures for increasing or decreasing share capital
- dissolution of the Bank and status changes
- appointment of the auditor
- other matters, if so provided by the Articles of Association or the law.

At the Shareholders' Meeting at which a resolution on the appropriation of profit available for distribution is passed, the Management Board must inform the shareholders about the remuneration provided to members of management and supervisory bodies for performing their duties in the previous financial year. The information must include all the details required by law, and must be disclosed in the annual report, together with the policy of remuneration of members of management and supervisory bodies.

The Shareholders' Meeting is responsible for the adoption of the annual report only if the Supervisory Board did not adopt it, or if the Management Board and the Supervisory Board leave the adoption of the annual report to the discretion of the Shareholders' Meeting.

### **Call of the Shareholders' Meeting**

The Shareholders' Meeting is called by the Management Board.

The Shareholders' Meeting may also be called by the Supervisory Board, particularly in cases where the Management Board does not call the Shareholders' Meeting in time, or if the call of the Shareholders' Meeting is required for the smooth running of the Bank's operations.

The Shareholders' Meeting must be called in accordance with the law, at least once a year and when this is to the benefit of the Bank.

The Shareholders' Meeting is called in such a way that notice of the Shareholders' Meeting, along with the content as required by law, is published in the Official Gazette of the Republic of Slovenia or in a daily newspaper distributed throughout the Republic of Slovenia, and on the Bank's website ([www.nkbm.si](http://www.nkbm.si)), no later than 30 (thirty) days prior to the date of the Shareholders' Meeting.



## Call of the Shareholders' Meeting on request of a minority

The Shareholders' Meeting must be called if the shareholders holding jointly one-twentieth of the share capital request in writing for the Shareholders' Meeting to be called by the Management Board.

## Participation in the Shareholders' Meeting

A shareholder, or his/her proxy or legal representative, is allowed to participate in the Shareholders' Meeting and exercise his/her right to vote, provided that he/she is entered as a shareholder in the central registry of book-entry securities at the end of the fourth day prior to the date of the Shareholders' Meeting and that the Management Board has received his/her written registration no later than the end of the fourth day prior to the date of the Shareholders' Meeting.

The conditions for participating and exercising the right to vote in the Shareholders' Meeting are specified in more detail in the notice of the Shareholders' Meeting.

## Amendment of the agenda and proposals of shareholders

Shareholders who jointly hold at least one-twentieth of the Bank's share capital may, after the publication of the notice of the Shareholders' Meeting, in accordance with the law, request in writing that additional items be put on the agenda. Shareholders may send their request for additional agenda items to the Bank via e-mail to the address specified by the Bank in each notice of the Shareholders' Meeting, in scanned format as an attachment, or by fax.

Pursuant to the law, shareholders may give written proposals for resolutions and voting proposals to each agenda item. Proposals for resolutions and voting proposals may be sent by shareholders, also via e-mail, to the address specified by the Bank in each notice of the Shareholders' Meeting, in scanned format as an attachment, or by fax.

## Chairing the Shareholders' Meeting

The Shareholders' Meeting of the Bank is chaired by the Chairman of the Shareholders' Meeting. The Chairman of the Shareholders' Meeting is a person appointed by the convener.

## Adoption of resolutions

The Shareholders' Meeting shall adopt resolutions with a bare majority of the votes cast, unless a qualified majority has been laid down by the Articles of Association or the law.

## Shareholders' right to vote

The right to vote of shareholders is exercised pro-rata to the number of their shares in the share capital. Each no-par value share with a voting right entitles the shareholder to one voting right.

## Exercising the right to vote by proxy

Each shareholder entitled to participate in the Shareholders' Meeting may appoint a natural or legal person of full legal capacity to participate in the Shareholders' Meeting on his/her behalf and to exercise his/her voting right.

In order to be eligible to exercise the right to vote, the proxy must have a written power of attorney.

Shareholders may appoint a proxy through electronic means. The form for exercising voting rights through a proxy is available on the Bank's website. The power of attorney may be sent to the Bank, also by e-mail, to the address specified by the Bank in each notice of the Shareholders' Meeting, in scanned format as an attachment, or by fax.

The power of attorney remains deposited with the Bank.

The voting right may also be exercised through a financial institution, a shareholders' association or another person.

Information on the functioning of the Shareholders' Meeting is set out also in the section headed 'Governing bodies of Nova KBM'.

## **5 INFORMATION ABOUT THE COMPOSITION AND WORK OF THE MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES**

### **Management Board**

On 7 December 2011, the Supervisory Board reached a decision to recall Matjaž Kovačič from the position of the President of Nova KBM's Management Board with effect from 31 December 2011. On the same day, the Supervisory Board elected Andrej Plos as the President of Nova KBM's Management Board, with a term of office starting on 1 January 2012.

Also on 7 December 2011, the Supervisory Board reached a decision to recall Manja Skernišak from the position of a member of Nova KBM's Management Board. The Supervisory Board decided that her term of office and her employment at the Bank should end on the day that newly appointed Management Board members obtain a licence from the Bank of Slovenia confirming them as members of the Bank's Management Board.

On 9 March 2012, the Supervisory Board appointed Aleš Hauc as the President of the Bank's Management Board, with a term of office starting on 24 April 2012. Andrej Plos, who was until then acting as the President, was appointed as a member of the Management Board on 17 April 2012, with a term of office starting on the day Aleš Hauc was appointed as the President, i.e. 24 April 2012, and ending on 14 July 2012.

Manja Skernišak ended her term of office as a Management Board member on the day that Aleš Hauc began as President of the Management Board.

On 6 June 2012, the Supervisory Board appointed Igor Žibrik as a new member of the Bank's Management Board, with a term of office starting on 18 August 2012.

Pursuant to the legislation and the Bank's Articles of Association, the Management Board runs the Bank autonomously and on its own responsibility. At least two members of the Management Board jointly present and represent the Bank in accordance with provisions of the Banking Act. All Management Board members comply with legal requirements for performing their duties on the Management Board.

*Duties of the Management Board*

The Management Board must ensure that the Bank operates in compliance with the Banking Act and the regulations issued on its basis, in compliance with the laws governing the provision of financial services carried out by the Bank and the regulations issued on their basis, in accordance with other regulations that apply to the financial and banking profession and in accordance with the highest ethical standards of governance by taking prevention of conflicts of interest into consideration.

The Management Board must ensure that the Bank operates in compliance with the rules of risk management.

The Management Board must set up and implement adequate administrative and accounting procedures and a system of internal controls.

The Management Board regularly, and at least once every quarter, reports to the Supervisory Board of any issues important for the Bank's and the Group's operations.

*Decision-making by the Management Board*

Decisions that fall within the competence of the Management Board are, as a rule, adopted unanimously by the President and members of the Management Board. In case of disaccord, a decision is adopted with a majority of votes cast by all members of the Management Board. In making the decisions or voting, the President and each member of the Management Board have one vote.

In case of an equal number of votes, the President of the Management Board has the casting vote.

The Management Board may, by a special resolution adopted unanimously, authorise each individual member of the Management Board to make autonomous decisions in respect of individual matters and transactions that relate to the current operations of the Bank.

*Representation of the Bank*

In all legal transactions, the Bank is represented jointly by at least two members of the Management Board.

All members of the Management Board or, alternatively, two members of the Management Board may, in writing, authorise one individual member of the Management Board to represent the Bank autonomously in entering into certain transactions or certain types of transactions.

Further details with respect to the composition and competences of the Management Board are set out in the section headed 'Governing bodies of Nova KBM'.

**Supervisory Board**

The managing of operations of Nova KBM is overseen by the Supervisory Board that, in accordance with the Bank's Articles of Association, consists of nine members.

In accordance with the Bank's Articles of Association, Supervisory Board members are appointed by the Shareholders' Meeting for a period of four years.

The function of a Supervisory Board member may terminate before expiry of his/her term of office in the following cases:

1. if he/she gives a written notice, or
2. if he/she is recalled by the Shareholders' Meeting.

The composition of the Supervisory Board until the Bank's Shareholders' Meeting on 8 June 2012 was as follows: Dušan Jovanovič, Chairman, Franc Škufca, Deputy Chairman, and members Janez Košak, Anton Guzej, Andrej Svetina, Aleš Krisper, Darjan Petrič and Vida Lebar. Ivan Simič resigned as a Supervisory Board member on 27 January 2012.

On 8 June 2012, the Shareholders' Meeting recalled the then members of the Supervisory Board and appointed instead Peter Kukovica, Niko Samec, Egon Žižmond, Andrej Fatur, Keith Charles Miles, Miha Glavič, Karmen Dvorjak, Peter Kavčič and Dušanka Jurenec. The term of office of the newly appointed Supervisory Board members started on 15 July 2012. At the constituent meeting of the new Supervisory Board on 24 July 2012, Peter Kukovica was appointed as its Chairman, and Niko Samec as his Deputy. Dušanka Jurenec resigned as a Supervisory Board member on 21 November 2012.

#### Conditions for the Supervisory Board membership

Only a person who meets the criteria stipulated by the law can be appointed as a member of the Supervisory Board.

The Supervisory Board carries out its work in accordance with competences set out in legislation, the Bank's Articles of Association, and the Regulations on the Activities of the Supervisory Board. The Supervisory Board conducts activities for which it is competent at regular and correspondence meetings.

As a rule, the Supervisory Board convenes at least once per quarter, depending on the importance of the issue to be discussed, or at the request of the Chairman of the Supervisory Board.

#### Competences and duties of the Supervisory Board

In addition to the powers vested in the Supervisory Board under the Companies Act and the Banking Act, the Supervisory Board also gives consent to the Management Board with respect to:

- Bank's business policy
- Bank's financial plan
- organisation of the system of internal controls
- draft annual plan of work of the Internal Audit Centre
- new issues of own securities exceeding €30 million
- all transactions regarding the acquisition and disposal of equity holdings in companies and other legal entities whose book value exceeds €550,000
- acquisition and disposal of investments in equity instruments with the purpose of portfolio investments, if such investment in any one issuer exceeds 5% of the Bank's equity



- any decisions in respect of actions resulting in status changes in companies and other legal entities in which the Bank holds a majority stake
- formation of a banking and/or financial group or groups
- writing off claims over €1 million
- raising funds and contracting other liabilities for the Bank which in one financial year, individually or in total, exceed 25% of the Bank's equity
- concluding legal deals which, considering the Bank's total exposure, would result in the Bank's large exposure to a customer or a group of related persons, and concluding legal deals as a result of which the Bank's large exposure to a customer or a group of related persons would be increased by so much as to reach or exceed 15% of the Bank's equity, and each subsequent 5% of its equity
- concluding a transaction that results in the Bank becoming exposed to a person having a special relationship with the Bank within the meaning of provisions of Article 167 of the Banking Act
- other matters in accordance with the regulations.

Members of the Supervisory Board are required to:

- supervise the adequacy of procedures and the efficiency of the work of the internal audit
- discuss the findings of the Bank of Slovenia, the tax inspection and other supervisory bodies during the process of supervision of the Bank
- check annual and other financial reports of the Bank and draw up a written opinion on their conclusions for the Shareholders' Meeting
- explain to the Shareholders' Meeting their opinion about the annual report of the Internal Audit Centre and their opinion about the annual report of the Management Board
- act in line with the highest ethical standards of governance by taking prevention of conflicts of interest into consideration.

A member of the Bank's Supervisory Board must immediately inform the Bank of Slovenia of the following:

- his/her appointment and termination of his/her function in management and supervisory bodies of other legal entities
- legal transactions on the basis of which a member of the Supervisory Board himself/herself or a member of his/her immediate family has, directly or indirectly, acquired shares or participating interests in a legal entity, as a result of which the member of the Supervisory Board together with a member of his/her immediate family have reached or exceeded a qualified share in that legal entity, or their share has fallen below the qualified share.

The Supervisory Board is required to:

- check the annual report together with the auditor's report and the proposal of the Management Board for the appropriation of profit available for distribution
- draw up a written report for the Shareholders' Meeting in accordance with the second paragraph of Article 282 of the Companies Act.

The Supervisory Board adopts the annual report.

### Decision-making by the Supervisory Board

The Supervisory Board constitutes a quorum if more than one half of its members are present.

The Supervisory Board adopts its decisions with a simple majority of votes cast by the members present at the vote. In case of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

### Remuneration and reimbursement of costs to the members of Supervisory Board and members of Supervisory Board committees

Total remuneration of members of the Supervisory Board and Supervisory Board committees is made up of:

- remuneration for performing the office
- attendance fees
- reimbursement of costs in respect of performing the office.

For performing their office and taking over the responsibility, Supervisory Board members shall receive a basic remuneration to be determined by a Shareholders' Meeting resolution.

Supervisory Board members who are members of standing committees and working bodies shall receive an extra payment for performing their office to be determined by a Shareholders' Meeting resolution.

External members of committees and working bodies shall receive remuneration to be determined by the Supervisory Board.

In addition to reimbursement of costs for performing the office, each Supervisory Board member shall also receive an attendance fee for the attendance and time spent at the meeting, the amount of which shall be determined by a Shareholders' Meeting resolution.

External members of committees and working bodies shall receive, in addition to reimbursement of costs for performing the office, an attendance fee for the attendance and time spent at the meeting, the amount of which shall be determined by the Supervisory Board.

Information about the activities of the Bank's Supervisory Board is set out also in the section headed 'Report of the Supervisory Board'.

## **Supervisory Board committees**

The following committees carried out their work during 2012 in accordance with the Companies Act and the Banking Act: the Audit Committee, the Remuneration and Nomination Committee, and the Appointment Board.

### Audit Committee

Until the expiry of the term of office of Nova KBM's Supervisory Board members on 14 July 2012, the Audit Committee had consisted of the following members: Andrej Svetina and Janez Košak, as independent members of Nova KBM's Supervisory Board, and Franc Koletnik, professor at the Faculty of Economics and Business in Maribor, and Kosta Bizjak, as external experts.

On 30 August 2012, the newly appointed Supervisory Board elected the following members to the Audit Committee: Keith Charles Miles and Andrej Fatur, as representatives of Nova KBM's Supervisory Board, and Aleksander Igličar, as an external expert. On 25 October 2012, the Supervisory Board appointed John Harris, an external expert, as the fourth member of the Audit Committee.

The Audit Committee supports the Supervisory Board in overseeing the management of the Bank and the Group companies, in particular with regard to legitimacy of operations, the risk management system, internal audit and the internal control system, and undertakes duties laid down in the Articles of Association, documents of the Audit Committee and Supervisory Board resolutions.

The Audit Committee carries out its activities in accordance with the law, the Bank's Articles of Association, and the Charter which regulates the purpose and the composition of the Audit Committee, methods and conditions of its work as well as competences and responsibilities of its members. The area and the method of work of the Audit Committee, its decision-making process and all other issues deemed important for its work are regulated by the Rules of Procedure of the Audit Committee.

As a rule, the Audit Committee members adopt decisions at meetings. A quorum is constituted if at least one half of the Audit Committee members are present at the meeting, one of whom shall be President or Deputy President.

The Audit Committee adopts its decisions with a simple majority of votes cast by the members present at the vote. Each member has one vote. In case of an equal number of votes, the President of the Audit Committee has the casting vote.

On 22 July 2011, the Shareholders' Meeting passed a resolution according to which members of the Supervisory Board who are simultaneously also members of the Audit Committee shall receive, apart from an attendance fee for their attendance and time spent at the meeting, a basic remuneration for holding their office. External members of the Audit Committee are entitled to an attendance fee, the amount of which is determined by the Shareholders' Meeting. They are also entitled to the reimbursement of costs for performing the office, the amount of which is determined by the Shareholders' Meeting as well. External members are entitled to the reimbursement of costs in the same amount as Supervisory Board members.

The Audit Committee regularly reports to the Supervisory Board about its work at the meetings of the Supervisory Board.

#### Remuneration and Nomination Committee

Until the expiry of the term of office of Nova KBM's Supervisory Board members on 14 July 2012, the Remuneration and Nomination Committee had consisted of the following members: Dušan Jovanovič, President of the Remuneration and Nomination Committee and a Supervisory Board member, Franc Škufca, member of the Supervisory Board, and Marko Vresk, as an external member. Ivan Simič resigned as a member of Nova KBM's Supervisory Board on 27 January 2012, by which his function as a member of the Remuneration and Nomination Committee also ended.

On 30 August 2012, the newly appointed Supervisory Board elected the following members to the Remuneration and Nomination Committee: Peter Kukovica, Peter Kavčič and Niko Samec, as representatives of Nova KBM's Supervisory Board, and Romana Košorok and Jure Srhoj, as external members. Jure Srhoj resigned as an external member of the Remuneration and Nomination Committee on 6 December 2012.

The Remuneration and Nomination Committee is primarily responsible for providing support to the Supervisory Board in selecting candidates for the Supervisory and Management Board of the Bank, in helping the Supervisory Board controlling and assessing the work of members of the Supervisory and Management Board, and for providing support in formulating proposals in respect of the salary policy, reimbursement of costs and other benefits of Management Board members. Further, it helps the Supervisory Board prepare the company's remuneration policy and proposals with respect to the improvement of the Bank's governance policy. Support and help to the Supervisory Board is provided by the Remuneration and Nomination Committee also in all other issues and tasks laid down in the Rules of Procedure of the Supervisory Board Remuneration and Nomination Committee.

The area and the method of work of the Remuneration and Nomination Committee, its decision-making process and all other issues important for its work are regulated by the Rules of Procedure of the Supervisory Board Remuneration and Nomination Committee.

Provisions with respect to remuneration of, and reimbursement of costs incurred by, members of the Audit Committee shall be, mutatis mutandis, applied also to the Remuneration and Nomination Committee.

#### Appointment Board

On 29 March 2012, the Supervisory Board recalled the then members of the Appointment Board and elected instead Slava Horvat, a member of the Accreditation Committee of the Capital Assets Management Agency of the Republic of Slovenia, Anja Strojín Štampar, a representative of KAD d.d., and Marko Garbajs and Vanessa Grmek, as representatives of the Republic of Slovenia and its related entities.

The Appointment Board was dissolved on 14 July 2012, i.e. on the day the term of office of the previous Supervisory Board ended.

Duties of the Appointment Board were as follows:

- selecting candidates for the Supervisory Board and proposing to the Supervisory Board the names of candidates to be nominated at the Shareholders' Meeting
- controlling the composition of the Supervisory Board in the light of best practice recommendations and adopted codes, and the reporting thereof to the Supervisory Board
- supporting the Supervisory Board in the preparation of the Supervisory Board's remuneration system, and in submitting the remuneration system proposals to the Shareholders' Meeting for decision.



The area and the method of work of the Appointment Board, its decision-making process and all other issues important for its work were regulated by the Rules of Procedure of the Appointment Board. Provisions with respect to remuneration of, and reimbursement of costs incurred by, members of the Audit Committee were, mutatis mutandis, applied also to the Appointment Board. The Appointment Board held one meeting during 2012. In accordance with the ruling made by the Supervisory Board, the Appointment Board passed a resolution with respect to the procedures and time schedule for registering new candidates for Nova KBM's Supervisory Board.

This Corporate Governance Statement is an integral part of the Bank's 2012 Annual Report and will be available in the Ljubljana Stock Exchange electronic information dissemination system, SEOnet, and published on the Bank's website.

Maribor, 23 April 2013

Management Board of Nova KBM d.d.

Supervisory Board of Nova KBM d.d.



Igor Žibrik  
Member



Aleš Hauc  
President



Peter Kukovica  
Chairman