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SUBJECT: Failure by Nova Ljubljanska banka d.d. to disclose, in its issuance on 1 July 2014 of €300m 2.875% notes due 2017 (ISIN XS1081728195), an essential material fact

Dear Sirs,

We are writing to You in Your capacity as Joint Lead Maganers (**JLM**), Legal Advisers to the JLM, Listing Agent, and the Listing Exchange, of the 1 July 2014 issuance of 300,000,000 € 2.875 per cent notes due 2017 (ISIN XS1081728195) (**Issuance**). It has come to our knowledge that in the prospectus of the Issuance dated 1 July 2014 (**Prospectus**), a disclosure of an essential material fact of a legally binding adverse court decision has been wilfully omitted.

The Prospectus summarizes, on p. 40, the recapitalization of NLB as performed in December 2013, comprising termination of the bank's pre-existing share capital and a capital increase subscribed by the Republic of Slovenia. On 18 December 2013, the recapitalization and auxiliary measures thereof were recorded in the Court Register of the District Court in Ljubljana (Registration Act Srg 2013/53822) as follows:

- cancellation of all 22,056,378 previously registered shares and registration of 20,000,000 new shares;
- increase of share capital to €200,000,000;
- decisions, dated 18 December 2013, of Bank of Slovenia, acting in the capacity of NLB's Assembly;
- amendments, dated 18 December 2013, to NLB's Articles of Association.

The Prospectus further states, on p. 97, that at the time of the Issuance there were three ongoing legal proceedings contesting this registration act, yet specifies that

As at the date of this Prospectus, it is not possible to predict the outcome of these (or any other) proceedings with respect to the Bail-In nor is it possible to determine how an adverse outcome of the same would be likely to affect the Issuer.

This statement represents a clear case of a failure to disclose, and a wilful concealment of, an essential material fact known to the issuer at the date of the Prospectus and the Issuance.

Namely, on 4 June 2014, the Higher Court of Ljubljana, by decision IV Cpg 474/2014¹, reversed the Registration Act Srg 2013/53822 and remanded the case. **This decision of reversal, whereby the registration of new shares and share capital as recorded on 18 December 2013 was annulled, is final, legally binding, and not contestable.** On 27 June 2014, the court decision IV Cpg 474/2014 was served to²:

- the members of NLB's Management Board;
- NLB's legal representatives (Odvetniki Dolžan, Vidmar & Zemljarič);
- the authorized officials of the Bank of Slovenia.

¹ see Attachment 1

² see Attachment 2

On 1 July 2014, the date of the Issuance and of the Prospectus, the court decision IV Cpg 474/2014 and its legal consequences had therefore been known to the abovementioned persons for at least six days, yet they were not disclosed in the Prospectus; on the contrary, it was stated explicitly that »at the date of this Prospectus, it is not possible to predict the outcome of these proceedings«.

On 2 July 2014, the abovementioned persons have, thus further confirming their full awareness and knowledge of the court decision IV Cpg 474/2014, jointly submitted a request for reinstating part of the contents of the reversed Registration Act Srg 2013/53822 in the Court Register of the District Court in Ljubljana, and these contents have been reinstated by this court on the same day (Registration Act Srg 2014/29618). However, this latter act and the resulting record are also being contested, as several of the crucial errors and omissions that led to the reversal of Srg 2013/53822 are also present in Srg 2014/29618. It is therefore conceivable, and even seems to us likely, that the court decision IV Cpg 474/2014, whose disclosure was wilfully omitted in Prospectus, and probable similar decisions in the ongoing proceedings contesting Srg 2014/29618, might lead to serious negative consequences to those who have subscribed the notes based on the Prospectus.

Should negative consequences materialize, compensations will be sought from all those persons who have taken part in the described wilful omission, in the Prospectus, of the relevant disclosure. To adequately identify these persons, we would appreciate Your informing us whether:

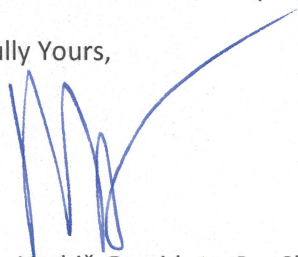
- (i) You were familiar with the court decision IV Cpg 474/2014, but considered it immaterial and as such not relevant for the disclosure in the Prospectus, or
- (ii) You were not familiar with the court decision IV Cpg 474/2014,

so we may plan our further actions accordingly.

You will surely understand that in case You were not familiar with the court decision IV Cpg 474/2014, Your mere statement thereof, unsupported by corresponding actions in relation to those who would in such case be in clear breach of their duties in relation to Your companies, shall not bear the necessary persuasiveness.

We look forward to Your response, and we remain

Faithfully Yours,



Kristjan Verbič, President, PanSlovenian Shareholders' Association
*class representative of the plaintiffs in the Lawsuit contesting the Registration Act Srg 2014/29618
at the Higher Court in Ljubljana (case number to be assigned)
and of the plaintiffs in the Challenge to the 22 November 2013 Bail-In Law (ZBan-1L)
at the Constitutional Court of the Republic of Slovenia (U-I-295/13)*