

INFORMATION MEMORANDUM



**SID-SLOVENSKA IZVOZNA IN
RAZVOJNA BANKA, D.D., LJUBLJANA**

**EUR 300,000,000 Guaranteed 0.875 per cent. Notes due 2018
guaranteed by
The Republic of Slovenia**

The issue price of the EUR 300,000,000 Guaranteed 0.875 per cent. Notes due 2018 (the "**Notes**") of SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (the "**Issuer**" or "**SID bank**") is 99.682 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 4 August 2018. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Slovenia. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes will bear interest from 4 August 2015 at the rate of 0.875 per cent. per annum payable annually in arrear on 4 August each year commencing on 4 August 2016.

Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Republic of Slovenia to the extent described under "*Terms and Conditions of the Notes—Taxation*". The payment obligations of the Issuer in respect of the Notes are unconditionally and irrevocably guaranteed by the Republic of Slovenia (the "**Guarantor**").

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Luxembourg Stock Exchange's regulated market, which is a regulated market for the purposes of the Directive 2004/39/EC on markets in financial instruments. This Information Memorandum constitutes a simplified prospectus pursuant to the Luxembourg Law dated 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) as amended by the Luxembourg Law dated 3 July 2012 (the "**Luxembourg Prospectus Law**").

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "**Securities Act**") or the securities law of any state of the United States or other jurisdiction and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "**Subscription and Sale**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

Investing in the Notes involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

The Notes will be in bearer form and in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000. The Notes will initially be in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited on or around 4 August 2015 (the "**Closing Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, ("**Clearstream, Luxembourg**"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

JOINT LEAD MANAGERS

DEUTSCHE BANK

J.P. MORGAN

RAIFFEISEN BANK INTERNATIONAL AG

31 July 2015

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Information Memorandum and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**") that this Information Memorandum contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Information Memorandum on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Information Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all reasonable enquiries have been made to ascertain or verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Information Memorandum or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

The Republic of Slovenia has neither reviewed this Information Memorandum nor verified the information contained in it, and the Republic of Slovenia makes no representation with respect to, and does not accept any responsibility for, the contents of this Information Memorandum or any other statements made or purported to be made on its behalf in connection with the Issuer or the offering of the Notes. The Republic of Slovenia accordingly disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Information Memorandum or any such statement.

Neither the Joint Lead Managers nor any of their respective directors, affiliates, advisors or agents have made an independent verification of the information contained in this Information Memorandum or authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty, express or implied, or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum. Nothing contained in this Information Memorandum, is to be construed, or shall be relied upon, as a promise, warranty or representation, whether in relation to the past or the future, by the Joint Lead Managers or any of their respective directors, affiliates, advisors or agents in any respect. Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Information Memorandum.

Neither this Information Memorandum nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer that any recipient of this Information Memorandum should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer.

This Information Memorandum does not constitute an offer of, a solicitation of an offer to buy, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Information Memorandum and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Information Memorandum and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Information Memorandum does not constitute a prospectus pursuant to Directive 2003/71/EC, as amended, (the "**Prospectus Directive**"). Accordingly, this Information Memorandum does not purport to meet the format

and the disclosure requirements of the Prospectus Directive and Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive, and it has not been, and will not be, submitted for approval to any competent authority within the meaning of the Prospectus Directive and in particular the Commission de Surveillance du Secteur Financier ("**CSSF**"), in its capacity as competent authority under the Luxembourg Prospectus Law. The Notes, issued pursuant to this Information Memorandum, will therefore not qualify for the benefit of the single European passport pursuant to the Prospectus Directive.

In this Information Memorandum, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Information Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Notes, Raiffeisen Bank International AG (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Information Memorandum **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent and the Listing Agent in Luxembourg, unless such documents have been modified or superseded. Such documents will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

For ease of reference, the tables below set out the relevant page references for the consolidated financial statements, the notes to the consolidated financial statements and the Auditors' reports for the years ended 31 December 2014 and 2013 for the Issuer, as set out in the respective annual reports. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only.

Consolidated and Non-Consolidated Financial Statements for the year ended 2014

Auditor's Report	Pages 61 to 62
Statement of Financial Position	Page 63
Statement of Profit and Loss	Page 64
Statement of Comprehensive Income	Page 65
Statement of Changes in Equity	Pages 66 to 67
Statement of Cash Flows	Pages 68 to 69
Notes to the Financial Statements	Pages 70 to 101

Consolidated and Non-Consolidated Financial Statements for the year ended 2013

Auditor's Report	Pages 60 to 61
Income Statement	Page 62
Statement of Comprehensive Income	Page 63
Statement of Financial Position	Page 64
Statement of Changes in Equity	Pages 65 to 66
Statement of Cash Flows	Pages 67 to 68
Notes to the Financial Statements	Pages 69 to 100

RISK FACTORS

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this section.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. These factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors (although not exhaustive) which the Issuer believes could be material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

Before making an investment decision with respect to the Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Risks relating to the Issuer

Risks associated with the Issuer's risk-management systems

In its risk management practises the Issuer observes: its public character; the breakdown of its business operations into transactions involving the Issuer's own assets; any given mandates for promotional and development financial services according to the Slovenian Export and Development Bank Act (*Zakon o Slovenski izvozni in razvojni banki* (Uradni list RS, No. 56/08, 20/09 and 25/15 – ZBan-2)) ("**ZSIRB**"), in force from 21 June 2008, as amended by ZSIRB-A, in force from 17 March 2009 (Uradni list RS, No 20/2009), and as amended by ZBan-2 in force from 13 May 2015 (Uradni list RS, No 25/2015) (the "**Act**"); and any activities performed for the account of the Republic of Slovenia, including the management of contingency reserves.

A comprehensive process of assessing the adequacy of internal capital, adapted to the risks assumed, ensures that the risks assumed remain within the limits of the Issuer's capacity to assume risks.

The Issuer manages and mitigates market price risks (interest rate risk and foreign currency risk), liquidity risks and operational risks by minimising exposures to these risks and using hedging instruments (e.g. forward contracts, interest rate swaps) if necessary.

Due to its activities in export financing and its activities as a development bank, the Issuer faces potentially higher credit risks, which are more likely to be affected by the economic slowdown. Under its risk management strategy and capital risk and capital management policy, the Issuer established an appropriate process of assessing the adequacy of its internal capital in which additional capital requirements for concentration risk, according to sector and the individual concentration, is added.

In the internal capital adequacy assessment, capital requirements for credit risks hold a 63.7 per cent. share, followed by an 8.2 per cent. share for operational risks, 0.2 per cent. for credit evaluation adjustment and 27.9 per cent. for interest rate risk, concentration risk, strategic risk, and external factors combined.

The Issuer is exposed to credit risk and countercyclical risk

The Issuer manages credit risk in a conservative manner based on an individual client's long term credit assessment as well as on an overall credit portfolio assessment. The Issuer seeks to proactively monitor individual clients and if needed requires additional collateral, while at the same time ascertains any additional impairments. The improving macroeconomic environment in the Republic of Slovenia as well as in the EU may have positive impact on the Issuer's credit portfolio expressed by improvements in internal ratings, a lower level of non-performing loans and an increase in the value of collateral. However, recovery in the Republic of Slovenia and the EU remains fragile and any reverse in the abovementioned trends could have a material adverse effect on the financial position of the Issuer.

Risks arising from the ongoing Ukrainian conflict

SID bank's operations have a broad geographical spread, which includes Russia. The ongoing conflict between Ukraine and Russia and the corresponding stress in the relationship between the EU and Russia has had, and may have in the future, an impact on the operations of SID bank.

The Issuer manages liquidity risk

SID bank does not accept bank deposits from unqualified parties, except for the purpose of securing claims against its clients and is therefore not exposed to liquidity risk in the traditional sense. Problems can nevertheless arise if a debtor falls into arrears in the repayment of a loan or fails to repay a loan, or if SID bank is unable to replace its existing liabilities as they mature with new funding. SID bank has precisely defined procedures for its action in such an eventuality. It also calculates liquidity ratios for a baseline scenario, and the liquidity committee discusses a stress scenario on a weekly basis. The asset/liability committee examines whether the assumptions used in the scenarios are appropriate.

The Issuer is subject to operational risk

The main factors affecting operational risk are human resources, business processes, information technology and other infrastructure, organisational structure and external events. The management of operational risk is based on the established system of internal controls, the decision-making and authorisation policies, appropriate substitution for absent workers, suitable staff qualifications and investments in information technology. System risks inherent in information technology are increasing in line with the level of computerisation and they were managed through additional measures, such as the establishment of a business continuity plan, the duplication of server infrastructure and other measures aimed at increasing information security (systems to detect and prevent infiltrations and surveillance systems). It is worth noting that the Issuer does not provide payment services for its clients, e-banking products and/or similar products where realisation of operational risk also represents a threat for the reputation and potential losses for indemnification of clients.

Risks relating to the Republic of Slovenia

THE NOTES BEAR THE RISK OF THE REPUBLIC OF SLOVENIA. AS A DECLINE IN THE CREDITWORTHINESS OF THE REPUBLIC OF SLOVENIA MAY REDUCE THE MARKET VALUE OF THE NOTES.

NO STATEMENT IS MADE IN THIS INFORMATION MEMORANDUM ABOUT THE CREDITWORTHINESS OF THE REPUBLIC OF SLOVENIA. ANY PROSPECTIVE INVESTOR MUST MAKE ITS OWN INVESTIGATIONS RELATING TO THE CREDITWORTHINESS OF THE REPUBLIC OF SLOVENIA. THE NOTES MAY ONLY BE SOLD TO PROFESSIONAL INVESTORS, ACCORDINGLY ANY POTENTIAL INVESTOR MUST BASE, AND WILL BE DEEMED TO HAVE BASED, ITS DECISION TO INVEST ON ITS OWN INVESTIGATIONS. ANY PROFESSIONAL INVESTOR MUST SEEK, AND WILL BE DEEMED TO HAVE SOUGHT, PROFESSIONAL ADVICE AS THEY DEEM APPROPRIATE WITH RESPECT TO ANY DECISION TO INVEST.

The Republic of Slovenia's economy is small and highly export-oriented and remains vulnerable to domestic and external economic conditions, including the delayed restoration of the Slovenian private sector, the slow rate of recovery in the Eurozone and the effect of any future significant economic difficulties of its major trading partners or by more general "contagion" effects, which could have a material adverse effect on the Republic of Slovenia's economic growth.

A significant decline in the economic growth of any of Slovenia's major trading partners, in particular Germany, Italy, Austria, Croatia and the other EU member states, as well as Serbia, could also have a materially negative impact on Slovenia's balance of trade and adversely affect its economic growth prospects.

In addition, because international investors' reactions to the events occurring in one market may cause a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Slovenia could be adversely affected by negative economic or financial developments in other European countries or countries with credit ratings similar to those of Slovenia. While concerns over credit risk (including that of sovereigns), the large amount of sovereign debt and the fiscal deficits of several European countries have been somewhat mitigated recently, the default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, or any EU or Eurozone exits (or threats thereof), could cause severe stress in the financial system generally and could adversely affect the global financial markets in ways that are difficult

to predict. A slow or delayed recovery of the Eurozone economy could cause Slovenia to face difficulties in accessing funding for the Slovenian government and domestic banks.

Furthermore, in the event of weaker than budgeted growth, driven by either softer external or domestic demand, the Government may need to implement further cost reduction or revenue raising measures in order to meet the general government deficit-to-GDP ratio target.

There can be no assurance that any of the factors described above will not have a negative impact on the Slovenian economy.

The Republic of Slovenia's credit rating has been downgraded in recent years and could be downgraded in the future

As the situation in the international financial markets improved in 2014 and 2015, and doubts over the sustainability of the Eurozone reduced, several ratings agencies improved their sentiments towards the credit ratings of a number of EU sovereigns, including the Republic of Slovenia. However, any deterioration in the economic and financial conditions in the EU or the Republic of Slovenia or a change in the views of the credit ratings agencies could result in a future downgrade in the debt ratings of the Republic of Slovenia and could have a negative impact on investor confidence in Slovenia or on Slovenia's ability to guarantee the Notes.

Whilst the banking sector in Slovenia is stable and well capitalised following decisive policy action taken in 2013, some fragility remains with respect to the quality of some corporate sector assets and a major shock to the economy could adversely affect the banking sector and the confidence of consumers and investors. Therefore, there remains a latent risk of further contingent liabilities stemming from vulnerability to shocks and asset quality concerns, in particular arising from a highly leveraged corporate sector.

The Republic of Slovenia may not succeed in implementing proposed or future fiscal, political and other reforms, and such failure may adversely affect its economy

The Government of Republic of Slovenia may encounter resistance in the implementation of other structural reforms, potentially facing opposition from within the governing coalition, or from groups such as trade unions, which are entrenched in the political system. The failure of the Government to implement its contemplated reforms (including any privatisation initiatives) or the failure of these reforms to achieve their stated objectives may lead to a deterioration of general economic conditions or may have an adverse effect on the Republic of Slovenia's ability to repay its financial obligations. Furthermore, due to the nature and extent of these reforms, negative short-term effects on growth, employment and other key economic variables may occur before any positive long-term effects of any reforms are achieved.

The Republic of Slovenia is a member of the EMU and, therefore, has limited ability to set monetary policy

The Republic of Slovenia is a member of the EMU and, therefore, has limited ability to set monetary policy. Currently there are 18 Stage Three EMU members. The members of the EMU have transferred the power to set monetary policy to the ECB. The powers of the ECB include the power to manage the monetary policy of the EMU member states, as well as to manage liquidity and stability of the financial system through open market operations, marginal lending facilities, reserve requirements and other policy instruments which may be available to the ECB in accordance with its constitutional documents. The ECB is an independent body. As a result, the Republic of Slovenia does not have any power to directly influence any policy decisions made by the ECB. The ECB sets monetary policy with a view to the Eurozone as a whole. Therefore, where economic events are limited to the Republic of Slovenia or do not affect the Eurozone as a whole, the ECB may not take such actions as may benefit the Republic of Slovenia, in particular, or as might be required to alleviate the effects of a financial crisis in the Republic of Slovenia. The absence of an independent monetary policy may contribute to a need to implement further structural reforms and financial consolidation measures to stabilise economic conditions. This may have a material adverse effect on the economy of the Republic of Slovenia and, consequently, on the Republic of Slovenia's ability to meet its obligations under any outstanding indebtedness.

Official economic data may not be directly comparable with data produced by other sources

Although a range of government ministries, including the Ministry of Finance, along with the Bank of Slovenia, the Statistical Office of the Republic of Slovenia and the Securities Market Agency, produce statistics on Slovenia and its economy, there can be no assurance that these statistics are comparable with those compiled by other bodies, or in other countries, which use different methodologies. Prospective investors in the Notes should be aware that figures relating to Slovenia's GDP and many other aggregate figures cited in this Offering

Circular have been prepared in accordance with EU standards and may differ from figures prepared by international bodies, such as the IMF, which use a different methodology. In addition, the existence of an unofficial or unobserved economy may affect the accuracy and reliability of statistical information.

Risk Relating to the Guarantee

The Notes are irrevocably and unconditionally guaranteed by the Republic of Slovenia pursuant to Article 13 of the Slovenian Export and Development Bank Act (*Zakon o Slovenski izvozni in razvojni banki* (Uradni list RS, No. 56/08, 20/09 and 25/15 – ZBan-2)) ("**ZSIRB**"), in force from 21 June 2008, as amended by ZSIRB-A, in force from 17 March 2009 (Uradni list RS, No 20/2009), and as amended by ZBan-2 in force from 13 May 2015 (Uradni list RS, No 25/2015) (the "**Guarantee**"). The Guarantee is a statutory guarantee and is accordingly governed by the laws of the Republic of Slovenia in force from time to time. The Guarantee is therefore subject to future change in law. However, according to the Slovenian Constitution (Ustava Republike Slovenije (URS), Uradni list RS, Nos 33/91-I, 42/97 – UZS68, 66/00 – UZ80, 24/03 – UZ3a, 47, 68, 69/04 – UZ14, 69/04 – UZ43, 69/04 – UZ50, 68/06 – UZ121,140,143, 47/13 – UZ148 in 47/13 – UZ90,97,99), a law may only be amended retroactively if amended by another law and if such amendment is in the public interest and does not prejudice the acquired rights.

The validity and enforceability of the Guarantee is subject to the Issuer using proceeds of the issue of the Notes for performing the activities pursuant to Article 11 ZSIRB and for funding the financial transactions referred to in Article 12 ZSIRB.

It may not be possible for investors to effect service of process upon the Guarantor outside the Republic of Slovenia, or to enforce judgments obtained in courts outside the Republic of Slovenia or under laws other than the laws of the Republic of Slovenia. As far as the Issuer and the Guarantor are aware, there are presently no plans to amend, vary or otherwise change the Guarantee.

The Republic of Slovenia has not participated in the drafting of this Information Memorandum, and therefore no information has been provided in relation to the creditworthiness of the Republic of Slovenia. Investors must therefore make their own credit assessment of the Issuer and the Republic of Slovenia when evaluating whether or not to purchase the Notes.

Risk Relating to the Notes

If the Notes cease to be admitted to trading on a regulated market or an MTF, then the interest payments on the Notes could become subject to withholding tax.

Under Slovenian law, taxation of interest income derived from the Notes will differ depending on whether, at the time when the Issuer will make payments of interest under the Notes, the Notes will be admitted to trading on a regulated market or a multilateral trading facility ("**MTF**") within an EU member state or OECD. Should the Notes cease to be admitted to trading on such a regulated market or MTF, payments of interest under the Notes could become subject to withholding tax.

Non-compliance with State Aid law may affect the validity of the Guarantee

The payment obligations of the Issuer under the Notes are guaranteed by the Guarantor pursuant to Article 13 of the Act. The preliminary informal view of the Directorate-General for Competition of the Commission (as communicated to the Republic of Slovenia in a letter dated 13 April 2015) was that, subject to compliance with certain conditions (such conditions are yet to be formalised but would include, but not be limited to, ensuring that the remit of the Issuer's activities is limited to addressing market failures), the Guarantee does not involve State aid that could not be approved by the Commission as compatible with EU State aid law. Therefore, non-compliance with one or more of the conditions may render the Guarantee to be considered State aid that is incompatible with EU State aid law. For so long as the Commission has not formally approved the Guarantee as being compatible State aid, or if any conditions attached by the Commission to its approval were not complied with, such a non-approval or non-compliance may have an impact on the validity and enforceability of the Guarantee.

There is no active trading market for the Notes.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic

conditions and the financial condition of the Issuer. Although application has been made for the Notes to be admitted to listing on the official list and trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes and therefore, any prospective purchaser should be prepared to hold the Notes indefinitely or until the maturity or fiscal redemption of the Notes.

The Notes may be redeemed prior to maturity.

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Slovenia or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes will be represented by the Temporary Global Note or the Permanent Global Note (together the "Global Notes") except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination of EUR100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000, it is possible that the Notes may be traded in amounts in excess of EUR100,000 (or its equivalent) that are not integral multiples of EUR100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Modification and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Notes and the Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

FATCA

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the Republic of Slovenia (the "**Slovenia IGA**"). Under the Slovenia IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA. If an amount were required to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, the Slovenia IGA or Slovenian law implementing the Slovenia IGA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected.

The EU Savings Directive may result in certain holders not receiving the full amount of interest

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, Member States are required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person established within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, including Switzerland, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person established within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the EU formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above.

Member States are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive

Investors who are in any doubt as to their position should consult their professional advisers.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Information Memorandum.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euro would decrease (i) the Investor's Currency-equivalent yield on the New Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the New Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The EUR 300,000,000 Guaranteed 0.875 per cent. Notes due 2018 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 12 (*Further Issues*) and forming a single series therewith) of SID-Slovenska izvozna in razvojna banka, d.d., Ljubljana (the "**Issuer**") are the subject of a fiscal agency agreement to be dated on or around 4 August 2015 (as amended or supplemented from time to time, the "**Fiscal Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agent named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). The Notes have the benefit of a statutory guarantee from the Republic of Slovenia (the "**Guarantor**"), further details of which are set out below. Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Notes are serially numbered and in bearer form in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 with Coupons attached at the time of issue. Notes of one denomination will not be exchangeable for Notes of another denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. **Status and Guarantee**

- (a) *Status of the Notes:* The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes:* The payment obligations of the Issuer under the Notes are unconditionally and irrevocably guaranteed by the Guarantor pursuant to Article 13 of the Slovenian Export and Development Bank Act (*Zakon o Slovenski izvozni in razvojni banki* (Uradni list RS, No. 56/08, 20/09 and 25/15 – ZBan-2)) ("**ZSIRB**", in force from 21 June 2008, as amended by ZSIRB-A, in force from 17 March 2009 (Uradni list RS, No 20/2009), and as amended by ZBan-2 in force from 13 May 2015 (Uradni list RS, No 25/2015) (the "**Guarantee**"). The Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. **Interest**

The Notes bear interest from and including 4 August 2015 (the "**Issue Date**") at the rate of 0.875 per cent. per annum (the "**Rate of Interest**") payable in arrear on 4 August in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 5 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and

(b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be EUR 875 in respect of each Note of EUR 100,000 denomination and EUR 8.75 in respect of each Note of EUR 1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

"Calculation Amount" means EUR 1,000;

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"Regular Period" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 4 August 2018, subject as provided in Condition 5 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Slovenia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 31 July 2015; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent:

- (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 4(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 4(b).

- (c) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) and (b) (*Redemption for tax reasons*) above.

- (d) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.

In these Conditions:

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**): (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person; and

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

- (a) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

5. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or (at the option of the payee) by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank having access to the TARGET System.
- (b) *Interest*: Payments of interest shall, subject to paragraph (g) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void*: On the due date for redemption of any Note pursuant to Condition 4(a) (*Scheduled redemption*), Condition 4(b) (*Redemption for tax reasons*) or Condition 7 (*Events of Default*), all unmatured Coupons (if any) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, **"business day"** means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, which is a Target Settlement Day.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

6. **Taxation**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Slovenia or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (a) in respect of any Note or Coupon presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (c) in respect of any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or
- (d) in respect of any Note or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to or for (i) a person resident for taxation purposes in a non-EU jurisdiction where the general or average nominal income tax rate is lower than 12.5 per cent. or (ii) an individual resident for taxation purposes in a non-EU jurisdiction.

Notwithstanding anything to the contrary in this Condition, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Slovenia references in these Conditions to the Republic of Slovenia shall be construed as references to the Republic of Slovenia and/or such other jurisdiction.

7. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non payment*: the Issuer fails to pay any amount of principal in respect of the Notes within three days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within five days of the due date for payment thereof; or

- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Insolvency, etc:* (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) by reason of its financial difficulties the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness generally or any guarantee of any indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or
- (d) *Winding up, etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or
- (e) *Analogous event:* any event occurs which under the laws of the Republic of Slovenia has an analogous effect to any of the events referred to in paragraphs (c) (*Insolvency, etc.*) to (d) (*Winding up, etc.*) above; or
- (f) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then any Note may, by written notice by the holder thereof addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

8. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

9. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

10. **Paying Agents**

In acting under the Fiscal Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and (b) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders by or on behalf of the Issuer.

11. **Meetings of Noteholders; Modification**

- (a) *Meetings of Noteholders:* The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement). Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.
- (b) In addition, a resolution in writing signed by or on behalf of Noteholders holding or representing three-quarters of the aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (c) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

12. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

13. **Notices**

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) and shall be published in such other manner as may be required by the rules of any market on which Notes are at such time listed and/or traded or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

14. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 14(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 14 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of Process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Embassy of the Republic of Slovenia, at 10 Little College Street, London SW1P 3SH, United Kingdom or to such other person with an address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Waiver of immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer irrevocably agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process including, without limitation, the making, enforcement, execution or attachment against any assets or revenues whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("NGN") form. On 13 June 2006 the European Central Bank (the "ECB") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of EUR100,000 and higher integral multiples of EUR1,000, notwithstanding that no Definitive Notes will be issued with a denomination above EUR199,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant to be dated on or around 4 August 2015 (the "**Deed of Covenant**") to be executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal

to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day which is a TARGET Settlement Date.

Notices: Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or in such other manner as may be required or permitted by the said rules.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately EUR 298,776,000 will be used by the Issuer for performing the activities pursuant to Article 11 of the Act and for funding the financial transactions referred to in Article 12 of the Act.

SID bank is authorised to act as a specialised Slovenian export and development bank to support economic, structural, social and other policies of the Republic of Slovenia pursuant to Article 11 of the Act by primarily providing financial services in segments where market gaps occur or have been observed. Pursuant to Article 12 of the Act, SID bank may perform, in order to carry out the tasks set out in Article 11, all activities allowed under the law governing banking and may also perform other services, such as counselling and education, as well as provide different development funding schemes and carry out different action programs of the Republic of Slovenia and other programs and projects which comply with the EU regulations, including in co-operation with different European financial institutions in various forms. Article 12 of the Act also provides that, in provision of its services, SID bank may use all financial instruments available under financial legislation, such as loans, guarantees and other forms of security, factoring, financial leasing, concession credits and other international development cooperation instruments, other forms of funding, grants, subsidies, capital investments and other forms of undertaking risk and that SID Bank may obtain the financing necessary for the performance of its tasks set out in Article 11 and for the use of instruments set out in Article 12 by borrowing, including by borrowings in the form of loans and issuance of debt securities.

DESCRIPTION OF THE ISSUER

Introduction

SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (SID – Slovenian export and development bank), ("**SID bank**") was established by the Slovenian Export Finance and Insurance Company Act (*Zakon o Družbi za zavarovanje in financiranje izvoza Slovenije* ("**ZDZFI**"), Official Gazette, Nos. 32/92, 13/93 - ZP-G, 37/95, 34/96, 31/97, 99/99 and 2/04) as an export credit agency ("**ECA**") and, after obtaining its banking licence at the end of 2006, began operating as a bank.

In 2008, SID bank was authorised to act as a specialised Slovenian export and development bank to support economic, structural, social and other policies of the Republic of Slovenia pursuant to Article 11 of the Act by primarily providing financial services in segments where market gaps occur or have been observed. Pursuant to Article 12 of the Act, SID bank may perform, in order to carry out the tasks set out in Article 11, all activities allowed under the law governing banking and may also perform other services, such as counselling and education, as well as provide different development funding schemes and carry out different action programs of the Republic of Slovenia and other programs and projects which comply with the EU regulations, including in co-operation with different European financial institutions in various forms. Article 12 of the Act also provides that, in provision of its services, SID bank may use all financial instruments available under financial legislation, such as loans, guarantees and other forms of security, factoring, financial leasing, concession credits and other international development cooperation instruments, other forms of funding, grants, subsidies, capital investments and other forms of undertaking risk and that SID Bank may obtain the financing necessary for the performance of its tasks set out in Article 11 and for the use of instruments set out in Article 12 by borrowing, including by borrowings in the form of loans and issuance of debt securities. Accordingly, SID bank is engaged in general banking activity and also acts as an agent of the Republic of Slovenia, including in insurance and guarantee schemes (for further details on the principal activities of SID bank see "*Activities*" below). The objective of SID bank is to support long term financing for the sustainable development of the Slovenian economy.

SID bank performs all transactions envisaged under the Act Governing Insurance and Financing of International Commercial Transactions (*Zakon o zavarovanju in financiranju mednarodnih gospodarskih poslov* ("**ZZFMGP**"), Uradni list RS, Nos. 2/2004 and 56/08 - ZSIRB). This consists mainly of insurance activities. The only financing activity that can be performed thereunder is financing of international trade and investment financing (i.e. credit transactions, by which SID bank provides participants in international trade and financial institutions with financing for international economic transactions).

SID bank is a private joint stock company with its registered office located at Ulica Josipine Turnograjske 6, 1000 Ljubljana, Republic of Slovenia. SID bank has no branches and operates exclusively at the registered office of the bank. The SID bank group consists of the following entities:

- SID bank;
- two direct subsidiaries: (i) SID – Prva kreditna zavarovalnica d.d., Ljubljana ("**SID – First Credit Insurance**"); and (ii) Pro Kolekt d.o.o., Ljubljana ("**Pro Kolekt**") (together with its subsidiary companies);
- a joint venture, i.e. Prvi Faktor d.o.o., Ljubljana ("**Prvi Faktor**"); and
- the Center za Mednarodno Sodelovanje in Razvoj, i.e. Centre for International Cooperation and Development (the "**CMSR**"), which is jointly owned by SID bank and the Republic of Slovenia,

together, the "**SID bank Group**".

As at 31 December 2014, SID bank had total assets of EUR 3,577 billion (on an unconsolidated basis) and EUR 3,631 billion (on a consolidated basis).

Rating

SID bank is currently rated by both Standard & Poor's Rating Services ("**S&P**") and Moody's Investors Service Inc. ("**Moody's**"). As at the date of this Information Memorandum S&P has assigned SID bank a long-term rating of A- and a short-term rating of A-2, each with a positive outlook, and Moody's has assigned a long-term rating of Baa3, stable outlook (which are both equal to the ratings of the Republic of Slovenia).

Ownership

SID bank was registered on 27 October 1992, but it began operating under the Act on 18 September 2008. Since its establishment in 1992, the major shareholder of SID bank has been the Republic of Slovenia. When SID bank (formerly SID Inc.) was established, the Republic of Slovenia held 91.15 per cent. of the shares, with the remainder of the shares being held by major Slovenian companies, including insurance companies and banks. Since 18 September 2008 the Republic of Slovenia has been the sole shareholder of SID bank, as prescribed by Article 4 of the Act. Any amendment of the shareholder structure of SID bank would therefore require an amendment of the Act by the parliament of the Republic of Slovenia. The share capital of SID bank amounts to EUR 300,000 thousand and is fully paid up.

History

In 1992 the Republic of Slovenia, in co-operation with major Slovenian companies, established the Slovenian Export Corporation, corporation for Insurance and Financing of Slovenian Export, Inc., Ljubljana (Slovenska izvozna družba, družba za zavarovanje in financiranje izvoza Slovenije, d.d., Ljubljana) ("**SID Inc.**") to serve as an export credit agency ("**ECA**"). SID Inc. was established for the purpose of conducting activities that are additional and complementary to those conducted by private financial institutions, with an emphasis on assuming risks that the private market is not prepared to assume. At the time, the ZDZFI determined that the share of the Republic of Slovenia in SID Inc. should not be lower than 51 per cent. When SID Inc. was established, the actual share of the Republic of Slovenia amounted to 91.15 per cent.

On 2 October 2002, SID Inc. bought a 50 per cent. ownership stake in factoring company Prvi Faktor which is a joint venture with Nova Ljubljanska banka, d.d., Ljubljana.

On 5 May 2004, SID Inc. established a company for out of court settlements and recovery of debts, Pro Kolekt, which is solely owned by SID Inc. Pro Kolekt has a network throughout south-eastern Europe, including Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Romania and Bulgaria.

As a result of the decision about the status of SID Inc. and the accession of the Republic of Slovenia to the European Union ("**EU**"), the ZZFMGP, which was enacted to harmonise the laws covering SID Inc.'s activities, determined that the SID Inc.'s status had to be changed from that of a general corporate to a bank.

The ZZFMGP obliged SID Inc. to fully harmonise its operations with EU banking regulations. SID Inc. obtained its banking licence on 18 October 2006 and commenced its banking operations on 1 January 2007 under the full company name SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (SID – Slovenian export and development bank Inc, Ljubljana). Furthermore SID Inc. was obliged to harmonise its status and activities, relating to its own account insurance business, in line with EU regulations governing activity of insurance companies by no later than 31 December 2004. As a result, at the end of 2004, SID Inc.'s insurance business for its own account was organised in the newly established insurance company SID – First Credit Insurance. SID bank is the sole shareholder of the insurance company whose activity is insurance of short-term export and domestic credits.

In 2007, SID bank co-founded the CMSR, the other 50 per cent. of the institute being held by the Republic of Slovenia.

With the entry into force of the Act, SID bank was empowered to act not just as an export bank, but rather as a bank which promoted export and development. It also enabled the Republic of Slovenia to squeeze out the other shareholders of SID bank. Since 18 September 2008, the Republic of Slovenia has been the sole shareholder of SID bank as required under the Act.

Pursuant to the Act, SID bank has authority to perform promotional and development tasks and services in the areas of international trade, economic and development cooperation, entrepreneurial activities, promotion of innovation through research and education, ecology, energy and construction of infrastructure as well as in other areas of significance for the development of the Republic of Slovenia.

In addition to banking, the Act empowered SID bank to act as an authorised institution and to perform all transactions under the ZZFMGP, namely to provide insurance cover for medium and long term business transactions against non-marketable risks in the name and for the account of the Republic of Slovenia. Funds for the liabilities which SID bank is obliged to pay are drawn from precautionary and special precautionary reserves and insurance. The precautionary and special precautionary reserves are formed from premiums paid, fees, recoveries and other revenues that are used to provide coverage to participants in international trade.

Precautionary reserves are also formed from assets generated by SID bank through management of those assets and risks underwritten (drawn from the budget of the Republic of Slovenia as well as other sources and assets). If the funds drawn from these sources are not sufficient to cover the liabilities which are to be paid by SID bank as agent on behalf of the Republic of Slovenia, then payment shall be made directly from the budget of the Republic of Slovenia.

The SID bank activities as at 31 December 2014 are set out below:

	<u>Own account</u>	<u>In the name and for the account of the Republic of Slovenia</u>
<i>SID bank</i>		
Refinancing	✓	
Direct financing.....	✓	
Co financing	✓	
Risk sharing.....	✓	
Guarantees.....	✓	
Short term insurance outside the OECD countries		✓
Medium and long term insurance		✓
Investment insurance against non-commercial risks		✓
Guarantee schemes		✓
<i>SID – First Credit Insurance</i>		
Short term insurance (marketable risks) up to one year	✓	
<i>Prvi Faktor</i>		
Factoring	✓	
<i>Pro Kolekt</i>		
Debt collecting	✓	
Credit rating reports	✓	
<i>CMSR Centre for International Cooperation and Development</i>		
Bilateral ODA		✓
Country analysis and Rating.....	✓	
Market analysis	✓	

In the above table, reference to risk sharing represents transactions in which commercial banks conclude a loan agreement or issue a guarantee, and after such transaction is concluded the commercial banks approach SID bank to participate in the transaction indirectly. If SID bank approves the transaction and takes on some of the risk then a separate agreement is concluded with the commercial banks, of which the original debtor is not informed.

Insurance transactions performed by SID bank in the name of and for the account of the Republic of Slovenia are separated from the transactions in its own account as shown by the balance sheet and the annual reports of SID bank.

Dividends

Pursuant to the Act, the accumulated profit of SID bank shall not be distributed to the shareholders as a dividend and shall instead be transferred to the reserves arising from profits.

Statutory Guarantee of SID bank liabilities

Under Article 13 of the Slovenian Export and Development Bank Act (*Zakon o Slovenski izvojni in razvojni banki* (Uradni list RS, No. 56/08, 20/09 and 25/15 – ZBan-2)) ("**ZSIRB**"), in force from 21 June 2008, as amended by ZSIRB-A, in force from 17 March 2009 (Uradni list RS, No 20/2009), and as amended by ZBan-2 in force from 13 May 2015 (Uradni list RS, No 25/2015), the Republic of Slovenia unconditionally and irrevocably guarantees the liabilities incurred by SID bank arising out of transactions entered into in accordance with Articles 11 and 12 of the Slovenian Export and Development Bank Act. Pursuant to this statutory guarantee the Republic of Slovenia is obliged to settle due liabilities of SID bank to its creditor promptly upon the written request of such creditor. In accordance with the Constitution of the Republic of Slovenia, the Act

may not be amended retrospectively. The proceeds of the Notes will be used by SID bank for lending operations and activities in accordance with the Act in support of small and medium sized enterprises ("SMEs"), research and development initiatives, environmental protection and energy efficiency, regional development, infrastructure and internalisation, and therefore the obligations of SID bank in relation to the Notes will be guaranteed by the Republic of Slovenia. In accordance with the Slovenian Constitution, the Slovenian Export and Development Bank Act may only be amended retroactively if amended by another law and if such amendment is in the public interest and does not prejudice the acquired rights.

Relationship with the Government of the Republic of Slovenia

SID bank has been appointed as the sole Slovenian export and development bank to promote activity pursuant to the Act and to perform all transactions envisioned under the Act on Insurance and Financing of International Commercial Transactions. Where SID bank carries out the activities of an export and development bank such business is performed in the name and for the account of SID bank while the insurance business is performed in the name and for the account of the Republic of Slovenia. These represent the majority of SID bank's activities.

Since 2009, SID bank has also acted as an agent of the Republic of Slovenia under several guarantee schemes:

- under the Republic of Slovenia Guarantee Scheme Act, SID bank was authorised to provide a guarantee scheme for corporates on behalf of and for the account of the state. The law was adopted as part of the EU stimulus package, and was not renewed after its expiry at the end of 2010. SID bank's activities now focus on the processing of claims for the payout of guarantees, the exercise of recourse claims, and monitoring of the dedicated use of loans and other prescribed requirements.
- under the Act on the Natural Persons Guarantee Scheme of the Republic of Slovenia, in 2009 SID bank was authorised to provide a guarantee scheme for private individuals on behalf of and for the account of the state. The legal deadline for the issue of government guarantees under this law was the end of 2010. SID bank's activities now focus on the processing of claims for the payout of guarantees, the exercise of recourse claims, and monitoring of the dedicated use of loans and other prescribed requirements.
- under the Republic of Slovenia Guarantees for Financial Investments by Companies Act, SID bank is authorised to conclude contracts in connection with the issue of guarantees on behalf of and for the account of the state, and to carry out other operations under this Act.

Activities

The financial services which SID bank, in accordance with the law provided for its own account in 2014, included the following:

- Granting credits and financing of business transactions;
- Pursuant to SID bank's objective to act (by complementing the market) in the market segments where market gaps exist, SID bank has the role of a typical second-tier bank and as a result its objectives are pursued mainly through financial institutions (through on-lending, co-financing, etc.). Financial institutions thus represent the major part (77.4 per cent.) of its loan portfolio. SID bank's share of direct lending (including the products of blending¹) increased in 2014, due to a reduction in lending by commercial banks to enterprises;
- Issuing guarantees and other warranties;
- Operating guarantee schemes as agent on behalf of the Republic of Slovenia. This represents a minor part of SID bank's operations;
- Operating for its own account or for the account of SID bank's subsidiary, SID – First Credit Insurance, in foreign means of payment, including foreign exchange transactions, foreign currency and interest linked financial instruments, transferable securities. This represents a minor part of SID bank's operations;

¹ Blending refers to an increase in the total budget of public measure (multiplication) by (i) adding own funds (borrowing as regular banking activity) to budget funds (e.g. first loss piece) and (ii) re-employment of funds.

- Operating for its own account in money market instruments (such as deposits and money-market lines) and managing the securities portfolio (for liquidity reserve purpose); and
- Credit rating services: collection, analysis and provision of information on creditworthiness of legal entities. The credit rating activities of SID bank are essentially an internal function as they provide for the needs of SID bank and its subsidiaries.

Authorisations

Financing transactions of SID bank must be approved by the relevant front-office director. However, for financing transactions over EUR 2.5 million credit committee approval must be sought. The liquidity committee approves treasury transactions with the exception of long-term funding activities which are approved by the credit committee. Furthermore, according to the Articles of Incorporation of SID bank, the Supervisory Board shall give its consent to the determinations of the credit committee and liquidity committee regarding:

1. the conclusion of a particular legal transaction exceeding:
 - 25 per cent. of the SID bank's capital in the case of an investment in a bank corresponding to the criteria of a prime bank according to the provisions regulating the assessment of losses arising from credit risk (notwithstanding the above, approval shall not be required if the Supervisory Board had already approved the increase in exposure as described in paragraphs 3 and 4 hereunder);
 - 10 per cent. of SID bank's capital in the case of an investment in a company whose credit rating, issued by SID bank, equals or is better than BBB- or an investment in a bank that does not meet the criteria of a prime bank according to the provisions regulating the assessment of losses arising from credit risk;
 - EUR 10,000,000.00 in the case of an investment in a company whose credit rating, issued by SID bank, is worse than BBB- and better than C; and
 - EUR 5,000,000.00 in the case of an investment in a company that must be rated C or worse pursuant to the provisions regulating the assessment of losses arising from credit risk,
2. the conclusion of a particular legal transaction due to which SID bank's exposure:
 - to a company whose credit rating, issued by SID banka, d.d., Ljubljana, equals or is better than BBB- or to a bank that does not meet the criteria of a prime bank according to the provisions regulating the assessment of losses arising from credit risk, is increased in such a way that it reaches or exceeds 25 per cent., and increments of 25 percentage points thereafter, of the SID bank's capital;
 - to a company whose credit rating, issued by SID banka, d.d., Ljubljana, is worse than BBB- is increased in such a way that it reaches or exceeds 10 per cent., and increments of 5 percentage points thereafter, of the SID bank's capital,
3. the conclusion of a particular legal transaction that would, considering the aggregate exposure of SID bank, result in a large exposure of the SID bank in the period of the proposal, to a particular person, taking into account the basis for determining exposure as stipulated in the ZSIRB,
4. the conclusion of a particular legal transaction that would cause an existing large exposure of SID bank to a particular person to further increase so as to attain and/or to exceed 15 per cent., and increments of 5 percentage points thereafter, of the basis for determining exposure as stipulated in the Act,
5. the conclusion of a particular legal transaction that constitutes the basis of SID bank's exposure to a person in a special relation with the SID bank, as specified by banking regulation, and
6. the conclusion of a particular legal transaction of SID bank's long-term borrowing due to which the total long-term borrowing of SID bank since the last approval by the Supervisory Board is increased by more than 25 per cent. of the SID bank's capital,

Pursuant to the provisions of the Act, and after the date of its implementation, SID bank utilised the abovementioned services and financial instruments to support economic, structural, social and other policies in the areas specified in Article 11, point 1, of the Act, as follows:

- International business transactions and international economic cooperation;
- Economic incentives, with particular emphasis on SMEs, entrepreneurship, and venture capital;
- Research and development;
- Education and employment;
- Preserving the environment and energy efficiency;
- Regional development;
- Residential issues; and
- Commercial and public infrastructure.

Under a legal authorisation provided for in the Act, SID bank enjoys the status of an authorised institution under the Act on Insurance and Financing of International Commercial Transactions. For the account of the Republic of Slovenia, SID bank performs:

- Short term export credit insurance and reinsurance against non-commercial and other non-marketable risks;
- Investment insurance against non-commercial risks; and
- Medium term export credit insurance against commercial and/or non-commercial risks.

In respect of the insurance transactions, SID bank acts as an agent of the Republic of Slovenia and receives an annual agency fee of EUR 1.9 million. In the event that insurance premiums collected are insufficient to cover the payments necessary, any additional amounts are paid directly by the Republic of Slovenia out of the budgetary expenditure.

In performing its activities, SID bank uses various financial instruments with the aim of providing various forms of financing or related activities and promoting international development cooperation. SID bank, through the CMSR institute (see below – "*CMSR Institute*"), also acts as an agent for the Republic of Slovenia in its framework for international development cooperation, which involves the giving of grants from the Republic of Slovenia in order to support Slovenian exporters, as well as in respect of the guarantee schemes as described above.

Corporate Governance

SID bank's corporate governance is carried out by the Management Board and the Supervisory Board. The current Supervisory Board comprises seven members, who are appointed by a General Meeting of Shareholders.

The composition of the Supervisory Board is as follows:

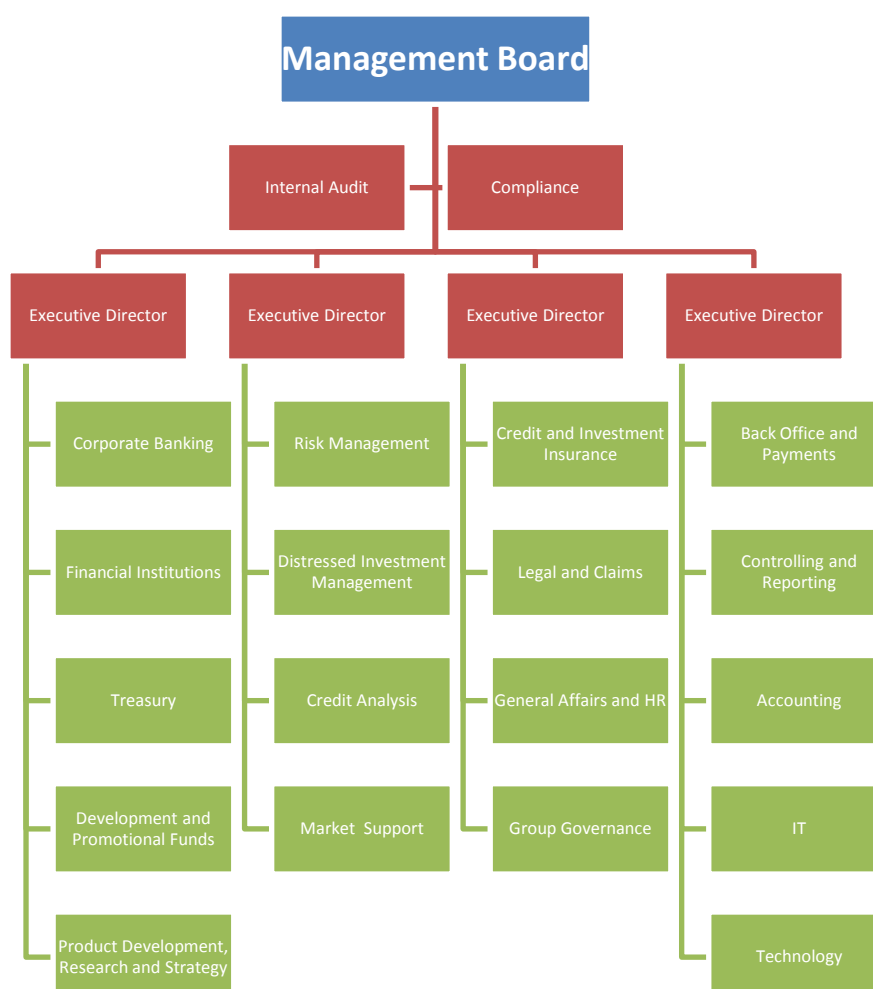
1.	Monika Pintar Mesarič	appointed 21 February 2013	Chair (Ministry of Finance)
2.	Janez Tomšič	appointed 5 April 2012	Deputy Chair
3.	Marjan Divjak	appointed 5 April 2012	member
4.	Štefan Grosar	appointed 5 April 2012	member
5.	Leo Knez	appointed 21 February 2013	member
6.	Anton Rop	appointed 6 September 2013	member
7.	Boris Škapin	appointed 2 July 2015	member

The Supervisory Board is responsible for the appointment of the members of the Management Board including the President and CEO. Furthermore, the Supervisory Board is also responsible for the overall supervision of

SID bank and, indirectly, of SID bank Group's operations to ensure compliance with EU and Slovenian banking law and other applicable regulations. Whilst members of the Supervisory Board are representatives of different bodies, they are all appointed by the Republic of Slovenia. Members of the Supervisory Board are appointed for a period of five years and may be re-elected.

The Management Board is responsible for the SID bank Group and represents and manages SID bank's business operations. Currently SID bank has a Management Board with two members; Mr. Sibil Svilan, president and CEO, and Mr. Jožef Bradeško, member and CEO, were both appointed on 1 January 2007 for their first mandate and on 1 January 2012 for their second mandate. According to its by-laws SID bank could appoint a management board with three members. The members of the Management Board jointly represent SID bank in accordance with statutory limitations and the decisions of the Management Board have to be adopted by common accord. Members of the Management Board are each appointed for a term of five years and may be re-elected.

The organisational structure of SID bank is as follows:



The objective of internal audit is to promote a prudent and well-ordered evaluation of risk management, as well as to improve the efficiency of risk management through providing independent and objective assurance and consulting services. Internal audit is organised as an independent department, which answers directly to the Management Board of SID bank. The chief audit executive reports directly to the Management Board as well as to the Audit Committee of the Supervisory Board.

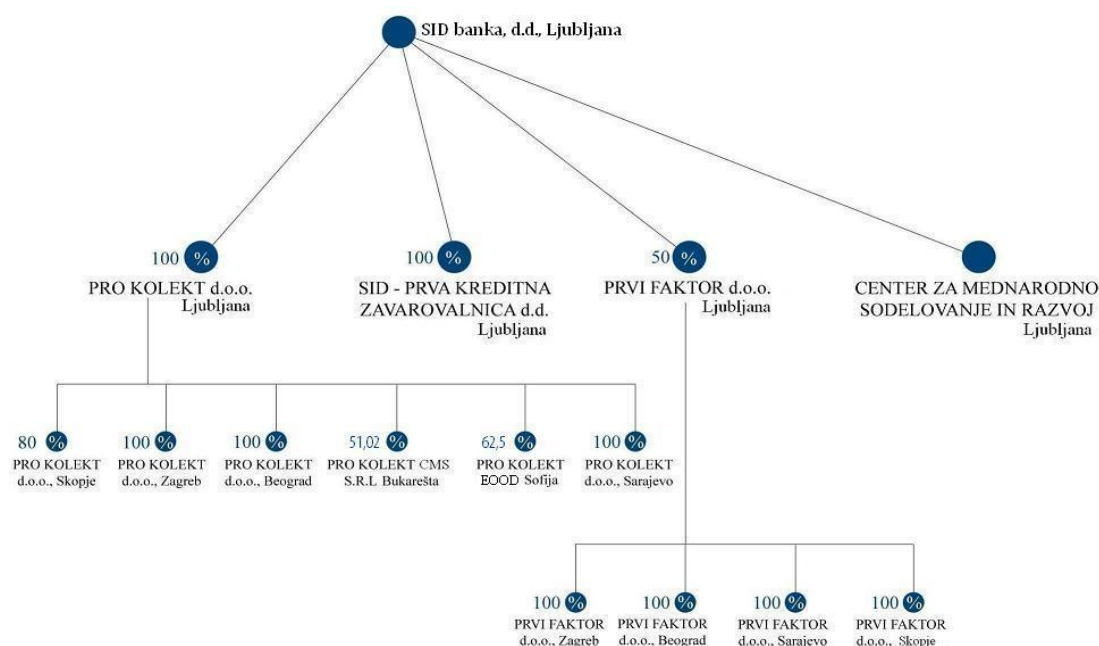
The compliance function is an integral part of the internal control system of SID bank and identifies, assesses and monitors the compliance risk to which the bank is or could be exposed. The organisation of the compliance function is consistent with international standards (including Basel and standards established by The Committee of European Banking Supervisors) and national regulation. The compliance management function is currently comprised of one full-time compliance officer who reports directly to the Management Board and reports to the Supervisory Board every six months. The compliance officer has full access to all information and personnel.

Legal status of SID bank

The role, authorities, activities, ownership and organisation of SID bank are regulated by the Act, while its insurance activity as a state agent is regulated by the ZZFMGP. Except as set out in Article 14(3) of the Act, SID bank is subject to normal banking regulation and operates under the supervision of the central bank of the Republic of Slovenia (Banka Slovenije), the Ministry of Finance, the Ministry for Economy, Insurance supervision Agency and the Securities Market Agency.

SID bank group

The chart below shows the organisational structure of SID bank group as at 31 December 2014:



SID – First Credit Insurance

Prior to the establishment of SID Inc., in 1992, services for credit insurance were not available in the Republic of Slovenia. Prior to the accession of the Republic of Slovenia to the EU, there were no foreign providers of credit insurance services. There are currently two domestic entities directly present in the market providing these kind of insurance services in the Republic of Slovenia: SID – First Credit and Triglav Insurance Company Inc., whose portfolio for this kind of insurance represents a majority of the market share. Foreign entities offering these kinds of services are only indirectly present (such as Coface, Atradius and Prisma).

The principal business activity of SID – First Credit Insurance is the conclusion and execution of property insurance in the insurance class of credit insurance. SID – First Credit Insurance provides insurance for short-term credit to private companies (normally, suppliers' credit for up to 180 days or, exceptionally, up to one year). The company provides insurance against marketable commercial and non-commercial risks for companies selling abroad and/or in the Republic of Slovenia on deferred payment. Insurance contracts are normally made on a whole turnover revolving basis covering the risks of non-payment in foreign and/or domestic markets. The whole turnover basis represents the obligation of the insured party to insure all of its sales and its customers with SID – First Credit Insurance to ensure that the insured party does not 'cherry-pick' and insure only the deferred payment from some of its customers.

In 2007, SID – First Credit Insurance began concluding indirect insurance contracts used to provide coverage, based on facultative quota reinsurance, for insurance operations of loan collateral, collateralised with export credit agencies. The principal characteristics of insurance transactions reinsured in such a manner were the same as direct insurance transactions.

The book value of the equity interest owned by SID bank was EUR 8.4 million as at 31 December 2014.

Operation of SID – Prva Kreditna Zavarovalnica d.d., Ljubljana in figures:

	2013	2014
	(EUR thousands)	
Insurance premium:	19,472	16,712
Paid out losses:	11,958	7,397

As at and for the year ending 31 December 2014, SID – First Credit Insurance had equity of EUR 25.8 million, including credit risk equalisation reserve in the amount of EUR 4.5 million, total assets of EUR 62.8 million and made a profit of EUR 757 thousand.

Prvi Faktor

In 2002, SID bank acquired a 50 per cent. equity interest and half of the voting rights in the company Prvi Faktor, with the other 50 per cent. of the shares being held by Nova Ljubljanska banka d.d., Ljubljana. The nominal value of the equity interest owned by SID bank was EUR 584.2 thousand as on the date of acquisition of such stake in the company. After the 2007 capital increase, the nominal value of the equity interest owned by SID bank was approximately EUR 1.6 million.

SID bank made the decision to enter into partnership with Nova Ljubljanska banka d.d. Ljubljana in Prvi Faktor on the basis of the determination that the factoring market was not yet developed enough and with the purpose of developing these activities in the region of southern and eastern Europe. These markets are of great importance to Slovenian exporters.

Prvi Faktor has operating subsidiaries in Croatia, Bosnia and Herzegovina, and Serbia and a non-operating subsidiary in Macedonia. Prvi Faktor is the sole owner of all of its subsidiaries.

Prvi Faktor has its business address at Slovenska cesta 17, 1000 Ljubljana. The principal business activity of the company is the performance of diverse factoring services.

The partners in Prvi Faktor entered into an agreement at the end of 2014. The intention of the partners is primarily to sell their share in the company Prvi Faktor and thus in the whole Prvi Faktor group. The commencement of the process is envisaged in the first half of 2015.

The nominal value of the equity interests owned by Prvi Faktor in the companies of the Prvi Faktor group as at 31 December 2014 equalled the balance of the nominal capital on the same day.

As at and for the year ending 31 December 2014, Prvi Faktor held equity of EUR 3.7 million, total assets of EUR 90.5 million and made a net profit of EUR 13.3 million. The Prvi Faktor group, consisting of Prvi Faktor, and its subsidiaries in Zagreb, Belgrade and Sarajevo, had equity of EUR 3.5 million, total assets of EUR 204.2 million and made a net profit of EUR 1.1 million.

Pro Kolekt

Pro Kolekt specialises in out-of-court debt collection. Originally, the company was established as a debt collection service for the SID bank Group. Today it handles debt collection cases for creditors in the Republic of Slovenia and abroad. Amongst Pro Kolekt's foreign clients, an increasing number are export credit agencies and debt collection agencies. For foreign creditors Pro Kolekt performs representation tasks in court proceedings (recovery of debt through court action, voluntary compositions, bankruptcy proceedings, etc.) and provides credit rating information.

A lack of knowledge of the markets, the poor financial discipline of the companies working in these markets, paid claims out of the SID Inc. insurance policies covering marketable and non-marketable risks, as well as problems with debt recovery, have led SID bank to the conclusion that it is necessary to establish a company whose activities will involve out-of-court debt recovery and determination of rating information about the debtor and the country of the debtor. Pro Kolekt has also established a network of subsidiaries throughout south-eastern Europe (Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Romania and Bulgaria). With the services carried out by Pro Kolekt and its network, Slovenian or other entities coming into the abovementioned markets have a means of acquiring quality rating information, monitoring risks (monitoring debtors), out-of-court debt recovery, as well as help or representation in court procedures.

The nominal capital of the company as at 31 December 2014 was EUR 419 thousand. The nominal value of the equity interest of SID bank in Pro Kolekt is also EUR 419 thousand.

Pro Kolekt d.o.o., Zagreb, Croatia, specialises in business consulting. Pro Kolekt d.o.o., Skopje, Macedonia, specialises in management consultancy activities. Pro Kolekt, društvo za izterjavo dolga, d.o.o., Beograd, Serbia, specialises in other financial activities. Pro Kolekt Credit Management Services Bucuresti S.R.L., Bukarest, Romania; Pro Kolekt Sofia Eood, Sofia, Bulgaria; and Pro Kolekt d.o.o. Sarajevo, Bosnia and Herzegovina, each specialises in management consultancy activities.

As at and for the year ending 31 December 2014, Pro Kolekt had equity of EUR 0.3 million, total assets of EUR 0.5 million, and made a net profit of EUR 1,000. As at and for the year ending 31 December 2014, through the Pro Kolekt group, consisting of Pro Kolekt, and its subsidiaries in Zagreb, Belgrade, Sarajevo, Skopje, Bukarest, and Sofia, SID bank held equity of EUR 203 thousand, had total assets of EUR 4.1 million and made a net loss of EUR 11 thousand.

CMSR

Following the acceptance by the Republic of Slovenia of its obligations within the framework of the European Union, particularly the obligations to provide an increased amount of funding for international development cooperation (In 2005, EU Member States pledged to increase Official Development Assistance (ODA) to 0.7 per cent. of Gross National Income (GNI) by 2015 and included an interim target of 0.56 per cent. ODA/GNI by 2010. These were based on individual targets of 0.7 per cent. ODA/GNI for the EU 15 and 0.33 per cent. GNI for the 12 Member States which joined the EU in 2004 and 2007. EU countries that were already at or above 0.7 per cent. ODA/GNI pledged to sustain their efforts. The EU Heads of State and Government reaffirmed their commitment to reach the 0.7 per cent. target by 2015 at the European Council on 7/8 February 2013), the Republic of Slovenia and SID bank together founded the CMSR institute. The CMSR supports the development of several countries in south-eastern Europe and through this contributes to their convergence with the EU and thus adds its own contribution to the millennium goals, especially in the areas of ending poverty, universal education, environmentally sustainable development and promoting global partnership. The CMSR is a non-profit organisation, which is operated as a channel for regional development (including in the Republic of Slovenia). The aim of the CMSR is to help development countries through the issue of grants, and its activities are complementary with those of SID bank.

Strategy

The overarching mission of SID bank is to develop and implement financial services that are complementary to, and promote the development and long-term sustainability of, the financial markets in the Republic of Slovenia. The objective is, thereby, to encourage competitiveness of the economy, job creation and sustainable development of the Republic of Slovenia.

By assisting clients in all phases of their business transactions, by supporting development projects and by providing financial services in one place, SID bank aims to encourage Slovenian companies to exploit the opportunities opening up in international economic and development cooperation. SID bank will strive to achieve these objectives largely through the provision of long-term financing and insurance facilities.

The key strategic direction of SID bank is to continue its process of transformation from an institution specialising in promotion of international business transactions (a typical ECA) into an institution in which the majority of the promotional, public-finance functions for the sustainable development of the Republic of Slovenia are concentrated. In identifying the markets gaps and the areas where further value can be added, the following key future fields of activity have been identified:

- International business transactions and international economic cooperation;
- Economic incentives with particular emphasis on small and medium-sized enterprises, entrepreneurship, and venture capital;
- Research and development;
- Education;
- Employment;
- Preserving the environment and energy efficiency;
- Regional development;

- Residential issues;
- Commercial and public infrastructures; and
- International development cooperation.

In respect of its financial instruments and fields of activity, SID bank will seek to enhance its portfolio diversification, in particular in the non-banking sector. In promoting internationalisation, SID bank will aim at financing projects that enable firms to reach a critical mass to enter export markets, providing export financing and providing guarantee schemes in support of export activities. As a development bank, it will use its existing instruments to participate, when so required, in financing large projects of national importance.

In 2015, SID bank plans to continue to develop new products and instruments in several priority areas of development banking and sustainable development under the Act, while actively catering to these segments through its existing range of financial instruments. The key priorities considered in the medium term are financial products facilitating energy efficiency and infrastructure and financial restructuring of firms with high growth potential. In 2014, SID bank developed two new financing schemes in the area of energy efficiency, the first one being dedicated to the SMEs as a direct financing and the second one to natural persons in the housing sector and intermediated through commercial banks. Since the scope of financing schemes has become very broad and on-lending banks remain main channel for distribution of SID bank's financing schemes, advisory services provided by SID bank to commercial banks are becoming increasingly important. In addition, SID bank has launched several programmes for SMEs and plans to continue to support them. SID bank also plans to be more active in the deployment of structural and cohesion funds of the EU. Where possible, SID bank takes advantage of the availability of the EU cohesion funds and European Investment Bank financing in designing its financial products.

The extent of the participation of SID bank in the Republic of Slovenia's anti-crisis measures will depend on the content of selected measures. Irrespective of these, SID bank aims to use available resources to achieve a counter-cyclical effect on the economy through provision of its regular operations and expansion of its development banking activities. SID bank had more than doubled its credit portfolio during the financial crisis, to alleviate the negative impact of the crisis on financial conditions. Since late 2013, the financial conditions in the Republic of Slovenia have improved, enabling SID bank to reduce the level of its anti-crisis measures – although, the such activities continue to remain at a level significantly higher than the pre-crisis levels. By expanding and contracting its balance sheet according to the stage of the business cycle, SID bank can contribute to the overall counter-cyclical macroeconomic policy of the Republic of Slovenia.

In export credit and investment insurance performed on behalf and for the account of the Republic of Slovenia, SID bank plans to increase or maintain the number of users of insurance products, the volume of business insured and insurance premiums, and further expand its coverage of the Republic of Slovenia's exports in South-Eastern European markets.

SID bank will also strive to further strengthen its partner relations (through bilateral cooperation and as member of peer associations) with foreign ECAs, remain an active member of the Berne Union, and respond to the initiatives for coordinated support to joint projects in third markets.

Funding activity

In raising funds, SID bank focuses on selecting flexible borrowing instruments that can be fully tailored to meet various customers' needs. SID bank has a diversified portfolio of borrowings and funds of varying maturity, size and dynamics of disbursements. The Bank aims to obtain sources of funding with different maturities matching its balance sheet asset structure and to borrow at rates as close as possible to the borrowing rates for the Republic of Slovenia.

SID bank's medium and long term funding policy includes:

- International bond issues;
- Institutional loans from national development institutions and supranational organisations;
- European Central Bank (long term refinancing operations) (LTRO) and Targeted LTRO loans; and

- Market loans (syndicated, bilateral loans, Schuldscheins): In April 2014, SID bank, through a public invitation to exchange or tender, partially redeemed an existing bond series which was due to mature in April 2015. Bondholders were offered an option to either tender the bonds for cash or to swap the existing bonds for new bonds (as described below). SID bank purchased EUR 53 million worth of bonds under the tender offer, with the rest of the participating bondholders opting to swap their bonds for new bonds. Fixed rate bonds worth EUR 96.8 million were issued to existing bondholders as part of the swap under the exchange and tender offer. The new bonds issued by SID bank have a tenor of three years and are listed on the Vienna Stock Exchange. SID bank further reduced its refinancing risk for 2015 through the abovementioned exchange and tender offer. In accordance with the hedge accounting principles, the abovementioned exchange and buyback of the bonds coincided with the termination of the interest rate swaps, which had been used for hedging SID bank's interest rate risk.

SID bank places special emphasis on the development of relationships with national and supranational development institutions (such as the Council of Europe Development Bank, the European Investment Bank, the KfW, the European Investment Fund, etc.).

Liquidity Committee

The work of the Liquidity Committee is regulated by its Rules of Procedure, which set out its powers and methods of work. The Committee generally sits in weekly sessions to monitor the Bank's liquidity position, the fulfilment of liquidity-related regulations and to put forward principles and guidelines in relation to raising of funds and investment in money and capital markets, the utilisation of the monetary policy instruments, the management of exchange rate and interest rate policies and the management of the portfolio of securities and other financial instruments. The Liquidity Committee had seven members at the end of 2014.

Treasury-Liquidity

SID bank also devotes attention to managing its liabilities, in particular to mitigation of refinancing risk. In addition to the partial redemption of long-term bonds described above, in December 2014, SID bank also prepaid EUR 110 million in long-term funds from the European Central Bank, raised through longer-term refinancing operations ("**LTROs**"). This early repayment was partially funded by SID bank by contracting new long-term funding from the European Central Bank in the amount of EUR 39.9 million as part of its participation in targeted LTRO ("**TLTRO**").

Due to volatile market conditions in 2014, SID bank primarily invested, for liquidity management reasons, in short-term deposits at domestic and foreign commercial banks and in other short-term and medium-term debt instruments of issuers with high credit ratings. Securities transactions were concluded as an alternative investment to complement the bank's core line of business, i.e. lending, and for the needs of liquidity management, and not for trading purposes.

Investments by SID bank for the purpose of liquidity management totalled EUR 1,422.2 million at the end of 2014, or 39.7 percent of total assets. Half of these investments comprised the securities portfolio in the amount of EUR 711 million, and the other half of the investments, EUR 708.2 million, was invested in deposits with domestic and foreign commercial banks, and the central bank. Investments in securities mostly consist of Slovenian and foreign government bonds and marketable bonds of other issuers. Investments are almost entirely euro-denominated. In its investing activities SID bank gives priority to investments, which can be used as collateral for entering repo transactions, and investments, which are considered in the first-bucket liquidity ratio on the basis of the Bank of Slovenia regulations or allow access to the European Central Bank's liquidity, and investments considered at least investment-grade assets. As at 31 December 2014, more than 76 percent of investments had a rating of at least A-. The deposits are placed with foreign commercial banks with a relevant international credit rating and with Slovenian banks. As at 31 December 2014, investments with a fixed interest rate accounted for almost 81 percent of all investments for liquidity management purposes.

Statement of financial position of SID bank by maturity as at 31 December 2014 and 2013 (in EUR)

SID bank	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets as at 31 December 2014	318,982	240,359	826,216	781,395	1,394,103	3,561,055
Financial liabilities as at 31 December 2014	66,241	75,998	633,523	849,707	1,666,663	3,292,132
Liquidity gap as at 31 December 2014	252,741	164,361	192,693	-68,312	-272,560	268,923
Financial assets as at 31 December 2013	288,143	254,325	563,751	1,308,129	1,359,858	3,774,206
Financial liabilities as at 31 December 2013	20,883	11,167	378,954	1,667,260	1,409,016	3,487,280
Liquidity gap as at 31 December 2013	267,260	243,158	184,797	-359,131	-49,158	286,926

Classification of SID bank's loan portfolio:

	SID bank loans and off-balance sheet liabilities as at 31 December (per cent.)	
	2014	2013
A-rated.....	27.70	18.16
B-rated.....	52.22	23.99
C-rated.....	5.16	50.99
D-rated.....	12.83	5.47
E-rated.....	2.09	1.39

SID bank disclosed a gross exposure of loans and off-balance sheet liabilities in the amount EUR 3,158,501 thousand as at 31 December 2014, a decrease of 9.76 per cent. compared to 31 December 2013. As at 31 December 2014, 79.92 per cent. of total loans and off-balance sheet liabilities were rated A or B, compared with 42.15 per cent. as at 31 December 2013. The proportion of loans and off-balance sheet liabilities rated A increased from 18.16 per cent. as at 31 December 2013 compared to 27.70 per cent. to 31 December 2014. The increase was the result of an improvement in the financial position of individual clients and new loans that were classified as A-rated. There were major changes in the breakdown of the credit portfolio in the B and C ratings as a result of upgrading of credit ratings of individual debtors from the financial and insurance sector, which represents the major portion of exposure of loans. Higher exposures in D ratings were the result of deterioration of clients and increase the number of defaults in addition to the change of internal methodology and harmonisation of internal definitions of non-performing loans with the definition provided by the European Banking Authority ("EBA"). In 2014, SID bank formed additional impairments and provisions due to exposure of loans and off-balance sheet liabilities in the amount of EUR 24,724 thousand.

Non-performing loans:

	SID bank as at 31 December	
	2014	2013
	(EUR thousand)	
Gross loans total	3,162	3,678
Non performing loans	471	282
	(per cent.)	
Non performing loans as per cent. of portfolio	14.90	7.67

In June 2014, SID Bank's definition of non-performing loans was harmonised with the definition used by the EBA (European Banking Authority). Consequently, C-rated borrowers with exposures less than 90 days in arrears but individually impaired or in distressed restructuring of the credit or other factors were classified as D-rated, which resulted in a higher percentage of loans being classified as non-performing. Part of the increased percentage of non-performing loans at 31 December 2014 in comparison to 31 December 2013 was also a result of a general deterioration of clients and a lower total loan portfolio amount.

Non-performing loans ("**NPL**") are loans which are classified as D or E according to Bank of Slovenia "Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks", where A represent the highest creditworthiness rating and E represent the lowest creditworthiness rating (further explained in the risk management section). For the calculation of NPLs as at 31 December 2013, internal definition of NPLs which was then in force was used. The increase in NPLs as a proportion of portfolio between 2013 and 2014 was principally due to recategorisation of loans during this period.

Loan Portfolio by sectors

<i>In EUR million</i>	SID bank as at 31 December 2014		SID bank as at 31 December 2013	
	Net Loans	Per cent.	Net Loans	Per cent.
Banks.....	2,180.9	77.4%	2,614.5	81.3%
Financial intermediation	93.3	3.3%	97.5	3.0%
Manufacturing	228.9	8.1%	234.0	7.3%
General public administration activities.....	63.7	2.3%	48.5	1.5%
Wholesale and retail trade and repair of motor vehicles and motorcycles.....	68.2	2.4%	101.3	3.1%
Transport and storage.....	49.3	1.8%	41.2	1.3%
Professional, scientific and technical activities	25.7	0.9%	30.5	0.9%
Others	108.5	3.8%	48.7	1.5%
Total.....	2,818.6	100.0%	3,216.3	100.0%

In 2014 commercial banks remained the most important SID bank's partner, their share in SID bank's loan portfolio reaching 77.4 per cent. Loans to clients other than banks took up 22.6 per cent. of the total loan portfolio in 2014.

Risk management

The main purpose of risk management is to reduce the likelihood of risks being realised and to reduce losses in the event of any risk being realised. Risk management includes identifying, measuring or assessing, managing and monitoring risks, and internal and external reporting of risks. In risk management, SID bank prioritises the security and stability of its operations, which helps to increase the value of its equity in the long term, the maintenance of SID bank's reputation and the maximisation of benefits for users of its services and other stakeholders.

Risk management begins with the establishment of an appropriate organisational structure and work processes, allowing for business targets to be met while operations remain secure and compliant with regulations. In the implementation of risk management measures, the key objective is to achieve proper awareness of risks at all levels of SID bank's activities.

The main risks faced by SID bank are credit risk, interest rate risk, liquidity risk, currency risk and operational risk. SID bank's attitude to taking up risks is defined such that it focuses on credit risk and operational risk, while minimising other risks (interest rate risk, currency risk, liquidity risk). Risk management at SID bank additionally needs to take account of the specific attributes of the implementation of promotional and development tasks and services of importance to the Republic of Slovenia's development, and segmentation of operations into those involving the Bank's own resources and those on behalf of and for the account of the Republic of Slovenia.

The identification of risks is performed within organisational units that remain separated from commercial units up to the level of the Management Board, thus ensuring independent risk assessment. Responsibility for the direct implementation of risk management lies with the following bodies and organisational units:

- Credit Committee: management of credit risks and large exposures;
- Liquidity Board: liquidity, currency and interest rate risks;
- Assets - Liability Committee: balance sheet structure, capital adequacy, aggregate risk;

- Risk Management Department: preparation of risk management policies, portfolio management, risk profiles, various risk reports;
- Credit Analysis Department: assessment and monitoring of clients' financial position, assessment of investments;
- Middle office Department: risk monitoring;
- Back Office and Payments: daily follow-up on currency and liquidity risk within the limits set; and
- Distressed Investment Committee: management of distressed investments.

Executive directors and senior management are responsible for the ongoing decisions with regard to SID bank's operations, risk management and the implementation of decisions adopted by the Management Board.

The risk profile of SID bank and the SID bank Group is assessed each year, and a report on the implementation of the internal capital adequacy assessment process is compiled. SID bank's risk profile is a documented and categorised collection of quantitative and qualitative assessments of the risks assumed by SID bank in carrying out its operations, and the control environment used to manage such risks. The risk profile assessment is one of the key strategic performance measurement indicators of SID bank's strategy.

SID bank manages and mitigates market price risks (interest rate risk and foreign exchange risk) and liquidity risk in general by controlling exposures to these risks and by using hedging instruments (such as forward contracts and interest rate swaps) where necessary.

Open foreign currency position and liquidity indicators are calculated daily and different scenario analyses for liquidity indicators are prepared weekly. Interest rate risk is monitored weekly. Reports on interest rate gaps and liquidity gaps are prepared on a monthly basis. All reports are submitted to the Liquidity Board. In relation to direct lending the Issuer considers the credit of the borrower, while in relation to funds to be on-lent the Issuer will assess the credit risk of the bank that will on-lend such funds.

Credit risk management begins before entering into a contractual relationship by determining the credit rating of a client and by securing appropriate collateral. Larger credit exposures are approved by the Credit Committee. During the course of a transaction, credit risk is managed by closely monitoring and managing the credit portfolio, limiting the concentration of credit risk with a client, a group of clients, a sector and a country, by classifying and creating provisions for anticipated losses, and by providing sufficient capital when losses exceed expectations. Impairments and provisions constitute an important element of managing the risk of loss arising from credit transactions. Impairments and provisions are derived from group and individual assessments of losses, with losses arising from exposures falling into credit rating classes D or E being assessed on an individual basis. Loans will only be written-off as a last resort after a clearly defined procedure following expiry of the relevant limitation period, and only after all formal and informal possibilities have been exhausted. Proposals for writing-off loans, prepared in cooperation between several organisational units, are discussed by the Management Board or Supervisory Board.

The largest proportion of SID bank's loan portfolio is exposed to the banking sector as a significant amount of its assets are earmarked for banks established in the Republic of Slovenia, which transfer funding to the final beneficiaries in accordance with the ZSIRB. Nevertheless, portfolio distribution in terms of sector shows that the ultimate borrowers come predominately from the following sectors: manufacturing; wholesale and retail trade; repair of motor vehicles and motorcycles; electricity, gas, steam and air conditioning supply; financial and insurance activities. In terms of loan portfolio diversification, exposure towards non-banking borrowers is subject to certain internal limitations.

Credit ratings are defined according to the internal methodology of SID bank and the Bank of Slovenia "Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks".

SID bank uses an internal rating scale comprising 21 ratings; 18 ratings are performing and three non-performing. For example a "AAA" rating is given to first-class customers with high debt repayment capability, excellent financial condition and strength while "C" and "C+" rating are risk levels (poor financial condition) that the SID bank is usually not willing to take unless it is an existing exposure where SID bank will seek solutions to decrease or totally exit the exposure. Clients in this rating group are still treated as performing. Some of them need restructuring to modify their business model and loan repayment schedule. SID bank rating

methodology also take into account the Bank of Slovenia "Regulation on the assessment of credit risk losses of banks and savings banks". According to the Bank of Slovenia classification, debtors that are expected to be able to pay their liabilities without difficulties and that pay their liabilities when they fall due or exceptionally up to 15 days in arrears shall be classified into category A; debtors that are assessed as being able to settle their due liabilities, but whose financial position is currently weak, and there is no indication that it will deteriorate significantly in the future and pay their liabilities up to 30 days in arrears shall be classified into category B; debtors whose cash flows are estimated to be insufficient for the regular settlement of due liabilities, those that pay their liabilities up to 90 days in arrears, those that are substantially undercapitalised, that lack sufficient long-term sources of funds to finance long-term investments shall be classified into category C; debtors for whom there is a substantial likelihood of the loss of part of the financial asset, those for whom the bank has identified a significant perceived decline in credit quality and has created impairments or provisions related thereto, those in relation to which the bank has already incurred a material economic loss when writing-off or selling their financial assets, those that pay their liabilities 90 to 360 days in arrears, those that are insolvent, those against whom a motion for the initiation of composition or bankruptcy proceedings has been lodged at the competent court, those that are undergoing composition or bankruptcy proceedings shall be classified into category D; those debtors that have the same attributes as debtors classified into Category D, but for whom it is assessed that the claims against them will not be repaid at all, those with a disputed legal basis, those that pay their liabilities more than 360 days in arrears shall be classified into category E.

The Bank of Slovenia and SID bank debt classification:

SID bank classification	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Bank of Slovenia classification	A									
	Investment grade									

SID bank classification	BB+	BB	BB-	B+	B	B-	C+	C	C-	D	E
Bank of Slovenia classification	B						C		D		E
	Speculative grade										

The risk management aspect is particularly important in credit and investment insurance as these transactions are conducted on behalf of and for the account of the Republic of Slovenia. While losses are offset using the contingency reserve, higher losses on these transactions could bring contingency funds down to a level at which the Act on Insurance and Financing of International Commercial Transactions requires additional funds to be appropriated from the budget of the Republic of Slovenia.

At SID bank, effective risk management starts with a proper organisational structure. Credit and investment insurance transactions are carried out by a special department, which is separated from banking operations up to the level of the Management Board. As in the banking segment, the authorisation to conclude transactions is clearly defined, with all transactions up to EUR 5 million requiring approval of the Management Board, and all transactions over EUR 5 million requiring the approval of the International Trade Promotion Commission (which operates as the supervisory board in respect of insurance transactions). The Commission also holds ultimate authority over other risk management issues, such as approving insurance policies for certain countries or groups of countries which, in addition to the insurance limits specified in the Act on Insurance and Financing of International Commercial Transactions, limit the potential amount of loss.

FX risk management:

SID bank mostly operates in Euros and it is not materially open to currency/exchange rate risk as it has an almost closed FX position (the open position is only approximately EUR 83,000, representing 0.02 per cent. of SID bank's capital).

Credit risk management:

Credit risk management provides for credit rating and appropriate insurance instruments are determined prior to a contractual relation with a potential debtor. The credit exposure limit is approved by the Credit Committee. Throughout the transaction life cycle, credit risk is managed using the following: close monitoring and credit portfolio management; limitation of the concentration of credit risk with regard to a client, a group of clients, a branch and a country; classification and creation of provisions for predicted losses; and provision of sufficient capital for incidents when losses exceed expectations.

The considerations when determining credit risk include: the risk of financial loss from credit transactions; the country risk concerning the debtor country; where the debtor has securities, the risk of such securities; and the credit risk of any counterparty default and derivative financial instruments.

As at 31 December 2014, 79.92 per cent. of total loans and off-balance sheet liabilities were rated A or B (Bank of Slovenia classification). The proportion of loans and off-balance sheet liabilities rated A was 27.70 per cent. as at 31 December 2014. Exposure to D-rated and E-rated loans was 14.92 per cent., as at 31 December 2014. Exposure to C-rated loans was 5.16 per cent. as at 31 December 2014. The average coverage of exposure to credit risk by impairments and provisioning for non-banking clients stood at 25.48 per cent. as at 31 December 2014. The coverage of exposure to D- and E-rated clients by impairments and provisioning stood at 42.99 per cent. as at 31 December 2014.

Proportion of SID bank's geographical exposure of financial assets and off-balance-sheet liabilities to the Republic of Slovenia as at 31 December 2014 was 72.02 per cent., exposure to other countries that are EU members was 26.27 per cent. SID bank's exposure to Italy, Spain, Romania and Cyprus was EUR 123,021 thousand, of which Italy constituted EUR 50,535 thousand (Available for sale financial assets), Spain constituted EUR 49,232 thousand (Available for sale financial assets), Romania constituted EUR 22,753 thousand (Available for sale financial assets), and Cyprus constituted EUR 501 thousand (Available for sale financial assets). SID bank uses internal exposure limits to apply a maximum allowable exposure to individual geographical regions.

Liquidity risk management:

To ensure that all financial obligations are met regularly and continuously, SID bank plans inflows and outflows (for its own account and contingency account). SID bank monitors and measures its exposure to liquidity risk on the basis of the daily calculation of liquidity ratios in the manner set out by current banking legislation. The liquidity ratio is the ratio of the sum of financial assets in domestic and foreign currency to the sum of funding in domestic and foreign currency with regard to residual maturity. The first-bucket liquidity ratio (up to 30 days) must reach at least 1, while the second-bucket liquidity ratio value (up to 180 days) is not limited to 1 according to the Bank of Slovenia "Regulation on the Minimum Requirements for Ensuring an Adequate Liquidity Position of Banks and Savings Banks". SID bank has set internal liquidity ratios that are higher than those prescribed by bank regulation, which provides additional security. Should the first-bucket liquidity ratio fall to 1.2 or the second-bucket liquidity ratio fall to 1.1, the treasury department is obliged to put forward measures to safeguard sufficient liquidity. In 2014, the daily values of the first-bucket liquidity ratio exceeded the Bank of Slovenia's requirements. The first-bucket liquidity ratio stood at 11.19 as at 31 December 2014, while the second-bucket liquidity ratio stood at 2.31. SID bank calculates the liquidity coverage ratio (LCR) as envisaged in Basel III on a three-monthly basis. The liquidity coverage ratio stood at 67.58 as at 31 December 2014. The calculation is presented to the Liquidity Committee. SID bank does not take deposits on call so there is no unexpected demands for payment will need to be met.

Interest rate risk management:

The largest share of assets and liabilities is represented by euro-denominated instruments with interest rates linked to EURIBOR. Residual risks nevertheless result from: timing differences relating to the reference rate; and potential incomplete coordination in selection of the reference interest rate (between three- or six-month EURIBOR). In addition to coordinating its interest rate calculations, SID bank also applies, to a limited extent, financial derivative instruments (interest rate swaps) as an additional tool to mitigate interest risk.

Litigation

Whilst SID bank and its subsidiaries are involved in litigation from time to time, no such litigation is currently pending that would be material in the context of the issue of the Notes.

SELECTED FINANCIAL INFORMATION

LIABILITY STRUCTURE

(EUR thousands)

	SID bank As at 31 December		SID bank Group As at 31 December	
	2014	2013	2014	2013
Financial liabilities held for trading.....	3	17	3	17
Financial liabilities measured at amortised cost	3,178,959	3,432,405	3,179,557	3,433,931
- Bank deposits.....	23,827	40,497	23,827	40,497
- Deposits of clients other than banks.....	6	6	6	6
- Loans from banks and central banks	1,841,494	1,782,721	1,841,494	1,783,667
- Loans from clients other than banks.....	381,461	472,965	381,461	472,965
- Debt securities	930,353	1,134,713	930,353	1,134,713
- Other financial liabilities.....	1,818	1,503	2,416	2,083
Derivatives held for hedging	-	129	-	129
Provisions.....	35,468	8,246	67,435	38,832
Corporate income tax liabilities.....	7,025	785	7,103	1,014
- Tax liabilities	6,466	785	6,465	1,014
- Deferred tax liabilities.....	559	-	638	-
Other liabilities.....	306	190	4,619	8,284
TOTAL LIABILITIES	3,221,761	3,441,772	3,258,717	3,482,207

The structure of liabilities in the consolidated financial statements of the SID bank group is very similar to that of the non-consolidated Statement of Financial Position of SID bank.

SID bank, as an authorised institution under the Act on Insurance and Financing of International Commercial Transactions and under the Act, strives to obtain favourable sources of financing in international markets and also in the Republic of Slovenia, and is Slovenia's only bank that has in the previous years continuously raised funds in the international markets.

In raising funds SID bank focuses on selecting flexible borrowing instruments that can be fully tailored to meet various customers' needs. Accordingly, it has a diversified portfolio of borrowings and funds of varying maturity, size and dynamics of disbursements.

SID bank aims to obtain sources of funding with different maturities matching balance sheet asset structure and to borrow at rates as close as possible to the borrowing rates of the Republic of Slovenia.

Working to provide businesses and commercial banks with favourable long-term sources of financing (as part of its operations under the Act), SID bank raised funds through diverse financial instruments in the Republic of Slovenia and international financial markets.

In 2010, SID bank issued its first publicly offered bond in the amount of EUR 750 million bond. In 2011 this bond was tapped in the amount of EUR 350 million. From 2010 until the date of this document, SID bank has issued several bonds in private placement arrangements in the total amount of EUR 860 million.

Having cooperated successfully with different multinational development financing institutions such as EIB, CEB and also KfW for several years, the total volume resulting from such cooperation reached more than EUR 1 billion. Funds are allocated to different promotional programmes and credit lines to support SID bank's mandates (according to the laws governing SID bank), such as financing research and development, environment, infrastructure, SMEs and other promotional and development tasks.

From 2010, SID bank also concluded several bilateral loans with foreign banks and issued two Schuldsheindarlehen. In 2011 and 2012, SID bank had participated in the first and second round of ECB Long Term Refinancing Operations (LTRO) in the total amount of EUR 205 million. In December 2014, SID bank participated in the ECB Targeted LTRO in the amount of approximately EUR 40 million.

SID bank has also executed several liability management transactions. From 2011 until the date of this document, SID bank has bought back more than EUR 900 million of its bonds. The purpose of these buyback transactions was to reduce the refinancing risk.

Nominal amount of outstanding liabilities

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Amount (in EUR thousand)	769,332	592,988	278,091	104,937	95,929	79,002	125,461	85,755	77,226

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032
Amount (in EUR thousand)	92,579	121,579	22,198	170,433	519,486	19,621	3,681	3,681	3,681

Comment: As of 30 April 2015, the amount of outstanding liabilities maturing in 2015 is approximately EUR 160 million.

ASSETS STRUCTURE

<i>(EUR thousands)</i>	SID bank As at 31 December		SID bank Group As at 31 December	
	2014	2013	2014	2013
Cash on hand, balances with the central bank and demand deposits with banks	3,051	177,458	7,554	179,745
Available-for-sale financial assets	710,983	344,433	733,053	364,941
Loans	2,818,627	3,216,220	2,824,019	3,226,413
- Loans to banks	2,180,886	2,614,462	2,186,274	2,624,658
- Loans to clients other than banks	637,327	601,136	637,327	601,136
- Other financial assets	414	622	418	619
Derivatives held for hedging	28,394	36,095	28,394	36,095
Property, plant and equipment	6,190	3,324	9,299	6,643
Intangible assets	713	677	1,318	1,258
Long-term interests in subsidiaries, associates and joint ventures ...	8,831	8,831	419	419
Corporate income tax assets	-	307	427	338
- Tax assets	-	-	427	-
- Deferred tax assets	-	307	-	338
Other assets	247	220	26,970	29,145
Total Assets	3,577,036	3,787,565	3,631,383	3,844,997

As at 31 December 2014, total assets of SID bank stood at EUR 3,577 billion, showing a decrease of 5.6 per cent. compared to 31 December 2013.

As at 31 December 2014, loans to banks decreased by 16.6 per cent., and loans to clients other than banks increased by 6.0 per cent., as compared to 31 December 2013. Loans to banks represented 61.0 per cent. of total assets as at 31 December 2014; their share as at 31 December 2013 was 69.0 per cent.

The composition of assets of the SID bank group is similar to the composition of assets of SID bank.

TAXATION

The following is a general description of certain Slovenian, Luxembourg and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their own tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes, and under the tax laws of the Republic of Slovenia, Luxembourg and the EU, of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes or any person through which an investor holds the Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

The Republic of Slovenia

1. **Taxation of Interest Income**

General

Taxation of interest income derived from the Notes will differ depending on whether, at the time when the Issuer will make payments of interest under the Notes, the Notes will be admitted to trading on a regulated market or a multilateral trading facility ("**MTF**") within an EU member state or OECD (the Notes, while so admitted to trading, hereinafter referred as "**Listed Securities**").

If, and for as long as the Notes qualify as Listed Securities, the Issuer will be entitled to make all payments of interest under the Notes free and clear of any withholding or deduction for or on account of taxes pursuant to applicable Slovenian law.

If, however, at the time when the Issuer will make a payment of interest under the Notes, the Notes do not qualify as Listed Securities, then:

- (a) such payment may be subject to withholding tax payable by the Issuer at the maximum rate applicable under Slovenian taxation law (currently being 25 per cent.); and
- (b) if the income derived from such interest payment would, if received directly by its beneficial owner, be exempted from Slovenian tax or subject to tax at a rate lower than applied for the purpose of such withholding tax, the beneficial owner may be entitled to claim a refund of the excessive amount of tax so withheld from the Slovenian tax administration.

Corporate Investors

Interest on the Notes received by a legal person resident for taxation purposes in the Republic of Slovenia or a permanent establishment (*poslovna enota*) in the Republic of Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia will be subject to Slovenian Corporate Income Tax (*davek od dohodkov pravnih oseb*) as a part of its overall income tax (currently levied at the rate of 17 per cent.).

If, and for as long as the Notes qualify as Listed Securities, no Slovenian tax will be levied on payments under the Notes to legal persons not resident for taxation purposes in the Republic of Slovenia and having no permanent establishment (*poslovna enota*) in the Republic of Slovenia. If, however, at the time when the Issuer will make a payment of interest under the Notes, the Notes do not qualify as Listed Securities and the amount so paid will be subject to withholding tax at the rate of 25 per cent., legal persons who beneficially received such interest will be entitled to claim a refund of the full amount of the tax so withheld.

Individuals

The amounts of interest on the Notes received by an individual resident for tax purposes in the Republic of Slovenia will be subject to Slovenian Personal Income Tax (*dohodnina*) assessed on the income so derived at the rate of 25 per cent., which tax is the final tax imposed by the Republic of Slovenia on

interest on the Notes, except where such income qualifies as business income (*dohodek iz dejavnosti*) of such individual, in which case such income will be subject to Slovenian Personal Income Tax as a part of overall annual business income at the rate applicable in accordance with the progressive tax scale which may reach up to 50 per cent.

The amounts of interest on the Notes received by an individual who is not resident for taxation purposes in the Republic of Slovenia will be fully exempt from Slovenian tax if and for as long as the Notes qualify as Listed Securities. If, however, at the time when the Issuer makes a payment of interest under the Notes, the Notes do not qualify as Listed Securities, the amounts of interest on the Notes received by an individual not resident for tax purposes in the Republic of Slovenia will be subject to Slovenian Personal Income Tax assessed on the income so derived at the rate of 25 per cent., which tax is the final tax imposed by the Republic of Slovenia on interest on the Notes, provided that an individual who is resident for taxation purposes in an EU Member State (other than the Republic of Slovenia) shall be fully exempt from this Slovenian tax in circumstances where (i) the individual in question is the beneficial owner of such interest; and (ii) the paying agent (*plačilni zastopnik*) as defined in the Slovenian Tax Procedure Act (*Zakon o davčnem postopku* (ZDavP-2), Uradni list RS, No. 13/2011-UPB4, 32/2012, 94/2012, 101/2013, 111/2013, 22/2014, 40/2014, 25/2014, 90/2014 and 23/2015) is required to report the payment to the tax authorities in the jurisdiction of the relevant paying agent in accordance with the provisions implementing the European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments.

Slovenian Personal Income Tax on non-business interest income will only be levied by way of withholding tax if, at the time when the Issuer makes a payment of interest under the Notes, the Notes will not qualify as Listed Securities.

Any individual who is liable for Slovenian Personal Income Tax on interest income under the Notes as non-business income and receives an amount of interest under the Notes free of any deduction for account of this tax shall (i) declare each amount so received in a tax return filed by the 15th day of a calendar month for the period of the previous three calendar months; and (ii) pay the amount of tax in accordance with the relevant decision of the tax authorities.

2. Taxation of Capital Gains

Corporate Investors

Capital gains earned on the sale or disposition of the Notes by a legal person resident for taxation purposes in the Republic of Slovenia or a permanent establishment (*poslovna enota*) in the Republic of Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia will be subject to Slovenian Corporate Income Tax as a part of its overall income tax (currently levied at the rate of 17 per cent.).

Capital gains earned by legal persons not resident for taxation purposes in the Republic of Slovenia and having no permanent establishment (*poslovna enota*) in the Republic of Slovenia are not subject to Slovenian taxation.

Individuals

Under the Slovenian Personal Income Tax Act (*Zakon o dohodnini* (ZDoh-2), Uradni list RS No. 13/2011-UPB7, 9/2012, 24/2012, 30/2012, 40/2012, 71/2012, 75/2012, 94/2012, 102/2012, 52/2013, 96/2013, 29/2014, 50/2014, 94/2014 and 23/2015), capital gains from the sale or other disposition of debt securities held as non-business assets are in general exempt from taxation, while capital gains earned as business income (*dohodek iz dejavnosti*) of an individual resident for taxation purposes in the Republic of Slovenia are subject to Slovenian Personal Income Tax as a part of such individual's overall annual business income at the rate applicable in accordance with the progressive tax scale which may reach up to 50 per cent.

Capital gains earned on the sale or disposition of the Notes by an individual resident for taxation purposes in the Republic of Slovenia may, in circumstances described in the Act on the Taxation of Profits from the Disposal of Derivatives (*Zakon o davku od dobička od odsvojitve izvedenih finančnih instrumentov* (ZDDOIFI) Uradni list RS no. 65/08, 40/2012), be subject to tax levied at the rate of up to 40 per cent.

3. **Value Added Tax**

Pursuant to Article 44/4(e) of the Value Added Tax Act (*Zakon o davku na dodano vrednost* (ZDDV-1) Uradni list RS, No. 13/2011-UPB3, 18/2011, 78/2011, 38/2012, 40/2012, 83/2012, 14/2013, 46/2013, 101/2013 and 86/2014), transactions with securities are VAT-exempt in the Republic of Slovenia. According to the law, interest on debt securities is not subject to VAT, thus VAT is neither charged nor payable.

4. **Inheritance and gift taxations**

Natural persons and private law entities, within the meaning of the Slovenian Inheritance and Gift Tax Act (*Zakon o davku na dediščine in darila* (ZDDD), Uradni list RS no. 117/06) may be subject to Slovenian inheritance and gift tax in case of the transfer of the Notes mortis causa or inter vivos. The value of all transfers by the same person in one year is considered when ascertaining the taxable amount for such purposes.

Inheritance tax and gift tax is assessed by reference to the market value of property subject to taxation at the time of the occurrence of tax liability, decreased by debts, costs and charges relating to this property. In the case of movable property (such as the Notes), the tax base for inheritances and gifts is decreased by €5,000.

Tax on inheritance and gifts is not paid by the heir or recipient of a gift of a first hereditary order (children and spouse).

Tax rates are progressive and differ depending on the hereditary order. Tax rates for inheritance and gift tax range:

- (a) from 5 per cent. up to 14 per cent. for the second hereditary order (parents, siblings and their descendants);
- (b) from 8 per cent. up to 17 per cent. for the third hereditary order (grandparents); and
- (c) from 12 per cent. up to 39 per cent. for all subsequent hereditary orders (others).

Luxembourg Taxation

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Information Memorandum. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Luxembourg Paying Agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the amended Luxembourg law of 23 December 2005 which has introduced a 10 per cent. final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the amended Luxembourg law of 21 June 2005 implementing the European Union Savings Directive).

Responsibility for the withholding of tax in application of the above-mentioned amended Luxembourg law of 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of this law and not by the Issuer.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or, certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

The European Commission has published a proposal to repeal the EU Savings Directive from 1 January 2016 (subject to transitional arrangements so that certain obligations under the EU Savings Directive will continue to apply until 5 October 2016 and 31 December 2016 (and 30 June 2017 in the case of Austria), or until those obligations have been fulfilled) to prevent overlap with Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements indicate an intention to implement the FTT by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Deutsche Bank Aktiengesellschaft, J.P. Morgan Securities plc and Raiffers Bank International AG (the "**Joint Lead Managers**") have, in a subscription agreement dated 31 July 2015 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.682 per cent. of their principal amount less any applicable commissions and expenses as agreed between the Issuer and the Joint Lead Managers. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

General

No action has been or will be taken in any jurisdiction by the Issuer as the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Information Memorandum, in any country or jurisdiction where action for that purpose is required.

Accordingly, each Joint Lead Manager has represented, warranted and undertaken that, to the best of its knowledge and belief, it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Information Memorandum or any related offering material. Persons into whose hands this Information Memorandum comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish

this Information Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes has been authorised by the Supervisory Board of the Issuer on 29 May 2015 and by the Credit Committee of the Issuer on 25 May 2015.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

Since 31 December 2014 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer.

Auditors

The consolidated and non-consolidated financial statements of the Issuer, incorporated by reference herein, have been audited without qualification for the years ended 31 December 2014 and 2013 by KPMG Slovenija, d.o.o., Železna cesta 8a, SI-1000 Ljubljana, Slovenija.

Documents on Display

Following the issue of the Notes, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent and the Luxembourg Listing Agent:

- (a) Slovenian language version of Article 13 of the Act along with an English translation;
- (b) the Fiscal Agency Agreement; and
- (c) the Deed of Covenant.

Following the issue of the Notes, copies of the following documents will be available during normal business hours at the Specified Office of each Paying Agent and the Luxembourg Listing Agent:

- (a) the consolidated and non-consolidated financial statements of the Issuer for the years ended 31 December 2014 and 31 December 2013; and
- (b) the Articles of Association of the Issuer along with an English translation.

Yield

On the basis of the issue price of the Notes of 99.682 per cent. of their principal amount, the yield of the Notes is 0.983 per cent. on an annual basis. It is not an indication of future yield.

Legend Concerning US Persons

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

ISIN and Common Code

The Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg. The ISIN is XS1240286044 and the common code is 124028604.

Joint Lead Managers transacting with the Issuer and the Guarantor

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer, the Guarantor and their respective affiliates in the ordinary course of business.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Luxembourg Stock Exchange's regulated market.

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