

LISTING PARTICULARS

16 JUNE 2010



NOVA LJUBLJANSKA BANKA D.D., LJUBLJANA

EUR 100,000,000

Perpetual Floating Rate Upper Tier Two Subordinated Step-Up Notes

Issue Price: 100 per cent.

Application has been made for the EUR 100,000,000 Perpetual Floating Rate Upper Tier Two Subordinated Step-Up Notes (the "**Notes**") of Nova Ljubljanska banka d.d., Ljubljana (the "**Issuer**") to be admitted to the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. These Listing Particulars constitute a prospectus for the purpose of the Luxembourg Law dated 10 July 2005 on Prospectuses for Securities.

The Notes were issued on 17 December 2004 (the "**Issue Date**") and remain outstanding. The Notes bear interest (i) from and including the Issue Date to but excluding the Interest Payment Date (as defined herein) falling in December 2014 at the rate of 1.60 per cent. per annum above the Euro-zone interbank offered rate for three month Euro deposits and (ii) from and including the Interest Payment Date falling in December 2014 at the rate of 3.10 per cent. per annum above the Euro-zone interbank offered rate for three month Euro deposits, in each case payable quarterly in arrear on 17 March, 17 June, 17 September and 17 December in each year.

The Notes have no maturity. The Issuer may, at its option, redeem the Notes in whole, but not in part, on the Interest Payment Date falling in December 2014 and on any Interest Payment Date of the Notes thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 7 (*Taxation*) as described in Condition 5(c) (*Redemption and Purchase – Redemption at the Option of the Issuer*) of the Terms and Conditions of the Notes. In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Interest Payment Date falling in December 2014 for taxation and regulatory reasons at their principal amount as described in Condition 5(b) (*Redemption and Purchase – Redemption for taxation and regulatory reasons*) of the Terms and Conditions of the Notes. Any redemption of the Notes is subject to the prior approval of the Central Bank (as defined herein).

Under certain circumstances described in Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Notes the Issuer may elect to defer interest payments on the Notes.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ARE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED 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.

The Notes were issued in bearer form and in the denominations of EUR 25,000 and Euro 100,000. The Notes were initially in the form of a temporary global note (the "**Temporary Global Note**"), without interest coupons, which were deposited on the Issue Date with a common depository for Euroclear Bank, S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"). The Temporary Global Note was exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, from the date falling 40 days after the Issue 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 Euro 25,000 and Euro 100,000 and with interest coupons attached. See "*Summary of Provisions Relating to the Notes in Global Form*".

Prospective investors should have regard to the section herein entitled "*Risk Factors*".

*These Listing Particulars do not constitute a prospectus for the purpose of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**"). These Listing Particulars may only be used for the purpose for which they have been published.*

The Issuer accepts responsibility for the information contained within this document. To the best of its knowledge and belief, the information contained within these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

*These Listing Particulars are to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "**Incorporation by Reference**" below).*

The contents of these Listing Particulars are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

No person is or has been authorised to give any information or to make any representation which is not contained in, or which is not consistent with, these Listing Particulars or any other information supplied by or on behalf of the Issuer in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. The delivery of these Listing Particulars does not imply that there has been no change in the business and affairs of the Issuer since the date hereof or that the information herein is correct as of any time subsequent to its date.

Neither these Listing Particulars 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 these 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.

These Listing Particulars do not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of these Listing Particulars and the offer or sale of the Notes in certain jurisdictions is restricted by law. These Listing Particulars may not be used for, or in connection with, and do not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. Persons into whose possession these Listing Particulars may come are required by the Issuer to inform themselves about and to observe such restrictions.

*In these Listing Particulars, unless otherwise specified or the context otherwise requires, references to "€", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended from time to time); references to "**USD**" are to the lawful currency of the United States of America; and references to "**DEM**" are to the former currency of Germany.*

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INFORMATION INCORPORATED BY REFERENCE

The information set out in the tables below shall be deemed to be incorporated in, and to form part of, these Listing Particulars provided however that any statement contained in any document incorporated by reference in, and forming part of, these Listing Particulars shall be deemed to be modified or superseded for the purpose of these Listing Particulars 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 and unconsolidated financial statements, the notes to such financial statements and the Auditors' reports for the years ended 31 December 2008 and 2009 for the Issuer, and the unaudited consolidated and unconsolidated interim financial statements for the three months ended 31 March 2009 and 2010 for the Issuer, as set out in the respective annual reports or interim report. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only.

Audited Consolidated and Unconsolidated Financial Statements for the year ended 31 December 2008

	Consolidated	Unconsolidated
Income statement	Page 70	Page 146
Balance sheet	Page 71	Page 147
Statement of Changes in Equity	Page 72	Page 148
Cash flow statement	Pages 73 and 74	Pages 149 and 150
Notes to Financial Statements	Pages 76 to 139	Pages 152 to 215
Auditors' Report	Pages 66 and 67	Pages 142 and 143

Audited Consolidated and Unconsolidated Financial Statements for the year ended 31 December 2009

	Consolidated	Unconsolidated
Income statement	Page 70	Page 152
Statement of comprehensive income	Page 70	Page 152
Statement of financial position	Page 71	Page 153
Statement of Changes in Equity	Page 72	Page 154
Statement of cash flows	Pages 73 and 74	Pages 155 and 156
Notes to Financial Statements	Pages 76 to 145	Pages 158 to 228
Auditors' Report	Pages 66 and 67	Pages 148 and 149

Unaudited Consolidated and Unconsolidated Interim Financial Statements for the three months ended 31 March 2009 and 2010

	2009	2010
Key Financial Data	Page 3	Page 3
Income statement/Profit & Loss account	Page 3	Page 3
Balance sheet	Page 3	Page 3

RISK FACTORS

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 these Listing Particulars 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.

Words and expressions defined elsewhere in these Listing Particulars have the same meanings in this section, unless otherwise stated.

Risks relating to the Issuer

Risks associated with general economic, financial and other business conditions

The Issuer's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates and other business conditions. Each of these factors may affect the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties (and the risk of their default), the net interest margin of the Issuer and the value of the Issuer's investments, trading portfolios, capital position and liquidity.

General economic deterioration or decreased trust may influence the operations of the Issuer in the form of changes in credit risk of borrowers, investment plan, decreased tendency to saving, investors' preference regarding liquidity and clients' preferences for more traditional forms of deposits entailing lower risk and return.

Changes in the Slovenian and European legal and regulatory framework could adversely affect the Issuer's business

The Issuer has adapted its business in response to significant changes in laws and regulations governing the Slovenian banking sector in recent years including the implementation of IFRS in 2006, the adoption of the Euro in 2007 and the implementation of Basel II regulations in 2008. The implementation of the latest amendments to EU Capital Requirements Directive (CRD II) is currently underway and is expected to be completed by the end of December 2010.

Further changes in either Slovenian or European legislation or Slovenian central bank regulations, including, *inter alia*, Basel III, may materially impact the Issuer's financial conditions and result of operations.

The Issuer may have difficulty in raising additional capital

The Issuer is required to maintain a minimum capital adequacy ratio of 8 per cent. as stipulated in accordance with Slovenian central bank regulations on capital adequacy. The Issuer has put in place rules and procedures which regulate the monitoring of its capital adequacy and define procedures to be followed if projections show a decline in capital adequacy ratios below required levels. Notwithstanding such procedures, the Issuer's ability to obtain additional capital may be restricted by a number of factors, including:

- decisions of the Issuer's shareholders with respect to the distribution of accumulated profit and/or the approval of future capital increases;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- the future financial condition, results of operations and cash flows of the Issuer.

No assurance can be given that, if additional capital is required to be raised in the future, the Issuer will be able to obtain this capital on favourable terms, in a timely manner or at all. If it is unable to raise further capital to support its growth or to strengthen its capital ratios in a timely manner, or at all, or if its capital position otherwise declines, then this may have an adverse impact on the Issuer's financial performance. In addition, the Issuer's ability to implement its business strategy might be materially adversely affected.

Continued economic slowdown and weak financial markets and volatility may materially adversely affect the Issuer's revenues and profits

The financial results of the Issuer are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

In addition, protracted or steep declines in the stock or bond markets in Slovenia and elsewhere may have an adverse impact on the Issuer's investment banking, securities trading and brokerage activities, the Issuer's asset management and private banking services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

The Issuer's exposure to credit risk may be adversely affected by an economic slowdown and volatility of the financial markets

The banking and financial services market in which the Issuer operates is affected by several unpredictable factors, including overall economic developments, fiscal and monetary policies, liquidity and expectations within capital markets and consumers' behaviour in terms

of investment and saving. In respect of the Issuer's traditional lending operations, the demand for financial products in particular could decline during a period of economic downturn.

Overall slower economic development can furthermore negatively impact the solvency of mortgage debtors and other borrowers of the Issuer such as to affect their overall financial condition. Such developments could negatively affect the Issuer's recovery of loans and amounts due by counterparties of the Issuer, which, together with an increase in the level of insolvent clients compared to outstanding loans and obligations, will adversely impact on the Issuer's levels of credit risk.

The Issuer may be negatively affected by increased competition

The Issuer operates in a highly competitive market and faces a significant number of competitors. Increasing competition in the banking sector and/or the Issuer's inability to compete effectively could have a material adverse effect on its business, financial condition or results of operations.

Furthermore, a general economic slowdown or deterioration of confidence may impact the Issuer's business as a result of changes to the credit quality of borrowers, company investment plans, propensity to save, investor preferences for liquidity, as well as customer preferences for more traditional forms of deposit-taking with less risk but at the same time less profitability.

The Issuer's exposure to markets in South-Eastern Europe may adversely affect its results of operations

The Issuer's group is present in the EU and countries of Southern and Eastern Europe (excluding Slovenia) through the following banks: LHB Internationale Handelsbank AG, Frankfurt/Main, Adria Bank AG, Vienna, NLB Razvojná banka a.d., Banja Luka, NLB banka a.d., Belgrade, NLB Montenegrobanka a.d., Podgorica, NLB Tutunska banka a.d., Skopje, NLB Tuzlanska banka d.d., Tuzla, NLB Banka Sofia a.d., Sofia and NLB Prishtina sh.a., Prishtina. The Issuer's presence in the region has been established through the acquisition of banks in the territory of Southern and Eastern European countries. Among other things, these banks are aimed at facilitating connections between Slovene companies and the companies operating in the said markets.

While management believes that there are opportunities in these markets, there are risks associated with operating in these countries. These risks include: volatile economic, foreign exchange and stock market conditions as well as less developed political, financial and legal infrastructures.

There can be no assurance that the Issuer's financial condition or results of operations will not be materially adversely affected as a result of one or more of these risks.

Risks associated with the Issuer's risk-management systems

The Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing risk management systems fail to identify certain material risks, the Issuer's reputation as well as its revenues and profits and its financial condition may be negatively affected.

The Issuer is exposed to credit risk

The Issuer manages credit risk in a relatively conservative manner based on an individual client's long term credit assessment as well as on an overall credit portfolio assessment. During the ongoing financial turmoil the Issuer seeks to proactively monitor individual clients and/or projects and if needed requires additional collateral, while at the same time ascertains any additional impairments. Despite the relatively high degree of collateral covering the Issuer's credit portfolio, the changed macroeconomic environment in Slovenia as well as in the EU may have an adverse impact on the Issuer's credit portfolio expressed by lower internal rating, a higher level of non-performing loans and a decrease in the value of collateral. Accordingly, the Issuer's business and financial condition could be adversely affected.

The Issuer's credit exposure to corporate borrowers is dispersed throughout various industry sectors. A significant deterioration in the performance of certain sectors of the Slovenian economy, in particular the construction and financial sectors, which may be driven by events outside the Issuer's control, such as a further economic downturn, a decrease in the value of real estate and unemployment, could adversely impact the ability of borrowers in that industry to service their debt obligations to the Issuer. As a result the Issuer could experience increased delinquency risk, increased impairments and increased write-offs, which could have a material adverse effect on the Issuer's financial condition and results of operations.

The Issuer is subject to operational risk

The Issuer places great importance on identification and management of operational risk, including the risk of fraud by employees and third parties, unauthorised transactions by employees or operational errors including those resulting from faulty computers, telecommunication systems, breaches of security or errors in financial product design.

The Issuer continues to upgrade its ATM network to meet higher security levels and maintains types and levels of insurance consistent with the banking industry in Slovenia. Not every risk, however, is insured, such as fraudulent charge card use, and the proceeds of any insurance payments may not always cover the entire loss. The failure of any of the Issuer's security measures or its inability to protect against fraud and theft could have a material adverse effect on its reputation, business and financial results.

The Group's banking activities are dependent on highly sophisticated information technology (IT) systems, which are vulnerable to a number of problems including viruses, hacking, and other causes of system failure. These risks may have an adverse effect on the Issuer's business.

Fluctuations in interest rates may adversely affect the Issuer's results

The Issuer's profitability is primarily based on its net interest income.

Fluctuations in interest rates in Slovenia and in the other markets where the Issuer operates could adversely affect the Issuer's operations and financial condition.

An increase in interest rates may generally decrease the fair value of fixed rate loans and investment securities portfolio. However the Issuer believes that these risks are, to an extent, mitigated by a large amount of non-interest sensitive liabilities (demand deposits) and its

interest rate risk policy (based on strict internal limitation of interest rate gaps). Conversely, a decrease in interest rates would lower net interest income.

A mismatch between interest-earning assets and interest-bearing liabilities in any given period may have a material adverse effect on the Issuer's financial condition and results of operations.

Risks relating to liquidity could affect the Issuer's ability to meet its financial obligations as they fall due

The Issuer's businesses are subject to risks relating to liquidity which are inherent in its banking operations and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil commitments to lend.

The current dislocation in the global capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has had an impact on the wider economy. Individual institutions have faced varying degrees of stress. Should the Issuer, due to certain internal factors or external factors, such as further aggravation of the financial market turmoil be unable to continue to source a sustainable funding profile able to absorb these sudden shocks, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

Risks connected with the Issuer's group integration plans

Concurrently with the intensive expansion of the NLB Group, the Issuer started to develop integrated corporate governance systems. Management believes that adequate corporate governance rules and controls have now been established. Nevertheless, a failure in internal controls could result in an inability to implement some of the Issuer's strategic goals or fully realise expected synergies which could have an adverse effect on the Issuer's financial condition and results of operations at an NLB Group level.

The achievement of successful integration of the business operations at an NLB Group level depends to a large degree on the Issuer's senior management team and other key personnel including in particular in the areas of financial control, risk management, treasury functions and internal audit. The loss of key personnel or the inability to attract, retain and motivate qualified key personnel could have a material adverse effect on the Issuer's business and financial condition.

Risks connected to the Issuer's Unaudited Interim Financial Statements

The Issuer's unaudited consolidated and unconsolidated interim financial statements as at and for the three months ended 31 March 2009 and 2010 have not been audited or reviewed by independent auditors. In the event that such interim financial statements had been audited or reviewed this might have resulted in a change in the published figures and accordingly investors should not place undue reliance on such interim financial statements.

Risks arising from pending legal proceedings

The Issuer is subject to certain claims and is a party to legal proceedings in the normal course of its business.

Although management of the Issuer believes that the provisions in connection with legal proceedings that have been made in its financial statements are appropriate, a worse than expected outcome of any legal proceedings might cause such provisions to be insufficient to cover the Issuer's liabilities and have a material adverse effect on the financial condition and results of operations of the Issuer.

Risk Relating To The Notes

If the Notes will not be, or will cease to be, admitted to trading on a regulated market or a multilateral trading facility in either an EU member state or an OECD member state, the interest under the Notes may be subject to Slovenian withholding tax.

If and for as long as the Notes will be admitted to trading on a regulated market or a multilateral trading facility in either an EU member state or an OECD member state, the amounts of interest payable under the Notes will be fully exempt from Slovenian withholding tax.

If, however, at the time when an amount interest under the Notes is paid, such exemption will not apply, the Issuer will be obliged to deduct withholding tax on payments of interest under the Notes. In circumstances where an amount of interest is paid by the Issuer to a person (including any paying agent) who receives such amount for a third party's account, the Issuer will be required to deduct withholding tax at a rate of 20 per cent.. If interest is paid to a person who receives it for its own account, payment of interest under the Notes may, in certain circumstances, be subject to a Slovenian withholding tax at a rate of 15 per cent. (for certain corporate investors) or 20 per cent. (for certain individuals), as further described in "Taxation - Republic of Slovenia" below.

If the interest payable under the Notes will become subject to Slovenian withholding tax, Condition 7 (*Taxation*) will apply, according to which the Issuer shall pay such additional amounts as will result in receipt by Noteholders and Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

Condition 7 (*Taxation*) provides that no additional amounts shall be payable in certain circumstances. Accordingly, certain holders of Notes or Coupons may not receive amounts of principal or interest equal to the respective amounts which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding or deductions.

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. The Notes are only suitable for sophisticated investors. In particular, each potential holder of the Notes 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 these Listing Particulars 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 Notes 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 indices and financial markets generally; 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.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate additional of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Perpetual securities

The Issuer is under no obligation to redeem the Notes at any time and the Noteholders have no right to call for their redemption.

Redemption risk

The Issuer may, at its option, redeem the Notes in whole, but not in part, on the Interest Payment Date falling in December 2014 and on any Interest Payment Date of the Notes thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 7 (*Taxation*) as described in Condition 5(c) (*Redemption and Purchase – Redemption at the Option of the Issuer*) of the Terms and Conditions of the Notes. In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Interest Payment Date falling in December 2014 for taxation and regulatory reasons at their principal amount as described in Condition 5(b) (*Redemption and Purchase – Redemption for taxation and regulatory reasons*) of the Terms and Conditions of the Notes. Any redemption of the Notes is subject to the prior approval of the Central Bank (as defined herein). If the Issuer calls and redeems the Notes in any of the circumstances mentioned above, the Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

No limitation on issuing debt

There is no restriction on the amount of liabilities which the Issuer may issue or guarantee which rank senior to the Notes or on the amount of liabilities which the Issuer may issue or guarantee which rank *pari passu* to the Notes.

The occurrence of such issue or guarantee may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency or, or against, the Issuer.

Subordination

The Notes will be unsecured, subordinated obligations of the Issuer. Upon the occurrence of winding-up (which term, for the purposes of the Conditions, means bankruptcy ("*stečaj*") and liquidation ("*likvidacija*") of the Issuer, (i) the claims of the Noteholders and the Couponholders shall be subordinated in right of payment to the claims of all Senior Creditors (as defined herein) and (ii) no Noteholder shall be entitled to claim for or receive or retain any amount payable hereunder unless and until all amounts due to Senior Creditors have been paid in full. In such event, the Noteholders may recover proportionally less than the holders of unsubordinated and less deeply subordinated obligations of the Issuer.

The Noteholders explicitly accept that, in the circumstances described above, payments in respect of the Notes will be made by the Issuer pursuant to the Notes only in accordance with the subordination described above.

Optional suspension of interest payments

Noteholders should be aware that the Issuer may, by giving prior notice, elect in its discretion not to pay all (or part only) of the interest accrued to an Interest Payment Date if a Deferral Event (as defined herein) has occurred. For further details see Condition 3(d) (*Status and Subordination – Deferral of Payments*).

Interest on the Notes will not accrue on any deferred interest payment. The Issuer may, by giving prior notice, elect in its discretion to pay all (or part only) of any deferred interest at any time and, in addition, all deferred interest which remains unpaid shall become due and payable in full on (i) the commencement of a winding-up of the Issuer or (ii) the payment by the Issuer of any amounts owing to creditors whose claims rank *pari passu* with or junior to the claims of the Noteholders or (iii) the declaration by the Issuer of dividends on its ordinary shares in any other shares in issue.

As a consequence, if interest is deferred, Noteholders will have no right to receive such interest, unless and until one of the events referred to under (i) to (iii) in the preceding paragraph occurs. Furthermore, upon the occurrence of any such event, Noteholders will have no right to receive any interest on the deferred interest.

No active trading market for the Notes

The Notes may not be widely distributed and had no active trading market when issued. If the Notes have traded after their initial issuance, or are traded in the future, they may trade at a discount to their issue 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 Euro MTF market of the Luxembourg Stock Exchange, 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. Illiquidity may have a severe adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer pays 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 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 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.

Credit risk

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes or the standing of the Issuer and the Guarantor. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Because the Global Notes are held by or on behalf of a common depositary, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary 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.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, 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 entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of the proposal on 24 April 2009. If any of these proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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 issue of the Perpetual Floating Rate Upper Tier Two Subordinated Step-Up Notes (the "**Notes**") was authorised by a resolution of the Management Board ("*uprava*") and Supervisory Board ("*nadzorni svet*") of Nova Ljubljanska banka d.d., Ljubljana, a bank incorporated under the laws of The Republic of Slovenia (the "**Issuer**") on 9 December, 2004 and on or about 4 November, 2004, respectively. The Notes are constituted by a Fiscal Agency Agreement (the "**Fiscal Agency Agreement**") dated 17 December, 2004 between the Issuer and The Bank of New York Mellon (the "**Agent**") which expression includes the Agent (for the time being) and the initial principal paying agent and paying agents named therein. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, which includes the form of the Notes and the coupons relating to them (the "**Coupons**"). Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the principal office of the Agent (presently One Canada Square, London E14 5AL). The holders of the Notes (the "**Noteholders**") and the holders of the Coupons (whether or not such Coupons are attached to the relevant Notes) (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions Fiscal Agency Agreement.

1. Definitions

In these Conditions, except to the extent that the context otherwise requires:

"**Business Day**" means a day on which commercial banks and foreign exchange markets are open for general business in the place of presentation.

"**Central Bank**" means the Banka Slovenije, or any successor as central bank of Slovenia;

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty;

"**Senior Creditors**" means any and all creditors of the Issuer (which expression shall, for the avoidance of doubt, not include holders of any of shares issued by the Issuer in their capacity as holders of such shares), including creditors whose claims are subordinated to the claims of unsubordinated creditors or other subordinated creditors, other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders;

"**subsidiary**" means as to any person, any corporation, association or other business entity in which such person or one or more of its subsidiaries or such Person and one or more of its subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such person or one or more of its subsidiaries or such person and one or more of its subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such person or one or more of its subsidiaries). Unless the context otherwise clearly requires, any reference to a "**subsidiary**" is a reference to a subsidiary of the Issuer;

"TARGET" means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System;

"TARGET Business Day" means a day on which TARGET is operating; and

"Treaty" means the Treaty establishing the European Communities, as amended by the Treaty on European Union, as amended or reenacted.

2. **Form, Denomination and Title**

(a) *Form and denomination*

The Notes are serially numbered and in bearer form in the denominations of €25,000 and €100,000 each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination. Notwithstanding the foregoing, it is anticipated that, on issue, the Notes will be represented by a temporary global note, without coupons, which will be exchanged for a permanent global note, without coupons, as provided for in the Fiscal Agency Agreement. The Fiscal Agency Agreement will contain additional provisions applicable to the Notes in global form.

(b) *Title*

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (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 interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

3. **Status and Subordination**

(a) *Status*

The Notes and Coupons constitute unsecured, subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and with other instruments of the Issuer which are or are expressed to rank equally with the Notes and the Coupons and in priority to all classes of share capital of the Issuer and any instruments of the Issuer which are or are expressed to rank junior to the Notes and the Coupons.

(b) *Subordination*

On a winding-up (which term shall, for the purposes of these Conditions, mean bankruptcy ("*stečaj*") and liquidation ("*likvidacija*")) of the Issuer, (i) the claims of the Noteholders and the Couponholders shall be subordinated in right of payment to the claims of all Senior Creditors and (ii) no Noteholder shall be entitled to claim for or receive or retain any amount payable hereunder unless and until all amounts due to Senior Creditors have been paid in full.

The Notes shall qualify as hybrid instruments of the Issuer within the meaning of the provisions of Article 6.1 and 6.2 of the Central Bank's Regulation entitled "*Sklep o kapitalski ustreznosti bank in hranilnic*" (Official Gazette RS, No. 24/2002, 85/2002,

22/2003, 36/2004, 68/2004, 103/2004 and 124/2004) (the "**Capital Adequacy Regulation**"). Accordingly,

- (a) the Notes shall be of indeterminate maturity;
- (b) the Notes shall be unsecured, fully paid up and the claims under the Notes shall be subordinated to claims of all Senior Creditors on the winding-up of the Issuer;
- (c) any proceeds under the Notes shall be available to the Issuer for covering its losses in the ordinary operations of the Issuer as well in case of winding up of the Issuer,
- (d) they are to be carried separately in internal accounting of the Issuer and shall be confirmed by the Issuer's Management Board and terms and conditions thereof previously submitted to the Central Bank;
- (e) the Issuer shall have the right to defer payment of interest under the Notes as described in Condition 3 (d); and
- (f) in no event shall any amounts under the Notes become due and payable at the initiative of any Noteholder and without the Central Bank's consent (if applicable), except in the event of the winding-up of the Issuer.

The provisions of this Condition 3 shall take precedence over any other provision contained herein or in the Fiscal Agency Agreement.

- (c) *Set-Off, Counterclaim, Retention, etc.*

No Noteholder or Couponholder may exercise, claim or plead any right of set-off, counter-claim or retention or any similar right in respect of any amount owed to it by the Issuer arising under or in connection with the Notes or the Coupons and each Noteholder and Couponholder shall, by virtue of being the holder of any Note or, as the case may be, Coupon, be deemed to have waived all such rights.

- (d) *Deferral of Payments*

Notwithstanding Condition 4, the Issuer may elect, by notice in writing to the Agent (a "**Deferral Notice**"), from time to time and at any time, to defer the payment of interest in respect of the Notes if a Deferral Event (as defined below) has occurred and, accordingly, on the giving of such notice the due date for payment of such interest (the "**Deferred Payment**") shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose.

Interest will not accrue on any interest payment so deferred. The Issuer may give to the Agent written notice of its intention to pay the whole or any part of a Deferred Payment (a "**Payment Notice**") and the relevant Deferred Payment (or part thereof) shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments which remain unpaid shall become due and payable in full on (i) the commencement of a winding-up of the Issuer or (ii) the

payment by the Issuer of any amounts owing to creditors whose claims rank *pari passu* with or junior to the claims of the Noteholders or (iii) the declaration by the Issuer of dividends on its ordinary shares in any other shares in issue.

"Deferral Event" means (i) the unconsolidated financial statements of the Issuer for the financial year ending prior to the applicable Interest Payment Date show no net profit in the profit and loss accounts of such financial statements for such financial year and (ii) no dividends are declared and paid by the Issuer during the financial year in which the applicable Interest Payment Date occurs. For the purposes of this Condition 3(d), the unconsolidated financial statements are to be prepared in accordance with generally accepted accounting principles in Slovenia.

4. **Interest**

(a) *Interest Payment Dates*

The Notes bear interest from 17 December, 2004 and such interest will be payable on each 17 December, 17 March, 17 June and 17 September (each an **"Interest Payment Date"**). If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day. The period beginning on 17 December, 2004 and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an **"Interest Period"**.

(b) *Interest 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 such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) 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 (ii) the day seven days after the Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) *Rate of Interest*

The rate of interest from time to time in respect of the Notes (the **"Rate of Interest"**) will be determined by the Agent on the following basis:

- (i) On the second TARGET Business Day before the beginning of each Interest Period (the **"Interest Determination Date"**) the Agent will determine the offered rate for three-month euro deposits ("Euribor") as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page "248" on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying Euro-zone interbank offered rates of major banks for three months euro deposits) (the **"Screen Rate"**). The Rate of Interest for such

Interest Period shall be the aggregate of the Margin (as defined below) and the Screen Rate.

- (ii) If the Screen Rate does not so appear, or if the relevant page is unavailable, the Agent will request the principal Euro-zone office of each of the four major banks in the Euro-zone interbank market selected by the Agent (the "**Reference Banks**") to provide the Agent with its offered quotation to leading banks in the Euro-zone interbank market for three-month euro deposits as at 11.00 a.m. (Central European time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, up to the nearest fifth decimal place) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Agent.
- (iii) If on any Interest Determination Date on which the Rate of Interest would otherwise be determined in accordance with Condition 4.(c)(ii), one only or none of the Reference Banks provides such quotation, the Rate of Interest for the next Interest Period shall be the rate per annum which the Agent determines to be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, up to the nearest fifth decimal place) of the rates which leading banks in the Euro-zone selected by the Agent are quoting, on the relevant Interest Determination Date, for euro deposits for a period of three months commencing on the relevant Interest Determination Date, to leading European banks, except that, if the banks so selected by the Agent (being at least three in number) are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest in effect for the last preceding Interest Period to which one of the preceding sub-paragraphs of this paragraph (c) shall have applied.
- (iv) For the purposes of these Conditions,

"**Margin**" means, in respect of any Interest Period ending on an Interest Payment Date falling on or before the Interest Payment Date falling in December, 2014 1.60 per cent. per annum and thereafter 3.10 per cent. per annum.

(d) *Determination of Rate of Interest and Calculation of Coupon Amount*

The Agent will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable on the presentation and surrender of each Coupon (the "**Coupon Amount**") for the relevant Interest Period. The Coupon Amount shall be calculated by applying the Rate of Interest to the principal amount of one Note of each denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest €0.01 (€0.005 being rounded upwards). The determination of the Rate of Interest and the Coupon Amount by the Agent shall (in the absence of manifest error) be final and binding upon all parties.

(e) *Publication of Rate of Interest and Coupon Amount*

The Agent will cause the Rate of Interest and the Coupon Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Noteholders in accordance with Condition 14 as soon as possible after their determination but in no event later than the second Business Day thereafter. If the Notes become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Agent in accordance with this Condition (except as otherwise provided by law) but no publication of the Rate of Interest or the Coupon Amount so calculated need be made unless the Agent otherwise requires.

(f) *Agent*

The Issuer will procure that, so long as any Note is outstanding, there shall at all times be an Agent for the purposes of the Notes. If any such bank (acting through its relevant office) is unable or unwilling to continue to act as the Agent or if the Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Coupon Amount, the Issuer shall appoint some other leading bank engaged in the Euro-zone interbank market (acting through its principal Euro-zone office) to act as such in its place. The Agent may not resign its duties without a successor having been so appointed.

5. Redemption and Purchase

(a) *Maturity of the Notes*

The Notes have no maturity and shall only become repayable in accordance with this Condition 5.

(b) *Redemption for taxation and regulatory reasons*

The Notes may be redeemed at the option of the Issuer (subject to fulfilment of the general conditions set forth in paragraph (g) of this Condition) in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, if

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) the Notes have ceased to have regulatory capital treatment as hybrid Upper Tier Two instrument under the Capital Adequacy Regulation (as amended or supplemented).

Prior to the publication of any notice of redemption pursuant to this paragraph (b), the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the circumstances referred to in (i) or (ii) exist and the Agent shall, without enquiry and without any liability therefor, accept such certificate as sufficient evidence of such circumstances above in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(c) *Redemption at the Option of the Issuer*

The Issuer may, on the Interest Payment Date falling in December, 2014 or on any Interest Payment Date thereafter, on giving not more than 30 nor less than 15 days' irrevocable notice to the Noteholders and subject to fulfilment of the general conditions set forth in paragraph (g) of this Condition, redeem all, but not some only, of the Notes at their principal amount, together with accrued interest and any additional amounts which may be payable in respect of the Notes under Condition 7. Upon the expiry of such notice the Issuer shall be bound to redeem the Notes accordingly.

(d) *Notice of redemption*

All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition. Notice of redemption shall be given in accordance with Condition 14.

(e) *Purchase*

The Issuer and any of its subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer or any such subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

(f) *Cancellation*

All Notes so redeemed or purchased by the Issuer and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

(g) *General conditions for redemption*

Any redemption under paragraphs (b) or (c) or purchase under paragraph (e) of this Condition shall be subject to the fulfilment of the following conditions

- (i) to the extent that a prior approval of the Central Bank is required for the redemption in question, the Issuer has obtained such approval; and
- (ii) the Issuer has notified the Agent in writing that the approval set forth in (i) of this paragraph has been obtained or that no such approval is required for the redemption in question.

6. Payments

(a) *Method of payment*

Payments of principal and interest in respect of the Notes will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the

Notes or the appropriate Coupons (as the case may be) at the specified office of the Agent in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee in a city in which banks have access to the TARGET System or by cheque. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) *Payments subject to fiscal laws*

All payments 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 7. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) *Unmatured Coupons*

Upon the due date for redemption of any Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(d) *Payments on business days*

A Note or Coupon may only be presented for payment on a day which is a Business Day and a Target Business Day in the place of presentation. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date.

(e) *Agent*

The Agent and its initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Agent and appoint additional or other Agents provided that it will maintain an Agent having specified offices in a major European city (including a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive). Notice of any change in the Agent or specified offices of the Agent will be given promptly to the Noteholders in accordance with Condition 14.

7. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Slovenia or any authority therein or thereof having power to tax, unless such withholding or deduction 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 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 in respect of any Note or Coupon presented for payment:

- (a) *Other connection:* by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection within Slovenia other than the mere holding of the Note or Coupon or
- (b) *Presentation more than 30 days after the Relevant Date:* more than 30 days after the Relevant Date except to the extent that the holder of it 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
- (c) *Payment to individuals:* 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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or
- (d) *Payment by another Agent:* by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Agent in a Member State of the European Union.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Fiscal Agency Agreement.

8. **Default**

- (a) If the Issuer shall not make payment of any principal or any interest in respect of the Notes for a period of 10 days or more after the due date for the same (which failure to make payment shall constitute *prima facie* evidence of the Issuer's inability to make such payment, but such failure shall not exist if the Issuer has deferred payment of Interest under Condition 3(d)), the Noteholders may institute proceedings in Slovenia (but not elsewhere) for the winding-up of the Issuer and prove in such winding-up.
- (b) The Noteholders shall be entitled to institute such proceedings against the Issuer as they may think fit to enforce any obligation, condition or provision binding on the Issuer under the Fiscal Agency Agreement or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes or Coupons) provided that the Issuer shall not by virtue of any such proceedings be obliged to pay, and any Noteholder shall not be entitled to claim for or receive or retain, any sum or sums representing principal or interest in respect of the Notes or Coupons sooner than the same would otherwise have been payable by it.

- (c) In the event of the commencement of the winding-up of the Issuer (except in the event of a winding-up for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a Successor (as defined in the Fiscal Agency Agreement) the terms of which have previously been approved in writing by the Agent or by an Extraordinary Resolution of the Noteholders), any Noteholder may (i) give notice to the Issuer that the Notes are due and repayable immediately (and the Notes shall thereby become, subject always to Condition 3, so due and repayable) at their principal amount together with accrued interest and any additional amounts as provided in these Conditions and (ii) prove in the winding-up of the Issuer.

9. **Enforcement of Rights**

No remedy against the Issuer, other than as referred to in Condition 8, shall be available to the Noteholders or Couponholders in Slovenia or elsewhere, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Fiscal Agency Agreement.

10. **Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. **Meetings of Noteholders, Modification and Waiver**

(a) *Meetings of Noteholders*

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on or to vary the method of calculating the rate of interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify the provisions relating to the subordination of the Notes, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) *Modification and Waiver*

The Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of the provisions of the Fiscal Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders as soon as practicable.

12. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes or Notes or other securities either ranking *pari passu* in all respects (save for the first payment of interest thereon) and (in the case of Notes) so that the same shall be consolidated and form a single issue with the Notes or upon such terms as to ranking, interest, premium, redemption and otherwise as the Issuer may at the time of the issue thereof determine.

13. **Replacement of Notes and Coupons**

If a Note or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Agent on payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

14. **Notices**

Subject to further provisions of the Fiscal Agency Agreement, notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if in the opinion of the Issuer such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Jurisdiction**

(a) *Governing Law*

The Fiscal Agency Agreement, the Notes and the Coupons and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law except that Conditions 3 and 5(g) shall be governed by and construed in accordance with the laws of Slovenia.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Notes or the Coupons (including a dispute regarding the existence, validity or termination of the Notes or the Coupons) or the consequences of its nullity.

(c) *Appropriate forum*

The parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Process agent*

The Issuer agrees that the documents which start any proceedings in England ("**Proceedings**") arising from or connected with this Agreement, and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Resident Representative of the Issuer from time to time resident at the Representative Office of Nova Ljubljanska banka d.d. at 65/66 Queen Street, London EC4 1EB or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on your written demand addressed and delivered to the Issuer appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Agent upon your request shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer. Nothing in this paragraph shall affect your right to serve process in any other manner permitted by law.

(e) *Consent to enforcement etc.*

The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings to the fullest extent permitted by law.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of these Listing Particulars.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes were initially in the form of the Temporary Global Note which was deposited on the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note was 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**") in the denomination of EUR 50,000 each 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 does in fact do so and no alternative successor clearing system is available or (b) any of the circumstances described in Condition 8 (*Default*) occurs.

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 and Talons 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 at the Specified Office 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 dated 17 December 2004 (the "**Deed of Covenant**") 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.

The following legend will appear on all Notes and on all receipts and interest coupons relating to such Notes:

"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."

The sections referred to provide that U.S. persons, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

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 at the Specified Office 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 same is noted in a schedule thereto.

Notices

Notwithstanding Condition 14 (*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 depository 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 14 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; provided, however, that, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be 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/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, after deduction of total expenses related to the admission to trading, amounted to approximately Euro 99,375,000 and were used for inclusion in the Issuer's capital.

DESCRIPTION OF THE ISSUER

Introduction

NLB

Nova Ljubljanska banka d.d., Ljubljana ("**NLB**" or the "**Issuer**") traces its origins back to 1889. NLB was established under its current name in 1994. NLB is a financial and banking institution incorporated in Slovenia as a joint stock company, with a network of 158 branches in its domestic market. NLB pursues a universal banking model comprising of corporate and retail banking and securities brokerage. It is also a leading bank in Slovenia with 29.8 per cent. market share (by total assets). NLB had 4,050 employees as of 31 December 2009. By the end of 2009, more than 839,000 residents of Slovenia had opened a personal account with NLB (which is 41 per cent. of Slovenia's population) and 62,749 corporate accounts of medium-sized, small, and micro-sized enterprises, as well as independent contractors, were open at NLB (Source: NLB).

The rating agencies Moody's Investors Services Inc. ("**Moody's**") and Fitch Ratings Limited ("**Fitch**") currently assign a rating to the Issuer. As at the date of this Information Memorandum, the Issuer's ratings are as follows:

	Moody's	Fitch
Long-term debt	A1	A-
Short-term debt	Prime-1	F2
Rating outlook	Stable	Stable

Note: Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

As at 31 December 2009 NLB had total assets on an unconsolidated basis of Euro 15,509.1 million (Euro 14,476.7 million as at 31 December 2008), loans and advances to customers of Euro 9,456.7 million (Euro 9,719.4 million as at 31 December 2008), Euro 8,191.2 million in customer deposits (Euro 7,071.4 million as at 31 December 2008) and Euro 1,177.6 million in shareholders' equity (Euro 1,197.8 million as at 31 December 2008).

NLB Group

NLB together with its subsidiaries (the "**NLB Group**") is the largest banking and financial group in Slovenia and among top 10 rated banks in the Central and Eastern Europe region according to Tier 1 capital (Source: NLB). NLB, which is the NLB Group's largest operating entity (representing 79.1 per cent. of the total assets of the NLB Group) is the parent company of the NLB Group and as such is responsible for ensuring the strategic direction and defining the objectives of individual subsidiaries, providing operational support and monitoring risks.

The NLB Group predominantly provides commercial banking services for both retail and small- and medium-sized corporate customers in Central and Eastern Europe, and in addition offers its customers leasing, factoring and forfeiting, insurance and asset-management services. Altogether, it has approximately 516 branches.

As at 31 December 2009, NLB Group consisted of 54 companies located in Slovenia and abroad, spread through 17 countries or 18 markets: 12 companies and one overseas branch operate in the banking sector, 11 companies operate in the leasing sector, 11 companies operate in the factoring and forfeiting sector, five companies operate in the insurance sector, one company operates in the asset-management sector and 14 companies operate in other sectors.

In addition, the NLB Group has three representative offices abroad in the UK, Ukraine and Russia.

As at 31 December 2009 the NLB Group had total assets of Euro 19,605.6 million (Euro 18,918.2 million as at 31 December 2008), loans and advances to customers of Euro 12,332.9 million (Euro 12,916.9 million as at 31 December 2008), Euro 10,741.2 million in customer deposits (Euro 9,464.8 million as at 31 December 2008) and Euro 1,244.2 million in shareholders' equity¹ (Euro 1,336.4 million as at 31 December 2008).

History of the Issuer

The Issuer was incorporated on 27 July 1994 by a Legislative Act of the National Assembly of the Republic of Slovenia (*Državni zbor Republike Slovenije*), namely the Constitutional Law on the Amendments of the Constitutional Law on the Implementation of the Basic Constitutional Charter on the Independence and Sovereignty of the Republic of Slovenia ("*Ustavni zakon o dopolnitvah ustavnega zakona za izvedbo Temeljne ustavne listine o samostojnosti in neodvisnosti Republike Slovenije*"; Official Gazette of the Republic of Slovenia 45/I-94), dated 27 July 1994 (the Constitutional Law on the Implementation of the Basic Constitutional Charter on the Independence and Sovereignty of the Republic of Slovenia ("*Ustavni zakon za izvedbo Temeljne ustavne listine o samostojnosti in neodvisnosti Republike Slovenije*"; Official Gazette of the Republic of Slovenia 1/91), as amended hereinafter the "**Constitutional Law**").

Pursuant to Article 22.b of the Constitutional Law, the Issuer took over part of the assets, liabilities and operations of Ljubljanska banka d.d., Ljubljana ("**LB**"). Article 22.b of the Constitutional Law provided, inter alia, for LB to retain (and thus, for the Issuer not to assume):

- all contingent liabilities under the joint and several liability pursuant to the New Financing Agreement ("**NFA**") and other potential liabilities arising from the relationships with the National Bank of Yugoslavia ("**NBY**") and the former Socialist Federal Republic of Yugoslavia ("**SFRY**") for the part of which the debtors are in the other republics of the former SFRY;
- a corresponding part of contingent claims arising from the contingent liabilities referred to above;
- all liabilities for foreign currency deposits in foreign currency accounts and foreign currency savings-books, for which the Republic of Slovenia has not assumed the guarantee pursuant to Article 19 of the Constitutional Law;

¹ Including minority interest.

- the liabilities towards the NBY and those liabilities to foreign creditors for which a guarantee was given by the former SFRY while the funds were used by ultimate/final beneficiaries in other republics of the former SFRY;
- claims pertaining to the liabilities referred to in the previous bullet point; and
- relationships with branches and subsidiary of LB having their registered seat in other republics in the territory of the former SFRY, on the understanding that it also keeps an adequate share of the claims towards NBY and arising from foreign currency savings-deposits.

Pursuant to Article 22.č of the Constitutional Law, the Bank Rehabilitation Agency of the Republic of Slovenia for Banks and Savings Banks was the founder of the Issuer. Due to Article 22.č of the Constitutional Law, the Issuer was assigned the status of a bank in rehabilitation upon its foundation. On 16 July 1997 the rehabilitation process of the Issuer was concluded.

The following table sets out the core activities and locations of the companies and branches comprising the NLB Group as of 31 December 2009:

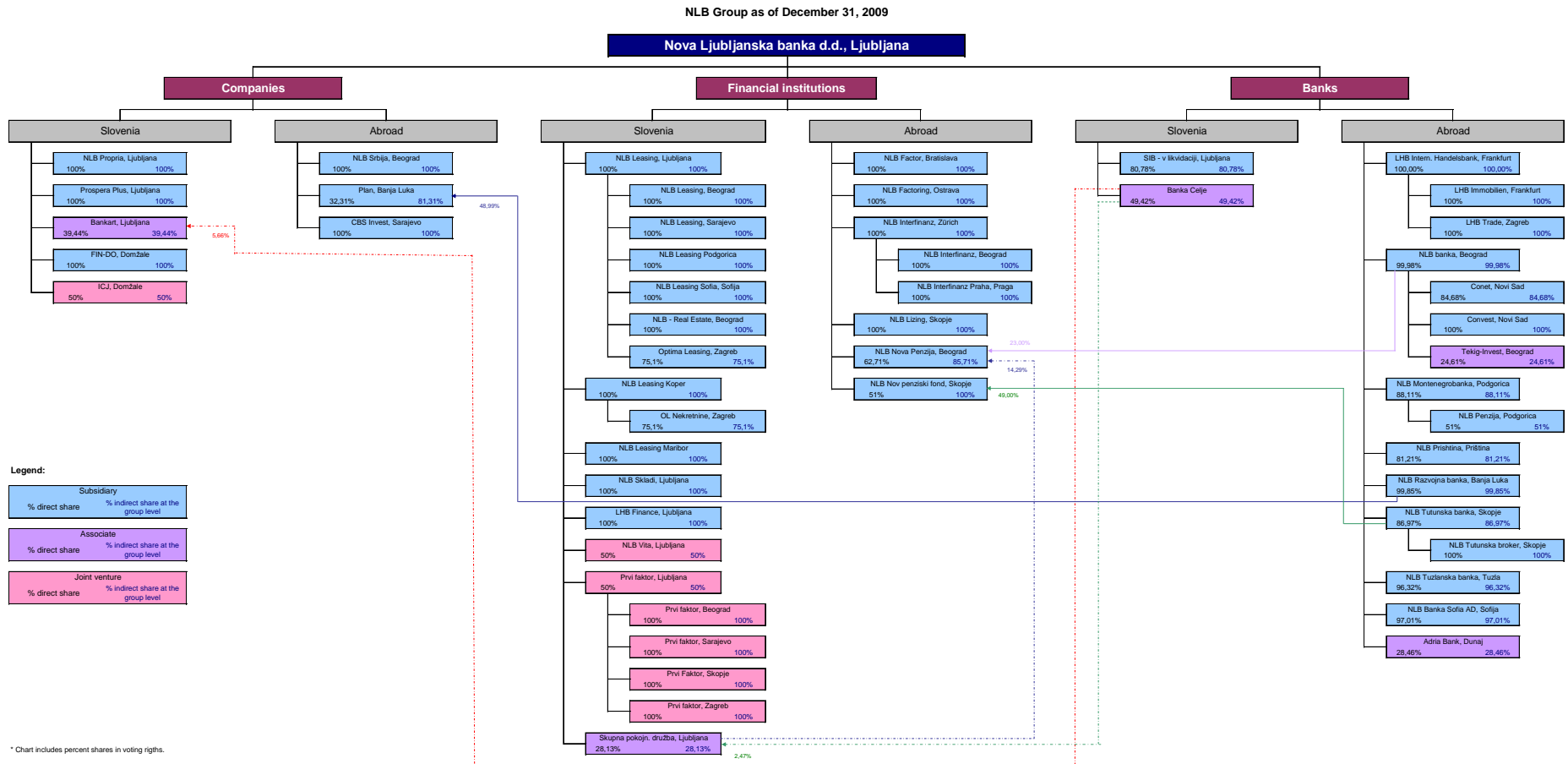
	Banks	Leasing	Factoring and forfeiting	Life and pension insurance	Asset-management	Other activities	
<i>Western and Central Europe</i>	Slovenia	NLB, Ljubljana; Banka Celje , Celje; SIB - in liquidation , Ljubljana	NLB Leasing, Ljubljana; NLB Leasing, Koper; NLB Leasing, Maribor	Prvi faktor, Ljubljana; LHB Finance, Ljubljana	NLB Vita, Ljubljana; Skupna pokojninska družba, Ljubljana	NLB Skladi, Ljubljana	Prospera plus, Ljubljana; NLB Propria, Ljubljana; Bankart, Ljubljana; FIN-DO, Domžale; ICJ, Domžale
	Austria	Adria Bank, Vienna					
	Czech Republic			NLB InterFinanz, Prague; NLB Factoring, Ostrava			
	Germany	LHB Internationale Handelsbank, Frankfurt/Main					LHB Immobilien, Frankfurt/Main
	Italy	Trieste Branch, Trieste*					
	Slovakia			NLB Factor, Bratislava			
	Switzerland			NLB InterFinanz, Zürich			
<i>Southeastern Europe</i>	Bosnia and Herzegovina	NLB Razvojna banka, Banja Luka; NLB Tuzlanska banka, Tuzla	NLB Leasing, Sarajevo	Prvi faktor, Sarajevo			Plan, Banja Luka; CBS Invest, Sarajevo
	Bulgaria	NLB Banka Sofia, Sofia	NLB Leasing, Sofia				
	Croatia		Optima Leasing, Zagreb; OL Nekretnine, Zagreb	Prvi faktor, Zagreb			LHB Trade, Zagreb
	Kosovo	NLB Prishtina, Pristina					
	Macedonia	NLB Tutunska banka, Skopje	NLB Lizing, Skopje	Prvi faktor, Skopje	NLB Nov penziski fond, Skopje		NLB Tutunska broker, Skopje
	Montenegro	NLB Montenegrobanka, Podgorica	NLB Leasing, Podgorica		NLB Penzija, Podgorica**		
	Serbia	NLB banka, Belgrade	NLB Leasing, Belgrade; NLB Real Estate, Belgrade	NLB InterFinanz, Belgrade; Prvi faktor, Belgrade	NLB Nova penzija, Belgrade		Conet, Novi Sad; Convest, Novi Sad; NLB Srbija, Belgrade; Tekig-Invest, Belgrade

* Trieste Branch is part of NLB.

** The company is currently acquiring an operating licence.

Source: NLB

The following table sets out the NLB Group structure as of 31 December 2009:



Source: NLB

Corporate Governance

NLB's corporate governance is structured along a two tier corporate governance system with a Management Board and a Supervisory Board. The Supervisory Board comprises of 10 members appointed by the General Meeting of Shareholders. In line with market practice, the Supervisory Board is responsible for the appointment of the President of the Management Board and CEO as well as the other members of the Management Board, and is also responsible for the overall supervision of NLB's and the NLB Group's operations in line with EU and Slovenian banking law and other applicable regulations. The Management Board is responsible for the NLB Group and represents and manages NLB's business operations.

Share Capital

The total issued share capital of the Issuer amounts to Euro 74,328 thousand, fully paid up, composed of 8,905,952 ordinary shares. One ordinary share of the Issuer is held by its subsidiary NLB Propria, d.o.o., Ljubljana, and the Issuer itself holds 34,924 treasury shares.

The Issuer does not have any convertible debt securities, exchangeable debt securities or debt securities with warrants attached outstanding.

Ownership

NLB's key shareholders are the Republic of Slovenia with a direct shareholding of 33.10 per cent. and KBC Bank with a direct shareholding of 30.57 per cent. as of 31 December 2009. A number of other shareholders are affiliated with the Republic of Slovenia.

On 30 April 2008, KBC Bank announced that it had started a process for selling its stake in NLB by means of a transparent tender process, so that the most suitable new partner(s) for NLB can be selected in agreement with the Republic of Slovenia. As at the date of this Listing Particulars, NLB is not aware of any potential purchaser(s) having been identified.

NLB's shareholder structure as at 31 December 2009 was as follows:

Shareholder	<i>(in per cent.)</i>
Republic of Slovenia	33.10
KBC Bank NV	30.57
Poteza Nalozbe d.o.o.	5.80
Slovenska odškodninska druzba d.d.	5.05
Kapitalska druzba d.d.	5.01
Other shareholders	20.47

Strategy

NLB's strategic objectives are based on the assumption that it is an independent banking group, which builds its business model itself and ensures the necessary strategic resources for its growth and development.

NLB is a full-service banking group operating in south-eastern Europe.

NLB's strategic objective is to be one of the leading providers of banking services in each of the south-eastern European countries where NLB has retail operations.

Slovenia, which is NLB's home market and where the NLB Group generates most of its revenue, also is its strategic key market. NLB's strategic objective in this market is to maintain its market share.

Furthermore, NLB's strategic market includes south-eastern Europe, where it is active on the retail banking market, and includes the following countries: Serbia, Macedonia, Bosnia-Herzegovina, Montenegro, and Kosovo. NLB's strategic goal for those markets, in which it already has retail operations, is to be among the leading providers.

NLB provides comprehensive banking and financial services.

NLB is a full-service banking group that, in addition to its basic banking services, also offers comprehensive financial services with a view to satisfying all its clients' financial needs.

The key strategic pillars consist of:

Retail banking, which includes:

- Commercial banking,
- Leasing of movable property,
- Asset management,
- Life and pension insurance,
- Private banking.

Corporate banking, which includes:

- Commercial banking,
- Corporate finance,
- Brokerage on capital markets according to its clients' needs,
- Trade finance,
- Leasing of movable property.

Key Financial Highlights

In the first half of 2009, the NLB Group's business operations were mainly characterised by more difficult conditions in obtaining funding, whereas in the second half of the year the negative trends in the global economy caused a decline in the Issuer's portfolio quality. Furthermore, falling interest rates, volatile security rates, and some falling currency rate values additionally negatively influenced business operations.

Despite adverse conditions, the NLB Group recorded favourable results in relation to income from net interest and net fees and commissions, which represent the main generators of the NLB Group's aggregate income;

- numerous measures were taken that resulted in lower costs;
- deposits from the non-banking sector increased;
- the NLB Group continuously fulfilled the liquidity requirements, and
- attention was paid to controlling credit risk exposure by means of selective approval of loans, stricter criteria, and consistent implementation of the Issuer's collateral policy.

In spite of the difficult conditions, the NLB Group recorded a solid result before provisions amounting to Euro 229.6 million, but due to the deteriorating credit portfolio the volume of created impairments and provisions exceeded the generated profit. In addition, negative extraordinary business events amounting to Euro 35.2 million net at NLB Group level and Euro 46.6 million at the NLB level had a considerable effect on the result.

In 2009, the Group's result after tax amounted to Euro -86.8 million or Euro -51.6 million after the deduction of extraordinary business events. NLB ended the year with a loss in the amount of Euro 23.6 million, but its current business result without extraordinary business events was positive and amounted to Euro 23.0 million.

The extended profit, which also includes evaluated securities and cash flow recognised in equity amounted to Euro -17.3 million at NLB level and Euro -56.0 million at NLB Group level.

The following table shows the financial highlights of NLB and the NLB Group for the years ended 31 December 2009 and 2008.

	NLB Group		NLB	
	As at and for the years ended 31 December		As at and for the years ended 31 December	
	2009	2008	2009	2008
	<i>(millions of Euro)</i>			
Key Income Statement figures				
Net interest income	423.2	476.0	249.5	285.6
Net non-interest income	217.9	188.8	177.1	159.0
Total expenses	417.6	423.2	253.4	261.8
Loss/profit before income tax	-85.9	38.2	-22.8	56.0
Key Balance Sheet figures				
Total assets	19,605.6	18,918.2	15,509.1	14,476.7
Loans and advances to customers	12,332.9	12,916.9	9,456.7	9,719.4
Due to customers	10,741.2	9,464.8	8,191.2	7,071.4
Key Performance figures				
Profit before tax to average shareholders' equity (ROE)*	-6.6%	3.1%	-1.9%	5.3%
Cost income ratio (CIR)**	65.2%	63.7%	59.4%	58.9%

* Average shareholders' equity in ROE for NLB Group is calculated as average quarterly shareholders' equity and for NLB unconsolidated as average monthly shareholders' equity.

** Cost income ratio is the ratio of total expenses to total income, where total expenses are the sum of administrative expenses and depreciation with amortisation, and total income is the sum of net interest income and net non-interest income (net fees and commissions, dividend income, net income from financial transactions and other net income) excluding profit from equity investments in associates and joint ventures.

NLB Group's net interest income declined by 11 per cent. for the year ended 31 December 2009 to Euro 423.2 million (compared to Euro 476.0 million in 2008) and NLB Group net fees and commissions declined by 5 per cent. for the year ended 31 December 2009 to Euro 157.4 million (compared to Euro 166.3 million in 2008).

	Contribution to NLB Group's profit before tax by region		Contribution to NLB Group's total assets by region	
	Year ended 31 December		Year ended 31 December	
	2009	2008	2009	2008
	<i>(millions of Euro)</i>		<i>(in per cent.)</i>	
Slovenia	-26.9	26.9	73.4	71.3
South Eastern Europe	-8.6	26.2	19.0	19.0
Western and Central Europe	-50.4	-14.9	7.6	9.6
Total	-85.9	38.2	100.0	100.0

NLB Group's operations in Slovenia represented 73.4 per cent. of total assets, South-Eastern Europe represented 19.0 per cent. and Western and Central Europe represented 7.6 per cent. as at 31 December 2009.

Activities

The NLB Group is principally involved in retail banking and corporate banking.

The table below sets forth the contribution of each principal business activity to NLB Group's total assets and profit before tax, derived from its consolidated financial statements as at and for the years ended 31 December 2009 and 2008.

	Contribution to NLB Group's profit before tax by activity		Contribution to NLB Group's total assets by activity	
	Year ended 31 December		Year ended 31 December	
	2009	2008	2009	2008
	<i>(millions of Euro)</i>		<i>(in per cent.)</i>	
Banking	-62.0	31.7	91.4	90.0
Factoring & Forfeiting	-12.6	9.2	3.6	4.4
Leasing	-6.3	-0.3	4.6	5.1
Other	-5.0	-2.4	0.4	0.5
Total	-85.9	38.2	100.0	100.0

Banking remains the NLB Group's primary activity and generated 72.2 per cent. of loss before taxes in 2009.

NLB Group has a banking presence across South-Eastern Europe. The following table sets out the key NLB Group member banks by total assets (before intercompany elimination adjustments) and market share in local markets as at 31 December 2009.

NLB Group member	Total assets <i>(thousands of Euro)</i>	Market share by total assets in local markets*	
		<i>Local market</i>	<i>in %</i>
NLB d.d., Ljubljana	15,509,083	Republic of Slovenia	29.8
LHB Internationale Handelsbank AG	846,378	Republic of Germany	n.a.
NLB Tutunska Banka AD, Skopje	885,687	Republic of Macedonia	19.9
NLB Razvojna banka A.D., Banja Luka	593,664	Republic of Bosnia and Herzegovina	21.0**
NLB Montenegrobanka AD, Podgorica	515,993	Republic of Montenegro	17.0
NLB banka a.d., Beograd	469,181	Republic of Serbia	2.1
NLB Tuzlanska banka d.d., Tuzla	428,660	Republic of Bosnia and Herzegovina	5.1***
NLB Prishtina sh.a., Priština	298,391	Republic of Kosovo	14.3
NLB Banka Sofia a.d., Sofija	105,669	Republic of Bulgaria	0.3

* Source: NLB; ** Market share in Republika Srpska; *** Market share in the Federation

Retail Banking

The NLB Group provides a range of banking products and services to its retail customers, offering interest-bearing current accounts and other deposit accounts (including savings accounts), together with related debit cards and cards for access to the domestic and international ATM networks, overdraft facilities, mortgage loans, personal loans, bill payment services and foreign exchange services.

As at 31 December 2009, deposits from the NLB Group's retail customers (defined as individuals) represented 59.8 per cent. of its total non-banking sector deposits, while loans to retail customers represented 22.2 per cent. of its total non-banking sector loans.

Corporate Banking

The NLB Group provides a range of banking products and services to its corporate customers (defined as businesses).

The NLB Group offers corporate customers interest-bearing current and savings accounts as well as short-, medium- and long-term secured and unsecured loans, mortgages, revolving credit facilities, overdraft facilities, export/import financing and certain bill payment services.

As at 31 December 2009, deposits from the NLB Group's corporate customers represented 24.3 per cent. of its total non-banking sector deposits, while loans to corporate customers represented 76.4 per cent. of its total non-banking sector loans.

Non-Banking Activities

Leasing

The leasing companies of the NLB Group provide leasing services to individuals and corporate clients, as well as to sale traders. Their main business is financing assets such as real estate, personal and commercial vehicles, computer and other information technology equipment, industrial and office furnishings and agricultural equipment.

NLB Leasing Group Ljubljana and other leasing companies provide leasing services for the NLB Group in the Slovenian and south-eastern European markets. Leasing is an important activity for the Group and involves 11 leasing companies: three in the Slovenian market and eight in the markets of south-eastern Europe.

Factoring and Forfeiting

The NLB Group provides factoring and forfeiting services in the Slovenian market through Prvi Faktor Group and LHB Finance. The Group also provides these services in the markets of south-eastern Europe, in Switzerland and in the Czech and the Slovak Republics.

NLB InterFinanz Zürich provides mainly forfeiting services, but also offers other commercial banking products.

NLB Factor and NLB Factoring companies focus mainly on factoring services (including claim collection, administration and insurance), as well as on short-term and investment loans and financing of real estate and development activities.

NLB Group has a 50 per cent. stake in the companies of the Prvi Faktor Group (with SID Bank owning the other 50 per cent.). Prvi Faktor Group companies are specialized to offer complex factoring services (acquisition, insurance and management of accounts receivable in domestic and foreign markets). The largest of these operations in the Group is Prvi Faktor Zagreb, which is also the leading factoring company in the Croatian market. Parent company Prvi Faktor Ljubljana is a member of the international factoring association, Factor Chain International (FCI), while Prvi Faktor Belgrade is part of the International Factoring Group (IFG).

Asset Management

The NLB Group's NLB Skladi has operated in this market since 2004. The company is among the leading providers of investment fund management in Slovenia.

In addition to the general advantages of mutual funds, NLB Skladi offers additional advantages, such as adjustable savings plans, competitive commission rates and expenses, management in line with international standards, genuine transparency of investment policies, timely information for investors, and services to investors by the banking network of the NLB Group.

Life and Pension Insurance

The NLB Group provides life and pension insurance services.

NLB Vita, which is 50 per cent. owned by the NLB Group (the other 50 per cent. is owned by the Belgian KBC group), offers life insurance products tailored to fit specifics of sale exclusively through its banking network.

Skupna Pokojninska Družba is an associate member of the NLB Group and is the leading provider of voluntary pension insurance in Slovenia.

NLB Group also provides pension insurance services in SE Europe: in Macedonia (NLB Nov Penziski Fond), Serbia (NLB Nova Penzija) and Montenegro (NLB Penzija, which is still in the process of acquiring a concession/license).

Funding

Over the last few years, loans at NLB have grown faster than the deposit base resulting in a rising loan to deposit ratio. This trend is not specific to NLB but rather a reflection of the strong demand for credit in the Slovenian market as a result of the strong growth of the Slovenian economy.

The current funding strategy is primarily reliant on retail and corporate deposits, along with borrowings from banks. Despite challenging market conditions, NLB has been able to raise capital/debt since the beginning of the financial crisis.

Liability structure

	NLB Group		NLB	
	Year ended 31 December		Year ended 31 December	
	2009	2008	2009	2008
		<i>(thousands of Euro)</i>		
Deposits and borrowings from Central Bank	802,036	201,314	802,036	201,314
Trading liabilities	58,358	68,224	57,204	67,716
Derivatives - hedge accounting	32,916	10,048	32,916	10,048
Deposits from banks	366,257	564,111	336,003	508,910
Borrowings from banks	3,350,688	5,166,226	2,196,634	3,576,889
Due to customers	10,741,248	9,464,809	8,191,185	7,071,396
Borrowings from other customers	140,543	82,311	10,108	1,611
Debt securities in issue	1,780,047	493,651	1,769,606	468,872
Subordinated liabilities	833,600	886,658	784,911	839,290
Financial liabilities associated to transferred assets	-	400,518	-	400,518
Fair value changes of the hedged items in portfolio hedge of interest rate risk	26	-	26	-

Provisions	89,481	92,439	55,836	58,688
Current income tax liabilities	1,902	15,702	1,123	14,356
Deferred income tax liabilities	1,039	2,658	-	-
Other liabilities	163,220	133,142	93,873	59,257
TOTAL LIABILITIES	18,361,361	17,581,811	14,331,461	13,278,865

Liquidity

The change in general market conditions were also reflected in the business operations of NLB and the NLB Group in 2009. The NLB Group made efforts to reinforce its planning activities with a view to improving operational and structural liquidity. To provide the NLB Group with liquidity and following its traditionally conservative approach to risk, the NLB Group had already acquired liquid assets of a certain credit quality, mostly government securities, which are considered to be adequate financial assets by the ECB. The NLB Group was also carrying out activities to enter certain adequate loans in the loan register kept by the Bank of Slovenia, which will allow the NLB Group to pledge these loans in order to gain liquidity by using instruments entered into with ECB.

In 2009, despite the financial crisis, NLB succeeded in increasing liquidity reserves (at the end of 2008: 26.3 per cent. of total assets, at the end of 2009: 28.2 per cent. of total assets), with a view to sustaining a high security level of business operations despite the extraordinary stressful situation. Liquidity reserves are comprised of (i) primary reserves (such as cash, funds on settlement account with the Bank of Slovenia and sight and overnight funds with banks), (ii) secondary reserves (trading and banking book securities, ECB Eligible loans) and (iii) equity securities. The primary reserves of NLB amounted to Euro 0.452 billion and secondary reserves amounted to Euro 3.832 billion in 2009 and equity securities amounted to EUR 0.275 billion.

Apart from these liquidity reserves, the banking book is considered conservative as it predominantly consists of government bonds and T-Bills; as at 31 December 2009 44.6 per cent. of NLB's banking book securities were AAA rated and 50.8 per cent. AA rated (according to S&P ratings).

Loan Portfolio

The following table shows an analysis of the gross loan portfolio by sector as of 31 December 2009 and 2008 of NLB and the NLB Group.

Industry sector	NLB Group As at 31 December				NLB As at 31 December			
	2009 Net loans	(in %)	2008 Net loans	(in %)	2009 Net loans	(in %)	2008 Net loans	(in %)
	<i>(thousands of Euros, except percentages)</i>							
Banks	1,525,317	11.01	1,096,961	7.83	1,313,118	12.19	848,425	8.03
Financial organisations	366,644	2.65	426,082	3.04	1,045,882	9.71	1,003,572	9.50
Electricity, gas and water	164,834	1.19	162,191	1.16	110,744	1.03	117,705	1.11
Construction industry	1,178,649	8.51	1,125,067	8.03	823,915	7.65	747,243	7.07
Heavy industry	1,997,587	14.41	2,152,820	15.36	1,368,375	12.71	1,448,080	13.70
Education	11,944	0.09	21,995	0.16	7,696	0.07	8,348	0.08
Agriculture, forestry and fishing	148,797	1.07	152,222	1.09	65,040	0.60	65,554	0.62
Public sector	201,445	1.45	164,686	1.18	100,483	0.93	108,466	1.03
Individuals	2,795,485	20.17	2,768,713	19.76	1,991,398	18.50	1,903,160	18.01
Mining	105,886	0.76	86,615	0.62	37,938	0.35	32,837	0.31
Entrepreneurs	202,048	1.46	242,207	1.73	158,485	1.47	184,070	1.74
Services	2,057,742	14.85	2,337,474	16.68	1,564,814	14.53	1,807,826	17.10

Transport and communications	1,344,117	9.70	1,313,748	9.37	1,173,567	10.90	1,108,474	10.49
Trade industry	1,726,388	12.46	1,925,502	13.74	988,043	9.17	1,158,982	10.97
Health care and social security	31,352	0.23	37,608	0.27	20,328	0.19	25,057	0.24
TOTAL*	13,858,235	100.00	14,013,891	100.00	10,769,826	100.00	10,567,799	100.00

* without provisions

The NLB Group's loan portfolio is fairly diverse. The most important sectors in 2009 were individual clients, services, heavy industry and trade industry. The loans granted to these sectors represented 61.89 per cent. of total loans in NLB Group (54.90 per cent. in NLB) as at 31 December 2009.

The table below shows a breakdown of assets of NLB and NLB Group.

	NLB Group		NLB	
	As at 31 December 2009	2008	As at 31 December 2009	2008
	<i>(thousands of Euro)</i>			
Cash and balances with Central Bank	996,264	830,892	381,987	307,250
Trading assets	358,518	475,342	351,041	459,433
Financial assets designated at fair value through profit or loss	29,797	2,473	28,114	1,019
Available for sale financial assets	2,862,571	1,762,425	2,481,655	1,327,919
Derivatives - hedge accounting	28,703	8,095	28,703	8,095
Loans and advances to banks	1,525,317	1,096,961	1,313,118	848,425
Loans and advances to customers	12,332,918	12,916,930	9,456,708	9,719,374
Held to maturity investments	579,490	590,662	579,316	590,400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	500	-	500	-
Non-current assets held for sale	28,662	13,760	6,408	3,857
Pledged assets	-	400,682	-	400,682
Property and equipment	367,787	396,163	161,493	165,993
Investment property	26,112	22,241	1,788	1,788
Intangible assets	167,821	189,974	78,498	85,240
Investments in subsidiaries, associated companies and joint ventures	110,520	105,279	554,757	510,047
Current income tax asset	21,403	5,206	18,090	-
Deferred income tax asset	31,950	27,058	14,160	14,645
Other assets	137,224	74,041	52,747	32,524
TOTAL ASSETS	19,605,557	18,918,184	15,509,083	14,476,691

Impairment provisions at NLB are determined through both an individual and a collective assessment of the loan portfolio. According to the internal policy, all individually significant customers (calculated on the basis of the amount of the loan and the internal rating assigned to the relevant customer) are individually assessed for impairment. This represents almost 66.5 per cent. of all corporate customers and entrepreneurs and all banks. All loans that are not considered individually significant or that have not yet been subject to an impairment charge following their individual assessment (except for loans to banks) fall in a pool subject to a collective assessment. Both the individual and collective assessments follow internal methodologies compliant with IFRS principles to determine the amount of provisions.

The following table shows loans and advances past due but not impaired as of 31 December 2009 of NLB and the NLB Group (in thousands of Euro).

As at 31 December 2009

(Thousands of Euro)

Loans to							Total
Government	Banks	Financial organizations	Individuals	Other Customers	Other Assets*		
NLB							
Up to 30 Days	-	-	27,612	99	6,194	637	6,930
Up to 90 Days	-	-	3,882	-	1,297	32	1,329
Over 90 Days	-	-	1	-	4,632	20	4,652
Total	-	-	31,495	99	12,123	689	
NLB Group							
Up to 30 Days	352	35	28,613	39,552	78,970	1,609	149,131
Up to 90 Days	77	-	-	25,692	54,674	1,033	81,476
Over 90 Days	-	-	-	11,240	77,615	976	89,831
Total	429	35	28,613	76,484	211,259	3,618	

*Other assets include debtors, receivables in the course of collection, prepayments, deferred expenses, fees and commissions due, accrued fees and commissions, claims for taxes and other dues.

Loans that are past due but not impaired represent a relatively small portion of all loans. As of 31 December 2009, Euro 89.8 million of loans and advances were over 90 days past due but not impaired representing 0.65 per cent. of total loans and advances of the NLB Group. At NLB level Euro 4,653 of loans and advances were over 90 days past due but not impaired and thereby represented an insignificant percentage of total loans and advances. Loans that are past due but not impaired will become impaired when individual assessment shows that the entire loan amount will not be repaid or when collateral no longer covers the entire unpaid loan amount.

The following table shows the classification of NLB's loan portfolio.

Internal rating grade	As at 31 December			
	2009		2008	
	Loans and advances (in per cent.)	Impairment provision (in per cent.)	Loans and advances (in per cent.)	Impairment provision (in per cent.)
A	61.94	0.34	64.54	0.53
B	26.00	3.59	27.21	3.08
C	8.21	12.24	5.76	11.07
D and E	3.85	59.45	2.49	65.01
TOTAL	100.00		100.00	

* The ratings A, B, C, D and E respectively stand for First-rate, Standard, Watch, Doubtful and Loss. Various factors determine the rating of the portfolio elements. Beside the customer's financial positions one of important factors is the number of days the settlement of the obligation is delayed (A: exceptionally with a delay of 15 days; B: up to 30 days of delay, at times with a delay of up to 90 days; C: with a delay of up to 90 days, at times with a delay of up to 180 days; D: with a delay of up to 180 days, at times with a delay of up to 360 days; E: delays of over 360 days).

The following table shows the classification of NLB Group's loan portfolio.

Internal rating grade	As at 31 December			
	2009		2008	
	Loans and advances (in per cent.)	Impairment provision (in per cent.)	Loans and advances (in per cent.)	Impairment provision (in per cent.)
A	55.02	0.70	59.20	0.69
B	27.08	4.13	29.16	3.59
C	10.29	10.54	7.98	12.34
D and E	7.61	46.61	3.66	48.79
TOTAL	100.00		100.00	

* The ratings A, B, C, D and E respectively stand for First-rate, Standard, Watch, Doubtful and Loss. Various factors determine the rating of the portfolio elements. Beside the customer's financial positions one of important factors is the number of days the settlement of the obligation is delayed (A: exceptionally with a delay of 15 days; B: up to 30 days of delay, at times with a delay of up to 90 days; C: with a delay of up to 90

days, at times with a delay of up to 180 days; D: with a delay of up to 180 days, at times with a delay of up to 360 days; E: delays of over 360 days).

The following table shows NLB's non-performing loans as at 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
Non-performing loans (<i>Euro thousands</i>)	508,118	276,056
Non-performing loans as a percentage of total loans (<i>in per cent.</i>)	4.49	2.52

Note: Non-performing loans are defined as loans to D and E rated clients and amounts of loans to A, B and C clients that are more than 90 days past due.

Regulatory Capital

In the beginning of the year 2008, new capital legislation was implemented in Slovenia, based on the European Capital Requirements Directive (CRD) and therefore on Basel II principles. Detailed rules on the implementation of capital legislation are prescribed by the Bank of Slovenia ("**BoS**") in the series of regulations, available on the BoS's website (<http://www.bsi.si>). The Bank of Slovenia is also the national supervisor of the implementation of capital legislation.

Under the new legislation, regulatory capital of the bank should always exceed at least the sum of minimum prescribed capital requirements for credit risk, market risks and operational risk. Provisions on calculating total (available) regulatory capital follow the European regulatory framework, also applying some of the permitted national discretions.

Slovenian banks can choose among different approaches in calculation of each of the listed capital requirements (credit risk requirement: Standardised Approach, Internal Rating Based Approach - foundation or Internal Rating Based Approach – advanced; market risks requirements: Standard Methods or Internal-Models-Based Methods; operational risk: Basic Indicator Approach, Standardised Approach and Advanced Measurement Approach). NLB and the NLB Group use the Standardised Approach to calculate the required capital for credit and market risk. At NLB Group level, operational risk is calculated using the Basic Indicator Approach, while at NLB level, the Standardised Approach is applied.

The following table shows the solvency capital and ratios of NLB and the NLB Group.

	NLB Group		NLB	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
	<i>(millions of Euro)</i>			
Core Tier 1 Capital	1,047	1,155	1,078	1,106
Innovative Instruments included in Tier 1	130	130	130	130
Tier 1 Capital	1,177	1,285	1,208	1,236
Tier 2 Capital	663	721	635	687
Deduction Items	-104	-100	-581	-516
Tier 3 Capital	0	0	0	0
Total Capital	1,735	1,906	1,262	1,407
Risk Weighted Assets (inc. Market Risk)	16,247	16,176	12,163	11,819
Regulatory Capital Requirements	1,300	1,294	973	946
Key capital ratios				
Core Tier 1 Ratio	6.4%	7.1%	8.9%	9.4%
Tier 1 Ratio	7.2%	7.9%	9.9%	10.5%
Total Capital Adequacy Ratio	10.7%	11.8%	10.4%	11.9%

In the first half of the year 2009, call option on subordinated debt in the amount of euro 50 million was exercised. As at 31 December 2009, the regulatory capital for the NLB Group amounted to Euro 1,735.4 million and for NLB amounted to Euro 1,261.9 million. Capital adequacy ratio was 10.7 per cent for the NLB Group and 10.4 per cent for NLB, while the Tier 1 ratio was 7.2 per cent for the NLB Group and 9.9 per cent for NLB.

International Awards

In 2009, NLB received several awards for excellence from industry experts and the general public for both its business and marketing performance. For the eleventh consecutive year, in 2009 NLB received the "CEE Awards of Excellence" as the best bank in Slovenia from the British financial magazine Euromoney. The Banker magazine named NLB the best bank in Slovenia in 2000, 2001, 2002, 2003, 2004, 2005, and 2007; and NLB Tutunska Banka, a member of NLB Group, received the award for best bank in Macedonia for the fifth time. Global Finance magazine named NLB as the best bank in Slovenia for the twelfth consecutive year. NLB was also named as the best emerging markets bank in 2006, 2007, and 2008, and the best bank for foreign exchange trading in Slovenia in 2004, 2005, 2006, 2007, 2008, 2009, and 2010. In addition readers of Reader's Digest recognised NLB as the most trusted bank in Slovenia, awarding it "Trusted Brand 2009" in the banking category.

Independent Auditors

The Issuer's consolidated and unconsolidated annual financial statements were audited by independent auditors appointed by means of a resolution of the ordinary shareholders' meeting.

PricewaterhouseCoopers d.o.o., Cesta v Kleče 15, SI-1000 Ljubljana, Slovenia is a registered auditing firm ("*revizijska gospodarska družba*") with the *Slovenski inštitut za revizijo* and audited the Issuer's consolidated and unconsolidated annual financial statements as at and for the years ended 31 December 2008 and 2009, incorporated by reference herein.

Recent Developments

Share purchases

On 20 January 2010 NLB launched a public offering for the purchase of the shares of the company Plan a.d. Banja Luka, concluded on 19 February 2010. Within the public offering, NLB acquired 80,578 shares, so that it now owns 461,409 shares of the company and holds a 39.14% stake, and together with NLB Razvojna banka a.d., Banja Luka, holding 577,628 shares or a 48.99% stake, the NLB Group holds 1,039,037 shares or an 88.14% stake.

The acquisition of NLB Leasing d.o.o. Beograd from NLB Leasing d.o.o. Ljubljana by NLB d.d. was completed on 4 May 2010.

The acquisition of NLB Real Estate d.o.o. Beograd from NLB Leasing d.o.o. Ljubljana by NLB Srbija d.d. was completed on 28 April 2010.

The change in ownership of CBS Invest d.o.o. Sarajevo from NLB Tuzlanske banke d.d., Tuzla and LHB Immobilien GmbH to NLB d.d. was completed on 11 May 2010

The merger of LHB Finance d.o.o. Ljubljana with NLB d.d. was completed on 31 May 2010.

Capital increases

On 12 January 2010, the increase in the capital of LHB Internationale Handelsbank AG by the NLB, amounting to EUR 11,158,925, was entered in the Companies Register.

Other

In January 2010 NLB together with Calyon, Deutsche Bank and JP Morgan acting as the arranger participated in the process of the issue of a 10-year benchmark bond by the Republic of Slovenia for a total principal amount of EUR 1.5 billion. The new issue of bonds maturing on 26 January 2020 with the annual coupon of 4.125 per cent. was sold at the price of 99.888 per cent.

In January 2010 NLB received the award of the Global Finance magazine as the best bank in Slovenia for the thirteenth consecutive time in 2010.

In April 2010 Moody's reduced credit rating of two NLB's hybrid instrument by three grades from A2 to Baa2.

Despite the extremely difficult situation on the international capital markets, NLB has in May 2010 successfully closed a deal of obtaining a new long-term loan of EUR 440 million without a government surety or any other warranty. The loan for three years was organised by: Bayerische Landesbank, BNP Paribas, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Erste Group Bank AG, ING Bank N.V., Intesa Sanpaolo S.p.A. together with Banka Koper, Lloyds TSB Bank plc, Raiffeisen Zentralbank Österreich AG together with Raiffeisenlandesbank Niederösterreich - Wien AG, UniCredit Bank Austria AG and Wells Fargo Bank, N.A.

In May 2010, NLB started an offer to the public of up to Euro 100 million subordinated notes in denominations of Euro 100, that may be subscribed by any local or foreign individual or legal person. These notes are subordinated, issued in uncertified and dematerialised registered form and coded NLB26. The maturity of Notes is 7 years and they bear a fixed rate of interest of 6.25 per cent. per annum. The offer period is due to close on 24 June 2010.

Litigation and Regulatory Proceedings

Below is a description (as at the date of this Information Memorandum) of pending or threatened litigation and other proceedings in which the principal amount of the claim against the Issuer in an individual litigation or proceeding (or the total of the principal amounts of claims against the Issuer in litigation or other proceedings, started or threatened, with the same merit) exceeds EUR 5 million:

Issues related to the dissolution of the former Socialist Federal Republic of Yugoslavia ("SFRY")

Foreign exchange deposits of individuals in branches of Ljubljanska banka d.d., Ljubljana ("LB") outside the Republic of Slovenia prior to dissolution of SFRY;

Privredna banka Zagreb d.d.: In 1997, 1999 and 2001, the Issuer was served with all together 19 lawsuits (now 15 proceedings), filed by Privredna banka Zagreb d.d., Republic of Croatia, in the Commercial Court of Zagreb ("*Trgovacki sud v Zagrebu*") against LB and the Issuer, seeking from both of them the repayment of foreign exchange deposits in the principal

amount of some DM 129 million (equivalent in various currencies claimed, calculated by using the Croatian Exchange rate of 1992; under the Banka Slovenije exchange rate some EUR 66 million). The amount claimed purportedly forms part of the deposits deposited by Croatian citizens ("Croatian Depositors") in foreign currencies with the former Main Branch of LB in Zagreb (the "Zagreb Branch") prior to 1991. The action sought a declaration that the Issuer and the LB are jointly liable to repay the plaintiff for the value of the above mentioned deposits.

It is the Issuer's belief that certain Croatian legislation provided for a possibility of such deposits with the Zagreb Branch to be transferred to certain Croatian banks and for the issue of Republic of Croatia bonds to the Croatian banks which assumed the obligations in respect of the deposits so transferred to cover the assumption of such deposits by such Croatian banks. Under such legislation, part of the deposits made with the Zagreb Branch were transferred to Croatian banks, including to the plaintiff. To the Issuer's knowledge and belief, such deposits are recognised as Croatian public debt by issuing the Croatian bonds to the plaintiff covering thereby the deposits assumed by the plaintiff.

The Issuer denies any liability for such deposits, inter alia, primarily because:

- (a) Issuer was founded as a separate legal entity by the Constitutional Law on the Amendments of the Constitutional Law on the Implementation of the Basic Constitutional Charter on the Independence and Sovereignty of the Republic of Slovenia ("*Ustavni zakon o dopolnitvah ustavnega zakona za izvedbo Temeljne ustavne listine o samostojnosti in neodvisnosti Republike Slovenije*", dated 27 July, 1994 as amended, the "Constitutional Law") which expressly provides for obligations for deposits, not guaranteed by the Republic of Slovenia (the "**RoS**"), to remain obligations of the LB (which is an existing banking institution in the RoS with matching claims for those obligations) and not of the Issuer, and
- (b) there is no liability for the LB or the Issuer anyway since the plaintiff suffered no loss because it received matching bonds of the Republic of Croatia which form part of Croatian public debt guaranteed by Croatia.

In the first instance proceedings defendants raised various objections, including improper jurisdiction (and lack of the jurisdiction of the Croatian courts for the Issuer at all) and non-entitlement of the plaintiff to claim repayment from either LB or the Issuer at all. Following such objections and after transferring the proceedings from the court where claims have originally been filed (for lack of jurisdictional power) to the Municipal Court in Zagreb ("*Obcinski sud v Zagrebu*"), in four cases the first instance court's judgement rejected the plaintiff's claims for lack of plaintiff's capacity to sue and claim payment of these deposits. The plaintiff filed appeal against such judgements. In one case the Court of Appeal reversed the judgement of the first instance court and returned the case to the first instance court. In three cases the Court of Appeal rejected the appeals and upheld the first instance judgements in favour of the Issuer following which the plaintiff filed revisions against such judgements at the Supreme Court of Croatia. The Supreme Court reversed the judgements of the first instance court and the Court of Appeal and returned the cases to the first instance court.

Zagrebačka banka d.d.: In 1999 and 2001 the Issuer has been served with five complaints, filed by Zagrebačka banka d.d., Zagreb, Republic of Croatia against LB and the Issuer on grounds similar to those of Privredna banka Zagreb d.d. (see above) in the principal amount of some DM 191 million (equivalent of various currencies claimed, calculated by using the

Croatian Exchange rate of 1992; under the Banka Slovenije exchange rate some EUR 98 million). The amount claimed purportedly equals to the amount of deposits of Croatian Depositors which were transferred to Zagrebačka banka d.d. (similarly to those transferred to Privredna banka Zagreb d.d., see above) and therefore the standpoints of the parties to the litigations are substantially the same as in case of Privredna banka Zagreb d.d. proceedings described above. All five have been ruled in favour of the defendants at the first instance court (on the grounds that the plaintiff is not the creditor of either the Issuer or LB in relation to claimed deposits), subsequently plaintiff filed appeals. In two of the proceedings the Court of Appeal (*Županijski sud*) rejected the appeals and upheld the first instance judgements in favour of the Issuer following which the plaintiff filed revisions against such judgements at the Supreme Court of Croatia. The Supreme Court reversed the judgements of the first instance court and the Court of Appeal and returned the cases to the first instance court. The appeal procedures in the remaining three proceedings are still pending.

Individual depositors: Certain proceedings by individual depositors in respect of foreign exchange deposits made with the branches of LB outside RoS have been commenced, while other still can not be excluded should the issue of individual depositors' foreign exchange deposits with the branches of LB outside RoS not be settled among the successor states of SFRY (e.g. following the principle adopted in 1991 by RoS which assumed obligations for all deposits made in the banks on the territory of the RoS). The Issuer's position in all such proceedings is substantially the same as described with reference to foreign exchange deposits with the LB's branches in other republics of former SFRY (see above), pursuing also the fact that such foreign exchange funds were required to be deposited with the former National Bank of former SFRY (former SFRY's central bank) in exchange for domestic currency loans to such banks and granted by such banks to entities locally. The present situation of all such material proceedings is set forth below; note that the Issuer has already been successful in some of such proceedings (all adjourned without detriment to the Issuer) and that such proceedings are not listed.

Proceedings in RoS: At the courts in RoS currently 20 proceedings are open, which were initiated by individual depositors against the Issuer in respect of foreign exchange deposits made with the branches of LB outside RoS in the total principal amount of some EUR 0.33 million. These proceedings have been stayed for some time by virtue of law, and the latest applicable law staying these proceedings is article 23 of the Law on the fund of the Republic of Slovenia for Succession and on the High Representative of the Republic of Slovenia for Succession ("*Zakon o skladu Republike Slovenije za nasledstvo in Visokem predstavniku Republike Slovenije za nasledstvo*", the Official Gazette of RoS No. 29/2006), but in its decision, dated 3 December 2009, the Constitutional Court has abrogated the said article. After the decision of the Constitutional Court was published, the proceedings at the courts in RoS are continuing. In one of the proceedings the Issuer received the complaint on 17 March 2010. In this proceeding the plaintiff initially (in 1994) filed the complaint against LB but later tried to extend it also against the Issuer; because the Issuer did not consent to such extension, the court rejected it.

Proceedings in Italy: In 2003, a Croatian depositor (on behalf of some 700 depositors for an aggregate amount of some EUR 4 million) filed a complaint in the Trieste Court for certain pre-1991 deposits made with LB's branches in other republics of former SFRY. Complaint alleges, inter alia, that the transfer of the *Filiale Trieste* from LB to the Issuer was not properly made (N.B.: although registered with the Banca d'Italia). After the exchange of various cross motions and preliminary hearings, at or following the hearing end of March

2007 more than 100 plaintiffs have withdrawn their complaints amounting to some EUR 1.2 million. The first instance court declared itself not to have jurisdiction in this case and rejected the complaint. The plaintiff subsequently filed an appeal and the Court of Appeal rejected it. The plaintiff has the right to file an extraordinary appeal at the Supreme Court in Rome.

(N.B.: The subject matter of Privredna banka Zagreb d.d. and Zagrebacka banka d.d. proceedings (as well as all other pre-1991 foreign exchange deposits with branches of LB outside RoS) is being dealt with in the negotiation process among the successor states to former SFRY pursuant to the Agreement on Succession Issues ("*Sporazum o vprašanjih nasledstva*"), between five successor states to the SFRY, signed in Vienna and dated 29 June 2001 (the "**Succession Agreement**", believed to be ratified by all successor states, but the entry into force has not yet been notified). Negotiations are still pending; EU bodies have been involved in an effort to find a solution on the issue acceptable to all successor states to SFRY; to the Issuer's understanding such are under discussion. As regards some individual Croatian Depositors, to the Issuer's knowledge some depositors also initiated a case against RoS before the European Court of Human Rights, which preliminary ruled for its jurisdiction in the case but subsequently dismissed the plaintiffs' complaints (the Issuer is not a party to such proceedings).

Other litigation or arbitration proceedings involving the Issuer

Istraturist d.d.: Istraturist d.d., Umag, Croatia, a tourist company, filed a complaint against the Issuer in the Commercial Court in Zagreb seeking a declaration that the Issuer's claim in the amount of some DM 31 million (some EUR 15.85 million) and certain security provided by Istraturist d.d. do not exist. In January 2008 the court has ruled in favour of the plaintiff. The Issuer filed an appeal and the appellate proceedings are still pending.

Lawsuit of a debtor of SIB d.d.: In 2003 the Issuer acquired 78.78 per cent of shares issued by Slovenska Investicijska Banka d.d. Ljubljana ("**SIB**"). SIB was subsequently put into voluntary liquidation.

At the end of May 2005, the Issuer received a complaint filed in the Maribor Court by a Slovenian individual against (i) three RoS Ministries (Ministry for Work and Social Affairs, Ministry for Commercial Activities and Ministry for Agriculture), (ii) local community Pesnica, (iii) Public Fund of RoS for the Regional Development and Preservation of Countryside Settlement, and (iv) SIB (alleging the Issuer as the "legal successor" of SIB). To protect its interests, during the proceedings the Issuer assumed the position of a defendant and responded to the claim although it is not the legal successor of SIB. This lawsuit relates to the 1992 Agreement between the Republic of Slovenia and Federal Republic of Germany on Financial Assistance for Establishment of Conditions and Professional Involvement of Qualified Workers of the Republic of Slovenia ("*Sporazum med Vlado Republike Slovenije in Vlado Zvezne Republike Nemcije o financni pomoci za ustvarjanje eksistence in poklicnem vkljucevanju kvalificiranih delavcev Republike Slovenije*" – the "**Bilateral Agreement**"). The Bilateral Agreement provides, in essence, for the framework of the measures to be undertaken by the contracting states and that would establish proper environment for the return of the Slovenian individuals (temporarily, at that time) employed in Germany. The contracting states agreed, inter alia, on financial assistance in the form of Republic of Germany's and Republic of Slovenia's loans/funds on favourable terms ("**Bilateral Funds**") that should serve as funds for on-lending to such persons returning from the Republic of Germany. Deutsche Entwicklungsgesellschaft and SIB were authorised by the states as

entities of each state to perform administrative and some other activities necessary for the financial performance of the Bilateral Agreement (Ministries were empowered for some other). In practice, SIB extended loans to such individuals. In Issuer's view the plaintiff asserts that the financial conditions of the loan(s) granted to it by SIB in pursuance of the above Bilateral Agreement are less favourable than the terms envisaged under the Bilateral Agreement (NB: the Bilateral Agreement does not provide for the terms and conditions for the on-lending, rather only for the repayment of funds contributed by each individual contracting state). As a result of various allegedly false acts or omissions by all the defendants in crediting the plaintiff's Greenfield operations which failed the plaintiff first claimed payment of material and immaterial damages in the amount of some EUR 4.1 million, but subsequently increased its claim to some EUR 5.13 million and then reduced it again below EUR 5 million; the defendants opposed the amendments of the complaint. In the Issuer's view, the complaint lacks merit. The Issuer is definitely not the legal successor of SIB although the Issuer, upon Banka Slovenije's request in 2002, issued a comfort letter regarding payment of SIB's liabilities to support the liquidity of SIB at such times. Secondly, according to the plaintiff, the Bilateral Agreement should be interpreted in a way that the on-lending terms should be the same as those in the Bilateral Agreement (for the return of Republic of Germany's funds) which seems to have no grounds under the Bilateral Agreement. As to the amount of the damages, the plaintiff seems to have failed to provide any relevant evidence to establish and prove the amount of alleged damages. The Issuer also claims that the prescription period for claiming any damages has lapsed and further proposed that SIB should enter the proceedings as an accessory intervener. The last hearing in this matter was in March 2008 following which the court rejected the complaint against all defendants. The plaintiff filed an appeal and the Court of Appeal reversed the first instance decision due to several violations of procedure and returned the case to the first instance court. The Issuer believes that it is unlikely that this litigation could result in any material adverse impact on the Issuer.

Infond Holding, d.d. – v stečajju: On 4 June 2010 the Issuer was served with a complaint filed by Infond Holding, d.d. (now in bankruptcy) at the court in Ljubljana against the Issuer and FIN-DO d.o.o. (in which the Issuer has a 100 % stake, "**FIN-DO**"). As the value of the claim the plaintiff stated EUR 131,584,527.00, subordinately EUR 79,184,413.00. In 2006, 2007 and 2008 the plaintiff pledged to the Issuer various securities as security for the claims of the Issuer against the plaintiff under various agreements concluded between them. As the plaintiff did not repay its due debt secured by the pledge of securities, in accordance with its rights under the pledge agreement, in August 2009 the Issuer sold (inter alia) 404,832 shares of Poslovni sistem Mercator d.d. and 1,713,685 shares of Pivovarna Laško d.d. on the Ljubljana Stock Exchange. At the Ljubljana Stock Exchange the shares referred to in the previous sentence were acquired by FIN-DO. Later they were acquired from FIN-DO by the Issuer. In its claim the plaintiff demands that the court finds the contracts for the said shares, concluded between the Issuer and FIN-DO (and all orders issued to KDD for the transfer of shares in relation to such contracts) null and void and that the court decides that FIN-DO (or subordinately the Issuer) has to issue an order to KDD for the return of the shares to the plaintiff or subordinately that the court decides that the Issuer has to pay to the plaintiff EUR 108,322,317.00 (together with interest thereon and legal costs). Currently the Issuer is preparing its response to the complaint.

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 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 Slovenia, Luxembourg and the EU, of acquiring, holding and disposing of 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 these Listing Particulars and is subject to any change in law that may take effect after such date.

Republic of Slovenia

1. Taxation of Interest Income

Investors should note that the rules and methods of taxation described in paragraphs 1.1 "Corporate Investors" and 1.2 "Individuals" below will not apply, if:

- (i) at the time when the Issuer makes a payment of interest under the Notes, the Notes will not be admitted to trading on a regulated market or a multilateral trading facility in either an EU member state or an OECD member state (hereinafter jointly referred to as "**Eligible Markets**"); and
- (ii) the Issuer will be required to presume that recipient of interest on the Notes is receiving the same for the account of another person (the **beneficial owner**).

In such case, the Issuer will be required by law to deduct from the amount of interest the withholding tax at the maximum rate applicable under the law (being 20 per cent.). If such interest income would, if received directly by the beneficial owner, be exempted from Slovenian tax or subject to tax at a lower rate, the beneficial owner will be entitled to claim a refund of the excessive amount of tax so withheld from the Slovenian tax administration.

The Issuer is required by law to presume that the recipient of interest is receiving such interest for the account of another person if:

- (i) the recipient's business includes or involves receiving income for the account of other persons or such person is otherwise known to act (regularly or occasionally) as recipient of income for the account of other persons; or
- (ii) the address to which the income is paid differs from the registered address of the recipient of such income;

unless the recipient of interest provides the Issuer with a statement in writing stating that the recipient is exercising the rights arising out of all or a specified quantity of Notes held by it for its own account.

Consequently, so long as the Notes are represented by the Temporary Global Note or the Permanent Global Note, the Issuer will be required to presume that the bearer of the Temporary Global Note or a Permanent Global Note is receiving payments of interest under the Notes for the account of other persons.

1.1 *Corporate Investors*

(a) Slovenian Residents

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 levied at the rate of 20 per cent.

(b) Non-Slovenian Residents

If and for as long as the Notes will be admitted to trading on an Eligible Market, no 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 in the Republic of Slovenia.

If, however, at the time when the Issuer will make a payment of interest under the Notes, the Notes will not be admitted to trading on an Eligible Market, withholding tax at the rate of 15 per cent will be levied on payments of interest on the Notes to legal persons resident for taxation purposes in certain non-EU jurisdictions where the general or average nominal income tax rate is lower than 12.5 per cent and which are included in the list of "tax havens" published from time to time by the Ministry of Finance. The current list is available on the following web site: <http://www.durs.gov.si/nc.si/splosno/cns/novica/article1272/5333/> (available only in the Slovenian language).

1.2 *Individuals*

(a) Slovenian Residents

The amounts of interest on the Notes received by any individual resident for tax purposes in Slovenia will be subject to Slovenian Personal Income Tax (*dohodnina*) assessed on the income so derived at the rate of 20 per cent., which tax is the final tax imposed by 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 41 per cent.

(b) Non-Slovenian Residents

If and for as long as the Notes will be admitted to trading on an Eligible Market, no tax will be levied on payments under the Notes to individuals not resident for taxation purposes in the Republic of Slovenia.

If, however, at the time when the Issuer will make a payment of interest under the Notes, the Notes will not be admitted to trading on an Eligible Market, the amounts of interest on the Notes received by any individual not resident for tax purposes in Slovenia, will be subject to Slovenian Personal Income Tax assessed on the income so derived at the rate of 20 per cent., which tax is the final tax imposed by Slovenia on interest on the Notes, provided that an individual who is resident for taxation purposes in an EU Member State (other than 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 (as defined in the Slovenian Tax Procedure Act) 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.
- (c) Method of Taxation

An individual who is liable for Slovenian Personal Income Tax on non-business interest income and receives an amount of interest free of any deduction for account of this tax must 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 shall pay the amount of tax upon receiving a decision of the tax authorities setting out the calculation of the amount of tax and directing the individual to pay the amount so calculated.

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 be admitted to trading on an Eligible Market.

2. Capital Gains

2.1 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 (*dohodnina*) as a part of its overall income tax levied at the rate of 20 per cent.

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

2.2 Individuals

Under the Slovenian Personal Income Tax Act (*Zakon o dohodnini (ZDOH-2-UPB5)*, *Uradni list RS, no. 28/2010*), 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 (*dohodnina*) 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 41 per cent.

Capital gains earned on the sale or disposition of the Note 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 (ZDDOIF1)* *Uradni list RS, no. 56/2008*), 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-2-UPB2) Uradni list RS, no. 10/2010*), transactions with securities are VAT-exempt in 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. 117/2006*) 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

The information contained within this section is limited to withholding tax issues and prospective investors should not apply any information set out below to other areas under Luxembourg, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of 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 applicable Luxembourg laws, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. from 1 July 2011) on interest paid to certain non-Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a

paying agent in Luxembourg within the meaning of the above-mentioned directive and agreements; and

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a ten per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive.

The ten per cent. withholding tax described above or the ten per cent. tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws as of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the relevant Issuer.

European Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system, whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a transitional period during which the withholding tax rate will raise, over time, to 35 per cent. (20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. as from 1 July 2011). 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. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt 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 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.

On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Implementation in Luxembourg

The EU Savings Directive was implemented in Luxembourg by the Law of 21 June 2005.

GENERAL INFORMATION

Authorisation

The creation and issue of the Notes was authorised by the Supervisory Board (*Nadzorni Svet*) of the Issuer on 10 November 2004 and by the Management Board of the Issuer on 9 December 2004.

Listing of Notes

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of the Luxembourg Stock Exchange. So long as the Notes remain in global form, the listing agent will act as intermediary between the Luxembourg Stock Exchange and the Issuer and the Noteholders.

Initial Placing of the Notes

On issue, the Notes were initially privately placed with institutional investors outside the United States pursuant to Regulation S of the Securities Act.

Legal or Arbitration Proceedings

Save as disclosed in these Listing Particulars, there are no legal or arbitration proceedings against, or affecting, the Issuer, or any of its assets, nor is the Issuer aware of any pending or threatened proceedings, which are or might be material in the context of the listing of the Notes.

Significant or Material Change

Save as otherwise disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of the Issuer since 31 March 2010 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2009.

Financial position and prospects of the Issuer

The Slovenian economy is expected to recover gradually from the financial and economic crisis. The macroeconomic environment could have an influence on the financial position and prospects of the Issuer.

Documents Available

For so long as any of the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of each Paying Agent:

- (a) the Fiscal Agency Agreement;
- (b) the Deed of Covenant;
- (c) the by-laws of the Issuer; and
- (d) the most recently published annual and interim financial statements of the Issuer.

Legend

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." The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0208414515 and the common code is 020841451.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Auditors

PricewaterhouseCoopers d.o.o., Cesta v Kleče 15, SI-1000 Ljubljana, Slovenia is a registered auditing firm ("*revizijska gospodarska družba*") with the *Slovenski inštitut za revizijo* and audited the Issuer's consolidated and unconsolidated annual financial statements as at and for the years ended 31 December 2008 and 2009, incorporated by reference herein.

Interests of natural and legal persons involved in the issue

So far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

THE ISSUER

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