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ABOUT US STRATEGY OPERATIONS CLAIMS EQUITY REAL-ESTATE PUBLIC INFORMATION MEDIA

BAMC funding in 2013

At the end of 2013 the Bank Assets Management Company managed to complete three key operations:

- 1.) Following the decision of the government from the beginning of December 2013, the BAMC took over non-performing assets from the two biggest systemic banks – NLB and NKBM just before the end of the year, thus cleaning up their balance sheets.
- 2.) Both banks were issued government bonds that fulfil ECB criteria, which means that in exchange for non-performing assets NLB and NKBM have received profitable securities that can be pledged for fresh capital. This will allow the banks to resume normal operations and support with credits good projects in Slovene economy.
- 3.) In 2013 we have established a functioning organization that is capable of reaching decisions on individual specific cases, manage the assets and provide company restructuring less than a month after the first transfers.

The launch of the Bank Assets Management Company is one of few such examples in Europe – in majority of cases similar companies were formed from existing banks with well functioning infrastructure through restructuring and transformation, while BAMC had to be newly established. Furthermore BAMC managed to transfer the first non-performing assets in relatively short period of time while similar institutions in Spain and Ireland needed a year and a half to achieve the same. Audited financial data on funding the start-up and first year of BAMC operation will be published in an annual report at the end of April 2014; according to assessment on the day January 20. 2014 the BAMC had operating and establishment costs of approx. 4.8 out of the planned 7.7 million EUR, since establishment.

This amount is divided to: 1.) Internal costs, covering employee's salaries, operating costs (cost of IT and TC infrastructure and services, business lease and equipment, maintenance costs etc.). 2.) External costs, covering contracts with external contractors.

BAMC had financing cost of an additional costs of 3.8 million EUR, related to interests to the banks and cost of guarantees to paid to the government.

Cost review

For the period from establishment till the end of 2013 internal costs amount to 1.22 million EUR, out of which 787,000 EUR represent total gross cost of salaries and 433,000 EUR including VAT are other operating costs.

External costs are presented in the table below, listing the external contractors in 2013 and their services provided for BAMC, individual amounts of payments for those services and total amount of costs. The table shows that cooperation with external contractors is very important for BAMC for it allowed high responsiveness and flexible operation in conditions of constant changes of time plans and transfer procedures. The same can be expected also in the future for the services performed for BAMC by systemic banks.

All external contractors providing services for BAMC are selected in accordance with internal rules adopted by the Board under the following procedure:

- For each individual service the Board sets the selection criteria and following the criteria a list of providers is prepared by the colleagues at BAMC,
- BAMC invites all providers from the list to submit their offers for specific services, stating also the selection criteria in this invitation,
- Following the internal rules and considering best practice principles the Board selects the best provider from all received offers,
- As a legal representative, one of Executive Directors signs a contract with the selected provider.

It should be noted that the scope of services that BAMC has procured reflects the instructions and guidelines that was known to BAMC at the time. As an example, BAMC was required in the law to recapitalise the banks and thus make substantial investments in the banks through its own balance sheet. This would mean that BAMC also had to take accountability for what assets should be kept in the bank and what are realistic prices of NPLs. These requirements drive a substantial need for solid preparations. When later, BAMC through decision got clarity that this would the recapitalisation will be done by the Government directly, and that the scope of assets and the transfer prices will be given to BAMC to execute on, certain activities and preparations were stopped.

Table of BAMC external contractors in 2013

Type of service Selection Contract Amount

criteria	validity	in EUR including VAT
Operator		
Izvajalec Quartz+Co		
Key activities in the Initial Phase Include:		
<ul style="list-style-type: none"> Describe the journey ahead and develop roadmap Draft organisation and processes Support development of initial policies Support development of guidelines of BAMC Prepare and host workshop for key stakeholders Support preparation of status reports and board meeting documentation Support critical start-up activities 	International reference Competitive price Flexibility to deploy resources Quality of the offer Responsiveness	8.4.2013 – 30.6.2013 21.8.2013 – 13.9.2013 – 2.12.2013 – 24.1.2014

Key activities in the project of Initial Strategic and Operational Due Diligence include:

- Review bank strategy and implications of restructuring plan, including resulting competitive position(s) of its businesses
- Develop scenarios for likely outcome of volumes, margins, market shares and cost development
- Review quality of operational improvement plan, planned value levers and expected outcome of improvements
- First assessment of organisational robustness
 - Governance, organisational structure, internal controls,
 - Policies and Instructions,
 - Processes; including risk management, credit approval and credit management processes, NPL recovery approach,
- Review proposed NPLs to be separated from an investor perspective (i.e. optimal from a cash recovery for BAMC / taxpayers perspective)
- Review sample of credit files that will be transferred to BAMC (potentially review a few "good credit" files)
- Identify resources that can be taken over by, or used for outsourcing agreement with BAMC's NPL / Credit work-out operations
- Co-ordinate and co-operate closely with Financial Due Diligence project to integrate findings in valuation

Identify and scope further areas for review

Making first assessment of recovery values from sample NPLs
Key activities in Project Management and Development of First round Recommendation include:

- Manage Process with activities, timelines and responsibilities
- Manage interdependencies between sub-projects (Financial due diligence, Strategic due diligence, Transaction preparation, etc.) to ensure consistency of perspectives and assumptions across modules
- Manage and co-ordinate inter-linkages with internal BAMC and projects such as "Organisation Development" and "Stakeholder Management" as well as external advisors and bank(s)
- Ensure quality control
- Monitor project cost and take action on deviations
- Manage updating with Board / Investment Committee
- Integrate findings into a first round recommendation with supporting documentation

Ensure on-boarding of BAMC resources into the project as people are recruited

Izvajalec HSBC

HSBC has performed the following services in connection with the execution of the Issue:	International reference Cooperation with the Government of RS Competitive price Open to negotiations	24.11.2013 – 20.12.2013	404.600
<ul style="list-style-type: none"> Issue Documentation. The documentation will be in the form of a standalone offering circular. The terms and conditions are to be documented under Slovenian law and the administration agreement under English law. The issue of the Notes through KDD - Central Securities Clearing Corporation, Ljubljana. Support preparing the terms and conditions of the Notes. 			

- Preparation of all other documents related to the Issue, including the administration agreement.
- Quality of the offer
Responsiveness

Izvajalec Zolfo Cooper

The overall objective of the assignment was to support the BAMC Board in understanding the likely or potential forward-looking financial dynamics of BAMC itself, and of the Banks.

- Our key activities will include the following:
 - High-level banking sector model
 - Financial analysis
- Data request and review:
 - Identify any further and/or broader data required by the BAMC Board for its evaluation, and put together an appropriate request from the Bank in coordination with other BAMC work-streams as appropriate
 - Provide support for the design and assisting in putting in place a process with the Bank
 - Review the data subsequently provided by the Bank (the Data), incorporating it into the analysis and evaluation as appropriate
 - Identify and highlight Data issues or potential omissions that affect or may affect BAMC's evaluations
 - Build and/or populate a financial model for the Bank and for the NPL portfolio that is to be transferred to BAMC
- Run scenarios and perform sensitivity analysis as appropriate to assist the BAMC Board in understanding the key financial dynamics and sensitivities of the Bank and of BAMC

20.5.2013	401.800
International reference	–
Competitive price	28.6.2013
Flexibility to deploy	26.11.2013
resources	–
Quality of the offer	13.12.2013
Responsiveness	14.12.2013
	24.12.2013

Key modelling results: As part of the process of requesting support from BAMC, it is expected that BAMC will be given by the Inter-Ministerial Committee, the key terms of any transfer of NPLs (amounts, transfer price and proposed transaction structure), and of any recapitalisation request (amounts and proposed transaction structure). The Initial Financial Diagnostic, Valuation and Modelling work (as set out above) will support the BAMC Board in making an initial evaluation, under different scenarios, of the following:

- Assess asset quality and NPL's for the expected transfers:
 - Cash flows of the NPL portfolio to be transferred
 - Cash flows (for both the Bank and BAMC) of the proposed transaction structure (how BAMC will be paying for the NPLs)
 - Impact of any potential difference between the transfer price of the NPLs and the valuations and/or projected cash flows and
 - The resulting impact on the funding needs and capital structure of BAMC
- Develop preliminary view on recapitalization
- Identify key uncertainties and data gaps
- Providing interim finance function support, as required, to the BAMC Board in order for the BAMC to be able to issue debt and other financial instruments as it prepares for the expected purchase of assets from certain Slovenian financial institutions
- Develop a high level excel-based financial model, expanding on the work completed during phase one of our engagement, in order to assist the BAMC Board to understand and evaluate its projected financial position and therefore its required capital and funding structure
- Providing ad-hoc strategic support, as required

Izvajalec Hansahandelshaus GmbH

Hansahandelshaus shall in its capacity as the service provider assist and support BAMC in:

- Supporting the design of a proper credit workout and management structure for BAMC.
- Support evaluation to ensure competent colleagues for the BAMC positions.
- Participating in the recruiting process as recruiting committee member.
- Representing the user's standpoint in IT related matters.

19.8.2013	105.700
International reference	–
Competitive price	18.9.2013
Flexibility on working provisions	–
Quality of the	30.6.2014

- Preparing initial asset/case reviews and evaluations. offer
- Conducting in-depth case analysis for the future case management purposes. Responsiveness
- Producing information from the case analysis for BAMC's financial planning and therefore supporting the bond emission.
- Producing of training material for future BAMC staff and training them.
- Preparing for the asset taker-over from the selected financial institutions into BAMC by e.g. participating in the asset transfer agreement negotiations.
- Making presentations as instructed by BAMC's Contact Person to the Board of Directors, credit and investment committees, government representatives and other relevant stakeholders.
- Advising BAMC staff in distressed case/asset management and instructing the preparation of credit and investment proposals to credit and investment committees or other similar bodies.
- Managing BAMC staff as from time to time requested by the BAMC's Contact Person.
- Other duties, reasonably in the competence of Hansahandelshaus, as requested by the BAMC Contact Person from time to time.

Izvajalec Odvetnik Šelih & partnerji

The Attorneys will provide legal services to the Client which shall relate in particular to commercial law, banking and finance law, insolvency and restructuring, mergers and acquisitions, litigation and alternative dispute resolution and include:

- Preparation and finalization of proposed agreements and amendments.
- Preparation of legal memorandums.
- Other requested services.

17.6.2013 56.300
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 Interest preklica
 International
 reference
 Competitive price
 Flexibility to deploy resources
 Quality of the offer
 Responsiveness

Izvajalec Pedersen & Partners

Pedersen & Partners will undertake the search in accordance with the requirement of the role and the profile of the candidate. Our search methods will be direct search, networking, and our proprietary database and will be conducted in five phases:

- Planning
 - Define business need and search context
 - Role and candidate profile description
 - Search plan
- Identification & assessment
 - Direct targeted search
 - Sourcing for recommendations and referral
 - Database search
 - Internet and other candidate sources
 - Integration of internal candidates if any
 - Preparation of a long list
 - Telephone interviews
 - Consultant interviews
 - Regular progress report/s
- Shortlist
 - Shortlist of candidates, typically 3-5
 - Detailed assessment reports
 - Arranging interviews between the client and the candidates
 - Informal references
 - If requested, we will arrange psychological/psychometric tests
- Executive selection
 - Arrange interviews of final candidates
 - Advice on offer negotiation
 - Formal reference check
- Follow-up
 - Maintain regular contact with the candidate until the starting date
 - Follow up consultation with the client and candidate, typically after 3-4 months
 - Continuing obligations

6.5.2013 – 53.000
 1.1.2014
 International references
 combined with local presence
 Competitive price
 Flexibility to deploy resources
 Quality of the offer
 Responsiveness

- Our search will cover Slovenia, CEE as well as other relevant geographies.

Izvajalec Sintegra LAB d.o.o.

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|---|--|--|
| <ul style="list-style-type: none"> • Designing a corporate communication strategy for BAMC that would include: <ul style="list-style-type: none"> ◦ Annual media communication strategy, ◦ Public communication strategy , ◦ Media communication protocol for the members of the Board defining the ways of proactive media communications and reactive responses to journalists questions. All activities under item I. will be performed by SINTEGRA LAB in cooperation with BAMC communication manager. • Counselling and support for the Management Board media and public communications. • Counselling and training for public appearance and media communication for speakers selected in Board communication strategy. • Counselling to the Board on crisis communication. • Development and implementation of new communication tools for effective media communication. • Regular reporting in three-month intervals to the member of the Board in charge for communications. | References –
Competitive price 10.10.2013
Flexibility on working provisions 10.10.2013
Quality offer 10.10.2014
Responsiveness | 10.6.2013 30.350
–
10.10.2013
–
10.10.2014 |
|---|--|--|

Izvajalec Unija računovodska hiša d.d.

- | | | |
|---|--|------------------------------------|
| <ul style="list-style-type: none"> • Accounting services • Payroll accounting | References and do the seizure of the company
Security of archiving
Competitive price
Flexibility to deploy resources
Quality offer
Responsiveness | 22.4.2013 15.600
do
preklica |
|---|--|------------------------------------|

Izvajalec Luka Ličar

- | | | |
|--|---|------------------------------------|
| <ul style="list-style-type: none"> • Translation services from Slovene to English and from English to Slovene | Responsiveness_
Price
Quality of translations | 23.5.2013 11.700
–
23.5.2014 |
|--|---|------------------------------------|

Total: 3.5 Million EUR

Signatory of contracts: Executive Director is authorised by the Management board to sign the contracts

For the period from December 20. till December 31. 2013 and for the first quarter of 2014 BAMC has paid three and a half million EUR as payment for the cost of the guarantees into the national budget:

Recipient	Amount	Date
Ministry of Finance	3.499.027,40 EUR	15.1.2014

Furthermore over 300,000 EUR of duties from salaries and VAT were paid by BAMC to the national budget in 2013.