20.5.2013

BANK ASSETS MANAGEMENT COMPANY

Quartz+Co

AGREEMENT ON PROVISION OF SERVICES
PREAMBLE

A. The Bank Assets Management Company (the "BAMC") is a legal person established in the corporate form of a joint stock company under the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act (Official Gazette of the Republic of Slovenia, no. 105/12, the "Bank Stability Act") for the purpose of strengthening of stability of banks in order to maintain the stability of the financial system in the Republic of Slovenia. Such purpose shall be achieved by implementing measures envisaged under the Bank Stability Act in a manner which ensures economical use of public funds and reimbursement of budget funds, promotion of lending to non-financial sector, ensuring of the conditions for the sale of capital investments of the Republic of Slovenia in banks and liability for the formation of loans and investments which are recorded as impairments in balance sheets of banks benefiting from the measures envisaged in the Bank Stability Act.

B. Quartz+Co (the "Contractor") is providing financial and other advisory services and is willing to support the BAMC in establishment of organisation that has access to competencies, processes, procedures and capacity to assess applications from troubled Slovenian banks and to restructure and manage their assets and support the implementation of the activities necessary to meet the expectations on the BAMC. The respective organisation must meet international standards on professionalism and competence in order to be successful.

Therefore, the BAMC and the Contractor agree as follows:
1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Services Agreement unless the context otherwise requires, the following terms shall have the following meanings:

**BAMC** has the meaning given to it in the Preamble.

**Contractor** has the meaning given to it in the Preamble.

**Banking Act** means the Slovenian Banking Act (ZBan-1), Official Gazette of the Republic of Slovenia no. 131/2006, as amended), or any other act which regulates banking and substitutes the ZBan-1.

**Bank Stability Act** has the meaning given to it in the Preamble.

**Costs** means any and all costs and expenses (whether incurred directly or indirectly), arising out of or in connection with fulfilment of this Services Agreement.

**Letter of Proposal** means the document provided to the BAMC by the Contractor included in Schedule 1 to this Services Agreement.

**Party** means a party to this Services Agreement.

**Services Agreement** means this Agreement on Provision of Services as may be amended from time to time including each Schedule (which, for avoidance of doubt, represents an integral part hereof).

1.2 Construction

1) Unless a contrary indication appears, any reference in this Services Agreement to:

   (i) the BAMC, the Contractor or any Party shall be construed so as to include its successors in title and permitted transferees;

   (ii) words imparting the singular include the plural and vice versa; and

   (iii) a provision of law or regulation is a reference to that provision as amended or re-enacted.

2) Clause and Schedule headings are for ease of reference only.

3) Unless specifically indicated otherwise, in case of any discrepancies between the body of this Services Agreement and the Letter of Proposal the provisions of the body of this Services Agreement shall prevail.
2. SCOPE OF WORK

2.1 Project

The Contractor shall perform for the BAMC all work included in the Letter of Proposal regarding Bank Assessment (the "Project") attached to this agreement.

The scope of work, timeframes for completion, detailed phases (if any), resources, costs of the Project and other relevant factors are evident from the Letter of Proposal.

If the BAMC and the Contractor agree to adjust the Project significantly, a written amendment to this Services Agreement shall be signed to reflect these changes, including any adjustments to the relevant factors mentioned in the previous paragraph. In the absence of such written amendment it shall be deemed that the work performed by the Contractor has not exceeded the scope of work agreed herein.

Should any uncertainties arise regarding the project prerequisites, conduction, purpose, results or any other important issues, these must immediately be communicated to the other Party.

3. RESPONSIBILITIES OF THE BAMC

The BAMC has the following areas of responsibility in relation to this engagement:

- making timely arrangements for the Contractor's access to all relevant information necessary for the performance of this Services Agreement;
- reviewing, commenting and approving deliveries without delaying the Project;
- booking meetings as well as making sure that all relevant persons participate in the meetings.

The Contractor will report to the Board of Directors of the BAMC. The executive directors of the BAMC will be the day-to-day point of contacts.
4. CONTRACTOR PRUDENCE

The Contractor shall provide its services hereunder with best effort, in accordance with the highest professional standards and professional care, and in accordance with the interests of the BAMC. Having a high expertise in providing the services agreed herein in similar projects, the Contractor shall inform the BAMC as soon as practicable if the Contractor determines that, in its view, any instructions of the BAMC are incorrect, unsuitable or otherwise flawed.

5. FEES

Subject to the last paragraph of this Clause 5, total fees for the Project will amount to EUR 295 000 for the period from May 20 to June 28 (EUR 59 000 per week). This includes all fees, including without limitation professional fees, fees for administration and business support as well as Costs. In any case (including, for avoidance of doubt, regular termination of this Services Agreement), the BAMC shall only be obliged to pay for the work actually performed.

VAT will be added if applicable.

The work related to the Project will be invoiced by the end of each month of work with payment term of 14 days, except if the Parties agree otherwise (whereby an agreement via e-mail shall suffice).

The above fee arrangement is based on the assumption that the BAMC will assume its responsibilities described in Clause 3 hereof. Should this assumption be inaccurate, the Contractor and the BAMC will decide how the services of the Contractor and the related fee arrangement can be adjusted.

6. HANDLING OF DATA

6.1 Confidential data under the Banking Act

In relation to any confidential data (as defined in Article 214 of the Banking Act) obtained from the BAMC under or in connection with this Services Agreement, the Contractor will in all respects act in compliance with Articles 215 and 216 of the Banking Act.

6.2 General confidentiality

The Contractor will handle in strict confidence also any other information in whatever form obtained from the BAMC in relation to this Services Agreement.
6.3 Use of information

The BAMC has unlimited rights to use all results, reports, methods, concepts and other materials used and developed in relation to the Project. The Contractor can – in full confidentiality – keep information/knowledge pertaining to the engagement and use the information obtained to further develop the Contractor's own concepts, etc.

The Contractor has the ownership of and rights to all immaterial assets and underlying concepts, tools, etc. developed by it and used as part of the project execution.

7. VALIDITY, DURATION AND TERMINATION

7.1 Entering into force

This Services Agreement enters into force when signed by the legal representatives of both Parties.

7.2 Duration, termination and survival

This Services Agreement shall expire on June 28, 2013 (the “Original Expiry Date”). However, the BAMC may unilaterally extend the term of this Services Agreement:

1) upon a unilateral written decision of the BAMC adopted and communicated to the Contractor prior to the Original Expiry Date, for a period of three months (the “Second Expiry Date”); and / or

2) upon a second unilateral written decision of the BAMC adopted and communicated to the Contractor prior to the Second Expiry Date, for a period of two months.

Without limitation, the obligations of the Parties under Clauses 6.1, 6.2 and 6.3 shall survive the termination of this Services Agreement.

8. MISCELLANEOUS

8.1 Governing law and jurisdiction

This Services Agreement is governed by the laws of the Republic of Slovenia.

All disputes arising out of or in connection with this Services Agreement which are not resolved amicably between the parties shall be finally settled by the competent court in Ljubljana.

8.2 Partial invalidity
If, at any time, any provision of this Services Agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity or enforceability of the remaining provisions will not be affected or impaired.

8.3 Remedies and waivers

No failure to exercise, nor any delay in exercising on the part of the BAMC, any right under this Services Agreement shall operate as a waiver, nor shall any single or partial exercise of any right prevent any other or further exercise or the exercise of any other right. The rights provided under this Services Agreement are cumulative and not exclusive of any rights or remedies provided by law.

8.4 Amendments

Unless specifically indicated otherwise in this Service Agreement, amendments to this Services Agreement shall only be made in writing.

8.5 Counterparts

This Services Agreement may be executed in any number of counterparts, and by each Party on separate counterparts, each of which shall constitute an original instrument. This has the same effect as if the signatures on the counterparts were on a single copy of the relevant document. Delivery of a counterpart of this Services Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

8.6 Language

All correspondence between the BAMC and the Contractor in connection with this Services Agreement shall be in English.

This Services Agreement has been entered into on the date stated on the front of this Services Agreement.

For the BAMC

For the Contractor

Per Anders Fasth
Quartz+Co
LETTER OF PROPOSAL

PROJECT – BANK ASSET MANAGEMENT COMPANY – ASSESSMENT OF BANKS’ APPLICATIONS

Contract
Quartz+Co is pleased to present our engagement letter for supporting the Slovenian Bank Asset Management Company (BAMC) by providing financial and other advisory services.

Background
The stability of the Slovenian banking system is threatened as the systemic banks are under-capitalised. This is a consequence of an increasing amount of non-performing debt (bad assets) that has and is creating “holes” in the banks’ balance sheets.

The Government has moved decisively and adopted a new legal framework to address the situation with extra-ordinary measures. To implement these measures, the government has decided to establish the Bank Asset Management Company and has appointed Board of Directors to direct effective execution and to ensure an expeditious enhancement of bank stability in Slovenia. As speed, without compromising quality and professionalism, is crucial, the Board of Directors of the BAMC has asked Quartz+Co for assistance regarding assessment of troubled banks’ applications for support.

The time schedule for getting BAMC up and running has been radically compressed. The BAMC has been asked and is required to assess one bank’s application for support and develop a recommendation for the Interministerial Committee with the ambition to recapitalise the bank and initiate asset transfers to the BAMC before June 28. This proposal reflects supporting the BAMC in an extraordinary phase with a focus on Strategic and Operational Due Diligence of a bank in order to meet the expectations put on the BAMC.

Purpose, objectives and overall deliverables
The overall purpose of this phase is to develop BAMC’s view on the viability of the bank and a recommendation to the Interministerial Committee regarding pre-requisites for potential financial support to the bank.

Project scope
This proposal covers an initial strategic and operational due diligence on a troubled Slovenian bank (NLB) in order to develop a view on the robustness of the “Good bank” strategy and restructuring plan as well as outlining areas where improvements and further investigations are necessary. The scope of work covers the period from May 20 to June 28.
Project approach – Initial Strategic and Operational Due Diligence

Key activities 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

Key deliverables include:

- View on robustness of Good bank as well as key improvement areas
- Forecast of financial development of Good bank (scenarios)
- Proposal on NPLs/bad assets and resources to be carved-out and transferred
- Identification of key areas to be investigated further

Client responsibilities

The BAMC has the following areas of responsibility in relation to this engagement:

- Making timely arrangements for Quartz+Co’s access to all relevant information necessary for the performance of this engagement.
- Reviewing, commenting and approving deliveries without delaying the project
- Booking meetings as well as making sure that all relevant persons participate in the meetings

Quartz+Co’s financial advisory services, including estimated time and price, are based on the assumption that the BAMC will assume the above responsibilities. Should these assumptions be inaccurate, Quartz+Co and the BAMC will decide how these services and the appurtenant price can be adjusted.

Quartz+Co will report to the Board of Directors of the BAMC. The Executive Directors will be the day-to-day point of contacts.
Obligations
Should any uncertainties arise regarding the project prerequisites, conduct, purpose or results, these must immediately be communicated to the other party.

The parties are mutually obliged to treat all information and materials concerning the other party as confidential in a sensible manner. This confidentiality clause is also valid after project termination.

The BAMC has unlimited rights to use all results, reports, methods, concepts and other materials used and developed in relation to the project. Quartz+Co can – in full confidentiality – keep information/knowledge pertaining to the engagement and use this to further develop Quartz+Co’s own concepts, etc.

Quartz+Co has the ownership of and rights to all immaterial assets and underlying concepts, tools, etc. developed and used as part of the project execution. Quartz+Co can use the project or client name as reference unless the BAMC has objected to this in writing.

Resources
The core Quartz+Co support will consist of a team of five persons.
Per Anders Faseth is the overall responsible Partner for the assignments with BAMC. He is responsible for co-ordinating and prioritizing Quartz+Co’s resources between the various efforts throughout the assignment.

Niels Reiff Koggersbøl, partner and co-founder of Quartz+Co will be the partner responsible for the project described in this memorandum. He has vast experience from leading complex efforts within the areas of strategy, operational and organisational design as well as restructuring efforts.

Quartz+Co will also provide a team, consisting of a project manager and two consultants on a full time basis including Janne Harjunpää who has been operationally responsible for credit work-out and financial restructuring entities in several countries in Europe over the last 20 years.

Fees
Total fees for the described period (starting May 20 and finished June 28) will amount to € 295 000 (€ 59 000 per week) This includes professional fees, fees for administration and business support as well as costs for expenses such as travel and accommodation.

VAT will be added if applicable.

Invoicing
The project will be invoiced by the end of the month of work for payment within 14 days.