

SALE OF CLAIMS – RULES AND PROCEDURES

1. INTRODUCTION

The process of sale of claims (hereinafter referred to as “Process”) has to be open, transparent and competitive. Claims must be sold to the economically most justified bidder. There must be enough time and information given to the bidders to carry out a proper valuation of the exposures as the basis for their bid and all bidders in the respective stages of the Process have to be treated equally.

Sale has to be in line with the Slovenian legislation and the State aid rules.

2. GENERAL PRINCIPLES OF THE PROCESS

2.1 Time for review

Bidders must be given enough time and information to carry out a proper valuation of the exposures as the basis for preparation of their bid.

2.2 Equal treatment

All bidders in the respective stages of the Process have to be treated equally.

2.3 Applicable legislation

Sale has to be in line with the Slovenian legislation and the State aid rules¹. Important part of Slovenian legislation which governs BAMC operations represents ZUKSB, of which relevant articles are taken into account and presented while setting up the Process (i.e. KYC, etc.).

2.4 Relevant approvals

Start and the completion of the Process is approved by the relevant Committee which among others approves the key milestones / conditions of the Process (e.g. short listing of bidders, exclusivity).

2.5 Payment

BAMC will require cash as payment for its claims.

¹ http://ec.europa.eu/competition/state_aid/studies_reports/swd_guidance_paper_en.pdf

2.6 Covering investors' costs

BAMC will not cover any cost of the bidder for participation in the Process. The bidders shall cover all the costs of their involvement in the Process, regardless of the result of the Process.

2.7 Selling debt and equity

If BAMC has both equity and loan exposure towards the company, it will in principle sell both at the same time during the same sales process.

2.8 Additional information of the bidder

If and when the Process or potential bidders are, by BAMC, assessed as high risk, BAMC can require additional information on the bidder on his sources of funding or any other additional documentation.

2.9 Ongoing process

BAMC retains the right to take into account an offer received within 4 months after the Process has been formally completed as being unsuccessful and to continue with the Process (without initiating a new Process).

3. THE PROCESS OF SALE OF CLAIMS

3.1 Expression of interest

Interested investors may always express their interest online, via the website by filling in the contact form or by e-mail, post, fax or any other written expression.

The interest can be submitted in Slovenian or English language, and should contain at least the following information:

- The indicative price for the claims that are subject of sale's procedure;
- Potential investor's information (name and tax number, authorized person's contact information, presentation - short description of the interested party's business activities, including volume of business, identity of the interested party's final owner, statement that the interested party is acting in its own name and on its own behalf, basic financial data – balance sheet and income statement for the past three years, or the entity's entire period of operation, statement that no winding up, bankruptcy, compulsory settlement or other insolvency or restructuring procedures have been initiated against the buyer...);
- Declaration about the circumstances of financial purchase (a description of the method of financing the purchase, along with the proof or reliable explanation that the interested party has or will have at its disposal adequate funding at least in the amount offered by the interested party in its (non)binding bid (for example: a statement from the bank confirming a deposit has been made by the bidder, a statement from the bank confirming the intent of financing, etc.), whereby the interested party should explicitly determine the actual source of funding for the purchase (including the amounts of

funding from own capital (own funds) and by debt financing obtained from third-party sources (banks, etc.);

- Statement about any outstanding debts (existing or potential) the potential investor has in relation to BAMC, wherein the interested party should describe whether it has any existing or potential debt to BAMC;
- Statement that a potential investor is not considered a legal or natural person under Article 13 of ZUKSB.

The contents of all statements are predefined by BAMC through “Know your client” procedure (hereinafter as KYC) and are available on BAMC’s internet pages.

Incomplete expressions of interest will not be considered before all the relevant information is obtained.

3.2 Start of the Process

The Process is initiated by BAMC when it assesses that the time for the sale is right, considering the specific situation of the debtor, stage of financial / business restructuring, expressed interest from the interested parties.

The Process starts with an advertisement about the sale in Slovene and/or in English, published on BAMC’s web page, and/or in domestic and/or international media.

3.3 Public tender

The context of public tender is tailored to each case individually but generally contains at least the following:

3.3.1 Facts and circumstances surrounding the selling of claims (describing exposure, collateral – only data which are public);

3.3.2 Tender procedure (deadline for potential buyers to submit non-binding offers, contents of the non-binding offer as described under point 3.1)

3.3.3 KYC procedure

The KYC information has to be obtained and verified at the non-binding stage of the Process.

3.3.4 Disclosure of final buyer

The identity of the buyer shall always be disclosed following the successful conclusion of a sale.

3.3.5 Non-binding offers collection

Opening of the non-binding offers is always done by the special Committee which makes the selection of the investors who are to continue with the process based on the submitted non-binding offers. BAMC determines the timeline within which it needs to make a decision about the adequacy of the offers and to notify the bidders about its decision.

Bidders whose non-binding offers are deemed suitable shall be invited to take part in subsequent stages of the Process and will be provided the instructions about the subsequent steps.

BAMC can reserve the right to also invite bidders having submitted valid non-binding bids after the deadline for submission of non-binding bids to take part in the binding bid stage.

The phase of gathering of non-binding offers may be **omitted**.

3.3.6 Due diligence

Bidders invited to participate at subsequent stages of the Process will have the option of carrying out the due diligence of the underlying documents relevant to the claim, upon signing NDA. Due diligence is held in the virtual data room, exceptionally can be held in paper form in the premises of BAMC. Written responses to any question from any investor participating in the Process have to be distributed to all other participants.

3.3.7 Binding offers collection

All bidders have the same due date for submission of their binding bids after closure of the due diligence phase irrespective of when any of the bidders entered in the data room.

Within the determined timeline after receiving binding offers, BAMC shall:

- select the bidder having submitted the most suitable offer;
- or call for improvement of the bids;
- or conduct individual negotiations with all some or with all bidders.

BAMC reserves the right not to select any bidder and may reject all submitted offers.

The decision on the selection of the winning offer is based on a highest price.

3.3.8 Security deposit can be required.

3.4 Compliance check review

Before the final approval of the sale a **compliance check review** of the Process has to be done.

3.5 Purchase agreement

The essential elements of the Agreement are:

- recitals;
- subject of the Agreement;
- purchase price;
- due diligence review and exclusion of warranty (with “As is” principle);
- payments and taxes;
- “anti-corruption” clause;
- “top-up” clause;
- “Representations and Warranties clause” in which the requirements from Article 13 of the Measures for Strengthening Bank Stability Act (ZUKSB) are implemented;
- Statement that the violation of R&W given in accordance with Article 13, Paragraph 3 of ZUKSB will result in the contract being null and void;
- “Resale” clause.

The Agreement will also include relevant provisions with respect to any consents which may be required in order for the Agreement to be valid.

3.6 End of the Process

After the signing of the Agreement the security deposit if paid by the buyer shall constitute part of the purchase price and shall be considered as a down payment.

If the bidder selected by BAMC should fail to sign the Agreement, the security deposit shall be retained by BAMC (i.e. it shall not be paid back to the bidder). In such cases, BAMC shall have the right (but not the obligation) to sign the Agreement with a bidder who has submitted the second or next best binding offer, without having to repeat the Process.

In accordance with the Agreement, the transfer of the claim will be finalized after the purchase price has been paid in full. All taxes and charges in connection with the transfer of claims, including any notarial fees, shall be paid by the buyer.

The claims are sold on an as-is basis, whereby the BAMC's entire claim, including charges and accrued interest and accessory rights, to the maximum extent of the law, shall transfer onto the buyer.

At the end of Process BAMC reserves the right to prepare report on sales procedure - »**Press release**«.

The bidders whose offers have been found unsuitable by BAMC or those that have submitted offers but were not selected by BAMC will be reimbursed the full amount (one lump sum) of the security deposit, interest free, no later than by the third business day after signing of the Agreement, subject to the condition that the bidder has submitted a written statement with an indication of the bank account where the security deposit is to be repaid. In the event that the written statement is submitted later, the interest free amount of the security deposit shall be repaid on the day after the statement has been submitted with an indication of the bank account where the security deposit is to be repaid.

3.6.1 Right to change the tender procedure

BAMC reserves the right to revise conditions or change the process of the sale of the claim at any time.

3.6.2 Right of cancellation

BAMC reserves the right to cancel the Process at any time and/or for any reason. This can be done at any time prior to the signing of the Agreement, and the bidders shall have no claims against BAMC in this regard. The BAMC's liability is entirely excluded. BAMC reserves the right not to sign the Agreement with any bidder.

3.6.3 Applicable law and jurisdiction

The public tendering procedure should be the subject to the laws of the Republic of Slovenia. In the event of any disputes, the matter shall be resolved by the competent court in Ljubljana.

In Ljubljana, August 30th, 2016