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Bank of Slovenia  
Slovenska 35  
1505 Ljubljana  
Slovenija

For the attention of Boštjan Jazbec

24 September 2013  
Our ref: OELS/PBN

Dear Sirs

**Bank of Slovenia  
Asset Quality Reviews and Stress Tests of Selected Banks in the Slovenian  
Banking sector  
Real Estate Appraisals - Coordinating Role  
Confirmation of Instructions and Terms of Engagement**

We are writing to confirm our understanding of the Instructions to Deloitte LLP to provide a coordinating role to Bank of Slovenia ("the Client").

This letter sets out the terms upon which we will provide the valuation coordination (the "Services") you require and the fees that will be payable. Any capitalised terms used in this letter shall have the meaning given to them in the attached terms and conditions, unless otherwise defined in this letter.

Unless we hear from you to the contrary we shall proceed with the instruction on the basis that these terms and conditions of engagement are acceptable to you and, if we have already started work, we shall assume that they shall apply to our performance of the Services pending your counter signature of this Contract.

## Background

It has been agreed with the European Institutions that an Asset Quality Review ("AQR") and Stress Test ("ST") will be applied to 10 banking institutions, at a group level, in Slovenia.

Independent Real Estate appraisers are to be engaged as part of the overall AQR and ST exercise to undertake independent real estate appraisals (drive by and desk top) across different property types, including random sampling of large and small properties. The selection of the Real Estate Appraiser ("REA") firm(s) and negotiation of fees and business terms and conditions is the sole responsibility of the

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## Client.

Due to the scale of the work, it is likely that two or more REA firms will be appointed.

The Stress Test is to be undertaken by Oliver Wyman ("OW").

## Services

We have originally agreed the scope of service proposed for the coordination role will be as set out below (the "Original Scope"):

- To prepare a standard Request for Proposal ("RfP") that can be used as a template for each Tier 1 bank and collectively for Tier 2 banks. This will clearly set out methodology. The template will be agreed between Ernst & Young ("EY"), OW and Deloitte;
- To issue the RfPs to prospective REA providers;
- To receive, review and summarise the submissions from prospective REA providers and prepare and issue a summary report;
- To assist in the negotiations and appointment of the REA providers;
- To assess the supply and capacity of REA providers and to co-ordinate a programme of manages the resource efficiently. This will include consideration of the most effective way in which to apportion the valuations, whether by reference to Bank, property type, or location. The apportionment method is to be agreed with OW.
- To coordinate the overall timetable for delivery of the valuations, subject to timely delivery of our requests;
- To ensure, where possible, that there is no duplication of valuations of similar asset types or duplication where more than one Bank has exposure to a specific asset by reviewing the selected samples from each individual bank;
- To meet regularly with the commissioning parties to highlight critical path issues and propose the most effective solution;
- Assistance in resolving methodological issues related to the REA providers;
- Providing the "single point of contact" for any issues/questions raised by the AQR providers;
- Coordination among the AQR providers, OW and Bank of Slovenia on real estate related issues; and
- Liaising in respect of the adoption of special assumptions to the valuations where necessary and appropriate.

Deloitte has no responsibility for the quality or content of the selected REA firm(s) work product.

For the avoidance of any doubt, the following services are excluded from the scope of our services and will be covered by the AQR providers for their assigned banks:

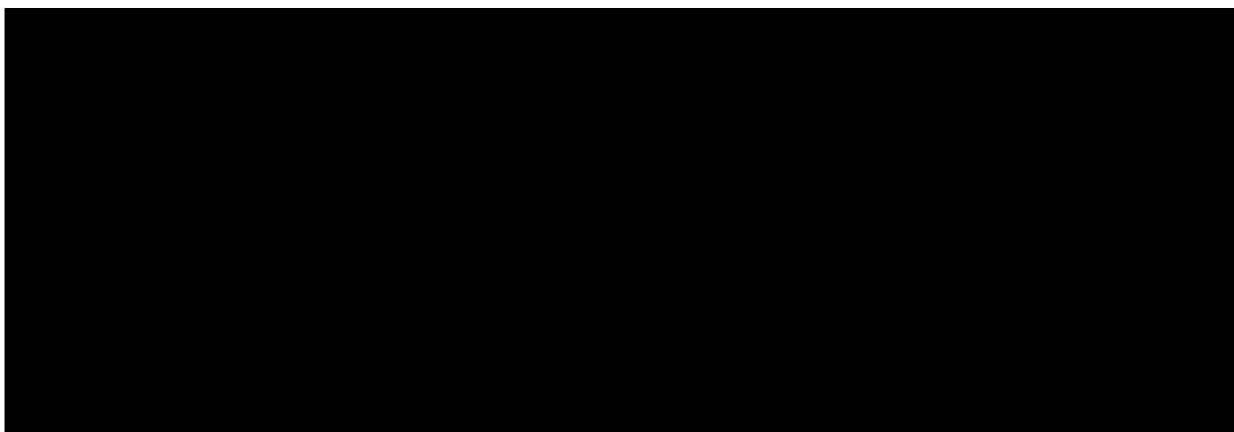
- Randomly selecting the real estate sample to be valued;
- Agreement of terms of engagement and appointment of the REA for Tier 1 Banks providers;
- Providing the RE coordinator with the proposed sample in a timely manner to ensure that any duplicate assets are appropriately excluded;
- Working with the Bank to provide the REA provider with the information required to undertake their work;
- Coordinating the work of the REA provider on the individual banks where they are the AQR provider;
- Raising methodology issues with the RE coordinator in a timely manner;

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- Working with the REA provider to ensure that OW's output requirements are met on a bank level; and,
- Ensuring that the REA provider's valuation results are appropriately incorporated into their loan provisioning analysis;
- To work with the valuation coordinator to ensure the swift delivery of services.

Since commencing work on the project there have been a number of issues that have arisen which have led to a widening of the scope requirements (the "Revised Scope"), including:

- Additional time to assess and remedy fundamental data issues at the banks (e.g. missing property addresses);
- Additional work to devise several revised methodologies to deliver valuations based on the limited real estate data that banks have available;
- Extension of timelines as a result of poor data from Banks (currently in the order of 6 weeks);
- Additional meetings to meet with various parties in reviewing proposed revisions to the methodology, scope and data requirements based on data limitation issues; and,
- Time and effort to assure real estate appraisal firms to commence work without signed contracts or confirmed scope.



## Fees and Expenses

Our fee for undertaking the original scope is EUR 150,000.

For the revised scope the fee is EUR 200,000. Our fees are exclusive of disbursements and out of pocket expenses.

Our fees will be addressed to you and shall be invoiced as follows:

- EUR 115,000 15 October 2013
- EUR 115,000 on 31 October 2013
- EUR 120,000 on 31 November 2013

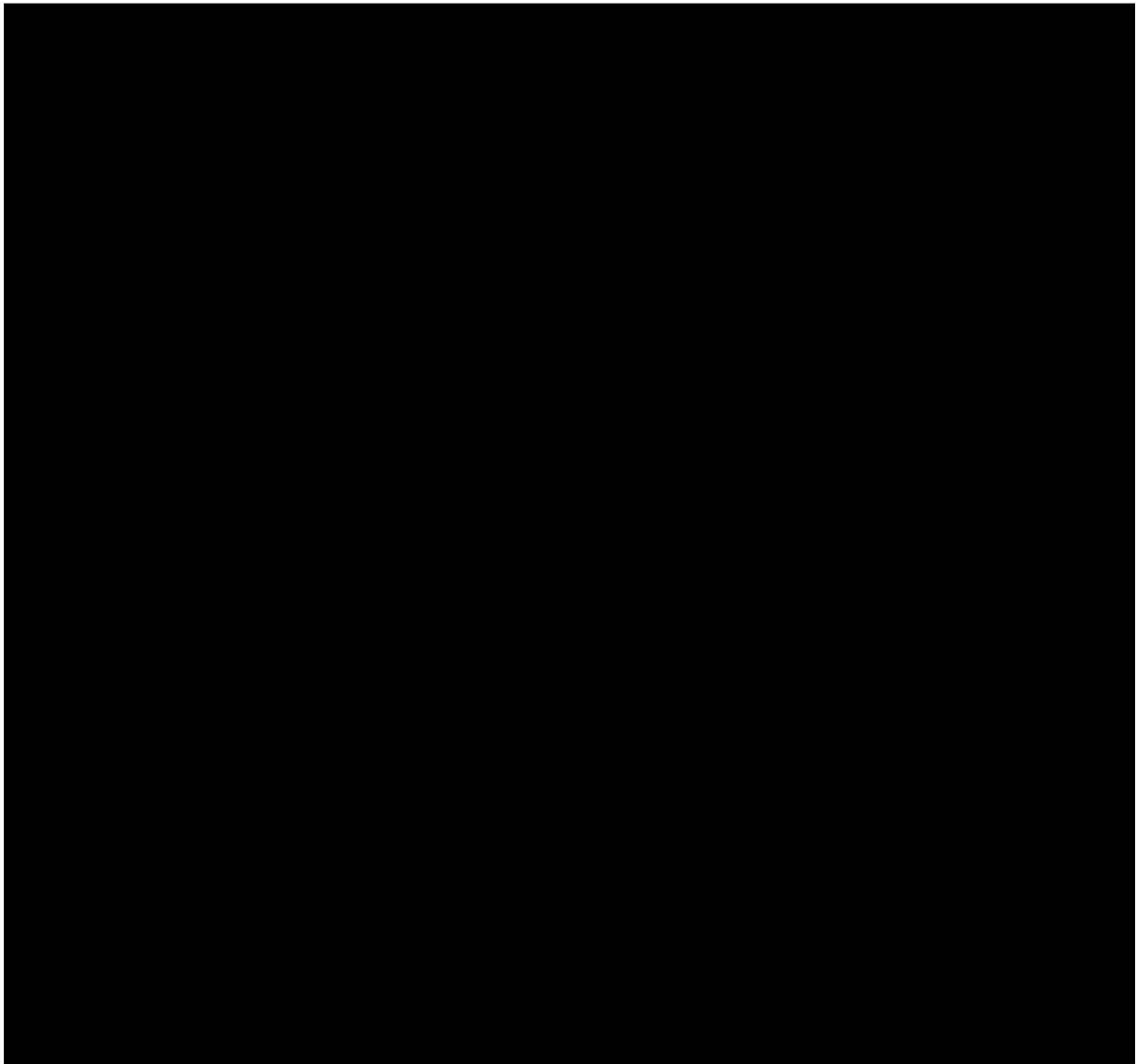
All expenses are excluded from the professional fee above and will be charged separately to the Client with the cap set at EUR 90,000.00 (ninety thousand euros). These expenses include hotel & accommodation, travel, telecommunication and meals and per diems in line with our normal personnel policies.

Our fees are payable on presentation of our invoice. VAT will be charged on all fees at the prevailing rate.

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The invoices are due for settlement within 30 days after receipt and Deloitte reserves the right to charge legal default interests on overdue amounts from that due date.

For work further work outside of these scopes, for example if further methodology changes occur or if more extensive work is required to assist the execution of the project the parties would agree the appropriate additional fee compensation to cover for that..



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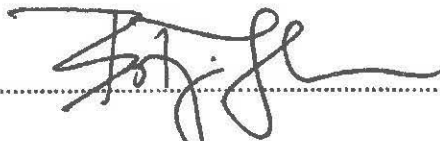
**Deloitte.**

Yours faithfully

Ollie Saunders  
Deloitte LLP



Signed as approved on behalf of Bank of Slovenia

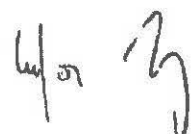


Name and position.....

JOSTAN JABER | GOVERNOR

Date.....

18.10.2013



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**Deloitte.**

