

## Project outline

### IDEA

- Merge two non-government and non-internationally owned banks: Gorenjska banka and Abanka Vipava

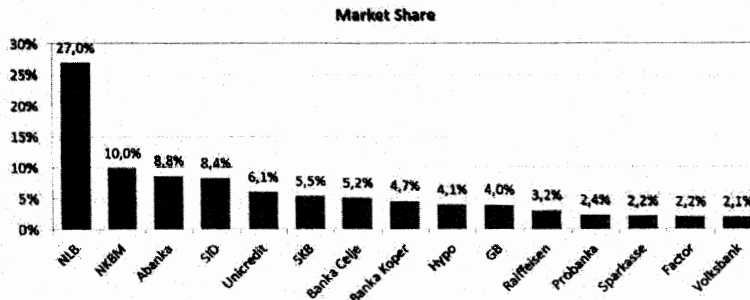
### PROCESS

- Increase capital of Gorenjska banka
- Purchase existing shares in Gorenjska banka
- Purchase shares of Abanka Vipava and/or merge the banks
- Optimise business processes and realise synergies

### RESULT

- Second largest Slovenian bank
- Sound bank with great income generating possibility
- Position the bank for further growth both organically and through M&A

## Slovenian Banking Market Overview



- The Slovenian banking market remains very fragmented, with NLB as only player of size
- The market is perceived as overbanked and relatively unprofitable
- The prolonged period of tight economic conditions, both in Slovenia and the euro area countries, had a significant effect also on the Slovenian economy and banking system.
- Banks' profitability and asset quality deteriorated. Due to impairments the banking system as a whole operated with a loss in 2010, 2011 and 2012.
- International players are reassessing their strategy for Slovenia and CEE

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## Both banks present in four main service areas

	Gorenjska banka	Abanka Vipa
<b>Retail banking</b>	<ul style="list-style-type: none"> <li>➤ Extensive branch and ATM network, especially in Gorenjska</li> <li>➤ Current accounts, savings products, and loans</li> </ul>	<ul style="list-style-type: none"> <li>➤ Extensive branch and ATM network</li> <li>➤ Current accounts, savings products, and loans</li> </ul>
<b>Corporate banking</b>	<ul style="list-style-type: none"> <li>➤ Current accounts</li> <li>➤ Loans to SMEs and large corporates</li> </ul>	<ul style="list-style-type: none"> <li>➤ Current accounts</li> <li>➤ Loans to SMEs and large corporates</li> </ul>
<b>Treasury services</b>	<ul style="list-style-type: none"> <li>➤ Foreign exchange services</li> </ul>	<ul style="list-style-type: none"> <li>➤ Foreign exchange services</li> <li>➤ Interest rate derivatives and fixed income products</li> </ul>
<b>Investment banking</b>	<ul style="list-style-type: none"> <li>➤ Brokerage</li> <li>➤ Limited corporate finance advisory</li> </ul>	<ul style="list-style-type: none"> <li>➤ Asset management and private banking services</li> <li>➤ Brokerage</li> <li>➤ Corporate finance advisory</li> </ul>

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## Complementary Business Models

	Gorenjska banka	Abanka Vipava	Merged Bank
<b>Market Position</b>	<ul style="list-style-type: none"> <li>Regional bank</li> <li>Strong in North Western Slovenia</li> </ul>	<ul style="list-style-type: none"> <li>3rd largest Slovenian bank</li> <li>Nationwide branch network</li> </ul>	<ul style="list-style-type: none"> <li>No 2 in Slovenia with nationwide coverage</li> </ul>
<b>Product Range</b>	<ul style="list-style-type: none"> <li>Limited to deposits and basic loans</li> </ul>	<ul style="list-style-type: none"> <li>Broad range of banking products</li> <li>Insurance products</li> </ul>	<ul style="list-style-type: none"> <li>Attractive product offering</li> </ul>
<b>Customer Base</b>	<ul style="list-style-type: none"> <li>Strong retail customer base</li> </ul>	<ul style="list-style-type: none"> <li>Strong in SMEs</li> <li>Weaker in retail</li> </ul>	<ul style="list-style-type: none"> <li>Broad customer base across all categories</li> <li>Cross selling potential</li> </ul>
<b>Financing and capital</b>	<ul style="list-style-type: none"> <li>Strong capital base and capital adequacy</li> <li>Favorable financing sources and high liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Capital constraints</li> </ul>	<ul style="list-style-type: none"> <li>Sound financing sources in domestic and international markets</li> </ul>
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>Conservative business model</li> <li>Concentration of loan portfolio</li> <li>Highly cost-efficient</li> </ul>	<ul style="list-style-type: none"> <li>Quality of loan portfolio</li> <li>Dependent on capital markets financing</li> </ul>	<ul style="list-style-type: none"> <li>Balanced business risk</li> </ul>
<b>Growth Opportunities</b>	<ul style="list-style-type: none"> <li>Over-capitalized, looking for lending opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Growth platform, limited due to capital constraints</li> <li>Growing operations</li> <li>International CEE markets</li> </ul>	<ul style="list-style-type: none"> <li>Potential to catch up with domestic market leader</li> <li>Further growth opportunities in CEE region</li> </ul>

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## Financial Highlights

mio EUR	Gorenjska banka		Abanka Vipava	
	Q32012	2011	Q32012	2011
<b>Total assets</b>	1,861	1,943	3,642	4,215
<b>Loans to non-banks</b>	1,197	1,245	2,704	2,990
<b>Deposits from non-banks</b>	1,170	1,237	2,072	2,424
<b>Equity</b>	341	333	200	229
<b>Capital</b>	236	237	334**	350
<b>Net Interest Income</b>	31.9	52.7	52.4	76.0
<b>Interest margin</b>	2.3%	2.7%	1.7%**	1.7%
<b>Net income before fin. income, impairment and taxes*</b>	22.5	37.4	34.6	50.8
<b>Net income</b>	-11.7	1.7	38.1	119.1
<b>Loan Loss Reserve to Risk Assets</b>	10.2%	7.9%	8.8%**	8.6%
<b>Loans to Deposit Ratio</b>	1.02	1.01	1.31	1.23
<b>Cost to Income Ratio</b>	0.46	0.43	0.53	0.51
<b>CAR</b>	14.9%	15.1%	9.8%**	9.9%
<b>T1 CAR</b>	14.9%	15.1%	7.3%**	6.4%

\* Without one-off items, income from fin. assets through P&L and trading  
 \*\* Q22012

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## GB-Abanka M&A Opportunities

### Shareholders

- **Revenue generation capabilities**
  - Creation of a new number 2 player in the Slovenian banking sector with capacity to challenge the dominance of NLB and strengthen sector competition
  - Complementary networks throughout the country
  - Similar market strategy and complementary product mix
- **Enhanced operational efficiency**
  - Streamlining of internal operations
  - Strengthened capital and liquidity position and better internal capital allocation
  - Achieving scale economics and horizontal market power
- **Liquidity**
  - Gorenjska Banka shareholders replace unlisted stock with a quoted shares
  - Abanka shareholders hold stock in a larger entity, enhancing the liquidity of the shares

### Customers

- Customers will be able to access the full range of banking, savings, investment and mortgage services
- Expanded network of ~70 branches with truly national coverage
- Ability to position the enlarged bank as the leading "indigenous" Slovenian bank.

### Management / employees

- Strong strategic and cultural fit between the two organizations and their shareholder base
- Combination of 2 experienced management teams working together
- Knowledge transfer between the employees of two banks

### Other stakeholders / regulators

- Bank consolidation is generally perceived favorably by the regulators as would create financially stronger institution and would reduce systematic risk
- The merger would send positive signals to the market as a "non-distressed transaction", indicative of the overall soundness of Slovenia's banking sector

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## Valuation and amount of capital increase

### Key influencing factors

- **Expected additional impairment needed\*:**
  - Abanka Vipa: €164M
  - Gorenjska banka: €61M
- **Excess capital in GB (assuming 12% CAR after additional impairment)**
  - Gorenjska banka: €41M
- **Assumed GB share value:**
  - €734 / share – 80% book value after additional impairment

\* Implying a 25% NPL and 50% impairment coverage of NPLs (12.5% impairment to total loans) – as of 30.6.2012

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## Capital increase procedure

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>➤ <b>50% equity increase and purchase of treasury shares in GB:</b> <ul style="list-style-type: none"> <li>▪ 191,423 shares @ €734 = €140.5M</li> <li>▪ 38.5% share in GB</li> </ul> </li> <li>➤ <b>Purchase share from Sava</b> <ul style="list-style-type: none"> <li>▪ Sava retains 25% share</li> <li>▪ Purchase 27,828 shares @ €20.4M</li> <li>▪ 44.1% share in GB</li> </ul> </li> <li>➤ <b>Capital increase in Abanka</b> <ul style="list-style-type: none"> <li>▪ 21,428,571 shares @ €4.2 → €90M = 75% share</li> </ul> </li> <li>➤ <b>Share in banks:</b> <ul style="list-style-type: none"> <li>▪ Gorenjska banka: approx. 40%</li> <li>▪ Abanka Vipava: 75% + 3,8% GB stake</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>➤ <b>ALTERNATIVE</b></li> <li>➤ <b>Purchase share from Sava</b> <ul style="list-style-type: none"> <li>▪ Purchase 152,110 shares @ €111.6M</li> <li>▪ 69.1% share in GB</li> </ul> </li> <li>➤ <b>Capital increase in Abanka</b> <ul style="list-style-type: none"> <li>▪ 21,428,571 shares @ €4.2 → €90M = 75% share</li> </ul> </li> <li>➤ <b>Share in banks:</b> <ul style="list-style-type: none"> <li>▪ Gorenjska banka: approx. 40%</li> <li>▪ Abanka Vipava: 75% + 3,8% GB stake</li> </ul> </li> </ul> |
|--|---|

\* Implies a 25% NPL and 75% impairment coverage of NPLs (18,75% impairment to total loans)

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## Summary

### Investment Opportunity

- Long banking tradition in both banks
  - Largest market share in Gorenjska region with spread network all around Slovenia
  - Focus on retail banking, SME and payment systems
  - Loyal customer base
  - Deposit rich
- Merged bank**
- Sizable and profitable bank
  - Cost efficient operations
  - Strong capital base for further growth
  - Performance above sector's average

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## Contact

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**Gorenjska  Banka**