



TREASURY DIRECTORATE AT THE MINISTRY OF FINANCE OF THE REPUBLIC OF SLOVENIA WAS AWARDED A TITLE OF THE SOVEREIGN RISK MANAGER OF THE YEAR 2017

On 25th January 2017 the Treasury Directorate of the Ministry of Finance of the Republic of Slovenia was awarded a title of the Sovereign Risk Manager of the Year by Risk Magazine.

In the period between May and October in 2016 the Treasury Directorate at the Ministry of Finance carried out three liability management transactions of buying back bonds denominated in US dollars in the total amount of 2.61 billion US dollars (i. e. nearly 30% of total US\$ debt portfolio exposure). Simultaneously, a cheaper euro bonds were issued to finance buybacks. In retrospective, the Republic of Slovenia dollar bonds were issued in the years from 2012 to 2014, in the peak of a domestic financial-banking turmoil, when euro debt capital market access at sustainable rate for Slovenia was limited. Back then Slovenia managed to avoid external assistance, however interest expenditure left its mark on the state budget.

After a series of reforms in the following years, including bank recapitalization, sustained fiscal consolidation, privatization, constitutionally enacted fiscal rule, pension reform and labor market reform, Slovenia has regained confidence of the domestic euro capital markets. Outlined idiosyncratic factors reflected in improved credit ratings by S&P and Fitch in 2016. Additionally, at the same time financial turmoil at international level eased and unconventional ECB monetary policy pave the way to significant euro yields' drop. On the back of such improved market circumstances the net present value of dollar-euro liability management transactions in 2016 turned out to be a positive one and a clear decision to go ahead followed soon afterwards.

Award recognizes that such complex cross-currency liability management transactions are not frequent in a sovereign space while they require highly dynamic and professional team. Management of buying back multiple dollar issues, dealing with the early termination of all the cross-currency swaps on the back of it and reissuing on the euro market, i. e. all at the same time, proved to be technically demanding but it went smoothly and left a significant positive budgetary effect. At the same time the duration of the budget debt portfolio was increased, i.e. refinancing risk was reduced, and liquidity risk stemming from cross-currency collateral management was reduced whilst the share of the debt denominated in foreign currency, although fully hedged, has been diminished.

You are kindly invited to read an article at Risk.net on the following link:

<http://www.risk.net/risk-magazine/analysis/2479838/sovereign-risk-manager-of-the-year-republic-of-slovenia>

The Risk Awards recognise the work of firms and individuals in the derivatives markets and risk management. They are the longest-running awards of their kind and are widely recognised as the most prestigious.

Sovereign Risk Manager category recognises the work of national debt management offices and other sovereign or supranational issuers. Previous winners include:

2017		Slovenia	Treasury Directorate, Ministry of finance, Republic of Slovenia
2016		Mexico	Secretaría de Hacienda y Crédito Público, Mexico (SHCP)
2015		Portugal	Agência de Gestão da Tesouraria e da Dívida Pública, Portugal (IGCP)
2014		Sweden	Riksgäldenn, Sweden
2013		Turkey	Undersecretariat of Treasury, Turkey
2012		Netherlands	Dutch State Treasury Agency (DSTA)
2011		Australia	The Australian Office of Financial Management (AOFM)
2010		United Kingdom	UK Debt Management Office
2009		Australia	The Australian Office of Financial Management (AOFM)
2007		New Zealand	New Zealand Debt Management Office