



## 1 ENSURED POLITICAL STABILITY AND IMPROVED ECONOMIC GROWTH PROSPECTS GET POSITIVELY REFLECTED IN RATINGS

Standard & Poor's (S&P) rating agency revised outlook on Slovenia from Negative to Stable due to improved economic growth prospects and ensured political stability. At the same time S&P affirmed Republic of Slovenia 'A-/A-2' long- and short-term foreign and local currency credit ratings.

Outlined S&P outlook revision reflects the observation that the election of the new coalition government in July 2014 has improved growth prospects and reduced policy uncertainty. A Stable outlook reflects the S&P expectation that the new Slovenian government will progress with fiscal consolidation, banking system restructuring and implementation of structural reforms, including the privatization of state assets. Additionally, S&P assumes that Slovenia's coalition government will stabilize the net general government debt at about 70% of GDP in 2015.

## 2 BANKING SYSTEM LATEST DEVELOPMENTS

The Republic of Slovenia provided a capital increase in Banka Celje d.d. of EUR 190 million, that is EUR 95 million in the form of bonds issued on 16 December 2014 and the rest EUR 95 million was provided in cash. Transfer of non-performing assets to the Bank Asset Management Company (BAMC) took place soon after recapitalization. The nominal value of non-performing assets transferred to BAMC from Banka Celje d.d. amounts EUR 411 million for which BAMC paid EUR 127 million bonds which were issued on 19 December 2014.

### Strengthening of Balance Sheets of Systemic Banks Completed



<i>in million EUR</i>					
Bank	Total Capital Increase	Capital Increase via Cash	Capital Increase via RS Securities	Write-down of Subordinated Instruments (bail-in)	Transfer Value of Non-performing Assets to BAMC
NLB	1,551	1,141	410	250	634
NKBM	870	620	250	56	375
Abanka	591	348	243	120	426
Banka Celje	190	95	95	92	127
<b>Total</b>	<b>3,202</b>	<b>2,204</b>	<b>998</b>	<b>518</b>	<b>1,562</b>

The overall nominal value of non-performing assets transferred to the Bank Asset Management Company (BAMC) from NLB d.d., NKBM d.d., Abanka d.d. and Banka Celje d.d. amounted to EUR 5,011 million for which BAMC issued (paid) EUR 1,562 million bonds.

Banka Celje d.d. is the fourth bank where Republic of Slovenia step in with a recapitalization and it is believed that the resolution burden of the slovenian banking system is now finalized for the Budget of the Republic of Slovenia.

### 3 EUROPEAN COMMISSION ASSESSED THE 2015 DRAFT BUDGETARY PLAN AS APPROPRIATE

Within EU's economic governance and strengthened monitoring of budgetary plans, the European Commission assesses whether government economic policies comply with the Stability and Growth Pact. In accordance with EU rules, member states had to submit their 2015 Draft Budgetary Plan by 15 October. The Commission has now published their assessment.

The Commission finds that Slovenia has prepared its Draft Budgetary Plan appropriately and that it is broadly compliant with the Stability and Growth Pact. In terms of fulfilling commitments, it was assessed the same as Finland, Estonia and Latvia and was not seen as at risk of non-compliance. The Commission assesses that the fiscal goals presented in the Draft Budgetary Plan are feasible and that the general government deficit will reach 2.9% of GDP in 2015. In accordance with the excessive deficit procedure, Slovenia must ensure that the deficit does not exceed 3% of GDP next year.

### 4 FOREIGN DEPOSITORS AS ONE-OFF EXPENDITURE IN THE BUDGETARY YEAR 2014

In line with the judgement of the Grand Chamber of European Court of Human Rights dated 16 July 2014, the Republic is obliged to take all necessary arrangements, including legislative amendments, within one year, to allow depositors in Ljubljanska banka in Croatia and Bosnia (successor states to the former SFRY) to recover their "old" foreign currency savings under the same conditions as those who had such savings in domestic branches of Slovenian banks. The Republic respects all international obligations and will take all necessary steps for the effective implementation of the judgement. The judgement applies only to foreign currency savings, which have not yet been repaid by individual successor states. The Government has appointed a working group for the implementation of the judgment and a group of legal experts who will advise the working group on legal issues of the implementation. An Action plan has been adopted by the Government on 12 December 2014 and will be presented to the Secretariat of the Council of Europe by 16 January 2015.

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