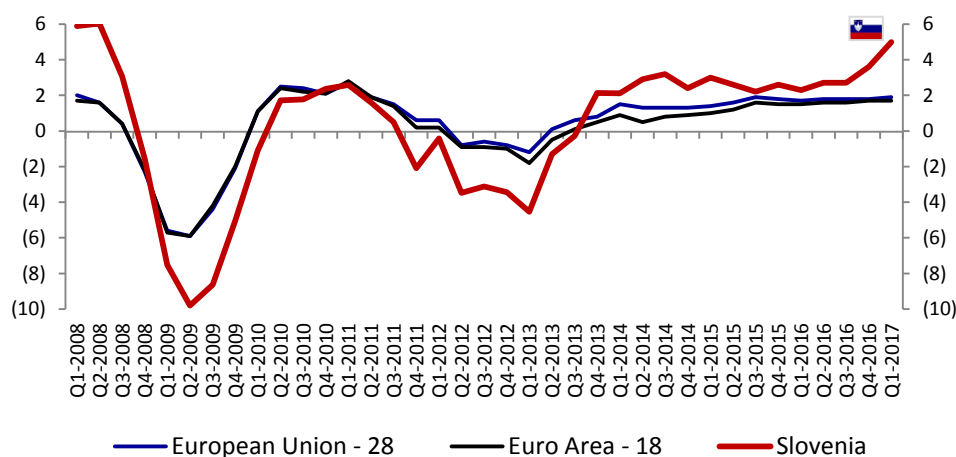




1 SLOVENIA'S STRONG GDP GROWTH CONTINUES: GDP UP BY 5.3% IN THE FIRST QUARTER OF 2017 (% CHANGE Q/Q-4)

In the first quarter of 2017 GDP increased by 5.3% in comparison to the same quarter of 2016. Seasonally adjusted GDP increased by 5.0% in comparison to the same quarter of 2016. The growth continues to be underpinned by exports and becoming more balanced by a growing domestic private consumption. The growth is well above the EA-18 average of 1.7% and the EU-28 average of 1.9%.

Figure 1: Real Quarterly GDP Growth Rate (SA % change Q/Q-4)



Source: Statistical Office of the Republic of Slovenia (SORS), Eurostat, (SA) Seasonally Adjusted data, 13.6.2017

Strong Domestic Consumption Growth

In the first quarter of 2017 growth of domestic consumption increased by 5% over the fourth quarter of 2016. Strong growth was observed in both final consumption expenditure and gross capital formation. Final consumption expenditure increased by 3.4% and contributed to GDP growth 2.4 percentage points. Household final consumption increased the most, i.e. by 4%. Gross capital formation, which increased by 1% in 2016, increased in the first quarter of 2017 by 10.5% and contributed 2.1 percentage points to GDP growth. Gross fixed capital formation increased due to high growth of investments in construction sector and in other machinery and equipment.

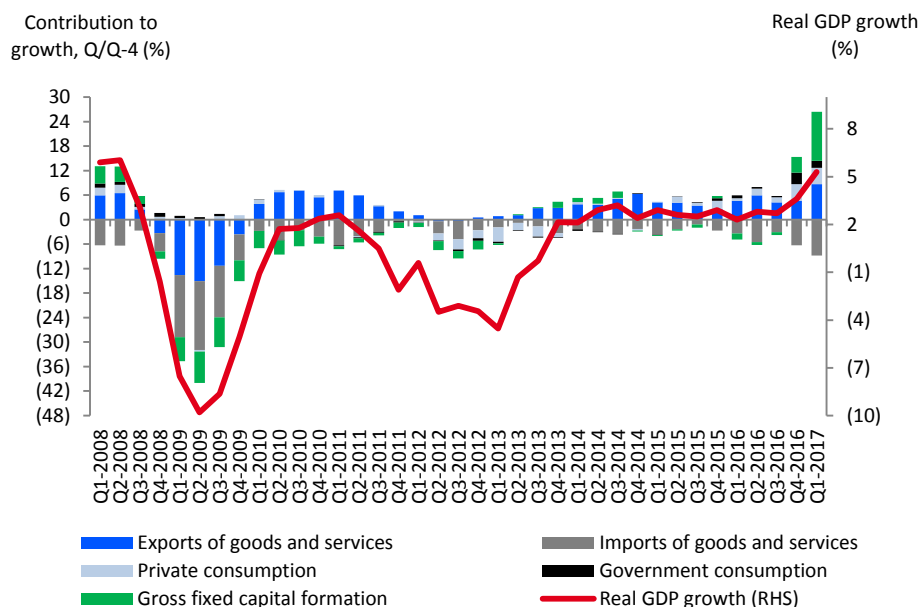
Propitious External Trade Balance

After the slowdown of exports and imports in the previous two quarters, in the first quarter of 2017 higher growth of imports and exports was observed. Growth rates were almost equal; imports increased by 8.8% and exports by 8.7%.

Total Employment Increased

Total employment in the first quarter of 2017 increased by 2.6% over the same quarter of the previous year. Most people were employed in manufacturing, followed by other business activities, health and social care, trade, and transport activities.

Figure 2: Contributions to Real GDP Growth (% chg. Q/Q-4)



Source: Statistical Office of the Republic of Slovenia (SORS), Original data, 13.6.2017

Notes

Unless otherwise specified, all comparisons in this text refer to original data, to volume or real changes and to changes compared with the same quarter of the previous year.

2

THE LARGEST STATE-OWNED BANK NLB d.d. PRIVATIZATION UPDATE

The Government of the Republic of Slovenia, in the capacity of the General Meeting of the Slovenian Sovereign Holding ("SSH"), did not confirm the minimum offer price in the amount of 55 EUR and the offer price range from 55 EUR to 71 EUR for Nova Ljubljanska banka, d. d., Ljubljana's ("NLB") shares.

In the sale process, the Management Board of the Slovenian State Holding ("SSH") approved the proposal to sell the equity investment of the Republic of Slovenia in NLB, including the minimum offer price for the NLB share and the offer price range. However, the consent of the Supervisory Board of the SSH was not given. Consequently, the Management Board of the SSH proposed for a session of the Slovenian Government to be held in the capacity of the General Meeting of the Slovenian Sovereign Holding.

The Government of the Republic of Slovenia, in the capacity of the General Meeting of SSH, when deciding on the sale of the NLB as a systematically important bank with a 23.4 per cent market share with reference to its balance sheet total, took into the account the external risk in the sale process, this external risk being the issue of the transferred foreign currency deposits in Croatia. In the sale process, it became evident, that the issue of the transferred foreign currency deposits in Croatia represents an objective external circumstance which, given other risks arising in the sale process, will prevent the completion of a successful sale at this point in time. Without adequate mitigation of these risks, a significant impact on the price could be expected, which in turn would not sufficiently compensate taxpayers' funds, which were used for the recapitalization of the bank. The transferred foreign currency deposits in Croatia are subject to succession in accordance with the Agreement on succession issues. The Republic of Slovenia has continuously and actively strived to resume negotiations in the context of succession and to solve the

issue of the foreign currency deposits as a succession issue, which was also the agreement with Croatia, signed in the form of an international treaty. Due to the restrictions in the Constitution, other legal acts and applicable international acts, the Republic cannot cover these risks.

The Ministry of Finance is going to continue a dialogue on possible alternative solutions with the European Commission with the intention of upholding NLB as a strong international regional banking group with subsidiaries in the South-eastern European countries.

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