



1

A NEW MINISTRY OF FINANCE LEADERSHIP

Dušan Mramor, Ph. D.

Finance minister Dušan Mramor, Ph. D. had an active role in Slovenian transition process, serving as Minister of Finance of the Republic of Slovenia (2002 - 2004) at the time when the Republic of Slovenia was in the process of adopting the euro and was entering ERM II mechanism. He was a member of the Council of the National Bank of Slovenia, member of the Admission Board of the Ljubljana Stock Exchange, Chairman of the Securities Market Agency of Slovenia, member of the Strategic Economic Council of the Prime Minister of Slovenia, Vice Chairman of Development Committee of the Prime Minister of Slovenia and member of the Advisory Board of the President of Slovenia. He also served as a member of the Supervisory Board of Abanka, Vice President of the Board of Directors of SKB bank, World Bank consultant, member of the Slovenian Accounting Standards Board and consultant to the government of Slovenia and to a number of firms and banks.

Dr. Mramor is Full Professor of Finance at the Faculty of Economics, the EQUIS and AACSB internationally accredited business school at the University of Ljubljana. He was Dean of the Faculty of Economics (2007-2013), Chairman of the Board of the University of Ljubljana (2000-2002 and 2009-2013), and Associate Dean of the Faculty of Economics (1997-2001), Recurring Visiting Professor at the Central European University, Research Associate and Visiting Scholar at the School of Business, Indiana University, USA. Most of his research is in the broad area of transition finance and economics, more specifically in Financial Markets, Financial Analysis, Corporate Finance, Business Valuation, and Fiscal and Monetary Policy. He is author of three books on Corporate Finance, editor of several books on Capital Markets and Corporate Finance, and author or co author of more than 30 larger research studies. Currently he is Vice-president of the board of the European Institute for Advanced Studies in Management (EIASM).

The Finance Minister Cabinet Members are:

Irena Sodin

State Secretary Irena Sodin graduated from the Faculty of Economics of the University of Ljubljana in 1983. From 1983 to 1989, she worked at Ljubljanska banka - Associated Bank in Ljubljana in the Trade Promotion Department. Between 1989 and 1996 she dedicated her time to voluntary work in London. In 1996 she returned to Slovenia and took up a position within the International Department of the Ministry of Finance. From 1999 to 2001 she was State Undersecretary in the Minister's Cabinet. In 2001, she became Head of International Department. Prior to her appointment as State Secretary, from 2005, she was Advisor to Board Director, Constituency of Belgium, Slovenia, Luxembourg and Alternate Director and member of the Board of Directors at the European Bank for Reconstruction and Development in London.

Mateja Vraničar

State Secretary Mateja Vraničar graduated from the Faculty of Law, University in Ljubljana in 1989. In 1997 she obtained MPA – Master of Public Administration at the John F. Kennedy School of Government at Harvard University. Vraničar's professional career started at the Ministry of Foreign Affairs. Since 1993 she has been working at the Ministry of Finance. From 2010 to 2012 and since april 2013 she held the position of State Secretary at the Ministry of Finance, primarily responsible for the customs and tax system, central government budget and public accounting. Until her second nomination as State Secretary, she was Head of the Department for General Tax policy and Analysis at the Ministry of Finance.

Metod Dragonja

State Secretary Metod Dragonja graduated from the Faculty of Economics, University of Ljubljana. He had various positions in corporate finance at Lek Pharmaceuticals including CFO. Afterwards he took direction in general management serving as President of Lek's management board for 15 years. He holds several awards from the Chamber of Industry and Commerce of the Republic of Slovenia and from management

associations for his prominent business achievements. Prior to taking over present post he was twice minister of economic development of Slovenia, first between 1996 to 1999 and lately in 2014. In the period from 1996 – 1999 Mr. Dragonja was a key Minister in the Slovenian government when the country was intensively restructuring its economy and started the process of joining the European Union. He was responsible for some key restructuring projects in the sectors of industry, energy and tourism. He has extensive experience in business and in banking serving as head of Nova Ljubljanska banka representation in Moscow for 6 years. In his current position he is responsible for managing public assets and privatization, including bank rehabilitation.

2 NEW GOVERNMENT TOP PRIORITIES

- Continuing with sustainable fiscal consolidation to meet Mid Term Objectives on structural budget balance, i. e. rationalisation of public expenditure and fiscal rule implementation.
- Improving effectiveness and efficiency of government expenditure and reorienting it to growth enhancing priorities.
- Strengthening the framework of Financial Administration of Republic of Slovenia to enhance tax collection.
- Pursuing order deleveraging of corporate sector on the back of Bank Asset Management Company.
- Enhancing business environment, i. e. tax policy to be revised so as to address real sector needs.
- Ongoing privatization for companies on the list adopted by National Assembly on 21st June 2013 to enhance corporate governance and to reduce the central government debt level.

3 GOVERNMENT PROVES ITS COMMITMENT TO FISCAL CONSOLIDATION - APPROVED BUDGETARY PLAN FOR 2015 ENVISAGES GENERAL GOVERNMENT DEFICIT OF 2.8% OF GDP

The Government of the Republic of Slovenia adopted a draft budgetary plan for 2015 and authorised the Ministry of Finance to refer it to the European Commission and the euro group. For 2015, the Government remains committed to the basic fiscal target and plans for the general government deficit to be below 3% of GDP, at 2.8% of GDP. The document presents the draft budgetary plan based on the Institute of Macroeconomic Analysis and Development forecast of economic trends, as well as the strategy to eliminate excessive deficit and a calculation of fiscal effort based on the European Commission's methodology.

4 ONGOING PRIVATISATION

On 21 June 2013, the National Assembly of the Republic of Slovenia adopted a consent to the disposal of capital assets of the Republic of Slovenia, Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. (KAD, Pension Fund Management), Slovenian Sovereign Holding, Modra zavarovalnica d.d., D.S.U., družba za svetovanje in upravljanje, d.o.o. and Posebna družba za podjetniško svetovanje d.d. The National Assembly authorised Slovenian Sovereign Holding to commence the process of sale for shareholdings in 15 companies.

List of companies where privatization has already been finalized/or is in well advanced stage:

Company on the List	Privatization Phase	Progress
Helios d.d.	finalized	✓
Fotona d.d.	finalized	✓
Aerodrom Ljubljana d.d.	finalized	✓
NKBM d.d.	submission of binding offers in process	Ongoing progress as scheduled
Telekom d.d.	submission of binding offers to be launched	
Žito d.d.	submission of indicative offers in process	

Company off the List	Privatization Phase	Progress
Letrika d.d.	finalized	✓

You can find all the latest developments on the privatisation on the Slovenian Sovereign Holding webpage: <http://www.sdh.si/en-us/privatization>

5 BANKING SYSTEM LATEST DEVELOPMENTS

Until now the nominal value of NPL's transferred to the Bank Asset Management Company (BAMC) from NLB d.d. and NKBM d.d. amounted to EUR 3.5 bn for which BAMC issued (paid) EUR 1.012 bn bonds. The restructuring plan for Abanka is validated and the final approval was received from the European Commission. Based on this approval the Republic of Slovenia provided capital increase of EUR 243 million in the form of bonds issued on 8th of October 2014. Abanka is now eligible to start the process of transferring non-performing assets to the BAMC. The nominal value of NPLs to be transferred to BAMC from Abanka amounts EUR 1.1 bn for which BAMC will pay EUR 0.4 bn bonds which will be issued on 20th of October 2014.

The government decided that Banka Celje is eligible for state aid in the form of recapitalisation and the transfer of its bad assets to the BAMC. In line with the commitment in the State aid process of Abanka, to carry out a merger of Abanka and Banka Celje and submit a restructuring plan of the merged bank by 31 December 2014, the restructuring plan will be a basis for the state aid decision in Banka Celje. The restructuring plan of the merged bank has been sent in coordination for the purpose of granting State aid to the European Commission this week.

Banks in Slovenia generated a combined after-tax profit of EUR 85 million in the first half of the year 2014 after recording a net loss of EUR 215.6 million in the same period a year ago. Net impairments and provisions were more than halved in the observed period from EUR 467.1 million to EUR 220.2 million.

The indicator of the sustainability of bank funding, defined as the loan-to-deposit ratio for the non-banking sector, has declined since the outbreak of the crisis. It declined by around 69 percentage points between the end of 2008 (161.5%) and July 2014 to stand at 92.8%.

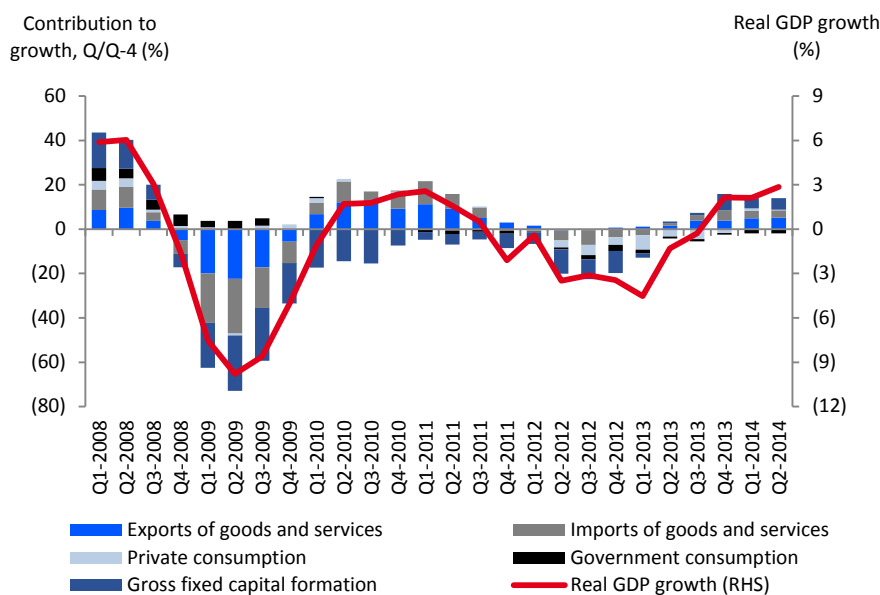
For the banking system as a whole the Tier 1 capital ratio increased to 15.2% end of June 2014, i.e. after bank recapitalisations and balance sheets cleaning end of 2013.

6 OUT OF RECESSION: THIRD CONSECUTIVE QUARTER OF POSITIVE GDP GROWTH AFTER 8 DECLINING QUARTERS*

In the second quarter of 2014 gross domestic product (GDP) increased by 2.9% in comparison with the same quarter of 2013. The external demand was the main growth contributor. Exports increased by 5.2%, mainly due to the increase in export of metals and electric equipment. Imports increased as in the previous quarter by 3.3%. This time, the import of services increased significantly (+ 10.8%), mostly on the back of the import of business and transport services. The positive contribution of the external trade balance to the economic growth was due to a sharp increase in exports.

Domestic consumption increased for the third consecutive quarter and is becoming an important source of economic growth. It increased by 1.4% in Q2, mainly due to investment consumption, which increased by 8%. Final consumption remained in line with last year's level. It is still contained because of the General Government savings. From the production side, value added increased in almost all activities. The largest increase was observed in construction, where value added increased by 19%.

Graph 1: Quarterly Real GDP Contributions to Growth (NSA)

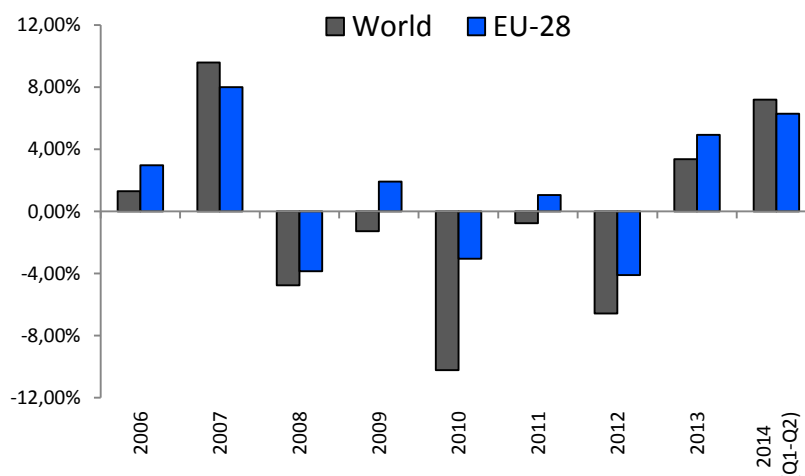


Source: SORS, 16th of October 2014

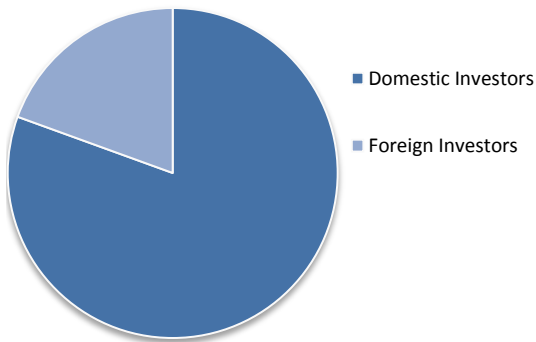
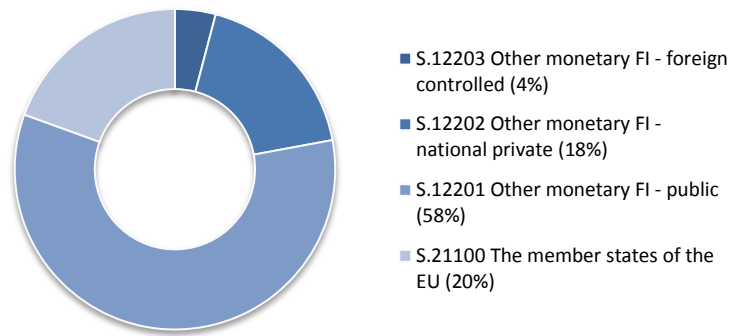
***Note:** Unless otherwise specified, all comparisons in this text refer to original data, to volume or real changes and to changes compared with the same quarter of the previous year.

The values of most short-term indicators of economic activity in Slovenia have been steadily rising since mid-2013. Real merchandise exports continued to grow, which is related to improvement in the international environment and higher export competitiveness. The latter is reflected in Slovenia's global market share which has increased since 2013.

Graph 2: Export Market Share (% chg Y-o-Y)



Source: UN, SORS, Eurostat, IMAD calculations, 16th of October 2014

Graph 3: T-bills Breakdown by Investor Residential Status**Graph 4:** T-bills Distribution by Investor Type

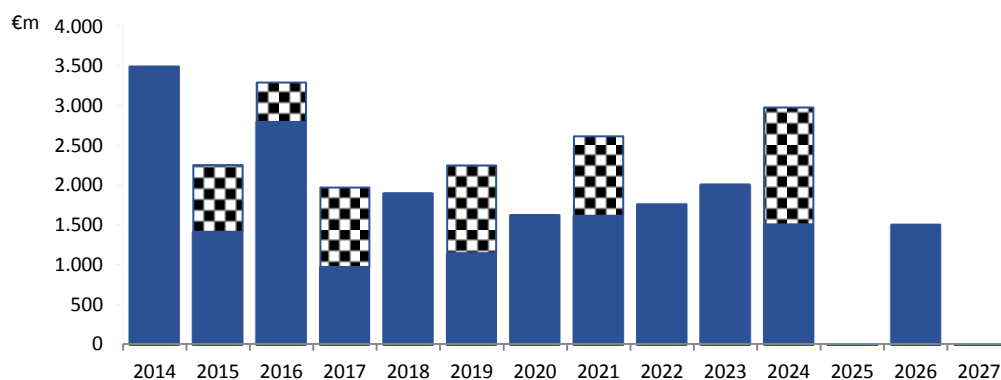
Residential Status	Issued Yield (% p.a.)	Nominal Amount Issued (EUR)	%
Domestic Investors	0.45	402.682.000	80.54
Foreign Investors	0.45	97.318.000	19.46

DECISIVE FINANCING PROGRAM 2014 EXECUTION

On the back of the successful US Dollar and Euro dual-tranche bond issuances and T-bills, Slovenia has already completed its Financing Program for 2014 based on the adopted state budget for 2014. Total executed funding amounts EUR 6.1 bn year-to-date. Since the borrowing needs for the financing of the 2014 central government budget amounted to EUR 3.5 bn for 2014, EUR 2.6bn of prefinancing for 2015 and 2016 has been executed so far in 2014.

The detailed 2014 financing program remains available on our Ministry of Finance website:

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Direktorat_za_zakladni%C5%A1tvo/Programi_financiranja_dr%C5%BEavnega_prora%C4%8Duna/Progfin_2014_ENG_fv.pdf

Graph 5: Debt Redemption Profile and Execution of the 2014 Financing Program*

*Note: Shapes marked with pattern represent maturing USD and EUR bonds and 3-,6-,12- & 18-month Treasury bills issued in 2014.

Fitch upgraded viability ratings for two State-owned banks of systemic importance: NLB d.d. and NKBM d.d. from b- to b and removed them from Rating Watch Positive (RWP). Upgrades reflect the banks increased loss absorption capacity after recapitalisations made by the Government in December 2013 and comfortable liquidity position.

More detailed information about the Republic of Slovenia and recent developments is available on our Ministry of Finance website:

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Invst/Slovenia_Investor_Presentation_October_2014_MoF_17_10_2014_web.pdf

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