BANKA SLOVENIJE

BANK OF SLOVENIA

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YEAR 1995

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Mr. President, respectable members of the Parliament,

it is my honour and pleasure to present you the report on the operation of the Bank of Slovenia in 1995, together with the financial statements audited by the authorised auditors KPMG from London, and their opinion on the state of the Bank's affairs for the year ended 31 December, 1995. Allow me to also present, in short, facts which directly or indirectly influenced, among others, the conduct of the monetary policy, the sole and exclusive responsibility of the central bank.

In spite of the fact that the 1995 economic growth in Slovenia did not quite meet the target, the process of reduction of inflation continued successfully and ended, for the first time after almost twenty years, with a single-digit inflation rate. In other words, the positive trend of economic growth in a more stable environment brings Slovenia, step by step, closer to the competitive partners of the developed parts of Europe, and encourages confidence in the domestic banking system, which manages the growing savings. These serve as the basis for financing new investments, which, in turn, should create new jobs and improve the competitiveness of Slovenian entities on foreign markets.

It is understandable that a lower inflation calls for even greater economic efficiency of enterprises compared to that in times of hyper- and high inflation respectively. There is neither room nor time, in many a company, for various financial transactions common in times of high inflation, since the real values can more easily be recognised in a stable environment, with possibility for financial manipulations smaller, and demand for reorganisation and consolidation greater. These are the symptoms indicating that the processes of restructuring and adjustment have been targeted and led correctly and that, at the end, with the efforts of the broader society, only the healthier, the more qualified and the stronger shall survive.

It is, no doubt, even more difficult to lead the monetary policy under such circumstances, since the reduction of the inflation rate, coupled with the process of economic restructuring and with economic growth, require the central bank to act more cautiously on the one hand, and persistently on the other hand, in pursuit of further overall stability. From this point of view, three domestic developments characterise the past year: a growing trade deficit with only a symbolic balance of payments surplus at the end of the year; further increase of the value of the Slovenian Tolar (appreciation) in the first two quarters, followed by its depreciation in the third and the last quarters, due to unfavourable results in foreign trade and the systemic instability on the foreign currency market. Despite the aforementioned, the Tolar exchange rate was the fundamental stabilisation anchor of the last year further stabilisation, whereby the domestic interest rates were further reduced, and, in the middle of the year, nominal interest rates for short-term 30-day deposits were introduced, while a three-month average of the consumer price index (CPI) became the basis for calculation of interest rates for longer maturities; the objective of the Bank is to gradually introduce nominal interest rates for all maturities.

The monetary policy instruments remained more or less the same as in the recent past, and in line with the Bank's intermediate target: regulation and management of money supply. Quantity of base money was regulated by twin bills, bills with warrants, and, in particular, by repurchase agreements and short-term loans. Used on a regular basis the last two became a stable and reliable source of liquidity for banks.

In a broader sense, there were two other important events that earmarked the monetary policy of last year: first, the agreement-in-principle between the Republic of Slovenia and private commercial creditors of the former SFR Yugoslavia concluded on 8 June in New York, according to which Slovenia shall assume 18% of the total outstanding debt of the former SFR Yugoslavia under the 1988 New Financing Agreement; and second, declaration of full convertibility of the Slovenian Tolar on 1 September and acceptance of obligations under Art. VIII of the Articles of Agreement of the International Monetary Fund respectively. Both events contributed to further improvement of country rating of Slovenia on international money and capital markets, and at the same time represent a further commitment of the Bank of Slovenia to maintain the soundness and to further strengthen the stability of the Slovenian Tolar.

I take this opportunity to thank you very much for your cooperation, your suggestions and the proposals you made during our discussions of monetary policy issues last year. We are fully aware of the fact that it will be difficult for Slovenia to achieve results comparable to those of developed European countries in the near future, in the field of broader economy, as well as in the monetary field, and that this process shall require close cooperation among all subjects responsible for individual policies. We are also aware that the social reforms planned shall require additional savings and rationalisation measures for the positive trend of stabilisation and economic growth to be sustained. We are quite confident that the belief that monetary and price stability respectively are the guarantee for further development and overall progress, has become well established and firm, in spite of some attempts to the contrary. In any case, the Bank of Slovenia shall remain firm in pursuing its primary objectives: a stable Tolar and a European inflation rate.

Ljubljana, April 1996

Dr France Arhar
Governor
President of the Governing Board

I. BANK OF SLOVENIA: LEGAL STATUS AND RESPONSIBILITIES

The Bank of Slovenia ("the Bank") was established as the central bank within the framework of the legislation promulgated on 25 June, 1991, when, among others, the Law on the Bank of Slovenia was adopted as one of the most important systemic laws, together with the Basic Constitutional Charter on Independence and Sovereignty of the Republic of Slovenia and the Constitutional Law on the Implementation of the Basic Constitutional Charter. Art. 152 of the Constitution of the Republic of Slovenia defined the Bank as the central bank.

The Constitution stipulates that the Bank be independent and responsible directly to the Parliament, which appoints the Governor of the Bank. According to the law the managing bodies of the Bank are the Governing Board and the Governor. The Governing Board is composed of eleven members, whereof six external members are independent experts, proposed by the President of the Republic and appointed by the Parliament. The Governor is President, the Deputy Governor and three Vice-Governors are members of the Governing Board. The Deputy Governor and Vice-Governors are appointed by the Parliament on proposal of the Governor. The external members of the Governing Board, the Governor, the Deputy Governor and Vice-Governors are appointed for a period of six years.

Pursuant to the Law on the Bank of Slovenia the main responsibility of the Bank is to maintain stability of the national currency and general liquidity of payments within Slovenia and with foreign countries. In order to carry out this task, the Bank regulates the money supply, ensures general liquidity of banks and savings banks, ensures general liquidity in payments abroad, supervises banks and savings banks, issues banknotes and puts coins and banknotes in circulation, guarantees for bank deposits of natural persons and carries out certain operations for the Republic of Slovenia. The Bank also carries responsibilities and competencies set forth by the Law on Banks and Savings Banks, the Law on Foreign Exchange Transactions, the Law on Credit Transactions with Foreign Countries and the Law on Prerehabilitation, Rehabilitation, Bankruptcy and Liquidation of Banks and Savings Banks.

The Bank is self governing and independent in its decision-making and implementation of monetary policy, as well as in the implementation of other tasks and competencies set forth by the Law on the Bank of Slovenia, and by other laws. In the implementation of tasks, the Governing Board and the Governor of the Bank are responsible to the Parliament. The Bank is obliged to submit a report on its operations to the Parliament at least semi-annually. The Bank is also obliged to submit the financial plan for the current year to the Parliament, at the time it submits the Annual Report for the year ended.

The law also specifically stipulates that the Bank may not grant loans to the Republic of Slovenia higher than 5% of the annual budget or one-fifth of the anticipated budgetary deficit. These loans must be repaid by the end of the fiscal year. Since the establishment of the Bank, the Republic of Slovenia has never taken advantage of this possibility.

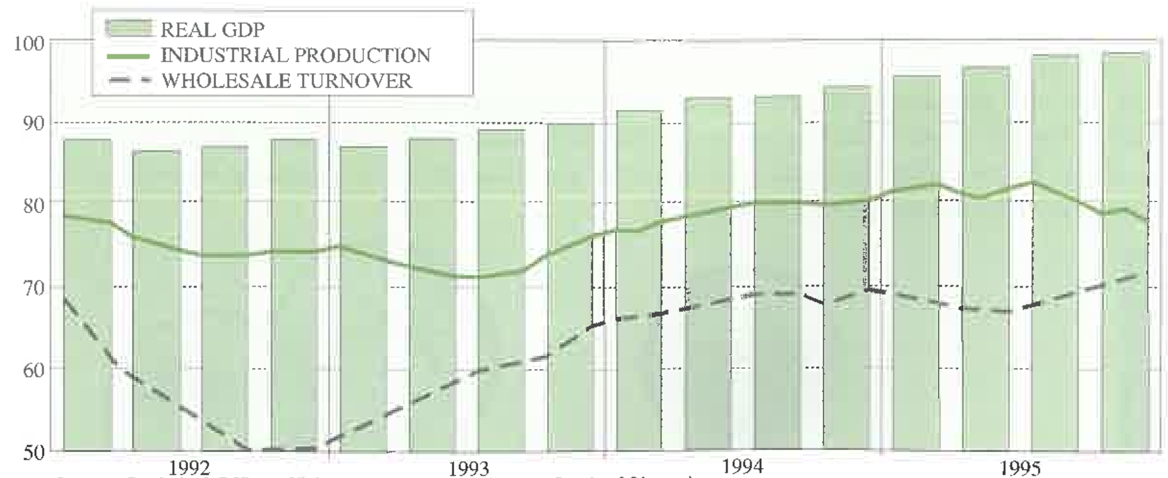
II. REVIEW OF MAJOR ECONOMIC DEVELOPMENTS

The drop in international competitiveness, resulting from the real appreciation of the Tolar since end-1993, and the average wage and salary growth exceeding that of productivity in industry, forced the labour intensive sectors (textile, leather, timber, metal industry, etc.) in 1995 to undergo the process of restructuring. Export prevailed in the activity of the mentioned sectors. The fact that they were not competitive abroad any more in 1995 resulted in limited economic growth. In July 1995 (seasonally adjusted) real exports of goods started to decrease, soon followed by a stagnation of industrial production. The nominal (US Dollar) export growth in the second half of 1995 was thus only the consequence of seasonal factors and the (US Dollar) price growth. In the near future, positive effects of the depreciation of the Tolar on economic activity in the second half of 1995 are expected, whereas in the long-term, those of the income policy and additional investments for the adjustment and restructuring of labour intensive sectors shall be more important.

In the period from 1992 to 1995 the domestic and foreign propensity to invest was low, due to the delayed process of privatisation, coupled with the fact that medium-sized and large companies invested with caution. Due to the newly established private sector, as well as to some major governmental infrastructure projects, the share of investments in the GDP increased by 2 percentage points in 1995, i.e. to 22%, but in comparison to other quickly growing economies, the share of investments in the GDP in Slovenia is still below the average.

The final result showed an (estimated) economic growth of 4.8% in 1995, which is less than planned and less than that of 1994 (5.3%). Regardless of the declining economic activity, this was the third consecutive year of positive economic growth combined with the successful reduction of the inflation rate. The economic activity increased, according to preliminary estimates, most quickly in construction (9%), followed by catering industry (7%), transport (7.5%) and trade (6%), and to a lesser degree in agriculture (2%) and mining (0%). In 1995 employment fell by 0.3%, which is less than in the foregoing year. At the same time the unemployment rate (7.4% in May 1995, calculated by ILO standards), which was equal to the average unemployment level in the EU, fell, too. Unemployment, based on the number of registered unemployed persons at the Employment Offices, increased again in the second half of 1995.

Figure 1: Industrial production and turnover in wholesale trade, quarterly estimates of real GDP from 1992 to 1995 (1990 = 1000, seasonally adjusted)



Source: Statistical Office of RS, GDP quarterly estimates: Bank of Slovenia

Economic growth in 1995 was fuelled (according to preliminary estimates) by a 15.5% fixed investment growth, 5.1% private consumption, a 4.1% government consumption growth and a 4% real growth of exports of goods and services. Bearing in mind that foreign demand is the most important component of Slovenian aggregate demand, reaching 56% compared to GDP in 1995, as against 54% for domestic private consumption, the mentioned developments represented the major obstacle for further development in 1995. The surplus in exports of goods and services over the imports amounted to 1.9% to GDP only (excluding expenditure of Slovenian tourists abroad), which is the smallest surplus since independence.

Substantial growth of private consumption in 1995 was due to a not tight enough income policy. Total payments for net wages and salaries increased by 5.7% in real terms, and for benefits from work and employment by as much as 11.5%. Limited Tolar liquidity, shown by the number of blocked accounts of the real sector, as well as the extent of blocked financial sources on these accounts represented the restricting factors in 1995. Social transfers increased by 3.1% in real terms. The purchasing power of households in 1995 exceeded that of 1990 by 6%. Since 1990 payments of other benefits from work and employment (e.g. from contractual work, etc.) grew most quickly, since in this way enterprises had to pay lower taxes and lower social security contributions.

Table 1: Expenditure on Gross Domestic Product (in %)

	1992	1993	1994	1995
1. GROSS DOMESTIC PRODUCT (4+5)	100.0	100.0	100.0	100.0
2. Exports of goods and services	63.7	58.7	60.9	55.9
3. Imports of goods and services	54.5	55.7	55.9	54.0
4. Balance (exports - imports)	**9.2**	**3.0**	**5.0**	**1.9**
5. Total domestic consumption	**90.8**	**97.0**	**94.9**	**96.9**
6. Domestic private consumption	52.9	55.2	53.8	53.8
7. Government consumption	20.5	20.7	20.0	19.8
8. Gross fixed investment	17.6	18.1	20.2	22.2
9. Change in stocks	-0.3	1.0	0.9	1.1
10. Net errors and omissions	0.0	1.9	0.1	1.2
• Real GDP growth in %	**-5.4**	**1.3**	**5.0**	**4.8**
• GDP in US$	12,365	12,672	14,037	
• GDP per capita in US$	6,195	6,366	7,181	
• GDP per capita by purchasing power in US$	8,109	8,579	9,465	

Source: Estimates of the Institute of Macroeconomic Analysis and Development; real GDP growth and GDP in US Dollars for the years 1992 - 1994: Statistical Office of RS.

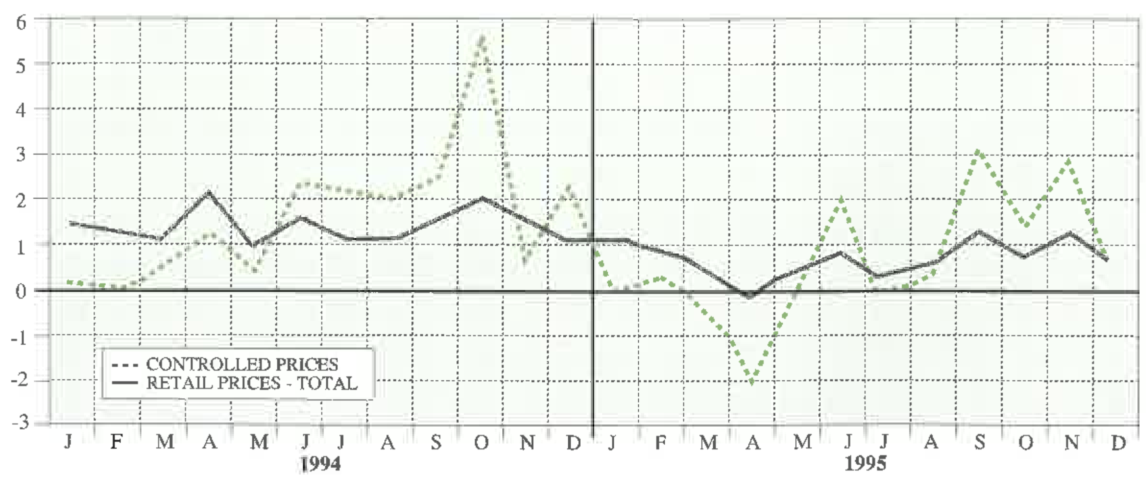
The consolidated general government accounts (those of the central government, the local governments, and the compulsory retirement and health insurance funds) closed with a deficit of 0.3% of the GDP in 1995. The central government budget was in surplus throughout the year, and the government supported the stabilisation policy of the central bank by savings measures.

Fiscal receipts of public financing increased by 5.5% in real terms. Fiscal receipts from sales tax grew in nominal value by 25.5%, from customs duties by 21.5%, from social security contributions by 17.6% and from income taxes by 14.9%, while those from profit fell by 19.8%, due to the abolition of the special tax on personal income, if exceeding the limits stipulated in the social pact agreement, and the tax on profit reduced from 35% to 25%. Taxes burdening personal wages and salaries still represented 58%, and sales taxes (including import duties) 36% of total fiscal receipts. Taxes on profit contributed less than 2%.

During the first six months of 1995 the Treasury deposited its liquidity surplus with commercial banks, in certain months well over 30 billion Tolars, while in the second half of the year these funds were deposited with the Bank of Slovenia. This significantly contributed to the reduction of deposit and lending rates. In 1995 borrowing by the Government on the domestic market was restricted to the existing instruments (Treasury bills), and for the first time, to the short-term loan in foreign exchange organised by a syndicate of domestic commercial banks in the amount of 15.7 million US Dollars. The general Government took up foreign loans in the amount of 132 million US Dollars, i.e. twice as much as the year before. This amount included drawdowns under loans with a state guarantee by enterprises. Additional borrowing abroad could have had a negative impact on the development on the domestic foreign exchange market, if there was no appropriate cooperation between the Ministry of Finance and the Bank of Slovenia; as it was the amounts drawn were temporarily deposited with the Bank.

The Ministry of Finance exchanged the 30-year government bonds, issued within the framework of the bank rehabilitation process, denominated in foreign currency for bonds denominated in domestic currency. The maturity of bonds amounting to 1.78 billion German Marks was restructured from 30 years to between 4 and 16 years. Originally, they were indexed with the D-clause (foreign exchange clause based on the German Mark) and bore a real interest rate of 8% per annum. The T-clause applies to the new bonds, and a real interest rate of 4.5% - 6% p.a. In 1995 the Republic of Slovenia assumed claims of commercial banks (not undergoing rehabilitation) towards the former National Bank of Yugoslavia, arising from the paid out foreign exchange deposits of households with banks. In exchange of their claims amounting to a total of 544 million German Marks, banks received registered bonds with a maturity of 20 years, a real interest rate of 3% p.a., indexed with the D-clause.

Figure 2: Monthly growth rates of retail prices and growth of controlled prices (in %)



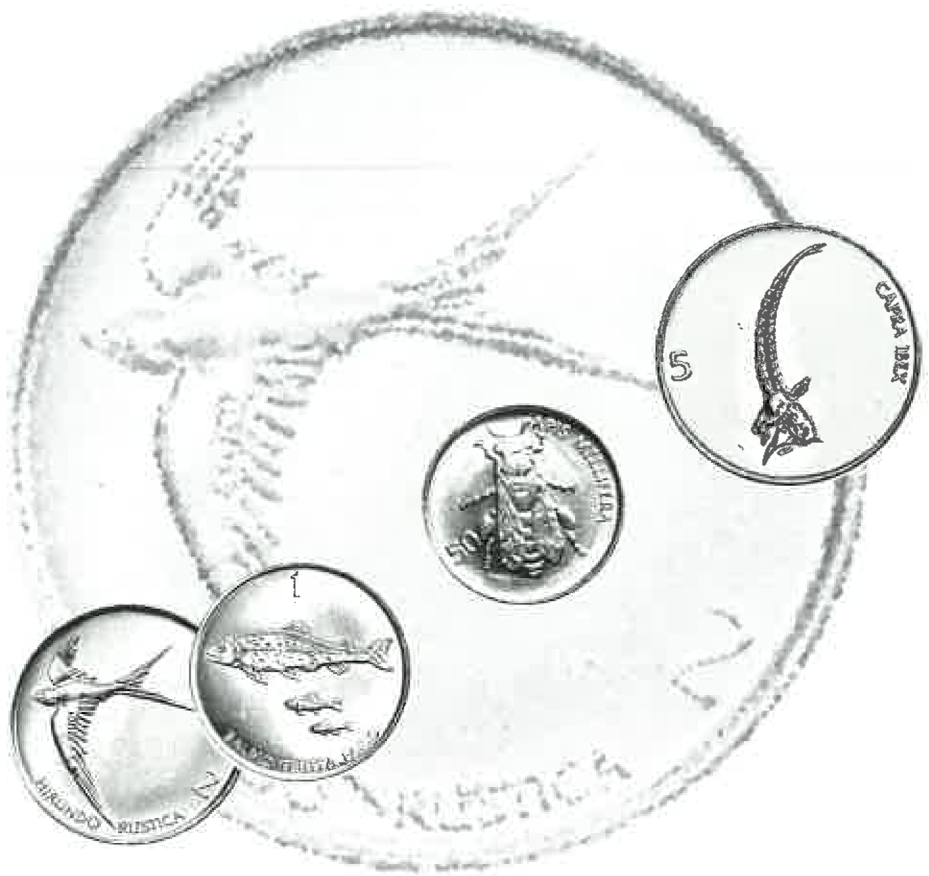
Source: Statistical Office of RS and the Office of RS for Macroeconomic Analysis and Development

The economic policy in 1995 focused on further reduction of the inflation rate and the stabilisation of nominal economic processes. Within a year, in the period from December 1994 to December 1995, retail prices grew by 8.6%, compared to 18.3% in 1994. The consumer prices grew by 9.0%, while industrial producers prices by 7.9%. The Republic of Slovenia realised the lowest inflation rate since 1976. Costs for services grew above the average price increase (by 11.1%), whereas prices in manufacturing increased below the average rate (7.6%).

About 26% of all prices were under direct governmental control in 1995. Retail prices under direct governmental control increased by 8.3%, which is in line with the growth rate of free prices. The growth of controlled prices accounted for about a fifth of total inflation, i.e. less than in 1994.

Prices in the tradable sector grew by 8.8%, and in the non-tradable sector by 10.4%. This was particularly due to the stable nominal exchange rate of the Tolar in the period from January to July. In the second half of the year, both the exchange rate and certain price corrections in the public sector again increased the input production costs.

In 1995, the improved price regulation in the public sector and that of monopolists slowed down retail price index fluctuations. Indexation of interest rates on the financial market with retail prices contributed to smaller fluctuations of overall and, partially, of real interest rates.



III. MONETARY POLICY AND INSTRUMENTS

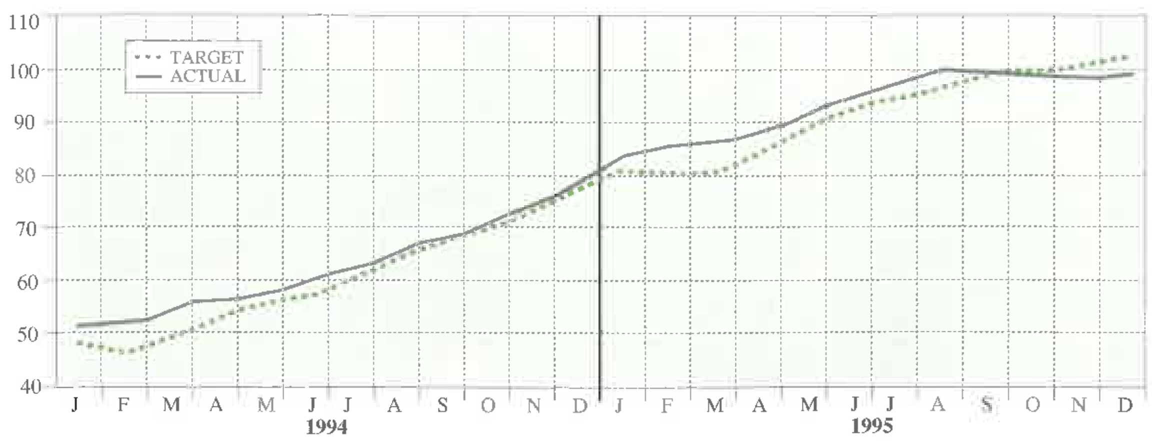
1. Goals and Guidelines of Monetary Policy

As in previous years, the basic goal of monetary policy in 1995 was to further reduce inflation and ensure the stability of domestic currency. The intermediate objective of the monetary policy was targeting of base money supply, with targets based on estimates of the demand for money and the money multiplier. Within this basic framework the Bank adapted its selection of instruments to current conditions on the foreign exchange market, with the intention to prevent undesired changes in the exchange rate (within the managed floating exchange rate), and contributed, within its possibilities, to the reduction of interest rates.

The annual inflation rate dropped from 18.3% in 1994 to 8.6% in 1995. Conditions determining the current policy of the Bank differed in the first and in the second half of the year. In the first half of the year, inflation was positively influenced by the reduction of the nominal exchange rate, while the growth of the exchange rate towards the end of the year required a rather active policy. Accordingly, the tasks in the field of the exchange rate policy were most demanding in the first half of the year; however, the Bank only led the monetary policy within the framework of its own financial resources, which limited its possibilities to pursue the abovementioned intermediate objective.

The money supply (M1) in 1995, was on average 22.5% higher than in 1994 in real terms, and 37.5% higher in nominal terms. The crucial factor for growth of money demand were lower inflationary expectations, and the second factor was the increase in money transactions. The GDP grew by 4.8% in real terms, and the real volume of transactions of all domestic sectors by 6.3%, whereby the increase of transactions of households represented 7.5%. The reduction of interest rates by about 1 percentage point for short-term time deposits and 3 percentage points for long-term government securities resulted in the growth of demand for M1.

Figure 3: Targeted and actual base money in 1994 and 1995 (in billion Tolars, three-month averages)



Source: Bank of Slovenia.

Table 2: Derivation of base money (in million Tolars)

	31/12/1993	Change	31/12/1994	Change in quarter I.	II.	III.	IV.	Change	31/12/1995
Base money	**48,966**	**38,007**	**86,974**	**-3,390**	**11,835**	**451**	**7,608**	**16,503**	**103,477**
Bank reserves	12,548	18,519	31,067	1,594	2,593	-592	3,298	6,894	37,960
Currency	32,548	14,478	47,026	-4,473	9,400	1,741	5,930	12,599	59,625
Non-banking sector deposits	3,871	5,010	8,881	-511	-159	-699	-1,620	-2,989	5,892
Creation	**138,607**	**96,716**	**235,323**	**-7,195**	**21,790**	**12,508**	**39,619**	**66,722**	**302,045**
Foreign assets	104,006	86,052	190,058	3,290	23,126	5,765	29,827	62,008	252,066
Claims on general Government	18,599	-3,233	15,366	-89	-81	-6,800	-1,456	-8,426	6,940
Claims on domestic banks	15,845	13,794	29,639	-10,353	-1,288	13,558	11,276	13,193	42,832
• lombard loans	351	-351	0	0	0	0	66	66	66
• liquidity and other loans	14,006	3,059	17,065	-1,720	-2,942	7,879	5,681	8,897	25,962
• repurchase of foreign currency bills	1,488	11,087	12,574	-8,633	1,654	5,679	5,530	4,230	16,804
Other claims	157	103	260	-43	33	-15	-28	-53	207
Withdrawal	**89,641**	**58,718**	**148,359**	**-3,814**	**9,955**	**12,057**	**32,011**	**50,209**	**198,568**
Foreign liabilities	6,113	-494	5,619	-237	-302	109	39	-392	5,227
Foreign exchange liabilities	8,507	14,000	22,507	-3,564	1,968	5,919	11,769	16,092	38,599
Bank of Slovenia bills	50,385	49,382	99,768	-743	8,254	3,582	15,811	26,904	126,671
• in Tolars	2,827	9,620	12,447	14,230	-13,423	-1,205	-5,426	-5,824	6,623
• in foreign exchange	47,558	39,763	87,321	-14,973	21,677	4,786	21,237	32,727	120,049
Net other liabilities	24,635	-4,170	20,465	729	35	2,448	4,393	7,606	28,071

Source: Bank of Slovenia.

The supply of base money in 1995 increased, in comparison to the average of 1994, by 30.1% in real terms. In the first quarter, the supply was in excess, in the second and third quarters the supply exceeded only insignificantly, whereas in the last quarter the volume of supply was below its target. The average volume of base money in 1995 amounted to 94.8 billion Tolars, whereby it did not significantly exceed the estimated demand for base money amounting to 93.5 billion Tolars. In the second half of the year, restrictions were imposed on base money supply by the Bank, due to inflationary effects of the exchange rate increase. The base money supply amounting to 99.2 billion Tolars in June, increased by less than 1% by November; in December, however, it increased to 100.5 billion Tolars, which is the result of the seasonal adjustment at the end of the year.

The Bank issued base money by 66.7 billion Tolars, and withdrew the amount of 50.2 billion Tolars. The main source of supply was the increase in net foreign assets by 62.4 billion Tolars, representing mainly the result of the exchange rate intervention (and the influence of exchange rate differentials in the second half of the year). The Bank neutralised the monetary effects of the increase in international reserves by assuming foreign currency liabilities towards domestic sectors: through foreign currency bills, foreign exchange in counter-value of 32.7 billion Tolars was temporarily withdrawn from the market, and through the increase of foreign currency deposits with the Bank (mainly the liquidity surplus of the budget) 16.1 billion Tolars were withdrawn from the market. The classic instrument of sterilisation, Tolar bills, were not active in net terms, since their redemption in 1995 resulted in an increase in base money by 5.8 billion Tolars.

The increase of liabilities arising from new time deposits of the budget liquidity surplus at the end of the year amounting to 7.8 billion Tolars, resulted in a decrease of net Tolar claims of the Bank on the Government by 8.4 billion Tolars. Claims of the Bank on the Government represented a counterpart item to the liabilities towards the International Monetary Fund, and to claims of the Bank against the central bank of the former SFR Yugoslavia that were exchanged for claims against the Succession Fund of the Republic of Slovenia.

Loans to banks increased by 13.2 billion Tolars. Within this framework, liquidity loans decreased by 6.1 billion, whereas other loans, especially short-term loans, introduced in September as a substitute for time deposits of the budget transferred to the Bank, grew by 15.0 billion; base money increase based on the repurchases of foreign currency bills amounted to 4.2 billion Tolars.

The average money multiplier amounted to 1.86 throughout the year, compared to the 1.99 average of the previous year, due to which 17.2% of total money supply growth within the given increase of base money, was compensated by the reduction of the multiplier. Fluctuations of the multiplier during various months were small, the trend during the first half of the year decreasing, and that of the second half increasing, especially due to changes in the regime of the reserves requirement introduced in April 1995, and the gradual adjustment of banks and non-banking sectors to the new regime of minimum reserves requirement.

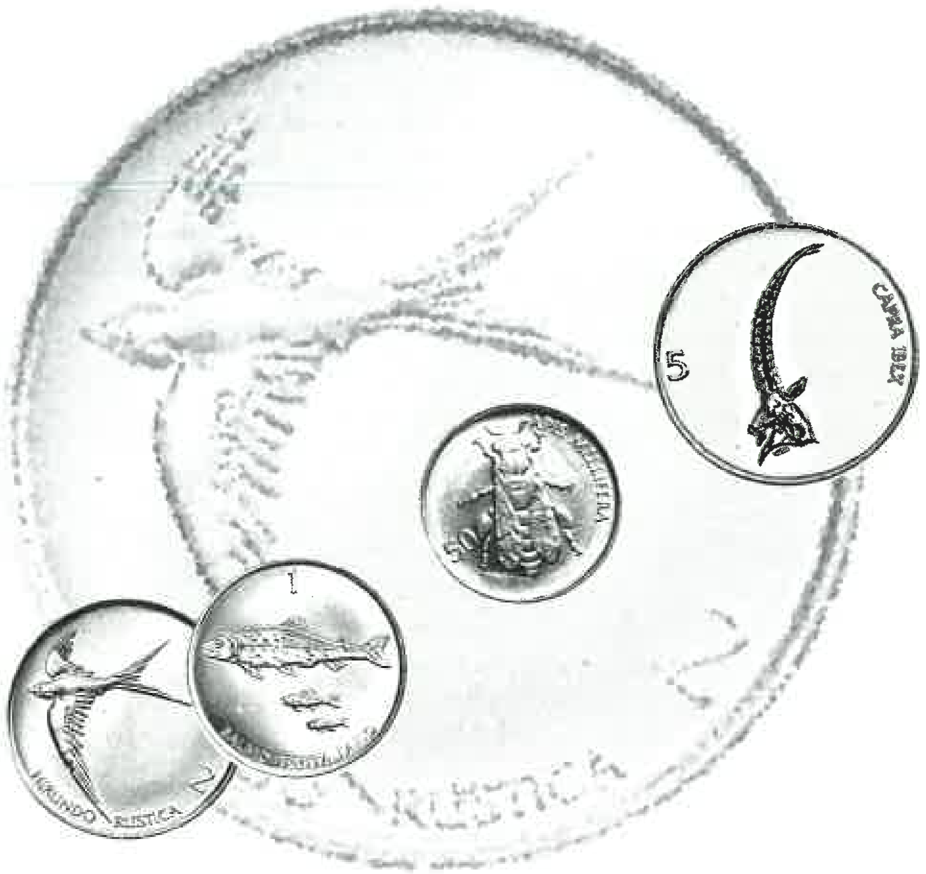


Table 3: Derivation of money in circulation (in million Tolars)

	31/12/1993	Change	31/12/1994	Change in quarter				Change	31/12/1995
				I.	II.	III.	IV.		
Money (M1)	**115,598**	**54,638**	**170,236**	**-12,720**	**26,227**	**-1,590**	**21,748**	**33,665**	**203,902**
Deposits at commercial banks	79,430	36.464	115,894	-8,618	17,058	-2,805	18,432	24,066	139,960
• enterprises	36,041	13,450	49,491	-9,265	8,397	44	10,169	9,345	58,836
• households	20,728	13,934	34,661	2,976	9,809	-3,781	1,598	10,602	45,263
Deposits at Bank of Slovenia	3,447	3,611	7,058	355	-253	-549	-2,633	-3,081	3,977
Currency	32,721	14,563	47,284	-4,456	9,421	1,764	5,950	12,680	59,964
Increase	**838,143**	**326,43**	**1,164,686**	**25,548**	**83,069**	**81,404**	**118,386**	**308,408**	**1,473,093**
Foreign assets	292,801	188,307	481,107	3,690	16,516	22,137	36,440	78,782	559,890
Claims on general Government	239,150	21,524	260,674	-6,320	6,684	**19,647**	27,174	47,185	307,859
Claims on households and enterprises	304,160	113,749	417,909	28,091	59,079	39,985	50,602	177,757	595,666
* enterprises	248,935	77,405	326,340	19,703	41,552	15,167	32,174	108,595	434,935
• short-term Tolar loans	85,697	50,281	135,978	16,532	25,846	10,615	8,671	61,665	197,643
• long-term Tolar loans	63,149	15,531	78,680	2,862	13,736	12,437	23,826	52,861	131,542
• Tolar securities	17,802	-424	17,377	193	157	-231	3,081	3,200	20,577
• capital investments	5,647	11,880	17,527	633	-332	654	-678	277	17,804
• foreign currency claims	76,641	136	76,777	-518	2,143	-8,308	-2,725	-9,408	67,369
* households	55,225	36,344	91,569	8,388	17,527	24,818	18,428	69,162	160,731
• short-term Tolar loans	19,950	6,253	26,204	-133	-34	5,631	1,917	7,381	33,585
• long-term Tolar loans	35,274	30,091	65,366	8,521	17,561	19,187	16,511	61,780	127,146
Claims on other financial institutions	2,032	2,963	4,995	87	791	-364	4,170	4,683	9,679
Decrease	**722,545**	**271,904**	**994,449**	**38,267**	**56,843**	**82,995**	**96,638**	**274,743**	**1,269,192**
Foreign assets	141,156	9,267	150,422	-9,793	9,806	3,668	23,297	26,978	177,400
Non-monetary deposits	400,726	183,178	583,904	50,203	33,692	54,380	51,048	189,323	773,227
• in Tolars	186,962	130,026	316,988	47,214	10,777	28,651	7,139	93,780	410,767
• enterprises	91,774	45,685	137,458	10,720	2,250	15,168	5,871	34,010	171,468
• households	47,230	64,392	111,621	27,430	5,483	-3,176	2,662	32,400	144,021
• in foreign currency	213,764	53,152	266,916	2,989	22,915	25,730	43,909	95,543	362,459
• enterprises	26,662	-7,909	18,753	472	258	99	-3,986	-3,157	15,595
• households	178,673	46,223	224,895	7,237	21,418	18,382	36,952	83,989	308,884
Securities	31,146	5,069	36,214	-2,588	12,517	4,897	5,693	20,520	56,735
• in Tolars	20,795	1,555	22,350	3,085	90	4,856	9,220	17,251	39,601
• in foreign currency	10,351	3,514	13,864	-5,672	12,427	41	-3,527	3,269	17,134
Limited deposits	1,887	4,199	6,086	-1,762	1,011	-1,131	1,464	-417	5,669
Net other liabilities	147,631	70,192	217,823	2,206	-183	21,180	15,136	38,339	256,161

Source: Bank of Slovenia.

Sources of increase and decrease of money in circulation (M1) in 1995 differed significantly from those of the previous year. While the increase in foreign exchange assets of the banking system in 1994 represented 58% of all flows of money in circulation, this increase in 1995 amounted only to 78.8 billion Tolars or 26%. The main sources of money creation were loans to enterprises in the amount of 108.6 billion Tolars, representing an increase of 33.3% compared to the situation at the end of 1994, and loans to households amounting to 69.2 billion Tolars, representing an increase of 75.5%. With the means released for financing of non-banking sectors, banks gave priority to granting loans to households, under the presumption of lower investment risks in that sector in 1995. Claims on the Government (at the end of 1995 83% of them represented government bonds) grew by 47.2 billion Tolars or 18.1%, primarily due to new issues of government bonds, which replaced former claims of banks on the former National Bank of Yugoslavia.

The reduction of money in circulation was mainly due to the increase of foreign exchange deposits by 95.5 billion Tolars, i.e. by 35.8%, and Tolar time deposits by 93.8 billion Tolars, i.e. by 29.6%. Households shifted back from saving in Tolars to saving in foreign exchange, especially in the second half of the year, when foreign exchange deposits increased by 55.3 billion Tolars, including a simultaneous (minimum) reduction of Tolar time deposits. The net increase of other liabilities of the Slovenian banking system amounting to 38.3 billion Tolars represented the increase in capital and profits of banks.

2. Interest Rates

In 1995, the Bank took a number of steps with the purpose to gradually lower its interest rates. By means of its monetary policy instruments and by taking other measures, the Bank influenced the interest rates on the interbank money market, and indirectly contributed to the lowering of other interest rates.

The gradual introduction of nominal interest rates for selected monetary policy instruments initiated in 1994, was followed by the introduction of nominal interest rates for all monetary policy instruments with maturity up to one month in May 1995. The interest rate of instruments denominated in Tolars with maturity exceeding one month, was still expressed as a composite of the revaluation rate (R-clause - equal to the growth of consumer prices in the previous month) and the r-component, the real rate. In May, the Bank introduced calculation of the revaluation rate on the basis of the average retail price growth within the last three months (T-clause). The example and the guidelines of the Bank were followed by commercial banks in June, and in August this new way of interest rate calculation was introduced for the default interest rate. In compliance with the Law on Default Interest Rates and the T-clause, the Bank is authorised to determine the methodology of calculation of the revaluation rate. The Bank did not modify the rules introduced in May until the end of the year.

Table 4: Interest Rates in 1995 (overall nominal interest rate in % p.a.; time deposits and short-term loans of banks: in % above the revaluation rate)

Month	Bank of Slovenia Interest Rates				Interest Rates of Banks				Revaluation
	Discount rate	Lombard rate	Repos term 1)	Short-term loans 2)	Deposits over 31 days	Deposits over 1 year	Short-term loans	Interbank term loans	
January	16.0	17.0		16.0	7,3	10,8	15,9	19,3	13,7
February	16.0	17.0	12.1	16.0	7,2	10,6	15,7	20,4	15,3
March	16.0	17.0	16,4	16.0	7,1	10,4	15,2	16,0	11,1
April	10.0	11.0	11,9	12,0	6,2	9,4	14,1	11,0	6,3
May	10,0	11,0	9,6	10,0	6,1	9,4	14,2	6,4	4,8
June	10,0	11,0	8,7	10,0	6,2	9,4	13,8	7,3	3,7
July	10,0	11,0	8,4	9.3	6,2	9,4	13,6	7,7	4,8
August	10,0	11,0	9.1	9,3	6,3	9,4	13,5	8,9	6,0
September	10.0	11,0	8,8	9,3	6,2	9,4	12,6	9,3	6,3
October	10,0	11,0	11,2	9,3	6,3	9,4	12,7	11,6	8,6
November	10,0	11,0	12,7	9,3	6,3	9,4	12,6	12,4	10,2
December	10,0	11,0	14.9	10,3	6,2	9,4	12,5	15,9	13,7

1) Calculation from the repurchase rate
2) For regular short-term loans

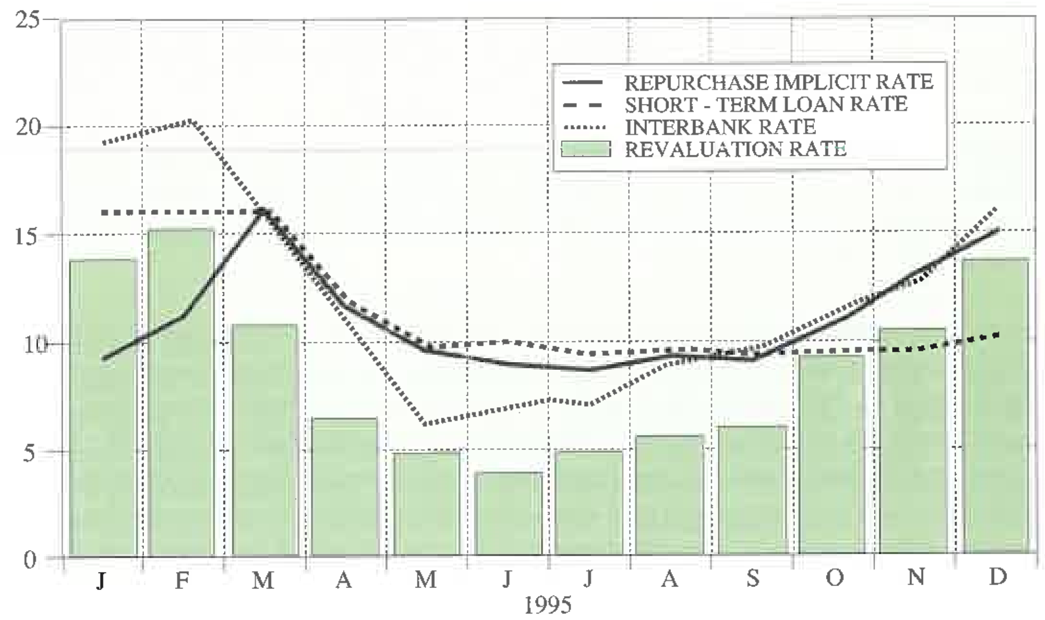
The Bank supported the agreement of banks on the maximum deposit rates. The conclusion of this agreement was one of the reasons, that the Bank, in mid-1995, stopped conditioning the use of banks' reserves with the levels of their deposit rates. After the conclusion of the agreement, if a bank or a savings bank offered higher deposit rates as those stipulated in the bank agreement in force, the total amount of the reserves requirement had to be held on a special account and no drawings were possible.

By lowering its own interest rates, especially the discount, the lombard and the repurchase rates, the Bank paved the way for further lowering of interest rates of commercial banks.

Bank of Slovenia interest rates. In April the Bank of Slovenia discount rate was reduced from 16% to 10%. At the same time the lombard rate was lowered from 17% to 11%. By lowering the discount rate, adjusting interest rates to current inflation, and by introducing nominal interest rates, the Bank of Slovenia interest rate for liquidity loans reduced from 21.7% p. a. to 11% p.a., and those for regular short-term loans from 16% to 7.5% p. a. At the same time the Bank also lowered interest rates for its own bills (the highest interest rate for the bill with maturity of up to 30 days amounted to 22.8% p. a. at the beginning of the year, and 6.5% p.a. at the end of the year). With the introduction of the calculation of the revaluation rate on the basis of the average consumer price growth within the last three months, the fluctuations of the revaluation rate, and consequently the overall interest rate, became smaller and lower than before. Taking into account the price growth in the previous month only, the monthly revaluation would have been between -0.1% in May and 1.3% in December, but was in fact between 0.3% in June and 1.1% in December.

In line with the objectives of its monetary policy and its efforts for further reduction of inflation and interest rates, the Bank also adjusted the opportunity costs of other instruments of monetary policy, especially that of repurchase agreements. The repo interest rate fluctuated on the annual basis from 8.4% in July to 16.4% in March in nominal terms, and followed the interbank interest rate fluctuations. After the nominal interest rate had been introduced for instruments up to one month, the interbank interest rate average varied from 6.4% in May to 15.9% in December; within the same period the repo interest rate varied from 9.6% in May to 14.9% in December.

Figure 4: Selected interest rates in 1995 (overall nominal interest rates, in % p. a.)



Source: Bank of Slovenia.

The Bank of Slovenia regularly adapted the interest rates for its foreign currency bills to the interest rates in force on foreign money markets.

Interest rates on the interbank market were on a rather low level during the first four months of the year (in real terms between 4.4% p.a. and 4.9% p.a., while in nominal terms between 11% p.a. to 20.4% p.a.), i.e. lower than liquidity loans of the Bank. Since May, when they were expressed in nominal terms on the annual basis, interest rates fluctuated monthly on average from 6.4% p.a. to 15.9% p.a. At the end of the year they grew due to the seasonal increase of inflation, but they were occasionally lower than the annual inflation rate, whereas in the preceding year they were above inflation in real terms.

3. Monetary Policy Instruments

The Bank implemented its monetary policy predominantly with instruments it already had at hand from previous years, and adjusted them to current monetary developments and policy targets. In 1995 the Bank increased the base money with loans, the repurchase of foreign currency bills and by purchasing foreign exchange from banks and the Government. It reduced base money by issuing Bank of Slovenia bills and by selling foreign exchange. In the second half of the year, the Bank introduced the purchase of foreign exchange with delayed payment, and in addition to liquidity loans, loans of last resort. The most frequently used instruments were the repurchase agreements and short-term loans. Through their frequent use they became a stable and reliable source of bank liquidity, and contributed to the reduction in drawing of regular liquidity loans.

Money supply was regulated by the Bank by means of the minimum reserves requirement for banks and savings banks. In order to ensure general liquidity of the banking system, the Bank prescribed the manner of drawing under the minimum reserves. General liquidity of banks in payments abroad was regulated by the Bank by imposing a minimum reserves requirement in foreign currencies (foreign exchange minimum).

Loans granted to banks

In 1995 loans granted to banks were, by volume and frequency of use, the most important instrument of monetary policy. The Bank increased the base money through lombard, short-term and liquidity loans. The largest share of this increase in the first nine months was due to liquidity loans, whereas in the last three months to short-term loans.

As in 1994, ***lombard loans*** represented only a minimum share in interventions of the Bank. The intervention lombard loan window was open throughout the year, and it represented a solution of last resort. On the basis of this window, five-day loans were available to banks at any time, in the amount not higher than 2.5% of foreign currency bills or Treasury bonds submitted to the Bank as collateral. The interest rate for such loans was one percentage point above the discount rate of the Bank, until April 1995 17% , and 11 % p. a. since mid-April. The additional condition whereby banks had to purchase foreign exchange inflows from enterprises at a determined rate of exchange, was abolished at the end of January 1995.

Table 5: Monetary policy instruments (in million Tolars)

	31/12/1994	Quarterly average daily balance in 1995				31/12/1995
		I.	II.	III.	IV.	
Loans to banks	**17,065**	**16,892**	**11,795**	**13,296**	**30,195**	**26,028**
• Lombard loans	0	181	11	0	51	66
• Short-term loans	3,281	2,189	780	3,205	21,176	18,295
• Liquidity loans	13,784	14,522	11,004	10,091	8,968	7,667
Repurchase of bills	**0**	**3,400**	**5,095**	**7,848**	**14,231**	**16,804**
Repurchase of foreign exchange	**12,574**	**821**	**0**	**0**	**0**	**0**
Issued Bank of Slovenia bills	**99,768**	**99,167**	**104,373**	**103,848**	**117,469**	**126,672**
• Tolar bills - banks and savings banks	7,392	11,034	10,404	5,015	1,626	1,547
• Twin bills	2,646	1,626	1,204	3,250	5,333	4,093
• Bills with warrants	2,409	9,082	7,525	4,315	3,278	983
• Foreign currency bills	87,321	77,424	85,239	91,268	107,233	120,049
Government deposits	**0**	**0**	**0**	**1,176**	**15,740**	**7,800**
Reserves requirement of banks and savings banks	**30,162**	**31,785**	**35,627**	**37,329**	**37,274**	**37,017**
Foreign exchange minimum of banks (in mio XEU)	**1,170**	**1,217**	**1,305**	**1,477**	**1,579**	**1,586**
Purchase of foreign exchange in the period		**16,268**	**3,209**	**2,547**	**963**	
Sale of foreign exchange in the period		**2,058**	**1,833**	**6,835**	**12,624**	

Source: Bank of Slovenia

Lombard loans were mostly drawn upon in January and February, to a smaller degree in March, April, October and November, and they amounted to a total of 3.7 billion Tolars, whereof 3.6 billion Tolars were repaid by the end of the year. The average daily amount drawn upon for all months was 72 million Tolars.

The short-term loan was introduced by the Bank at the end of 1994 and was intended for those banks which were most active in buying foreign exchange from enterprises. According to the changes in terms in the second half of 1995, the amount of the loan for an individual bank was calculated in line with the bank's share in the net foreign exchange position (as opposed to the net foreign exchange position in excess, used as calculation base before). The collateral required for drawing upon the loan were Bank of Slovenia foreign currency bills. In September the Bank extended the period for drawing upon the short-term loan from one month to three months, and introduced, next to regular loans, supplementary short-term loans. With supplementary short-term loans, the Bank of Slovenia neutralised the effect of the transfer of liquidity surplus of the budget from commercial banks to the Bank.

Regular short-term loans were offered by the Bank on a monthly basis. The amount of the loan for an individual bank depended on the bank's share in the total net foreign exchange position and the total amount offered by the Bank. The nominal annual interest rate was changed five times in 1995, from 16% at the beginning of the year to 14% in April, to 10% in May and to 9.25% in July, whereas in the middle of December it was increased to 10%. The regular short-term loan is a rather stable instrument, and the Bank intervenes on a regular monthly basis, while banks may repay it or draw upon it at any time. Based on twenty-eight offers, banks drew, throughout 1995, 64.8 billion Tolars, and repaid within the same period 57.6 billion Tolars; the difference of 7.2 billion Tolars represented a net increase of base money. Demand for these loans was highest at the beginning and the end of the year, when the offered amounts were drawn upon by more than 80%. The daily average of drawing was highest (7.0 billion Tolars) in December, and lowest (0.7 billion Tolars) in May; the daily average throughout the year was 3.0 billion Tolars.

Supplementary short-term loans are offered by the Bank to banks on the basis of time deposits, transferred by the Ministry of Finance from banks to the Bank. The period of drawing equals that of the time deposit, but may not exceed three months; the interest rate normally applied is by one percentage point higher than that of the time deposit. The interest rate is equal to that of comparable Bank of Slovenia bills.

The first supplementary short-term loan was offered to banks by the Bank after its introduction in September. There were 49 offers made to banks in 1995, the average daily balance of loans was 11.6 billion Tolars from September to December, the highest of all in November (19.8 billion Tolars). The average period of drawing upon supplementary short-term loans was 24 days. The Bank granted supplementary short-term loans in the amount corresponding to 91% of time deposit of budgetary surplus received.

Liquidity loans are granted by the Bank against a collateral of Bank of Slovenia bills and government bonds of the first and second issue. In 1995, as in previous years, the Bank intervened with liquidity loans, especially in banks under rehabilitation. Liquidity loans were offered to all banks overnight, and to banks under rehabilitation for one day or overnight, or in case of redeemed contingent liabilities. In addition to liquidity loans offered to all banks, the Bank introduced the **loan of last resort.** Interest rates for liquidity loans were changed more frequently in 1995 than in the preceding years, they were also adapted to interest rates on the interbank money market, to repo interest rates and to the general targets and guidelines of monetary policy.

Liquidity loans outstanding amounted to a daily average of 11.2 billion Tolars (15.8 billion Tolars in 1994), loans to banks under rehabilitation accounting for the major part, while loans of last resort amounted on average to less than 0.1 billion Tolars during the last days of the year.

Overnight liquidity loans are available to all banks under the same conditions: they must be net debtors on the interbank market, and they are obliged to use the funds for meeting their obligations. The Bank grants these loans on the evening interbank money market, where it participates with a special offer and with a limited amount. In 1995, the Bank occasionally intervened with this offer until the end of May. Through its presence on the evening money market, the Bank influenced interest rate fluctuations for interbank liquidity loans. The annual nominal interest rate of 9% for overnight liquidity loans introduced in May, fell by one percentage point in mid-July, and finally rose twice by one percentage point to 10.5%. Only banks under rehabilitation took advantage of these loans. In the middle of the year the Bank defined both, the procedures governing the final settlement of payments in the payment system, and the manner of drawing upon the minimum reserves required (at least half of the reserves required was to be deposited on a special account by all banks). After introduction of measures, the need for interventions on the evening money market by the Bank was limited.

Liquidity loans for banks undergoing rehabilitation are granted for one or for fourteen days. One bank under rehabilitation repaid its fourteen-day liquidity loan in May. Larger amounts were drawn upon by this bank through loans for one day (on average 2 billion Tolars daily) and the overnight credit facility, determined by the Bank (on average 1.8 billion Tolars daily). For redeemed contingent liabilities, the banks under rehabilitation drew on average upon 6.3 billion Tolars daily. Loans to banks under rehabilitation amounted, on average, to 11.2 billion Tolars daily.

Liquidity loans of last resort were introduced by the Bank in December. The loan window was open for each commercial bank in the amount corresponding to 95% of its free portfolio of Bank of Slovenia foreign currency bills. This loan was exclusively intended for banks having liquidity problems or for fulfilment of their obligations. This loan could be drawn upon for a maximum of one day, whereby default interest applied. At the end of the year three banks drew upon this loan in amounts between 1.6 billion and 2.5 billion Tolars, at an interest rate of exactly 31.75% p. a.

Repurchase Agreements

Repurchase agreements are agreements where the Bank purchases foreign currency bills from commercial banks for a fixed period at a price determined at the auction. As in the previous year, repurchase agreements were the most frequently applied instrument of monetary policy in 1995. Since February, the Bank regularly intervened and temporarily purchased 108.3 billion Tolars (counter value of 1,301 million German Marks), while bank repurchases amounted to 92.2 billion Tolars (counter value of 1,109 million German Marks). The net effect of this instrument was a 16.1 billion Tolar increase of base money in 1995, which corresponded to the amount of interventions in December. With this instrument the Bank ensured a stable and reliable source of liquidity, an average of nine billion Tolars each month.

At 222 auction sales, the Bank made temporary purchases of the Bank of Slovenia foreign currency bills and determined the obligatory repurchase after one month. Until the beginning of February banks auctioned the amount of foreign exchange inflows to be purchased from enterprises at seven auctions, and on all the subsequent auctions, until the end of the year, the exchange rate for the repurchase of bills, enabling the calculation of the implicit (repo) interest rate, was auctioned by banks. 1,555 million German Marks were offered, 83% of which were realised, varying from month to month; most of them were realised in the second half of the year, when the daily amounts offered were larger. The banks' interest surpassed the amounts offered, especially in the second half of the year, while in the first half of the year only 50% of the offers were realised.

All auctions included the additional condition requiring that a specified amount of foreign exchange be purchased from enterprises in the first week after the deal had been concluded amounting to a certain percentage of temporarily sold bills. This percentage was reduced from the starting 401% to 151% at the end of June, and remained unchanged until the end of the year. The stability of conditions and continuity in use are important characteristics and advantages of this instrument.

Bank of Slovenia Bills Issued

In 1995 the Bank continued to withdraw money from circulation by issuing Bank of Slovenia Tolar and foreign exchange denominated bills, first issued and gradually introduced in 1992. The characteristics of the issues, effected in 1995, were similar to those of the preceding years, with the neccessary adaptions to the changed conditions for and to objectives of monetary policy. The interest rate of the Bank depended on interest rate trends on foreign and domestic money markets. The overall purchases of Bank of Slovenia bills with Tolars amounted to 196.8 billion Tolars, while total redemptions amounted to 196.5 billion Tolars and 73 million German Marks (for the part of the twin bill in foreign currency). The overall purchases of Bank of Slovenia bills with foreign currency amounted to 3.0 billion German

Marks and 261 million US Dollars, and total redemptions amounted to 2.7 billion German Marks and 252 million US Dollars, whereof renewed purchases amounted to 2.3 billion German Marks.

Tolar bills may be bought by banks as two-, twelve-, thirty- and sixty-day bills, and by savings banks as seven- and fourteen-day bills, and are always available. Tolar bills are non-serial securities, except for the sixty-day bill. In 1995 the thirty-day bill was introduced, and interest rates of other bills were changed and determined by the Bank in line with the fluctuations of interest rates on the domestic money market and the objectives of the monetary policy. Banks and savings banks could purchase them by making the payment to a special account at the Bank of Slovenia, followed by issue of a receipt. Compared to the preceding year, banks increased their purchase of Tolar bills, reaching a total amount of 168 billion Tolars of bills purchased and 174 billion Tolars of bills redeemed, whereby redemptions exceeded purchases by 6 billion Tolars.

Compared to the preceding year, the interest in *two-day* bills doubled (57.7 billion Tolars in purchases and 58.5 billion Tolars in redemptions). Purchases increased especially from March through August, and in the end-of-month periods, when banks had already fulfilled their minimum reserves requirements.

In nominal terms, the largest increase was observed in purchases of *twelve-day* bills. Purchases amounted to a total of 74.3 billion Tolars and redemptions to 81.2 billion Tolars. Holdings of these bills made banks eligible for three-day liquidity loans, but banks did not use this facility.

Banks showed no interest in the *thirty-day* bill, but purchases of the *sixty-day* bill, introduced at the end of 1994, increased. In 1995, there were sixteen series of the 60-day bill issued, amounting to 32.2 billion Tolars in purchases and 30.3 billion Tolars, in redemptions. The Bank set the minimum subscription amount to 10 million Tolars, representing one lot. Tolar bills are transferable serial securities offered for a limited period.

Savings banks subscribed to *seven-* and *fourteen-day* bills. They paid in 3.9 billion Tolars, 4.2 billion Tolars were redeemed, the share of Tolar bills in total purchases amounting to 2%.

Twin bills are short-term, transferable, serial securities, issued as actually printed securities. They can be purchased on the primary market, via banks as intermediaries, by legal entities and natural persons. They are composed of a Tolar and a foreign currency part; they can be bought in Tolars at a discount, and redeemed half in Tolars and half in German Marks. Their Tolar and foreign currency parts can be traded on the secondary market separately. The revaluation clause (R-clause) applied to the Tolar part up to the fifth issue, and T-clause from the sixth issue onwards. The yields in real terms realised for the series in 1995 were 6 or 5% for the Tolar part, and 4.5 or 3.75% for the foreign currency part.

Twin bills were first issued in July 1992, followed by twelve series within six issues. In 1995 two new series and two from the previous year were on sale. The overall series totals were 14.7 billion Tolars in purchases, and 6.2 billion Tolars and 73.0 million German Marks in redemptions. Compared to the previous years, a much greater amount of money was withdrawn from circulation by means of the twin bill.

Bills with warrants are transferable, serial securities, issued as actually printed securities, with a nominal value of half a million Tolars. They can be bought at a discount in Tolars, and earn interest at a nominal annual interest rate. A warrant is attached to the bill, as a hedge against higher inflation and smaller changes in the foreign exchange rate than the officially projected. The holder exercises his right from the warrant by buying a new Tolar bill (without attached warrants) or a foreign currency bill at a discount. The amount of the discount depends on the number of coupons of the warrant of individual series the buyer submits, the growth of retail prices and the middle exchange rate of the Bank compared to the officially projected inflation. As a rule, the Bank normally issues the bill with warrant twice a year, each time with a maturity of six months, so that the issue of the second series matches the maturity of the first one. Bills with warrants were first issued in June 1994, followed by three issues. The interest rate is determined for each individual issue, as is the maximum number of coupons acceptable to be submitted by the buyer when purchasing new bills. With the exception of the first issue, bills with warrants may be sold only via auction. In 1995 the third and fourth issues took place, and the second and the third were redeemed, since they were mostly purchased during the year.

During 1995 the Bank sold 29,395 bills of the second, third and fourth issues at a total discounted amount of 13.9 billion Tolars, and issued 144,621 coupons. During the same period 16.1 billion Tolars of the second and the third issues were redeemed. 6,115 coupons of the fourth issue were submitted at the purchase of 1,223 new Tolar bills, reaching a total discount of 24.4 million Tolars, and 93,181 coupons of the first, second and third issues were submitted at the purchase of 318.8 million German Marks and 117.8 million US Dollars worth foreign currency bills, reaching a total discount of 34.2 million German Marks and 12.3 million US Dollars. At the end of the year 45,308 coupons of the third and fourth issues were not submitted, whereas 1,054 coupons of the first and second issues shall never be used. From October to the end of the year there was no discount on the purchase of foreign currency bills, whereas Tolar bills could not be bought at a discount from April through June, in August, September and in November.

Foreign currency bills are transferable, non-serial securities and have been issued by the Bank since January 1992. They may be purchased by banks and, through banks by other legal entities, at a discount, in German Marks or US Dollars. The subscription period varies from two months up to one year. Investments of banks in bills of up to 120-day maturity make part of the foreign exchange minimum. A discount is allowed when a bill with 180-day maturity or more is purchased with a coupon of the bill with warrant. The interest rate of the Bank depends on those on foreign money markets; accordingly, in 1995 interest rates for bills denominated in German Marks were reduced ten times, while those for the US-Dollar denominated bills were increased three times and decreased four times. The discount with the coupon depends on the differential between the fluctuation of the middle Bank of Slovenia exchange rate, the expected inflation, the number of submitted coupons, and the relevant series. In 1995 investors were allowed to exercise their rights with different numbers of coupons of all the four series.

Purchases of bills denominated in German Marks increased in 1995 by 288.8 million, and amounted at the end of 1995 to 1,165 million German Marks. Subscriptions in US Dollars increased by 9.3 million to 135 million US Dollars. Since September banks may, when purchasing bills in foreign currency at the Bank, buy bills denominated in German Marks with a maturity of four months. In this way, bills amounting to 126 million German Marks were bought. Discounts from purchases with coupons amounted to a total of 34.2 million German Marks and 12.3 million US Dollars. Bills purchased at a discount amounted to 318.8 million German Marks and 117.8 million US Dollars.

Foreign currency bills are the most important securities for banks, since they serve as the basis for most monetary policy instruments: they are accepted as collateral for lombard loans, liquidity loans and short-term loans. They can also be temporarily sold to the Bank, and claims from bills may be used as collateral for lombard loans and repurchase agreements. Foreign currency bills with 120-day maturity or less are also used by banks to comply with the foreign exchange minimum requirement.

Government Deposits

Pursuant to the respective agreement concluded, the Bank accepted, since August 1995, time deposits of the Government. Those received from August through December amounted in aggregate to 76.1 billion Tolars, while withdrawals amounted in aggregate to 68.3 billion Tolars, most of them were effected in November and December. The average daily balance of time deposits, which in August amounted to 1.1 billion Tolars, grew by November to 21.2 billion Tolars, and fell in December to 14.3 billion Tolars. Their average maturity was 22 days (from two to sixty days).

With supplementary short-term loans offered to banks in the total amount equal to that of received time deposits, the Bank of Slovenia neutralised the effect of the transfer of budget liquidity surplus from banks to the Bank of Slovenia.

Minimum Reserves Requirement for Banks and Savings Banks

All banks and savings banks (including savings co-operatives) are obliged to hold minimum reserves with the Bank. Since the adoption of the basic methodology in 1992, the system of minimum reserves required is one of the most stable monetary policy instruments. In April 1995, an amendment to the methodology was adopted, whereby the rates of the minimum reserves in terms of maturity were changed and no reserves were required for deposits above one year since.

Already in 1994, the Bank limited, in part, the drawings under the minimum reserves for intra-day liquidity. They depended on the effective deposit rates of an individual bank in excess of the average of all banks. Before the introduction of this restriction, banks were allowed to draw under the minimum reserves required depending on their liquidity needs. Since mid-1995 an equal share of drawings under minimum reserves was determined for all banks and savings banks, independent of deposit rate fluctuations.

The minimum reserves were calculated and determined for all Tolar deposits, at the following rates varying according to their maturities: 12% for sight deposits and thirty-day time deposits (before April 12.5%), 6% for time deposits from 31 days to three months (before April 3%), 2% for time deposits from three to six months (before April 3%), and 1% for deposits from six months to one year (before April 3%).

The overall volume of deposits in banks (including deposits above one year) increased by a monthly average of 2.3% (in the previous year by 4%). In one year they increased from 441.5 billion Tolars to 577.9 billion Tolars, i.e. by 136.4 billion Tolars (31%). Sight deposits and deposits up to one year increased from April through December by a monthly average of 1.1% (deposits above one year in the same period by 1.6% monthly). After the minimum reserves rates were changed in April, a gradual restructuring towards deposits with longer maturities was observed. In the second half of the year deposits used for calculation of the minimum reserves required declined, due to the transfer of the budget liquidity surplus to the Bank, the declining growth and the temporary decrease in household deposits respectively.

According to the prescribed percentage depending on the deposit maturity, the ***calculated reserves*** of banks amounted to between 31.2 billion Tolars in February, to 37.7 billion Tolars in August. The amount of calculated reserves decreased towards the end of the year due to reduction of deposits, caused by budget liquidity surplus transfers to the Bank, and a smaller growth of household deposits. The average level of minimum reserves required, calculated on basis of one-year deposits, was on decline during several months, and reached its peak in August (7.8%), and its lowest point (7.5%) in December.

The ***actual reserves*** exceeded the calculated reserves by 5.1% (from 2.5 billion Tolars in January to 1.7 billion Tolars in December). The surplus decreased in the second half of the year, after the requirement obliging all banks and savings banks to hold the same portion of minimum reserves on a special daily account had been introduced. The measure resulted in a considerable reduction of daily fluctuations of the reserves.

The ***drawing under minimum reserves required*** is possible for intra-day liquidity purposes for all banks and savings banks under equal conditions since July 1995. Half of the minimum reserves required have to be held on a special daily account, and may be used for liquidity, but default interest applies. In the second half of the year deposits on the special daily account of institutions obliged to maintain minimum reserves, amounted on average to 19.0 billion Tolars per month (51%), and on average to at least 19.6 billion Tolars (60%) in the first six months, when an equal amount was fixed for all banks and savings banks. As a consequence, a steadier daily compliance with the minimum reserves requirement, lower surplus of minimum reserves, and reduced liquidity risk, due to unexpected outflows from the banks' accounts, were achieved.

Foreign Exchange Minimum (Minimum Reserves Requirement in Foreign Currencies)

With the purpose to ensure liquidity in payments abroad and to meet the obligations pertaining to foreign currency deposits of residents and non-residents, banks are obliged to hold a foreign exchange minimum in liquid foreign currency investments abroad. The requirement is determined by the Bank and expressed in the European Currency Unit (Ecu). The methodology for calculating the foreign exchange minimum changed in March 1995: the minimum reserves required for sight deposits of households increased to 100%. The amount of reserves required in foreign currencies is determined with regard to the volume of a bank's payments abroad (35% of average monthly payments abroad over the last three months), its liabilities from foreign currency deposits of households (sight deposits 100%, time deposits up to three months 75%, time deposits above three months to one year 35%, and time deposits over one year 5%), and foreign currency deposits of non-residents (sight deposits and accounts 90%, time deposits up to three months 75%, time deposits from three months to one year 35%, and time deposits over one year 5%).

Banks had to comply with foreign exchange minimum in 1995 without any adjustment period, except in August, when an adjustment period of eight weeks was granted due to the immense increase in the volume of reserves required in that period, and with a four-week adjustment period in September and October. Banks complied with the foreign exchange minimum requirement with balances on bank accounts with first-class foreign banks, foreign cash and cheques, foreign exchange claims on domestic banks and on the Bank, Bank of Slovenia foreign currency bills with maturity of a maximum of 120 days, investments in first class foreign securities, and special rights to repurchase foreign exchange from the Bank.

Due to the growth of foreign currency deposits and an increased volume of payments abroad, the aggregate foreign currency minimum of all banks increased from 1,170 million Ecus at the end of 1994, to 1,586 million Ecus at the end of 1995, i.e. by 416 million Ecus. The surplus of the foreign exchange minimum was lowest on the last day of July, when it amounted to 54.8 million Ecus (3.5%), but it increased in the following months and reached, on the last day of the year, 295.7 million Ecus (15.7%).
Since September, banks were allowed to hold a foreign exchange position amounting to 5% below the foreign exchange minimum required. For the difference default interest applied. Since September, nine banks used this possibility.

Besides the foreign exchange minimum, a net *foreign exchange position* (the difference between a bank's foreign currency holdings and its short-term liabilities abroad and in the country), amounting to at least 75% of the foreign exchange minimum, was prescribed for the banks. In 1995, all banks met this requirement.

Purchase and Sale of Foreign Exchange

In 1995 the number of interventions and instruments used by the Bank on the foreign exchange market was lower than that of the preceding year. The Bank purchased foreign exchange only from banks under rehabilitation, and by processing foreign currency payments for the Government. In September, the Bank introduced a new instrument: sale of foreign exchange to banks for their purchases of the Bank's foreign currency bills. The net effect of overall foreign exchange transactions was, due to enormous sales of foreign exchange, a decrease in the volume of base money.

Table 6: Purchase and sale of foreign exchange

	1994		1995	
	mio DEM	mio SIT	mio DEM	mio SIT
Purchase of foreign exchange	**946.7**	**74.6**	**295.4**	**24.8**
• from banks under rehabilitation	352.1	27.8	270.9	22.2
• from other banks	572.7	45.1	-	-
• payments for the Government	21.9	1.7	24.5	2.6
Sale of foreign exchange	**319.1**	**25.4**	**303.1**	**25.1**
• from other banks	30.5	2.4	-	-
• realised right to repurchase	0.3	0.0	2.5	0.2
• for the purchase of foreign currency bills	-	-	124.2	10.8
• payments for the Government	288.3	23.0	176.4	14.1

Source: Bank of Slovenia

Purchase of foreign exchange from banks undergoing rehabilitation represented the major part of foreign exchange interventions of the Bank, especially in connection with their repayment of overnight liquidity loans and repayment of loans for redeemed contingent liabilities, as well as their compliance with the foreign exchange minimum requirement.

Purchase of foreign exchange with the obligation to repurchase, which, in the preceding years, represented the major part of foreign exchange interventions, was not exercised in 1995. With this type of intervention abolished in December 1994, banks could choose between either repurchase or sale of foreign exchange to the Bank. At maturity, in January 1995, banks decided to make the temporary foreign exchange sale of 154 million German Marks to a final sale.

Purchase of foreign exchange with the right to repurchase introduced in 1993, was not used. Nevertheless, the total amount of 46 million German Marks is still available to banks. In 1995 two banks used their right and purchased 2.5 million German Marks, and four banks extended their rights to repurchase.

Sale of foreign exchange for purchase of Bank of Slovenia foreign currency bills is a new instrument introduced in 1995 for the purchase of an arbitrary amount of foreign exchange at the selling rates of the Bank, increased by a certain percentage, provided that banks subscribe 120-day Bank of Slovenia bills, denominated in German Marks. After the introduction of this instrument in September, the Bank sold 124.2 million German Marks to banks at a rate between 3 to 1.95% higher than the selling rate of the Bank. From the proceeds, four-month foreign currency bills were purchased, and 10.8 billion Tolars were withdrawn from circulation.

By effecting ***payments*** for the Government abroad, the Bank withdrew 11.5 billion Tolars from circulation, since sales of foreign exchange in the amount of 176.4 million German Marks exceeded purchases (24.5 million German Marks).

Surveillance of Implementation of Monetary Policy

The Bank of Slovenia surveils the implementation of its monetary policy measures, and compliance with rules and conditions of its operations on the open market by means of direct and indirect control. Indirect control is exercised on the basis of permanent control of reports and documentation received from banks and savings banks. Additional controls are carried out by the Bank with occasional inspections of books and other documentation on site.

IV. BALANCE OF PAYMENTS, EXCHANGE RATE AND EXTERNAL DEBT

1. Balance of Payments

The external sector was strongly influenced by the income growth of households above the GDP growth, the real appreciation of the Tolar, as well as by the beginning of the downturn in economic activity of the major trading partners.

Economic activity of major West European trading partners of Slovenia was favourable from the last quarter of 1993 to the first quarter of 1995. In trade of goods seven most important western trading partners increased the volume of purchases from Slovenia by 6.1% in 1994, and by 4.3% only in 1995, which corresponded to the decline in economic growth in Germany, Italy, France, the United Kingdom and the USA. Smaller foreign demand by 2 percentage points had a negative effect on export (quantity) results in the third and fourth quarters of the year.

Imports, on the other hand, grew especially due to the growing domestic real income, similar as in 1993, a growth of bank loans granted to households, the relative price reduction of imports on the Slovenian market, and cheaper financing sources imports from foreign countries. The latter was also the consequence of improved Slovenian country risk owed to, among others, the favourable resolution of issues pertaining to the foreign debt of the former SFR Yugoslavia.

The exports of goods in US Dollar values increased in 1995 by 21.4%, while the imports of goods by 29.4%. Volume exports grew by 6.7% (4.8% in 1994). Export results were better in 1995 than in 1994, and may therefore be described as favourable. Of much concern was the quick growth of imports, which increased in volume terms by as much as 17.7%, compared to 5.1% in the year before.

The total trade deficit amounted to 1,165 million US Dollars (F.O.B. for exports and C.I.F. for imports) compared to 476 million US Dollars in 1994. Approximately one third of the deficit originated in trade with Italy, and the same share in trade with Austria, in spite of the fact that trade in goods with these two countries represented only 16% and 8% respectively.

In 1995, Slovenian enterprises continued with regional restructuring of purchase and sales markets. About 73% of goods were exported to OECD countries, 67% to the countries of the European Union and 30% to Germany. For comparison, in 1992 the respective percentages amounted to 66%, 61% and 27%. The highest trade surplus was reached with Germany (312 million US Dollars), followed by Croatia (296 million US Dollars). For a number of years, Germany has been the most important trading partner of Slovenia, followed by Italy and Croatia. Slovenian exporters sold only 14% of goods to the successor states of the former SFR Yugoslavia (27% in 1992, 50% before the disintegration of this market). In 1995, Slovenian enterprises bought on these markets only 7% of the total imports, more than 4/5 from Croatia. With the share of its exports to Macedonia increasing, this country became an important trading partner of Slovenia.

Since independence Slovenian enterprises made up for the deficits existing in trade with the western countries, with the surplus in trade with successor states of the former SFR Yugoslavia and those of the Soviet Union. A trade surplus was realised with Poland, while a deficit was realised with other CEFTA members. A deficit of 943 million US Dollars was realised in trade with countries of the European Union, but a surplus of 518 million US Dollars in trade with successor states of the former SFR Yugoslavia.

Table 7: Regional Structure of Trade of Goods from 1992 to 1995 (in million US Dollars)

	Exports				Imports				Balance			
	1992	1993	1994	1995	1992	1993	1994	1995	1992	1993	1994	1995
European Union (15)	**4,066**	**3,847**	**4,480**	**5,569**	**3,659**	**4,266**	**5,052**	**6,512**	**407**	**-419**	**-572**	**-943**
France	616	528	586	681	492	522	613	798	124	6	-27	-117
Italy	880	756	923	1,211	839	1,051	1,258	1,610	41	-295	-335	-399
Germany	1,805	1,798	2,068	2,504	1,394	1,626	1,734	2,192	411	172	334	312
Austria	341	303	373	534	500	553	756	917	-159	-250	-383	-383
United Kingdom	141	148	208	229	74	103	130	189	67	45	78	40
EFTA	**64**	**65**	**75**	**87**	**107**	**135**	**188**	**234**	**-43**	**-70**	**-113**	**-147**
Switzerland	50	52	58	71	100	127	154	196	-49	-75	-96	-125
United States of America	195	216	250	261	167	188	197	290	28	28	53	-29
Japan	16	25	18	20	88	125	126	156	-72	-100	-108	-136
OECD Total	**4,422**	**4,237**	**4,894**	**6,015**	**4,070**	**4,770**	**5,635**	**7,294**	**352**	**-533**	**-741**	**-1,279**
Countries of former SFR Yugoslavia	**1,508**	**964**	**1,040**	**1,187**	**1,218**	**696**	**584**	**669**	**289**	**268**	**456**	**518**
Croatia	952	739	738	871	852	595	498	575	100	144	240	296
Countries of former Soviet Union	**226**	**298**	**316**	**375**	**251**	**217**	**169**	**269**	**-25**	**81**	**147**	**106**
Other European countries	**262**	**331**	**342**	**445**	**328**	**371**	**512**	**705**	**-66**	**-40**	**-170**	**-260**
Other Countries	264	252	235	264	274	448	403	514	-10	-196	-168	-250
TOTAL	**6,681**	**6,083**	**6,828**	**8,286**	**6,141**	**6,501**	**7,304**	**9,451**	**540**	**-418**	**-476**	**-1,165**

Source: Statistical Office of RS; all figures for 1995 are provisional

There was no significant change in the structure of exports of goods in 1995 compared to the previous year. Like in 1994, the share of exports of capital goods amounted to 11%. The share of exports of intermediate goods amounted to about 47% (in 1994 to 44%), the remaining 42% of exports of consumer goods. The share of imports of consumer goods represented 23%, that of capital goods 17%, and that of intermediate goods 61%.

Unlike in the previous years, the trade deficit of 1995 was not completely covered by the surplus in exports of services, which amounted to 744 million US Dollars.

Incomes from travel - personal (tourism) amounted to 1,084 million US Dollars, i.e. 13% more than in 1994. The increase of incomes expressed in US Dollars stems almost entirely from the price growth due to the weak US Dollar, compared to the previous year, and higher domestic prices of goods and services. The volume of services rendered in tourism, on the other hand, did not increase. The number of overnight stays of foreigners decreased by 0.3%, the number of border crossings (without passengers in transit), on the other hand, increased by 7.3%. In 1995, one overnight stay was realised out of 15 registered arrivals of foreign visitors, in the preceding year one out of 13. Expenditures for travelling abroad of Slovenian residents amounted to 415 million US Dollars, in comparison to 369 million US Dollars in the preceding year.

Table 8: Balance of Payments 1992 - 1995 (in million US Dollars)

	1992	1993	1994	1995
A. CURRENT ACCOUNT	**926**	**192**	**540**	**-36**
1. Goods (FOB)	791	-154	-338	-957
2. Services	180	375	723	744
2.1. Transport	-164	57	68	72
2.2. Travel	389	429	590	669
2.3. Other	-45	-111	65	3
3. Income	-91	-51	108	130
3.1. Compensation of employees	-2	-8	140	153
3.2. Investment income	-90	-44	-33	-24
4. Current transfers	46	22	47	47
B. CAPITAL ACCOUNT	*******	**4**	**-4**	**-13**
C. FINANCIAL ACCOUNT	**-645**	**-206**	**-541**	**97**
1. Direct investment	113	111	131	170
2. Portfolio investment	-9	3	-33	-9
3. Other investment	**-117**	**-209**	**3**	**151**
3.1. ASSETS	-158	-314	-136	-342
a. Trade credits	7	93	19	-48
b. Loans	-31	12	-20	-26
c. Currency and deposits: banks	-149	-451	-324	-202
households	9	87	378	44
other sectors	***	-20	-78	42
d. Other assets1)	6	-35	-111	-152
3.2. LIABILITIES	41	104	139	493
a. Trade credits	-13	-13	-13	-10
b. Loans: Bank of Slovenia	-	-14	-5	-4
commercial banks	-9	2	100	167
General Government	-17	79	67	108
other sectors	59	95	147	222
c. Deposits and other liabilities	21	-44	-157	10
4. International reserves (BS)	**-633**	**-111**	**-642**	**-215**
Net errors and omissions	-281	10	5	-48

Source: Bank of Slovenia, all figures for 1995 are provisional
Minus sign (-) indicates imports or surplus of imports over exports in the current account, increases in assets or decreases in liabilities in the capital and financial account, and increases in international reserves of the Bank of Slovenia.
1) Payments of the Bank of Slovenia to the fiduciary account included.

The surplus in transport services amounted to 72 million US Dollars, whereas the surplus in construction services to 112 million US Dollars.

There has been a decline in net interest payments abroad since independence, owing to increasing receipts and the decline in interest rates. In 1995 net payments for interest amounted to 24 million US Dollars, by 9 million US Dollars less than in the preceding year. On the other hand, net compensation for employees grew by 13 million US Dollars. Aggregate net ***incomes*** amounted to 130 million US Dollars. The surplus in current ***transfers*** amounted to 47 million US Dollars; the major part of transfers abroad and into Slovenia were pensions.

In 1995, ***the current account*** was, for the first time after independence, in deficit by 36 million US Dollars, which is a deterioration compared to 1994, when it closed with a surplus of 540 million US Dollars, and in 1992 a surplus of almost a billion US Dollars.

Direct investments to Slovenia amounted to 176 million US Dollars (compared to 128 million US Dollars in 1994), while Slovenian investments abroad to 6 million US Dollars. Net inflow of direct investments to Slovenia amounted to 170 million US Dollars. Flows from ***other investments*** show a net import of capital by 151 million US Dollars, including payments effected to the fiduciary account of the Republic of Slovenia in the amount of 67 million US Dollars. The balance on the fiduciary account amounted to 170.1 million US Dollars at the end of 1995.

Enterprises increased their foreign liabilities by 219 million US Dollars due to loans taken abroad. In 1994 the respective figure showed a 147 million US Dollar debt reduction. The amount mentioned does not include loans without government guarantee. In 1995 net claims from loans of commercial banks increased by 131 million US Dollars, mostly in form of deposits and other assets. In the first half of the year, households registered predominant sales of their foreign currency, while in the second half, this trend was reversed. In 1995, households decreased their foreign exchange holdings by (estimated) 44 million US Dollars. In the balance of payments this was recorded as import of capital.

International reserves of the Bank of Slovenia amounted to 1,821 million US Dollars at the end of 1995, and were the final result of transactions and operations of the Bank abroad on the foreign exchange markets. Compared to the end of 1994, the international reserves grew by 322 million US Dollars: net transactions grew by 215 million US Dollars, the remaining 107 million US Dollars were due to the changed cross-rates.

2. Exchange Rate

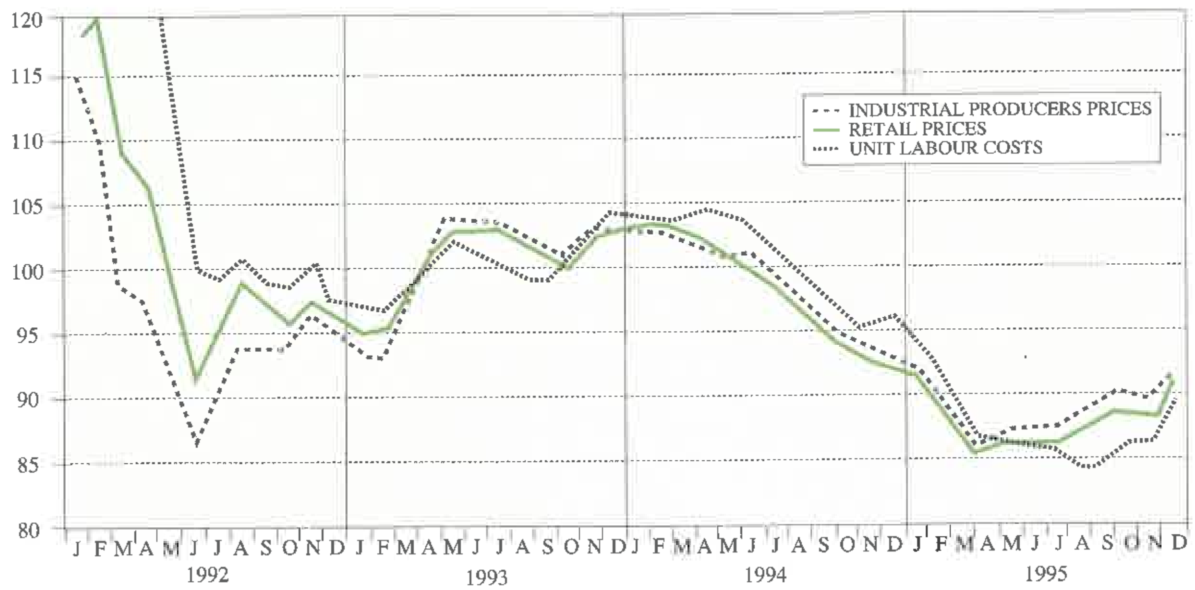
Extensive financial inflows from current transactions, direct foreign investments and loans, as well as net inflows to exchange offices affected the persistent real appreciation of the Tolar since end-1993. From December 1993 to December 1994 the real effective exchange rate of the Tolar, measured by relative prices of industrial producers, grew by 10.5% in spite of substantial interventions of the Bank. By summer 1995, it grew by additional 5.6%. The net foreign currency inflow from current transactions had declined by that time, but the net inflow pertaining to foreign loans to enterprises, on the other hand, amounted to 129 million US Dollars, and those to the Government to 35 million US Dollars, payments received pertaining to foreign direct investments amounted to 89 million US Dollars, and the estimated foreign exchange sale of households to 159 million US Dollars.

At that time the Bank had only limited possibilities for exchange rate interventions. Throughout the first half of 1995 the balance sheet of the Bank showed a current deficit due to sterilisation costs from the previous year, and the negative exchange rate differentials, which in the first six months, amounted to net 3.6 billion Tolars.

By constantly offering the repurchase of its own bills, the Bank tried to increase interest in the Bank of Slovenia bills denominated in foreign currency. Owing to the discount at the purchase of foreign currency bills with coupons in May, the official international reserves grew in the second quarter by 162 million US Dollars (after they had been reduced by 36 million US Dollars in the first quarter).

In order to prevent inflows of speculative capital and to stabilise conditions on the foreign exchange market, the Bank introduced the requirement for a non-interest-bearing Tolar deposit amounting to 40% of each pure foreign financial loan intended for conversion into Tolars with a repayment term of up to five years in February. By modifying the regulations on exchange offices in April, the Bank tightened the control of their operations and reporting requirements. A reduced supply on the foreign exchange market was also the consequence of the cooperation agreement, concluded between the Bank of Slovenia and the Ministry of Finance, whereby the budget held, at the end of the year, foreign exchange deposits in the amount of 295 million US Dollars and Tolar time deposits in the amount of 7.8 billion Tolars with the Bank of Slovenia and no longer in commercial banks.

Figure 5: Index of the real effective exchange rate (1993 = 100)

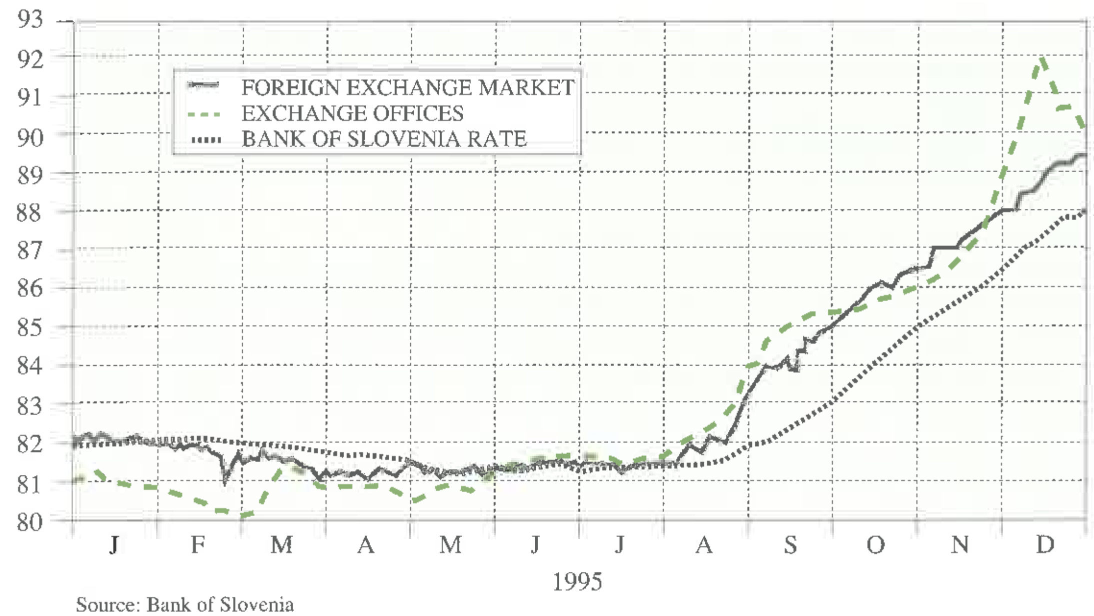


Source: Bank of Slovenia.

Nominal effective exchange rate deflated with relative retail prices, relative industrial producer prices and relative unit labour costs. Growth of the index denotes the Tolar depreciation, i.e. the growth of the value of foreign currencies and vice versa.

The quickly growing imports in the second quarter resulted in a trade deficit of 475 million US Dollars and of 100 million US Dollars in current account total. Supply and demand on the foreign exchange market were balanced for the first time after declaration of independence, and exchange offices realised, for the first time since summer 1993, a net sale of foreign exchange. Extensive shifts to Tolar deposits in the transition period and the abolition of R- and T-clauses for deposits up to 1 month (0% in May 1995) resulted in a substantial reduction of deposit rates of banks, so that, already in May, capital transactions of households turned to net demand for foreign exchange. Due to the factors mentioned, the Tolar depreciated in real terms in the second half of the year. From December 1994 to December 1995, the change in the real effective exchange rate, measured by retail and producer prices, amounted to about 0 (+0.5% and +0.3% respectively). Measured by relative unit labour costs, the Tolar appreciated by 6.2%, owing to labour costs growing more quickly than prices and industrial productivity.

Figure 6: German Mark exchange rate fluctuations in Slovenia in 1995 (Tolars per 1 German Mark)



Source: Bank of Slovenia

In November 1995, the depreciation of the Tolar led to excessive exchange rate expectations, and to an abnormally quick increase of the price of foreign currencies on the foreign currency market (foreign exchange offices), as opposed to the foreign exchange market. For fear that such a trend in demand, which might result in uncontrolled fluctuations, would continue, the Bank of Slovenia intervened: a requirement for exchange offices to balance their sales and purchases on a daily basis was imposed in December. This measure prevented further growth of the exchange rate and resulted, with a few-week delay, in its normalisation at the present level on the foreign exchange market.

At 1 September 1995, Slovenia, no longer wishing to avail itself of the transitional arrangements of Article XIV of the Articles of Agreement of the International Monetary Fund (IMF), accepted the obligations of Article VIII - Sections 2, 3 and 4. This formal step could be understood as a signal of Slovenian authorities' commitment to an open policy stance and a contribution to the liberalisation of the exchange systems throughout the member countries of the IMF. It needs to be stressed that no changes whatsoever were necessary in the existing legislation regulating the current international transactions, since Slovenia had de facto reached such full convertibility of its currency as early as in mid-1994.

3. Foreign Debt and International Reserves

The volume of new loan agreements concluded in 1995 amounted to USD 1.136 million, which, compared to 1994, represents an increase of 19.6%. Like in the previous year, the increase in 1995 is mainly due to loans taken by the private sector: they amounted to (not reduced for repayments made during that period) USD 930 million, representing an increase of 41.3%. The loans taken or guaranteed by the state, amounting to USD 206 million, decreased by 28.9% when compared to the previous year. The term structure of the loans has changed in favour of long-term loans; the average repayment term of the loans contracted in 1995 amounted to 77 months.

The total foreign exchange debt outstanding at 31 December 1995 amounted to USD 2,956 million, of which USD 2,896 million long-term, and USD 1,449 million thereof private sector's debt without state guarantees. As regards the loans taken by enterprises, the structure of loan agreements has changed from direct loans with bank guarantee to loans taken by banks in their own name and for the account of third parties. In terms of growth, that of the foreign debt exceeded that of the foreign exchange reserves of the Republic of Slovenia; however, the total amount of the latter still exceeded that of the foreign debt by 15.9%.

Management of International Reserves

The international reserves of the Bank of Slovenia consist of:
- foreign cash and balances on accounts abroad,
- first class securities of foreign issuers,
- monetary gold,
- reserve position with the International Monetary Fund,
- SDR holdings with the International Monetary Fund.

The foreign exchange reserves (foreign cash, accounts abroad, foreign securities) of the Bank of Slovenia have increased in 1995 from USD 1,480 to USD 1,802 million. They consist of the one part for which the Bank of Slovenia is liable to the domestic sectors (based upon purchased Bank of Slovenia bills in foreign currencies and the foreign currency accounts of banks and those of the state held with the Bank), and which increased from USD 869 million to USD 1,259 million, and of the second part (its own reserves) representing no liability whatsoever, which increased from USD 567 to USD 632 million. The overall foreign assets of the Bank of Slovenia comprise, beside the official international reserves, some other assets, like those on the fiduciary account in Luxembourg and others.

Table 9: International monetary reserves of the Republic of Slovenia and foreign exchange reserves of the Bank of Slovenia and of domestic commercial banks; in million USD at end of month:

	BANK OF SLOVENIA						BANKS	TOTAL FOREIGN EXCHANGE RESERVES
	International monetary reserves					Other foreign assets	Foreign exchange	
	Gold	SDRs	Reserve position in IMF	Foreign exchange	Total			
31.12.1994	0.1	0.1	18.8	1,480.1	1,499.1	103.3	1,283.5	2,763.6
31.01.1995	0.1	0.6	17.4	1,440.3	1,458.4	114.4	1,398.8	2,839.1
28.02.1995	0.1	0.1	16.8	1,465.6	1,482.6	125.0	1,549.2	3,014.8
31.03.1995	0.1	0.1	13.0	1,577.0	1,590.2	129.6	1,562.6	3,139.6
30.04.1995	0.1	0.7	16.8	1,642.9	1,660.5	141.7	1,519.2	3,162.1
31.05.1995	0.1	0.3	21.4	1,731.2	1,753.0	142.2	1,481.2	3,212.4
30.06.1995	0.1	0.3	16.3	1,736.6	1,753.3	151.6	1,562.0	3,298.6
31.07.1995	0.1	0.3	20.3	1,707.0	1,727.7	150.9	1,610.3	3,317.3
31.08.1995	0.1	0.3	16.6	1,593.6	1,610.6	152.1	1,584.8	3,178.4
30.09.1995	0.1	0.3	21.0	1,710.2	1,731.6	153.9	1,647.7	3,357.9
31.10.1995	0.1	0.5	16.8	1,688.0	1,705.4	161.4	1,657.4	3,345.4
30.11.1995	0.1	0.1	20.8	1,687.0	1,708.0	160.8	1,592.6	3,279.6
31.12.1995	0.1	0.1	19.1	1,801.6	1,820.9	170.1	1,624.4	3,426.0

Source: Bank of Slovenia

The guidelines for the management of the Bank's foreign exchange reserves are adopted by the Governing Board of the Bank, and are revised on a quarterly basis, as regards the currency structure, the average term of deposits and securities, the choice of counterparties (according to guidelines investments with banks with the best long-term rating according to IBCA standards are allowed only).

According to the strategy adopted by the Governing Board, which is modelled on that of the central banks with long tradition and good reputation, the portion of the Bank's assets representing foreign securities has increased.

The Bank also monitors the international liquidity of Slovenia by prescribing the minimum foreign exchange reserves to domestic commercial banks (to be held in cash, on their accounts abroad, in foreign secirities) as counterpart to their domestic foreign exchange liabilities and the volume of their activities in international payments. Banks have generally held minimum foreign exchange reserves in excess of that required; the total amounted to USD 379 million at 31 December 1995.

The total Slovenian foreign exchange reserves (official foreign exchange reserves held by the Bank of Slovenia, and controlled foreign exchange reserves held by commercial banks, without gold and reserve position with the IMF) amounted to USD 3,426 million at December 31, 1995, representing an increase of 23.9% when compared to their position at end of 1994.

Negotiations with Foreign Creditors

In 1995 negotiations between the Republic of Slovenia and a few more countries, members of the Paris Club creditors of the former SFR Yugoslavia and their relevant institutions respectively, were concluded. The law adopted by the Parliament in December 1995 on the manner of and the terms and conditions for fulfillment of obligations of the Republic of Slovenia deriving from bilateral agreements on succession to the debt of the former SFR Yugoslavia, owed to the creditors of the Paris Club, represents the respective legal basis for conclusion and implementation of the bilateral agreements. It also regulates the relations between the Republic of Slovenia and the Slovenian final obligors to the allocated debt pertaining to the bilateral agreements. It is expected that the bilateral agreements with no open issues left will have entered into force by mid 1996.

Negotiations with the International Coordinating Committee

On 8 June 1995 the International Coordinating Committee and the Slovenian delegation reached an agreement-in-principle on the terms and conditions for succession to a portion of the outstanding debt under the New Financing Agreement (NFA), and those for succession to a portion of the outstanding debt under the Trade and Deposit Facility Agreement (TDFA), i.e., two out of three agreements regulating the foreign debt of the former SFR Yugoslavia to foreign commercial bank creditors in which Slovenian entities participated as obligors.

Pursuant to the above agreement
(i) the Republic of Slovenia shall issue bonds in exchange of 18% of the total principal amount due and outstanding under the New Financing Agreement; included in the exchange will be the so-called Participating creditors only;
(ii) Nova Ljubljanska banka d.d. shall purchase from Participating creditors a subordinated participation interest in their deposits under the Trade and Deposit Facility Agreement;
upon effectiveness of both, the Slovenian obligors shall be released from the joint and several liability stipulated in the NFA.

The result of preparation of documentation defining in detail all further steps of the transaction under assistance of legal advisors of both parties were the following basic documents:
(i) the Information Memorandum describing the transaction in detail;
(ii) Request for Consent and
(iii) Offer Notice and Offer Notice under the Trade and Deposit Facility.

On 30 November 1995 the Request for Consent relating to the exchange and subsequent release of obligations under the NFA was sent to all the creditors under the NFA together with the Information Memorandum. It had been agreed that Slovenia would only make an offer to the Participating Creditors for the exchange of the debt and the purchase of the subordinated participation interests upon receipt of consent by (i) at least 2/3 of creditors under the New Financing Agreement and (ii) the Parliament of the Republic of Slovenia.

By the end of January 1996 consent to the planned exchange was given by creditors holding close to 80% of the total debt outstanding under the New Financing Agreement.

Holders of Alternative Participation Instruments (API) pertaining to the Alternative Participation Instruments Exchange Agreement, the third agreement within the package, are not represented in the International Coordinating Committee; the negotiations held with the Committee have therefore been limited to the two above mentioned Agreements. However, the Republic of Slovenia has announced that, following the regulation of its relations with the creditors under the two agreements, it will proceed with negotiations with the holders of API.

An analysis of the secondary market trading of the NFA and the TDFA debt showed that the structure of creditors had been changing in favour of persons from or representing interests of the Federal Republic of Yugoslavia and the former central bank of the former SFR Yugoslavia (so-called Connected Persons or Controlled Yugoslav Persons). Included into the exchange of debt under the NFA and into purchase of subordinated participation interests in deposits under the TDFA will only be the persons, certifying to be Participating Creditors, i.e. that are not identified Connected Persons, and, as to their portfolio of claims under the NFA and the TDFA, they do not hold such portfolio on behalf of Connected Persons or Controlled Yugoslav Persons.

The debt exchange will take place pursuant to the stipulations of Section 5.13 of the NFA, which, among other possible ways to exchange the debt, stipulates the so-called Qualified Weighed Average Exchange. This enables the exchange of the debt for a new debt with an equal or longer weighed average repayment term, and stipulates the possibility to limit the eligibility to such exchange to a certain segment of creditors. Except for the portion of the debt exchanged for Slovenian bonds, the 1988 New Financing Agreement will therefore remain in force and binding for all obligors thereunder except for the obligors that are Slovenian entities.

The debt exchange will take place as follows:
(i) 18% of the unmatured principal installments owed to the Participating Creditors as of the Echange Date will be exchanged for Series 1 Bonds, and (ii) 18% of the principal installments matured but unpaid and of interest accrued to the Exchange Date (after the full amount of Slovenian interest payments after 2, June 1992 has been subtracted), owed to the Participating Creditors, will be exchanged for Series 2 Bonds.

V. SUPERVISION OF THE BANKING SYSTEM

1. Rehabilitation of Banks

The final stage in rehabilitation of the banking system in the Republic of Slovenia is coming to its end. With the adoption of the Law on Servicing the Obligations towards Banks Arising from Paid out Foreign Currency Deposits the linear rehabilitation of the banking system was concluded, while the Law on the Exchange of Bonds of the Republic of Slovenia for Bonds of the Agency for Rehabilitation of Banks and Savings Banks provided the legal framework for the rehabilitation.

The rehabilitation of Ljubljanska banka d.d. commenced in January 1993, and the rehabilitation of Kreditna banka Maribor d.d. started in March 1993; the subsequent changes as stipulated in the amendments to the Constitutional Law adopted at the end of July 1994, enabled the two banks in rehabilitation to clear off bad debts and cut all their links with the former SFR Yugoslavia. The two banks also strengthened their capital base. An important step in the institutional field was achieved by the merger of two of the banks undergoing rehabilitation, i.e. Nova Kreditna banka Maribor and Komercialna banka Nova Gorica. In this way the second largest bank in the Republic of Slovenia (measured by its share in total bank assets - over 10%) was established; in addition the narrow regional framework, otherwise typical of the organisation of the Slovenian banking system, was surmounted.

Of vital importance for the success of the rehabilitation in 1995 was the exchange of rehabilitation bonds, as stipulated in the respective law, at the end of the year. Bonds of the Agency for Rehabilitation of Banks and Savings Banks, with which bad debts in the balance sheets of banks had been exchanged at the beginning of the rehabilitation process, had the guarantee of the Republic of Slovenia, a 30-year repayment term of the principal, interest rate of 8% p.a., and were denominated in German Marks. The economic changes in the period since the beginning of the rehabilitation process necessitated the exchange of these bonds for Tolar bonds of the Republic of Slovenia with a lower interest yield, the interest rate depending on maturity, indexed with either T-clause or D-clause, shorter and diversified maturities, the first possible at the beginning of 1998, and the last not later than 15 October, 2010.

Within this legal framework, the Agency for Rehabilitation of Banks and Savings Banks and the management of both banks under rehabilitation, fulfilled their obligations under the rehabilitation program adopted in 1993, and other obligations subsequently imposed.

In the first stage of rehabilitation, the changed business philosophy resulted in reduction of operating expenses. This was particularly reflected in a lower number of employees, rigorous control, and better management of other operating expenses. In 1995, this trend reversed somewhat, also due to the positions the banks undergoing rehabilitation had had in the banking system before.

The positive cash flow and reduction of indebtedness of banks with the Bank of Slovenia continued. The new business philosophy was reflected in further improvement of the loan portfolio and the investment structure of banks under rehabilitation. In spite of the foregoing, the two banks under rehabilitation will still have to comply with all regulations which characterise business of sound banking before the rehabilitation process is terminated, especially to the regulations governing the largest credit exposure and investments of banks in land, buildings, business equipment and participations in banks and non-banking organisations. Capital investments and participations of the two banks under rehabilitation abroad will also need to be revised.

The exchange of rehabilitation bonds proved and confirmed the intention of the competent authorities to consolidate the Slovenian banking system. What remains is to successfully conclude the process of rehabilitation.

By the end of 1995, the two banks complied with the majority of requirements (capital adequacy, credit exposure, investments) and could be regarded as safe and sound. The two banks could start the process of privatisation under the auspices of the Agency, and enter into new competition for a market share within the competitive banking system and the definitely broken monopoly of the former all-encompassing system of Ljubljanska banka.

2. Supervision of Banks and Savings Banks

Typical of 1995 were the strengthening of the capital base of Slovenian banks, the growth of volume of their operations, and favourable operating results.

All banks adopted Slovenian Accounting Standards, which are based on International Accounting Standards. All Slovenian banks presented audited financial statements for 1994 according to a unified methodology, in compliance with the Decree on External Audit of Banks and Savings Banks.

By 30 September, banks had to fully comply with the minimum capital requirement as stipulated by the respective Bank of Slovenia decree adopted on 11 December 1992. To obtain or keep an unlimited operating license, banks had to increase their equity up to 4,080 million Tolars, and to accept regional limitations on their branch network to 2,040 million Tolars.

Since almost half of the banks had had unlimited banking licenses, banks continued their endeavours for additional capital, and some increased their capital with new share capital, many with hybrid and debt instruments. A few banks, on the other hand, abstained from collecting additional capital and decided to have their licences limited instead. Some of the banks chose to merge with other banks.

Due to the increase in their capital, banks had no difficulty in meeting the criteria of prudential regulations.

After 30 September 1995, 15 banks hold an unlimited banking license for all types of domestic and foreign banking transactions, while other banks hold a limited banking license. Foreigners own a stake in 14 Slovenian banks; they are major shareholders in five banks, and have a smaller share in other banks, while one bank is 100% foreign owned.

The number of savings banks decreased. This was partly due to the fact that savings banks did not comply with the capital requirement amounting to 68 million Tolars by the end of 1994, and partly due to increased competitiveness among banks. As a consequence, there were only 7 savings banks by the end of the year, whereby the volume of their operations increased. The balance sheet total of all savings banks increased by 63% compared to the preceding year.

The conditions and requirements of the Bank of Slovenia for banking licenses and for approvals relating to shareholders of banks remained unchanged in 1995. There were no new banking licenses issued. Several approvals were granted for additional banking activities and for qualified participations, as well as those for the appointment of bank managers.

Banks and savings banks operated well within the conditions described. By the end of 1995, they had significantly increased the volume of their operations compared to the end of 1994. The increase of the balance sheet total of all banks amounted to 26%. Three largest banks held a market share of more than 50%, while the seven largest banks held 70% of the balance sheet total.

Table 10: Some indicators of operations of the banking system in 1995 (in billion SIT)

PROFIT AND LOSS ACCOUNT	
Operating profit	30.9
• Net interest	52.9
• Net non-interest income	26.2
• General administrative expenses	42.1
Provisions and write-offs	15.4
Profit/loss	15.2
BALANCE SHEET	
Balance sheet total	1,493.5
Loans	852.1
Doubtful debts	164.5
Deposits	1,190.8
Capital	167.3
INDICATORS	
Return on assets	1.2
Return on equity	10.2
Interest margin	4.9
Capital/assets	11.7
Labour costs/assets	2.0
Provisions/Doubtful debts	48.9

Source: Bank of Slovenia

The number of banks' clients increased considerably, while credit exposure to single clients decreased.

A comparison of the average structure of a bank's balance sheet showed that, on the liabilities side, investments of the non-banking sector increased on account of the banking sector. On the assets side, the average indebtedness of the non-banking sector increased on account of a decrease in portfolio investments and lower indebtedness of banks and savings banks.

The main financial sources on the liabilities side still remained deposits of the non-banking sector with 61.5%, showing an increase, followed by those of the banking sector with 15%, and by equity with 12%. On the assets side, main investments were those in the non-banking sector with 38%, showing an increase, followed by portfolio investments with 27%, and investments in the banking sector with 20%. Highest growth (77%) was observed in loans to households. In terms of share of institutional sectors they represent 9% of all loans, 27% were granted to the business sector, and 19% to the banking sector. Households, represented the most important source of financing with 34%; in 1994 their share represented 29%.

Banks improved the structure of their risk portfolio, and at the end of 1995, about 90% of their assets were risk-free (compared to 86% in 1994, and 81% in 1993). This is particularly due to investments collateralised by mortgages, which are still considered as risk-free. Furthermore, there was an increase noted in the diversification of investments, as well as an improvement in their quality.

The share of interest income out of total income of Slovenian banks amounted to 67%; the share of income from dealing in securities and financial transactions amounted to 7.8%, and the share of income from services, fees and commissions to 6.9%, i.e. not much lower than the year before.

Overall net interest income amounted to 52.9 billion Tolars and was twice as high as net non-interest income, which amounted to 26.2 billion Tolars. The interest margin, calculated from the interest-bearing assets, amounted to 4.9%. The first seven banks, comprising banks with balance sheet total of 65 billion Tolars or above, increased their interest margin from 0.1% to as much as 0.9% (the banks under rehabilitation were not taken into account due to the changed status in 1994). In 1994 these banks, compared to other banks, had had a relatively low interest margin. A group of nine banks reduced the interest margin, compared to 1994; however, the interest margin in some of those banks was still very high (more than 8%). The situation in the remaining 13 banks varied since some of them increased the interest margin and others reduced it.

Most banks, which increased the interest margin, reduced the lending rates in 1995 in comparison to the previous year, and they also reduced deposit rates considerably. On the other hand, banks which decreased the interest margin, reduced the lending rates more than they did the deposit rates.

In respect to total income, operating expenses of banks amounted to 13.3%, i.e. 1.0% lower than in 1994, while labour costs amounted to 7.4%. Return on assets of all banks amounted to 1.15%, compared to 0.44% in 1994, while return on equity amounted to 10.1%, compared to 3.3%. in 1994.

Banks and savings banks are supervised by the Bank of Slovenia. The supervision is carried out by:

• controlling the banks' reports and other available documentation, and
• on-site inspections in banks and savings banks.

Banks are also obliged to have their annual financial statements audited by authorised auditors, and to present such audited statements to the Bank of Slovenia.

Based on reports that banks and savings banks were obliged to submit and the Bank of Slovenia controlled:

• on a monthly basis, their operations on the basis of their balance sheets and their profit and loss accounts;
• quarterly, the classification of their loan portfolios and provisioning;
• quarterly, credit exposure to single clients;
• semi-annually, the capital base and capital adequacy in view of the minimum capital requirement at 30 September, 1995;
• semi-annually, investments in capital and fixed assets;
• semi-annually, loans granted to the banks' management and owners, and besides,
• analysed the audited annual financial statements.

The off-site inspections established that some banks violated the stipulation on large exposure, which amounts to 25% of the capital. The violations were the consequence of loans granted to bad borrowers in the period before implementation of European supervisory directive; banks still hope to duly eliminate the irregularities with the support of the Government.

On average banks highly exceeded the minimum capital adequacy of 8% required. During 1995, the average capital adequacy amounted to more than 20%.

Additional control targeted specifically at savings banks, included inspections of:

• compliance of operations with the licenses held, and
• the volume of insurance coverage for deposits of natural persons, associations and non-profit organisations.

These examinations showed a number of irregularities, from operations without licence, to transactions exceeding the existing licence and to inappropriate insurance coverage for deposits.

There were 30 on-site examinations carried out in banks and savings banks, which covered complete operations of banks or only selected areas: 21 examinations were carried out in banks, and 9 in savings banks. In particular, these examinations were targeted towards:

• determining the reliability of reports with regard to the quality of accounting systems;
• testing the quality of the loan portfolio;
• determining connected persons with respect to diversification of the credit risk;
• checking the capital adequacy;
• assessment of the capability of management to manage operational risks;
• evaluation of the audit and its findings;
• evaluating the EDP support, and
• the stock register.

There were also diagnostic reviews carried out in 9 banks. They were performed by the authorised auditors KPMG, London and DTTI, London. They were performed and financed within the framework of EC Phare Assistance to Slovenia. In particular, the reviews were targeted at:

• loan portfolio quality;
• capital adequacy;
• profitability;
• operational support of technology and personnel;
• strategy analysis and possibilities of further development of operations.

The following irregularities were detected during the reviews:

• inadequate classification of customers (pursuant to stipulations of the Decree on Classification of Problem Items);
• loans granted in breach of provisions of Art. 30 of the Law on Banks and Savings Banks;
• inappropriate collateralisation of loans granted to legal entities;
• lending to insolvent institutions (to savings banks in particular);
• inappropriate organisation of lending operations;
• incorrect calculation of capital base;
• inappropriate and insufficient EDP support of selected areas;
• lack of strategical guidelines;
• excessive concentration of decision-making on the management level;
• insufficient surveillance of internal audit, etc.

The Bank of Slovenia issued written reports on irregularities detected and advised the management of the banks concerned accordingly, requesting elimination of the irregularities. As a consequence, the Bank limited banking licences in 23 cases and imposed regional restrictions in 4 cases. Banks and savings banks duly fulfilled all the requirements of the Bank of Slovenia and removed the detected irregularities.

VI. OTHER BANK OF SLOVENIA OPERATIONS

1. Banker for the Government

Payment operations

Pursuant to the law, the Bank of Slovenia performs payment operations with foreign countries as well as any other transactions in foreign currencies for the account of the Republic of Slovenia. The volume of such payments to foreign countries made in 1995 amounted to DEM 331.1 million, the volume of obligations serviced under letters of credit to DEM 27.4 million, and the volume of cash payments effected made DEM 8.0 million. The total amount of DEM 176.4 million was sold to and DEM 24.5 million were purchased from the users of the Slovenian budget; the difference between the two amounts was covered from drawings under foreign loans taken by the Republic of Slovenia.

Foreign loans

Pursuant to the law, the Bank of Slovenia may not take up loans for its own account, nor for the account of third parties; it may and does, however, act as fiscal agent for the Republic of Slovenia. In 1995, the Republic took up foreign loans organized by a syndicate of foreign commercial banks and granted by international financial organisations in the total amount of USD 120 million. The loans were drawn in full amount. An amount of USD 20 million was drawn in June 1995 under the syndicated loan agreement concluded in 1994; an amount of USD 42.1 million was drawn under the second tranche of the International Bank for Reconstruction and Development loan. In addition to payments of interest and other charges due, a total of USD 29.2 million of principal installments due under the syndicated foreign loan taken in 1993 was paid abroad for the account of the Republic.

Fiduciary accounts

Pursuant to the mandate received from the Republic of Slovenia and in compliance with the respective agreement concluded with Dresdner Bank Luxembourg, the Bank has opened two fiduciary accounts with this bank. Payments of principal installments and interest due under the allocated debt, as well as those corresponding to 16.39 % of the interest due under the unallocated debt pertaining to the 1988 New Financing Agreement and the Trade and Deposit Agreement have been made to the first of the two, amounting to a total of USD 49.6 million in 1995, making the balance of USD 137.4 million on the account as at 31 December 1995 (without interest gains). Payments pertaining to the obligations the Republic of Slovenia has succeeded to under the Osimo and Rome Treaties, concluded between the former SFR Yugoslavia and Italy on 10 November 1975 and 18 February 1983 respectively, have been made to the second account; Slovenia took over about 60% of the total obligation under the two treaties. USD 10.4 million were paid to the account in 1995, making the balance of USD 21.5 million at 31 December 1995 (together with interest gains).

Transfer of budgetary liquidity surplus to the Bank of Slovenia

In July 1995 the Governing Board of the Bank of Slovenia adopted an amendment to the decree on performance of operations for the account of the Republic of Slovenia. Accordingly, the respective agreement was signed between the Bank and the Ministry of Finance before end of July, which subsequently led to the Republic of Slovenia's deposits of current budgetary liquidity surplus with the Bank.

Prior to the conclusion of the above mentioned agreement they had been deposited with domestic commercial banks. The term of and interest rate on deposits were determined on the basis of comparative terms for the Bank of Slovenia bills which are made available to domestic commercial banks. Based upon the time deposits of the Republic, the Bank may grant bridging loans to the Republic of Slovenia up to the amount of the deposits and for a period not exceeding 1/5 of the term of such deposit. The Republic of Slovenia has not drawn under this possibility.

In order to neutralise the effects of the transfer of budgetary liquidity surplus from domestic banks the Bank has introduced and has made available to the banks an additional credit facility in form of short-term loans subject to the terms and conditions equal to those in force for regular instruments of monetary policy.

Fiscal stamps and securities

Pursuant to the respective agreements concluded between the Bank and the Ministry of Finance, the Bank distributes, takes in custody and processes fiscal stamps and securities on behalf of and for the account of the Ministry.

In 1995 there were 27,420,000 administrative and fiscal stamps distributed, their value amounting to 2.1 billion SIT; there were also 223,320,000 different tobacco stamps (bearing security features) distributed.

Like in the previous year, the Bank was active in distribution of securities on behalf of and for the account of state, in processing and redemption of matured bonds and their coupons; the Bank sold DEM 12 million to commercial banks in respect of their redemption of matured coupons of bonds.

2. Payment Systems Reform

In 1995 the Bank continued its work on this project. At the beginning of the year, strategic and technological decisions for the reformed interbank payment systems were adopted in compliance with the guidelines and recommendations of the respective working groups involved in the project.

The payment systems reform focuses on the following main principles and objectives:
- real-time gross settlement;
- bulk clearing subsystems;
- different forms of electronic payments.

Only credit institutions (banks) and the central bank are to be participants in the reformed payment systems. Banks are to establish a specialized company responsible for clearing and settlement of payments. On the long run, this company will need to take over and process the majority of all, individual and bulk payments; only a small share thereof is expected to remain outside the systems.

Feasibility studies have been prepared on the future concept of cash distribution and on what kind of statistical data the new payment systems are to provide. The former actually provides for possible alternatives, whereby the final decision and choice still depend on further analyses of individual segments of cash distribution. The latter identified the possibilities for the new payment systems to provide statistical data of different types and for different users; the final decision and choice will definitely be in line with the needs of the customers and the identified need for competitiveness of the reformed systems.

The contract with the foreign advisors to the Bank of Slovenia on this project, the PA Consulting Group from London, ran out in 1995. The working papers prepared by them (on regional centers, direct and indirect participants, telecommunication requirements for the project, clearing systems and systems of standardized links, implementation strategy, appraisal of financial value of the project) as such do not provide for the respective appropriate solutions; they are, however, a sound basis for further elaborations and discussions.

Further steps towards the objectives depend, to a big extent, on the adoption of new and adaption of the existing rules and regulations in this field.

3. Development of Statistical Function

Since 1995, the Financial Statistics Department has been encharged with collection of data serving as data-base for financial statistics, for the balance-of-payments statistics and statistics on international investment position. The data are published on a regular basis. Collection of data comprises the data from subjects under control or jurisdiction of the Bank of Slovenia, i.e. data concerning the banking sector, and data on economic relations of Slovenian entities with foreign countries. Although no direct reporting requirements can be prescribed by the Bank to other financial intermediaries, i.e. non-banks, the Bank has been working on a complex data base from this area as well.

After completion of consolidation and improvement of data collection processes, both technically and in quality, in the segments already channelled on the mainframe, the Bank has launched a project of reengineering of statistical data-base in relational technologies towards a unified data base, and started to prepare information on the balance-of-payments statistics. The project was successfully completed with the assistance of foreign advisors and financial support of the Government of the Netherlands. The objective of the project was to simplify the compilation of data, to shorten the period of collection of data and information, and to make the data so collected and processed available to all the users, bearing in mind the need to protect the individual data as confidential.

One of the main tasks of the Department in 1995 was to consolidate the methodology on and ensure the compliance of the monetary and balance-of-payments data with the international standards. The recommendations of the international financial institutions, especially those of the International Monetary Fund, were taken into account as much as possible. The objective was reached and the Department has been providing up-to-date information of high quality and on a timely basis; besides, it has partly been able to simplify the reporting system for banks and has lowered the cost for all parties involved. The simplification and lower cost were reached by making an analysis of a time series of data from 1993 to 1995, and by determining the treshold for transactions to be reported.

We believe that our Monthly Bulletin has been well accepted and has found wide readership within the country and abroad; at the end of 1995, 650 copies were printed in Slovenian and 950 copies in English.

4. Banknote Issue

In accordance with the law, the Bank has been performing the function of the bank of issue by putting Tolar banknotes and coins in circulation. The banknote for 10,000 Tolars, printed by Giesecke & Devrient in Munich, Germany, was put into circulation on 15, March 1995; it had been designed by Slovenian designer Miljenko Licul (as had all the Tolar notes). It bears the portrait of Ivan Cankar, a Slovenian poet, writer and playwright, one of the most famous Slovenian ones of the early 20th century; its original was drawn by the Slovenian artist Rudi Španzel.

The total of 67.5 million banknotes in value of Tolars 63.5 billion (without Tolar coupons) were in circulation at 31 December 1995. This corresponds to an average of 35 banknotes per inhabitant. Compared to that of the previous year, the volume of notes in circulation increased by 7.6%, and their respective value by 26.5%. Due to introduction of the 10,000 Tolar notes, the number of denominations of 5,000 and 1,000 in circulation decreased. There have been no major changes in the structure of other denominations. The structure and supply of banknotes fully corresponded to the needs.

The exchange of Tolar coupons, introduced upon monetary independence of the Republic of Slovenia in October 1991, and subsequently withdrawn from circulation in the period between 1992 and 1994, has only been possible at the counters of the Bank of Slovenia since 1995. The total of the coupons exchanged corresponds to 98.93% of the total issued. The difference mainly represents lower denominations (under 100 Tolars); the analyses made show that some have been kept for collection purposes and some have been destroyed or lost, so that they are basically not expected to be presented for exchange at all.

In 1995 the total of 55.2 million additional coins in denominations of 5, 2 and 1 Tolar were put into circulation. The total number of coins in circulation at 31 December 1995 amounted to 167.6 million, corresponding to an average of 84 coins per inhabitant. Compared to 1994, the total number of coins increased by 49.2%, and the average per inhabitant by 25%. The value of coins in circulation at 31 December 1995 amounted to 334 million Tolars. The results of a recently made research show a decrease in need for minting and supply of additional coins; it appears that the population has abstained from keeping coins at home and has returned them into circulation.

Likewise, on behalf of and for the account of the Republic of Slovenia, the Bank issued three memorial coins in 1995: one to mark the 50th anniversary of victory against faschism and nazism, one to mark the 50th anniversary of existence of the United Nations FAO and one to mark the 100th anniversary since the famous Slovenian priest, composer and mountineer Jakob Aljaž had constructed a shelter called "Aljaž's tower" on the top of Slovenia's highest mountain, the Triglav (2,864m). Denominations of 500 Tolars of each of the coins were minted in silver, and denominations of 5 Tolars in CuNiZu alloy. Denominations of 5,000 Tolars of the first and the third coin mentioned above were also minted in gold.

The Bank inspected a total of 1,086 counterfeit (both Tolar and foreign currency denominated) notes, discovered in Slovenia in 1995. The number of counterfeit Tolar notes discovered was relatively small: there were 10 cases of colour photocopied notes used for payment, and one case when such counterfeit notes were found in a ditch along a road. A total of 22 counterfeit Tolar notes were seized, corresponding to the value of 52,000 Tolars. Seen from the perspective of the value of all Tolar notes in circulation, the counterfeit notes do not present a major problem. Based upon the authority given, the Bank also inspected foreign counterfeit notes found in Slovenia and submitted to it by the Ministry of Interior. The value of foreign counterfeit notes discovered in Slovenia in 1995 amounted to 11.3 million Tolars; denominations of DEM, USD and Lit were concerned.

5. International Cooperation

The Banks's major international activities were the following:

- It participated in the negotiations of the Republic of Slovenia with foreign commercial bank creditors under the 1988 New Financing Agreement of the former SFR Yugoslavia, and co-signed the agreement dated 8, June 1995 on the terms and conditions of a separate agreement on Slovenia's succession to a portion of the debt;
- It continued to further develop and deepen, on all levels, the good and fruitful cooperation with the major European and overseas central banks, and had the honour to greet and receive a few of their Governors resp. Presidents as its guests;
- It regularly participated in the annual meetings of the Boards of Governors of the international financial institutions and cooperated with these institutions on all levels;
- It participated in coordination of the technical assistance of central banks of G10 countries, Austria and the IMF, set up under the auspices of the Bank for International Settlements for the central banks of the Eastern and Central European countries in transition, and made use of their standard training course and seminar programmes, as well as of the possibility for shorter bilateral consultations on closely defined single issues of central banking;
- Not only did the Bank act as recipient of the foreign technical assistance; it also played the donor role by receiving representatives of central banks from Central and Eastern Europe for shorter consultations and discussions of topics of their interest and to share its own experience with them;
- The Bank's officials participated in international conferences, roundtables, seminars and congresses abroad dealing with economic issues, banking and finance, and in this way contributed to better understandfing of the consolidation and restructuring of the banking and financial sector in Slovenia;
- Despite the lack of possibility for a mutual agreement among successor states and their central banks respectively, on succession to the membership and to the assets of the former SFR Yugoslavia in the Bank for International Settlements in Basle, it sought and strived for an interim solution for its membership in this esteemed institution. Upon special invitation of the Managing Director of the BIS, the Governor has been able to participate in the monthly meetings of the Governors as a guest on a regular basis, which gave him the unique opportunity to regularly inform and exchange views on topics of mutual interest with the participants;
- One of the Bank's officials has participated in the Slovenian delegation to the Geneva Conference on Succession of the former SFR Yugoslavia;
- The Bank was involved in loans taken abroad by the Republic of Slovenia as its Fiscal Agent;
- One of the Bank's officials participated in the delegation of the Republic of Slovenia negotiating the association agreement with the European Union and membership in the World Trade Organisation.

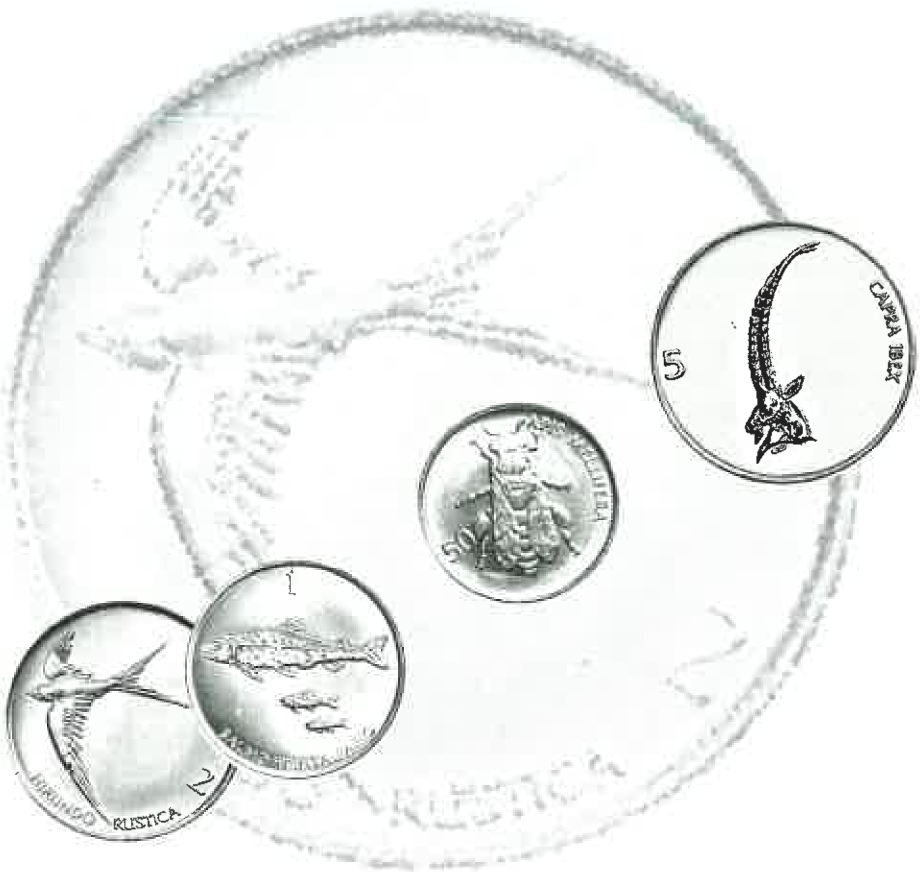
VII. THE BANK OF SLOVENIA ANNUAL FINANCIAL STATEMENTS

Statement of responsibilities of the Governing Board

The Law on the Bank of Slovenia ("the Bank") and the Statutes of the Bank require the Governing Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the surplus or deficit of the Bank for that period. In preparing those financial statements the Governing Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Governing Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with Slovenian law. It has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.



Report of the auditors to the Governing Board of the Bank of Slovenia

We have audited the financial statements set out on pages 50 to 57.

Respective responsibilities of the Governing Board and auditors

As set out on page 48 these financial statements are the responsibility of the Bank's Governing Board. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion, given below.

Because we were not appointed auditors until 6 March 1995 it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence concerning the balance sheet at 31 December 1993. Any adjustment to those figures would have a consequential effect on the operating surplus for the year ended 31 December 1994. Accordingly, the amounts shown in the statement of income and expenditure for the year ended 31 December 1994 may not be comparable with the figures for the current period.

Opinion

In our opinion, except for any adjustments to the comparative statement of income and expenditure which might have been necessary had we been able to satisfy ourselves as to the state of affairs of the Bank at 31 December 1993, the financial statements give a true and fair view of the state of the Bank's affairs as at 31 December 1995 and the operating surplus for the year then ended and have been properly prepared in accordance with those International Accounting Standards set out in note 2 and Slovenian law.

KPMG
Chartered Accountants
Authorised Auditors
London

12 April 1996

Statement of income and expenditure for the year ended 31 December 1995

(expressed in thousands of tolars)

	Notes	1995	1994
Operating income:			
Income from financial assets	4	17,992,180	13,032,753
Expenses on serviced liabilities	5	11,039,955	11,704,620
Net investment income		6,952,225	1,328,133
Other income	6	533,766	1,180,844
Total operating income		7,485,991	2,508,977
Operating expenses	7	1,806,206	1,482,149
Operating surplus available for appropriation		5,679,785	1,026,828
Appropriations			
Provision for transfer of surplus		478,886	982,837
Transfer to reserves	12	5,200,899	43,991
Total appropriations		5,679,785	1,026,828

The notes on pages 51 to 57 form an integral part of financial statements.

Balance sheet at 31 December 1995

(expressed in thousands of tolars)

	Notes	1995	1994
Assets			
Financial assets	8	309,223,928	237,068,862
Fixed assets	9	1,389,612	1,323,474
Total assets		310,613,540	238,392,336
Liabilities and reserves			
Serviced liabilities	10	219,504,083	165,298,097
Banknotes in circulation	11	63,904,039	50,617,843
Provision for transfer of surplus		478,886	982,837
Total liabilities		283,887,008	216,898,777
Reserves	12	26,726,532	21,493,559
Total liabilities and reserves		310,613,540	238,392,336

These financial statements were approved by the Governing Board on 2 April 1996 and were signed on its behalf by:

Dr France Arhar
President of the Governing Board and
Governor of the Bank of Slovenia.

In accordance with Article 82 of the Law on the Bank of Slovenia these financial statements have still to be approved by the Parliament of The Republic of Slovenia.

Notes to the financial statements

1 Constitution

The Bank of Slovenia (the Bank) is the central bank of the Republic of Slovenia. It was constituted by the Law on the Bank of Slovenia dated 25 June 1991. The Bank is self governing and is an independent institution with its own distinct legal personality. The Republic of Slovenia guarantees the obligations of the Bank and it is supervised by the Parliament. The Bank is responsible for the stability of the national currency and for the liquidity of the Slovenian banking system.

2 Accounting standards and conventions

These financial statements have been prepared in accordance with applicable International Accounting Standards (IAS) as promulgated by the International Accounting Standards Committee except as detailed below. These were adopted by the Governing Board at the 90th meeting on 9 May 1995. The statements are prepared under the going concern concept and the historical cost convention amended for the revaluation of certain assets. Accrual accounting has been used to match expenses and revenues.

The Governing Board does not provide a cash flow statement, since it considers that given the nature of its operations this would not provide any meaningful additional information.

3 Specific accounting policies

Income recognition

Interest income is recognised in the income and expenditure account as it accrues, other than interest of doubtful collectibility which is credited to a suspense account and excluded from interest income. The closing balance of the suspense account is netted in the balance sheet against accrued interest receivable. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Fees and commissions receivable mainly arise from payment and settlement services, supervisory and regulatory functions and the distribution of fiscal stamps on behalf of the state.

Foreign currencies

Foreign currency financial assets and liabilities have been translated into Tolars ('SIT') using the middle exchange rates of the Bank of Slovenia applying at the balance sheet date. Transactions in foreign currencies have been translated into SIT using exchange rates applying on the settlement dates of those transactions.

Marketable securities

Marketable securities are carried at the lower of cost and market value.

Bills with warrants

The discount and coupon on bills with warrants, which are included in serviced liabilities, are amortised over the total period over which the bills and any related financing are outstanding, in proportion to the value of the related indebtedness. Future potential discount costs inherent in the warrants outstanding on bills in issue are stated at expected exercise value.

Banknotes in circulation

Banknotes issued by the Bank represent a charge on the Bank in favour of the holder and are recognised as a liability at face value.

Fixed assets

Investment properties located in Austria are carried at market value and are not depreciated. All other fixed assets are stated at cost and net of depreciation. Property revaluations are taken to reserves.

Depreciation is provided on a straight line basis so as to write off the cost of the assets over their estimated useful lives at the following annual percentage rates:

Buildings	1.3
Computers and other equipment	10 to 20

Taxation

The Bank is not subject to Slovenian income or profit taxes.

4 Income from financial assets

	1995	1994
	SIT 000's	SIT 000's
Income from foreign currency assets		
Interest on sight and time deposits	9,095,157	6,102,141
Investment income on marketable securities, net	1,115,402	618,194
Interest on International Monetary Fund deposits	36,180	29,221
Net foreign exchange gain	5,200,899	374,319
Total	15,447,638	7,123,875
Income from domestic currency assets		
Interest on loans to banks	2,544,542	5,908,878
Total income from financial assets	17,992,180	13,032,753

5 Expenses on serviced liabilities

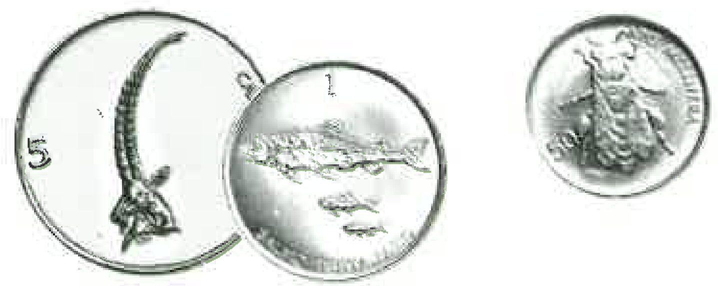
	1995	1994
	SIT 000's	SIT 000's
Expenses on foreign currency liabilities		
Interest on current accounts and deposits	180,289	137,916
Interest on Bank of Slovenia bills	8,259,539	8,723,740
Total	8,439,828	8,861,656
Expenses on domestic currency liabilities		
Interest on current accounts and deposits	196,852	92,974
Interest on Government deposits	488,626	13
Interest on Bank of Slovenia bills	1,914,649	2,749,977
Total	2,600,127	2,842,964
Total expenses on serviced liabilities	11,039,955	11,704,620

6 Other income

	1995	1994
	SIT 000's	SIT 000's
Fees and commissions receivable	453,652	1,093,783
Other income	80,114	87,061
Total other income	533,766	1,180,844

7 Operating expenses

	1995	1994
	SIT 000's	SIT 000's
Staff costs	1,156,207	890,799
Commissions and fees for banking services	88,630	137,789
Administration costs	514,740	383,339
Printing and minting costs	28,976	61,500
Other	17,653	8,722
Total operating expenses	1,806,206	1,482,149



8 Financial assets

	1995	1994
	SIT 000's	SIT 000's
Foreign currency assets		
Cash and deposits	**225,626,752**	198,885,650
Marketable securities	**25,420,417**	11,559,190
Receivables from the Republic of Slovenia	**6,211,890**	6,716,015
International Monetary Fund	**2,419,235**	2,384,913
Other	**2,571,012**	1,293,537
Total	**262,249,306**	220,839,305
Domestic currency assets		
Receivable from Succession Fund of the Republic of Slovenia	**8,649,807**	8,649,807
Loans to banks	**37,871,794**	7,112,494
Other	**453,021**	467,256
Total	**46,974,622**	16,229,557
Total financial assets	**309,223,928**	237,068,862

The Succession fund of the Republic of Slovenia was established in February 1993 (Official Gazette of the Republic of Slovenia 10/93) as an intermediary in the process of the division of assets and liabilities of former SFR Yugoslavia. It assumed, on behalf of the Republic of Slovenia, all the claims on and the obligations to the former National Bank of Yugoslavia which included SIT 8,649,807,000 due to the Bank. This amount will be repaid after the settlement of claims and liabilities of the Republic of Slovenia and the successor states of the former SFR Yugoslavia. The amount is not interest bearing and has no fixed repayment term.

Currency concentration

The nature and manner in which the Bank conducts its operations give rise to currency concentrations in the financial assets. This primarily arises from country and counterparty concentration of exposures.

These concentrations of risk by currency and type of counterparty are as follows at 31 December 1995.

	SIT	DEM	USD	Other	Total
	%	%	%	%	%
Sovereign issue	2.83	6.51	2.45	2.89	14.68
Domestic banks	12.36	1.67	-	-	14.03
Foreign banks	-	40.55	23.05	7.69	71.29
Total	**15.19**	**48.73**	**25.50**	**10.58**	**100.00**

Financial assets at 31 December 1995 will mature within the following periods analysed by currency (in SIT 000's):

	SIT	DEM	USD	Other	Total
Up to 1 month	37,711,218	27,704,390	43,096,311	12,110,327	120,622,246
1 to 3 months	128,635	49,330,270	25,638,120	7,548,816	82,645,841
3 to 12 months	48,874	59,210,246	10,106,525	3,772,081	73,137,726
1 year and over	9,085,894	14,437,530	-	9,294,691	32,818,115
Total	**46,974,621**	**150,682,436**	**78,840,956**	**32,725,915**	**309,223,928**

9 Fixed assets

	Land and buildings	Computers and other equipment	Total
	SIT 000's	SIT 000's	SIT 000's
Cost or valuation:			
At 1 January 1995	1,426,695	850,362	2,277,057
Additions	87,961	195,535	283,496
Disposals	(91,573)	(55,257)	(146,830)
At 31 December 1995	**1,423,083**	**990,640**	**2,413,723**
Depreciation:			
At 1 January 1995	471,593	481,990	953,583
Disposals	(4,223)	(66,631)	(70,854)
Charge for year	33,853	107,529	141,382
At 31 December 1995	**501,223**	**522,888**	**1,024,111**
Net book value:			
At 31 December 1995	**921,860**	**467,752**	**1,389,612**
At 31 December 1994	955,102	368,372	1,323,474

Included in land and buildings is an amount of SIT 500,000,000 relating to investment properties in Austria. These properties are valued on the basis of an appraisal by the Governing Board substantiated by a multiple of rental earnings and the price at which property transfers are presently taking place in the same neighbourhood.

10 Serviced liabilities

	1995 SIT 000's	1994 SIT 000's
Foreign currency liabilities		
Current accounts and deposits	**40,338,962**	24,330,068
International Monetary Fund	**4,762,758**	4,694,766
Other international financial organisations	**522,477**	923,805
Bank of Slovenia bills	**120,644,706**	87,588,707
Other	**179,583**	150,445
Total	**166,448,486**	117,687,791
Domestic currency liabilities		
Current accounts and deposits	**35,051,114**	28,570,522
Bank of Slovenia bills	**6,599,457**	12,446,553
Republic of Slovenia deposits	**10,407,306**	5,953,578
Other	**997,720**	639,653
Total	**53,055,597**	47,610,306
Total serviced liabilities	**219,504,083**	165,298,097

Serviced liabilities at 31 December 1995 will mature within the following periods analysed by currency (in SIT 000's):

	SIT	DEM	USD	Other	Total
Up to 1 month	48,506,870	34,535,148	23,811,903	8,807,934	115,661,855
1 to 3 months	3,014,636	53,134,864	6,449,133	64,034	62,662,667
3 to 12 months	1,534,091	26,283,775	8,000,418	412,159	36,230,443
1 year and over	-	-	17,211	4,931,907	4,949,118
Total	**53,055,597**	**113,953,787**	**38,278,665**	**14,216,034**	**219,504,083**

11 Banknotes in circulation

Value of banknotes in circulation by denomination:		1995 SIT	1994 SIT
SIT	10	**185,719,600**	160,728,850
SIT	20	**175,052,040**	143,395,300
SIT	50	**298,029,350**	252,751,850
SIT	100	**911,579,300**	829,396,700
SIT	200	**696,151,800**	568,368,800
SIT	500	**1,202,018,000**	1,126,092,000
SIT	1000	**11,093,856,000**	13,532,100,000
SIT	5000	**32,268,805,000**	33,580,180,000
SIT	10000	**16,660,510,000**	-
Total		**63,491,721,090**	50,193,013,500
Tolar Coupons		**412,317,923**	424,829,339
Total		**63,904,039,013**	50,617,842,839

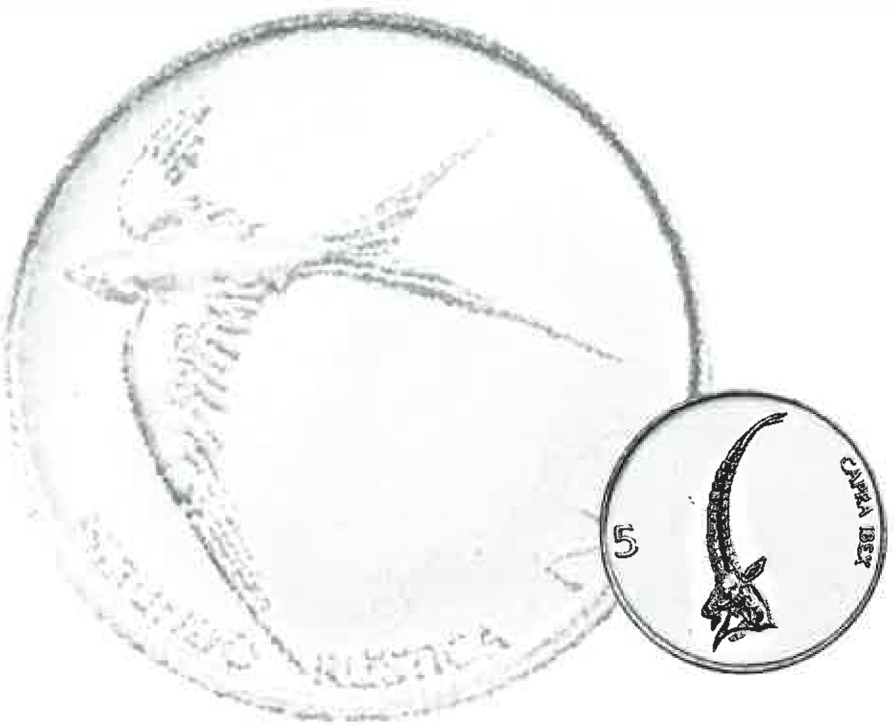
12 Reserves

	1995 SIT 000's	1994 SIT 000's
Balance at 1 January	**21,493,559**	20,872,417
Contributions to the welfare fund	**32,074**	77,151
Investment properties revaluation	-	500,000
Transfer to reserves	**5,200,899**	43,991
Balance at 31 December	**26,726,532**	21,493,559
Represented by:		
General reserve	**3,238,899**	3,238,899
Welfare fund	**435,699**	403,625
Investment properties revaluation	**500,000**	500,000
Foreign exchange reserve	**22,551,934**	17,351,035
Total Reserves	**26,726,532**	21,493,559

The general reserve has been established in recognition of the economic and other risks inherent in the discharge of the Bank's responsibilities, and its portfolio of financial assets.

The foreign exchange reserve relates to cumulative net foreign exchange gains which by law are only available to offset any future net foreign exchange losses and are not distributable.

The welfare fund has been established to provide recreational and other facilities for the staff of the Bank. The assets representing the fund are included in the Bank's balance sheet and any movement in asset values is taken directly to reserves.

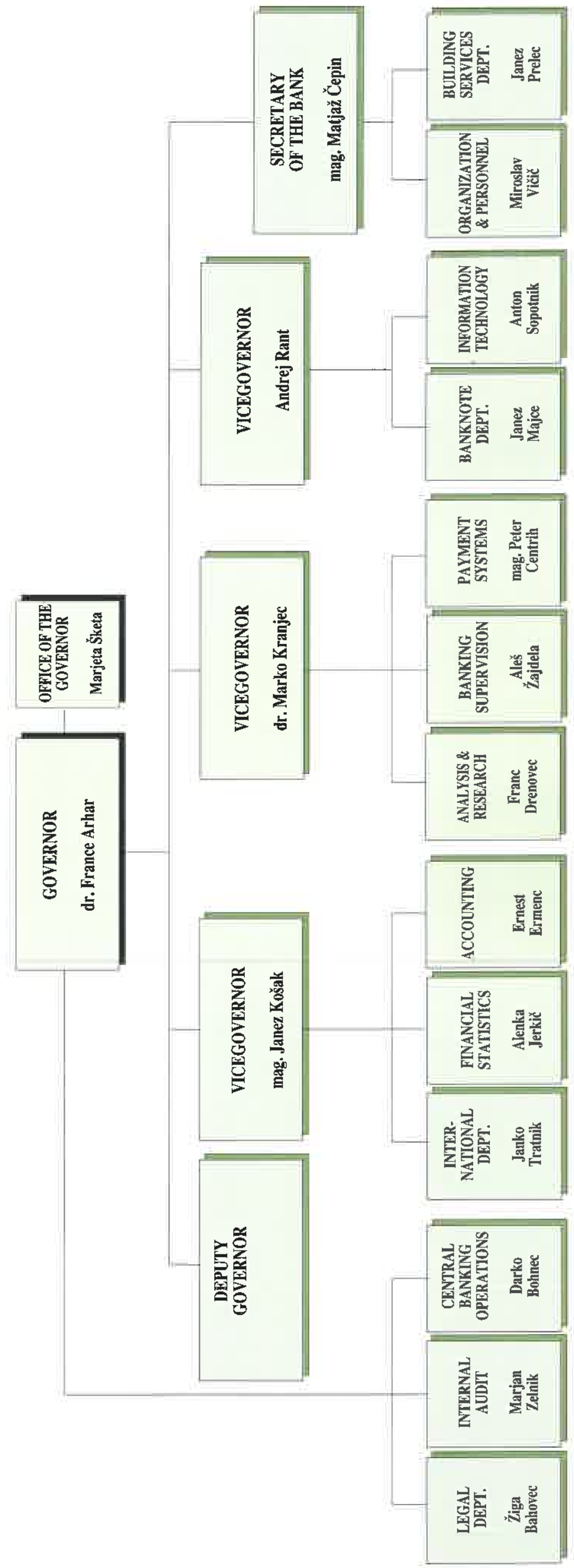


MEMBERS OF THE GOVERNING BOARD OF THE BANK OF SLOVENIA

dr. France ARHAR, Governor
mag. Bogomir KOS, Deputy Governor (up to August 31, 1995)
mag. Janez KOŠAK, Vice Governor
dr. Marko KRANJEC, Vice Governor
Andrej RANT, Vice Governor

mag. Velimir BOLE, Economic Institute at Faculty of Law, Ljubljana University
mag. Dušan DROFENIK, Agency for Payments, Supervision and Information, Celje
Jurij KLEINDIENST, Kolektor, Idrija
dr. Jože MENCINGER, Economic Institute at Faculty of Law, Ljubljana University
dr. Ivan RIBNIKAR, Faculty of Economics, Ljubljana University
dr. Dušan ZBAŠNIK, School of Business and Economics, Maribor University

ORGANIZATION CHART OF THE BANK OF SLOVENIA



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