



What Role for „Bad Banks“?

A Perspective from Slovenia

3 March 2015

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- Design of a bad bank
- Introduction to BAMC – Bank Asset Management Company
- Overview of BAMCs Portfolio of Assets

Bad Bank Design



	What	Comments
Assets	<ul style="list-style-type: none">▪ Risky assets – but where do the risks come from?▪ Non-Strategic assets	<ul style="list-style-type: none">▪ High risk of default▪ Mark-to-market risk▪ Risks from rating drift▪ What future for the bank?
Structure	<ul style="list-style-type: none">▪ On-balance sheet guarantee▪ Internal Restructuring Arrangements▪ SPV▪ Bad bank	<ul style="list-style-type: none">▪ On- vs. Off-balance sheet solution driven by comfort to investors, transparency and transfer of risk consideration▪ Level of homogeneity of assets▪ Issue of asset valuation, future funding, workout strategies

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Overview

- Establishment:** March 2013, founder Government of the Republic of Slovenia
- Ownership:** 100% owned by the Republic of Slovenia, equity injection of **203 mio EUR** in 2013
- Governance:** One-tier board structure, 4 non-executive and 3 executive Directors
- Employees:** 81 employees as per end-2014
- Assets:**
In December 2013 transferred from NLB and NKBM
In September 2014 acquired from Faktor banka and Probanka
In October 2014 transferred from Abanka
In December 2014 transferred from Banka Celje

The total gross value of all assets is **4.99 billion EUR**, for which BAMC paid **1.56 billion EUR** in sovereign-guaranteed bonds and 28 million EUR with existing capital.

Overview

Mission: Implement the measures of to strengthen the stability of the banks, as stipulated by the Law

Promote trust in the financial system and operate by the rules of business-financial profession and the highest ethical management standards, avoiding any conflict of interest

Implement a proactive, cooperative and holistic approach to the restructuring of companies

Being an active asset owner

Manage the assets in a way that would allow exiting at best possible price

Focus: Off load the Non-Performing Loans burden in the banks to i) provide bank capital, ii) provide liquidity, and iii) enable more focus on lending to good business

Restructure potentially viable exposures to corporates sector

Manage assets for value and generate value to pay-down the state guarantee debt, and repay the equity with a sufficient return

Organisation of BAMC

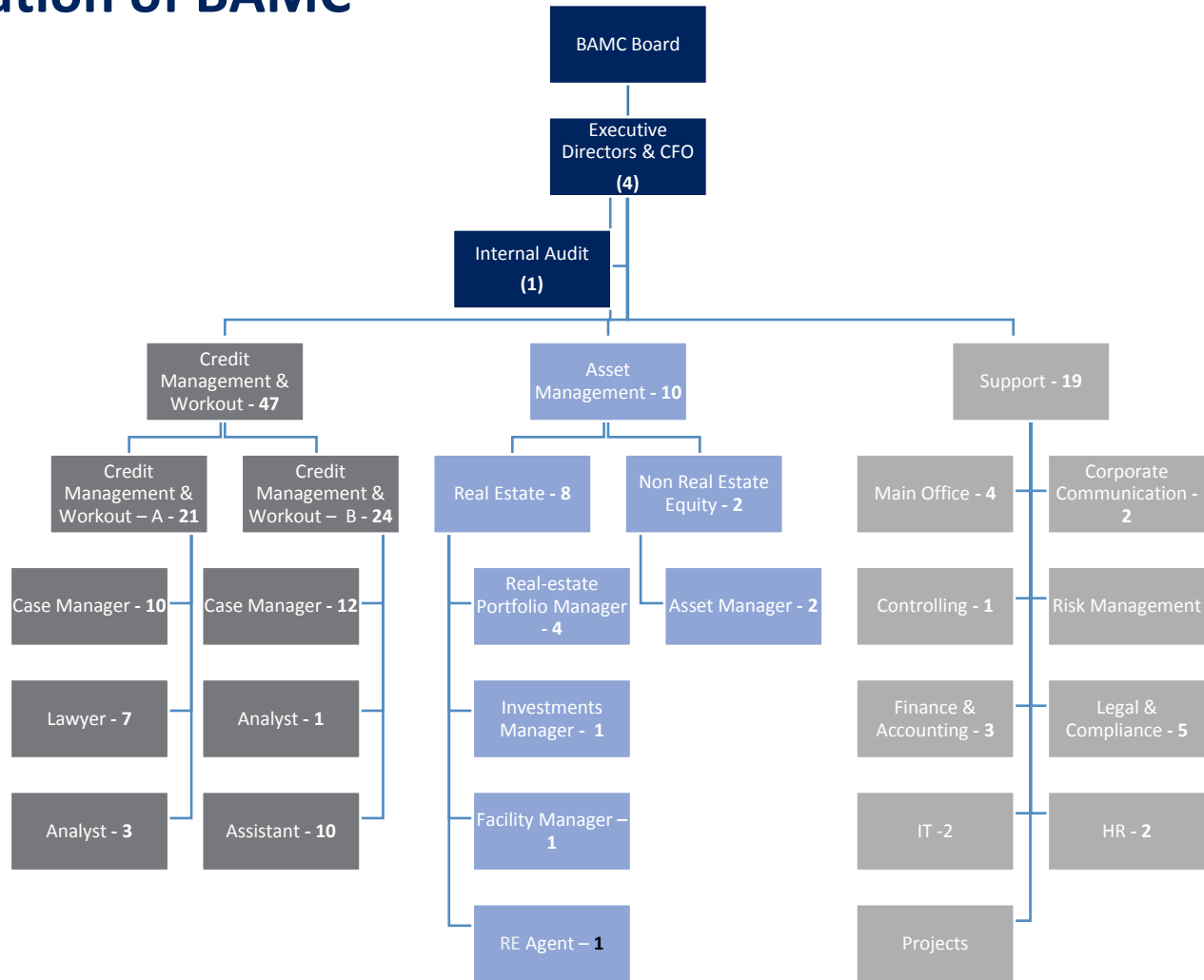
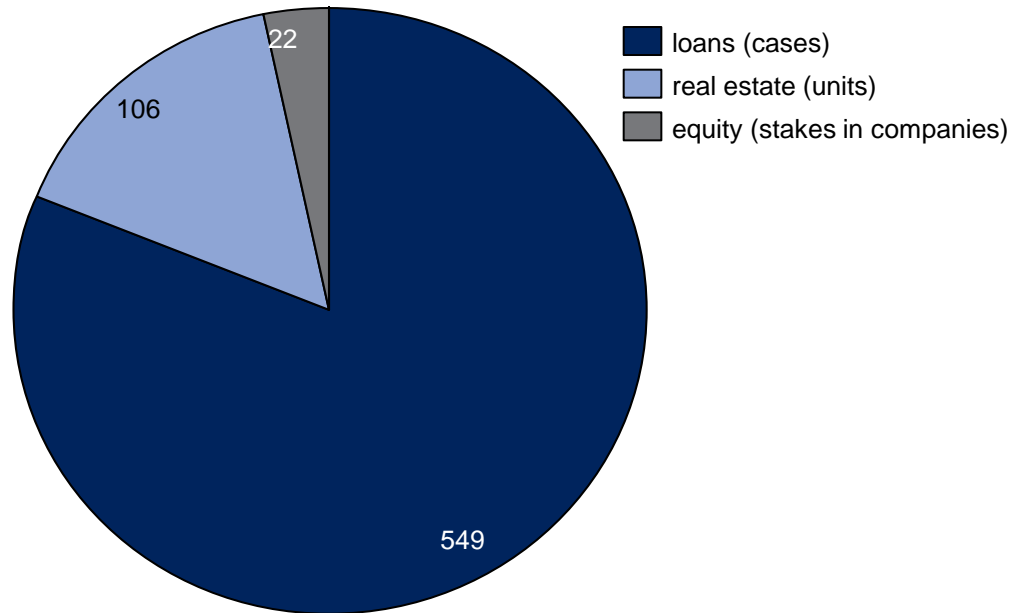


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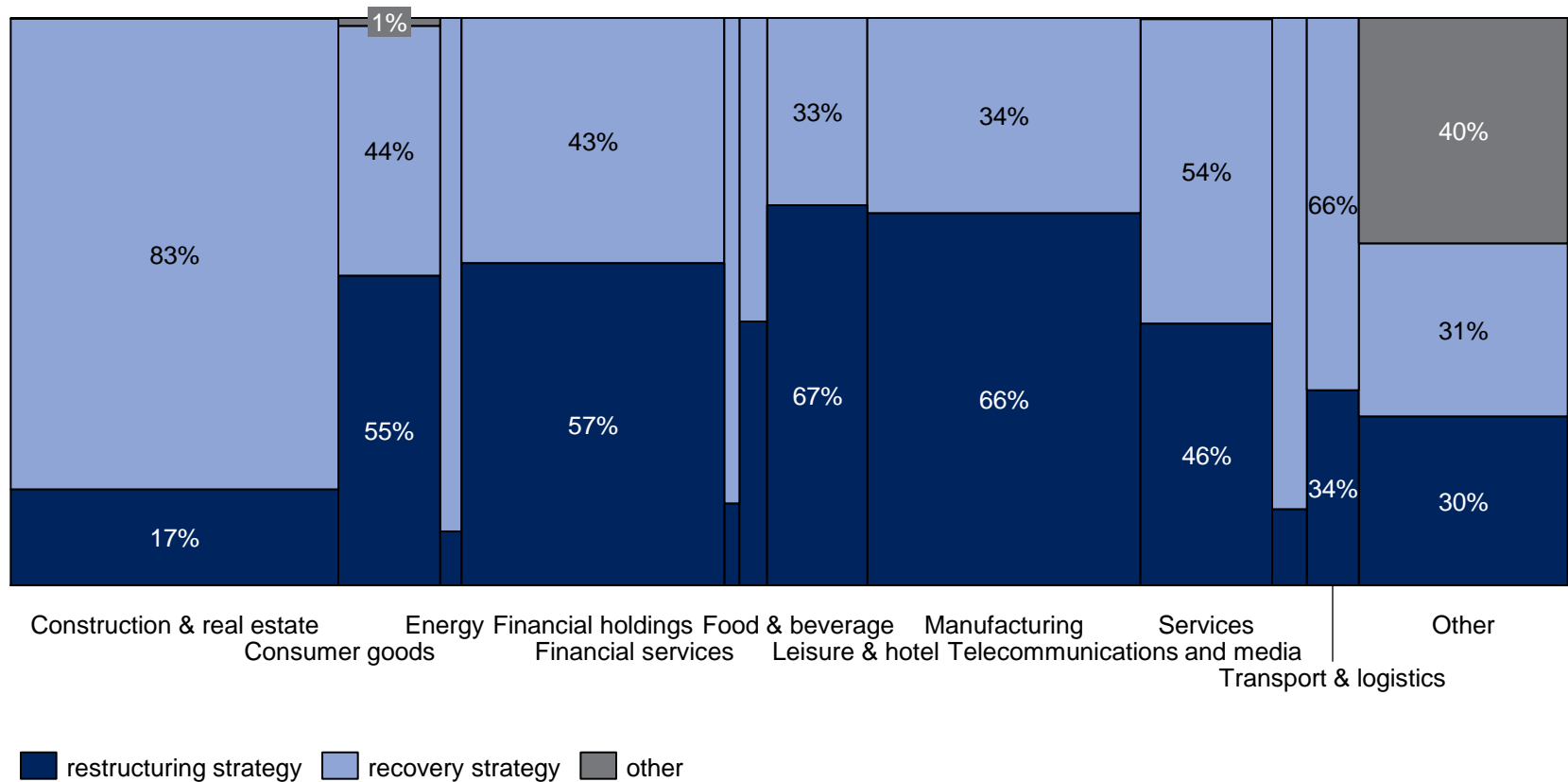
Three types of assets under management

- The BAMC is managing a substantial loan portfolio and currently has minor equity and real estate holdings
- The latter two may increase substantially due to collateral enforcement from insolvent debtors
- Total exposure \pm 700 cases (600 recovery + 100 restructuring)



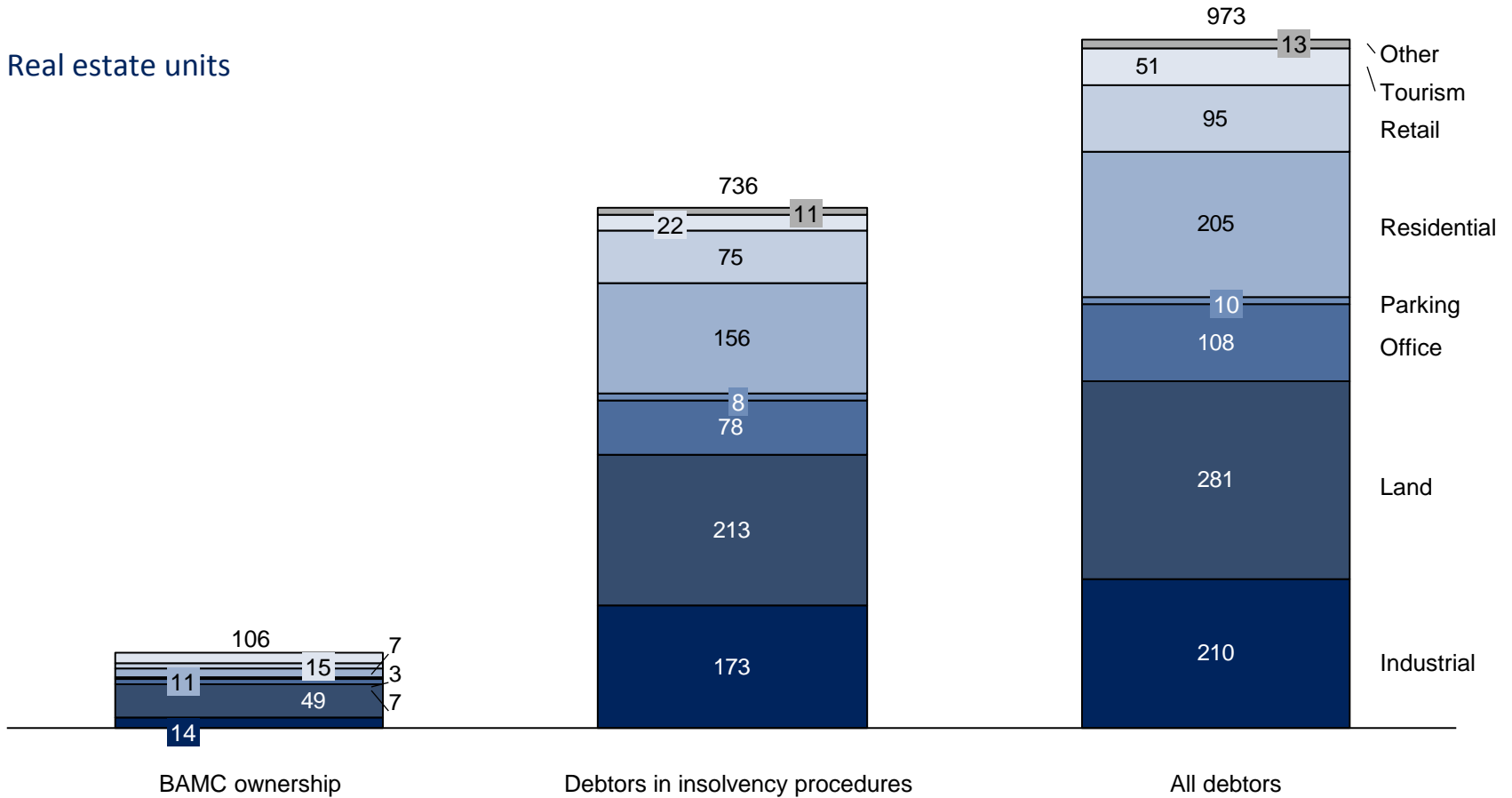
Loan portfolio overview (transfer prices)

Total portfolio transfer price: € 1.56 million (€ millions in chart)



Current and potential real estate portfolio

Real estate units



Lessons learnt

