News Release

Japan Credit Rating Agency, Ltd.

16-I-0032
August 15, 2016

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Republic of Slovenia (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A+
Outlook:	Stable
Local Currency Long-term Issuer Rating:	A+
Outlook:	Stable

Rationale

(1) The ratings on Slovenia reflect its relatively advanced economy, improved external balance and the solid euro-area support mechanism. On the other hand, the ratings are constrained mainly by its banking system still undergoing the improvement process and a surged government debt. The rating outlook is Stable. The fiscal deficit has been narrowing amid the ongoing economic recovery and the primary balance is expected to move into a surplus. Also, the risk that a large fiscal burden to support banks will arise again has lowered. Given these developments, the government debt to GDP ratio is expected to decline, which had risen due to a fiscal deficit and a burden associated with the support to the banking sector. JCR will closely monitor how Brexit could affect Slovenia's political situation or its economy although Slovenia has relatively small direct economic linkages with the UK.

(2) Slovenia is a relatively advanced economy with its per capita GDP exceeding USD30,000 in PPP. The economy grew by around 3% in both 2014 and 2015 after a prolonged slump in domestic demand amid credit contraction of banks and deleveraging in the corporate sector. The growth was driven by the expansion of export, the increase in public investment and the recovery of private consumption supported by the improving labor market conditions and real wages. Private sector investment has yet to start a full-fledged recovery, but the corporate sector's improved financial condition and easing credit contraction provide for a better condition for its revival. The current account balance has been in surplus since 2011, amounting to 7.3% of GDP in 2015. This is because exports have been expanding while import growth has remained sluggish as domestic demand has yet come to its full recovery. In 2016 and 2017, a growth rate of more or less 2% is likely to be achieved driven mainly by export and private consumption despite a lower public investment as a result of the end of the drawdown period of 2007-2013 EU funding in 2015.

(3) The country's banking system has been improving as the government's support measures such as the transfer of non-performing loans to Bank Asset Management Company and recapitalization of banks through public funds have proved effective. The non-performing loans ratio has declined to around 8% in March 2016 from the peak of more than 18% in 2013. Bank earnings returned to a profit in 2015 on lower credit costs. Although the government's shareholding in banks, especially the largest ones, remains large, privatization has been moving forward gradually. In 2016, the sale of the government's shares in NKBM, the second largest bank, was completed. Although loans are still decreasing driven by the corporate loans, the pace of decrease has been slowing down.

(4) Slovenia has been making progress in reducing the fiscal deficit supported by the economic recovery and the measures taken both on the revenue and expenditure sides. In 2015, the general government balance (ESA2010) narrowed to 2.9% of GDP from 5.0% in 2014. The primary balance reached equilibrium for the first time since 2008. Slovenia exited the European Commission's excessive deficit procedure. The government is promoting sound fiscal policies by adhering to an expenditure restraint under its plan to reduce the deficit to 0.4% of GDP by 2019. The framework which ensures fiscal consolidation has been also strengthened with the enactment of the Fiscal Rule Act that obliges the government to balance the structural fiscal deficit by 2020. The general government debt to GDP ratio rose to 83.2% at the end of 2015 as a result of the continued pre-financing. However, a rise associated with the fiscal deficit has been narrowing. Liquidity buffers that can be used to repay debts have accumulated to 16% of GDP at the end of 2015. The general government debt to GDP ratio is expected to decline on the background of a projected surplus in the primary balance in line with lower fiscal deficit. Utilization of the liquidity buffers will also contribute to a decline as issuance of government bonds will be reduced.

Toshihiko Naito, Haruna Saeki

Rating
Issuer: Republic of Slovenia

<Affirmation>

	Rating	Outlook
FC (Foreign Currency Long-term Issuer Rating)	A+	Stable
LC (Local Currency Long-term Issuer Rating)	A+	Stable

Rating Assignment Date: August 9, 2016

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Rating Policies on JCR's website (http://www.jcr.co.jp/english/).

Outline of methodology for determination of the credit rating is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Rating Policies on JCR's website (http://www.jcr.co.jp/english/).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was obtained from the rating stakeholder.

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Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Republic of Slovenia
Rating Publication Date:	August 15, 2016

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base
The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base
The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions
The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy
The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

  A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government

  B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12 Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

http://www.jcr.co.jp/english/nrsro/index.html

13 Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies
The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics
The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

・ The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
The Republic of Slovenia	Issuer(Long-term)(FC)	April 11, 2005	AA-	Positive
The Republic of Slovenia	Issuer(Long-term)(FC)	December 15, 2006	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(FC)	December 26, 2007	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(FC)	March 25, 2009	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(FC)	February 3, 2011	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(FC)	June 13, 2012	AA-	Negative
The Republic of Slovenia	Issuer(Long-term)(FC)	May 24, 2013	A+	Negative
The Republic of Slovenia	Issuer(Long-term)(FC)	August 22, 2014	A+	Negative
The Republic of Slovenia	Issuer(Long-term)(FC)	October 29, 2015	A+	Stable
The Republic of Slovenia	Issuer(Long-term)(FC)	August 15, 2016	A+	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	April 11, 2005	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	December 15, 2006	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	December 26, 2007	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	March 25, 2009	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	February 3, 2011	AA	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	June 13, 2012	AA-	Negative
The Republic of Slovenia	Issuer(Long-term)(LC)	May 24, 2013	A+	Negative
The Republic of Slovenia	Issuer(Long-term)(LC)	August 22, 2014	A+	Negative
The Republic of Slovenia	Issuer(Long-term)(LC)	October 29, 2015	A+	Stable
The Republic of Slovenia	Issuer(Long-term)(LC)	August 15, 2016	A+	Stable

The table above was corrected after the publication of the news release of the rating action.
May, 2017.

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Masuda, have responsibility to this Rating Action and to the best of my knowledge:

A) No part of the credit rating was influenced by any other business activities.

B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.

C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Atsushi Masuda
General Manager of International Rating Department

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