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Time to take a look at the BAMC from the outside

Reviewing the Slovenian press for the last two weeks you get the impression that the BAMC works very slowly, has done very little so far and that the staff is generally incompetent and highly overpaid. BAMC has been a failure and the government must act immediately to handle the situation and take charge of the management.

Listening to people following Slovenia from the outside in Europe or in the United States the picture is the opposite. There the view is that BAMC has achieved a lot in a fairly short period. It has competent Slovenian and international employees that have acted skilfully and forcefully in a number of difficult restructuring cases. Its independent governance with international experts as non-executive directors has contributed to the credibility of Slovenia. It has been a success and the setup should be a model for other countries.

So what does the BAMC deserve, the Slovenian bashing or the international respect? Let us look at some achievements, just a few.

- In late 2013 two Slovenian banks, NLB and NKBM, could be recapitalised which made it possible for these banks to stay in operation, added to the international credibility of Slovenia, considerably lowered the government borrowing rates and kept Slovenia out of a Troika program comparable to those of Greece, Portugal and Spain. A prerequisite for the recapitalisation was the transfer of bad assets to the BAMC, which had to be done in a few weeks' time – an extraordinary achievement.
- Today there are around one hundred potentially viable companies under reconstructions led by the BAMC. Many of these reconstructions should have gained speed long ago, but have encountered a number of different obstacles and often got stuck. The reconstructions run by the banks have been far too slow. Here may be mentioned best examples: Cimos, Alpina, Merkur, Avtotehna and ACH. The BAMC has pushed the reconstruction process in Slovenia forward at a new and much faster pace.
- The biggest and most complicated case is Cimos. Cimos has gone through a number of reconstructions over the last decade, none of them successful. The state has injected money on several occasions. In the spring of 2013 it was still questionable whether the company could be saved. Now the BAMC has taken the lead and brought Cimos' customers, banks and suppliers together in a reconstruction process that is credible and has a decent chance of success. For the first time, there is now light at the end of the tunnel.
- The assets from NLB and NKBM were legally transferred to the BAMC at the end of 2013 but all files necessary for action were not completely transferred until June 2014. Nevertheless, between nine and ten per cent of the BAMC assets have already been sold.

So what about the costs? Is the BAMC too expensive? Sure, we have to pay international salaries to a handful of experts, but so have all other Asset Management Companies around the world in their build up phase. Some international expertise is needed and Slovenia is no exception. And after a year or two these experts will be gone, leaving behind a number of well-trained Slovenian professionals who can continue their careers in banks and companies and use their skills for the benefit of the Slovenian economy.

What about the use of consultants, always a big issue in Slovenia? In the case of the BAMC, the company had to be built quickly to satisfy the targets set by the government. And in 2013 these targets were changed substantially on a number of occasions. Good external resources were needed for the set-up and for the valuations of assets to be acquired. Some of the best consultants were later persuaded to stay as employees to lead the initial internal valuation and restructuring work. The use of consultants has not been a waste of public funds or taxpayers' money. On the contrary, these people were crucial in building the company and in transferring the assets from the banks to the BAMC. They have saved and will save a lot of money for Slovenia.

When talking about salaries and consultant costs, there is a need to put such costs in a proper perspective. BAMC will manage some €1,500 million of extremely complex assets that are losing value every day unless properly managed (and they have not been properly managed by the banks, that is why they have been transferred to the BAMC). Every one per cent improvement in asset values is worth some €15 million. The costs of experienced professionals should be seen in this perspective.

In doing its job, BAMC is inevitably going to step on some toes. There are vested interests and there are borrowers who gained from the previous actions of banks and who will lose from an unbiased and competently run professional restructuring process. Discrediting the BAMC is in their interest. The company has even been accused of using procedures in the hiring of staff and consultants that are

open to corruption. These accusations are completely unwarranted. Nevertheless, the board takes any hint of corruption very seriously. An international anti-corruption institute has been contacted to help BAMC ensure that all policies and procedures - and the training of staff – are up to best international standards. We expect BAMC to become the first Slovenian company with an international anti-corruption certificate.

Slovenia is a small open economy, highly dependent on the rest of Europe. Is it not time to step back and take an outside and objective view on how corporate restructuring was done by the banks in Slovenia before and what is now being achieved by the BAMC? Perhaps the international view of the BAMC has some relevance?

The BAMC is a success so far. It will be even more so when its job is finished in a few years.

Lars Nyberg, president of the Board of Directors