

Supervisory measure against credit institution of 1 August 2016

Information on person responsible for breach	
Business name and registered office of legal person	
Information on breach	
Description of circumstances and conduct entailing breach of ZBan-2 or Regulation (EU) No 575/2013	<p>On the basis of the request for supervisory review no. PBH-24.60-001/16-001 of 8 March 2016 and Bank of Slovenia authorisation no. PBH-24.60-001/16-002 of 8 March 2016, between 16 March and 17 April 2016 Bank of Slovenia staff conducted a supervisory review of [REDACTED] in the area of strategic risk, profitability and the business model, and in the area of corporate governance. On the basis of the findings of the supervisory review and the discussion at the 560th meeting of the Governing Board of the Bank of Slovenia, a resolution was passed issuing an order on the rectification of breaches in the area of credit risk in connection with the creation of additional impairments for the claims of [REDACTED] that are not being repaid and are secured by means of subordinated capital instruments of [REDACTED], which received state aid in 2013 and 2014, and are not secured by means of other forms of collateral. [REDACTED] must create additional impairments for the entire segment of repo transactions that are secured by means of subordinated capital instruments that were extinguished on the basis of decisions on extraordinary measures, in an amount representing the difference between the exposure and the value of the collateral plus the impairments already created.</p>
Nature of identified breaches	<p>The breaches identified in the area of credit risk in connection with the creation of additional impairments for the claims of [REDACTED] that are not being repaid and are secured by means of subordinated capital instruments of [REDACTED], which received state aid in 2013 and 2014, and are not secured by means of other forms of collateral, are cited in the operational part of the Order on the rectification of breaches.</p>
Operational part of the decision by which the relevant proceedings are completed	
<ol style="list-style-type: none"> 1. [REDACTED] has breached Articles 168 and 153 of the ZBan-2 in connection with Articles 8, 9, 10, 12 and 15 of the Regulation on the assessment of credit risk losses of banks and savings banks (Official Gazette of the Republic of Slovenia, Nos. 50/15 and 96/15; hereinafter: the loss assessment regulation), by failing, during its assessment of financial assets in the repo transactions segment, to create the requisite impairments in connection with transactions including an obligation on the part of the counterparty to repurchase subordinated bonds that were extinguished as a result of Bank of Slovenia measures in the procedure for the receipt of state aid by [REDACTED] in 2013 and 2014, despite objective evidence of impairment or the possibilities of loss. 2. To rectify the aforementioned breaches, [REDACTED] must impair financial assets in respect of repo transactions that include the obligation on the part of the counterparty to repurchase subordinated bonds referred to in point 1, in their entirety or in the amount that is not covered by other forms of collateral. 3. [REDACTED] must rectify the breaches referred to in point 1 of this order by 31 August 2016, and must submit evidence of the rectification of the breaches to the Bank of Slovenia by 15 September 2016. 4. In accordance with Article 277 of the ZBan-2, the following information in connection with this 	

supervisory measure shall be published on the Bank of Slovenia website after these proceedings have been completed:

- information on the breach;
- a description of the circumstances and conduct entailing the breach,
- the nature of the identified breaches;
- the operational part of the decision by which the relevant proceedings were completed; and
- information as to whether judicial protection proceedings have been initiated against the decision in accordance with the ZBan-2.

In accordance with the second paragraph of Article 278 of the ZBan-2 in connection with the first paragraph of Article 278 of the ZBan-2, the identity of the person responsible for the breach, i.e. the identity of [REDACTED], shall not be published.

5. An objection to this order shall not stay its enforcement.

Information as to whether judicial protection proceedings have been initiated against the decision in accordance with the ZBan-2

Judicial protection proceedings have not been initiated against the decision.