

## Disclosure of information on measure imposed on credit institution

### Supervisory measure against credit institution owing to failure to meet SREP 2016 requirements of 26 September 2017

<b>Information on person responsible for breach</b>	
<b>Business name and registered office of legal person</b>	Hranilnica Lon d.d., Žanova ulica 3, 4000 Kranj, registration number 5624908
<b>Information on breach</b>	
<b>Description of circumstances and conduct entailing breach of ZBan-2 or Regulation (EU) No 575/2013</b>	According to the information at the Bank of Slovenia's disposal, a breach of Article 129 of the ZBan-2 in connection with Article 131 of the ZBan-2 has been identified, because Hranilnica Lon d.d., of Žanova ulica 3, 4000 Kranj, registration number 5624908, failed to provide for adequate internal capital in accordance with the Bank of Slovenia's assessment pursuant to Article 183 of the ZBan-2, which was sent to the savings bank in a letter referenced 24.50-022/17-AVS of 6 February 2017 (SREP 2016 letter).
<b>Nature of identified breach</b>	The savings banks is required to rectify the breach in the provision of adequate internal capital by 30 June 2018.
<b>Operational part of the decision by which the relevant proceedings are completed</b>	
<p>1. Hranilnica Lon d.d., of Žanova ulica 3, 4000 Kranj, registration number 5624908 (hereinafter: the savings bank), has breached Article 129 of the ZBan-2 in connection with Article 131 of the ZBan-2, having failed to provide for adequate internal capital in accordance with the Bank of Slovenia's assessment pursuant to Article 183 of the ZBan-2, which was sent to the savings bank in a letter referenced 24.50-022/17-AVS of 6 February 2017 (the SREP 2016 letter). In conducting supervision of the savings bank's provision of adequate internal capital on the basis of the savings bank's data as at 31 July 2017, the Bank of Slovenia finds that the savings bank has failed to meet the requirements set out in the letter, namely an overall capital requirement in the amount of at least ■%, consisting of a total SREP capital requirement (TSCR) in the amount of ■% and a capital buffer requirement in the amount of ■%, and consequently is disclosing a capital shortfall.</p> <p>2. To rectify the breach referred to in point 1 of the operational part of this order, by 30 June 2018 the savings bank must provide for capital in an amount that exceeds the requirement set out in Article 92(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ L 176 of 27 June 2013, p 1; hereinafter: the CRR), having regard for the transitional provisions set out in Part Ten of the CRR and the Regulation on the exercise of options and discretions under European Union law (Official Gazette of the Republic of Slovenia, No. 28/16; hereinafter: the options and discretions regulation), in an amount sufficient to meet the overall capital requirement, which includes:</p> <p>(i) a total SREP capital requirement (TSCR) in the amount of ■%, which comprises:</p> <ul style="list-style-type: none"><li>- the minimum capital requirement of ■% set out in Article 92(1) of Regulation (EU) No 575/2013, and</li><li>- a capital requirement in the amount of ■%, which exceeds the requirement set out in Article 92(1) of Regulation (EU) No 575/2013 and which the bank must meet at all times with common equity Tier 1 capital; and</li></ul> <p>(ii) the combined buffer requirement in accordance with Article 228 of the ZBan-2 in connection with point 6 of Article 206 of the ZBan-2 and Section 16.3 of the ZBan-2 (Transitional provisions for capital buffers), which comprises the capital conservation buffer in the amount of ■% and in the amount of ■% as of 1 January 2018, which the bank must meet at all times by means of common equity Tier 1 capital.</p>	

If a different total SREP capital requirement is set for the savings bank on the basis of the SREP 2017 letter for 2018, the savings bank must meet the total SREP capital requirement prescribed by the scheduled SREP letter for 2018 by the deadline of 30 June 2018. In this event all requirements set out in this order shall relate to the total SREP capital requirement set out by the scheduled SREP letter for 2018.

3. In accordance with point 3 of the second paragraph of Article 250 of the ZBan-2, an action plan to rectify the breach referred to in point 2 of the operational part of this order must be submitted to the Bank of Slovenia by the management board of the savings bank by 15 October 2017, detailing the measures selected to eliminate the capital shortfall in accordance with point 2 of this order and highlighting how the required capital ratios set out in point 2 of this order will be met. The action plan of the management board of the savings bank must define the timetable for the implementation of individual measures, and the persons responsible for the implementation of individual measures and activities in accordance with the internal organisational structure of the savings bank. The savings bank must report to the Bank of Slovenia on the implementation of measures on a monthly basis in accordance with the action plan, by the 10<sup>th</sup> day of the current month for the previous month (regular report), or without delay in the event of material facts and circumstances affecting the implementation of the action plan (*ad hoc* report), compiling the first regular report for the situation as at 30 September 2017. In accordance with point 12 of the second paragraph of Article 250 of the ZBan-2 and in connection with points 1 and 2 of the operational part of this order, the savings bank must report to the Bank of Slovenia on the capital requirements for credit risk on a monthly basis, by the 20<sup>th</sup> day of the current month for the previous month (regular report), or without delay in the event of material facts and circumstances affecting the calculation of capital requirements (*ad hoc* report), compiling the first regular report by 20 October 2017 for the situation as at 30 September 2017.
4. In accordance with the second indent of point 5 of the second paragraph of Article 250 of the ZBan-2 and in connection with points 1 and 2 of the operational part of this order, the Bank of Slovenia is imposing an additional measure on the savings bank, whereby the savings bank may not increase its risk-weighted exposure amounts for credit risk that are calculated pursuant to and having regard for Part Three (Capital Requirements), Title II (Capital Requirements for Credit Risk) of the CRR, and are reported by means of Form C 07.00 (Credit risk and counterparty credit risks and free deliveries: Standardised approach to capital requirements: Total), except in the case of a change in risk-weighted exposure amounts over which the savings bank has no influence (e.g. an increase in risk-weighted exposure amounts owing to an increase in exposures to defaulters, the introduction of IFRS 9). The risk-weighted exposure amounts for credit risk may be increased by a maximum of 5% relative to 30 September 2017. The savings bank must explain any increase in a risk-weighted exposure above the amount as at 30 September 2017, submitting evidence as appropriate. The limits on an increase in the risk-weighted exposures for credit risk shall apply until the elimination of the capital shortfall and compliance with the overall capital requirement set out in point 2 of the operational part of this order.
5. In accordance with point 7 of the second paragraph of Article 250 of the ZBan-2 and in connection with points 1 and 2 of the operational part of this order, the Bank of Slovenia is imposing an additional measure on the savings bank, whereby the savings bank may not pay profits or interest to shareholders or the holders of Additional Tier 1 instruments. The prohibition referred to in point 7 of the second paragraph of Article 250 of the ZBan-2 shall apply until the savings bank provides for the elimination of the capital shortfall in meeting the required capital ratios in accordance with the requirement set out in point 2 of the operational part of this order.
6. Within eight days of receiving this order the savings bank must report to the Bank of Slovenia the name of the responsible member of the management board and the names of the responsible

persons designated in accordance with the internal organisational structure at the savings bank or the names of external contractors of the savings bank who will be responsible for implementing individual activities to eliminate the capital shortfall at the savings bank in accordance with point 2 of the operational part of this order and for preparing and implementing the action plan referred to in point 3 of the operational part of this order. In accordance with point 12 of the second paragraph of Article 250 of the ZBan-2 and in connection with points 1 and 2 of the operational part of this order, the Bank of Slovenia shall require the responsible members of the management board and the persons responsible for implementing individual activities in the action plan to explain and substantiate in detail any deviations from the timetable of scheduled activities for complying with the requirements set out in points 1 and 2 of the operational part of this order.

7. 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:

1. on the person responsible for the breach:

- the business name and registered office of the legal person, or
- the name of the natural person;

2. on the breach:

- a description of the circumstances and conduct entailing a breach of the ZBan-2 or Regulation (EU) No 575/2013,

- the nature of the identified breaches;

3. the operational part of the decision by which the relevant proceedings are completed;

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

Should the grounds referred to in the first paragraph of Article 278 of the ZBan-2 exist, the savings banks must state these grounds in any objection to this order.

8. 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 in accordance with the ZBan-2 have not been initiated against the decision to refuse the objection.

