

Supervisory measure against credit institution owing to failure to meet SREP 2015 requirements of 3 May 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	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 was identified, because the credit institution had failed to provide for adequate internal capital in accordance with the Bank of Slovenia's assessment pursuant to Article 183 of the ZBan-2. On the basis of the supervisory review and evaluation process (SREP), the Bank of Slovenia found that the credit institution was failing to provide for adequate internal capital with regard to the nature and scale of the risks to which it is or could be exposed in its operations.
Nature of identified breaches	The credit institution has failed to 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 EU regulation), having regard for the transitional provisions set out in Part Ten of the EU regulation and the Regulation on the implementation of the EU regulation on prudential requirements for credit institutions and investment firms with regard to options and discretions, and other tasks of the competent authority for credit institutions (Official Gazette of the Republic of Slovenia, Nos. 5/14 and 19/15). To eliminate the capital shortfall in meeting the required capital ratios, the credit institution must provide capital by issuing capital instruments that meet the required attributes set out in Article 28 of the EU regulation for qualification as common equity Tier 1 instruments.
Operational part of the decision by which the relevant proceedings are completed	
<p>1. [REDACTED] has breached Article 129 of the ZBan-2 in connection with Article 131 of the ZBan-2 by failing 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 communicated to the [REDACTED] by means of a letter referenced 24.50-0507/15-[REDACTED] of 24 November 2015. On the basis of the supervisory review and evaluation process (SREP), the Bank of Slovenia finds that the [REDACTED] has failed to provide for adequate internal capital with regard to the nature and the scale of the risks to which it is or could be exposed in its operations.</p> <p>The Bank of Slovenia finds that the [REDACTED] has failed to provide for appropriate quantitative or qualitative elements of the internal capital adequacy assessment process, and consequently has failed to provide for adequate internal capital. Accordingly, pursuant to the second paragraph of Article 249 of the ZBan-2 the Bank of Slovenia is imposing additional measures referred to in Article 250 of the ZBan-2 on the [REDACTED].</p> <p>2. To rectify the breach referred to in point 1 of this order, by 30 September 2016 the [REDACTED] 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 EU regulation), having regard for the transitional provisions set out in Part Ten of the EU regulation and the Regulation on the</p>	

implementation of the EU regulation on prudential requirements for credit institutions and investment firms with regard to options and discretions, and other tasks of the competent authority for credit institutions (Official Gazette of the Republic of Slovenia, Nos. 5/14 and 19/15), in the amount required by the letter referenced 24.50-0507/15 of 24 November 2015 (SREP 2015), such that a total capital ratio referred to in point (c) of Article 92(1) of the EU regulation in the amount of at least and a common equity Tier 1 (CET1) capital ratio referred to in point (a) of Article 92(1) of the EU regulation in the amount of at least are reached. To eliminate the capital shortfall, the must provide for the required capital ratios to be met by issuing capital instruments that meet the required attributes set out in Article 28 of the EU regulation for qualification as common equity Tier 1 instruments.

3. An action plan detailing the measures 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 must be submitted to the Bank of Slovenia by the management board of the by 31 May 2016. In the action plan the management board of the must define the timetable for the implementation of individual measures, and the persons (including external contractors of the) responsible for the implementation of individual measures and activities in accordance with the internal organisational structure of the , and must report the name of the member of the management board responsible for the implementation of the action plan. The must report to the Bank of Slovenia on the implementation of measures on a monthly basis in accordance with the action plan, by the 20th 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 31 May 2016.
4. In accordance with point 5 of the second paragraph of Article 250 of the ZBan-2 and in connection with points 1 and 2 of this order, the Bank of Slovenia is imposing an additional measure on the , whereby the 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 EU regulation, 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). The risk-weighted exposure amounts for credit risk may be increased by 3% relative to 31 May 2016, whereby the increase may relate solely to changes in the risk-weighted exposure amounts over which the has no influence. The must explain any increase in a risk-weighted exposure above the amount as at 31 May 2016, submitting evidence as appropriate. The must submit the calculation of capital requirements for credit risk for the situation as at 31 May 2016 to the Bank of Slovenia by 20 June 2016. This situation must be maintained by the until it 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 this order. The must report to the Bank of Slovenia on the capital requirements for credit risk on a monthly basis, by the 20th 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 for the situation as at 31 May 2016.
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 this order, the Bank of Slovenia is imposing an additional measure on the whereby the may not pay profits or interest to shareholders or the holders of Additional Tier 1 instruments, unless such prohibition could cause a default on the part of the . The prohibition referred to in point 7 of the second paragraph of Article 250 of the ZBan-2 shall apply until the 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 this order.
6. In accordance with point 10 of the second paragraph of Article 250 of the ZBan-2 and in

connection with points 1 and 2 of this order, the Bank of Slovenia is imposing an additional measure on the [REDACTED] whereby the [REDACTED] is prohibited from paying variable remuneration to staff, because the payment of variable remuneration endangers the fulfilment of obligations or targets with regard to the elimination of the capital shortfall of the [REDACTED] and the attainment of the required capital ratios of the [REDACTED] set out in point 2 of this order. The prohibition referred to in point 10 of the second paragraph of Article 250 of the ZBan-2 shall apply until the [REDACTED] 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 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:

- 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 the [REDACTED], shall not be published.

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 have not been initiated against the decision.

Information on any rectification of breaches or implementation of ordered measures

The credit institution has eliminated the breaches within the set deadline. On 11 October 2016, Banka Slovenije issued a Decision stating that the breaches have been remedied.