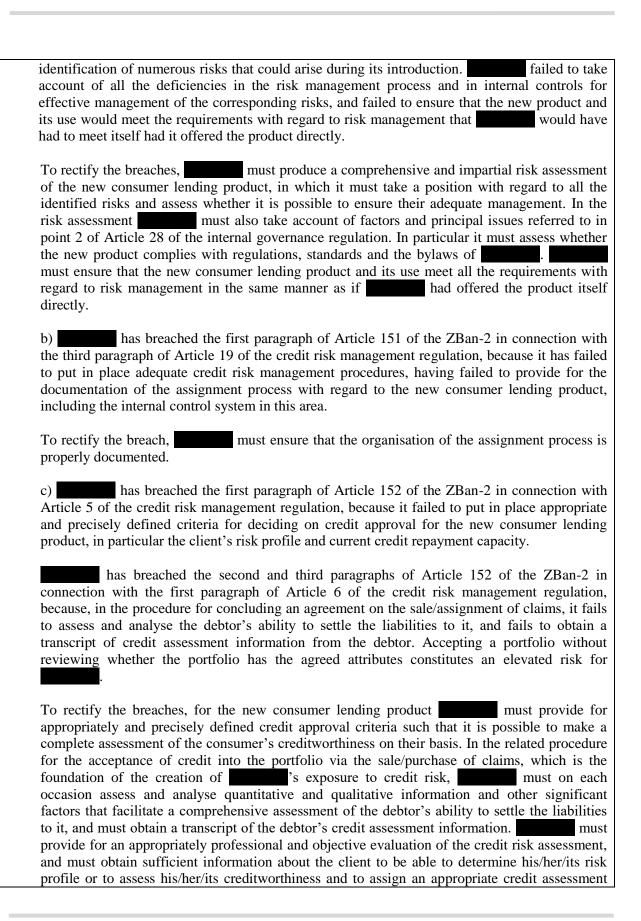
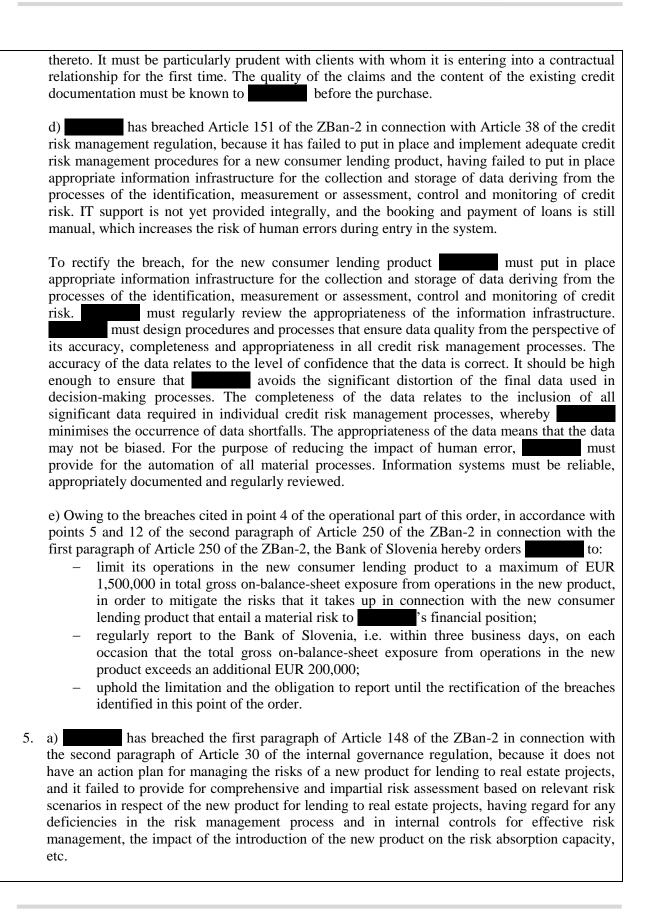
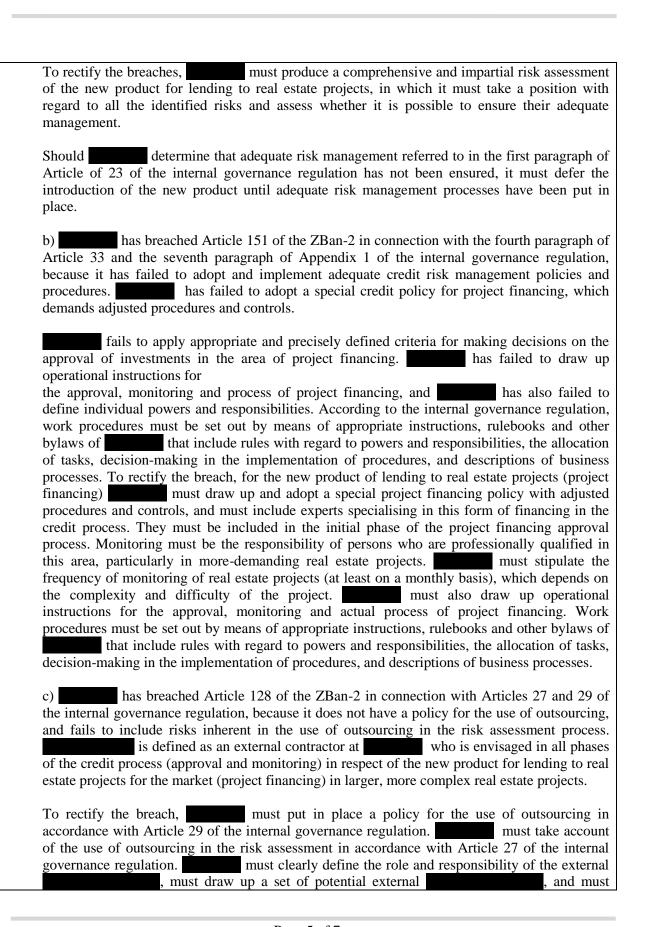
Disclosure of information on supervisory measure of 3 September 2019 imposed on credit institution

Information on person responsible for breach		
Business name and registered office of legal person	The identity of the person responsible for the breach is not being disclosed, in accordance with point 3 of the first paragraph of Article 278 of the ZBan-2.	
Information on breach		
Description of circumstances and conduct entailing breach of ZBan-2 or Regulation (EU) No 575/2013	On the basis of Bank of Slovenia request for inspection PBH-24.60-001/19-001 of 12 February 2019 and Bank of Slovenia authorisation PBH-24.60-001/19-002 of 13 February 2019, Bank of Slovenia staff conducted an inspection of in the area of credit risk in lending to legal and natural persons. On the basis of the inspection the Bank of Slovenia found breaches of the ZBan-2 and Regulation (EU) No 575/2013, for which reason it issued an order on the rectification of breaches with an additional measure, against which lodged an objection. The Bank of Slovenia consequently issued a decision on an objection, which partly amended the operational part of the order. The circumstances and conduct entailing a breach of ZBan-2 or Regulation (EU) No 575/2013 are cited in the operational part of the order below, which was amended in accordance with the decision on an objection.	
Nature of identified breaches	Breaches in the area of credit risk management	
Operational part of the decision	ion by which the relevant proceedings are completed	
of Article 7 of the Reg the internal capital add of the Republic of Slov governance regulation review (at least once	, registration number: (hereinafter: preached Article 147 of the ZBan-2 in connection with the first paragraph gulation on internal governance arrangements, the management body and equacy assessment process for banks and savings banks (Official Gazette venia, Nos. 73/15, 49/16, 68/17, 33/18 and 81/18; hereinafter: the internal), because its management body has failed to provide for the regular a year) of the adequacy of its risk take-up and management policies, at they are updated in relation to the impact of factors in the bank's internal tent.	
must provide for the regular review (at least once a year) of the adequacy of its risk take-up and management policies, including ensuring their updating and compliance, in accordance with Article 147 of the ZBan-2 in connection with the first paragraph of Article 7 of the internal governance regulation.		
Article 88 of the integration arrangement measuring or assessing	d Article 128 of the ZBan-2 in connection with the second paragraph of ernal governance regulation, because it does not have stable internal ents that encompass effective risk management processes for identifying, g, controlling and monitoring risks, having failed to take account of the in the capital planning process and in the definition of measures in rategies and policies.	
must take a	ccount of the results of stress tests in the capital planning process and in	

the definition of measures in connection with risk strategies and policies, in accordance with the second paragraph of Article 88 of the internal governance regulation. has breached Article 151 of the ZBan-2 in connection with Article 13 of the 3. Regulation on credit risk management at banks and savings banks (hereinafter: the credit risk management regulation), because it has failed to put in place and implement adequate credit risk management policies and procedures, including counterparty risk, having failed during the credit approval and monitoring process to assign debtors and exposures to rating grades on the basis of clear credit rating criteria, thereby failing to assign debtors and exposures with similar credit risk to the same rating grades. The existing system of rating assignment of legal and natural persons does not conform to other systems of classification and credit risk monitoring at In its management of credit risk and counterparty risk, has breached Article 178(1) of Regulation (EU) No 575/2013, because it fails to apply the definition of default referred to in the aforementioned article in its systems for assigning debtors and exposures to rating grades. has failed to clearly define criteria for the debtor being unlikely to pay its credit obligations to the credit institution, as a result of which it is failing to provide for timely recognition of default status, before the occurrence of material arrears of more than 90 days, and consequently is failing to adjust the rating grade of the debtor or the exposure to the actual level of credit risk. Consequently it has also breached Article 127 of Regulation (EU) No 575/2013, because it erroneously assigns exposures to the class of exposures in default for the purposes of calculating capital requirements for credit risk under the standardised approach, and reports erroneously in template 18 F 18.00 of Annex V of Commission Implementing Regulation (EU) No 680/2014. To rectify the identified breaches, within the framework of the credit approval and monitoring must supplement its policies and procedures with clear assignment criteria that are sufficiently precise to allow employees in the credit approval and monitoring process to make the same interpretations and consistently assign debtors and exposures with similar credit risk to the same rating grades. In the formulation of criteria for assigning debtors and exposures to rating grades, must take full account of the definition of default set out in Article 178 of Regulation (EU) No 575/2013. must provide for the correct reporting of non-The internal systems of assignment at performing exposures in template 18 F 18.00 of Annex V of Commission Implementing Regulation (EU) No 680/2014, and must provide for the correct assignment of exposures to the class of exposures in default in accordance with Article 127 of Regulation (EU) No 575/2013 for the purposes of calculating capital requirements for credit risk under the standardised approach. has breached the first paragraph of Article 148 of the ZBan-2 and Article 167 of the ZBan-2 in connection with the second paragraph of Article 30 of the internal governance regulation, because it does not have an action plan for managing the risks of a new consumer lending product, and its practices in taking up the risks of a new consumer lending product do not comply with the policy of with regard to the management of such risks, thereby having failed to provide for comprehensive and impartial risk assessment based on relevant risk scenarios, having regard for any deficiencies in the risk management process and in internal controls for effective risk management, the impact of the introduction of the new product on the risk absorption capacity, etc. The product was introduced despite the







	define the method for choosing them for an individual real estate project (required references, professional qualifications, etc.).
6.	has breached the third paragraph of Article 136 of the ZBan-2, because the management board of failed to ensure that the senior management of would adequately rectify the irregularities identified by the internal audit department in accordance with the agreed deadlines. As at 31 December 2018 had failed to meet 54 recommendations by the internal audit department that had already fallen due. The management board of passed a resolution on the take-up of risks for the non-implementation of recommendations whose deadline for implementation has passed even after their deadlines for implementation had been extended by three months. The management board of has thereby also breached Article 45 of the ZBan-2 with regard to the duties and responsibilities of the management board, as the management board of must act with professional diligence, and in particular must ensure that the management board of acts in accordance with Article 136 of the ZBan-2.
	has also breached the third paragraph of Article 35 of the internal governance regulation, because the management board of failed to ensure that the failure to observe the recommendations of the internal audit department and the delays in the rectification of identified irregularities were systematically explained in writing by the recipient of the recommendations by the internal audit department.
	In accordance with the third paragraph of Article 136 of the ZBan-2, the management board of must provide for appropriate measures to ensure that the senior management of adequately rectifies the irregularities identified by the internal audit department in accordance with the agreed deadlines. In accordance with the third paragraph of Article 35 of the internal governance regulation, the management board of must also ensure that the failure to observe the recommendations of the internal audit department and the delays in the rectification of identified irregularities are systematically explained in writing by the recipient of the recommendations by the internal audit department.
7.	The management board of must submit a detailed action plan stating the measures
	rectify the breaches referred to in points 1 to 6 of this order to the Bank of Slovenia by 15 October 2019. By 15 October 2019 it must also report 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 of the names of the external contractors of who will be responsible for implementing individual activities to rectify breaches and for preparing and implementing the plan of measures referred to in this order.
	In the action plan the management board of must set out the timetable and deadlines for the implementation of the individual measures, and must designate the persons responsible for the implementation of specific measures and/or activities in accordance with the internal organisational structure of
	must provide interim reporting to the Bank of Slovenia on the rectification of breaches, by 15 January 2020 (as at 31 December 2019) and by 15 April 2020 (as at 31 March 2020). With regard to the rectification of the breaches referred to in point 3,

provide interim reporting by 15 July 2020 (as at 30 June 2020) and by 15 October 2020 (as at 30 September 2020).

must rectify the breaches referred to in points 1, 2, 4, 5 and 6 of the order by 31 May 2020, and the breach referred to in point 3 of the order by 31 December 2020. must deliver a report to the Bank of Slovenia by 15 June 2020 with regard to the rectification of the breaches referred to in points 1, 2, 4, 5 and 6 of the order, and by 15 January 2021 with regard to the rectification of the breach referred to in point 3 of the order, enclosing documents and other evidence from which it is evident that the breaches have been rectified.

- 8. 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 constituting the breach,
 - the nature of the identified breaches;
 - the operational part of the decision by which the relevant proceedings are completed;
 and
 - information as to whether judicial review 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 shall not be published.

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

An order on the rectification of breaches with an additional measure referenced PBH-24.60-001/19-004 was issued on 3 September 2019, against which an objection was lodged by the stipulated deadline. The Bank of Slovenia issued a decision on an objection referenced PBH-24.60-001/19-005 on 19 November 2019, by virtue of which it partly found in favour of the objection. Judicial review proceedings have not been initiated against the decision on an objection.