

Disclosure of information on supervisory measure of 4 November 2024 imposed on credit institution

Information on perpetrator	
Business name and registered office of legal person	Primorska hranilnica Vipava d.d., Glavni trg 15, 5271 Vipava registration number: 5214246000 (hereinafter: the savings bank)
Information on breach	
Description of circumstances and conduct entailing breach of ZBan-3 or Regulation (EU) No 575/2013	Breaches of the ZBan-3 (cited in detail in the operative part of the order below) were identified on the basis of an inspection, as a result of which Banka Slovenije issued the savings bank with the Order on the rectification of breaches referenced PBH-24.60-005/24-003 of 4 November 2024.
Nature of identified breaches	Breaches in the area of governance and exposure to interest rate risk in the banking book.
<ol style="list-style-type: none"> 1. Primorska hranilnica Vipava d.d., of Glavni trg 15, 5271 Vipava, registration number: 5214246000 (hereinafter: the savings bank), has breached point 1 of the first paragraph of Article 148 in connection with the first paragraph of Article 158 of the ZBan-3 in connection with Articles 9 and 38 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks (Official Gazette of the Republic of Slovenia, No. 115/21; hereinafter: the internal governance regulation), and indent (f) of paragraph 46 of the Guidelines issued on the basis of Article 84(6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14 of 20 October 2022; hereinafter: the interest rate risk management guidelines¹), by failing to put in place an asset-liability management function or treasury function at the savings bank as a first line of defence, with some tasks of the treasury function instead being performed by the risk management division. Consequently it failed to ensure the segregation of powers and responsibilities between the first line of defence (the treasury or asset-liability management function) and the second line of defence (the risk management function) that would prevent a potential conflict of interest. 2. The savings bank has breached the first paragraph of Article 177 of the ZBan-3 in connection with Article 18 of the internal governance regulation and with indent (e) of paragraph 44 of the interest rate risk management guidelines, in that its exposure to interest rate risk exceeds the internally set limits to restrict interest rate risk, and the savings bank has also failed to predefine potential measures to be taken in response to limits being exceeded. 3. The savings bank has breached the first paragraph of Article 164 of the ZBan-3 in connection with 	

¹ The Guidelines issued on the basis of Article 84(6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14 of 20 October 2022) are binding on the savings bank in accordance with the first paragraph of Article 2 of the Regulation on the application of the Guidelines issued on the basis of Article 84(6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (Official Gazette of the Republic of Slovenia, No. 49/23).

Article 35 of the internal governance regulation, with paragraph 216 of the Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05 of 2 July 2021²) and paragraph 53 of the interest rate risk management guidelines, in that the internal audit department failed to conduct a review of interest rate risk, even though it is a material risk that was recently subject to significant regulatory changes. The internal audit department thereby failed to provide for the regular review of its interest rate risk identification, measurement, monitoring and control processes. Furthermore the internal audit department was conducting deficient audits of the ICAAP.³ Consequently the internal audit department failed to provide the management body, the audit committee and the senior management with objective assessments with regard to the quality and effectiveness of the internal governance arrangements in the area of interest rate risk and the ICAAP.

4. The savings bank's management board must submit a detailed action plan stating the measures selected to rectify the breaches referred to in points 1, 2 and 3 of this order to Banka Slovenije by 31 December 2024. The savings bank must rectify the breaches referred to in this order by 31 December 2025, and must deliver a report to Banka Slovenije by 15 January 2026, attaching documents and other evidence from which it is evident that the breaches have been rectified.
5. An objection to this order shall not stay its enforcement.
6. In accordance with Article 310 of the ZBan-3, the following information in connection with this supervisory measure is published on the Banka Slovenije website after these proceedings have been completed:
 1. information about the perpetrator (business name and registered office of legal person);
 2. information about the breach:
 - a description of the circumstances and conduct entailing a breach of the ZBan-3 or Regulation (EU) No 575/2013,
 - the nature of the identified breaches;
 3. the operative part of the decision by which the relevant proceedings are completed;
 4. information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-3.

Information as to whether judicial review proceedings have been initiated against order on rectification of breaches in accordance with ZBan-3

The savings bank has not initiated judicial review proceedings against the order on the rectification of breaches.

² The Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05 of 2 July 2021) are binding on the savings bank in accordance with the first paragraph of Article 2 of the Regulation on the application of the Guidelines on internal governance under Directive 2013/36/EU (Official Gazette of the Republic of Slovenia, No. 184/21).

³ Internal capital adequacy assessment process.