

**Disclosure of information on supervisory measure of 15 February 2022 imposed on credit institution**

<b>Information on person responsible for breach</b>	
<b>Business name and registered office of legal person</b>	Primorska hranilnica Vipava d. d., Glavni trg 15, 5271 Vipava, registration number: 5214246000 (hereinafter: the savings bank)
<b>Information on breach</b>	
<b>Description of circumstances and conduct entailing breach of ZBan-3 or Regulation (EU) No 575/2013</b>	Breaches of the ZBan-3 (cited in detail in the operational 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-24.60-015/21-003 of 15 February 2022
<b>Nature of identified breaches</b>	Breaches in the area of credit risk management
<b>Operational part of order on rectification of breaches</b>	
<p>1. Primorska hranilnica Vipava d.d., Glavni trg 15, 5271 Vipava, registration number: 5214246000 (hereinafter: the savings bank) has breached the first paragraph of Article 171 of the ZBan-3 by failing to put in place adequate credit risk management policy and procedures, as follows:</p> <ul style="list-style-type: none"> <li>- when identifying business and ownership links between customers of the savings bank, it fails to provide for a substantive assessment of links to an extent based on which it would be possible to assess whether exposures to different persons meet the criteria for definition as an exposure to a group of connected clients as required by Article 7 of the credit risk management regulation,<sup>1</sup> and</li> <li>- at portfolio level it fails to provide for monitoring of deviations from internal conditions for the approval of microloans as required by Article 12 of the credit risk management regulation, and consequently has no oversight of the number and scale of such deviations at the level of the total portfolio, thereby exposing itself to increased credit risk and profitability risk.</li> </ul> <p>In its procedure for identifying business and ownership links between customers the savings bank shall also include mechanisms by means of which it can also identify and monitor (and report) circumstances that allow for an assessment of whether the customers are interconnected in such a way that financial difficulties, in particular difficulties with financing or repayment, on the part of one of them would likely result in difficulties with financing or repayment on the part of the others, as a result of which they pose a unified risk to the savings bank.</p> <p>The savings bank shall provide for the monitoring of circumstances and conditions at the time of approval of transactions that are not in line with the policy and the prescribed conditions, and in its bylaws shall define all possible exemptions to deviations from internal conditions for the approval of microloans and put in place records of the monitoring of these deviations at the portfolio level and at the individual decision-making level.</p> <p>2. The savings bank has breached Article 31 in connection with Article 113 of the ZBan-3 by also lending to entities that are not founders, natural persons, sole traders, small enterprises or persons not pursuing business activities, i.e. medium-size enterprises, in contravention of its authorisation to</p>	

<sup>1</sup> Regulation on credit risk management at banks and savings banks (Official Gazette of the Republic of Slovenia, No 115/21; hereinafter: the credit risk management regulation).

provide banking and other financial services referenced 1/1-04 of 13 January 2005.

The savings bank shall reduce its exposures to medium-size and large enterprises in accordance with the repayments under loan agreements and guarantee agreements. The savings bank may not increase its exposure to customers defined as medium-size and large enterprises, and may not enter into new business with such customers.

3. The savings bank's management board shall submit a detailed action plan stating the measures selected to rectify the breaches referred to in points 1 and 2 of this order to Banka Slovenije by 15 March 2022. The action plan of the savings bank's management board shall 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.
4. The savings bank shall rectify the breach referred to in point 1 of this order by 30 June 2022, and shall deliver a report to Banka Slovenije by 15 July 2022, enclosing documents and other evidence from which it is evident that the breaches have been rectified.
5. For the purpose of rectifying the breach referred to in point 2 of this order, by 31 March 2022 the savings bank shall send Banka Slovenije a list of customers with the status of medium-size or large enterprises, and the maturity of repayments under the loan agreements for these customers. The savings bank shall report quarterly on its reduction of exposure to these customers. The savings bank shall submit the first report for the situation as at 31 March 2022 to Banka Slovenije by 15 April 2022. The savings bank shall submit subsequent reports to Banka Slovenije on the 15<sup>th</sup> day of the month following the end of each quarter.
6. In accordance with Article 310 of the ZBan-3, the following information in connection with this supervisory measure shall be published on the Banka Slovenije website after these proceedings have been completed:
  1. information about the person responsible for the breach (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 operational 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 did not lodge an objection to the order on the rectification of breaches with Banka Slovenije within eight days of service, for which reason the order on the rectification of breaches is now final.