EUROPEAN COMMISSION

Brussels, 18.12.2013
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In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].		PUBLIC VERSION This document is made available for information purposes only.

Subject: State aid n° SA.37690 (2013/N)
Rescue aid in favour of Abanka d. d.

Sir,

1 PROCEDURE

(1) On 11 November 2013, Slovenia notified to the Commission its intention to provide Abanka Vipa d.d. ("the Bank") with a State recapitalisation.

(2) The Slovenian authorities submitted additional information between 11 November and 11 December 2013.

(3) In view of the urgency, Slovenia exceptionally accepts that the decision be adopted in the English language.

2 DESCRIPTION

2.1 The beneficiary

(4) The Bank is the third-largest commercial bank and the largest privately-owned bank incorporated in Slovenia, holding total assets of around EUR 3.6 billion on 30 September 2013 (which represent 9.8% of that Member State's GDP and accounts for approximately 8.2% of the total assets of the Slovenian banking system, 7.9% of the system's guaranteed

Karl ERJAVEC
Minister za zunanje zadeve Republike Slovenije
Prešernova cesta 25
SI-1001 Ljubljana

deposits and 8.1% of the system's loans to the non-banking sector). Liabilities of the Bank to other banks and financial institutions in Slovenia are also significant as they account for shares of 13.5% and 6.2% respectively in the Slovenian banking system. The Bank is a joint stock company, which has been listed on the Ljubljana Stock Exchange since October 2008. As of 31 December 2012, the Bank had a network of 41 branches throughout Slovenia and employed 880 people. It also operates through an e-banking and mobile banking platform.

(5) The Bank operates a universal banking model with operations in commercial, treasury and investment banking. Its banking services are complemented by bancassurance products, leasing and factoring services, project finance and real estate management carried out by six subsidiaries (Afaktor d.o.o., Argolina d.o.o., Aleasing d.o.o, Analožbe d.o.o., ASA Aleasing d.o.o., Anepremičnine d.o.o.). The Bank's international operations comprise factoring and leasing services in Serbia and in Bosnia and Herzegovina. It has a network of correspondent banks across the globe to meet customer needs with regards to international transactions and payments.

(6) At 31 December 2012, the Bank's market shares (as part of total volume of the Slovenian banking sector) of loans to corporate and retail customers were 8.8% (down from 9.9% at 31 December 2011) and 6.5% (up from 6.3% at 31 December 2011) respectively, while its shares of corporate and retail deposits were 10.7% (down from 12.5% at 31 December 2011) and 8% (down from 8.1% at 31 December 2011).

(7) The loan portfolio of the Bank consists mainly of corporate loans (EUR 1.9 billion at 31 December 2012), though the Bank is currently refocusing on loans to small and medium-sized enterprises ("SMEs") and retail customers in an effort to gain higher margins and improve the quality of its loan portfolio by decreasing non-performing loans (“NPLs”). The most important source of funding for the Bank is non-bank deposits (EUR 2.1 billion at 31 December 2012, representing approximately 60% of total liabilities), of which EUR 1.2 billion comes from retail clients. Wholesale financing (representing approximately [20-30] [*]% of total liabilities at 31 December 2012) mainly consists of European Central Bank ("ECB") funding and funding from the Slovenian Export and Development Bank. The Bank's outstanding hybrid instruments amount to EUR 120 million in the form of floating rate perpetual loan participation notes eligible as Tier 1 and Tier 2 capital (hereinafter “Hybrid Instruments”).

(8) The Bank's shareholders are essentially domestic, with the ten largest shareholders owning 91% of the share capital. The main shareholders of the Bank are Zavarovalnica Triglav d.d. (25.6%), Sava d.d. (23.8%), Gorenjska Banka d.d. (14.7%), Delniški Vzajemni Sklad Triglav Steber I (7.3%) and HIT d.d. (6.1%).

2.2 The events triggering the measure and capital rising actions

(9) The Bank has been affected by increasingly difficult operating conditions in Slovenia where the economy remains in recession. Constant growth in NPLs contributed to the inability of the Bank to cover its capital needs. The Bank had NPLs in its books of EUR 553 million at 31 December 2011, of EUR 762 million at 31 December 2012 and of EUR 954 million at 30 September 2013[1].

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* Confidential information.

1 Those figures include impairments for interests, fees and commissions in gross loan value.

(10) Since the beginning of the financial crisis, the Bank has tried to strengthen its capital ratios. On 18 February 2013 an attempt to increase the Bank's capital by up to EUR 90 million (as approved by shareholders on 19 November 2012) failed due to insufficient subscription. Therefore, the Bank of Slovenia issued a decree requiring the Bank to increase its equity capital by EUR 90 million by 31 July 2013.

(11) On 8 April 2013 the Bank's capital was formally reduced from EUR [20-30] million to EUR 7.2 million to cover part of its losses of the 2012 exercise and the Bank's shareholders agreed to increase the Bank's capital by EUR 90 million with the exclusion of pre-emptive rights of existing shareholders as requested by the Bank of Slovenia.

(12) Since then several investors have shown potential interest in the Bank and may submit non-binding offers for the capital increase. However, at present, the main concerns for potential investors in the Bank are: (i) the implementation of the planned transfer of the Bank's NPLs to Slovenia's Bank Asset Management Company ("BAMC"); (ii) the results of the Bank in the current asset quality review and stress test ("AQR/ST") covering the entire banking sector in Slovenia; (iii) a forthcoming liability management exercise on the outstanding EUR 120 million Hybrid Instruments; and (iv) the recapitalisation of the Bank. According to Slovenia, potential investors have withdrawn from negotiations, arguing that they need to have more clarity on those four items before resuming the transaction process.

(13) Following the Bank's request, on 18 July 2013 the Slovenian government determined that the Bank meets the conditions for the transfer of NPLs to the BAMC under the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act. The Slovenian authorities also decided that before such a transfer would take place they would conduct an asset quality review and a stress test for the entire Slovenian banking sector.

(14) Considering the time needed to conduct the AQR/ST, the evaluation of the Bank's portfolio and the transfer of assets to the BAMC, on 30 July 2013 the Bank of Slovenia extended the deadline for the payment of new cash contributions to the Bank's share capital until 31 December 2013. It required the Bank to be recapitalised by no later than 31 December 2013 in order to achieve a Core Tier 1 capital adequacy ratio of at least 9% on a consolidated basis.

(15) Due to the withdrawal of potential private investors and the fact that the results of the AQR/ST were only announced in December 2013, it became unlikely that the deadline of 31 December 2013 for the provision of capital by private investors would be met. The results of the AQR/ST announced on 12 December 2013 by Slovenia show a total capital shortfall of EUR 711 million[2] for the Bank for the period from 2013 to 2015. In view of the deadline set by the Bank of Slovenia and the absence of private investors, Slovenia decided to inject into the Bank capital of EUR 348 million to permit the Bank to continue operating as a credit institution until a restructuring plan is approved by the Commission, thereby preserving the financial stability of the Slovenian banking sector.

2.3 The measure

(16) In that context, the Republic of Slovenia decided to recapitalise the Bank (hereinafter "the Measure") in a form which would be in line with the Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of

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[2] This capital shortfall includes the capital effect of the transfer of assets to the State's Bank Asset Management Company.

banks in the context of the financial crisis[3] (hereinafter "the 2013 Banking Communication"). The maximum amount of the capital injection will be EUR 348 million which represents 16.6% of the total risk weighted assets[4] (“RWA”) of the Bank. It will take the form of equity capital paid in cash.

3 POSITION OF THE SLOVENIAN AUTHORITIES

(17) Slovenia accepts that the Measure constitutes State aid and requests the Commission to find it compatible with the internal market on the basis of Article 107(3)(b) of the Treaty on the Functioning of the European Union ("TFEU"), as it is necessary in order to remedy a serious disturbance in the Slovenian economy. Slovenia considers that the Measure is (i) appropriate and well-targeted; (ii) necessary and limited to the minimum amount necessary; and (iii) proportionate as designed to minimize negative spill-over effects on competitors.

(18) By letters of 26 November and 5 December 2013 the Bank of Slovenia stated that the situation of the Bank threatened financial stability and that, given the systemic importance of the Bank and potential disruptions in the market in case of initiation of bankruptcy proceedings, an urgent State aid intervention was necessary to ensure financial stability in Slovenia.

(19) By letter of 9 December 2013 the Bank of Slovenia confirmed that in the absence of the Measure it will have to withdraw the banking licence of the Bank.

(20) Slovenia also gave a number of commitments. In particular, Slovenia commits that the Bank will comply with an advertisement ban, a coupon and dividend ban and an acquisition ban, the terms of which are set forth in the Annex. Slovenia also commits that the Bank will cap the remuneration of management and will implement a remuneration policy in line with point 38 of the 2013 Banking Communication.

(21) Furthermore Slovenia commits to submit a restructuring plan in line with the Commission’s Communication of 23 July 2009 on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules[5] (hereinafter “Restructuring Communication”) and the 2013 Banking Communication within two months of the date of a Commission decision that temporarily approves the Measure as rescue aid. The restructuring plan will comply with the Restructuring Communication while taking into account the principles of burden-sharing set forth in the 2013 Banking Communication and containing measures to limit distortions of competition. Slovenia commits to submit a capital raising plan[6] before or as a part of the submission of the restructuring plan and to comply with the 2013 Banking Communication, in particular in order to align the Measure with the requirements of its Section 3.2 ("Rescue aid in the form of recapitalisation and impaired asset measures").

(22) In addition Slovenia commits that before any State aid is granted the Bank will write-down in full its shareholders' equity and outstanding Hybrid Instruments.

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[3] OJ C216, 30.7.2013, p. 1.

[4] Based on projections as of 31 December 2013.

[5] OJC 195, 19.8.2009, p. 9.

[6] See point 29 of the 2013 Banking Communication.

4 ASSESSMENT

4.1 Existence of State Aid

(23) The Commission first has to assess whether the Measure constitutes State aid within the meaning of Article 107(1) TFEU. According to that provision, State aid is any aid granted by a Member State or through State resources in any form whatsoever which distorts, or threatens to distort, competition by favouring certain undertakings, in so far as it affects trade between Member States. The Commission in that context observes that the Slovenian authorities do not dispute that the Measure constitutes State aid.

(24) The Commission observes that the Measure is granted by Slovenia and is directly financed through State resources.

(25) The Measure confers an advantage to the beneficiary of the aid, the Bank. In particular, the measure allows the Bank to improve its capital adequacy and meet the applicable capital requirements. In the circumstances in which the Bank finds itself, no private operator acting on the basis of market logic would provide capital resources to the Bank, which is confirmed by the absence of private investors currently willing to provide capital. Since the Measure is available only to the Bank, the Measure confers a selective advantage to it.

(26) The Measure distorts competition as it allows the Bank to obtain capital resources necessary to avoid insolvency and continue operating in the market, while it would have to exit the market without the Measure.

(27) The Measure also affects trade between Member States as the Bank competes in the Slovenian market, where some of the Bank's competitors are subsidiaries and branches of foreign banks.

(28) On the basis of the forgoing, the Commission considers that the Measure fulfils all the conditions laid down in Article 107(1) TFEU and that the Measure qualifies as State aid to the Bank. Slovenia does not dispute that finding.

4.2 Compatibility of the aid

(29) As regards compatibility with the internal market of the Measure provided to the Bank, the Commission must first determine whether the aid can be assessed under Article 107(3)(b) TFEU, i.e. whether the aid remedies a serious disturbance in the economy of Slovenia. Subsequently, the Commission, applying that legal basis, has to assess whether the notified aid measure is compatible with the internal market.

4.2.1 Legal basis for the compatibility assessment

(30) Article 107(3)(b) TFEU enables the Commission to find aid compatible with the internal market if it is "to remedy a serious disturbance in the economy of a Member State." The Commission has acknowledged that the global financial crisis may create a serious disturbance in the economy of a Member State which can be addressed through State measures supporting financial institutions. This has been successively detailed and developed in the six Crisis Communications[7] as well as in the 2013 Banking Communication.

[7] Communication on the application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis (*"2008 Banking Communication"*), OJ C 270, 25.10.2008, p. 8; Communication on the recapitalisation of financial institutions in the current financial crisis: limitation of

(31) According to point 50 of the 2013 Banking Communication, a recapitalisation can be exceptionally authorised by the Commission on a temporary basis as rescue aid before a restructuring plan is approved only if that measure is urgently required to preserve financial stability.

(32) The Commission observes that market conditions have remained difficult globally since the end of 2008. The Commission notes that Slovenia, in particular, has been severely hit by the financial, economic and sovereign crisis. There has been a significant increase of the level of NPLs as a result of the economic downturn combined with the increase of bankruptcies of Slovenian firms and the exposure of the Slovenian banks to problematic sectors.

(33) In view of the above the Commission considers that the Measure has to be examined under Article 107(3)(b) TFEU.

4.2.2 Compatibility assessment

(34) In order for an aid to be compatible under Article 107(3)(b) TFEU it must comply with the general criteria for compatibility of state aid:

a. *Appropriateness*: The aid has to be well targeted in order to be able to effectively achieve the objective of remedying a serious disturbance in the economy. This would not be the case if the measure were not appropriate to remedy the disturbance.

b. *Necessity*: The aid measure must, in its amount and form, be necessary to achieve the objective. That implies that it must be of the minimum amount necessary to reach the objective, and take the form most appropriate to remedy the disturbance.

c. *Proportionality*: The positive effects of the measure must be properly balanced against the distortions of competition, in order for the distortions to be limited to the minimum necessary to reach the measure's objectives.

(35) Section 3.2 of the 2013 Banking Communication further states that rescue aid, given its exceptional character, must also comply with the more specific and stringent following criteria:

a. It must be necessary to preserve financial stability, and the competent supervisory authority should confirm that a current capital shortfall exists which would force the supervisor to withdraw the banking licence of the bank immediately in the absence of the rescue aid.

b. It must comply with the remuneration and burden-sharing rules set out in the Recapitalisation Communication, the 2011 Prolongation Communication, and the Impaired Assets Communication.

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aid to the minimum necessary and safeguards against undue distortions of competition (*"Recapitalisation Communication"*), OJ C 10, 15.1.2009, p. 2; Communication from the Commission on the treatment of impaired assets in the Community financial sector (*"Impaired Assets Communication"*), OJ C 72, 26.3.2009, p. 1; the Restructuring Communication; Communication from the Commission on the application, from 1 January 2011, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis ("*2010 Prolongation Communication"*), OJ C 329, 7.12.2010, p. 7 and Communication from the Commission on the application, from 1 January 2012, of State aid rules to support measures in favour of financial institutions in the context of the financial crisis ("*2011 Prolongation Communication*), OJ C 356, 6.12.2011, p. 7.

c. When the rescue aid takes the form of a recapitalisation or an impaired asset measure, the burden-sharing requirements set out in the 2013 Banking Communication must be implemented as part of the rescue aid. Alternatively, the recapitalisation or the impaired asset measure must be arranged in a manner that allows for the implementation of the burden-sharing in a second stage.

a. Appropriateness of the Measure

(36) According to point 50 of the 2013 Banking Communication, a Member State invoking a rescue recapitalisation for financial stability reasons, has to provide the Commission an ex-ante analysis from the supervisory authority confirming that a current capital shortfall exists, which would force the supervisor to withdraw its banking licence immediately in the absence of such a measure. Moreover, the analysis has to demonstrate that the exceptional risk to financial stability cannot be averted with private capital in a sufficiently short period of time or by any other less distorting measure such as a State guarantee.

(37) The Measure must be appropriate to remedy a serious disturbance in the Slovenian economy. In the present case, the Measure aims at improving the Bank's capital adequacy in order to avoid the imminent withdrawal of its banking licence, and the resulting destabilisation of the rest of the banking system in Slovenia.

(38) By letters of 26 November and 5 December 2013 the Bank of Slovenia states that the situation of the Bank threatens financial stability and that the State intervention is therefore necessary to avoid a serious disturbance in the economy. In that respect the Commission notes that the Bank is the third-largest bank in Slovenia in terms of assets, deposits and loans to the non-banking sector (8.2% of total assets of the banking sector). Therefore a bankruptcy of the Bank could seriously destabilise the rest of the banking sector. In particular depositors would lose confidence in the banking system and would be likely to withdraw their deposits on a massive scale. Similarly, the confidence of investors would be seriously affected, and the banks and the State would face difficulties to obtain funding from the markets.

(39) Such developments would destabilise the Slovenian financial markets and trigger a general crisis of confidence at the present delicate juncture, where the results of the AQR/ST have been published and solutions for the major Slovenian banks are urgently awaited by the markets.

(40) The Commission has in addition assessed that without the proposed Measure the Bank would show negative equity and would not have the capital resources necessary to meet the applicable regulatory capital requirements.

(41) On the basis of the AQR/ST results the Commission has evaluated that the need for immediate additional loan loss provisions to be booked by 31 December 2013 will result in a negative capital of EUR -278 million at 1 January 2013. Even taking into account the intended full burden-sharing by subordinated debt holders, the Bank would still have a negative capital of EUR -158 million at 31 December 2013. In such a situation no market economy investor would be prepared to provide the necessary capital because the prospects for return on investment would be largely negative.

(42) That current capital shortfall would force the Bank of Slovenia to start an insolvency procedure and withdraw the licence of the Bank. The Bank of Slovenia has confirmed in its letter of 9 December 2013 that in the absence of the Measure it would withdraw the Bank's

banking licence. The Commission also notes that the calculation of the capital shortfall has been based on the AQR/ST, a credible exercise carried out by several external experts.

(43) The analysis also shows that the Bank engaged discussions with potential private investors in the first semester of 2013. However potential investors withdrew from negotiations, seeking more clarity before resuming the transaction process on the implementation of the planned transfer of the Bank's NPLs to the BAMC, the follow-up on the results of the Bank under the AQR/ST, a forthcoming liability management exercise on the outstanding EUR 120 million Hybrid Instruments and the recapitalisation of the Bank. Under those circumstances, it is not possible to attract private capital in the short period before 31 December 2013. This is even more so as, after the necessary provisioning, the capital will be negative, meaning that any investor would need to put more capital into the Bank than the resulting equity level from that recapitalisation.

(44) The Commission also notes that the Bank has not complied with the Bank of Slovenia's capital requirements since 31 December 2011 and that the Bank of Slovenia has asked the Bank repeatedly to shore up its capital. Despite negotiations engaged with private investors, the Bank has not been able to attract private capital since 2011. The Bank of Slovenia explained that given that prolonged period of under-capitalisation in combination with the now published results of the AQR/ST it cannot accept a further delay in carrying out the necessary capital raising, in view of the increased risk for financial stability, and would therefore have to withdraw the banking licence. The risk to financial stability is reinforced by the announcement of the overall AQR/ST results on 12 December 2013, creating expectations in the markets for quick and determined action. The absence of such action for the Bank, in particular while at the same time measures are implemented for other major banks covered by the AQR/ST, would create a serious risk for the Bank, and, given its size and importance for the Slovenian financial system, for financial stability overall.

(45) The Measure also enables the Bank to maintain its access to funding from the ECB. The Bank has approximately EUR 450 million of funding from the ECB, which is necessary for the Bank to continue its operations. Losing that source of funding would trigger the bankruptcy of the Bank as it could not replace the ECB funding by alternative private sources of funding. In order to maintain its access to ECB funding, the Bank needs to be recapitalised to a minimum capital adequacy ratio of 8%. In addition, the Bank of Slovenia requires an operational buffer of 1% resulting in a minimum capital adequacy ratio of 9%. Therefore a recapitalisation to 9% (including a buffer of 1% for operational reasons) is justified in the present case.

(46) For all the above reasons, the Measure is appropriate because it effectively achieves its objective of remedying a serious disturbance in the economy and maintaining financial stability.

b. Necessity – limitation of the aid to the minimum and burden sharing

(47) The aid measure must, in its amount and form, be necessary to achieve its objective. That requirement implies that the State recapitalisation must be of the minimum amount necessary to reach its respective objectives. In that context, the Commission observes that the amount of the Measure will ensure that the Bank meets the minimum Core Tier 1 ratio of 9% required by the Bank of Slovenia and that it can fund its existing activities until the approval of a restructuring plan by the Commission. The Commission notes that the level of the capital adequacy ratio which will be achieved by the Measure is in line with the

minimum level authorised by the Bank of Slovenia and that it does not result in an excessively high level of capitalisation.

(48) The amount of the State recapitalisation of EUR 348 million is based on the Bank's capital needs taking into account its losses projected for the 2013 exercise (EUR 432 million) and the bail-in of the Hybrid Instruments in the amount of EUR 120 million. Those projected losses are in line with the outcome of the AQR/ST (EUR 448 million). The State recapitalisation does not take into account the full capital shortfall of EUR 711 million identified by the AQR/ST under the adverse scenario for the period from 2013 to 2015. The amount of the State recapitalisation is based on the minimum necessary capital needed in the short term to avoid the removal of the Bank's banking licence without factoring in the total capital shortfall over the period from 2013 to 2015. In particular the State recapitalisation does not cover the expected losses identified under the AQR/ST for the years 2014 and 2015. The capital injection can hence be considered limited to the minimum necessary until a restructuring plan can be approved by the Commission.

(49) Further, Slovenia has committed that the State recapitalisation will not be implemented before the Bank's shareholders' equity and the outstanding EUR 120 million of Hybrid Instruments have been fully written down. The Commission notes that the contribution of shareholders and Hybrid Instruments holders is achieved to the maximum extent possible, thus ensuring adequate burden-sharing. The commitment regarding burden-sharing hence complies with the Restructuring Communication supplemented by the 2013 Banking Communication.

c. Proportionality – measures limiting negative spill-over effects

(50) The Measure is in line with requirements of points 50 to 53 of the 2013 Banking Communication. The Slovenian authorities provided the following commitments:

(i) to submit a restructuring plan in line with the Restructuring Communication and the 2013 Banking Communication within two months of the date of this decision temporarily approving the aid;

(ii) to submit a capital rising plan[8] before or as a part of the submission of the restructuring plan;

(iii) to comply with the 2013 Banking Communication, in particular to align the measures with the requirements of its Section 3.2;

(iv) to ensure that the Bank will refrain from advertising referring to State support and from employing any aggressive commercial strategies which would not take place without the support of the Member State.

(51) In addition Slovenia commits that the Bank will respect a coupon and dividend ban and an acquisition ban, the terms of which are set forth in the Annex. Furthermore Slovenia commits that the Bank will cap the remuneration of its management and will implement a remuneration policy in line with point 38 of the 2013 Banking Communication, so as to ensure that the total remuneration of members of the bodies and management shall not exceed 15 times the national average salary in Slovenia or 10 times the average salary of the Bank, whichever is higher.

[8] See point 29 of the 2013 Banking Communication.

(52) Therefore, taking into consideration the capital shortfall of the Bank (up to EUR 711 million) combined with the need to maintain financial stability in Slovenia, the Commission considers that the Measure minimises the distortions of competition caused by the aid during the rescue period.

5 CONCLUSION

(53) The Measure notified by the Republic of Slovenia for the benefit of Abanka Vipa d.d. in form of a State recapitalisation of up to EUR 348 million constitutes State aid pursuant to Article 107(1) TFEU.

(54) The Measure is temporarily compatible with the internal market for reasons of financial stability on the basis of Article 107(3)(b) TFEU in light of the 2013 Banking Communication.

(55) The Measure is accordingly approved for two months or, if Slovenia submits a restructuring plan within two months from the date of this decision, until the Commission adopts a final decision on the restructuring plan.

(56) The Commission notes that Slovenia exceptionally accepts that the adoption of the decision be in the English language.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

http://ec.europa.eu/competition/elojade/isef/index.cfm

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Greffe
B-1049 Brussels
Fax No: (+32)-2-296.12.42

Yours faithfully,
For the Commission

Joaquín ALMUNIA
Vice-President

ANNEX

Commitments provided by Slovenia in respect to Abanka

The Republic of Slovenia ("Slovenia") commits to implement in particular the measures and actions and to achieve the objectives listed below (the "Commitments") which are integral part of the current Decision.

The Commitments shall take effect upon the date of adoption of the current decision.

A. Behavioral safeguards:

(i) To impose a ban on advertising related to the State support on the beneficiary and to prevent it from employing any aggressive commercial strategies which would not take place without State support (an advertisement ban);

(ii) To impose a dividend ban on the beneficiary of the aid for the rescue period (a dividend ban);

(iii) To ensure that the beneficiary will not pay coupons on hybrid capital during the rescue period, i.e. until the Commission adopts a restructuring decision, where the bank has no legal obligations to proceed with such payment. Coupons on hybrid capital held by the State may be paid, unless such payments would trigger coupon payments to other investors that otherwise would not be obligatory (a hybrid coupon ban);

(iv) To impose a ban on acquiring any stake in any undertaking. That prohibition covers both undertakings which have the legal form of a company and bundles of assets which form a business. That ban will apply for the recue period. Despite the ban the Bank may acquire stakes in undertakings provided that the purchase price paid for any acquisition is less that 0.01% of the balance sheet size of the beneficiary at the date of the recapitalisation and that the cumulative purchase price paid for all such acquisitions over the whole restructuring period is less than 0.025% of the balance sheet size at the date of the recapitalisation. The ban does not cover acquisitions that take place in the course of the banking business in the management of existing claims towards ailing firms (an acquisition ban); and

(v) To ensure that pre-defined maximum limitation in the remuneration policy for the members of the bodies and management of the Bank are imposed (a cap for the remuneration of management). In any case, for the whole restructuring period the total remuneration (excluding social contributions) to any board member, senior manager and employee performing special tasks will be restricted to an appropriate level. The total remuneration of any such individual shall not exceed 15 times the national average salary in Slovenia or 10 times the average salary of the Bank. The restrictions referred to above will continue to apply until the end of the restructuring period.

B. Slovenia commits to comply with the 2013 Banking Communication, in particular in order to align the measures with the requirements of its Section 3.2 ("Rescue aid in the form of recapitalisation and impaired asset measures").

C. Slovenia commits to submit a capital rising plan before or as a part of the submission of the restructuring plan.

D. Slovenia further commits to submit a restructuring plan to re-establish the long-term viability of the bank within two months of the date of the State aid decision authorizing the rescue recapitalisation. The restructuring plan shall comply with the Restructuring Communication while taking into account the principles of burden-sharing set forth in the 2013 Banking Communication and limit distortions of competition.

E. Slovenia commits that before any State aid is granted the bank will write-down in full its shareholders' equity and outstanding subordinated debts.