

Press release

Probanka repaid 364 million EUR liabilities to senior creditors, achieved positive performance results and increased its capital

In line with the main purpose of continuing operations, within the first year after the appointment of the special administration the bank already repaid senior creditors in the amount of 364 million EUR. By maintaining orderly work, the bank managed to preserve the value of the healthy client business, thus realizing a higher income than originally planned.

The implementation of changes in pricing policy and the sales procedures summarized below contributed to the bank achieving positive results in its first year under special administration. After a 176 million EUR state recapitalization, which directly saved many public and private sector depositors and prevented indirect effects of a systemic contamination and escalation of losses, the bank has been maintaining positive capital at all times without drawing any of the pre-approved 60 million EUR capital buffer. Moreover, the bank actually built up more than 11 million EUR capital reserve in excess of this year's plan.

In addition, the bank also kept the drawdown of the emergency loan below the projected amount and substantially below the limit of EUR 325 million approved in the EC Decision. Current public exposure in the amount of 241 million EUR is at a maximum level and no additional public money will be drawn in the future.

In comparison with the opening balance sheet, total assets and off-balance sheet exposures have been reduced by 41 %, with the customer loan portfolio reduced by 36% to a level of 32 million EUR below the planned amount. Successful negotiations during the past months contributed to the bank concluding sales transactions in the open market with 3 different market participants in the total amount of 57 million EUR. Moreover, the bank successfully concluded the fund management agreement, sold some of the non-performing loans in the open market to private investors, transferred the investment banking line (stock brokerage and financial instruments management), transferred part of the performing retail and SME business relationships and sold 4 branches and the bulk of securities from its own portfolio.

As a result of the deal just concluded with DUTB, the bank will provide the IT support to DUTB for the transferred assets. The bank will transfer a first tranche of 30 companies in the amount of EUR 28 million of net book value, gross value of the assets amounts to 114,2 million EUR. The transaction will reduce Probanka's loan portfolio by an additional 9 % of net exposures as at 06.09.2014. However, the package to be transferred still constitutes only 28% of the current outstanding non-performing portfolio, which leaves Probanka with the task of managing hundreds of remaining DUTB-ineligible performing and non-performing loans and other assets. The deal has been concluded at market conditions and does not constitute state aid.

The bank is currently arranging a smooth transfer of client accounts to other banks and is in the process of completing the sale of the DELTA mutual pension fund. The bank carried out all sales transactions and transfers without employing any external advisors, and therefore realized substantial savings on costs.

With a successful sale and transfer of assets, the bank managed to speed up the reduction of operations and will therefore continue to operate with only 2 branches and 2 branches as of October 1st 2014, despite the restructuring plan originally envisaging 7 sub-branches. With regards to the closing of aforementioned locations, the bank adopted a redundancy program, which applies to 54 persons by the end of September.

In addition to executing activities projected in the plan, the bank actively participated in the forming and subsequent application of Slovene Corporate Debt Restructuring Principles. In all restructuring cases to which the bank was a party, Probanka insisted on observing the adopted Principles, especially with regard to burden-sharing, in order to efficiently safeguard taxpayers' money which should not benefit failed shareholders and managers directly responsible for the poor management of distressed companies. Out of 32 corporate restructuring cases, amounting to a total of 112 million EUR, in which the bank has been involved at different stages together with other banks, Probanka has already agreed on or concluded documents relevant to specific stages in 31 cases in the amount of 111 million EUR, while the remaining restructuring case is still at an early stage. The management of Probanka d.d. is convinced that as a result of a firm and consistent approach towards debtors and other creditors the bank managed to meet the primary objective of ensuring the best possible outcome for taxpayers.

A year ago, the Bank of Slovenia initiated the orderly winding down of Probanka d.d. by appointing a special administration which took over the management of day to day business as part of the winding down process. By means of the aforementioned measure, the Bank of Slovenia prevented a direct loss for the state and taxpayers in the estimated amount of 323 million EUR, as well as potential indirect damages for thousands of bank debtors and depositors and the Slovenian banking sector as a whole.

After assuming office, the special administration prepared an elaborate restructuring plan, subsequently adopted by the European Commission (http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_37642), which ensures the repayment of all ordinary creditors by the end of 2016. The recently published results for the past year prove that the decision on the orderly winding down of the bank was correct, since bankruptcy of the bank would be the worst and most burdensome scenario for the taxpayers.

The management of the bank will continue with the implementation of the approved restructuring plan and is confident that all commitments will be fulfilled in the envisaged timeline.