Brussels, the 8th of February 2016

European Commission:

Mr. Jean-Claude Juncker, President
Mr. Jyrki Katainen, Vice-President for Jobs, Growth, Investment and Competitiveness
Mr. Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union

Government of the Republic of Slovenia:

Mr. Miro Cerar, Prime Minister of the Republic of Slovenia
Mr. Dušan Mramor, Minister of Finance of the Republic of Slovenia

Cc Mr. Kristjan Verbič (President of the PanSlovenian Shareholders' Association, VZMD)

Dear Sirs,

On behalf of the Board of Better Finance – the European Federation of Investors and Financial Services Users, I write to you with regard to the bail-in of subordinated bondholders in five Slovenian banks in December 2013 (NLB, NKBM, Abanka, Probanka and Factor Banka), and in a sixth Slovenian bank in December 2014 (Banka Celje).

In each of the six abovementioned banks, the bail-in consisted of a complete wipeout of all subordinated bonds, including those sold by banks at their counters to retail investors, without compensation, and even without any legal means to challenge the bail-in decisions, since the Slovenian Banking Law as amended in November 2013 restricted the right to legally challenge the bail-in only to banks, although the banks have benefitted from the bail-in and thus clearly have no interest in challenging it.

There is a plenitude of documents testifying that some of these bonds were actively recommended by the banks to their retail clients as an alternative to a deposit, with the prospectus authorized by the Slovenian Securities Market Agency and containing the explicit specification that risk of loss can only materialize upon the bank's hypothetical entry into bankruptcy proceedings. In addition, these bonds were traded at the Ljubljana Stock Exchange, based on the same prospectus, and the trading involved no restrictions and no forewarnings with respect to the general population. In our view, the fact that the retail investors were not adequately informed about the risks involved in these bonds due to their subordination and the forthcoming enactment of ex post facto bail-in legislation is thus clear.

This situation has now been ongoing for over two years, and during this period a number of bank bail-ins in the EU have involved either a settlement with investors (e.g., in SNS Reaal, Duesseldorfer Hypothekenbank, and Banca Romagna Cooperativa), or a commencement of negotiations towards such a settlement (e.g., in Hypo Group Alpe Adria, Banca Etruria, Banca Marche, CaRiFerrara, CaRiChieti, and Novo Banco). The Republic of Slovenia has so far not initiated any such effort.

Better Finance wishes to express its deepest concern with regard to detrimental effects that further persistence in such an attitude towards the expropriated retail bondholders of the six Slovenian banks shall have on individual savers and on the perception of business and investment environment in the Republic of Slovenia. We thus call upon the European Commission and the Government of the Republic of Slovenia to assess the possibilities for a solution to this untenable situation.

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