

## Slovenian bank bail-in dispute

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In December 2013 the subordinated bondholders and shareholders in five Slovenian banks (NLB, NKBM, Abanka, Probanka and Factor Banka) were bailed-in to refinance these struggling institutions. In each case the bail-in consisted of a complete wipe-out of all subordinated bonds and shares, including those sold to retail investors at the counters of said banks. Individual investors received no compensation and had no legal means to challenge the bail-in decisions.

On 27 October, the Constitutional Court of the Republic of Slovenia completed its constitutional review of legal regulations that are at the basis of the expropriation of subordinated bondholders and shareholders. The Constitutional Court deemed that several articles of the Banking Act to be unconstitutional, as these deprived expropriated investors from access to effective judicial protection, a situation it has ordered to be addressed by a legal regulation to ensure efficient judicial protection of expropriated persons, to be adopted by the National Assembly of the Republic of Slovenia.

The PanSlovenian Investors' and Shareholders' Association (VZMD) filed a request for a constitutional review on behalf of 158 people who were expropriated as part of the Slovenian bank bail-in.

One of the largest small shareholders Framingham Asset Management Inc. that lost almost 5 million Eur has contested the wiping out. Domen Zavrl as a director of Framingham Asset Management Inc. pointed out that »In stark contrast with bail-ins in other European countries, debt-holders lost the entire amount of their investments and received zero compensation in return«.

Recently the police carried out a raid on several Ljubljana business premises including the central bank and – according to VZMD – the country's largest lender NLB, on July 6.

Slovenian police said in a statement that there were suspicions concerning a central bank assessment of one of the banks rescued, which financially benefitted the bank and allowed it to scrap its obligations towards subordinated bond holders and shareholders.

VZMD confirmed that "on September 30, 2013, NLB's balance sheet officially indicated a positive capital in the amount of €835mn, but the Bank of Slovenia established negative equity in the amount of (minus) €318mn on the same day and on this basis cancelled all NLB's shares and subordinated bonds."

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