

Disclosure of information on supervisory measure imposed on 27 May 2019

Information on person responsible for breach	
Business name and registered office of legal persons and names of natural persons	<p>Kylin Prime Group AG, Bahnhofstrasse 21, 6300 Zug, Switzerland, Sagrada družba za marketinške storitve, trgovino in podjetniško svetovanje, d.o.o., Strojeva ulica 20, 1000 Ljubljana, Slovenia, Diamant in, finančni inženiring d.o.o., Hacquetova ulica 1A, 1000 Ljubljana, Slovenia, Fin-Nep inženiring d.o.o., Barjanska cesta 50, 1000 Ljubljana, Slovenia, Zlata doba, nepremičninsko posredovanje, d.o.o., Cesta prvih borcev 24A, 8250 Brežice, Slovenia, Lendmark družba za gostinstvo in turizem d.o.o., Stara Vrhnika 2, 1360 Vrhnika, Slovenia, Srečko Kenda, [REDACTED], [REDACTED], EMŠO: [REDACTED], [REDACTED], [REDACTED], EMŠO: [REDACTED], Damir Šešet, [REDACTED], [REDACTED], EMŠO: [REDACTED], [REDACTED].</p>
Information on breach	
Description of circumstances and conduct entailing breach of ZBan-2 or Regulation (EU) No 575/2013	<p>Kylin Prime Group AG has failed to obtain an authorisation for a qualifying holding for its holding of 70.78% of the capital and voting rights as at 27 May 2019 pursuant to point 8 of the second paragraph of Article 62 of the ZBan-2, as it should have done in accordance with the first paragraph of Article 60 of the ZBan-2.</p> <p>Accordingly, all of the aforementioned legal and natural persons have obtained and hold shares with the ticker symbol LONR in contravention of the ZBan-2, and are therefore ineligible holders pursuant to the first paragraph of Article 73 of the ZBan-2, and do not hold voting rights from the shares that they hold in contravention of the ZBan-2.</p>
Nature of identified breaches	Ownership of a qualifying holding in a savings bank without obtaining an authorisation for the holding
Operational part of the decision by which the relevant proceedings are completed	
<p>1. The entities (i) Kylin Prime Group AG, of Bahnhofstrasse 21, 6300 Zug, Switzerland, UID: CHE-305.651.502 (hereinafter: Kylin), (ii) Sagrada družba za marketinške storitve, trgovino in podjetniško svetovanje d.o.o., of Strojeva ulica 20, 1000 Ljubljana, Slovenia, registration number: 2181436000 (hereinafter: Sagrada d.o.o.), (iii) Diamant in, finančni inženiring d.o.o., of Hacquetova ulica 1A, 1000 Ljubljana, Slovenia, registration number: 3442659000 (hereinafter: Diamant in d.o.o.), (iv) Fin-Nep inženiring d.o.o., of Barjanska cesta 50, 1000 Ljubljana, Slovenia, registration number: 2363666000 (hereinafter: Fin-Nep d.o.o.), (v) Srečko Kenda, of [REDACTED], [REDACTED], EMŠO: [REDACTED] (hereinafter: Mr Kenda), (vi) Damir Šešet, of [REDACTED], [REDACTED], EMŠO: [REDACTED] (hereinafter: Mr Šešet), (vii) Zlata doba, nepremičninsko posredovanje, d.o.o., of Cesta prvih borcev 24A, 8250 Brežice, Slovenia, registration number: 6186114000 (hereinafter: Zlata doba d.o.o.) and (viii) Lendmark družba za gostinstvo in turizem d.o.o., of Stara Vrhnika 2, 1360 Vrhnika, Slovenia, registration number: 3440087000 (hereinafter: Lendmark d.o.o.), hereinafter referred to collectively as “the entities”, were as at 27 May 2019 the joint holders of 82,007 ordinary registered shares with the ticker symbol LONR and the ISIN code SI0021110323 (hereinafter: LONR shares), equivalent to 70.78% of the capital and voting rights of Hranilnica Lon d.d., Kranj, of Žanova ulica 3, Kranj, Slovenia, registration number: 5624908000 (hereinafter: the savings bank), as follows:</p> <p>i. Kylin is the holder of 11,502 LONR shares, equivalent to 9.93% of the savings bank’s capital and</p>	

voting rights;

ii. Sagrada d.o.o. is the holder of 11,500 LONR shares, equivalent to 9.93% of the savings bank's capital and voting rights;

iii. Diamant in d.o.o. is the holder of 11,500 LONR shares, equivalent to 9.93% of the savings bank's capital and voting rights;

iv. Fin-Nep d.o.o. is the holder of 11,500 LONR shares, equivalent to 9.93% of the savings bank's capital and voting rights;

v. Mr Kenda is the holder of 11,500 LONR shares, equivalent to 9.93% of the savings bank's capital and voting rights;

vi. Mr Šešet is the holder of 11,500 LONR shares, equivalent to 9.93% of the savings bank's capital and voting rights;

vii. Zlata doba d.o.o. is the holder of 11,140 LONR shares, equivalent to 9.62% of the savings bank's capital and voting rights;

viii. Lendmark d.o.o. is the holder of 1,865 LONR shares, equivalent to 1.61% of the savings bank's capital and voting rights.

2. The Bank of Slovenia finds that the second to eighth of the entities cited in point 1 of the operational part of this order are holders of LONR shares under their own names and for the account of the first entity cited, Kylin, and therefore, in accordance with point 8 of the second paragraph of Article 62 of the ZBan-2 in connection with the fourth paragraph of Article 62 of the ZBan-2, their holdings of voting rights and capital need to be taken into account in the determination of Kylin's qualifying holding. The Bank of Slovenia finds the ownership of the LONR shares by the second to eighth entities cited in point 1 of the operational part of this order to be under their own names but for the account of Kylin on the basis of the following circumstances, which it assessed collectively:

2.1 The manner of purchase of the LONR shares:

- the shares were obtained from Kylin by the second to eighth entities cited at the same time, or in the same time sequence and for the same price:

- Mr Kenda and Mr Šešet purchased 5,500 LONR shares and 5,000 LONR shares respectively on 1 July 2018 at a price of EUR 120 per share, and 6,000 LONR shares and 4,322 LONR shares respectively on 28 November 2018 at a price of EUR 145 per share,
- the other entities purchased the shares on 28 November 2018 at a price of EUR 145 per share;

- the share purchase agreements were identical in their essential parts:

- the deadline for payment of the consideration under the agreements of 1 July 2018 concluded with Mr Kenda and Mr Šešet was four days for 5% of the consideration, and 90 days for the remaining 95% of the consideration; this deadline was extended to 30 June 2019 by two annexes,
- the deadline for payment of the consideration under the agreements of 28 November 2018 was two months from the day of the signing of the share purchase agreement for 5% of the consideration, and 30 June 2019 for Mr Kenda and Mr Šešet and one year from the day of the signing of the share purchase agreement, i.e. 28 November 2019, for the other entities for the remaining 95% of the consideration,
- if the consideration for the shares is not paid by the deadlines, under all the agreements the shares are returned to the vendor within two business days;

- the share purchase agreements of 1 July and 28 November 2018 make no provision for simultaneity of performance, and during the conclusion of the agreement and the transfer of the shares the vendor (Kylin) also required no collateral for the liabilities of the second to eighth entities cited that fall due for later payment as follows:

- despite a delay in the payment of the consideration, as described in the first and second bullet

points of the previous indent, the vendor (Kylin) did not require collateral for later payment, with the exception of Diamant in d.o.o., where a lien in favour of Kylin was registered on 30 January 2019, which is more than two months after the conclusion of the share purchase agreement for the LONR shares;

- despite a delay in the payment of the consideration and the absence of collateral, title to the LONR shares was transferred to Mr Kenda and Mr Šešet as early as 4 July 2018 on the basis of the share purchase agreement of 1 July 2018, and on the actual day of the signing of the agreement on the basis of the share purchase agreement of 28 November 2018.

2.2 The economic circumstances of the sale and purchase of the LONR shares:

- the price under the share purchase agreements of 1 July 2018 and 28 November 2018 was significantly higher than the average share price of EUR 98.09 for LONR shares, at which LONR shares were sold during the same period on Ljubljana Stock Exchange's SI ENTER MTF, and the price of EUR 105 per share realised in the savings bank's recapitalisation process in May and June 2018:

- Mr Kenda and Mr Šešet purchased their shares at a price of EUR 120 per share under the share purchase agreement of 1 July 2018 concluded with Kylin,
- the second to eighth entities cited purchased their shares at a price of EUR 145 per share under the share purchase agreements of 28 November 2018 concluded with Kylin,
- Lendmark d.o.o. purchased its shares at a price of EUR 145 per share under a share purchase agreement of 10 December 2018 concluded with Zlata doba d.o.o.;

- the reasons for purchasing LONR shares cited by the second to eighth entities cited do not accord with the actual situation:

- Mr Kenda, Mr Šešet and Lendmark d.o.o. defined their purchase of shares as a good or stable investment, while Zlata doba d.o.o. and Diamant in d.o.o. defined the shares as providing a good capital and dividend position, although the savings bank has not paid dividends since 2015, and according to public information will remain unable to pay dividends until the loss of 2017, which (in absolute terms) far exceeds the savings bank's profits in recent years, is covered;
- Diamant in d.o.o., Fin-Nep d.o.o., Sagrađa d.o.o. and Zlata doba d.o.o. disclose the LONR shares in their balance sheets as current financial assets, but at the same time claim that their reasons for purchasing the shares were the desire to acquire a long-term investment (Diamant in d.o.o.), the expectation of dividends over the long term (Fin-Nep d.o.o.), a plan to upgrade the investment in a few years (Sagrađa d.o.o.), and the savings bank's good capital and dividend position (Zlata doba d.o.o.);

- Mr Šešet purchased LONR shares at a price of EUR 120 per share on 1 July 2018 and at a price of EUR 145 per share on 28 November 2018, while Finses, trgovina in svetovanje d.o.o., of Dolinska cesta 11B, 6000 Koper, Slovenia, registration number: 6340954000, which is owned by him and Sofija Šešet, sold LONR shares on 9 March 2018 at a price of just EUR 100 per share;

- Mr Kenda purchased LONR shares at a price of EUR 120 per share on 1 July 2018 and at a price of EUR 145 per share on 28 November 2018, while Goldinar, trgovina, čarter, finance d.o.o., of Cesta Zore Perello Godina 3, Koper, Slovenia, registration number: 5812518000, which is owned by him and Davorina Kenda, sold LONR shares in March 2018 at a price of just EUR 100 per share;

- a lack of funds for the purchase of the shares:

- Diamant in d.o.o., Sagrađa d.o.o. and Lendmark d.o.o. did not have sufficient funds of their own to even pay 5% of the consideration for the LONR shares, and were required to borrow the funds, while Zlata doba d.o.o. secured the funds to pay 5% of the consideration by downsizing its portfolio by selling 360 LONR shares to Lendmark d.o.o.;
- Diamant in d.o.o., Fin-Nep d.o.o., Sagrađa d.o.o., Zlata doba d.o.o. and Lendmark d.o.o. state that they will use their own resources or a loan to settle the remainder of the consideration, although given their balance sheets it is highly unlikely that they would be able to borrow from

banks,

- the majority of the actual financial burden of the purchase of LONR shares at the time of the purchase of the shares was borne, and at the time of the issue of this order is still being borne, by Kylin, given that it has not received the majority of the payment for the purchase.

2.3 Other circumstances material to the assessment:

- the entities are new shareholders in the savings bank, with the exception of Mr Kenda, who was an indirect holder of LONR shares until 15 March 2018 via Goldinar, trgovina, čarter, finance d.o.o., of which he is a member with a holding of 28.57% and a statutory representative, and Mr Šešet, who was an indirect holder of LONR shares until 9 March 2018 via Finses, trgovina in svetovanje d.o.o., of which he owns 50% and is a statutory representative:

- Kylin entered the ownership of the savings bank in the recapitalisation process of June 2018,
- Zlata doba d.o.o. entered the ownership of the savings bank on 14 June 2018,
- Mr Kenda and Mr Šešet entered the ownership of the savings bank directly in July 2018 via the purchase of LONR shares from Kylin,
- the remaining entities entered the ownership of the savings bank on 28 November 2018 via the purchase of LONR shares from Kylin,
- Zlata doba d.o.o., Mr Kenda and Mr Šešet increased their holdings in the savings bank on 28 November 2018 via the purchase of LONR shares from Kylin;

- they did not trade in other shares before the purchase of the LONR shares, with the exception of Zlata doba d.o.o., Mr Kenda, Mr Šešet and Lendmark d.o.o.;

- they acquired or, in the case of Kylin, retained holdings in the savings bank of the same value, as follows:

- the first to seventh entities cited each held 9.93% of the savings bank's capital and voting rights as at 28 November 2018, while the eighth entity cited, Lendmark d.o.o., held 1.30% of the savings bank's capital and voting rights,
- Zlata doba d.o.o. sold 360 LONR shares to Lendmark d.o.o. on 10 December 2018, thereby remaining the holder of 9.62% of the savings bank's capital and voting rights, while Lendmark d.o.o. became the holder of 1.61% of the savings bank's capital and voting rights;

- each individually acquired or, in the case of Kylin, retained shares in an amount less than a 10% holding in the savings bank's capital and voting rights, thereby avoiding the requirement to obtain an authorisation for a qualifying holding in accordance with the ZBan-2;

- the deadlines for the payment of 95% of the consideration under the share purchase agreements of 1 July 2018 concluded between Kylin as the vendor and Mr Kenda and Mr Šešet as the purchasers were extended at the same time, first to 10 December 2018, and then to 30 June 2019, which at the same time is the deadline for the payment of 95% of the consideration under the share purchase agreements concluded with Kylin by Mr Kenda and Mr Šešet on 28 November 2018;

- in connection with the sale of the LONR shares, Kylin stated that it sought the purchasers itself or through its agent, that it was expressly careful to ensure that no-one was sold shares in excess of the 10% allowable threshold, and that it intends to reacquire the shares later, and in connection with the savings bank stated that it is a strategic investor;

- Kylin sold the LONR shares to the second to eighth entities cited after, on 20 November 2018, withdrawing the request for the granting of an authorisation to acquire a qualifying holding for a holding of 50% or more.

3. Kylin failed to obtain an authorisation for a qualifying holding for its holding of 70.78% of the capital and voting rights pursuant to point 8 of the second paragraph of Article 62 of the ZBan-2, as it should have done in accordance with the first paragraph of Article 60 of the ZBan-2. Accordingly, all of the entities referred to in point 1 of the operational part of this order obtained and hold the LONR shares

in contravention of the ZBan-2, and are therefore ineligible holders pursuant to the first paragraph of Article 73 of the ZBan-2, and do not hold voting rights from the shares that they hold in contravention of the ZBan-2.

Because Kylin and, in connection with it, the other entities referred to in point 1 of the operational part of this order failed to submit, before the acquisition of the qualifying holding or within one month of the acquisition of the qualifying holding, a request for the granting of an authorisation to acquire a qualifying holding, in accordance with the first paragraph of Article 267 of the ZBan-2 they must dispose of all the shares that they hold in contravention of the ZBan-2.

They must dispose of the shares in the total amount in excess of a 10% holding of the savings bank's capital and voting rights within four months of the delivery of this order. In accordance with Article 268 of the ZBan-2, by the same deadline the ineligible holders must submit to the Bank of Slovenia a report on the disposal of shares, which must include evidence of the disposal, and information on the acquirer or acquirers of the shares.

4. In accordance with Article 277 of the ZBan-2, the following information in connection with this supervisory measure shall be published on the Bank of Slovenia website after these proceedings have been completed:

- information on the person responsible for the breach
 - the name and registered office of the legal person, or
 - the name of the natural person;
- information on the breach
 - a description of the circumstances and conduct constituting the breach,
 - the nature of the identified breaches;
- the operational part of the decision by which the relevant proceedings are completed; and
- information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-2.

Kylin Prime Group AG, Sagrađa d.o.o., Diamant in d.o.o., Fin-Nep d.o.o., Zlata doba d.o.o., Lendmark d.o.o. and Mr Kenda lodged an objection by the relevant deadline. Mr Šešet did not lodge an objection by the deadline. The Bank of Slovenia issued a decision on an objection referenced PBH-24.50-004/19-02 of 30 July 2019, rejecting the objection in respect of Kylin Prime Group AG, Sagrađa d.o.o., Diamant in d.o.o., Fin-Nep d.o.o., Zlata doba d.o.o., Lendmark d.o.o. and Mr Kenda. In the same decision referenced PBH-24.50-004/19-02 of 30 July 2019, the objection lodged by Mr Šešet was refused as late.

Information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-2

Lawsuits in an administrative dispute were lodged against the decision on the objection. The lawsuits were lodged by Sagrađa d.o.o., Diamant in d.o.o., Fin-Nep d.o.o., Zlata doba d.o.o. and Lendmark d.o.o.