

Disclosure of information on supervisory measure of 13 July 2022 imposed on credit institution

Information on person responsible for breach	
Business name and registered office of legal person	Hranilnica Lon d.d., Kranj Žanova ulica 3, 4000 Kranj; registration number: 5624908000 (hereinafter: the savings bank)
Information on breach	
Description of circumstances and conduct entailing breach of ZBan-3 or Regulation (EU) No 575/2013	Breaches of the ZBan-3 (cited in detail in the operational part of the order below) were identified on the basis of an inspection, as a result of which Banka Slovenije issued the savings bank with the Order on the rectification of breaches referenced PBH-24.60-011/20-005 of 13 July 2022
Nature of identified breaches	Breaches in the area of interest rate risk management
<p>1. Hranilnica Lon d.d., Kranj, of Žanova ulica 3, 4000 Kranj, registration number: 5624908000 (hereinafter: the savings bank) has breached</p> <ol style="list-style-type: none"> a. paragraphs 86 and 104 of the Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02 of 19 July 2018; hereinafter: the IRRBB guidelines), which are binding on banks and savings banks pursuant to the second paragraph of Article 2 of the Regulation on the application of the Guidelines on the management of interest rate risk arising from non-trading book activities (Official Gazette of the Republic of Slovenia, No. 8/19; hereinafter: the regulation on the application of the IRRBB guidelines); b. the first paragraph of Article 177 of the ZBan-3, by failing to put in place appropriate internal systems for identifying, evaluating, managing and mitigating the risks inherent in the adverse movement of interest rates, which can reduce the economic value of equity and net interest income from the bank's non-trading-book activities. <p>2. The savings bank's management board must submit a detailed action plan stating the measures selected to rectify the breaches referred to in point 1 of this order to Banka Slovenije by 31 August 2022. The action plan of the savings bank's management board must define the timetable for the implementation of individual measures, and the persons responsible for the implementation of individual measures and activities in accordance with the internal organisational structure of the savings bank.</p> <p>3. The savings bank must rectify the breaches referred to in point 1 of this order by 31 December 2022, and must deliver a report to Banka Slovenije by 15 January 2023, enclosing documents and other evidence from which it is evident that the breaches have been rectified.</p> <p>4. In accordance with Article 310 of the ZBan-3, the following information in connection with this supervisory measure shall be published on the Banka Slovenije website after these proceedings have</p>	

been completed:

1. information about the person responsible for the breach (business name and registered office of legal person);
2. information about the breach:
 - a description of the circumstances and conduct entailing a breach of the ZBan-3 or Regulation (EU) No 575/2013,
 - the nature of the identified breaches;
3. the operational part of the decision by which the relevant proceedings are completed;
4. information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-3.

Information as to whether judicial review proceedings have been initiated against order on rectification of breaches in accordance with ZBan-3

The savings bank lodged an objection to the order on the rectification of breaches with Banka Slovenije. By virtue of the decision on an objection referenced PBH-24.60-011/20-006 of 9 November 2022 Banka Slovenije refused the objection as unfounded. The savings bank did not initiate judicial review proceedings with the Administrative Court, and accordingly the order on the rectification of breaches and decision on an objection are legally final.