ANNUAL REPORT 2022

Deželna Banka Slovenije

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DEŽELNA BANKA SLOVENIJE

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ANNUAL REPORT
DEŽELNA BANKA SLOVENIJE GROUP
2022

BANK MANAGEMENT BOARD:

Member of the Management Board	President of the Management Board
Barbara Cerovšek Zupančič MSc	Jure Kvaternik

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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Ljubljana, 4 April 2023

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BUSINESS REPORT

I. FINANCIAL HIGHLIGHTS AND INDICATORS

I.1. KEY FINANCIAL DATA FOR THE DEŽELNA BANKA SLOVENIJE GROUP

	Deželna banka Slovenije Group	2022	2021	2020
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,190,575	1,153,007	1,045,380
	Total deposits by non-banking sector measured at amortised cost	1,102,981	1,062,812	963,075
	- Corporates	186,130	193,959	178,554
	- Individuals	916,851	868,853	784,521
	Total loans to non-banking sector (not held for trading)	761,187	726,379	764,019
	- Corporates	527,090	499,762	548,250
	- Individuals	234,097	226,617	215,769
	Total equity	77,358	72,128	68,166
	Value adjustments and provisions for credit losses	(15,409)	(17,061)	(19,812)
	Off-balance sheet operations (B.1. to B.4.)	83,625	76,136	69,093
2.	**Income statement** (in EUR thousand)			
	Net interest income	18,797	15,832	16,552
	Net non-interest income	11,278	12,331	8,624
	Employee benefits cost, overhead and administrative expenses	(21,205)	(19,439)	(19,088)
	Depreciation and amortisation	(1,290)	(1,255)	(1,375)
	Impairments and provisions (credit losses)	1,762	(715)	355
	Profit/loss from continuous and discontinued operations before tax	8,354	5,787	4,460
	Corporate income tax from continuous and discontinued operations	(897)	(1,092)	(1,142)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	7,757	4,736	3,413
4.	**No. of branches** (at end of period)**			
	No. of branches	76	75	78
5.	**No. of employees** (at end of period)			
	No. of employees	349	345	353
6.	**Shares**			
	No. of shareholders (at end of period)	206	266	275
	No. of shares (at end of period)*	4,231,682	4,231,682	4,231,682
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	18.238097	17.021438	16.046302
7.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	15.17	16.31	15.13
	Tier I capital ratio	15.17	16.31	15.13
	Total capital ratio	15.42	16.77	15.86
b)	**Quality of assets and commitments** (in %)			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	1.75	2.23	3.59
	Non-performing loans and other financial assets/Classified loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	2.79	3.57	4.94
	Non-performing loans and other financial assets/Classified loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	2.19	2.80	4.48
	Value adjustments for credit losses/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	(49.01)	(47.53)	(40.33)
	Value adjustments for credit losses/Non-performing loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	(49.01)	(47.53)	(40.33)
	Collaterals received/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	50.57	52.16	59.37
c)	**Profitability** (in %)			
	Interest margin	1.61	1.42	1.60
	Financial intermediation margin	2.58	2.52	2.44
	Return on assets (ROA) after tax	0.64	0.42	0.32
	Return on equity (ROE) before tax	11.23	8.19	6.74
	Return on equity (ROE) after tax	10.02	6.64	5.01
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	(1.93)	(1.85)	(1.98)
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	456.94	354.91	287.05
	- April-June	442.21	397.35	290.06
	- July-September	426.46	439.38	295.05
	- October-December	410.82	454.52	315.40
f)	**Net stable funding ratio** (in %)**	174.99	176.20	-
g)	**Leverage ratio** (in %)**	5.64	5.56	5.75

Note: The indicators have been calculated in compliance with the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.
* The number of shares is in accordance with the records of the Slovene Central Securities Clearing Corporation KDD, less treasury shares.
** New indicators are based on the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks in use since 30 December 2021. Indicators from item 7f, i.e. the net stable funding ratio, and from item 7g, i.e. the leverage ratio, came into force on the day of application of Regulation (EU) 2019/876 (CRR2), i.e. on 28 June 2021.

I.2. KEY FINANCIAL DATA FOR DEŽELNA BANKA SLOVENIJE d. d.

	Deželna banka Slovenije d. d.	2022	2021	2020
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,190,013	1,153,101	1,045,132
	Total deposits by non-banking sector measured at amortised cost	1,103,042	1,063,258	963,314
	- Corporates	186,191	194,405	178,793
	- Individuals	916,851	868,853	784,521
	Total loans to non-banking sector (not held for trading)	757,563	723,701	761,489
	- Corporates	525,784	499,498	550,053
	- Individuals	231,779	224,203	211,436
	Total equity	77,178	72,029	67,903
	Value adjustments and provisions for credit losses	(15,400)	(16,732)	(18,382)
	Off-balance sheet operations (B.1. to B.4.)	84,174	76,785	69,347
2.	**Income statement** (in EUR thousand)			
	Net interest income	18,182	15,431	16,202
	Net non-interest income	11,072	11,859	9,854
	Employee benefits cost, overhead and administrative expenses	(20,839)	(19,083)	(18,719)
	Depreciation and amortisation	(1,257)	(1,206)	(1,287)
	Impairments and provisions (credit losses)	1,546	(640)	733
	Profit/loss from continuous and discontinued operations before tax	8,277	5,951	6,190
	Corporate income tax from continuous and discontinued operations	(895)	(1,092)	(1,138)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	7,677	4,901	5,062
4.	**No. of branches** (at end of period)**			
	No. of branches	76	75	78
5.	**No. of employees** (at end of period)			
	No. of employees	343	339	347
6.	**Shares**			
	No. of shareholders (at end of period)	206	266	275
	No. of shares (at end of period)*	4,231,682	4,231,682	4,231,682
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	18.238097	17.021438	16.046302
7.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	15.11	16.22	15.10
	Tier I capital ratio	15.11	16.22	15.10
	Total capital ratio	15.35	16.68	15.82
b)	**Quality of assets and commitments** (in %)			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	1.70	2.15	3.30
	Non-performing loans and other financial assets/Classified loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	2.72	3.45	4.55
	Non-performing loans and other financial assets/Classified loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	2.14	2.70	4.12
	Value adjustments for credit losses/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	(50.40)	(48.09)	(39.70)
	Value adjustments for credit losses/Non-performing loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	(50.40)	(48.09)	(39.70)
	Collaterals received/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	49.17	51.60	59.98
c)	**Profitability** (in %)			
	Interest margin	1.56	1.39	1.57
	Financial intermediation margin	2.51	2.45	2.53
	Return on assets (ROA) after tax	0.63	0.44	0.49
	Return on equity (ROE) before tax	11.19	8.44	9.44
	Return on equity (ROE) after tax	9.98	6.89	7.70
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	(1.89)	(1.83)	(1.94)
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	454.71	353.49	286.76
	- April-June	439.69	395.55	290.21
	- July-September	423.06	437.63	295.29
	- October-December	407.14	453.51	315.32
f)	**Net stable funding ratio** (in %)**	175.53	176.34	-
g)	**Leverage ratio** (in %)**	5.65	5.56	5.75

Note: The indicators have been calculated in compliance with the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.
* The number of shares is in accordance with the records of the Slovene Central Securities Clearing Corporation KDD, less treasury shares.
** New indicators are based on the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks in use since 30 December 2021. Indicators from item 7f, i.e. the net stable funding ratio, and from item 7g, i.e. the leverage ratio, came into force on the day of application of Regulation (EU) 2019/876 (CRR2), i.e. on 28 June 2021.

II. THE MANAGEMENT

II.1. REPORT OF THE MANAGEMENT BOARD

The year 2022 was the year of relaxing epidemiological measures and getting back on track, both socially and economically. In the second half of the year, DBS Group's operations and all other activities were already fully back to pre-epidemic levels. However, we faced challenges in other areas, namely inflation, which is at a multi-year high, the deterioration of the global economic situation, and the ensuing tightening of financial conditions. But that did not stop us; what is more, throughout the year, we looked for opportunities, internal reserves and solutions to grow our business and maintain our revenue levels.

The agri-food market remains one of the most important segments for our Bank. We remain loyal to farmers, supporting their development and innovation with advanced financial services. We are proud that this loyalty is passed from generation to generation and extremely happy that our services are also used by young adopters. But we are also focusing our development and competitive services on the general population, as shown by the steady year-on-year growth in this segment as well.

In 2022, we expanded our business network by reopening the Škocjan branch at the initiative of the local community. This is a unique example of a public-private partnership in Slovenia, which was the result of a strong desire of the local community and the bank to re-establish a branch in Škocjan. The Bank has optimised the opening hours of some of its branches and the financial services available in its 76 branches across Slovenia. Despite the business challenges of maintaining the viability of small branches, we believe in the importance of the bank's physical presence as we want to be accessible to all generations of customers. "Always near you" remains our future orientation and commitment. Therefore, contrary to the banking trend of closing branches and moving services online, in our Group, we will work with local communities to find alternatives to maintain the entire branch network.

Our performance in 2022 was a success, as reflected in the Bank's operating result. We achieved a profit before tax of EUR 8,277 thousand and realised a return on equity of 11.19%. The balance sheet total amounted to EUR 1.19 billion at the end of 2022, up 3% compared to the previous year-end, thus reflecting the confidence of our customers in our Bank.

The capital adequacy of the DBS Group has been stable throughout its existence and suffices to counterbalance all potential risks arising out of the Bank's operations, while the capital adequacy ratios are above the requirements imposed by the Bank of Slovenia.

The balance of collected funds from households, including foreign entities and non-profit institutions serving households, and deposits with characteristics of subordinated debt, amounted to EUR 983,122 thousand at the end of 2022, which was up 5% compared to the end of 2021. Adapting to the needs of the market also means that we offer the services that our customers need the most. Lending to households is still one of the central services to which we pay a lot of attention. Compared to the end of 2021, loans to households increased by 2%, amounting to EUR 363,250 thousand at the end of 2022.

We have laid the strategic and organisational foundations for modern and competitive IT development. This serves as the basis for accelerated digitisation, automation and process optimisation, to be followed by the introduction of advanced analytics and information-driven business decisions. Technological and process modernisation will be geared towards increasing customer satisfaction and making applications more user-friendly for customers and bank employees. We have put at the heart of digitisation the customer and their needs, as well as the prompt delivery of our services regardless of the customer's time or location. Our goal is to integrate in terms of digitisation, finance and services the extremely diverse and promising agri-trade-finance ecosystem that, having been a regional bank, we have traditionally covered.

Financial risk control and management are among our priority banking efforts; therefore, at the Bank, we are continuously upgrading our risk management methodologies and approaches. We have improved the quality of our credit portfolio, decreased the amount of non-performing exposures and minimised impairment charges against current transactions. Careful attention was invested in obtaining adequate collateral for credit transactions, both when entering into new credit arrangements and for existing ones. At the same time, our goal is to accompany our clients and, should any problems occur, find a solution that is most optimal for both parties.

We consider business compliance a serious commitment to responsible management, compliance with applicable legislation, regulations and banking standards, as well as acting in accordance with internal rules that determine the ethical and legal framework for the conduct of all employees.

DBS Group is a stable financial institution, as clearly demonstrated by the loyalty of its clients and the growth of its quality portfolio. To us, this serves as an incentive but also a responsibility to ensure development and growth in the future. We strive every day to upgrade our services while focusing on the needs of our customers, as this is the only way to help them achieve their personal and business financial goals.

The comprehensive and wide range of the Bank's services is complemented by our subsidiary DBS Leasing, which offers integrated leasing services with a special emphasis on the financing of agricultural and forestry vehicles and machinery.

In 2022, the Bank reintroduced mutual funds to its range of services. Investment opportunities in mutual funds are offered in cooperation with DZU Generali Investments d.o.o. This enables our clients to work with experts to put together a personal portfolio in line with their preferences and current trends in individual capital markets.

For a number of years, we have maintained the status of the only bank authorised for the sale of commemorative and collector coins issued by the Bank of Slovenia. We are aware that numismatic activity is an important element of cultural heritage, the formation of Slovenian national identity and a way to build a strong relationship with a segment of the population that appreciates the aesthetic and symbolic value of money.

Our social responsibility shows, among other things, through sponsorship and donation activities. In this part of our operations, too, we focus on the agri-food segment and have been supporting the Agribusiness project, which is run by the Finance newspaper, for several years in a row. The project promotes entrepreneurship and innovation in agriculture and contributes to its wider promotion, thereby raising public awareness of the importance of self-sufficiency in Slovenia. We work in a sustainable and local way, supporting local associations and institutions that strive to create added value in their environment. Thus, we preserve the link with agriculture and the countryside, which our bank and its predecessors have maintained for more than a century.

We are proud to say that these results in all areas could not have been achieved were it not for our committed, highly skilled and professional employees. In our work, we constantly strive to consider each task, idea and proposal with utmost responsibility and implement them to fulfil the Bank's development strategy.

At this point, we wish to express our gratitude to all stakeholders composing our mosaic, i.e. owners, business partners and colleagues. May our previous good work serves as motivation for us to tackle all future challenges and seize the opportunities that we encounter on a daily basis.

Ljubljana, 4 April 2023

BANK MANAGEMENT BOARD:

Member of the
Management Board
Barbara Cerovšek
Zupančič MSc

President of the
Management Board
Jure Kvaternik

DEŽELNA BANKA SLOVENIJE d.d.
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II.2. REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Deželna banka Slovenije d. d. monitors and oversees the Bank’s management and its operations. The framework for its operation, as well as its powers and responsibilities, are based on the Banking Act, the Companies Act, Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, other applicable regulations and the Bank's internal acts.

In 2022, the Supervisory Board was composed of Ivan Lenart (Chair), Boštjan Škufca Zaveršek (Vice-Chair), Iris Dežman, Jure Kvaternik (until the end of term of office on 8 October 2022), Nikolaj Maver and Gregor Sluga.

In 2022, the Board met at 9 periodic and one extraordinary meeting, Regular reports and other pressing matters as well as major issues related to the Bank’s operations were discussed and decisions were made regarding transactions within the Board’s competence. All meetings were quorate. In order to avoid conflicts of interest, some members of the Supervisory Board occasionally recused themselves from discussing certain items.

The following are the main topics that the Supervisory Board discussed in 2022:

The Bank's financial operations
The Supervisory Board regularly discussed the financial performance of the Bank and the regular reports of the Bank and its subsidiaries on their performance in 2022, monitored the profitability of the branches, gave its consent to the 2023 plan and approved the 2021 Annual Report of the Deželna banka Slovenije Group.

Risk
The Supervisory Board reviewed and approved the Bank’s risk profile. It took note of the risk analysis process, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), and reviewed Management Board’s reports on activities associated with non-performing receivables. It monitored on an ongoing basis the compliance with capital guidelines and various activities related to capital and liquidity management.

Human Resources
The Supervisory Board appointed Jure Kvaternik as President of the Management Board of Deželna banka Slovenije d. d. for a term of office of five years commencing on 1 February 2023.

Management of the Bank
The Supervisory Board reviewed and approved the Bank’s 2021 annual report and offered a positive opinion with respect to the certified auditor's report. Together with the Management Board, the Supervisory Board convened for 27 May 2022 the Bank's 39th Annual General Meeting.

Internal audit of the Bank
In 2022, the Supervisory Board reviewed the 2021 annual report on the Bank’s Internal Audit Department and half-year reports on its activities in the second half of 2021 and the first half of 2022. Furthermore, it regularly monitored quarterly reports of the Internal Audit Department on outstanding recommendations. It also approved its Annual Work Plan for 2023.

External audit
The Supervisory Board was kept informed about the process of regular annual audits of the bank.

Operations of subsidiaries
The Supervisory Board regularly discussed the financial performance of the subsidiary DBS Leasing d. o. o.

The Bank's internal acts

The Supervisory Board updated the Audit Committee's rules of procedure with additional Guidelines on the work of the Audit Committee in cooperation with the external auditor. The Board reviewed and gave its consent to amendments to internal acts of the Bank where the applicable regulations so provide. Also in 2022, a number of the Bank's acts were renewed, including the Remuneration Policy and the Specific Risk Management Policies.

Other relevant activities

The Board reviewed letters and oversight measures imposed by the Bank of Slovenia and other regulators. It examined reports on the state of informatics as well as information and general security. It discussed various materials on the Bank's operations compliance and the prevention of money laundering and terrorist financing. It was regularly acquainted with the important court proceedings in which the Bank is involved, as well as with the Bank's immovable property portfolio and the procedures for the disposal of more valuable property. It actively co-created training schemes for its members. It decided on giving its consent to the decisions of the Management Board when so stipulated by the legislation and the Statutes and discharged other required tasks.

Internal organisation of the Supervisory Board

In 2022, the Board received expert support from the Audit Committee, Risk Committee and Nomination Committee. Members of committees are Supervisory Board members. The tasks and competences of each committee are laid down in the Bank’s Statutes and in the terms of reference and rules of procedure of each committee. Internal organisation of the Supervisory Board is presented in detail in the Chapter VI.4. Composition and operations of management and supervisory bodies and their committees.

Based on adequate and timely reports and information as well as additional clarifications and explanations provided by the Management Board at the meetings themselves, the Supervisory Board was able to monitor and oversee the management responsibly, and to base own conduct on what is in the Bank’s best interest. The Board feels to have collaborated well and constructively with the Management Board, the Bank’s expert departments, and regular auditor. All this has contributed to the Bank’s stable operations and a favourable budget outturn.

As at 11 April 2023, the Management Board provided the Supervisory Board with the Deželna banka Slovenije Group Annual Report for 2022, which consists of the business report and financial report, the latter containing audited standalone financial statements of the Bank and consolidated statements of the Group, along with the auditor’s report. The auditor believes the financial statements with notes give a true and fair view of the financial position of the Bank and the Group as at 31 December 2022, as well as profit or loss and cash flow for the financial year ended in accordance with the International Financial Reporting Standards.

At its meeting on 26 April 2023, the Supervisory Board confirmed the Deželna banka Slovenije Group Annual Report for 2022.

Ljubljana, 26 April 2023

Chair of the Supervisory Board
Ivan Lenart

Supervisory Board resolution on examining and approving the Annual Report

Pursuant to the Deželna banka Slovenije d. d. Statutes, the Supervisory Board, at its regular meeting No 2023-04-NS-28 held on 26 April 2023, adopted the following

RESOLUTION

1. Based on its examination and consideration, the Deželna banka Slovenije d. d. Supervisory Board hereby confirms the revised Deželna banka Slovenije Group 2022 Annual Report, having no objection to it.

2. The Supervisory Board expresses its positive opinion of the Auditor's Report by Mazars d. o. o., Ljubljana, for financial year 2022.

Ljubljana, 26 April 2023

Chair of the Supervisory Board
Ivan Lenart

III. GENERAL INFORMATION ON THE BANK

III.1. THE BANK'S ROOTS AND HISTORICAL DEVELOPMENT

The roots of Deželna banka Slovenije d. d. go back to the era of the early agricultural credit unions and savings and loan undertakings.

2020	• Sale of Semenarna Ljubljana, d. o. o.
2014	• DBS Adria d. o. o. • Semenarna Ljubljana, d. o. o.
2013	• DBS Nepremičnine d. o. o.
2005	• DBS Leasing d. o. o.
2004	• Deželna banka Slovenije d. d.
1990	• *The agricultural cooperative bank* Slovenska zadružna kmetijska banka d. d.
1971	• *The association of savings and loan undertakings* Zveza hranilno-kreditnih služb Slovenije
1954	• Cooperative savings banks (the first new cooperative savings bank in Kranj)
1949	• Savings and credit sections of agricultural cooperatives
1920	• *Cooperative business bank* Zadružna gospodarska banka
1883	• The first Slovenian cooperative association (Celje Slovenian Credit Union Association)
1872	• The first credit union in Ljutomer

III.2. BANK'S SERVICES

Deželna banka Slovenije d. d. is licensed to provide banking services, which include accepting deposits and other repayable funds from the public and lending for the banks' own account, and it is also licensed to provide mutually recognised and ancillary financial services.

In 2022, the Bank was licensed to provide the following mutually recognised financial services under Article 5 of the Slovene Banking Act (ZBan-3):

Service

1. Accepting deposits and other repayable funds;
2. Lending, which includes:
   - Consumer credits,
   - Mortgage credits,
   - Factoring, with or without recourse,
   - Financing of commercial transactions, including forfeiting;
4. Payment transactions;
5. Issuing and managing other payment instruments (such as travellers cheques and bank bills) that do not fall under the services of the preceding item;
6. Issuing of guarantees and other commitments;
7. Trading for own account or for accounts of customers in:
   - Foreign exchange, including currency exchange transactions;

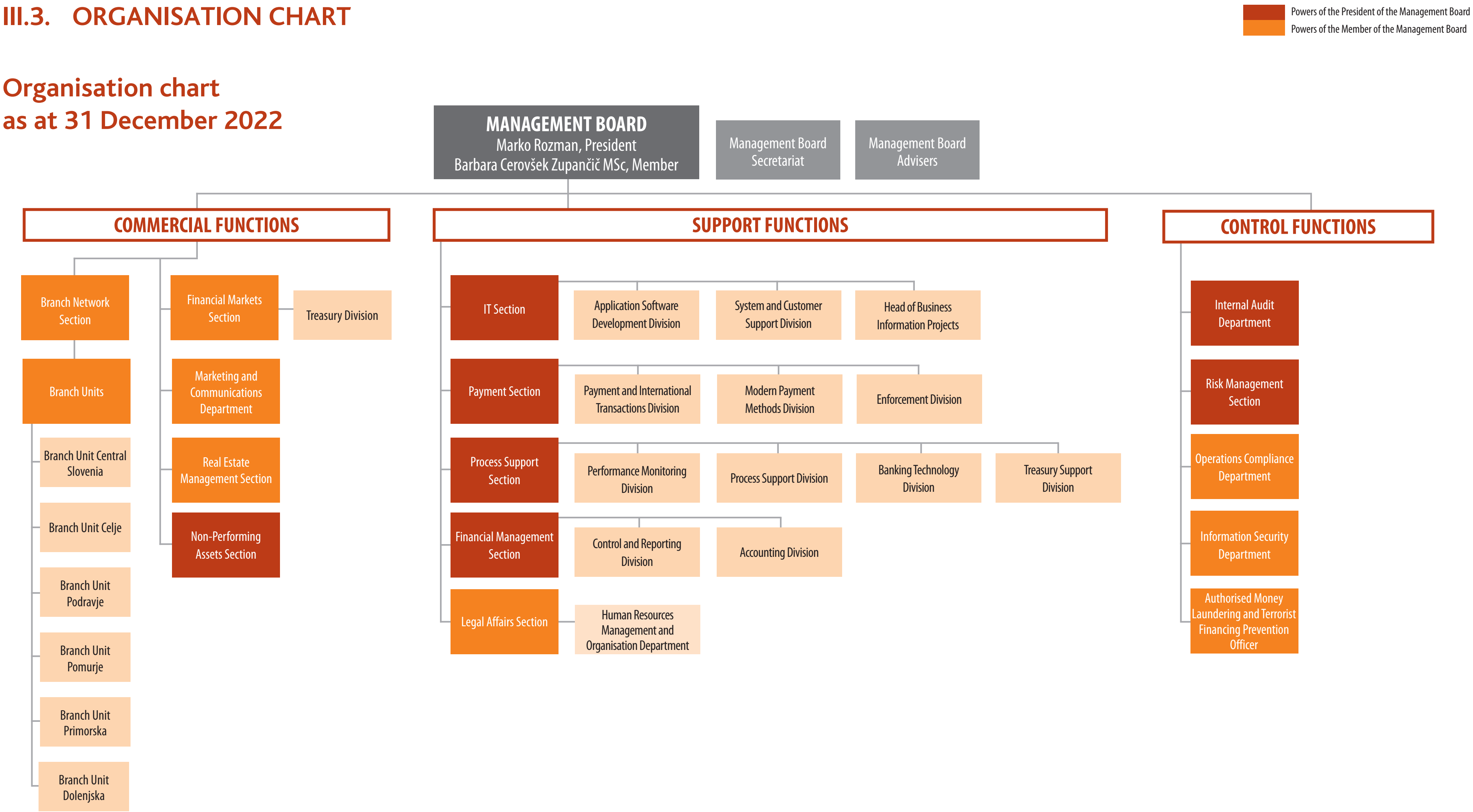
   Trading for own account:
   - Money market instruments,
   - Financial futures and options,
   - Foreign exchange and interest-rate instruments,
   - Transferable securities;
12. Safekeeping of securities and other services relating to safekeeping;
13. Credit rating services: collection, analysis and provision of information on creditworthiness.

Pursuant to Article 6 of the Slovene Banking Act (ZBan-3), the bank may also provide additional financial services, such as:

Service

1. Insurance brokerage pursuant to the act governing the insurance business;
6. Other services or transactions:
   - Brokering of financial leasing,
   - Marketing of investment fund units.

III.3. ORGANISATION CHART



Such an organisation structure allows the Bank to implement its strategy, streamline business processes and facilitate risk and human resource management. Its organisation has been tailored to the planned scope of operations, taking into account the front- and back office as well as the management function.

IV. DEŽELNA BANKA SLOVENIJE BANKING GROUP

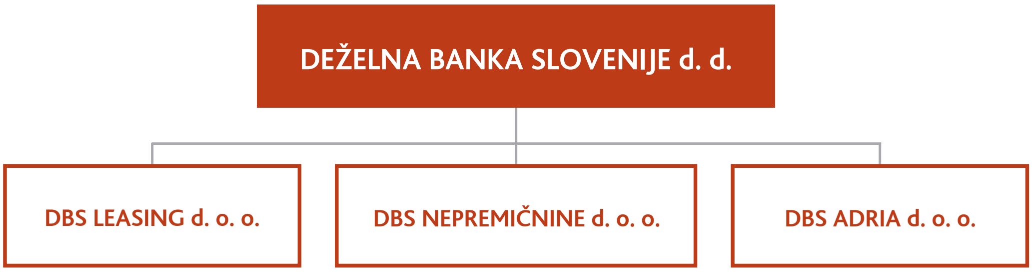
Deželna banka Slovenije d. d. is the controlling company in the Deželna banka Slovenije Group ("Group"). As at 31 December 2022, the Group included the following subsidiaries: the leasing company DBS Leasing d. o. o. ("DBS Leasing"), the real estate company DBS Nepremičnine d. o. o., which trades in the Group's property ("DBS Nepremičnine"), and the real estate company DBS Adria d. o. o. ("DBS Adria").

Deželna banka Slovenije d. d. draws up consolidated financial statements for the entire Group.

Group companies as at 31 December 2022

	Status	DBS's stake in %
DBS d. d.	Controlling company	-
DBS Leasing d. o. o.	Subsidiary	100
DBS Nepremičnine d. o. o.	Subsidiary	100
DBS Adria d. o. o.	Subsidiary	100

DBS Group organisation chart as at 31 December 2022



Performance indicators of the Group's subsidiaries for 2022

Company	DBS Leasing d. o. o.		DBS Nepremičnine d. o. o.		DBS Adria d. o. o.	
	2022	2021	2022	2021	2022	2021
Total assets (in EUR thousand)	18,361	15,332	1,537	1,539	155	157
Equity (in EUR thousand)	3,720	3,278	1,523	1,526	0	0
Profit/loss before tax (in EUR thousand)	436	579	(2)	(13)	(5)	(5)
Income tax (in EUR thousand)	-	-	(1)	-	-	-
Profit/loss after tax (in EUR thousand)	436	579	(3)	(13)	(5)	(5)
Return on assets (ROA) before tax (in %)	2.48	3.82	(0.13)	(0.84)	(3.21)	(3.14)
Return on equity (ROE) before tax (in %)	12.21	19.49	(0.13)	(0.84)	-	-
No. of employees (at end of period)	6	6	0	0	0	0
Total assets/No. of employees (at end of period) (in EUR thousand)	3,060	2,555	-	-	-	-

DBS Leasing d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Registration number: 2160854
Business: 64.910 Financial leasing
Initial capital: EUR 3,484 thousand
CEO: Jan Juvan

DBS Leasing is a small leasing company that offers movable property leases exclusively, thus complementing banking services and products with leasing services.

DBS Leasing offers its services to farmers, individuals and companies through the extensive network of bank branches, and partly through a network of suppliers. The predominant part of business is the financing of farming and forest vehicles and machinery, followed by passenger cars, commercial vehicles and other movable property.

The company is included in prudential and accounting consolidation at the level of the DBS Group. Part of the support functions, such as risk management, IT and legal support, are performed for the company by its founder, and they also share some other functions. At the end of 2022, the company had 6 employees.

A profit of EUR 436 thousand was reported for financial year 2022. The company's total assets in 2022 were up 19.8% to EUR 18.4 million. The majority of investments are finance lease receivables. The main sources of assets are equity and the founding company's loans.

DBS Nepremičnine d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Registration number: 6290540
Business: 68.100 Buying and selling of own real estate
Initial capital: EUR 2,000 thousand
CEO: Tomo Sokolić

DBS Nepremičnine was founded in January 2013 and is wholly-owned by DBS d. d. In the past, the company's core businesses included selling the Group's property, renting and developing real estate projects, whereas in 2022, the company's core businesses was other production of electricity.

A major part of balance sheet assets is a short-term loan to a subsidiary, and among sources of assets it is equity.

In the financial year 2022, the company reported EUR 3 thousand of loss for the year.

DBS Adria d. o. o.

Registered address: Cvjetno naselje 26, Samobor, Croatia
Registration number: 0103191000 (court ID number: 080906254)
Business: 68.320 Management of real estate on a fee or contract basis
Initial capital: EUR 17 thousand
CEO: Jožef Berdnik

The company was incorporated in March 2014 and is wholly-owned by the DBS d. d. bank. The company's core business is selling the Group's property, renting and developing real estate projects.

In 2022, the company reported EUR 5 thousand of loss for the year. Total assets were EUR 155 thousand at the end of 2022. The majority of investments were inventories of real estate abroad, while the majority of liabilities were borrowings from banks.

V. THE BANK'S PERFORMANCE IN 2022

V.1. GENERAL ECONOMIC ENVIRONMENT[1]

Global economic conditions deteriorated in the last quarter of 2022, as demand cooled rapidly due to high prices. Among the most important countries, the US, Russia and Brazil saw the largest drop in activity in December, according to PMI data. Elsewhere, the PMI improved. In its latest forecast published in January, the International Monetary Fund (IMF) raised its projected global economic growth for 2023 from 2.7% to 2.9%, following 3.4% economic growth in 2022. This is due to falling energy prices, China's reopening after the easing of tough anti-Covid measures and the success of central banks in containing inflation. The IMF points to a further escalation of the war in Ukraine and a possible re-escalation of China's measures to combat Covid-19 as the biggest risks.

Following favourable economic developments in the first half of 2022, euro area GDP growth slowed in the third and fourth quarters. This is also reflected in the quarterly average PMI, which declined compared to the third quarter. The negative effects of the energy crisis, high inflation and tighter financing conditions started to show in Q3.

According to Eurostat, the euro area recorded GDP growth of 3.5% in 2022. In December, the ECB forecast euro area economic growth of 0.5% in 2023 and 1.9% in 2024, on the assumption of a gradual easing of geopolitical tensions. In January, the IMF forecast euro area economic growth of 0.7% in 2023, which is explained by the fact that Europe has adjusted to high energy prices faster than expected.

The euro area labour market saw record low unemployment. Only the indicators of expected business hiring fell slightly.

In Slovenia, the economic sentiment indicator increased for the second consecutive month in December, but remained lower than in the previous year. Confidence increased in all industries, but remained unchanged in services in December, and was also much higher among consumers. Manufacturing output stagnated towards the end of the year after a slow recovery in the first three quarters of 2022. Trade with EU countries also declined year-on-year. Survey indicators in trade and other private services point to the maintenance of solid domestic demand. Activity in the construction sector rebounded strongly in the first eleven months of 2022, surpassing the level of the previous year in November.

In the labour market, employment reached a new high. The mismatch between supply and demand in the labour market is very large, reflected in record labour shortages, high vacancy rates and the predominant hiring of foreigners.

GDP growth in the third quarter was 3.4% on an annualised basis, mainly driven by household final consumption, fixed capital formation and trade in services with foreign countries. For the full year 2022, GDP is 5.4% higher than in 2021, with positive contributions from final consumption and gross investment, while the contribution of the external trade balance was negative.

Inflation in 2022 was much higher than in the previous year, 2021, with annual price inflation at 10.3% (2021: 4.9%). Over one year, prices of goods rose by 11.5% on average, while prices of services rose by 7.7%. Higher prices of food and non-alcoholic beverages were the main contributors to annual inflation, at 3.1 percentage points. Increases in electricity, gas and other fuels had an impact of 1.4 percentage points, while increases in the prices of housing, household furnishings and routine household maintenance pushed inflation up by 1 percentage point. The higher price increases were linked to problems in supply chains, the war in Ukraine and the deteriorating international environment. In addition to high commodity and energy prices and the unreliability of their supply, difficulties in food production have been exerting additional cost pressures. Price increases are expected to remain high at the

[1] Sources:
Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD): Autumn forecast of economic trends 2022, Slovenian Economic Mirror 1/2023.
Bank of Slovenia: Review of macroeconomic developments, March 2023, Review of macroeconomic developments with projections, December 2022, Monthly report on bank performance, January 2023.
Websites.

beginning of 2023, before gradually easing as demand is expected to weaken and the situation in supply chains and global energy markets is expected to stabilise.

Year-on-year growth in loans to the non-banking sector remained strong in November at 12.0%, but the monthly addition to the stock of loans was lower than in previous months amid weaker current lending to non-financial institutions and households. Lending to non-financial corporations was up by 15.7% year on year. Banks strengthened their lending to households, mainly by increasing their housing lending. The volume of loans to households grew by 7.9%, mainly due to strong (10.5%) growth in housing loans, which has slowed down in recent months. At 0.4%, consumer loan growth was again positive after two and a half years. Retail deposit volume growth picked up to 6.1% in November, after declining for a few months. Deposits of non-financial corporations have been strengthening since mid-2022. Interest rates have risen markedly in the second half of 2022 for both loans to non-financial institutions and loans to households.

The deterioration in the quality of part of banks' portfolios, detected in October, spread to more non-financial institutions activities in November, but the overall share of non-performing exposures (NPEs) remained low (1.2%). However, it increased in the hospitality industry and consumer loans.

The banking system remained soundly capitalised and liquidity levels were good.

Future developments in 2023 will be influenced by events related to the Russian military aggression, which has been increasing geopolitical tensions, resulting in continued pressure on commodity prices. High inflation has led central banks to raise key interest rates. The Eurosystem raised all three key interest rates by 2.5 percentage points in 2022. Further hikes are also expected in 2023. It has also been announced that a gradual reduction of the securities portfolio will begin in the second quarter of 2023.

V.2. THE BANK’S BUSINESS OPERATING POLICY

The fundamental orientation is to achieve key strategic goals in accordance with the adopted Development Strategy until 2024, especially to achieve an adequate return on capital, improve the structure of the loan portfolio by reducing non-performing loans, sell off investment property and achieve an appropriate financial intermediation margin. On top of the mentioned strategic objectives, the Bank’s priorities remain ensuring the capital adequacy of the bank and the DBS Group in compliance with the requirement of the Bank of Slovenia, preserving liquidity and the bank’s stability, increasing revenue, and efficient risk management.

With the business growing, the aim is to further reduce the share of non-performing exposures and operate with a reasonable positive result.

Key customers still comprise the segments of households, young customers, and farmers. The Bank will also increase the use of its extensive branch network by marketing other financial services, including insurance and leasing of agricultural machinery, and by marketing mutual funds, which will broaden the range of services it offers to customers. In line with its strategy, the Bank pays special attention to approving mortgage loans. It also aims to increase the use of digital channels of commerce. In rendering services, the Bank is striving for excellent responsiveness both in terms of quality and time.

It is also devoted to preserving stability and an adequate maturity of its financial resources. With respect to investments, it intends to increase the quality of its portfolio, placing a major focus on ensuring adequate collateral covers for its receivables, the safety of investments and limiting risks in lending. The Bank continues to develop new services and processes, which will enable operations based on modern banking information technology that is better, faster, and more sales efficient and accessible to customers. The streamlining of work processes and departments continues, and operating efficiency is being enhanced across all segments of business.

By reaching its objectives, we wish to preserve our market share in Slovenia’s banking system, and reaffirm our place among the top three banks according to stage of development and branching.

V.3. THE BANK'S PERFORMANCE

V.3.1. CORPORATE BANKING

Corporate lending

The main principles used in soliciting new customers are: knowing the company well, understanding its operations, understanding the risks the Bank is exposed to doing business with the company and identifying the company's needs for financing and other banking products. Based on this, the Bank cross-markets all its services in the areas of corporate banking, treasury, payment transactions and modern payment solutions.

The Bank has pursued a conservative investment policy and dispersed its exposure among family-owned companies, SMEs and cooperatives operating in the manufacturing industry, high-tech industries, ecology-related industries, the energy sector, the tourism industry and the agri-food sector. Sales efforts were dispersed selectively, with the Bank allowing exposure to corporates and cooperatives with adequate credit ratings and operations that generate enough cash-flow to repay loans. Attention was devoted to acquiring adequate exposure collateral. In 2022, the banking market showed an exceptional orientation of banks towards micro and medium-sized enterprises. In the area of corporate lending, the Bank was confronted with very low interest rates from competing banks, which were at the same time relaxing their requirements for adequate collateral for loans. The bank has not and will not pursue this.

With customers identified as posing increased risk, the Bank intensified action for recovery or demanded additional collateral, which is in accordance with the policy of collateralisation and protection of the Bank's value.

The Bank's investments into loans to non-financial companies, the state and other financial companies totalled EUR 394,313 thousand at the end of 2022. This was an increase by EUR 25,512 thousand compared to the year-end of 2021. The increase was mainly due to the growing exposures to municipalities and, on the other hand, to the successful resolution of non-performing exposures.

The Bank continued to reduce its non-performing exposures in 2022, which remains an important activity. Non-performing exposures amounted to EUR 21,188 thousand at the end of 2022, representing a 1.70% share. The reduction of non-performing exposures is a relevant factor conditioning the growth of corporate lending and thus accelerating the (private) investment cycle. The Bank took a case-by-case approach to assessing the rationale for restructuring, and approached the restructuring of those companies that it considered to have an appropriate business model and were viable in a competitive market environment, following the Slovenian Restructuring Principles adopted by the Association of Banks of Slovenia and the recommendations of the Bank of Slovenia. In cases where it considered that restructuring was not possible or economically viable, it intensified recovery.

In 2022, the Bank had no significant direct investments with exposure to clients in the area of the Ukraine-Russia conflict or to clients whose business would depend significantly on transactions from those areas.

Running accounts and DBS PRONET electronic banking for corporate customers

At the end of 2022, the number of active corporate transaction accounts was slightly higher than in the preceding year, with 96.16% of its corporate customers having an active transactional account with the Bank using DBS PRONET.

Payment transactions

In 2022, the Bank followed trends in state-of-the-art developments in payment transactions and complied with legal requirements. In addition to individual credit transfers and instant payments, it offers its customers SEPA mass payments, SEPA direct debit, payment cards, and the issuing and paying of e-invoices. By joining the new TIPS payment system for instant payments between bank accounts in the EU and BIPS IP for instant payments, the Bank enables traders to receive instant payments at sale outlets.

In accordance with the Payment Services Directive (PSD2), the Bank offers a payment ordering service and an account information provisioning service within open banking and has security mechanisms in place for online payments, having introduced strong authentication to ensure the Bank's compliance with the before-mentioned directive.

The Bank integrates into modern payment systems by maintaining and upgrading sophisticated IT support, thereby ensuring access to central bank money for the Bank and high-quality services for its customers. The majority of the Bank's corporate payment traffic was handled by the BIPS IKP and TARGET2 internal and domestic payment systems, as well as by the SEPA EKP international and cross-border payment system. In 2022, the Bank started to increase the volume of its instant payment traffic, and in 2023, it plans to transfer the processing of all credit transfers to instant payment systems.

With respect to international operations, the Bank offers its customers guarantees, letters of credit, and collection, and maintains good business relations with other banks by adequately servicing its current account and correspondent banking network. It also offers international payment transaction services to savings banks in Slovenia.

Corporate deposits

Corporate term deposits, including deposits by foreign entities, deposits by the state, and deposits with characteristics of subordinated debt, amounted to EUR 21,200 thousand as at 31 December 2022, down 39% compared to the previous year. The Bank adjusted its activity aimed at collecting corporate deposits to the liquidity situation, thereby monitoring markets and investment opportunities. Corporate demand deposits, including deposits by the state, and deposits by foreign entities amounted to EUR 100,840 thousand at the end of 2022, up 4% compared to the previous year. Until 31 July 2022, the Bank also charged a fee for higher balances of sight deposits.

V.3.2. RETAIL BANKING AND BUSINESS NETWORK

The bank's operations in the field of retail banking in 2022 were affected by the tight market conditions and the uncertain economic situation, which constrained the economic activity of households – individuals, farmers and sole proprietors.

Collected funds

The balance of collected funds from households, including foreign entities and non-profit institutions serving households, and deposits with characteristics of subordinated debt, amounted to EUR 983,122 thousand at the end of 2022, up EUR 48,117 thousand, or 5%, compared to the end of 2021. Of this, funds collected from households, mostly sight deposits, totalled EUR 916,851 thousand. The Bank also charged a fee on household deposits until 31 July 2022.

Lending

The balance of loans and advances to retail customers amounted to EUR 363,250 thousand at the end of 2022, an increase by EUR 8,350 thousand, or 2%, compared to the year-end of 2021.

Despite increased competition and restrictions introduced by the Bank of Slovenia, the Bank managed to achieve growth and preserve the quality of its credit portfolio in lending business for the segment of households. In the field of housing loans, extremely low interest rates were detected in the banking market in 2022, resulting in high repayments of past loans. Competing banks even offered fixed-rate loans with maturities of up to 30 years. This was not pursued by the bank because of the exposure to excessive interest rate risk that would arise from such investments.

In 2022, safety and limitation or risks were again at the forefront for the Bank. Expedient and intensified daily debtor treatment helped the Bank keep the volume of overdue defaulting receivables from its retail customers at a manageable level.

Transaction accounts

In 2022, the Bank continued to actively open transaction accounts. This is closely related to the cross-marketing of products, as the Bank offers its products in packages that enable customers to expand their cooperation with the Bank to several areas and banking services. In an effort to increase the number of transaction accounts, the Bank continued marketing special offers, such as: Sowing Package, Harvest Package, Secondary On-farm Activity Package, Transferee of a Farm Package, and Package for private entrepreneurs, associations and other legal persons governed by private law. The Bank's primary focus is with customers that ask for full-functionality accounts.

In 2022, the Bank was regularly closing inactive transaction accounts.

Numismatics

The Bank continues to sell numismatic – collector and commemorative – coins, as this is an important contribution to maintaining the Bank's visibility in its environment. Three issues of collector and commemorative coins were realised in 2022: celebrating the 150th anniversary of the birth of Jože Plečnik, the 150th anniversary of the birth of Matija Jama and the 35th anniversary of the Erasmus programme.

Electronic banking for individuals – DBS NET

In 2022, the Bank further increased both the number of transactional accounts with the E-banking functionality, and the number of E-bank users. This is the result of a larger number of younger customers, and the Bank actively redirecting existing customers to process payment transactions via the E-bank or mobile bank.

Regular functional upgrades of the online and mobile bank were carried out to improve the customer experience. In parallel, activities for a more comprehensive overhaul of online banking have begun and will continue in 2023.

Insurance brokerage

In 2022, the Bank cooperated with Zavarovalnica Sava, d. d. in the distribution of insurance products. The Bank continued to optimise its operations in this area and expanded its range of marketed insurance products.

Marketing mutual funds

In 2022, the Bank started marketing mutual funds. In this area, it cooperates with DZU Generali Investments.

The Bank's ATM network

As at 31 December 2022, the Bank's ATM network consisted of 21 machines.

Payment cards

The growth trend in the volume of card business continued in 2022. Both the number of issued Mastercard debit cards and Mastercard credit cards were up. Despite the fact that the Bank issues to its customers a Mastercard debit card that is widely accepted at online points of sale, which also has an impact on the decline in interest in prepaid and post-paid cards, there was still interest in both products in 2022. Compared to the previous year, a decline in interest was detected, but customers are still in demand for all card products due to the characteristics and benefits of using individual cards, i.e.: debit cards for everyday use at ATMs, physical points of sale and online shopping; prepaid cards for transactions with previously secured and limited funds (these are used predominantly in online and travel transactions), deferred payment cards when customers make larger purchases and settle liabilities to the bank in instalments or when settlement of liabilities with delayed payment is more appropriate with regard to their payment habits.

Marketing UPN forms via outsourcers

In 2022, the Bank outsourced the marketing of standard payment order forms (so-called UPN forms) to five providers.

V.3.3. OPERATIONS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Operations with domestic and foreign banks in 2022 comprised deposits placed and conversions, with which the Bank provided liquidity and managed net open foreign exchange positions.

In 2022, the Bank did not borrow funds in the interbank market. As to investments, exposure to the banking sector was within the set limits.

V.3.4. SECURITIES TRANSACTIONS

Debt and equity securities

The Bank’s portfolio of debt securities as at 31 December 2022 was worth EUR 171,450 thousand. In line with its adopted strategy, in 2022, the Bank replaced matured and sold debt securities with new ones, focusing mainly on top-rated securities that meet the criteria for eligible underlying assets of the Eurosystem.

To a lesser extent, the Bank has equity securities in the trading portfolio in the total value of EUR 70 thousand.

In purchasing new debt securities, decisions were based on the Bank's needs, which depended on the maturity periods of its liabilities, the liquidity coverage ratio (LCR), the liquidity ratio, the capital adequacy ratio, safety, and return on investment. The Bank's investment policy was highly conservative in general.

Equity investments

The total value of equity investments as at 31 December 2022 amounted to EUR 7,957 thousand, of which investments in subsidiaries represented a 66% share, investment in the Bank Resolution Fund a 32% share, and other investments a 2% share.

V.3.5. PROPERTY MANAGEMENT

The Bank manages its own property, which it needs to carry out its activities, and the property acquired in insolvency or recovery proceedings.

The bank actively monitors the property market and events in the local environment and searches for buyers or tenants to sell and lease property and investment property as efficiently as possible, all with the aim of achieving the highest possible prices and returns.

The size of the real estate portfolio decreased by a net EUR 1.8 million or 10.20% in 2022. The Bank acquired EUR 343 thousand of new property in foreclosure and bankruptcy proceedings during this period. Efficient sales contributed to the reduction of the total volume of the portfolio, as the Bank sold EUR 2.1 million of property in 2022, generating an overall positive result on sales.

In 2023, the Bank will continue intensive marketing activities to further reduce the volume of property.

V.4. FINANCIAL RESULTS AND FINANCIAL POSITION

V.4.1. FINANCIAL RESULTS

DEŽELNA BANKA SLOVENIJE GROUP

In 2022, the Group reported EUR 8,354 thousand of profit from ordinary operations before tax, which is a 44% or EUR 2,567 thousand increase year-on-year (2021: EUR 5,787 thousand). The net profit for the year amounted to EUR 7,457 thousand (2021: EUR 4,695 thousand). The DBS Leasing subsidiary improved the Group's performance slightly as it recorded a profit, while subsidiaries DBS Nepremičnine and DBS Adria operated at a small loss.

Group net interest income amounted to EUR 18,797 thousand, an increase by EUR 2,965 thousand year-on-year. The majority of interest income results from the Bank's operations, including loans, borrowings, deposits and securities. The consolidation of subsidiaries into Group statements has increased financing income and net interest income by EUR 615 thousand.

Net fee and commission income amounted to EUR 8,752 thousand, up EUR 655 thousand from a year earlier. The majority of net fees and commissions refer to the operations of the Bank, and are attributable mainly to income from fees and commissions on payment transactions and the administrative services provided.

In 2022, net gains on the derecognition of financial assets and liabilities not measured at fair value through profit or loss totalled EUR 7 thousand (2021: EUR 285 thousand).

Net gains on the derecognition of non-financial assets amounting to EUR 527 thousand (2021: EUR 671 thousand) mostly relate to gains on sales of the Bank's property.

Net income from reversal of impairment of financial assets measured at amortised cost and for non-financial assets amounted to EUR 1,023 thousand. Reversal of impairment on loans and debt securities amounted to EUR 1,756 thousand net income, up EUR 2,512 thousand compared to the previous year. The impairment charge against investment property contributed EUR 733 thousand of net expenses. Net provision expenses totalled EUR 249 thousand, an increase by EUR 532 thousand compared to 2021.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank recorded a positive result in 2022, achieving profit before tax of EUR 8,277 thousand (2021: EUR 5,951 thousand) and profit after tax of EUR 7,382 thousand (2021: EUR 4,859 thousand). The after-tax comprehensive income is EUR 7,677 thousand (2021: EUR 4,901 thousand). Operating profit before impairments and provisions, and before tax, was EUR 7,158 thousand (2021: EUR 7,001 thousand).

The result in 2022 was positively impacted by a EUR 2,751 thousand increase in net interest income and a EUR 2,221 thousand increase in net income from the reversal of impairments on loans and debt securities, and negatively by a EUR 1,259 thousand decrease in gains on financial assets at fair value through profit or loss that are not held for trading.

Net interest income in 2022 amounted to EUR 18,182 thousand, an increase by EUR 2,751 thousand year-on-year (2021: EUR 15,431 thousand). Interest income was higher by EUR 2,613 thousand, mostly due to higher interest received on loans to the state and households and on debt securities whereas interest income from corporate loans was lower. Interest expense was down EUR 138 thousand year-on-year, attributable to lower interest on household deposits.

Net fee and commission income totalled EUR 8,808 thousand, up EUR 661 thousand year-on-year (2021: EUR 8,147 thousand). Fee and commission income increased by EUR 592 thousand, mainly on account of higher fee and commission income from payment transactions and administrative services, Fee and commission paid was down EUR 69 thousand year-on-year.

Net income from impairments amounted to EUR 1,351 thousand, while impairments were lower by EUR 2,685 thousand compared to the previous year (2021: EUR 1,334 thousand of net expenses). In 2022, net impairment income on loans and debt securities increased by EUR 2,221 thousand compared to the previous year and amounted to EUR 1,540 thousand (2021: EUR 681 thousand net expenses). Net income from the reversal of impairments of capital investments in subsidiaries amounted to EUR 439 thousand (2021: EUR 566 thousand). Impairment of investment property resulted in net income of EUR 628 thousand, which was EUR 591 thousand lower than in the previous year. In 2022, there was a net expense of EUR 232 thousand from provisions (2021: net income of EUR 284 thousand). Reversed provisions for potential off-balance sheet liabilities totalled EUR 6 thousand of net income, and other provisions amounted to EUR 238 thousand of net expenses.

Other net operating gains totalled EUR 1,495 thousand (2021: EUR 1,250 thousand). Gains included EUR 792 thousand of lease income.

The Bank's operating expenses in 2022 amounted to EUR 22,096 thousand (2021: EUR 20,289 thousand). Employee benefits cost totalled EUR 13,463 thousand, up EUR 1,093 thousand from 2021. Overhead and administrative expenses amounted to EUR 5,659 thousand and were EUR 116 thousand higher than in 2021. Costs for payments into the bank resolution fund and the deposit guarantee scheme amounted to EUR 1,717 thousand and were EUR 547 thousand higher than in 2021. Amortisation and depreciation expenses amounted to EUR 1,257 thousand, up EUR 51 thousand compared to 2021.

V.4.2. FINANCIAL POSITION

DEŽELNA BANKA SLOVENIJE GROUP

The Group's total assets amounted to EUR 1,190,575 thousand at the end of 2022, up EUR 37,568 thousand or 3% since the beginning of the year. The total assets of subsidiaries amounted to EUR 20,129 thousand, and represent 1.7% of the Group's total assets (31 Dec 2021: 1.5%). After the elimination of inter-company relationships, the Group's total assets exceeded the Bank's total assets by EUR 562 thousand, i.e. 0.05%.

Loans and other financial assets of the Group amounted to EUR 764,441 thousand at the end of December, up EUR 35,269 thousand. Loans and advances to banks decreased to EUR 1,189 thousand, while loans and advances to customers (including the state) were up EUR 34,808 thousand to EUR 761,187 thousand.

The carrying amount of tangible assets totalled EUR 27,538 thousand as at 31 December 2022. Investments in the capital of three subsidiaries were deduced from equity investments in the consolidation process in the total amount of EUR 5,243 thousand.

Financial liabilities measured at amortised cost (including deposits, loans, subordinated liabilities and other financial liabilities) totalled EUR 1,108,934 thousand at the end of December. Deposits and borrowings from banks and the central bank were down EUR 2,511 thousand year-on-year, to EUR 55 thousand, and deposits by customers, including deposits from the state increased by EUR 38,792 thousand to EUR 1,105,101 thousand.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank's total assets amounted to EUR 1,190,013 thousand at the end of 2022. This is an increase by EUR 36,912 thousand or 3% year-on-year, attributable mainly to higher deposits by households.

Corporate deposits, including state deposits, decreased by EUR 9,711 thousand by the end of 2022 due to a decrease of EUR 5,954 thousand in deposits by the State and EUR 3,757 thousand in corporate deposits. Under investments, loans and advances in this segment were up EUR 25,512 thousand.

Household deposits increased by EUR 48,117 thousand in 2022, with loans and advances to households up EUR 8,350 thousand.

Under borrowings from banks and the central bank, the balance decreased by EUR 2,511 thousand by the end of 2022. As to investments, balances with the central bank increased, and together with the minimum reserve, totalled EUR 210,152 thousand at the end of December.

Equity investments in subsidiaries totalled EUR 5,243 thousand, up EUR 439 thousand from the beginning of the year. The equity investment in the DBS Leasing d. o. o. subsidiary increased by EUR 442 thousand due to reversal of impairment, totalling EUR 3,720 thousand at the end of 2022. Because of the impairment charge, the equity investment in DBS Nepremičnine decreased by EUR 3 thousand and totalled EUR 1,523 thousand at the end of the year. As there were no changes in the equity investment in DBS Adria in 2022, it amounted to EUR 0 thousand at the end of the year.

In 2022, the Bank reduced the volume of investment property by a total of EUR 1,886 thousand or 11%, and increased its inventory of properties by EUR 62 thousand. At the year-end of 2022, the total value of property amounted to EUR 15,769 thousand.

V.5. SHAREHOLDERS' EQUITY

The Group's equity as at 31 December 2022 amounted to EUR 77,358 thousand, up EUR 5,230 thousand year-on-year.

The Bank's equity as at 31 December 2022 amounted to EUR 77,178 thousand, up EUR 5,149 thousand year-on-year. The equity increased by EUR 7,382 thousand under the current operating result, and by EUR 295 thousand under accumulated other comprehensive income, of which a EUR 50 thousand increase was due to a decrease in loss under changes in the fair value of investments in equity instruments measured at fair value through other comprehensive income, and EUR 245 thousand from an decreased loss from actuarial losses for employees.

The share book value as at 31 December 2022 was EUR 18.238097. It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central securities register of the Slovene Central Securities Clearing Corporation (KDD) less treasury shares.

The Bank's 10 largest shareholders as entered in the KDD central securities registry as at 31 December 2022:

Shareholder	Number of shares	Stake in %, considering all shares in KDD
KD Group d. d.	1,021,866	24.002
Kapitalska zadruga, z. b. o.	894,158	21.002
Kritni sklad PRVA+ ZAJAMČENI	422,557	9.925
Skupina Prva d. d.	422,557	9.925
Banca Popolare di Cividale S.C.p.A.	228,289	5.362
ČZD Kmečki glas, d. o. o.	200,000	4.698
Zadružna zveza Slovenije, z. o. o.	171,848	4.036
Raiffeisen Bank International AG (RBI) - fiduciarni račun	106,118	2.493
Kritni sklad PRVA IN PRVA+ URAVNOTEŽENI	104,716	2.460
Kritni sklad PRVA IN PRVA+ DINAMIČNI	95,304	2.239
Total	**3,667,413**	**86.140**

The Bank's share capital amounts to EUR 17,811,083.54 and is divided into 4,268,248 ordinary no par value shares of the same class. The KDD central registry has on record 4,257,483 no par value shares. The difference of 10,765 shares is due to the fact that certain shareholders have not yet changed their paper stock into dematerialised securities. As at 31 December 2022, the Bank held 25,801 repurchased treasury shares, which is 0.606% of all issued shares.

VI. CORPORATE GOVERNANCE STATEMENT OF DEŽELNA BANKA SLOVENIJE d. d. FOR THE YEAR ENDED 31 DECEMBER 2022

Pursuing a high level of transparency in corporate governance, Deželna banka Slovenije d. d., (hereinafter also referred to as the Bank) as the controlling company in the Deželna banka Slovenije Group, is hereby making a corporate governance statement pursuant to the provision of Article 70 (5) of the Companies Act.

VI.1. STATEMENT OF INTERNAL GOVERNANCE ARRANGEMENTS

Based on Article 70 (5), item 2, of the Companies Act, the Bank is hereby, as part of the Business Report inside its Annual Report, making the following Statement of internal governance arrangements.

The Bank pursues an internal governance arrangement, including corporate governance, pursuant to the legislation valid in the Republic of Slovenia, while also abiding by its internal acts.

The Bank thereby fully complies with the acts listed in Article 9 (2) of the Banking Act[2].

With a view to strengthening our internal governance arrangements we abide by the following, in particular, in conducting our operations:

1) The provisions of the valid Banking Act on internal governance arrangements, especially the provisions of Chapters 3.4 (Governance System of a Bank) and 6 (Internal Governance Arrangements and Internal Capital Adequacy) referring to banks and members of the management body;
2) Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks[3], and
3) Guidelines of the European Banking Authority (EBA) on internal governance, the assessment of the suitability of members of the management body and key function holders, and remuneration policies and practices.

The Bank has adopted a Management Policy, which defines the basic areas of corporate governance; a summary of the document is publicly disclosed and published on the company's website. The Bank has not committed to apply any of the public codes and has adopted a Code of Conduct, published on its website, the provisions of which it fully complies with in its work.

By signing this declaration we also undertake to continue acting pro-actively towards strengthening and promoting an adequate internal governance arrangement and corporate integrity in the professional public, financial and economic sector, and the general public.

[2] Banking Act (ZBan-3), Official Gazette RS 92/21, with amendments.

[3] Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, Official Gazette of the RS No 115/21, with amendments.

VI.2. OUTLINE OF MAIN CHARACTERISTICS OF INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Deželna banka Slovenije d. d. has an efficient system of internal controls and risk management functioning at all levels of its organisation structure, including at the level of commercial, control and support functions and at the level of each financial service. To this end, the Bank strives to pursue a sturdy and reliable governance system which entails:

- a clear organisation structure with precisely defined, transparent and consistent internal relationships as to responsibility;
- efficient processes for detecting, measuring and assessing, controlling and monitoring risk, including restoration plans and reporting on the risks that the Bank is or could be exposed to in its operations;
- adequate internal control system that includes suitable administrative and accounting procedures (work procedures to ensure and preserve timely, comprehensive and reliable data, reporting, limits restricting exposure to risk, and physical and automatic controls);
- adequate remuneration policy and practice that is consistent with prudent and effective risk management as promoted by the Bank, and also gender-neutral.

The Bank’s objective is to ensure that its business objectives, strategies and policies are adequately balanced with its Risk-taking and Risk Management Strategy and with its policies of risk-taking and risk management for different types of risks that the Bank is or could be exposed to in its operations.

To obtain an independent and objective assessment of the efficiency and compliance with internal controls, the Bank has set up internal control functions (risk management, operations compliance, money laundering prevention, information security management, and internal audit activity).

Risk management in relation to the financial reporting process includes processes for ensuring the authenticity, accuracy, integrity and completeness of accounting information, and processes for ensuring that financial disclosures are timely and fair in both internal and external reports. In accounting procedures, internal controls are based on an adequate delimitation of powers and responsibilities.

Books of account, business documentation and other administrative records are kept in a manner so as to reveal systematically and at any time whether the Bank's operations comply with risk management regulations.

Compliance of the internal control system and risk management with banking rules is inspected annually by external auditors that examine the Bank's annual report.

VI.3. OPERATIONS AND KEY COMPETENCES OF THE GENERAL MEETING, AND A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THEY CAN BE EXERCISED

The General Meeting (GM) is composed of the Bank’s shareholders. It is convened by the Management Board at least once a year and additionally when this is urgent for the Bank's best interest. It may also be convened by the Supervisory Board, especially when the Management Board had not done so in due time or when this is necessary to ensure the Bank's smooth operations. It may also be convened upon demand of the shareholders whose aggregated shares amount to one twentieth of equity.

Pursuant to the Deželna banka Slovenije d. d. Statutes, the General Meeting adopts decisions on the appropriation of distributable profit as proposed by the Management Board and Supervisory Board; endorsement of the annual report in case it was not approved by the Supervisory Board or if the Management Board and Supervisory Board leave this decision to the GM; the Internal Audit Department annual report and the related Supervisory Board opinion; discharging the Management Board and Supervisory Board from liability; nominating and recalling Supervisory Board members; capital increases and decreases, except in cases when the Statutes stipulate the decision to be in the competence of the Management Board; adopting amendments and supplements to the

Statutes (the GM adopts amendments and supplements to the Statutes by a three-quarters majority of the votes cast); the dissolution of the Bank and changes of its status; appointing auditors; the General Meeting Rules of Procedure, and other matters as provided for by the Statutes and the law. The GM adopts decisions on issues related to managing the Bank's business if so requested by the Management Board after the Supervisory Board had refused its consent. The GM adopts decisions with a majority of the votes cast, except in cases where the law or the Statutes stipulate a three-quarters majority of the votes cast.

Those shareholders may attend the General Meeting and cast their votes who hold ordinary shares and are recorded in the central registry of dematerialised securities at the end of the seventh day prior to the General Meeting and who have confirmed their attendance in writing not later than at the end of the fourth day prior to the General Meeting. They may exercise their rights at the General Meeting in person or through their agent or authorised representative.

Pursuant to the Statues and the law, shareholders may propose that additional items be added to the GM agenda or file counterproposals to individual items of the agenda.

The Deželna banka Slovenije d. d. dividend policy is based on the main objectives defined in strategic plans, statutory provisions and recommendations of the Bank of Slovenia and European Central Bank. The recommendations stipulate that the Bank form a conservative dividend policy based on which to be able to comply with minimum capital requirements. The Bank’s management and owners are aware at all times that capital adequacy, the related statutory provisions and growth of the volume of business are crucial for the Bank’s long-term viability and continual increase of the value of assets invested in its operations.

Deželna banka Slovenije d. d. has devised a dividend payment policy, which states that it will strive for the following:

- regular payment of the dividend if:
  - the bank's capital adequacy not being jeopardized,
  - the payment not violating the regulator's recommendations or requirements;
- subject to the conditions set out in the preceding indent, after each audited annual report and following a decision of the GM, the Bank will pay the dividend, as a rule, amounting to not more than 25 percent of net profits.

VI.4. COMPOSITION AND OPERATIONS OF MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

Deželna banka Slovenije d. d. operates under a two-tier system of governance. The Bank is run by the Management Board, and their work is overseen by the Supervisory Board. The Bank’s internal governance and organisational structure are implemented pursuant to the Slovenian and European legislation in force, internal acts, and best practice standards in corporate governance.

Management Board

In 2022, the Bank’s Management Board was composed of:

- Marko Rozman, President
- Barbara Cerovšek Zupančič MSc, Member.

The Management Board runs and manages the Bank autonomously and at its own responsibility, which they have to perform with due professional care and thus ensure for the Bank to operate in compliance with the requirements of the Banking Act as well as with highest ethical and professional standards of governance, while also being attentive to prevent potential conflicts of interest. Pursuant to the Slovene Banking Act, the two members of the Management Board represent the Bank jointly.

The members and president of the Management Board are appointed and discharged by the Supervisory Board.

They are appointed for a maximum five-year renewable term. The Management Board has two members, who hold weekly meetings. The function of member of the Bank's Management Board may only be performed by a person who has obtained the requisite licence. The Supervisory Board must make a decision regarding the appointment of an individual as member of the Bank's Management Board – and obtain, to that end, the Nomination Committee's estimate on the suitability of this person to act as member of the Management Board – prior to this person filing for the licence for acting as member of the board.

The Management Board is fully responsible for the Bank's operations and its risk management, including for approving the Bank's strategic goals and overseeing their implementation, for defining, adopting and regularly revising the strategy of risk-taking and risk management, for internal governance arrangements, for ensuring the integrity of accounting and financial reporting systems, which include financial and operational control and ensuring the compliance of the Bank's operations with applicable norms and standards, and for overseeing information disclosure procedures and reporting to the competent authorities and other interested parties. The Management Board is also responsible for providing efficient supervision of senior management.

Activity of the Management Board is governed by the Management Board Rules of Procedure. The Management Board may appoint collective bodies to which it transfers certain decision-making rights, as well as working and advisory bodies from the ranks of bank employees. Important roles are also assigned to different boards and committees that make decisions in line with their respective powers and competences: Lending Committee, Asset Liability Management Board, Non-performing Loans Board, Liquidity Committee, Property Board, Investment Board, Operational Risk Board, Information Security Board, Safety Board and Crisis Team.

Supervisory Board

Members of the Supervisory Board are elected by the Bank's General Meeting at the recommendation of the Supervisory Board, with a simple majority of the votes cast, for a four-year re-electable term. The function of member of the Bank's Supervisory Board may only be performed by a person who has obtained the requisite licence. The GM recalls members of the Supervisory Board with a three-quarter majority of the votes cast.

In 2022, the Supervisory Board was composed of:
- Ivan Lenart, Chair,
- Boštjan Škufca Zaveršek, Vice-Chair,
- Nikolaj Maver, member,
- Gregor Sluga, member,
- Jure Kvaternik, member (until expiry of term of office on 8 Oct 2022),
- Iris Dežman, member.

The Supervisory Board supervises how the Bank's business is being run, in particular how its strategic goals are implemented. It designs, adopts and regularly revises the Risk-taking and Risk Management Strategy and contributes to setting up and coming to life of a stable internal governance arrangement in the Bank, thereby taking into account the policies and measures aimed at preventing the occurrence of conflicts of interest.

The Supervisory Board makes decisions on nominating and recalling members of the Management Board, and approval of contracts between members of the Management Board and the Bank, adopts the Remuneration Policy and oversees its implementation, proposes to the General Meeting members of the Supervisory Board for election and auditors for appointment, verifies the annual report and submits to the General Meeting a written report on the annual report and the proposal for the distribution of the distributable profit, confirms the annual report and verifies financial and other reports composed by the Management Board and gives opinion on any such report. The Supervisory Board gives its consent to the Bank regarding the matters laid down in law or statutes.

Supervisory Board committees

The Supervisory Board appoints committees acting as its advisory bodies. Each committee consists of its president and at least two members, who are also members of the bank's Supervisory Board. The committees act in accordance with their rules of procedure.

The Audit Committee provides the Supervisory Board with expertise related to internal audit and the system of internal controls, and assesses the composition of annual reports. It monitors the financial reporting process, oversees the integrity of financial information, helps determine important areas of internal audit, and undertakes other related tasks. In 2022, the Committee met at four meetings.

Until 8 October 2022, the Committee was composed of:
- Iris Dežman, President,
- Jure Kvaternik, member,
- Nikolaj Maver, member.

Since 25 October 2022, the Committee has been composed of:
- Iris Dežman, President,
- Nikolaj Maver, member,
- Gregor Sluga, member.

The Risk Committee attends to efficient and prudent risk management at all levels of the Bank's operations, monitors the efficiency of risk management systems, and advises the Supervisory Board regarding the Bank's current and future risk appetite. In 2022, the Committee met at four meetings.

In 2022, the Risk Committee was composed of:
- Boštjan Škufca Zaveršek, President,
- Ivan Lenart, member,
- Gregor Sluga, member.

The Nomination Committee is the Supervisory Board's expert working body charged with appointing members of the management body, determining the tasks and conditions to be met in order to win an appointment, assessing the suitability of individual members and the management body as a whole, and with different advisory HR tasks and other related assignments. In 2022, the Committee met at eight regular meetings.

In 2022, the Nomination Committee was composed of:
- Gregor Sluga, President,
- Boštjan Škufca Zaveršek, member,
- Nikolaj Maver, member.

Number of directorships held by members of the Management Board and Supervisory Board in other companies and organisations as at 31 December 2022

	Number of directorships in other companies and organisations pursuant to Article 435 (2) (a) of the CRR Regulation	Number of directorships in other companies and organisations pursuant to Article 38 of the ZBan-3
Management Board		
Marko Rozman	0	0
Barbara Cerovšek Zupančič	1	1
Supervisory Board		
Ivan Lenart	1	1
Nikolaj Maver	3	3
Iris Dežman	0	0
Jure Kvaternik (until 8 October 2022)	2	2
Boštjan Škufca Zaveršek	5	5
Gregor Sluga	1	1

VI.5. DESCRIPTION OF THE DIVERSITY POLICY

In accordance with the Policy for the Selection of Members of the Management Body, the complementarity and diversity of competencies of individual members of the management body should be achieved. Diversity in the body's composition is reflected in its members' diverse professional experience and know-how, age, education, expertise and personal characteristics. The later includes gender balance in the management body, which is achieved by increasing the number of members of under-represented gender. The Nomination Committee sets the target representation of the under-represented sex and the guidelines for achieving this target. Once a year, it assesses the structure, size, composition and performance of the Management Board and the Supervisory Board and makes recommendations on possible changes in this regard, thus ensuring the diversity of representation in management and supervisory bodies.

VI.6. INFORMATION UNDER ARTICLE 70 (6) OF THE COMPANIES ACT

Major direct and indirect shareholdings

As at 31 December 2022, the Bank had five shareholders with qualified stakes (of over 5%) as outlined in the Takeovers Act, as follows:

1. KD Group d. d.	1,021,866 shares (24.002%)
2. Kapitalska zadruga, z. b. o., Ljubljana	894,158 shares (21.002%)
3. Prva Pokojninska družba, d. d.*	668,338 shares (15.698%)
4. Skupina Prva d. d.	422,557 shares (9.925%)
5. Banca Popolare di Cividale S.C.p.A.	228,289 shares (5.362%)

* The insurer Prva Pokojninska družba, d. d., holds shares in its own name and for the account of pension guarantee funds it manages, as follows:

• KRITNI SKLAD PRVA+ ZAJAMČENI	422,557 shares (9.925%)
• KRITNI SKLAD PRVA IN PRVA+ URAVNOTEŽENI	104,716 shares (2.460%)
• KRITNI SKLAD PRVA IN PRVA+ DINAMIČNI	95,304 shares (2.239%)
• KRITNI SKLAD PRVA ZAJAMČENI	45,761 shares (1.074%)

As at 31 December 2022, the Bank had three shareholders on qualified stakes (above 5%):

1. Alenka Žnidaršič Kranjc	1,092,492 shares (25.661%)
2. KD d. d.	1,021,866 shares (24.002%)
3. Zadružna zveza Slovenije, z. o. o.	371,848 shares (8.734%)

Special control rights

All Bank's issued shares are of the same class and carry the same rights. None of the shareholders have special control rights.

Restrictions Related to the Transfer of Shares

There are currently no share transfer restrictions.

Employee Share Scheme

The Bank has no employee share scheme.

Restrictions related to voting rights

Any shares of the Bank owned by Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., acquired by the company on the basis of Article 48 a of the Book-Entry Securities Act, do not give this holder voting rights.

Agreements among shareholders known to the Company that may result in limitation of share transfer or voting rights

The company has not been informed of any such agreements.

The rules on appointments and replacements of members of management or supervisory bodies, and on amendments of the Statutes

The President of the Management Board is appointed by the Supervisory Board, for a renewable term of up to five years. Members of the Management Board are appointed by the Supervisory Board following a prior proposal by the President of the Management Board, for a renewable term of up to five years. The Supervisory Board may recall a Member of the Management Board or cancel the appointment of the President of the Management Board in case the relevant person has seriously breeched their obligations or are unable to manage the Bank, as well as for statutory reasons. Members of the Supervisory Board are elected by the Bank’s General Meeting at the recommendation of the Supervisory Board, for a four-year renewable term. A simple majority of votes is sufficient for election. The General Meeting may recall any member of the Supervisory Board by a three-quarters majority of the votes cast if the relevant person has lost the trust of shareholders, if they no longer meet the legal requirements or have disclosed a trade secret.

Amendments to the Company’s Articles of Association

Amendments to the Articles of Association are adopted by the General Meeting by a three-quarters majority of votes.

Authorisation of members of the management regarding issue or purchase of treasury shares

Members of the management are not authorised to issue or purchase the company’s treasury shares.

Agreements under item 10 of Article 70 (6) of the Companies Act (ZGD-1)

In rare cases, the counterparty has the right to withdraw from the contract concluded with the Bank under certain conditions in the event of a qualified change of ownership in the Bank.

Agreements under item 11 of Article 70 (6) of the Companies Act (ZGD-1)

Members of the Management Board are entitled to severance pay in the event of termination of the employment contract due to dismissal for business and economic reasons. Members of the Bank's senior management are entitled to severance pay under individual employment contracts in the event that they are dismissed due to status changes.

Ljubljana, 26 April 2023

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Barbara Cerovšek

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

VII. NON-FINANCIAL STATEMENT OF THE DEŽELNA BANKA SLOVENIJE GROUP FOR THE YEAR ENDED 31 DECEMBER 2022

The non-financial statement of the Deželna banka Slovenije Group has been devised pursuant to the requirements of the Companies Act (ZGD-1) and Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

VII.1. INTRODUCTION

Deželna banka Slovenije d. d. has always been the financial pillar supporting the Slovene agriculture sector and rural areas. Its operations and development have primarily been directed to supporting farmers, the agricultural activity, cooperatives, SMEs, associations, members of cooperatives and agri-food companies. Having diverse ownership, the bank exploits mutual advantages and strives towards economic, social and cultural development of local communities. The Bank makes an important contribution to the preservation of natural and cultural heritage. The success of our Group is driven primarily by our customers, employees and other stakeholders.

VII.2. BUSINESS MODEL

The Deželna banka Slovenije Group (Group) consists of the Bank and the subsidiaries: DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. In the implementation of strategic orientation and sustainable development targets, the Group acts as one.

The Group is consistent in respecting the following values:
- putting people at the centre,
- satisfaction and trust,
- responsibility,
- affiliation,
- sustainable development.

The basic principles and values are defined in more detail in the Code of Conduct, which is publicly available on the Bank's website.

The Bank is a universal all-Slovenian bank. With its widespread network of branches in the country it operates throughout Slovenia, providing a wide range of banking and financial services. Its subsidiaries are active in leasing moveable property (including farming machines and equipment), trading and managing immovable properties.

The current model has proven successful in terms of business performance, with the Bank constantly supplementing its services to the primarily rural client, thus offering a complete solution. We are thus using mutual advantages and aiming at the economic, social and cultural development of local communities. This has a major impact on the preservation of natural and cultural heritage.

In order to achieve profitability and Bank's long-term performance, we are constantly upgrading our business model, adapting it to the challenges of the external environment where we operate and to the expectations of all stakeholders integrated into the Bank's operation.

Rapid technological development, changing customers' demands and needs, and competitive providers of financial services are making the Bank adapt actively to changes in the financial market. At the Bank, we follow trends in banking and effectively introduce market innovations into our operations. The major part of activities is implemented in the area of improving the user experience, rationalising the Bank's business processes, and introducing new products and services, while also using all opportunities provided by the latest information technology and ensuring safe banking operations.

In performing business activities, employees in the Group follow the principles of sustainable development and social responsibility, as described below.

VII.3. MATERIAL ASPECTS (environment)

a) Social corporate responsibility

We are a socially responsible Group, placing a strong emphasis on close ties with the environment and coordinating the activities of local communities and the economy, thus giving back to society what we receive.

As a Group, we are a link in the chain ensuring the sustainable development of Slovenian rural areas, participating with our services and products in numerous projects that are of vital importance for ensuring a better quality of life, new jobs, use of renewable resources, green tourism, high quality ecologically produced food, a range of indigenous Slovene varieties and orderliness of the living environment and landscape. Approximately half of all agricultural subsidies being directed through our Bank, we are an important distributor of aid for rural development from European and national funds.

The Group is a recognisable donor and sponsor of various agricultural, charitable, cultural, educational and sports events across Slovenia. Our support goes to societies, non-profit making organisations, projects, clubs, individuals and institutes. When selecting recipients of sponsor or donor funds, we take into account the partnership with the recipient, their alignment with the values and objectives of the Group, enhancement of visibility and reputation, and social responsibility. We support projects that emphasise positive values and tradition, and contribute to a better quality of life.

We support and encourage young farming transferees to remain in the countryside, create added value and ensure healthy and home-made supply in the food chain for the whole society. Therefore, we offer a range of benefits for young farming transferees to make their first steps as simple and financially acceptable as possible.

The Bank has regularly cooperated with the Finance newspaper on the Agrobiznis project for several years, the aim of which is to promote entrepreneurship and innovation in the field of agri-food, as well as in food self-sufficiency. Project objectives are: building a community of Slovenian farmers to transfer successful practices between them, spreading the idea of entrepreneurship and key entrepreneurial knowledge in this community, promoting the development of Slovenian agriculture and rural areas and providing wider media support to the entire agri-food segment in the business community. As the agri-food sector is important for the Bank, it is a logical choice to participate in this project, thereby to address its priority target group, both existing and potential new customers.

b) Concern for the environment

All employees in the Group abide by environmental regulations. We encourage them to have a positive attitude towards the natural environment, e.g. by recommending them to use public transport to commute, and reimbursing the costs of such transport. To reduce our impact on the environment, we centralised printers in the past, reducing their number by 50 (prior to which each office had their own machine).

The modernisation of server equipment, disk arrays and communication equipment has reduced the electricity consumption of the data centre and, consequently, the energy required to cool the system rooms. By updating the employees' firmware and software and modernising the telephone system, the trend of lower energy consumption has continued in 2022.

Employees are encouraged to use electronic means of communication only. Thus, in 2022, most of the previously physical meetings were conducted using videoconferencing applications (Skype, Teams, etc.). Because this also holds for meetings with employees in business units, we avoided many business trips and reduced the use of vehicles.

Also in 2022, a certain proportion of employees worked from home, having remote access to the Bank's information system. We started using an advanced e-training platform, which also reduced the use of vehicles for commuting.

The Group established a separate waste collection system at eco points several years ago, thereby to increase awareness among employees on how to prevent environmental pollution. Waste that poses ecological concern is submitted to a relevant authorised organisation for recycling or destruction.

A few years ago, plasticware was replaced by glassware at hospitality events, thus reducing waste. We use around 1,800 items of different-sized glass drinkware a year, which we return so that it is 100% recycled. This saves energy and, above all, reduces the amount of plastic waste. Whenever possible, we only use glass water jugs at meetings.

VII.4. HUMAN RESOURCE MANAGEMENT

Since employees of the Group spend most of our time at work, the Group has undertaken to ensure a healthy and safe working environment. The companies in the Group have therefore adopted various programmes for the protection and maintenance of health at the workplace.

The following measures were introduced in the working process: flexible working hours and working from home at workplaces that allow such measures, in particular, for employees belonging to the vulnerable group, encouraging employees to take active breaks at workplaces, the option of working part-time, encouraging employees to drink a sufficient volume of soft drinks, participation at sports events, participation at winter and summer banking games. As part of health promotion at work, the Bank also offers seasonal fruits of local production to employees, enables them to take cholesterol tests and have their blood pressure measured, posts videos of fitness and stretching exercises for office jobs on its intranet page, and regularly includes healthy living articles in the bank's internal newsletter.

In 2022, the Bank also started to pay more attention to work-life balance, adopting several measures to make it easier for employees to reconcile their work and private life.

The Bank considers human resource risk to be a material risk and has therefore set up procedures to monitor and manage it in compliance with the adopted HR Risk-taking and Risk Management Policy. which is reviewed, renewed, and updated annually. Given the available resources, the Bank resolved human resource needs by relocating internal staff, trying to motivate employees by promoting them within the Bank and thus having them work their best as well as build their loyalty to the Bank and its values. When it was not possible or relevant to redeploy existing employees, the Bank recruited off the market.

As at 31 December 2022, the Bank had 343 employees, 4 more than in 2021. As to gender, 78% were women and 22% were men. The average age of employees is 46.9.

47% of all employees, i.e. 161 people, work at the Bank's headquarters, while the business network employs a further 53%, i.e. 182 employees.

In 2022, the Bank hired 61 new employees, 25 at the headquarters and 36 across the business network. 13 employees left the Bank, either due to retirement, termination of a fixed-term employment contract or by mutual agreement.

Subsidiary DBS Leasing d.o.o. had 6 employees at the end of 2022. There was no new recruitment in 2022.

In the Bank and the Group:

- all employees are responsible for working professionally and with due care, respecting the rules, internal acts and standards of operation in force; compliance with professional standards and ethical values strengthens relationships between employees and other stakeholders; based on open communication and collaboration, we ensure commitment to common goals; employees put the Bank's interests before their own;

- there is zero tolerance for unlawful and unethical conduct and disrespect for the Bank's values that might damage its reputation;
- we avoid any circumstances the related financial interests and benefits of which could be contrary to the interests and benefits of the Bank and which could compromise the impartial and objective performance of tasks; the Bank is strictly committed to protecting confidential information and banking secrecy, and we are consistent in implementing measures to prevent their abuse and safeguard them permanently;
- we perform our duties fairly, prudently, and diligently – according to the principles of due commercial care and in accordance with banking regulations.

Number of Group employees as at 31 December 2022

Year	2022	2021	2020
Number of employees*	349	345	353

* DBS Nepremičnine d. o. o. and DBS Adria d. o. o. have no employees.

Average number of Group employees by education profile as at 31 December 2022

	Average number of employees		
Staff education profiles	DBS Leasing d. o. o.	Deželna banka Slovenije d. d.	Total
Level VIII/1	0	11	11
Level VII	1	51	52
Level VI/2	2	94	96
Level VI/1	1	51	52
Level V	2	127	129
Less than or level IV	0	2	2
Total	**6**	**336**	**342**

Age structure of Group employees as at 31 December 2022

	Number of employees		
Age	DBS Leasing d. o. o.	Deželna banka Slovenije d. d.	Total
Under 30	0	23	23
30 to 40	1	52	53
40 to 50	3	114	117
50 to 60	2	132	134
Over 60	0	22	22
Total	**6**	**343**	**349**

Throughout the year, employees in the Group actively participate in various training courses. Internal training courses that we provide are run by experts assisted by external advisers or contractors who, under normal circumstances, are invited to individual companies as required. Employees participated in online trainings, most of which were intended for improvement and training in line with the needs of various work processes, i.e., banking and finance, marketing of non-banking products, information technology and familiarisation with legislative developments. The major part of external training courses is executed in cooperation with the Training Centre of the Bank Association of Slovenia, Slovenian Institute of Auditors, and other authorised institutions.

Information regarding human resource management is stated in Chapter IX.5. Human resource management.

a) Respect for human rights

Employee relations in the Group are based on collegiality, mutual respect and help.

Bank employees take utmost account of provisions of the Code of Conduct, Rules on Prevention of Harassment in the Workplace, and the Employment Relationship Act, which stipulate respectful treatment of employees and protection of human rights, among other things. In this context, the Bank has established a method of identifying, preventing and dealing with the consequences of sexual and other harassment and maltreatment at the workplace.

The fundamental values and principles of corporate integrity are enshrined in the Code of Conduct. They are complied with by the members of the management and supervisory bodies and other Bank employees. The Bank has adopted the Policy of Safeguarding Integrity, which aims to protect the integrity, core values and reputation of the Bank, and all employees abide by it. The Policy of Safeguarding Integrity provides that in order to ensure the core professional and ethical standards and standards of integrity, all types of wrongdoings and the procedure or way to report suspected wrongdoing by any Bank employee have to be defined. There is zero tolerance in the Bank for unlawful and unethical conduct and disrespect of the Bank's values. The Bank has set up a system of mitigating and managing risks under this Policy to prevent any form of unlawful practice constituting a violation of the rules in terms of operations compliance. The system enables employees to report suspected violations of regulations and wrongdoing, assuring them the report does not have negative effects. The report can be anonymous. A link to the rapid and anonymous reporting of violations is established on the Bank's intranet, both within the Bank and directly to the Bank of Slovenia through a "whistleblowing" link. Employees are acquainted with the possibility of anonymous reports of all forms of violations with a special circular and as part of internal training.

Special attention is devoted to the following types of wrongdoing: deception, fraud and business fraud, corruption and unauthorised receipt and giving of gifts, misuse of inside information and abuse of the market in financial instruments, money laundering and terrorist financing, conflict of interests, misuse of personal data, disclosure or unjustified acquisition of business secrets, hacking into business information systems, falsifying or destroying business documents, secret agreements and abuse of position or trust, embezzlement and unjustified use of foreign assets, and all types of extortion and harassment at the workplace.

These wrongdoings can adversely affect the Bank's reputation, cause financial loss, and regulatory sanctions can affect employees, customers, suppliers, shareholders and other stakeholders.

Deželna banka Slovenije complies with national and European regulations in the field of prevention of money laundering and terrorist financing (AML/CFT) and meets the highest requirements of domestic and international standards, with zero tolerance for unlawful practices. With the Money Laundering and Terrorist Financing Risk Management Policy of the DBS Group, Customer Acceptance Policy, Restrictive Measures Policy and other Bank's internal acts in the AML/CFT area, the Bank has established a robust system for the implementation of measures to prevent and detect money laundering and terrorist financing. They enable the Bank to effectively manage operational and legal risks and the risk of loss of reputation potentially caused by crime related to money laundering and terrorist financing. The Bank has implemented procedures that are based on its internal acts and provide appropriate measures for customer knowledge, for the detection of unusual and suspicious transactions, and for control under international sanctions lists. The Bank's internal acts also clearly delineate the responsibilities of employees and introduce relevant internal controls. The Bank's employees are regularly trained in this respect, this being one of the key elements for the effective implementation of the established system and risk management in the Bank. Protection against the negative effects that might ensue from the Bank's involvement in money laundering or terrorist financing is a strategic orientation that is also defined as one of the basic principles of the Bank's Code of Conduct. Any misuse of the Bank in this respect would not only compromise its reputation but the reputation of the country's entire financial system.

The Bank implements procedures for verifying customers as required by applicable legislation and follows the principle of implementing superior KYC – Know Your Customer. In accordance with the annual plan, the Internal Audit Department regularly reviews the applicable system in order to identify potential weaknesses and strengthen the relevant internal controls in the prevention of money laundering and terrorist financing. The Bank carefully carries out measures for the prevention of money laundering and terrorist financing, successfully supporting risk management with in-house software that is constantly being updated with the latest findings on the techniques and forms of money laundering.

b) Diversity Policy

The banking Group aims at equal and balanced representation of men and women at all levels.

The Group's management structure is balanced, having both genders represented fairly equally. Diverse knowledge and experience are also guaranteed as required for efficient operation and long-term risk management.

At the year-end of 2022, the Bank's management body comprised five men and two women. The Policy for the selection of suitable candidates for the management body prescribes for the diversity of members of the management body to show in diverse professional experience, age, education and expertise, and in diverse characteristics of members of the management body. Information regarding the selection of the Bank's management body is provided in the Policy for the Selection of Suitable Candidates.

The average age of employees in the Group is above 45, which is why the Group's future human resources policy aims at acquiring younger employees, especially those trained in new technologies and specialist knowledge. The fundamental aim, however, is to select employees who possess diverse knowledge, adequate qualifications and relevant experience.

c) Learning, growth

To excel at non-financial performance indicators, the Bank provides the necessary infrastructure (people, systems and procedures) that enables it to reach its targets. We invest in additional employee training, in improving information technology and process optimisation, in short, in growth and learning.

Employees continually build on their skills via internal and external training courses, thus maintaining and increasing the quality of their work. Ideas for improving processes and customer service come directly from employees, as they are the ones that know internal processes and Bank customers best. Employee performance is monitored as part of their productivity and satisfaction assessment, supported by annual development interviews.

The fluctuation level in the Bank is below the Slovenian average, with the largest number of employees leaving the bank due to retirement or mutual termination of the employment relationship. Satisfied employees being keepers ensures that intellectual capital remains in the Bank; their departure would be a great loss for the Bank.

Quality and timely information are paramount for successful work in today's financial environment. We provide it to our employees by continuously upgrading our information system capacity, which is a prerequisite for risk management and process improvement.

VII.5. NON-FINANCIAL PERFORMANCE INDICATORS

a) Retail banking

In dealing with customers, we monitor the levels of their satisfaction, loyalty, customer retention, and how profitable they are for the Bank.

The Bank's market share is stable, meaning that we retain most of our existing customers while also acquiring new ones.

With digitisation, the Bank is introducing various innovations in the use of modern marketing channels to make our services available anywhere and anytime, in real time.

We are aware of the importance of banking in person and of the fact that our customers also include generations with an aversion to modern ways of doing business. For those who use the online application for banking, banking services are available at all times, 365 days a year, at lower prices. In designing and introducing new services, particular attention is devoted to the safety of operations. Changes also result in increased risks, which the Bank manages and controls effectively.

Bank employees strive to fulfil the wishes and meet the needs of customers by working professionally and transparently, and responding quickly in communication with customers. We also abide by the operating rules, policies and strategic objectives of the Bank. We build trust by delivering on given promises, being honest, protecting the rights and benefits of our customers, mutual respect and accessibility, and ensuring the protection of personal and confidential information. Our customers are briefed comprehensively, including on risks related to a service or product. We accept responsibility for our actions and are always looking for common solutions that lead to long-term cooperation.

Being aware that knowing your customer is essential for the successful operation of the Bank, we ensure it by having a customer relationship management (CRM) system[4]. It helps keep customer details up to date, helps us regularly and actively track every customer interaction, and manage the customer's needs, wishes, compliments and complaints. We do not enter into business relationships with customers that do business unlawfully and unethically. Any identification of such a customer is evaluated on the basis of a risk assessment, whereupon we act in accordance with the procedures envisaged for these cases. We are constantly striving to maintain and strengthen our customers' trust.

The Bank has set up a system for monitoring customer proposals, complaints and comments based on the Rules on Extrajudicial Settlement of Customer Complaints. Customer complaints are attended to with special attention and resolved quickly, while protecting both the interests of the customer and the Bank's reputation. Written replies are always sent within a reasonable time. After resolving the complaint, customers are sent a short survey, allowing us to further improve our work and increase the satisfaction of our customers.

Customers are informed regularly and in a timely manner of all changes in the terms and conditions of the Bank's operations. They are familiarised in a transparent and comprehensible way with the types of our services, pricing and other conditions, in accordance with the fair rules of marketing communication and establishing connections with customers. We do this using channels such as the Bank's website, regular monthly statements, and similar.

In 2022, we received over 3,000 messages via e-channels – through filled-in web or e-mail forms – from existing and potential customers or external third parties. These messages refer to our range of services, requests for calculations of loans, requests for assistance in entering the E-bank, requests for data on properties sold by the Bank, inquiries about garnishment and bankruptcy procedures, open positions, and more. They are resolved on a daily basis directly in branches or in expert departments at the bank's headquarters.

One of the most important indicators of successful customer service is offering solutions for our target customer segments. To this end, the Bank has prepared tailor-made products and services. As already mentioned, the Bank's primary focus is the agri-food sector, so, despite our universal orientation, we place special emphasis on servicing farmers, cooperatives, agri-food companies, SMEs, sole traders and young people. These are the segments that we adjust marketing processes and product and service development to, to the greatest extent possible. For new customers, we have the Sowing Package, and we offer existing, long-standing customers the Harvest Package. We also have custom-made solutions for young farm transferees and a banking package for secondary activities on farms. Customers can choose between short-term and long-term loans of different maturities tailored to agricultural activity. We provide cash and special purpose loans, seasonal loans, eco loans and livestock loans.

[4] CRM – customer relationship management.

In line with its strategic objectives, the Bank has decided to support projects from areas designated as having priority in the future longer term: increasing the productivity and self-sufficiency in Slovenian agriculture; market organisation of agriculture; strengthening the food and agri-food chains; increased visibility and quality of organic and locally produced products; promoting agricultural practices that have a positive impact on the conservation of natural and renewable energy sources; adaptation to climate change; green jobs; coherent and sustainable rural development; organic farming; green tourism; and social entrepreneurship.

The Bank has also created a special offer on housing loans. By offering favourable financing for the construction or renovation of homes, it achieved or exceeded sales plans. In addition, a housing loan can be taken out for other purposes, such as inheritance buyout, land development and obtaining consents, obtaining documentation for the construction or renovation of the property and other purposes that increase the value of the property.

With its extensive network of branches (76), the Bank materialises its slogan "Always near you," providing people outside urban areas with access to financial services. It maintains personal contact and an individual approach, which are crucial for some customers, especially those who find modern technology alien.

b) Improving the internal customer relationship management process

For a number of years, the Bank has been improving customer relationship management to unify work processes across the business network in processing different types of customers and automating the processing of applications and requests by the users of our services.

The CRM application is aimed at soliciting new customers, upgrading the existing customer databases, offering a comprehensive overview of a customer, monitoring the profitability of individual customers, monitoring customer habits, identifying customers' needs, and measuring the quality of customer relationships. It thus provides an overview of working with customers as well as the activities of banking advisers. The CRM management tool enables us to join all CRM activities, centralising and managing all messages, reminders and comments that had previously been recorded in various places. We have been adding potential customers to the application, recording sales projects and identifying activities for each customer. Every Bank employee monitors the realisation of sales activities on a daily basis, and on the other hand, the application allows the Bank's management to be regularly acquainted with sales activities across the network. The application is constantly being updated and upgraded.

The following internal business processes have been designated for upgrades in the future:

- approval and activation of mass transactions (extraordinary limits, credit cards, quick loans, changes in ATM and card limits);
- automatic processing of orders and requests submitted via the E-bank (deposits, requests for SMS notifications, My BA, requests to change ATM limits, requests to change card limits...);
- possibility of scanning and archiving cash register records upon data entry into banking applications;
- adding interactive instructions when using and entering data;
- introduction of electronic signing for deposits, claims, contracts between the Bank and customers.

VII.6. PREVENTION OF CORRUPT ACTS AND FRAUD

Employees of each company in the Group are committed to protecting the integrity, fundamental values and reputation of the Group. It is the task and responsibility of all employees in the Group to ensure zero tolerance of unlawful conduct, which also includes fraud and corrupt acts.

The Bank has established appropriate procedures and mechanisms for dealing with suspected unlawful practice and measures to protect the applicant. It also has various channels in place to report any suspected unlawful practice. The Bank provides training for all employees with regard to unlawful practice, available channels for reporting suspicions of unlawful practice and violations of the Code of Conduct and other internal acts of the Bank.

Unlawful practice, the mode of reporting and the investigation procedure are also detailed in the Bank's internal acts.

The Bank is a party to the Declaration of Fair Business, which was devised by the United Nations Global Compact Slovenia and has thus committed to transparent and fair business, and to rejection of any corrupt activity. We have also undertaken to include the anti-corruption clause in our legal transactions and to take account of anti-bribery principles in our business.

Examples of fraud and abuse identified in the Bank in 2022, were of external origin. In all cases, the Bank immediately took appropriate measures to prevent any further negative consequences.

As one of a few companies in Slovenia, Deželna banka Slovenije d. d. signed an agreement with the Financial Administration of the Republic of Slovenia to be part of a programme promoting voluntary compliance with tax liabilities as it pursues a tax payment optimisation policy and prevention of propensity for aggressive tax planning or deliberate increase of tax risk.

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Barbara Cerovšek

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

DEŽELNA BANKA SLOVENIJE d.d.
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Ljubljana, 26 April 2023

VIII. RISK MANAGEMENT

VIII.1. RISK MANAGEMENT STRATEGY AND PROCESSES (Article 435 of the CRR, item 1a)

Effective risk management is one of the Group's most important objectives, ensuring a stable and secure business and contributing to the Group's efficiency and competitiveness. In addition to maintaining an adequate capital and liquidity position, the key objectives of risk management are to ensure compliance with risk management standards, to achieve an adequate quality of investments and to prevent and limit the occurrence of losses from individual risks. The Group pursues these objectives by setting up and complying with the Risk-taking and Risk Management Strategy. which sets out the main starting points for risk management and the general guidelines for taking on and managing the key risks the Group is exposed to in its operations.

Pursuant to provisions of the regulatory framework, the Group considers the following risks as significant banking risks: credit, market, operational, interest rate and credit spread risk arising from non-trading book activities (CSRRBB), liquidity, capital, strategic, profitability, reputation, governance, CRE investment risk and excessive leverage risks.

With the aim of adequate risk management, the Group has a clear organisational structure with defined roles and responsibilities. Responsibilities are designed to avoid conflicts of interest and to ensure a transparent and documented business decision-making process.

The cornerstone of the risk management framework is the Risk-taking and Risk Management Strategy, which defines the risk appetite (RAF) by setting warning and operational limits for key risk indicators. The Group pursues a conservative approach to its operations, with the Group’s risk appetite defined as moderate (i.e. low to medium). Accordingly, limits are also set for key risk indicators, which are monitored regularly and reported to the management bodies.

To measure exposure to different types of risk, the Group uses internal methodologies and approaches in addition to regulatory ones, which facilitates a close monitoring of risks and their management. The most important are the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP). The objective of these processes is to contribute to the Group's continuity from a liquidity and capital perspective by ensuring that the Group has sufficient liquidity and capital levels that are aligned with its strategy, business model and Risk Management Strategy. A sufficient level of capital is a level that enables the Group to bear its risks, absorb losses and sustainably implement its development strategy, even in prolonged periods of adverse developments. As part of the ICAAP process, the Group determines how much internal capital it needs to be able to execute its strategy in a sustainable manner.

The comprehensive risk management framework includes the following key steps:
- identifying and prioritising the risks to which the Group is exposed;
- assessing and measuring material risks;
- conducting stress tests and reverse stress tests;
- allocation of internal capital and monitoring of spending;
- assessing the risk profile;
- a limit system with an early warning system in place and a defined risk appetite;
- setting up capital and liquidity adequacy management measures;
- reporting to the management bodies.

The Group estimates that **credit risk** is the most important risk it is exposed to, and, therefore, devotes special attention to it. Credit risk is the risk that a borrower will cause a financial loss to the Group by failing to fully discharge an obligation when due without calling on collateral, for whatever reason, whether this obligation be of a financial nature or another contractual obligation.

In order to adequately manage credit risk, the Group performs the following activities:
- has a defined Risk-taking and Risk Management Policy for Credit Risk, which determines the manner of implementing credit risk management;
- regularly monitors its customers (e.g. financial statements);
- has an early warning system for increased credit risk (EWS);
- has a limit system in place that is in line with the risk strategy and risk appetite;
- regularly monitors blacklists;
- prepares regular reports on the management of non-performing exposures of debtors, on the restructuring of receivables from debtors and on the fulfilment of commitments from financial restructuring plans of legal entities;
- regularly reports to the relevant decision-making and management bodies.

The Group also classifies liquidity risk among significant risks. **Liquidity risk** is the risk that the Bank is unable to discharge all its matured liabilities or that, due to its inability to provide sufficient funds to settle its matured liabilities, the Bank is forced to obtain liquidity at costs significantly higher than average market costs.

In order to adequately manage liquidity risk, the Group performs the following activities:
- has a defined Risk-taking and Risk Management Policy for Liquidity Risk, which determines the manner of implementing liquidity risk management;
- applies rules and measures to implement the procedures for mitigation and diversification of liquidity risk;
- identifies and measures liquidity risk using the system of internal limits and quantitative indicators from the restoration plan, establishing the liquidity position on a daily basis, making cash flow projections and calculating the liquidity ratio (LCR) and the net stable funding ratio (NSFR);
- has liquidity buffers that strengthen the Bank's resistance to liquidity risks in crisis situations;
- maintains at all times an adequate amount of unencumbered assets that can be used as a secondary liquidity reserve;
- prepares daily or monthly reports[5], which are the basis for making management decisions that involve liquidity risk, with important reports being made available to the management body and the Asset and Liability Committee.

The Group pays special attention to operational risk management. **Operational risk** is the risk of loss due to an inappropriate or unsuccessful implementation of internal processes, the human factor, system operations or external factors. Operational risk also includes legal and model risk, information security and cyber risk, risks related to external contractors, conduct risk, compliance risk and tax risks.

In order to adequately manage operational risk, the Group performs the following activities:
- has a defined Risk-taking and Risk Management Policy for Operational Risk, which determines the manner of implementing operational risk management;
- has established boundaries within the restoration plan as well as warning and RAF limits;
- has a system in place for reporting on loss events and operational risk events without financial effects;
- prepares regular operational risk reports for managing bodies.

[5] Daily liquidity reports, monthly liquidity plan, liquidity ratio movement simulation, calculations of the ratio of highly liquid assets and liabilities, calculations of growth levels of retail deposits, liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity ratio (LR), stress tests for exceptional scenarios, the minimum level of unencumbered liquid assets, reports on structural liquidity risk ratios and other reports.

Other significant risks are monitored monthly as part of the Group's operations analysis and are discussed at the Asset and Liability Committee, of which the Management Board is a member. The Group also incorporates these risks into the internal capital adequacy assessment process (ICAAP) as appropriate.

In addition to the above-mentioned reports, the Group prepares a number of other reports designed to inform the management body of the specific types of risks. The Risk Management Section therefore prepares a comprehensive risk analysis, which includes an analysis of the credit portfolio and inherent credit risk, analyses of market risk, liquidity risk, interest rate risk, operational risk and exchange rate risk, concentration risk, profitability risk, and an analysis of regulatory capital and capital adequacy. This analysis is prepared on a quarterly basis and is discussed at the Management Board, the Risk Committee and the Supervisory Board. A quarterly report on the utilisation of limits and a quarterly report on operational risk events are also prepared for the Management Board. Proposals for limits on large exposures and related parties of the Group (or groups thereof) are considered at least annually by the Management Board, the Risk Committee and the Supervisory Board. The capital adequacy report (ICAAP) used to estimate the capital needed to cover all major risks, the liquidity adequacy report (ILAAP) used to estimate liquidity and liquidity risk management, and the risk profile report are reviewed by the Management Board, the Risk Committee, and the Supervisory Board at least once a year or as required. As part of the ICAAP and ILAAP processes, the management body also issues an annual statement of capital and liquidity adequacy.

Regarding risk management, control environment and capital adequacy, the Group has adopted the following framework documents (that were confirmed by the Bank's Supervisory Board) to establish risk management guidelines:

- The Risk-taking and Risk Management Strategy and Concise Risk Statement Approved by the Management Body (Risk Appetite Statement – RAS),
- The Risk-taking and Risk Management Policy for Credit Risk,
- The Risk-taking and Risk Management Policy for Market Risk,
- The Risk-taking and Risk Management Policy for Operational Risk,
- The Risk-taking and Risk Management Policy for Interest Rate Risk in the banking book and the Credit Spread Risk arising from non-trading book activities,
- The Risk-taking and Risk Management Policy for Liquidity Risk,
- The Risk-taking and Risk Management Policy for Compliance Risk,
- The Risk-taking and Risk Management Policy for Profitability Risk,
- Disclosure Policy,
- The Risk-taking and Risk Management Policy for Strategic Risk,
- The Risk-taking and Risk Management Policy for Reputation Risk,
- The Risk-taking and Risk Management Policy for the Risk of Capital Inadequacy,
- The Policy on Using External Service Providers,
- The Risk-taking and Risk Management Policy for Excessive Leverage Risk,
- Policy on Related Party Transactions,
- Policies for approving new services, products or significant changes,
- The Integrity Safeguarding Policy.

The Risk-taking and Risk Management Strategy, together with a Concise Risk Statement Approved by the Management Body, sets out the main starting points for risk management and the general guidelines for taking and managing key risks that the Group is exposed to in its operations. The aim of risk management is to ensure the Group's stable and safe operations and compliance with risk management standards, to achieve appropriate investment quality, and to prevent and limit losses resulting from individual risks.

Associated with individual types of risk, policies operationalise the starting points of the risk-management strategy, detailing organisational rules, procedures for establishing, measuring, assessing and monitoring risks, and internal risk reporting, determining the rules for the internal controls system and for activities associated with calculating the internal capital adequacy assessment.

To monitor its operations and the major related risks that could affect its existence, the Group has laid down an array of quantitative indicators in the Group Restoration plan: which are capital and capital adequacy, liquidity, profitability, asset quality and macroeconomic indicators. Limit values have been set for each indicator, marking the point of commencement for internal processes under the restoration plan. Recovery measures are stipulated to be intensified depending on achieving yellow or red limit values, enabling the Group to react timely to the emergence of factors that could threaten its operation. Based on its adopted risk strategy and ICAAP process, the Group has also defined warning limits and operational or RAF limits for individual indicators to define its risk appetite. The purpose of these headline indicators is to manage risks in a comprehensive and prudent manner. By setting warning limits and operational or RAF limits, the Group defines its risk appetite (RAF) and thereby limits its exposure to certain risks. The operational limits are set above the yellow line of the Recovery Plan and thus build on the risk management and risk-taking framework, the fundamental objective of which is to ensure stable and safe operations of the Bank.

VIII.2. DECLARATION APPROVED BY THE MANAGEMENT BODY ON THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS (Article 435 of the CRR, item 1e)

Declaration approved by the management body on the adequacy of risk management arrangements

Pursuant to Article 435 (e) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on Prudential Requirements for Credit Institutions and Investment Firms (CRR), the management body – which consists of the Management Board:

Jure Kvaternik, President of the Management Board, and Barbara Cerovšek Zupančič MSc, Member of the Management Board,

and the Supervisory Board:

Ivan Lenart, Chair of the Supervisory Board,

confirms, by signing this declaration, that the Bank's risk management arrangements are adequate. The Bank has set up a risk management function as independent in terms of organisation and functionality from the Bank's other functions, ensuring that risk management arrangements reflect the Bank's risk profile and its risk-taking and risk management strategy.

Ljubljana, 26 April 2023

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

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VIII.3. CONCISE RISK STATEMENT APPROVED BY THE MANAGEMENT BODY (Article 435 of the CRR, item 1f)

Risk management

The Bank's Management Board and Supervisory Board approved the Concise Risk Statement Approved by the Management Body (Risk Appetite Statement – RAS), which stipulates the aggregate level of risk, including the levels of individuals risks that Deželna banka Slovenije d. d. (hereafter: Bank) and the Deželna banka Slovenije Group (hereafter: Group) are exposed to or are still willing to assume in order to meet their strategic goals while minding their risk tolerance.

The Group seeks to meet its strategic objectives within the framework of predefined levels of acceptable risk. The acceptable risk level is defined as moderate (i.e. low to medium), meaning that the Group pursues a conservative approach in its operations. The predefined common level of acceptable risk represents an important element of the decision-making process and is intended to ensure that the Group performs with sufficient profitability even in exceptional situations.

In addition to the Bank, the DBS Group's prudential consolidation also includes the Bank's wholly-owned subsidiaries DBS Leasing and DBS Nepremičnine. Risk management is performed at the Group level and the impact of these companies on the risk profile in 2022 was moderate or without significant effects. There were no intra-Group or related party transactions in 2022 that had a material impact on the Group's risk profile or risk distribution at Group level.

Risk management framework

The purpose of risk management is to ensure that the Bank's and Group's operations are stable and safe, that the standards for risk management are met, and that the quality of investments is suitable. The Group has in place an integrated risk management framework which sets out the Group's integrated risk management processes and includes the following key steps:

- identifying and prioritising the risks to which the Group is exposed;
- assessing and measuring material risks;
- conducting stress tests and reverse stress tests;
- allocation of internal capital and monitoring of spending;
- assessing the risk profile;
- a limit system with an early warning system in place and a defined risk appetite;
- setting up capital and liquidity adequacy management measures;
- reporting to the management bodies.

The Group considers as significant banking risks those risks that are assessed as significant risks in the risk identification process and are included in the risk register. The Group has identified the following risks as significant risks: credit, market, operational, interest rate and credit spread risk arising from non-trading book activities (CSRRBB), liquidity, capital, strategic, profitability, reputation, governance, CRE investment risk and excessive leverage risks. Climate and environmental risks are also increasingly important and are not considered in isolation but in the context of other relevant risks (e.g. credit risk, operational risk, etc.).

The Group has appropriate methodologies in place for assessing and measuring material risks, and conducts stress tests and reverse stress tests. The objective of regular stress testing is to verify that the Group maintains an adequate level of internal capital and liquidity even in adverse conditions. The Group therefore carries out, at least once a year, an in-depth vulnerability review tailored to its circumstances, which captures all material risks at the Group-wide level arising from its business model and from the operating environment in a period of tight macroeconomic conditions. The Group regularly monitors the conditions and changes in the environment that may have a material impact on capital adequacy ratios and performance and based on this, develops appropriate stress scenarios. Stress testing as an important element of risk management is integrated into the Group's risk management system through the ICAAP and ILAAP processes and the Restoration Plan. In addition to internal stress testing, the Group also participates in regulatory defined stress testing.

In order to ensure an adequate level of internal capital, the Group allocates available capital across risks and business sectors as part of the ICAAP process. The capital allocation process is carried out at least once a year and capital utilisation is monitored quarterly.

The risk profile is an assessment of the Group's exposure to the risks inherent in its business and is the result of the risk management process. The Group identifies significant risks at least once a year through the ICAAP process and assesses the exposure to those risks, which forms the basis for the risk profile.

In order to manage risks comprehensively, the Group has defined key risk indicators and their limits, which indicate the exposure to individual risks that the Group manages and assumes in the course of its business. The aim of the limit system is preventive in nature and is designed to enable prudent decision-making and limiting the acceptance of unacceptable levels of risk.

As part of its risk management, the Group has also defined appropriate risk management or risk mitigation measures to ensure appropriate capital and liquidity adequacy. The measures adopted are aligned with the Group's Risk-taking and Risk Management Strategy and the Group's risk-taking capacity.

Comprehensive and timely reporting is important for making appropriate business decisions. The Group has in place regular reporting to decision-making bodies on exposure to each significant risk, risk profile, limit utilisation and other reports.

Risk appetite

Risk appetite defines the amount and type of risk that the Group is willing to accept to achieve its business objectives. Through the Risk-taking and Risk Management Strategy and the Limit System, the Group has clear limits for risk-taking that are aligned with its business strategy.

The risk appetite framework defines the set of significant risks, the appetite for each risk and key risk indicators related to capital adequacy, liquidity, asset quality and profitability. These indicators are subject to operational limits as well as warning values. The established risk appetite is integrated into the limit system together with a system of regular monitoring and early warning. Efficient risk management that includes regular risk monitoring and reporting, enables timely action to be taken upon predetermined levels of risk acceptability, even before the upper limit value is reached. Risks are promptly presented to the management body, the Bank's senior management, the Internal Audit Department and the Operations Compliance Department in the context of regular reports.

Values of key risk indicators reflecting the correlation between strategic business orientations, risk appetite and target risk profile as at 31 December 2022:
1. Overall Capital Ratio (OCR) of 15.42%,
2. Common Equity Tier 1 ratio (CET1) of 15.17%,
3. Leverage Ratio of 5.64%,
4. Non-Performing Exposure (NPE) ratio of 1.75%,
5. Liquidity Coverage Ratio (LCR) of 372.76%,
6. Net Stable Funding Ratio (NSFR) of 174.99%,
7. Return on Equity (ROE before tax) 11.24%,
8. Financial Intermediation Margin of 2.58%,
9. net loss on claims of EUR 23,634.

Within a prudent credit process, the Group runs a conservative policy of assuming and managing **credit risk**. To this end it aims to:
- increase the diversification of its credit portfolio so that i) capital requirements and needs for credit risk, and ii) the expected losses are as low as possible, which will be achieved by pursuing the following orientations:
  - increase exposure to large businesses, where exposure does normally not exceed EUR 3 million;
  - increase exposure to individuals, farmers and SMEs, where exposure does normally not exceed EUR 1.5 million;

  - increasing the quality of insurance and their suitability for reducing capital requirements;
  - increasing the proportion of customers with credit ratings A and B;
- focus primarily on clients to whom it can provide independent and comprehensive financing, together with all other related banking services;
- assess, in the process of approving a loan or concluding another contract, the debtor's capacity to meet its obligations to the Bank (i.e. creditworthiness) and the quality of collateral for the Bank’s receivables by type and amount of collateral (i.e. achieving a collateral factor of at least 1: 1.5 or LTV ratio – loan to value – of 67%) in accordance with the Bank's internal acts;
- set general and specific pricing of loans, as a rule, in such a way as to reflect the riskiness of the borrower as well as the cost;
- monitor, throughout the duration of the business relationship with a customer, the customer’s operations and adequacy of received collateral;
- steer its credit portfolio and commercial activity into transactions, groups of businesses and regions which turn out to be characterised by a relatively lower credit risk and a relatively higher expected non-interest income;
- make use of the Early Warning System (EWS) for increased credit risk;
- intensify action for the recovery of past due default claims and/or the restructuring of non-performing exposures.

Except in exceptional circumstances and where there are compelling arguments to do so, the Group will not:
- finance acquisitions and new purchases of securities, business stakes and mutual fund shares when assessing increased risk;
- enter into new financing of heavily indebted customers, customers with bad credit ratings and customers that do not display adequate creditworthiness;
- grant loans when the only or predominant collateral is such with a strong correlation between the customer's creditworthiness and the value of collateral;
- finance legal entities engaged in shadow banking;
- finance projects associated with the speculative financing of property;
- finance projects that would be controversial under the ESG factors.

In taking and managing **market risks**, the Group will:
- maintain the volume of its securities investments portfolio at a level that makes impact on capital requirements acceptable from the perspective of available capital.

The Group will not:
- increase its volume of equities above those stipulated in the System of Limits;
- place liquidity surpluses into long-term debt securities that require in the calculation of capital requirements a risk weight for credit risk of more than 20% and increase the risk-based capital requirement for credit risk.

In taking and managing **operational risks**, the Group will:
- consistently record and intensely monitor operational risk events;
- implement activities to reduce the frequency and impact of similar loss events arising out of operational risk;
- regularly examine and update the Group’s business continuity plan.

The Group will not:
- engage in new transactions or spread its operations if that were to cause a considerable increase in the possibility of operational risk (loss) events.

In taking and managing **interest rate risk and credit spread risk arising from non-trading book activities (CSRRBB)**, the Group will:
- maintain the Bank's balance sheet interest rate structure so that it is adequately hedged against interest rate risk; in particular, it will use techniques of the so-called natural hedge against interest rate risk, without the use of derivatives;

- ensure that the maximum decrease of the economic value of Tier I capital in any of the six stress scenarios, calculated in accordance with the Methodology for the Internal Capital Adequacy Assessment Process (ICAAP) does not exceed 10% of the economic value of Tier I capital.
- ensure that in times of low or negative interest rates on the market, it compensates for the loss of interest income by increasing other non-interest income, usually with the aim of achieving a financial intermediation margin of 2.18%, i.e. above the yellow level set in the restoration plan that allows the Bank sufficient profitability;
- actively monitor and assess exposures due to the risk of changes in the credit spread arising from non-tradingbook activities (CSRBB).

In taking and managing **liquidity risk**, the Group will:
- adapt its liquidity risk taking and managing strategy to its size, taking into account the nature, scale and complexity of the business it conducts;
- maintain such a liquidity position and volume of liquidity reserves to meet the survival criteria in all stress scenarios as defined in the Methodology for Liquidity Stress Scenarios and Calculation of Liquidity Ratios, and identify appropriate measures to prevent and eliminate the causes of potential liquidity shortages;
- maintain a diversified pool of liquidity reserves in the form of cash and other highly liquid assets that are free from encumbrances and at the Bank's disposal at any time;
- review at least once a year the adequacy of its liquidity risk management strategy, policies, and procedures and the relevant liquidity position of the Bank.

In taking and managing **profitability risk**, the Group will:
- ensure appropriate revenue composition or dispersion and proper management of all expenses so as to maintain adequate profitability;
- intensively monitor all relevant internal and external factors affecting the Bank’s profitability and take appropriate measures to prevent or reduce the negative impact on profitability;
- consistently abide by the tax legislation provisions and implement them in all areas of business. By having set up adequate internal control mechanisms and by correctly and timely filling in returns and paying due levies, it will make sure it is exposed to as low tax risks as possible.

In taking and managing **capital risk**, the Group will:
- plan its business strategy according to the amount of available regulatory capital in order to ensure the prescribed amount of capital ratios at all times;
- maintain such a volume of regulatory capital with which it could cover all potential risks it is exposed to according to the internal assessment of capital requirements and needs in accordance with the Methodology for the Internal Capital Adequacy Assessment Process (ICAAP);
- maintain the volume of regulatory capital as required by the regulator.

In taking and managing **strategic risk**, the Group will:
- implement a conservative business strategy, thereby limiting exposure to strategic risk;
- intensely monitor its business environment and promptly respond to changes in it in order to decrease the Group’s exposure to strategic risk.

In taking and managing **reputation risk**, the Group will:
- operate so as to reduce reputation or goodwill risk to the minimum. This means it will act ethically, in accordance with good business customs and practices, taking into account to the greatest extent possible the needs and expectations of the environment in which it operates (as to violations of regulations, legal disputes, involvement in money laundering and financing of terrorism and corruption, failure to comply with adopted international restrictive measures, international conventions and business regulations), and abide by its Code of Conduct.

The Group will not:
- pursue business practices and actions that could cause it to lose it reputation or goodwill.

In taking and managing **governance risk**, the Group will:
- operate in a manner that minimises governance risk. This means that it will take decisions in the area of bank governance that will ensure the proper and continuous operation of the Group in line with the Group's strategy, the regulatory framework and in accordance with the adopted risk appetite framework (RAF).

The Group will not:
- engage in business practices and actions that could result in an increase in governance risk.

In taking and managing **CRE (commercial real estate) investment risk**, the Group will:
- operate in a manner that minimises CRE investment risk. This means that the Group will act as a good steward in the acquisition and management of investment property and will acquire and manage investment property in a manner that is consistent with the Group's strategy and in accordance with the accepted risk framework (RAF).

The Group will not:
- engage in business practices and actions that could result in excessive CRE investment risk;
- acquire investment properties that are not considered to be economically viable.

In taking and managing **leverage risk**, the Group will:
- sustain a funding structure that maintains an appropriate level of leverage ratio.

Internal controls

The Group has put in place a system of internal controls to control and limit the mentioned risks, which includes:
- internal controls: for this purpose it has adopted rules and procedures defined by the relevant instructions, rulebooks and other internal acts, and internal controls over the implementation of organisational, business procedures and work procedures; it has also set up a system of reporting with internal controls in the area of reporting, and a limit system including measures in case of breaches;
- internal control functions, which include the Risk Management Section, the Internal Audit Department, the Operations Compliance Department, and the Information Security Department.

The following is also of key importance to ensure long-term performance of the Group: distribution of competence and responsibility among management and supervisory bodies and other stakeholders; relations between them, and other factors, such as the Group’s responsibility to environmental and societal interests of the community in which it operates, based on which the Group operates pursuant to applicable regulations, best practice standards in corporate governance and highest standards of professional ethics.

Restoration Plan

To monitor its operations and the major related risks that could affect its existence, the Group has laid down an array of quantitative indicators in the Group Restoration plan: which are capital and capital adequacy, liquidity, profitability, asset quality and macroeconomic indicators. Limit values have been set for each indicator, marking the point of commencement for internal processes based on the restoration plan. Recovery measures are stipulated to be intensified depending on achieving yellow or red limit values, enabling the Bank to react timely to the emergence of factors that could threaten its operation.

Based on its adopted risk strategy and ICAAP process, the Group has also defined warning limits and operational or RAF limits for individual indicators to define its risk appetite. The purpose of these headline indicators is to manage risks in a comprehensive and prudent manner. By setting warning limits and operational or RAF limits, the Group defines its risk appetite (RAF) and thereby limits its exposure to certain risks. The operational limits are set above the yellow line of the Recovery Plan and thus build on the risk management and risk-taking framework, the fundamental objective of which is to ensure stable and safe operations of the Group.

Ljubljana, 26 April 2023

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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IX. DEVELOPMENT OF THE BANK

IX.1. INVESTMENTS

For several years now, the Bank has devoted a lot of attention to refurbishing its branches or moving them to technically and spatially more appropriate locations, and to making them compliant with security and other banking standards. The security level is maintained in accordance with the security standards of the Bank Association of Slovenia, whereby the Bank takes care of the security of customers, employees and property. An appropriate level of safety is achieved through technical, mechanical and organisational measures. Thus, in 2022, the Bank continued to renovate and relocate its branches and plans to continue these activities in the future.

In addition to the Bank's branch network, most investment funds in 2022 were dedicated to IT. In line with the information technology development strategy and information technology investment plan for 2022, the Bank continued the upgrade of the banking information and communication infrastructure by completing the transition of the back-office system infrastructure and began upgrading the bank's communication network to individual business units. As part of the transition of the back-office system, the Bank expanded its disk backup capacities and upgraded key elements of optical transport, the back-office communication backbone. During the renovation of the Bank's network, which was completed in 2022, the bank purchased routers with switches to upgraded line speeds and establish backup connectivity with LTE mobile technology, which significantly increased the operational reliability and allowed for backup operation at full speed capacity. Complete communication equipment for the SWIFT area was also upgraded, where outdated equipment was entirely replaced. The upgrade of light clients across the business network also started in 2022, with more than 70% of clients upgraded or replaced by the end of the year.

The upgrade of the server virtual infrastructure completed most of the infrastructure targets set for 2022. The upgrade of the remaining server infrastructure is ongoing.

Investments in the field of information security included the purchase of an external contractors privileged access management system, which is gradually being rolled out.

IX.2. INFORMATICS AND BANKING TECHNOLOGY

In the area of application software development, the major part is own development, based on which, in 2022, the Bank ensured application support to all regulatory requirements as well as business processes in accordance with the needs and requirements of the Bank's business. The development that required the integration of the Bank's core system with other systems, took place as a combination of own and external development.

In 2022, the Bank continued its development activities for the overhaul of the online bank with the aim of ensuring a better user experience and expanding the functionality of the application for customers. The back office supported the procedures and processes required by the e-bank overhaul, which included a modified customer log-in to the online bank using the Rekono framework, and design of a central interface concept for managing documents in electronic form in conjunction with the e-bank, including the envisaged document search engine in the online bank.

As part of the TARGET/T2S consolidation, the CLM module for the transfer of funds between accounts has been upgraded, including mandatory tests with other banks. In the area of money laundering prevention, the Bank launched a new module to identify politically exposed persons and potential customers on sanctions lists. To this end, integration with the Dowjones web service was supported for downloading and updating the databases of politically exposed persons and persons on sanctions lists.

Other major adjustments to application support included development activities to optimise back-office processes in card management, overhaul of card account entries, review of e-bank users, upgrades to the loan application for creditworthiness calculation, abolition of the HRK currency, development of a model for the production of SPI statistics, support for early repayment of corporate loans, transfer of programmes from old servers to a central core application, development of scenarios to manage the PPDFT system, upgrade of web services for informative calculations, upgrade of the reporting framework with the preparation of NSFR reports, set-up of a web service for the exchange of policy assignment data, implementation of anonymisation of personal data under the GDPR, and a number of other minor adjustments.

In the area of infrastructure modernisation of the banking information system, the basic development tools Oracle Forms and Reports have been upgraded to the latest version, the development stations have been modernised, and activities have started to upgrade the Oracle database to the latest version, which will be completed in 2023.

In 2022, the Bank prepared the necessary infrastructure for the deployment of Microsoft 365 solutions/services, including MDM, SPO, and Microsoft Teams, which is already in use and is foreseen as a single, integrated platform for communication and collaboration in 2023.

IX.3. INFORMATION AND CYBERSECURITY

With the development and digitisation of operations, information technology and data in digital form are assuming a key role in supporting new banking services. This also poses new security threats related to the operation of the information system and the confidentiality, availability and integrity of data. The Bank is aware of the presence of security threats and their continuous adaptation; therefore, it pays special attention to the management of security risks in the field of information technology. Information technology risk management is a process of continuous evaluation and improvement of security controls, as this is the only way for the Bank to follow the development of technology and global trends, which are increasingly targeting interconnection and online presence.

Hoping to meet the objectives of high availability, resilience to cyber threats and absence of security incidents, in 2022, the Bank again carried out an information system risk assessment and a self-assessment of the ICT sophistication in the area of information and cyber security, and based on this, the Bank formulated new and improved corrective measures. The Bank implemented the findings sensibly by upgrading technical protection, including mechanisms for managing the risk of using portable devices. In addition, a process of independent assessment of the security controls in place and applied has been carried out on a regular basis to ensure a high level of cyber resilience and to continuously adapt measures to best practice principles. In order to improve its preparedness for cyber threats and understanding of the importance of cyber resilience, the Bank has introduced cyber incident response testing procedures as part of the continuous improvement process of its information security management system. Furthermore, in line with its strategy to ensure that its employees are highly competent in the area of information and cyber security, the Bank has continued to improve its training programme for employees and to test their knowledge of protective behaviours to identify cyber threats in 2022. In addition to employee training, in 2022, the Bank also carried out several customer awareness activities, which were sensibly adapted to current threats and online scams. The latter was aimed at further improving the security of digital banking, to which the Bank has always paid ample attention. Several security-critical vulnerabilities in commonly used IT solutions, which were disclosed and identified globally, required additional attention from the Bank in monitoring the new weaknesses and stimulated the process of implementing new technical solutions for faster recognition of cyber incidents, which is expected to be completed in 2023.

Monitoring of fulfilment of security activities, reporting on implemented measures, monitoring of security events and incidents, and new proposals for improving security are discussed by the Security Committee, which is the highest security body of the Bank.

With its activities in 2022, which included both organisational and technical measures based on a firmly established management framework, the Bank still endeavours to meet the regulatory requirements, the expectations and guidelines of supervisory authorities, and follows good practice in information security and technology. It continues to ensure that cybersecurity is not adversely affected by business processes and the organisation of work and that cybersecurity is always considered an important aspect in implementing a particular business process.

IX.4. MARKETING AND COMMUNICATION

The year 2022 saw much more activity in the marketing field than the year before, as the epidemiological situation had calmed down and marketing activities started in full swing.

Marketing and sales activities were again focusing on attracting new customers and informing its existing customers of the current offers, novelties and changes in the Bank's operations. In cooperation with an external agency, the Bank carried out two major advertising campaigns for housing loans, the first in spring and the second in autumn. With nationwide advertising through various channels (television, radio, internet, external advertising), we reached over 60% of the target population. The bank constantly advertises keywords in the most popular web browser.

We enhanced our visibility as a universal bank with local marketing campaigns, which redirected the general public to our business network of 76 branches throughout Slovenia. Our marketing activities supported the relocation of the branch in Novo mesto and the reopening of the branch in Škocjan. We organised open door days in Novo mesto, inviting existing and potential customers and providing catering and an attractive decoration of the premises during these days. In Škocjan, we worked with the local community to organise an opening event with a varied programme for residents of the surrounding area.

Our traditional commitment to the agri-food market is reinforced by year-round advertising in the agricultural TV programme Ljudje in zemlja and in the newspaper Kmečki glas. The target audience of both media is the agri-food segment, and through regular advertising we make it clear that they are out target audience and we support them with our financial services.

We have been strengthening our relationship with the agri-food sector through our active presence at associated trade fairs. For example, we had a stand at the St Gregory Fair in Novo Mesto and at both agricultural/craft fairs in Komenda (in spring and autumn). The key trade fair event for the Bank is the Agra International Agricultural and Food Fair in Gornja Radgona, taking place at the end of August. At this fair, DBS Group presents its services at its stand, strengthening relations with its customers through banquets and informal socialising. Banking and leasing advisors are also available to answer any questions visitors and potential customers may have.

For almost a decade, the Finance newspaper has been running the Agrobusiness project, which has been supported by the Bank for several years, giving it year-round visibility on its web portal and participating actively in its main event, i.e. a conference held in March. The Agrobiznis project purposefully and actively promotes the development of entrepreneurship and innovation in agriculture and the food processing industry. It draws attention to companies, individuals and organisations with fresh marketing approaches and new food production technologies or business models that could lead to faster development of both industries and greater food self-sufficiency. Participation in this project is positive for the Bank in terms of positioning and strengthening the brand in the wider business community in the agri-food market.

The Bank uses its regularly updated website as one of its outreach channels, and is also present on the social networks Facebook and LinkedIn, as well as the YouTube channel. All these channels and the e-bank enable two-way communication with customers, who have the opportunity to submit questions, suggestions, compliments and complaints online, and the Bank tries to answer them promptly and professionally. An intranet portal is used for internal communication in the Bank.

At the end of March 2021, the Bank launched a redesigned website www.dbs.si. It is integrated with the back-office banking system in the field of provisional calculations, exchange rates and online loans. Aligned with current trends of creating web portals, it is technically upgraded both from the security point of view and from the point of view of communicating with customers. The new website also includes leasing pages, and the existing domain www.dbs-leasing.si is automatically redirected to the relevant subpage of the corporate page. We were thus able to combine all our financial services on one site. The achieved 2nd place in the Financial Sector category at the 10th WEBSI Outstanding Digital Achievement Awards made it clear that this was the right thing to do.

The Bank is fulfilling its socially responsible role through sponsorship or donation activities, which was also the case in 2022. The already mentioned Agribusiness project is a logical decision for the bank; by participating in it, we address our target agri-food sector, both existing and potential new customers. We also work locally by supporting local associations and institutions that strive to create added value in their environment. This helps us maintain the link with agriculture and the countryside, as well as support other local events and activities, thus addressing the general public and raising awareness in local communities about our presence in their environment.

Throughout the year, we regularly published DBS Novice, which we introduced at the end of 2020 to inform employees about various activities and new developments in the bank. On our intranet, we regularly published all the latest information on the epidemic, articles on health care and other information that was necessary or reasonable for employees to keep up to date with.

The Bank also actively participated in the interbank advertising campaign for Flik Pay, for which a nationwide campaign was carried out in the autumn.

In October, a major prize draw "Experience in Planica" was organised with our contract partner, the card processor Mastercard, which runs until the end of January 2023. Three cash prizes were awarded each month, and three grand prizes related to "Experience Planica" (a VIP experience in Planica during the Ski Flying World Cup and a dinner with a Michelin chef) were awarded at the end of the campaign. The grand prizes will be awarded in the next reporting period, in February 2023.

Coverage in various Slovenian media is monitored daily. Based on media coverage, an analysis of the Bank's media appearances is made annually to assess the reputation indicators and plan our corporate communication. In 2022, we recorded over 510 different media items on the Bank. Most of the articles focused on the Bank's operations, the opening of the branch in Škocjan, the Bank being the first bank to abolish the payment of levies for private individuals and the Bank being authorised to sell numismatic products. Relations with the media were fair and communication with journalists was based on openness and transparency.

IX.5. HUMAN RESOURCE MANAGEMENT

IX.5.1. HUMAN RESOURCE POLICY

Due to rapid changes in the business environment, the Bank's needs for capabilities and knowledge change rapidly as well, which requires constant adaptations. HR management activities are in line with the Bank's development strategy and tailored to the daily needs of the extensive branch network and changing legislation.

The Bank has adopted the HR risk-taking and risk management policy, which is adapted to the size of the Bank, taking into consideration the nature and complexity of our activities. As part of the process, the Human Resources Management Department continually assesses the competence, education and experience of staff with regard to their powers, responsibilities and the complexity of the tasks they perform, defines key members of staff, proposes changes to the Remuneration Policy, records potential breaches of labour legislation and other acts, and proposes the adoption of measures to prevent repeat violations. Together with the Management Board and members of senior management, the Department assesses the HR risk level by holding regular interviews with the employees.

As at 31 December 2022, the Bank had 343 employees, 4 more than the previous year-end. The Bank replaced absent staff selectively: new recruitment from the market was only executed when the Bank had no suitable existing employees. The Bank's HR policy will continue to rest on top quality professionals, the promotion of loyalty to the Bank and its values, and the gradual increase in the proportion of younger staff.

Employees by education profile are presented in Chapter VII.4. Human Resource Management.

Employees by gender, for the Bank
31 Dec 2022

	Women	Men	Total
No. of staff	267	76	343
Share of staff (in %)	78	22	100

31 Dec 2021

	Women	Men	Total
No. of staff	268	71	339
Share of staff (in %)	79	21	100

The average age of employees as at 31 December 2022 was 46.9, whereby 2.9% of staff had limited capability for work.

As assessed by the Bank, the education profile of all employees in the Bank is adequate with regard to the needs of the business process; 62% of the Bank's employees having at least higher education, and 38% having intermediate or lower education.

The fluctuation level in the Bank is still quite high, with the largest number of employees leaving the bank due to retirement or mutual termination of the employment relationship.

IX.5.2. RECRUITMENT POLICY

Disclosure of Recruitment Policy for the Selection of Members of the Management Body

The selection and appointment of members of the Bank's management body are regulated pursuant to the Slovenian legislation in force, recommendations of the Bank of Slovenia, the European Banking Authority (EBA) regulation, the ECB Guide to fit and proper assessments, and Bank's internal acts.

The Recruitment Policy for the Selection of Members of the Management Body lays down the criteria for the selection and appointment of members of the management body, a body which consists of the Bank's Management Board and Supervisory Board. The overall composition must ensure that members of the management body have the requisite expertise, skills and experience needed for an in-depth understanding of the Bank's operations and the risks it is exposed to, and that members are able to commit sufficient time to working in the Bank. Composition of the management body has to be ensured to comprise complementary and diverse competences of its individual members. Diversity in the body's composition is reflected in its members' diverse professional experience and know-how, age, education, expertise and personal characteristics.

Adequate knowledge, skills and experience are considered to comprise theoretical experience gained through education and training, practical experience gained at previous positions, and knowledge and skills gained and proven by the member through their business conduct. The conditions for membership in the Management Board and the Supervisory Board differ slightly, especially with regard to the practical experience of candidates for members of the Management Board.

Based on a previous proposal by the President of the Management Board, the Supervisory Board Nomination Committee identifies and recommends to the Supervisory Board candidates for members of the Management Board and identifies and recommends to the Bank's General Meeting candidates for members of the Supervisory Board. It also determines the tasks and requirements for each appointment and assesses the estimated time needed for the member of a management body to perform their function. The Bank informs the member of the estimated time they should dedicate to their duties, and may require confirmation from the member that they can in fact allocate sufficient time to working in the Bank.

At least once a year, the Nomination Committee of the Supervisory Board evaluates the structure, size, composition and performance of the Management Board and the Supervisory Board and makes recommendations on possible changes, and at least once a year evaluates the knowledge, skills and experience of individual members of the Management Board and the Supervisory Board and the body as a whole.

IX.5.3. EMPLOYEE TRAINING

The Bank's employees attend various training and education courses to gain adequate expert competence. The major part of education was held to ensure improvement and training to meet the requirements of various work processes, for areas of banking and finance, marketing of non-bank products, information technology, and due to various legislative changes and developments.

Internal training courses were run by the Bank’s expert colleagues, and external courses were held in cooperation with the Bank Association of Slovenia Education Centre and other expert institutions. In 2022, the Bank also held several own e-learning courses.

Staff development is also ensured based on annual development interviews that are used to assess the performance of tasks in the past period and employee competences and to devise goals for the upcoming financial period.

In the recruitment procedure for vacant posts, the Bank prioritises existing employees, thus giving them the opportunity to acquire new knowledge and be promoted, while the staff structure of each organisational unit is also restructured internally.

Employees who achieve above-average results at work are rewarded monthly in accordance with the Rules on Performance, Promotions and Remuneration of Employees who perform their work on the basis of a collective labour agreement. Each year, employees are rewarded for having worked in the Bank continuously for a period of time by receiving performance bonuses. There is also a scholarship system for children of deceased employees and a solidarity aid system for employees that might need it.

IX.5.4. REMUNERATION POLICY

Information concerning the decision-making process used for determining the remuneration policy (Article 450 (a) of Regulation (EU) No 575/2013)

The Policy, which is applied at the Group level, was designed on the basis of the Banking Act (ZBan-3), the Bank of Slovenia Resolution on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, Commission Delegated Regulation (EU) No 604/2014 and Delegated Regulation (EU) No 527/2014, as well as Guidelines on Sound Remuneration Policies in accordance with articles 74(3) and 75(2) of the Directive 2013/36/EU, and disclosures in accordance with Article 450 of the Regulation (EU) No 575/2013.

The Bank’s remuneration policy reflects the Bank’s position inside the Slovene banking sector, its internal organisation, the nature, volume and complexity of the Bank’s business and the Bank’s financial standing, and is based on the results of the Bank, an individual organisational unit and individual employees.

Its objective is to set up a remuneration framework defining remuneration types and the criteria and rules on the basis of which employees receive payment.

The Supervisory Board has the authority to approve the Remuneration Policy once it is adopted by the Management Board, In the bank, the competences that the Banking Act (ZBan-3) provides for a remuneration committee are assumed by the Supervisory Board, and partly the Nomination Committee. The Supervisory Board makes independent professional assessments of remuneration policies and practices. These assessments constitute a basis for its forming and adopting proposals for the management body to make decisions regarding the remuneration that impacts risk, the Bank's risk management, capital and liquidity. The Supervisory Board also oversees the remuneration of senior management and employees with control functions.

Information on the link between pay and performance (Article 450 (b) of Regulation (EU) No 575/2013)

Remuneration of identified staff is defined in their contract of employment, and consists of a fixed and variable component. The variable component is not a major factor in the overall remuneration amount but it represents an efficient motivation pushing employees to reach or even exceed targets. Fixed remuneration is a high enough share of total employees' earnings for the Bank to be able to pursue an entirely flexible variable pay policy.

The total variable remuneration depends on the achievement of the projected results of the Bank.

The most important design characteristics of the remuneration system (Article 450 (c) of Regulation (EU) No 575/2013)

Having been devised pursuant to national and European legislation and taking into account the principle of proportionality, the Remuneration Policy reflects the size, internal organisation, nature, scope and complexity of transactions, i.e. the Bank's activity.

These are the fundamental principles of the Remuneration Policy:

- the remuneration policy is compatible with and encourages wise and efficient risk management; exposure to risks above the risk levels acceptable for the Bank is not stimulated;
- the remuneration policy complies with the Bank's business strategy, goals, values and long-term interests, and it includes measures to prevent conflicts of interest;
- the remuneration policy is gender neutral;
- employees with control functions are independent of the organisational units they oversee; they have the required competences and receive adequate remuneration proportionate to meeting targets associated with their functions, independent of the performance of the business units they oversee;
- the remuneration policy clearly differentiates between the criteria for determining:
  - fixed remuneration, which particularly reflects professional experience and level of the person's responsibility in the Bank,
  - variable remuneration, which reflects sustainable and risk-weighted performance;
- the bank has a certain rule on the possibility of not paying variable remuneration and also the possibility of reimbursement.

In accordance with the provisions of Article 190 (8) of the Banking Act, the provisions in points 3 and 4 and part 9 of Article 190 (2) of the Banking Act, which refer to withheld payments in case of termination of employment or retirement, do not apply for a bank that is not considered a large institution.

Variable remuneration is paid and becomes payable only if this is financially sound considering the financial standing of the Bank as a whole, and if it is justified with the Bank's and each individual's performance.

The ratio between fixed and variable remuneration
(Article 450 (d) of Regulation (EU) No 575/2013)

The Remuneration Policy clearly differentiates between the criteria for determining:
- fixed remuneration, which should particularly reflect professional experience and level of the person's responsibility in the Bank, as laid down in the description of a person's duties, which constitute conditions of employment, and
- variable remuneration, which must reflect sustainable and risk-weighted performance above the expected performance level, as laid down in the description of a person's duties, which constitute conditions of employment. The variable component is based on a combination of the performance review of an individual and their business and organisational unit, and the Bank's overall financial result.

The necessary preconditions for variable pay are the Bank's reporting a profit and its reaching all fundamental targets.

Variable remuneration of an individual with work of a special nature cannot exceed 100% of their fixed remuneration.

Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based
(Article 450 (e) of Regulation (EU) No 575/2013)

Performance criteria are laid down at the beginning of a financial year for the ongoing financial year. They are tailored to an individual's level of responsibility and the Bank's risks and capital requirements. Performance criteria in respect of other forms of variable remuneration for Identified staff are determined subject to the conditions and rules for variable remuneration.

Criteria to evaluate each individual's performance level

In addition to financial performance, other, non-financial criteria are also relevant to the Bank's generation of long-term value and are therefore taken into account; they include compliance with the valid rules and ethical standards, fostering innovation, acquired knowledge, personal development, respect of internal controls, devotion to the Bank's strategy and policies, successful risk management and internal controls, cooperation with other organisational units, particularly with internal control functions, contribution to teamwork, contribution to the development of junior staff, staff and customer satisfaction, concern for the Bank's reputation, attainment of own objectives, results-oriented approach, proper, diligent, professional and timely performance of work tasks, quality of written materials, concern for transfer of knowledge, and education.

Employees with control functions are independent of the organisational units they oversee; they have the required competences and receive adequate remuneration proportionate to meeting targets associated with their functions, independent of the performance of the business units they oversee.

Criteria at the level of an organisational unit

Commercial functions
a) Quantitative criteria: account shall be taken of meeting or exceeding the sales plan and the planned action for recovery, the success rate of streamlining the organisational unit, profitability of operations.
b) Qualitative criteria: criteria important for creating long-term value of the Bank, including respect of rules and ethical standards, proposals made and proposed innovations, respect of internal controls, dedication to the strategy and policies of the Bank, effectiveness of risk management and internal control, collaboration skills, particularly with internal control functions, teamwork and motivation, concern for the transfer of know-how, quality of written products, compliance with deadlines, satisfaction of employees and customers, concern for the Bank's reputation.

Control or oversight functions

a) Qualitative criteria: non-financial criteria, including compliance with the valid rules and ethical standards, proposed innovations or their number, respect of internal controls, devotion to the Bank's strategy and risk policies, successful risk management and internal controls, quality of cooperation, teamwork and motivation, concern for the transmission of knowledge, quality of written materials, respect for time limits, staff and customer satisfaction, concern for the reputation of the Bank.

Unethical behaviour and behaviour incompatible with regulations and internal acts cannot be replaced by financial success.

The main parameters and rationale for any variable component scheme and any other non-cash benefits (Article 450 (f) of Regulation (EU) No 575/2013)

The methodology for calculating pay under the collective labour agreement, the method of forming and distributing the aggregate volume of variable pay, and the system of promotions and remuneration for employees are governed by the rules on pay based on merit and performance, promotions and remuneration of employees who perform their work on the basis of a collective labour agreement.

Eligibility criteria for variable remuneration of identified staff are stipulated in the Remuneration Policy. They are based on a combination of collective and individual performance criteria, taking into account the Bank's performance, the performance of an individual's organisational unit and the individual employee's performance. The criteria and their weight depend on whether identified staff have a commercial or control function.

The methodology for the assessment of identified staff is detailed in the internal Rules on the Remuneration of Identified Staff.

Business success of the bank is a prerequisite for variable remuneration.

Aggregate quantitative information on remuneration, broken down by business area Article 450 (g) of Regulation (EU) No 575/2013

	Supervisory Board	Management Board	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	Other
Members (number of employees)	6	2						
Number of identified staff in terms of FTE				7.92		5.00	4.25	4.05
Number of identified staff in senior management positions				8		6	6	5
Total fixed remuneration (in EUR)	88,901.80	385,959.28		546,699.02		358,766.25	315,443.54	271,637.21
Total fixed in cash	88,901.80	385,959.28		546,699.02		358,766.25	315,443.54	271,637.21
Total fixed in equity								
Total fixed in other instruments								
Total variable remuneration (in EUR)		99,480.33		55,530.36		34,120.25	29,803.55	25,815.93
Total variable in cash		99,480.33		55,530.36		34,120.25	29,803.55	25,815.93
Total variable in equity								
Total variable in other instruments								
Total amount of variable remuneration deferred in year N (in EUR)								
Additional information on amount of total variable remuneration								
No. of employees eligible to severance pay								
Total severance paid in year N (in EUR)								
Maximum severance paid to individual (in EUR)								

The table shows remuneration amounts for 2022, aggregated according to business segments.

Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the Bank's risk profile, and total remuneration for each member of the management body or senior management (Article 450 (h) of Regulation (EU) No 575/2013)

The required information is disclosed in the Financial Report (Chapter 4.32. Related party transactions).

X. INTERNAL AUDIT DEPARTMENT

The Internal Audit Department operates in accordance with the Banking Act, the International Standards for the Professional Practice of Internal Auditing, the Code of Professional Ethics of Internal Auditors, and the Internal Audit Code of Ethics. The Department's operations are based on the Rules of Operation of the Internal Audit Department, which stipulate its powers, responsibilities and operations.

It is a standalone independent organisational unit, functionally and organisationally separate from other units and directly subordinated to the Management Board, which ensures it can act independently. It regularly reports its findings and on its operations to the Management Board, Audit Committee and Supervisory Board.

The Internal Audit Department makes independent and impartial assurances with regard to the quality and effectiveness internal governance arrangement, risk management, and the functioning of internal controls, thus contributing to improved functioning of the Bank and achieving its objectives. The companies in the DBS Group are also subject to internal audit. The Internal Audit Department carries out its duties and responsibilities in accordance with the annual and strategic work plan approved by the Bank's Management Board and confirmed by the Supervisory Board. At the request of the Bank's Management Board, the Supervisory Board or at its own discretion, the Internal Audit Department also performs extraordinary audits.

In 2022, the Internal Audit Department operated in accordance with the approved annual work plan and performed 18 regular audits. All internal audit reports were discussed by the Bank's Management Board, with the annual report and half-yearly reports also reviewed by the Audit Committee and Supervisory Board. The planned audits were based on risk analysis and regulatory requirements. As part of internal audits, the internal audit focused on checking credit risks, mainly those related to the areas of corporate and retail lending and other areas related to loan operations. Audits of capital risk as well as risk related to information technology and compliance were also performed. The Department monitored compliance with the recommendations made on a monthly basis. The Internal Audit Department submitted related quarterly reports to the Management Board, the Audit Committee and the Supervisory Board.

In 2022, the Department also engaged in advisory activities and coordinated the audits carried out by external supervisory institutions. The objectives of advisory activities are in line with the Bank's business policy and strategy. In addition to internal auditing and advisory activities, the Internal Audit Department staff devoted a significant part of their available time to monitoring the implementation of the recommendations given in the audits.

At the end of 2022, the Internal Audit Department was staffed for the most part by three female internal auditors. They all have a deep insight into banking processes, key risks and the auditing profession, and regularly attend trainings. An external quality assurance of operation of the Internal Audit Department, which was carried out in accordance with the standards, confirmed the compliance of the Department's work with the International Standards for the Professional Practice of Internal Auditing, its independence and impartiality.

XI. EVENTS AFTER THE 2022 FINANCIAL YEAR

There were no events after the statement of financial position date that would require additional disclosures in the financial statements.

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DISCLOSURE REQUIREMENTS AS PROVIDED BY SECTION 8 OF REGULATION (EU) NO 575/2013

Article	Requirement	Published in AR section	Chapter
435	**Risk management policies and objectives**		
1	**Risk management policies and objectives**		
	a. strategies and processes to manage risks	BR	VIII.1.
	e. declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	BR	VIII.2.
	f. concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy; this statement includes: - key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body - information on intra-group transactions and transactions with related parties that could have a significant impact on the risk profile of the consolidated group	BR	VIII.3.
2	**Information regarding governance arrangements**		
	a. number of directorships held by members of the management body	BR	VI.4.
	b. recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	BR	IX.5.2.
	c. policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	BR	IX.5.2.
3	**Non-financial statement**	BR	VII.
436	**Scope of application**		
	a. name of the institution to which the requirements of the Regulation apply	RCM	2.
	b. outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	FS RCM	5. 2.
437	**Capital**		
	a. full reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution	FS	5.7.
	b. separate disclosure of the nature and amounts of the following: 1. each prudential filter applied pursuant to Articles 32 to 35 2. each deduction made pursuant to Articles 36, 56 and 66 3. items not deducted in accordance with Articles 47, 48, 56, 66 and 79	FS	5.7.
	c. description of all restrictions applied to the calculation of own funds in accordance with the Regulation and the instruments, prudential filters and deductions to which those restrictions apply	FS	5.7.
438	**Capital requirements and risk-weighted exposure amounts**		
	d. the total amount of risk-weighted exposures and the corresponding total capital requirements determined in accordance with Article 92, broken down by the different risk categories referred to in Part 3 and, where applicable, an explanation of the effects on the calculation of capital and risk-weighted exposure amounts of non-deductible items from capital due to the application of capital thresholds	FS RCM	5.6. 3
442	**Credit risk adjustments**		
	a. definitions for accounting purposes of 'past due' and 'impaired'	FS	5.1.3.
	b. description of the approaches and methods adopted for determining specific and general credit risk adjustments	FS	5.1.3.
	c. residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	FS	5.1.4.
445	**Exposure to market risk**		
	separately for each risk; in addition, the own funds requirement for specific interest rate risk of securitisation positions is disclosed separately	FS	5.2.
446	**Operational risk**		
	institutions disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used	FS	5.6.

447	**Key metrics**	RCM	3.
448	**Exposure to interest rate risk on positions not included in the trading book**		
	a. nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	FS	5.3.
	b. variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency	FS	5.3.
450(1)	**Remuneration policy**		
	For the categories of staff whose professional activities have a material impact on its risk profile: a. information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year	BR	IX.5.4.
	b. information on the link between pay and performance	BR	IX.5.4.
	c. the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	BR	IX.5.4.
	d. ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU	BR	IX.5.4.
	h. aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types (v) new sign-on variable and severance payments made during the financial year, and the number of beneficiaries of such payments (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person	BR FS	IX.5.4. 4.32.
	j. upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management	FS	4.32. d, e
453	**Use of credit risk mitigation techniques**		
	a. policies and processes for collateral valuation and management	FS	5.1.2.
	b. description of the main types of collateral taken by the institution	FS	5.1.2.
	c. information about market or credit risk concentrations within the credit mitigation taken	FS	5.1.2., 5.2.

Sections of the annual report (AR)
BR = Business Report
FS = Financial Statements of the Deželna banka Slovenije Group
RCM = Risk and Capital Management

Deželna banka Slovenije Group
and
Deželna banka Slovenije d. d.

Financial Statements under International Financial Reporting Standards for the year ended 31 December 2022

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board hereby approves the financial statements of the Deželna banka Slovenije Group and Deželna banka Slovenije d. d. for the year ended 31 December 2022, along with the accounting policies used and notes to the financial statements.

We hereby reaffirm our responsibility for the Annual Report, which is a true and fair presentation of financial standing of the Group and the Bank as at 31 December 2022, and for the results of their operations for the year ended on the same day.

The Management Board confirms that suitable accounting policies were consistently adhered to, and that accounting estimates were conducted in accordance with fair value. The financial statements were drawn up on the assumption of going concern and pursuant to the legislation and stipulations of International Financial Reporting Standards as adopted by the European Union.

The Management Board is responsible for the appropriate management of accounts, for the adoption of the measures required to safeguard company assets, and for the detection and prevention of fraud and other irregularities and illegal activities.

The Tax Authority may conduct a tax inspection of the current reporting period any time within the following five years, and in this connection impose additional tax assessments and penalties. The Management Board knows of no circumstances that could give rise to a potential material liability in this regard.

BANK MANAGEMENT BOARD:

Member of the Management Board Barbara Cerovšek Zupančič MSc	President of the Management Board Jure Kvaternik

DEŽELNA BANKA SLOVENIJE d.d. LJUBLJANA 1

Ljubljana, 4 April 2023

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report on Financial Statements

To the shareholders of DEŽELNA BANKA SLOVENIJE d.d.

Opinion

We have audited the separate financial statements of DEŽELNA BANKA SLOVENIJE d.d. (the Company) and the consolidated financial statements of DBS Group (the Group), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2022, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the company DEŽELNA BANKA SLOVENIJE d.d. and DBS Group as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No 537/2014 of the European Parliament and of the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters and the audit procedures in connection to the key audit matters are described below.

Impairment of loans to customers

As at 31 December 2022, loans to non-bank customers measured at amortised cost before allowances amounted to €772 million for the Bank and €776 million for the Group. As at 31 December 2022, allowances for loans totaled €14.86 million for the Bank and Group. Loans to non-bank customers made up 64% of the total assets of the Bank and the Group. The recognition of adequate impairment allowances for loans to customers constitutes the best possible estimate of expected credit losses. Due to the materiality of the amount and the use of significant judgements and estimates by management based on the application of complex methods, we considered the	Our audit procedures in respect of the adequacy of the impairments of loans to customers identified as a key audit matter included, among others: • Reviewing the methodology for estimating expected credit losses at the level of the Bank or the Group, assessing its compliance with the requirements of IFRS 9 and enquiring about any changes to the methodology compared to the previous year; • Verifying the adequacy of the IT system and the general IT controls in place in the areas of the control environment, data security and access authorisation; • Obtaining an understanding of the control environment and the established internal controls applied by management in the measurement of impairment losses, and testing the operating effectiveness of selected key internal controls over the approval, recording and monitoring of loans to customers, the identification of deterioration in the creditworthiness of customers, the classification of loans to customers as performing or non-performing, the calculation of days past due, collateral valuation

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

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Poslovni račun pri SKB: SI56 0310 3100 0699 386 | Registracija: Okrožno sodišče v Ljubljani, SRG 2011/15129
Osnovni kapital: 15.957,45 EUR | Matična številka: 3959023000 | Davčna številka: SI 88105571

impairments for loans to customers to be a key audit matter. The Bank and the Group calculate expected credit losses using the expected credit loss model in accordance with IFRS 9. Management has presented further information on loan impairments in the annual report under sections 4.7 Loans to non-bank customers measured at amortised cost, 3.14 Impairments and 5.1 Credit risk.

The expected credit loss model includes the measurement of expected credit losses for a period of up to one year or the entire lifetime, depending on whether circumstances have arisen since the approval of the loan that have the effect of increasing credit risk.

Impairments on performing loans to customers (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing loans to customers (Stage 3 in the IFRS 9 classification hierarchy) are calculated by the Bank using the credit loss model.

The model's assumptions are based on historical information, the identification of loans to customers with a significant increase in credit risk and forward-looking information. The inputs for the credit loss model are subject to change and reflect management's subjective judgments.

For non-performing exposures, the individual assessment of the necessary impairments is based on an analysis of each individual borrower as well as an estimate of the fair value of the collateral. The amount of necessary impairment allowances is based on estimates of future cash flows, which involve significant subjective estimates.

Allowances for loans to non-bank customers are essential to understanding the financial statements as a whole and involve significant judgments by management. In view of these facts, we have identified this area as a significant item and a key audit matter.

and the calculation of the adequacy of recognised impairment allowances;
- Assessing the appropriateness of the assumptions used to identify defaults and their classification in accordance with the requirements of IFRS 9;
- Assessing the appropriateness of the approach for calculating expected credit losses, including the calculation of risk parameters and macroeconomic factors (probability of default, loss given default and exposure at default);

In testing the Group's estimation of expected credit losses, our audit procedures included, among others:
- Testing the credit loss estimation model, including model approval and validation processes;
- Obtaining an understanding of the key internal rating system for the hierarchical staging of loans to customers, together with determining the materiality threshold for credit obligations past due and assessing the underlying assumptions and the sufficiency of the data used by management;
- Assessing the appropriateness of the forward-looking information used in the estimation of expected credit losses;
- Challenging the applied loss given default and probability of default parameters by back-testing;
- Assessing the appropriateness of the staging of credit exposures to customers based on a selected sample;
- Verifying the compliance of the recognised impairments with the model used to determine expected credit losses based on a selected sample;
- Assessing subsequent changes in credit risk to determine whether there has been a significant increase in credit risk resulting in changes in staging and consequently in a requirement to measure lifetime expected credit losses;
- Verifying the rationale for the changes made to the model parameters in 2022, by reference to our understanding of the Bank's and the Group's business and current economic trends;
- Assessing the adequacy of the impairment allowances in relation to the proportion of gross non-performing loans to customers in total credit exposures to customers and the coverage of provisions for non-performing exposures.

In testing the individual estimation of expected credit losses, our audit procedures included, among others:
- Selecting a sample of non-performing exposures, with a focus on those having the greatest potential impact on the Bank's and the Group's financial statements due to their magnitude and risk exposure. The sample included loans to customers with low provision coverage and loans to customers with a significantly changed risk assessment compared to the previous financial year;
- Assessing the factors on the basis of which loans have been classified as non-performing loans to customers, including reviewing loan files and making enquiries with the competent authorities to identify factors that would indicate a need to reclassify those loans as performing loans;
- Obtaining an understanding of the current situation for selected borrowers and the basis for measuring impairment losses, for which we also performed a review of the inputs to verify the accuracy of the calculation;
- Assessing the adequacy of the impairment allowances recognised on non-performing loans, which we tested by critically

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

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assessing the appropriateness of the assumptions used in the estimates of future cash flows based on the types of scenarios applied by the Bank to calculate the necessary impairment allowances. We focused in particular on reviewing the estimated discount rates applied in the estimation of future cash flows and the estimated value of the collateral together with the estimated liquidation period. Where necessary, we verified the appropriateness of the valuations made by the Bank with the help of the auditor's specialist (an independent real estate valuation expert).

We assessed the adequacy of the disclosures to the financial statements in accordance with the requirements of the standards regarding supplementary information on financial assets measured at amortised cost (loans to non-bank customers), the impairment of financial assets and credit risk as presented in the annual report.

Other information

Management is responsible for the other information. Other information comprise the information included in the Annual Report other than the separate and the consolidated financial statements and auditor`s report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements, legal requirements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing the facts that are also presented in the separate and consolidated financial statements is, in all materials respects, consistent with the separate and consolidated financial statements; and
- the other information is prepared in compliance with applicable law or regulation;
- based on the knowledge and understanding of the Company and Group obtained in the audit, on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and the supervisory board for the separate and the consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the separate and the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA and Regulation (EU) No 537/2014 of the European Parliament and of the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISA and Regulation (EU) No 537/2014 of the European Parliament and of the Council, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as going concern.
- evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We have sole responsibility for the audit opinion expressed.

We communicate with the audit committee and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the supervisory board, we determine those matters, that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

MAZARS, družba za revizijo, d.o.o., Verovškova ulica 55A, 1000 Ljubljana | T: +386 59 049 500 | info@mazars.si | www.mazars.si

Poslovni račun pri SKB: SI56 0310 3100 0699 386 | Registracija: Okrožno sodišče v Ljubljani, SRG 2011/15129
Osnovni kapital: 15.957,45 EUR | Matična številka: 3959023000 | Davčna številka: SI 88105571

Other reporting obligations in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

Appointment and Approval of the Auditor

We were appointed as the statutory auditor of the Company's and Group's separate and consolidated financial statements by the Companies shareholders at the shareholders' meeting held on 31 May 2019 for the first time for financial years 2019 – 2022.

Consistence with the Additional Report to the Audit Committee

Our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company and Group, which we issued on a same date.

Provision of Non-Audit Services

We hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council to the audited Company and the Group, and that we ensured our independence from the audited Company and Group in conducting the audit.

Apart from statutory audit services and the services disclosed in the annual report and in the separate and consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, April 4, 2023

MAZARS, audit company, d.o.o.

M. Sc. Teja Burja
Certified Auditor

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

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I. Financial statements as at 31 December 2022

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

in EUR thousand

Code	Items	Note	Group DBS 1-12 2022	Group DBS 1-12 2021	DBS d. d. 1-12 2022	DBS d. d. 1-12 2021
1	Interest income		19,698	16,871	19,083	16,470
2	Interest expense		(901)	(1,039)	(901)	(1,039)
3	**Net interest income** (1 - 2)	3.1.	**18,797**	**15,832**	**18,182**	**15,431**
4	Dividends	3.2.	33	31	33	31
5	Fee (commission) income		10,505	9,920	10,554	9,962
6	Fee (commission) expense		(1,753)	(1,823)	(1,746)	(1,815)
7	**Net fee (commission) income** (5 - 6)	3.3.	**8,752**	**8,097**	**8,808**	**8,147**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	3.4.	7	285	7	285
9	Net gains/losses on financial assets and liabilities held for trading	3.5.	202	218	202	218
10	Net gains/losses on non-trading financial assets mandatorily at fair value through profit or loss	3.6.	0	1,259	0	1,259
11	Foreign exchange translation	3.7.	2	0	3	1
12	Net gains/losses on derecognition of assets	3.8.	527	671	524	668
13	Other net operating gains/losses	3.9.	1,736	1,746	1,495	1,250
14	Administrative expenses	3.10.	(19,488)	(18,269)	(19,122)	(17,913)
15	Cash contributions to resolution funds and deposit guarantee schemes	3.11.	(1,717)	(1,170)	(1,717)	(1,170)
16	Depreciation and amortisation	3.12.	(1,290)	(1,255)	(1,257)	(1,206)
17	Provisions	3.13.	(249)	283	(232)	284
18	Impairment charge	3.14.	1,023	(1,965)	1,351	(1,334)
19	Net gains/losses from non-current assets held for sale and related liabilities	3.15.	19	24	0	0
20	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + sum (7 to 19))		**8,354**	**5,787**	**8,277**	**5,951**
21	Income tax	3.16.	(897)	(1,092)	(895)	(1,092)
22	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (20 + 21)		**7,457**	**4,695**	**7,382**	**4,859**
23	**PROFIT/LOSS FOR THE YEAR** (22 + 23)		**7,457**	**4,695**	**7,382**	**4,859**
	a) Attributable to owners of the parent		7,457	4,695	7,382	4,859

The accompanying notes form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

in EUR thousand

Code	Items	Note	Group DBS 1-12 2022	Group DBS 1-12 2021	DBS d. d. 1-12 2022	DBS d. d. 1-12 2021
1	**PROFIT/LOSS FOR THE YEAR AFTER TAX**		**7,457**	**4,695**	**7,382**	**4,859**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3)		**191**	**41**	**186**	**42**
3	**ITEMS NOT TO BE RECLASSIFIED TO PROFIT/LOSS** (3.1 + 3.2 + 3.3)		**191**	**41**	**186**	**42**
3.1	Actuarial gains/losses on defined benefit pension plans	4.26.	273	(22)	268	(21)
3.2	Gains/losses associated with changes in the fair value of investments into equity instruments mesaured at fair value through other comprehensive income	4.3. b	(74)	72	(74)	72
3.3	Income tax relating to components of items not be reclassified to profit or loss		(8)	(9)	(8)	(9)
4	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX** (1 + 2)		**7,648**	**4,736**	**7,568**	**4,901**
	a) Attributable to owners of the parent		7,648	4,736	7,568	4,901

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

in EUR thousand

Code	Items	Note	Group DBS		DBS d. d.	
			2022	2021	2022	2021
1	Cash, balances at central banks, and sight deposits at banks	4.1.	219,421	212,673	219,421	212,672
2	Financial assets held for trading	4.2.	91	4,859	91	4,859
3	Financial assets measured at fair value through other comprehensive income	4.3.	2,714	3,118	2,714	3,118
4	Financial assets measured at amortised cost		935,891	898,281	932,190	895,535
	- Debt securities	4.4.	171,450	169,109	171,450	169,109
	- Loans and advances to banks	4.5.	1,189	1,400	1,189	1,400
	- Loans and advances to customers	4.6.	761,187	726,379	757,563	723,701
	- Other financial assets	4.7.	2,065	1,393	1,988	1,325
5	Long-term equity participation in subsidiaries, associates and joint ventures	4.8.	0	0	5,243	4,804
6	Tangible assets		27,538	29,400	26,225	27,899
	- Property, plant and equipment	4.9.	10,709	10,580	10,600	10,388
	- Investment property	4.10.	16,829	18,820	15,625	17,511
7	Intangible assets	4.11.	857	657	774	574
8	Income tax assets	4.12.	2,679	3,037	2,679	3,036
	- Current tax assets		0	1	0	0
	- Deferred tax assets		2,679	3,036	2,679	3,036
9	Other assets	4.13.	1,203	818	676	604
10	Non-current assets held for sale, and discontinued operations	4.14.	181	164	0	0
11	**TOTAL ASSETS** (from 1 to 10)		**1,190,575**	**1,153,007**	**1,190,013**	**1,153,101**
12	Financial liabilities held for trading	4.15.	22	4,822	22	4,822
13	Financial liabilities measured at amortised cost		1,108,934	1,071,960	1,108,984	1,072,359
	- Deposits by banks and central banks	4.16.	55	511	55	511
	- Deposits by customers	4.17.	1,105,101	1,066,309	1,105,162	1,066,756
	- Borrowings from banks and central banks	4.18.	0	2,055	0	2,055
	- Other financial liabilities	4.19.	3,778	3,085	3,767	3,037
14	Provisions	4.21.	1,913	2,056	1,880	2,034
15	Income tax liabilities	4.22.	187	383	186	383
	- Current tax liabilities		186	376	185	376
	- Deferred tax liabilities		1	7	1	7
16	Other liabilities	4.23.	2,161	1,658	1,763	1,474
17	**TOTAL LIABILITIES** (from 12 to 16)		**1,113,217**	**1,080,879**	**1,112,835**	**1,081,072**
18	Share capital	4.24.	17,811	17,811	17,811	17,811
19	Share premium	4.25.	31,257	31,257	31,257	31,257
20	Accumulated other comprehensive income	4.26.	(316)	(616)	(323)	(618)
21	Revenue reserves	4.27.	21,763	19,345	21,763	19,345
22	Treasury shares	4.28.	(601)	(601)	(601)	(601)
23	Retained earnings (including profit/loss for the year)	4.29.	7,444	4,932	7,271	4,835
24	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 18 to 23)		**77,358**	**72,128**	**77,178**	**72,029**
25	TOTAL EQUITY (24)		77,358	72,128	77,178	72,029
26	**TOTAL EQUITY AND LIABILITIES** (17 + 25)		**1,190,575**	**1,153,007**	**1,190,013**	**1,153,101**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Group DBS in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	Equity attributable to owners of the parent (from 3 to 8)	Total equity (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(616)**	**19,345**	**4,932**	**(601)**	**72,128**	**72,128**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(616)**	**19,345**	**4,932**	**(601)**	**72,128**	**72,128**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**191**	**0**	**7,457**	**0**	**7,648**	**7,648**
4	Dividends paid (accounted)	0	0	0	0	(2,417)	0	**(2,417)**	**(2,417)**
5	Allocation of net profit to revenue reserves	0	0	0	2,418	(2,418)	0	**0**	**0**
6	Other transfers among components of equity*	0	0	109	0	(109)	0	**0**	**0**
7	Other	0	0	0	0	(1)	0	**(1)**	**(1)**
8	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6 + 7)	**17,811**	**31,257**	**(316)**	**21,763**	**7,444**	**(601)**	**77,358**	**77,358**

* Losses through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Group DBS in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	Equity attributable to owners of the parent (from 3 to 8)	Total equity (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(657)**	**15,097**	**5,259**	**(601)**	**68,166**	**68,166**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(657)**	**15,097**	**5,259**	**(601)**	**68,166**	**68,166**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**41**	**0**	**4,695**	**0**	**4,736**	**4,736**
4	Dividends paid (accounted)	0	0	0	0	(750)	0	**(750)**	**(750)**
5	Allocation of net profit to revenue reserves	0	0	0	4,248	(4,248)	0	**0**	**0**
6	Other*	0	0	0	0	(24)	0	**(24)**	**(24)**
7	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6)	**17,811**	**31,257**	**(616)**	**19,345**	**4,932**	**(601)**	**72,128**	**72,128**

* Losses through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

DBS d. d. in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(618)**	**19,345**	**4,835**	**(601)**	**72,029**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(618)**	**19,345**	**4,835**	**(601)**	**72,029**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**186**	**0**	**7,382**	**0**	**7,568**
4	Dividends paid (accounted)	0	0	0	0	(2,417)	0	**(2,417)**
5	Allocation of net profit to revenue reserves	0	0	0	2,418	(2,418)	0	**0**
6	Other transfers among components of equity*	0	0	109	0	(109)	0	**0**
7	Other	0	0	0	0	(2)	0	**(2)**
8	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6 + 7)	**17,811**	**31,257**	**(323)**	**21,763**	**7,271**	**(601)**	**77,178**
9	**ACCUMULATED PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**7,271**	**0**	**7,271**

* Losses through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

DBS d. d. in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(660)**	**15,097**	**4,999**	**(601)**	**67,903**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(660)**	**15,097**	**4,999**	**(601)**	**67,903**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**42**	**0**	**4,859**	**0**	**4,901**
4	Dividends paid (accounted)	0	0	0	0	(750)	0	**(750)**
5	Allocation of net profit to revenue reserves	0	0	0	4,248	(4,248)	0	**0**
6	Other*	0	0	0	0	(25)	0	**(25)**
7	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6)	**17,811**	**31,257**	**(618)**	**19,345**	**4,835**	**(601)**	**72,029**
8	**ACCUMULATED PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**4,835**	**0**	**4,835**

* Losses through other comprehensive income.

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

in EUR thousand

		Group DBS		DBS d. d.	
Code	**Items**	**2022**	**2021**	**2022**	**2021**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
a)	**Interest received**	**17,654**	**17,059**	**17,066**	**16,627**
	Interest paid	(1,071)	(1,158)	(1,071)	(1,158)
	Dividends received	33	31	33	31
	Fee and commission received	10,507	9,932	10,556	9,975
	Fee and commission paid	(1,753)	(1,823)	(1,746)	(1,815)
	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	75	316	75	316
	Realised losses on financial assets and liabilities not measured at fair value through profit or loss	(31)	(31)	(31)	(31)
	Net trading income	196	216	196	216
	Cash payments to employees and suppliers	(19,160)	(18,113)	(18,764)	(17,794)
	Other income	1,813	1,760	1,571	1,264
	Other expenses	(1,943)	(1,444)	(1,936)	(1,439)
	Cash flows from operating activities before changes in operating assets and liabilities	**6,320**	**6,745**	**5,949**	**6,192**
b)	**(Increases)/decreases in operating assets (no cash equivalents)**	**(27,641)**	**27,769**	**(26,629)**	**28,130**
	Net (increase)/decrease in financial assets held for trading	4,747	(4,756)	4,747	(4,756)
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	405	1,258	405	1,258
	Net (increase)/decrease in loans and other financial assets measured at amortised cost	(31,345)	30,432	(30,672)	30,629
	Net (increase)/decrease in non-current assets held for sale	(17)	(10)	0	0
	Net (increase)/decrease in other assets	(1,431)	845	(1,109)	999
c)	**Increases/(decreases) in operating liabilities**	**35,535**	**104,207**	**34,963**	**104,459**
	Net increase/(decrease) in trading liabilities	(4,788)	4,793	(4,788)	4,793
	Net increase/(decrease) in deposits and borrowings measured at amortised cost	39,602	99,284	39,245	99,533
	Net (increase)/decrease in other liabilities	721	130	506	133
d)	**Cash flows from operating activities** (a + b + c)	**14,214**	**138,721**	**14,283**	**138,781**
e)	**Income taxes (paid)/received**	**(769)**	**180**	**(770)**	**179**
f)	**Net cash from operating activities** (d + e)	**13,445**	**138,901**	**13,513**	**138,960**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
a)	**Investing inflows**	**48,362**	**34,406**	**48,282**	**34,333**
	Proceeds from sale of property, plant and equipment, and investment property	2,174	6,561	2,094	6,488
	Proceeds from sale of investments in debt securities measured at amortised cost	46,188	27,845	46,188	27,845
b)	**Investing outflows**	**(49,457)**	**(47,588)**	**(49,445)**	**(47,568)**
	(Purchase of property, plant and equipment, and investment property)	(747)	(463)	(747)	(459)
	(Purchase of intangible long-term assets)	(324)	(192)	(312)	(176)
	(Purchase of debt securities measured at amortised cost)	(48,386)	(46,933)	(48,386)	(46,933)
c)	**Net cash from investing activities** (a + b)	**(1,095)**	**(13,182)**	**(1,163)**	**(13,235)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
a)	**Outflows from financing activities**	**(5,718)**	**(900)**	**(5,718)**	**(900)**
	(Dividends paid)	(2,418)	(750)	(2,418)	(750)
	(Repayment of subordinated liabilities)	(3,300)	(150)	(3,300)	(150)
b)	**Net cash from financing activities** (a)	**(5,718)**	**(900)**	**(5,718)**	**(900)**
D.	**Effects of exchange rates on cash and cash equivalents**	**116**	**476**	**116**	**476**
E.	**Net increase in cash and cash equivalents** (Af + Bc + Cb)	**6,632**	**124,819**	**6,632**	**124,825**
F.	**Opening balance of cash and cash equivalents** (Note 4.1. b)	**212,674**	**87,379**	**212,674**	**87,373**
G.	**Closing balance of cash and cash equivalents** (D + E + F) (Note 4.1. b)	**219,422**	**212,674**	**219,422**	**212,674**

The accompanying notes form an integral part of these financial statements.

The Management Board of Deželna banka Slovenije d. d. hereby approves the financial statements and the notes to the statements.

Ljubljana, 4 April 2023

BANK MANAGEMENT BOARD:

Member of the Management Board
Barbara Cerovšek Zupančič MSc

President of the Management Board
Jure Kvaternik

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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II. Notes to financial statements for 2022

1. GENERAL INFORMATION

The Deželna banka Slovenije Group (hereafter Group) consists of Deželna banka Slovenije d. d. (the Bank) and subsidiaries DBS Leasing d. o. o. (hereafter DBS Leasing), real estate company DBS Nepremičnine d. o. o. (hereafter DBS Nepremičnine), and real estate company DBS Adria d. o. o. (hereafter DBS Adria).

Deželna banka Slovenije d. d. is a Slovenian private company limited by shares, with its business address Deželna banka Slovenije d. d., Kolodvorska 9, Ljubljana, Slovenia.

Deželna banka Slovenije d. d. is not a public company under Article 99 of the Markets in Financial Instruments Act, because it does not meet the conditions under the provisions of the Act. Its shares are not traded in any regulated market.

DBS Leasing is a universal leasing company engaged in financial leases of vehicles, equipment and property. DBS Nepremičnine is a company engaged in selling the Group's property, renting it out, and developing property projects. DBS Adria is a company engaged in property activities based abroad.

The Group prepares disclosures subject to prudential consolidation (Chapter 5 and Section on Risk and Capital Management in this Annual Report). In addition to the controlling company DBS d. d., subsidiaries DBS Leasing and DBS Nepremičnine have been included in prudential consolidation under Directive 2013/36/EU (CRD IV) and Regulation EU No 575/2013 (CRR).

In 2022, the consumer price index was up 10.3% (2021: 4.9%). From 1 January 2007, Slovenia's national currency has been the euro, which has thus also become the functional and presentation currency of the Bank's financial statements. All amounts in the financial statements and related notes are given in EUR thousand, unless specified otherwise.

2. CRITICAL ACCOUNTING POLICIES

2.1. Basis for presentation of financial statements

Financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU. Consolidated financial statements record the subsidiaries as fully consolidated.

The Group also prepared consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), for the parent company and subsidiaries (Group).

In order to obtain a comprehensive view of the financial position of the Group as a whole, users of these financial statements should read individual statements together with consolidated financial statements.

The policies set out below have been consistently applied in the financial statements for all the years presented.

The preparation of financial statements under IFRS as adopted by the EU requires the use of certain critical accounting estimates, which influence the value of reported assets and liabilities, the disclosure of potential assets and liabilities on the reporting date, and the amount of income and expenditure in the reported period. It also requires the management to select accounting policies of the Group according to its own judgement.

Changes in accounting policies

In financial year 2022, the Group did not adopt or apply any new accounting policies different from those applied in previous periods, such as would have a material effect on the financial statements of the current year, except for accounting standards and other amendments that entered into force as at 1 January 2021 and have been adopted by the EU.

Application of new and revised IFRSs and IFRIC interpretations

Initial use of new amendments to existing standards, applicable in the current reporting period

The following new standards, amendments to existing standards, and new interpretations, as issued by the International Accounting Standards Board (IASB) and adopted by the EU, apply to the reporting period:

- **Amendments to IAS 16 – Property, plant and equipment – Proceeds before Intended Use:** The amendments prohibit deducting from the cost of property, plant and equipment any amounts received from selling items produced during the production of this asset in the location and condition necessary for its operation as intended by the management. Instead, a company will recognise such sales proceeds and production cost in profit or loss. The amendments are effective for annual reporting periods starting on or after 1 January 2022.
- **Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract:** The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual reporting periods starting on or after 1 January 2022.
- **Amendments to IFRS 3 – Reference to the Conceptual Framework:** The amendments update the outdated reference to the conceptual framework in IFRS 3 without significantly changing the requirements of the standard. The amendments are effective for annual reporting periods starting on or after 1 January 2022.
- **Annual Improvements to IFRSs 2018–2020 Cycle – IFRS 1, IFRS 9, IFRS 16 and IAS 41:** IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. IFRS 16 – The amendment to Illustrative Example 13 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. IFRS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. All amendments are effective for annual reporting periods starting on or after 1 January 2022.

Our adoption of these amendments to existing standards and interpretations did not result in any material changes to the financial statements.

Standards and amendments to existing standards issued by the IASB and adopted by the EU; not yet effective

As at the day of these financial statements being approved, the following amendments to existing standards had been issued by the IASB and adopted by the EU, but were not yet effective:

- **IFRS 17 incorporating the amendments – Insurance Contracts:** IAS 17 requires insurance liabilities to be measured at current value and provides a more uniform measurement and presentation approach for all insurance contracts; it is effective for annual reporting periods beginning on or after 1 January 2023, including amendments to IFRS 17 which were adopted by the EU on 9 September 2022 and are also effective for annual reporting periods beginning on or after 1 January 2023.

- **Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies:** The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies; effective for annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 8 – Definition of Accounting Estimates:** The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates; effective for annual reporting periods beginning on or after 1 January 2023.
- **Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction:** The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition; effective for annual reporting periods beginning on or after 1 January 2023.

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

International Financial Reporting Standards as adopted by the EU do currently not differ in any major respect from the regulations adopted by the International Accounting Standards Board (IASB), apart from the following new standards and amendments to existing standards:

- **Amendments to IAS 1** – Classification of Liabilities as Current or Non-current (deferral of the effective date): The change defers the effective date of the January 2020 amendments for one year, according to which companies will have to apply the amendment for annual periods beginning on or after 1 January 2024; the amendment was not yet approved for use in the EU.
- **Amendments to IFRS 10 and IAS 28** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; amendments not yet approved for use in the EU.
- **Amendment to MRSP 16** – Lease Liability in a Sale and Leaseback: The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale; amendments not yet approved for use in the EU.
- **Amendments to IAS 1** – Non-current Liabilities with Covenants: The amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability; amendments not yet approved for use in the EU.

The Company assumes that the adoption of the new standards and amendments to existing ones will not have a major effect on its financial statements over the initial period of use.

The accounting principles for hedging against risk with respect to the portfolio of financial assets and liabilities, which the EU has not adopted yet, remain unregulated.

2.2. Consolidation

Subsidiaries have been fully consolidated from the day the Bank gained control over them. The Groups' consolidated statements do not include intra-group transactions and unrealised gains and losses. In order to ensure compliance with the Bank's guidelines, the accounting policies of subsidiaries have been adjusted as appropriate.

2.3. Critical accounting estimates

Certain assumptions and estimates are needed in preparing financial statements, which affect the amounts of assets and liabilities reported for the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and receivables and potential off-balance sheet liabilities

The Group's credit risk management includes monthly assessments of whether there is any objective evidence of impairment for each individually significant loan. If so, a detailed impairment is calculated to determine whether an impairment loss should be recognised in the income statement.

The Group assesses expected credit losses based on the impairment model in accordance with IFRS 9. For the purpose of assessing credit losses, financial assets measured at amortised cost – loans, debt securities, other receivables, debt instruments measured at fair value through other comprehensive income, and off-balance sheet exposures from credit commitments and financial guarantee contracts, to which impairment requirements apply – are classified as at each reporting date into one of the three stages. The methodology and assumptions are reviewed regularly, in order to reduce any differences between loss estimates and actual loss experience.

For purposes of assessing credit losses, off-balance sheet exposures from assumed liabilities under financial guarantee contracts, regarding which the impairment requirements are to be used, are classified at each reporting day into one of the three transaction phases for purposes of calculating the expected credit losses for the period of validity of the financial guarantee.

(b) Fair value of investment property

The fair value of investment property reflects market conditions as at the date of the statement of financial position. The estimated value of investment property is based on mean value calculated using the comparable sales method, and on the income valuation approach.i na srednji vrednosti, izračunani po metodi primerljive prodaje, in na donosu zasnovanem načinu vrednotenja.

(c) Impairment charge on investments in subsidiaries

In assessing impairments against its investments, the Group considers objective evidence of impairment and indications that an investment may be impaired. If any such indication exists, the Bank determines the impairment charge as the difference between the investments' carrying value and its recoverable amount. The recoverable amount is fair value less the cost of disposal, or value in use, whichever is higher, whereby value in use is the present value of the future cash flows expected to be derived from the respective investment, discounted at current market returns for similar financial assets. If future cash flows cannot be estimated, the impairment charge is calculated using the subsidiary net asset value method (asset accumulation method) or as the difference between the asset's carrying amount and the carrying amount of the subsidiary's equity, proportionate to participation in equity.

(d) Taxes

The Group is subject to income taxes only in Slovenia. To assess the amount of income tax payable, some estimates are required. The Group recognises income tax and deferred tax liabilities based on estimates of whether it will have to settle them. Should the final tax outcome be different from the amounts recognised by the Group, such differences will impact the income tax and deferred tax provisions in the respective period.

2.4. Segment reporting

As at 31 December 2022, the Group has operated as a single entity, and therefore it does not report by segment.

2.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank and its subsidiaries operate. The financial statements are presented in euros, which is the functional and presentation currency of the Bank and its subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using exchange rates effective at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences in equities measured through other comprehensive income are recognised with valuation gains/losses as other comprehensive income or as fair value reserves.

Income and expenses in foreign currency are translated into euro-equivalent applying the exchange rates effective at the date of the transaction.

Gains and losses resulting from purchases and sales of foreign exchange are recognised in the income statement under Foreign exchange translation.

2.6. Interest income and expense

Interest income and expense is recognised in the income statement for all instruments measured at amortised cost, using the effective rate method.

The effective rate method is a method of calculating financial assets' or liabilities' amortised cost and a method of allocating interest income and expense over a requisite period.

The effective interest rate is the interest rate used to precisely discount the estimated future cash flows for the entire period of the expected useful life of a financial instrument or for a shorter period when needed, up to the net current value of a financial asset or liability.

In calculating the effective interest rate, the Group must estimate cash flows taking into account all contractual conditions of the transaction in the relevant financial instrument, but cannot consider future credit losses. The calculation of the effective interest rate includes all paid amounts: instalments, fees, costs.

Once a financial asset or a group of similar financial assets has decreased as a result of impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss and eliminated from interest income referring to the impaired financial asset. The Bank will halt the accrual of contractual interest and interest on arrears as well as costs of running non-performing loans and guarantees for non-performing assets if given the expected cash flow it no longer expects payment.

2.7. Fee and commission income and expense

Fee and commission is generally recognised when the service has been provided. Fee and commission for agency services in a transaction or for participation in the agency of a transaction for a third person is recognised when the transaction has been concluded. Fee and commission for portfolio management and other consultancy services is recognised on the basis of requisite service agreements when the services have been provided. Fee and commission for international and domestic payment transactions is recognised when the respective service has been provided.

Fee and commission included into the calculation of the effective interest rate is recognised under interest income or expense.

2.8. Financial assets

2.8.1. Accounting policies under IFRS 9

The Group classifies its financial assets into the following groups: financial instruments at fair value through profit or loss, financial instruments at amortised cost, and financial instruments at fair value through other comprehensive income. The management determines the classification of investments upon initial recognition.

(a) Financial assets measured at fair value through profit or loss
This category has two sub-categories: financial instruments held for trading and financial instruments mandatorily measured at fair value through profit or loss.

To a lesser extent, the Group holds financial assets held for trading, whereas the other part is financial instruments mandatorily measured at fair value through profit or loss.

(b) Financial assets measured at amortised cost
A financial asset has to be measured at amortised cost if the following two conditions are met:
(a) a financial asset is held within a business model the aim of which is to hold financial instruments with the purpose of receiving contractual cash flows, and
(b) in compliance with contractual terms of the financial instrument, cash flows occur on certain dates that comprise repayments of principal and interest on the outstanding principal exclusively.

As well as loans fulfilling the conditions of the cash flow test, the Group classifies into this category all debt securities intended for the collection of contractual cash flows.

(c) Financial assets measured at fair value through other comprehensive income
Financial asset measured at fair value through other comprehensive income are those the Group intends to hold for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices of financial instruments.

(d) Measurement and recognition
Purchases and sales of financial instruments at fair value through profit or loss, financial instruments at amortised cost, and financial instruments at fair value through other comprehensive income are recognised as at the date the transaction was concluded – the date on which the Group commits to carry out the purchase or sale of the respective instrument. Derivatives are recognised on the trade date.

Financial assets, apart from financial instruments at fair value through profit or loss, are initially measured at fair value plus transaction costs. Financial assets at fair value through profit and loss are initially recognised at fair value, while the transaction costs are expensed in the income statement. A financial asset is derecognised when the contractual rights to cash flows have expired, or if all risks and benefits of the ownership of a financial asset are transferred. A financial liability is derecognised solely when the contractual obligation has been met, revoked or has lapsed.

Financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss are measured at fair value. Loans and receivables are measured at amortised cost applying the effective interest rate. Gains and losses from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses from changes in the fair value of the financial instruments at fair value through other comprehensive income are recognised directly in equity until the financial asset is sold or impaired, at which time they are recognised in the income statement. With debt securities classified into this category, expected credit losses and differences resulting from foreign currency translation are recognised in the income statement, and the difference to fair value is recognised in other comprehensive income until derecognition. Upon derecognition of a debt financial instrument, the cumulative profit or loss recognised in other comprehensive income is reclassified into the income statement.

Upon derecognition of an equity instrument for which upon initial recognition the option for measured at fair value through other comprehensive income was chosen irrevocably, cumulative gains or losses are never recognised in the income statement.

Interest from the effective interest rate and exchange differences for financial instruments measured through other comprehensive income are recognised in the income statement. Dividends from financial instruments are recognised in the income statement, upon the establishment of the holder's right to payment.

Fair values of financial instruments traded in an active market are based on market prices.

If a financial instrument is not traded in an active market, the Group determines its fair value by using valuation models.

2.9. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there exists a legal right to offset the amounts and the intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10. Impairment of financial assets

2.10.1. Impairment of financial assets under IFRS 9

(a) Financial assets measured at amortised cost

Measurement of impairment loss under IFRS 9 is based on the expected credit losses concept. Financial instruments measured at amortised cost in accordance with the SPPI test are impaired either on a collective basis (financial instruments in groups 1 and 2, and some exceptions in group 3) or on an individual basis (financial instruments in group 3).

Collective assessment of credit losses

Collective impairment is calculated as the sum of discounted monthly weighted expected credit losses, and an individual (monthly) unit is calculated as the product of probability of default (PD), loss given default (LGD), exposure at default (EAD) and, in the case of off-balance-sheet receivables, also conversion factor (CCF). In collective assessment of losses, the Group also considers forward-looking information, which is included in the calculation through forward-looking PD.

Individual assessment of credit losses

As a rule, the Group assesses group 3 financial instruments individually in accordance to how a default is considered to have happened pursuant to Article 178 of the CRR.

The expected exposure loss is calculated as the difference between the asset’s carrying amount and estimated future cash flows that are discounted at the original effective interest rate of the financial asset. Expected cash flows are evaluated against the type of scenario, i.e. according to whether the approach used is that of business as a going concern or a not going concern.

Calculation of credit losses under IFRS 9 is presented in more detail in section 5.1.3.

(b) Financial assets measured at fair value through other comprehensive income
As financial instruments at fair value through other comprehensive income are measured at fair value, gains and losses resulting from valuation are recognised directly in equity, and when a debt security is sold or impaired, they are recognised in the income statement.

2.11. Property, plant and equipment, and intangible assets

All property, plant and equipment as well as intangible assets are initially stated at cost. In accordance with IFRS 16, long-term lease assets are recognized under operating fixed assets as right-of-use assets. The cost of property, plant and equipment is composed of its purchasing price and all the costs that can be directly attributed to the asset.

Assessments are made each year whether there are indications that property, plant and equipment may be impaired. If any such indication exists, the Group estimates the recoverable amount. If value in use exceeds the carrying value, assets are not impaired. If the asset's carrying amount is higher than its estimated recoverable amount, the carrying amount is decreased to its recoverable amount. The recoverable amount is fair value less the cost of selling, or value in use, whichever is higher. After initial recognition, property, plant and equipment is measured at the cost model less depreciation. The right-of-use asset is recorded as a fixed operating asset and is amortized on a monthly basis using the straight-line method of depreciation over the remaining term of the lease. The Group defines the lease term as the non-cancellable period of the lease together with the periods allowing the option of extending the lease, if there is high certainty that the lessor will exercise this option, or the periods allowing the option of terminating the lease, if there is high certainty that the lessor will not exercise this option. For leases concluded for an indefinite period, the lease term is established as 5 years. Upon recognition, a lease liability is initially measured at the current value of the lease that will be paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. Where the interest rate cannot be determined clearly, the assumed lease interest rate shall be used.

The following are the annual depreciation and amortization rates used:

	Group DBS		DBS d. d.	
	2022 %	2021 %	2022 %	2021 %
Buildings	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Computer equipment	12.5-30.0	12.5-30.0	12.5-30.0	12.5-30.0
Software	10.0-33.3	10.0-20.0	10.0-33.3	10.0-20.0
Motor vehicles	20.0	12.5-20.0	20.0	12.5-20.0
Other equipment	9.4-50.0	8.81-50.0	10.0-50.0	10.0-50.0
Property lease right	0.83-100.0	11.21-100.0	0.83-100.0	11.21-100.0

Intangible assets, which mainly include software, are stated in the statement of financial position at cost less depreciation and accumulated impairment losses.

Depreciation of intangible assets is provided on a straight-line basis. General software is amortised over five years, with dedicated software being amortised over ten.

Assets in the course of transfer or manufacture/implementation are not depreciated until they are available for use.

The Group assesses the remaining value of assets upon each reporting period as well as their useful lives, and adjusts their values as appropriate.

Gains and losses incurred upon disposal of property, plant and equipment are determined by reference to the difference between their carrying amount and net profit upon disposal, and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement during the financial period in which they are incurred. Should these assets increase the Group's future economic benefits, their carrying amount shall also recognise subsequent costs.

2.12. Investment property

Upon acquisition, the Group recognised investment property at cost, which includes the purchase price and all related costs.

After initial recognition, investment property is restated at fair value.

In determining the fair value of investment property, the income approach (capitalised cash flow method, discounted future gains method) or sales comparison approach was used.

Fair value is based on market prices as at the date of the statement of financial position.

Investment property is assets not used directly by the Group for its operations but held with the purpose of giving it into operating lease or selling at a later date. Any gain or loss arising from a change in fair value is recognised in the income statement. If there is a change in use due to the commencement of owner occupation, investment property is transferred to owner occupied property.

Assets received for repayment of claims are initially measured at fair value. After initial recognition the Group measures assets received for repayment of claims at fair value, using the fair value method.

2.13. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale if the owner is committed to the sale and this commitment is stated in writing, whereupon the sale must be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

2.14. Inventories

Inventories are classified under Other assets and consist of moveable and immovable property held for sale in the near term. They are recognised either at cost amounts or net realisable value, whichever is lower. An inventory unit is measured at cost, which comprises the purchase price, import duties and direct costs of purchase. The purchase price is reduced by trade discounts. The first-in, first-out method is used for inventories.

2.15. Leases

The accounting treatment of leases is determined by the new standard IFRS 16 Leases, effective from 1 January 2019. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Where the Group is the lessee

In the Group, the application of IFRS 16 is designated for operating leases of business premises and cars.

Subject to exemptions permitted under IFRS 16, the Group will not apply IFRS 16 for short-term leases and leases where the leased asset is of low value (such as tablets and PCs, small office furniture, telephones, and ATM locations). Lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

The standard will not be used for software licenses and intangible assets – copyright (IAS 38). It will not apply to the leased printers that are replaced over the lease period, therefore, there is no identifiable asset.

The Group defines the lease term as the non-cancellable period of the lease together with the periods allowing the option of extending the lease, if there is high certainty that the lessor will exercise this option, or the periods allowing the option of terminating the lease, if there is high certainty that the lessor will not exercise this option. For leases concluded for an indefinite period, the lease term is established as 5 years.

In accordance with IFRS 16, long-term lease assets are recognized under operating fixed assets as right-of-use assets, and under equity and liabilities as a lease liability under the lease contract. The right-of-use asset is recorded as a fixed operating asset and is amortized on a monthly basis using the straight-line method of depreciation over the remaining term of the lease. Upon recognition, a lease liability is initially measured at the current value of the lease that will be paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. Where the interest rate cannot be determined clearly, the assumed lease interest rate shall be used. The lease liability is reduced during the lease term by lease payments and transferring interest into costs. Depreciation of lease rights and interest from lease liabilities are recorded in the income statement. In the long run, until the individual lease contract expires, cumulative depreciation and interest costs will be equal to the sum of all rents paid.

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
(a) Depreciation costs for right-of-use assets:	424	414	424	414
Business premises	424	414	424	414
(b) Interest expense on lease liability	26	25	26	25
(c) Expense relating to short-term leases accounted for under IFRS 16:6 (excluding the expense relating to leases with a lease term of one month or less)	13	12	13	12
(d) Expense relating to leases of low-value assets accounted for applying IFRS 16:6 (excluding the expense relating to short-term leases of low-value assets under Article 53(c))	3	2	3	2
(e) Income from subleasing right-of-use assets	2	2	2	2
(f) Total cash outflow for leases	403	406	403	406
(g) Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset:	1,991	1,785	1,991	1,785
Business premises	1,991	1,785	1,991	1,785

(b) The Group is the lessor

The Group gives business premises and motor vehicles into operating lease. In case of assets given into operating lease, all payments made under operating leases constitute income generated from investment property, and shall be included into the income statement proportionate to the period of the lease agreement. The costs incurred in obtaining lease payments are recognised as costs. Initial direct costs incurred by the lessor in negotiating and agreeing an operating lease are added to the leased asset's book value and recognised as costs in the period of the lease on the same basis as lease income.

When assets are leased out under a finance lease, the present value of lease payments is recognised as a receivable from a finance lease. The difference between the gross receivable and the present value of the receivable is recognised as long-term deferred costs. Finance lease income is recognised systematically over the entire term of the lease and reflects a constant periodic rate of return. It is only the subsidiary DBS Leasing d. o. o. that gives assets into finance lease in the Group.

2.16. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise: cash and balances at central bank, loans to banks with less than 90 days maturity from the date of acquisition, treasury bills and debt securities with less than 90 days maturity from the date of acquisition.

2.17. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow will be required to settle it, and a reliable estimate of the amount of the obligation can be made. Risks arising out of contingent liabilities and commitments are assessed similarly to risks arising out of loans. All increases in liabilities arising out of estimated expenses required to settle the liabilities under contractual terms, are included into provisions.

2.18. Provisions for severance pays and long-service awards

Pursuant to the Slovenian legislation, employees retire upon meeting certain predetermined criteria, whereupon they are entitled to severance pay, which is paid out in a single amount. Employees are likewise entitled to long-service awards upon every 10 years of employment.

Provisions have been made for long-service awards, severance pays upon retirement and other long-term benefits.

Provisions are measured as the current value of future cash flows. Gains and losses are recognised in the income statement, apart from actuarial gains and losses, which are included in the accumulated other comprehensive income.

2.19. Income tax

Taxation has been provided for in the income statement pursuant to the Slovenian legislation in force. The tax item in the income statement comprises current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, applying the tax rates enacted at the date of the statement of financial position.

Corporate income tax is levied on taxable profits at the rate of 19%.

Pursuant to the Slovenian Corporate Income Tax Act, current corporate income tax is charged at the rate of 19% of the established tax base (2021: 19%).

Deferred tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are reliably expected to be effective in the financial year in which deferred tax assets will be received and deferred tax liabilities settled, and are based on tax rates (and tax regulations) enacted at the date of the statement of financial position.

The most important temporary differences arise from tax loss, impairment of investments in subsidiaries, valuation of financial assets at fair value through other comprehensive income, and provisions. An estimation of the amount of taxable profit for the future period is made at least once a year.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary deductible differences can be utilised. An estimation of the amount of taxable profit for the future period is made at least once a year.

Deferred tax related to the revaluation of financial assets measured at fair value through other comprehensive income to fair value is recognised directly in equity and subsequently transferred to the income statement together with the deferred revaluation profit or loss, except for equity investments that upon initial recognition were determined irrevocably as measured through other comprehensive income.

Deferred tax liabilities are recognised under revaluation of financial assets measured at fair value through other comprehensive income.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years after the reported tax year, and in this connection impose additional taxation and penalties. The Bank management knows of no circumstances that could give rise to additional liabilities in this regard.

2.20. Borrowings

Borrowings are initially recognised in the statement of financial position at the value of their issue proceeds net of transaction cost incurred. Borrowings are subsequently stated at amortised cost.

2.21. Capital

(a) Share issue costs

Additional costs that the Group can directly attribute to the issue of new shares or options or a concluded transaction are shown in equity in their net amount as a direct deduction from equity (without the related amount of income tax).

(b) Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are approved by the Bank's owners.

Dividends for the year past are declared at the AGM after the date of the statement of financial position.

(c) Treasury shares

If the Group purchases treasury shares, the consideration paid is deducted from total shareholders' equity. When such shares are subsequently sold, any consideration received is included in shareholders' equity.

2.22. Financial guarantee contracts

Financial guarantee contracts are contracts that require the contract issuer to make agreed payments to reimburse the contract holder for a loss it incurs in the event of a borrower's defaulting. The Group issues such financial guarantees to other banks, financial institutions and other customers to secure loans, limits and other banking facilities.

Financial guarantee contracts are initially recognised at fair value plus the fee received. Fee income is recognised in the income statement on a straight-line basis, over the entire term of the financial guarantee contract. The Group subsequently recognises financial guarantees at the higher of the initial measurements less fee income received, on a straight-line basis over the entire term of the financial guarantee contract, and less the best estimate of the expenditure required to settle the obligation under the financial guarantee as at the reporting date. For purposes of assessing credit losses, off-balance sheet exposures from assumed liabilities under financial guarantee contracts, regarding which the impairment requirements are to be used, are classified at each reporting day into one of the three transaction phases for purposes of calculating the expected credit losses for the period of validity of the financial guarantee.

2.23. Fiduciary activities

As of 1 February 2019, the Bank ceased to provide investment services and activities to clients while still providing lending under authorisation. Details are explained in Note 4.31. These assets are not included into the statement of financial position of the Bank and the Group.

3. NOTES TO THE INCOME STATEMENT

3.1. Interest income and expense

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Interest income				
Financial assets measured at fair value through other comprehensive income	0	32	0	32
Debt securities measured at amortised cost	987	940	987	940
Loans to banks	9	(90)	9	(90)
Loans to customers	17,132	15,457	17,272	15,585
Financial leasing	755	529	0	0
Other financial assets	815	3	815	3
TOTAL	**19,698**	**16,871**	**19,083**	**16,470**
Interest expense				
Deposits by customers	98	243	98	243
Subordinated deposits and loans	223	313	223	313
Other financial liabilities	26	25	26	25
Interest in relation to financial assets with a negative interest rate	554	458	554	458
TOTAL	**901**	**1,039**	**901**	**1,039**
NET INTEREST INCOME	**18,797**	**15,832**	**18,182**	**15,431**

In 2022, the Group realised higher net interest by EUR 2,965 thousand and the Bank by EUR 2,751 thousand. In 2022, the Group recognised EUR 26 thousand of interest expenses from the right of use (2021: EUR 25 thousand) and the Bank EUR 26 thousand (2021: EUR 25 thousand).

3.2. Dividends

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Dividends on financial assets held for trading (Note 4.2. a)	5	14	5	14
Dividends on financial assets measured at fair value through other comprehensive income (Note 4.3. b)	28	17	28	17
TOTAL	**33**	**31**	**33**	**31**

3.3. Fee and commission income and expense

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Fee and commission income				
Payment transactions	5,298	4,825	5,298	4,825
Agency services	116	131	111	132
Administrative services	4,533	4,432	4,478	4,379
Guarantees issued	193	173	193	173
Securities trading	1	1	1	1
Credit operations	342	341	351	349
Services to subsidiaries	0	0	100	86
Foreign exchange transactions	22	17	22	17
TOTAL	**10,505**	**9,920**	**10,554**	**9,962**
Fee and commission expense				
Banking services	578	647	578	647
Securities trading	67	58	67	58
Payment transactions	1,084	1,099	1,084	1,099
Other services	24	19	17	11
TOTAL	**1,753**	**1,823**	**1,746**	**1,815**
NET FEE AND COMMISSION INCOME	**8,752**	**8,097**	**8,808**	**8,147**

3.4. Net gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Realised gains/losses from financial assets measured at fair value through other comprehensive income	**0**	**273**	**0**	**273**
Gains from financial assets measured at fair value through other comprehensive income	0	273	0	273
Realised gains/losses from financial assets measured at amortised cost	**25**	**31**	**25**	**31**
Gains from financial assets measured at amortised cost	25	43	25	43
Losses from financial assets measured at amortised cost	0	12	0	12
Realised net gains/losses from financial liabilities measured at cost	**(18)**	**(19)**	**(18)**	**(19)**
Gains from financial liabilities measured at amortised cost	3	0	3	0
Losses from financial liabilities measured at amortised cost	21	19	21	19
REALISED GAINS/LOSSES	**7**	**285**	**7**	**285**

In 2022, the Group realised net profits in the amount of EUR 7 thousand (2021: EUR 285 thousand), and the Bank EUR 7 thousand (2021: EUR 285 thousand).

3.5. Net gains/losses from financial assets and liabilities held for trading

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Net gains/losses from trading in equity instruments	(8)	67	(8)	67
Net gains/losses from foreign exchange trading	210	151	210	151
TOTAL	**202**	**218**	**202**	**218**

3.6. Net gains/losses on non-trading financial assets mandatorily at fair value through profit or loss

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Gains on non-trading financial assets mandatorily at fair value through profit or loss – loans and advances	0	1,259	0	1,259
TOTAL	**0**	**1,259**	**0**	**1,259**

3.7. Foreign exchange translation

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Positive translation differences	2,682	1,147	2,686	1,149
Negative translation differences	2,680	1,147	2,683	1,148
TOTAL	**2**	**0**	**3**	**1**

3.8. Net gains/losses on derecognition of non-financial assets

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Gains				
- Derecognition of property, plant and equipment	7	3	3	0
- Derecognition of investment property	567	760	567	760
- Derecognition of other assets	5	0	6	0
TOTAL	**579**	**763**	**576**	**760**
Losses				
- Derecognition of property, plant and equipment	6	7	6	7
- Derecognition of investment property	46	85	46	85
TOTAL	**52**	**92**	**52**	**92**
TOTAL NET GAINS/LOSSES	**527**	**671**	**524**	**668**

3.9. Other net operating gains/losses

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Gains				
Income from non-banking services	58	97	58	97
Leases and rents (Note 4.10.)	777	680	792	694
Other:	978	983	721	473
- Insurance fee	268	248	268	248
- Grants and subsidies	54	16	54	11
- Fees for ATM	45	27	45	27
- Exemption from contributions	34	37	34	37
- Claims for damages	12	13	12	13
- Numizmatics fee	32	55	32	55
- Compensation for inability to use denationalisation property (Municipality of Celje)	198	0	198	0
- Revenue from interest on late payments	213	445	1	0
- Other income*	122	142	77	82
TOTAL	**1,813**	**1,760**	**1,571**	**1,264**
Losses				
Expenses from investment property provided to a lessee under an operating lease	9	0	9	0
Other operating expenses:	68	14	67	14
- Penalties	34	9	34	9
- Closing of leases	19	0	19	0
- Other losses	15	5	14	5
TOTAL	**77**	**14**	**76**	**14**
OTHER NET OPERATING GAINS/LOSSES	**1,736**	**1,746**	**1,495**	**1,250**

* Other income: revenue from building land reimbursements, court costs repayment, sales, covid-19 repayment and other revenue.

3.10. Administrative expenses

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Employee benefits cost				
Gross wages	9,913	8,798	9,736	8,627
Social security contributions	713	670	700	657
Pension insurance contributions	879	826	862	811
Other contributions depending on gross wages	5	(13)	5	(13)
Severance pays and compensations	76	101	76	101
Perfomance bonuses	360	573	360	573
Other labour costs	1,771	1,643	1,724	1,614
TOTAL	**13,717**	**12,598**	**13,463**	**12,370**
Overhead and administrative expenses				
Costs of material	621	590	612	583
Costs of services	4,991	4,822	4,893	4,707
Other operating costs	159	259	154	253
TOTAL	**5,771**	**5,671**	**5,659**	**5,543**
TOTAL	**19,488**	**18,269**	**19,122**	**17,913**

The costs of severance pays and compensations in 2022 comprised EUR 76 thousand of severance pays (2021: EUR 101 thousand), of which EUR 71 thousand were severance pays for business reasons (2021: EUR 100 thousand).

The Group's administrative expenses were higher by EUR 1,219 thousand and the bank's by EUR 1,209 thousand, mainly due to higher employee benefits cost, while other operating expenses were lower by EUR 100 thousand at the Group and by EUR 99 thousand at the bank.

The Group's and the Bank's costs of services for 2022 include costs of the audit of the annual report amounting to EUR 56 thousand, of which EUR 48 thousand for the audited statements of the Bank, and EUR 8 thousand for the audited consolidated statements (2021: EUR 56 thousand).

For the additional agreed assurance processes, the Bank paid EUR 8 thousand (2021: EUR 17 thousand).

3.11. Cash contributions to resolution funds and deposit guarantee schemes

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Compensation for BS resolution tasks	10	18	10	18
Other operating expenses	1,707	1,152	1,707	1,152
- Deposit guarantee scheme	1,662	1,108	1,662	1,108
- Contribution to the bank resolution fund	45	44	45	44
TOTAL	**1,717**	**1,170**	**1,717**	**1,170**

3.12. Depreciation and amortisation

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Property, plant and equipment (Note 4.9.)	742	723	720	685
Right-of-use - property (Note 4.9.)	424	414	424	414
Intangible assets (Note 4.11.)	124	118	113	107
TOTAL	**1,290**	**1,255**	**1,257**	**1,206**

In 2022, the Group recognized EUR 424 thousand of depreciation and amortization expenses from the right of use (2021: EUR 414 thousand), and the Bank EUR 424 thousand (2021: EUR 414 thousand).

3.13. Provisions

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Net provisions for off-balance sheet liabilities (Note 4.21. a and e)	**(6)**	**(41)**	**(6)**	**(41)**
Expenses for created provisions	362	365	362	365
Income from released provisions	368	406	368	406
Net other provisions	**255**	**(242)**	**238**	**(243)**
Net provisions for pensions and other employee benefits (Note 4.21. b and c)	**42**	**63**	**40**	**62**
Expenses for created provisions	68	63	66	62
Income from released provisions	26	0	26	0
Net provisions for tax suits and other pending legal cases	**47**	**0**	**47**	**0**
Expenses for created provisions (Note 4.21. d)	47	0	47	0
Net provisions for other provisions (Note 4.21. f)	**166**	**(305)**	**151**	**(305)**
Expenses for created provisions	316	195	301	195
Income from released provisions	150	500	150	500
NET PROVISIONS	**249**	**(283)**	**232**	**(284)**

Provisions for off-balance sheet contingent liabilities and other provisions totalled EUR 249 thousand of net income for the Group and EUR 232 thousand of net income for the Bank. The bank disclosed EUR 6 thousand of net income from the reversal of provisions for off-balance sheet contingent liabilities and EUR 150 thousand of income from the reversal of provisions for IT costs for Oracle licenses. In addition, the Bank made a net provision of EUR 40 thousand for long-service awards and severance payments, a provision of EUR 47 thousand for pending legal actions and a provision of EUR 301 thousand for the reimbursement of the proportional share of the costs of consumer loans that were repaid early between 1 January 2018 and 31 December 2022.

3.14. Impairment charge

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Net impairments of financial assets not measured at fair value through profit or loss	**(1,756)**	**756**	**(1,540)**	**681**
Net impairments of debt securities	**86**	**18**	**86**	**18**
Impairments of debt securities	322	27	322	27
Reversal of impairments on debt securities	236	9	236	9
Net impairments of loans	**(1,842)**	**738**	**(1,626)**	**663**
Impairments of loans	5,752	7,745	5,740	7,702
Reversal of loan impairments	7,594	7,007	7,366	7,039
Net impairments of equity investments in subsidiaries (Note 4.8.)	**0**	**0**	**(439)**	**(566)**
Impairment of equity investments in subsidiaries	0	0	3	13
Reversal of impairment of equity investments in subsidiaries	0	0	442	579
Net impairments of other assets	**733**	**1,209**	**628**	**1,219**
Net impairments (revaluations) of investment property (Note 4.10. b)	**733**	**1,209**	**628**	**1,219**
Impairment (revaluation) of investment property	775	1,249	670	1,249
Reversal of investment property impairments (revaluations)	42	40	42	30
NET IMPAIRMENTS	**(1,023)**	**1,965**	**(1,351)**	**1,334**

3.15. Net gains/losses from non-current assets held for sale and related liabilities

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Gains on non-current assets held for sale	19	24	0	0
TOTAL	**19**	**24**	**0**	**0**

3.16. Tax

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Income tax	580	430	579	430
Deferred tax (Note 4.22. d)	317	662	316	662
TOTAL	**897**	**1,092**	**895**	**1,092**
Profit/loss before tax	8,354	5,951	8,277	5,951
Tax under the 19% tax rate	1,587	1,131	1,573	1,131
Non-taxable income	(197)	(210)	(140)	(172)
Non-deductible expense	343	737	298	699
Tax reliefs	(836)	(565)	(836)	(565)
TOTAL	**897**	**1,092**	**895**	**1,092**
Effective tax rate (in %)	11	18	11	18

* The last tax inspection was in 2005 for financial year 2004.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years after the reported tax year, and in this connection impose additional taxation and penalties. The Group's management knows of no circumstances that could give rise to additional liabilities in this regard.

3.17. Earnings per share (EPS)

Basic EPS is calculated by dividing net profit by the weighted average number of issued ordinary shares of the Bank:

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Net profit (in EUR thousand)	7,457	4,695	7,382	4,859
Comprehensive income after tax (in EUR thousand)	7,648	4,736	7,568	4,901
Weighted average number of ordinary shares	4,231,682	4,231,682	4,231,682	4,231,682
Basic earnings per share (in EUR per share)	1.76	1.11	1.74	1.15
Comprehensive income per share after tax (in EUR per share)	1.81	1.12	1.79	1.16

Basic EPS of the Group in 2022 amounts to EUR 1.76 (2021: EUR 1.11). The after-tax comprehensive income per share is EUR 1.81 (2021: EUR 1.12). The weighted average number of issued ordinary shares recorded in the KDD central securities register for 2022, with treasury shares deducted, was 4,231,682 (2021: 4,231,682).

Basic EPS of the Bank in 2022 amounts to EUR 1.74 (2021: EUR 1.15). The after-tax comprehensive income per share is EUR 1.79 (2021: EUR 1.16). The weighted average number of issued ordinary shares recorded in the KDD central securities register for 2022, with treasury shares deducted, was 4,231,682 (2021: 4,231,682).

The share book value of the Bank and the Group as at 31 December 2022 was EUR 18.238097 (31 December 2021: EUR 17.021438). It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central registry of the KDD Central Securities Clearing Corporation less treasury shares.

The Group and the Bank have not issued any financial instruments convertible into shares.

4. NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1. Cash, balances at central banks, and sight deposits at banks

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Cash				
Cash	6,549	6,875	6,549	6,874
Bank balances at central bank	210,154	204,599	210,154	204,599
Sight deposits at banks	2,740	1,200	2,740	1,200
Revaluation allowance	(22)	(1)	(22)	(1)
TOTAL (Note 4.1. b)	**219,421**	**212,673**	**219,421**	**212,672**

The Group has met its obligation regarding the minimum reserve on the settlement account at the central bank. The amount of minimum reserves is adjusted to the system of the European Central Bank (ECB). Its amount is calculated pursuant to regulations –0% for: time deposits with agreed maturity of over 2 years, sight deposits with maturity of over 2 years, repurchase agreements and debt securities with agreed maturity of over 2 years; and 1% for: overnight deposits, deposits with agreed maturity of up to 2 years, sight deposits with maturity of up to 2 years and debt securities with agreed maturity of up to 2 years.

The Bank must ensure that the settlement account is credited on a daily basis with a specific amount calculated for each period. Minimum reserves for compliance period from 1 January to 31 December 2022 amounted to EUR 10,405 thousand on average for the period, with excess reserves totalling EUR 131,479 thousand on average for the period.

The annual interest rate for assets deposited in the minimum reserve account was 0.00% from 1 January 2022 to 26 July 2022 and varied according to the deposit facility rate from 27 July 2022 to 31 December 2022 (0.50% from 27 July 2022 to 13 September 2022; 1.25% from 14 September 2022 to 1 November 2022; and 2.00% from 2 November 2022 to 20 December 2022).

Part of excess reserves up to a six times of the institutions' reserve requirements is remunerated at annual rate of 0%, and any remaining excess reserves at –0.50% until 26 July 2022. Since in a situation of a positive deposit facility rate the entire excess reserves do not accrue interest, the Governing Council of the ECB abolished the two-step accrual of interest on the excess reserves with effect from 14 September 2022, when the deposit facility rate turned positive, by lowering the multiplier for the calculation of the allowance from 6 to 0.

Movements in revaluation allowance for balances at central bank and demand deposits at banks are disclosed in section 5.1.5. (Note b).

b) Movements

Group DBS

	As at 1 January 2022	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2022
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	212,674	116	6,632	219,422
TOTAL	**212,674**	**116**	**6,632**	**219,422**

DBS d. d.

	As at 1 January 2022	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2022
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	212,674	116	6,632	219,422
TOTAL	**212,674**	**116**	**6,632**	**219,422**

4.2. Financial assets held for trading

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equities (Note 3.2.)	70	44	70	44
Loans held for trading	21	4,815	21	4,815
TOTAL	**91**	**4,859**	**91**	**4,859**

Under loans held for trading, the Group discloses receivables from the purchase and sale of foreign exchange.

b) Movements

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equities				
As at 1 January	44	64	44	64
- Acquisition	82	324	82	324
- Sale	(48)	(410)	(48)	(410)
- Revaluation	(8)	(3)	(8)	(3)
- Margin	0	69	0	69
As at 31 December	**70**	**44**	**70**	**44**
Loans				
As at 1 January	4,815	24	4,815	24
- Increase	37,221	40,913	37,221	40,913
- Foreign exchange differences	(16)	19	(16)	19
- Sale	(41,999)	(36,141)	(41,999)	(36,141)
As at 31 December	**21**	**4,815**	**21**	**4,815**
TOTAL	**91**	**4,859**	**91**	**4,859**

4.3. Financial assets measured at fair value through other comprehensive income

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equities				
Equity investments	2,714	3,118	2,714	3,118
- Bank resolution fund	2,577	2,697	2,577	2,697
- Other equity investments	137	421	137	421
TOTAL	**2,714**	**3,118**	**2,714**	**3,118**

In 2022, the Bank decreased its position of investments into securities measured at fair value through other comprehensive income by EUR 20 thousand, which was due to revaluation. The Bank Resolution Fund balance was down EUR 120 thousand to EUR 2,577 thousand in 2022 (2021: EUR 2,697 thousand).

b) Movements

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	3,118	3,047	3,118	3,047
Sale	(331)	0	(331)	0
Revaluation	(73)	71	(73)	71
As at 31 December	**2,714**	**3,118**	**2,714**	**3,118**

A list of equity investments classified as measured at fair value through other comprehensive income, and a statement of fair values of investments at the end of the reporting period are given in the table below.

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equity instruments				
- Bank resolution fund	2,577	2,697	2,577	2,697
- Total other equity investments	137	421	137	421
Bankart d. o. o.	33	33	33	33
Las MDD z. b. o.	1	1	1	1
Marles d. d., Limbuš	13	13	13	13
Primorska hranilnica Vipava d. d.	0	241	0	241
Regia Group d. d.	0	45	0	45
Elektro Ljubljana d. d.	88	88	88	88
Zadružna zveza Slovenije, z. o. o.	2	0	2	0
TOTAL	**2,714**	**3,118**	**2,714**	**3,118**

As these investments are not strategic in nature, meaning that they cannot be controlled by the Group, they were classified irrevocably as measured at fair value through other comprehensive income after the introduction of IFRS 9. Changes in fair value of such equity investments shall never be recognised through profit or loss, which also applies to the effects in case of sale. In 2022, the Group received EUR 28 thousand in dividends, of which dividends from investments held by the Group at the year-end of 2022: EUR 23 thousand from Bankart d. o. o., EUR 4 thousand from Regia Group d. d., and EUR 1 thousand from Elektro Ljubljana d. d. (Note 3.2.).

In accordance with its business policy and a business opportunity, the Group sold its equity investments that were not strategic investments. The cumulative loss from other comprehensive income was transferred to retained earnings for the current year due to the cumulative effects of derecognition upon sale of equity investments.

Fair value of investments as at derecognition date and cumulative gains or losses upon disposal are given in the table below.

2022		Group DBS		DBS d. d.
Company	Fair value of investments as at derecognition date	Cumulative gains upon disposal	Fair value of investments as at derecognition date	Cumulative gains upon disposal
Primorska hranilnica Vipava d. d.	240,770	24	240,770	24
Regia Group d. d.	90,600	(106)	90,600	(106)
TOTAL	**331,370**	**(82)**	**331,370**	**(82)**

4.4. Debt securities measured at amortised cost

a) Breakdown

		Group DBS		DBS d. d.
	2022	2021	2022	2021
Long-term bank debt securities	6,177	4,827	6,177	4,827
Long-term government debt securities	162,919	160,283	162,919	160,283
Long-term debt securities issued by non-financial institutions	917	3,643	917	3,643
Long-term debt securities issued by other financial institutions	1,557	389	1,557	389
Revaluation allowance	(120)	(33)	(120)	(33)
TOTAL	**171,450**	**169,109**	**171,450**	**169,109**

Movements in revaluation allowance for debt securities measured at amortised cost are disclosed in section 5.1.5. (Note c).

b) Movements

		Group DBS		DBS d. d.
	2022	2021	2022	2021
As at 1 January	169,109	149,112	169,109	149,112
Purchases	60,384	49,013	60,384	49,013
Maturities	(58,278)	(29,016)	(58,278)	(29,016)
Foreign exchange translation	310	18	310	18
Revaluation allowance	(75)	(18)	(75)	(18)
As at 31 December	**171,450**	**169,109**	**171,450**	**169,109**

4.5. Loans and advances to banks and central bank at amortised cost

a) Breakdown according to type

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Loans to domestic banks	0	205	0	205
Loans to foreign banks	1,189	1,195	1,189	1,195
TOTAL	**1,189**	**1,400**	**1,189**	**1,400**

b) Breakdown according to maturity

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Short-term loans	1,189	1,195	1,189	1,195
Long-term loans	0	205	0	205
TOTAL	**1,189**	**1,400**	**1,189**	**1,400**

Loans and advances to banks with the original maturity of up to three months, in the amount of EUR 0 thousand (2021: EUR 0 thousand) are recognised in the cash flow statement as cash equivalents (Note 4.1. b).

4.6. Loans and advances to customers measured at amortised cost

a) Breakdown according to type

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Loans and advances	741,047	710,711	753,221	721,052
Financial lease	16,250	13,656	0	0
Working capital loans	18,751	18,638	19,202	18,989
Revaluation allowance	(14,861)	(16,626)	(14,860)	(16,340)
TOTAL	**761,187**	**726,379**	**757,563**	**723,701**

Movements in revaluation allowance for loans and advances to customers measured at amortised cost are disclosed in section 5.1.5. (Note d).

b) Loans and advances to customers include financial lease receivables

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Gross financial lease receivables				
Past due up to 1 year	1,056	1,505	-	-
Past due from 1 to 5 years	8,166	1,960	-	-
Past due over 5 years	7,028	10,191	-	-
TOTAL	**16,250**	**13,656**	**-**	**-**
Revaluation allowances	(270)	(501)	-	-
Net financial lease receivables	**15,980**	**13,155**	**-**	**-**

4.7. Other financial assets

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Trade receivables	444	658	365	549
Interest receivable	53	54	53	54
Fee and commission due	122	126	122	126
Other receivables	1,635	768	1,631	768
Other prepayments and deferred income	56	20	54	18
Revaluation allowance	(245)	(233)	(237)	(190)
TOTAL	**2,065**	**1,393**	**1,988**	**1,325**

Movements in revaluation allowance for other assets are disclosed in section 5.1.5. (Note e).

4.8. Equity investments in subsidiaries, joint ventures, and associates

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Long-term equity investments in other domestic financial institutions				
As at 1 January	0	0	3,278	2,699
Reversal of impairment	0	0	442	579
As at 31 December	**0**	**0**	**3,720**	**3,278**
Long-term equity investments in domestic non-financial institutions				
As at 1 January	0	0	1,526	1,539
Impairments	0	0	3	13
As at 31 December	**0**	**0**	**1,523**	**1,526**
Long-term equity investments in foreign non-financial institutions				
As at 1 January	0	0	0	0
As at 31 December	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**5,243**	**4,804**

Equity investments in subsidiaries totalled EUR 5,243 thousand at the end of 2022, up EUR 439 thousand from the beginning of the year having increased by EUR 442 thousand[1], from the reversal of impairment of equity participation in DBS Leasing d. o. o., and decreased by EUR 3 thousand from the impairment of equity participation in DBS Nepremičnine d. o. o. At the end of 2022, the investment in the subsidiary DBS Leasing amounted to EUR 3,720 thousand and in the subsidiary DBS Nepremičnine EUR 1,523 thousand, while there were no changes in the capital investment in DBS Adria in 2022, and it amounts to EUR 0 thousand.

[1] The positive operating result of DBS Leasing in 2022 was affected by a positive decision of the Financial Administration of the Republic of Slovenia, which impacted the subsidiary's past performance.

4.9. Property, plant and equipment

Group DBS

2022	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2021	12,899	3,545	9,461	222	114	26,241
Increases	0	0	0	0	747	747
Transfer from PPE under construction	3	300	502	37	(842)	0
Decreases	0	(205)	(467)	(203)	0	(875)
As at 31 December	12,902	3,640	9,496	56	19	26,113
Revaluation allowance						
As at 1 January	5,555	3,229	8,535	127	0	17,446
Decreases	0	(204)	(456)	(132)	0	(792)
Depreciation and amortisation	340	175	202	24	0	741
As at 31 December	5,895	3,200	8,281	19	0	17,395
Net carrying value						
As at 1 January	7,344	316	926	95	114	8,795
As at 31 December	7,007	440	1,215	37	19	8,718
Lease rights						
Cost						
As at 31 December 2021	2,104	0	0	0	0	2,104
Increases - new lease rights	878	0	0	0	0	878
Decreases - end of lease rights	(16)	0	0	0	0	(16)
Decreases	(568)	0	0	0	0	(568)
As at 31 December	2,398	0	0	0	0	2,398
Revaluation allowance						
As at 1 January	319	0	0	0	0	319
Decreases - end of lease rights	(9)	0	0	0	0	(9)
Decreases	(327)	0	0	0	0	(327)
Depreciation from lease rights	424	0	0	0	0	424
As at 31 December	407	0	0	0	0	407
Net carrying value						
As at 1 January	1,785	0	0	0	0	1,785
As at 31 December	1,991	0	0	0	0	1,991
Net carrying value total						
As at 1 January	9,129	316	926	95	114	10,580
As at 31 December	8,998	440	1,215	37	19	10,709

The Group has no property held as collateral for the loans received.

Group DBS

2021	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2020	12,593	3,544	9,606	396	250	26,389
Increases	0	3	0	0	417	420
Transfer from PPE under construction	306	89	158	0	(553)	0
Decreases	0	(91)	(303)	(174)	0	(568)
As at 31 December	12,899	3,545	9,461	222	114	26,241
Revaluation allowance						
As at 1 January	5,217	3,151	8,656	193	0	17,217
Decreases	0	(91)	(295)	(108)	0	(494)
Depreciation and amortisation	338	169	174	42	0	723
As at 31 December	5,555	3,229	8,535	127	0	17,446
Net carrying value						
As at 1 January	7,376	393	950	203	250	9,172
As at 31 December	7,344	316	926	95	114	8,795
Lease rights						
Cost						
As at 31 December 2020	2,235	0	0	0	0	2,235
Increases - new lease rights	153	0	0	0	0	153
Decreases - end of lease rights	(75)	0	0	0	0	(75)
Decreases	(209)	0	0	0	0	(209)
As at 31 December	2,104	0	0	0	0	2,104
Revaluation allowance						
As at 1 January	845	0	0	0	0	845
Decreases - end of lease rights	(40)	0	0	0	0	(40)
Decreases	(900)	0	0	0	0	(900)
Depreciation from lease rights	414	0	0	0	0	414
As at 31 December	319	0	0	0	0	319
Net carrying value						
As at 1 January	1,390	0	0	0	0	1,390
As at 31 December	1,785	0	0	0	0	1,785
Net carrying value total						
As at 1 January	8,766	393	950	203	250	10,562
As at 31 December	9,129	316	926	95	114	10,580

DBS d. d.

2022	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2021	12,899	3,523	9,250	60	114	25,846
Increases	0	0	0	0	747	747
Transfer from PPE under construction	3	300	502	37	(842)	0
Decreases	0	(205)	(467)	(41)	0	(713)
As at 31 December	12,902	3,618	9,285	56	19	25,880
Revaluation allowance						
As at 1 January	5,555	3,212	8,434	42	0	17,243
Decreases	0	(204)	(456)	(32)	0	(692)
Depreciation and amortisation	340	175	196	9	0	720
As at 31 December	5,895	3,183	8,174	19	0	17,271
Net carrying value						
As at 1 January	7,344	311	816	18	114	8,603
As at 31 December	7,007	435	1,111	37	19	8,609
Lease rights						
Cost						
As at 31 December 2021	2,104	0	0	0	0	2,104
Increases - new lease rights	878	0	0	0	0	878
Decreases - end of lease rights	(16)	0	0	0	0	(16)
Decreases	(568)	0	0	0	0	(568)
As at 31 December	2,398	0	0	0	0	2,398
Revaluation allowance						
As at 1 January	319	0	0	0	0	319
Decreases - end of lease rights	(9)	0	0	0	0	(9)
Decreases	(327)	0	0	0	0	(327)
Depreciation and amortisation	424	0	0	0	0	424
As at 31 December	407	0	0	0	0	407
Net carrying value						
As at 1 January	1,785	0	0	0	0	1,785
As at 31 December	1,991	0	0	0	0	1,991
Net carrying value total						
As at 1 January	9,129	311	816	18	114	10,388
As at 31 December	8,998	435	1,111	37	19	10,600

The Bank holds no property, plant or equipment given as guarantee for liabilities or such with limited ownership rights.

DBS d. d.

2021	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2020	12,593	3,525	9,395	60	250	25,823
Increases	0	0	0	0	417	417
Transfer from PPE under construction	306	89	158	0	(553)	0
Decreases	0	(91)	(303)	0	0	(394)
As at 31 December	12,899	3,523	9,250	60	114	25,846
Revaluation allowance						
As at 1 January	5,217	3,134	8,558	35	0	16,944
Decreases	0	(91)	(295)	0	0	(386)
Depreciation and amortisation	338	169	171	7	0	685
As at 31 December	5,555	3,212	8,434	42	0	17,243
Net carrying value						
As at 1 January	7,376	391	837	25	250	8,879
As at 31 December	7,344	311	816	18	114	8,603
Lease rights						
Cost						
As at 31 December 2020	2,235	0	0	0	0	2,235
Increases - new lease rights	153	0	0	0	0	153
Decreases - end of lease rights	(75)	0	0	0	0	(75)
Decreases	(209)	0	0	0	0	(209)
As at 31 December	2,104	0	0	0	0	2,104
Revaluation allowance						
As at 1 January	845	0	0	0	0	845
Decreases - end of lease rights	(40)	0	0	0	0	(40)
Decreases	(900)	0	0	0	0	(900)
Depreciation and amortisation	414	0	0	0	0	414
As at 31 December	319	0	0	0	0	319
Net carrying value						
As at 1 January	1,390	0	0	0	0	1,390
As at 31 December	1,785	0	0	0	0	1,785
Net carrying value total						
As at 1 January	8,766	391	837	25	250	10,269
As at 31 December	9,129	311	816	18	114	10,388

4.10. Investment property

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Long-term investments into investment property				
- Land	4,666	5,537	4,666	5,537
- Buildings	12,163	13,283	10,959	11,974
TOTAL	**16,829**	**18,820**	**15,625**	**17,511**

b) Movements

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	18,820	23,057	17,511	21,759
Increase	215	1,903	215	1,903
Transferred from inventories	82	0	82	0
Decrease	(2,111)	(5,606)	(2,111)	(5,607)
Reversal of impairment (revaluations) (Note 3.14.)	42	40	42	30
Impairments (revaluations) (Note 3.14.)	(775)	(1,249)	(670)	(1,249)
Losses upon derecognition	(11)	(85)	(11)	(85)
Income upon derecognition	567	760	567	760
As at 31 December	**16,829**	**18,820**	**15,625**	**17,511**

Lease contracts may be terminated during the lease period. The Group recorded EUR 775 thousand worth of impairment charges against investment property in 2022 (2021: EUR 1,249 thousand) (Note 3.14). The Group has no pledged investment property.

Investment property is categorised into Level 3 of the fair value hierarchy. The fair value of investment property for financial reporting purposes has been estimated by licensed internal property valuers and an external valuer using market comparisons and a yield-based approach.

4.11. Intangible assets

Group DBS

	2022			2021		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,637	38	3,675	3,481	3	3,484
Increases	12	312	324	15	176	191
Decreases	(3)	0	(3)	0	0	0
Transfer from intangible assets under construction	317	(317)	0	141	(141)	0
As at 31 December	3,963	33	3,996	3,637	38	3,675
Revaluation allowance						
As at 1 January	3,018	0	3,018	2,900	0	2,900
Depreciation and amortisation	124	0	124	118	0	118
Decreases	(3)	0	(3)	0	0	0
As at 31 December	3,139	0	3,139	3,018	0	3,018
As at 1 January	**619**	**38**	**657**	**581**	**3**	**584**
As at 31 December	**824**	**33**	**857**	**619**	**38**	**657**

The Group holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. The Group's intangible assets do not include licences under lease.

DBS d. d.

	2022			2021		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,349	38	3,387	3,208	3	3,211
Increases	0	312	312	0	176	176
Decreases	(3)	0	(3)	0	0	0
Transfer from PPE under construction	317	(317)	0	141	(141)	0
As at 31 December	3,663	33	3,696	3,349	38	3,387
Revaluation allowance						
As at 1 January	2,813	0	2,813	2,706	0	2,706
Depreciation and amortisation	112	0	112	107	0	107
Decreases	(3)	0	(3)	0	0	0
As at 31 December	2,922	0	2,922	2,813	0	2,813
As at 1 January	**536**	**38**	**574**	**502**	**3**	**505**
As at 31 December	**741**	**33**	**774**	**536**	**38**	**574**

The Bank holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. The Bank's intangible assets do not include licences under lease.

4.12. Corporate income tax assets

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Tax assets	0	1	0	0
Deferred tax assets (Note 4.22. b)	2,679	3,036	2,679	3,036
TOTAL	**2,679**	**3,037**	**2,679**	**3,036**

As at 31 December 2022, the Group discloses no tax assets (2021: EUR 1 thousand). In 2022, the Bank made monthly advance payments for corporate income tax of EUR 36 thousand due to the positive tax base 2021.

4.13. Other assets

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
VAT refund receivables for the tax period	16	0	0	0
Accrued and short-term deferred costs	218	193	209	183
Long-term deferred operating costs	26	26	26	26
Materials inventory	34	114	34	46
Property inventory (Note 4.13. b)	159	97	144	82
Equipment inventory	30	0	30	0
Stock of coins held for sale	161	161	161	161
Advances receivable - construction works	55	0	55	0
Advances to suppliers for operating current assets	503	142	16	22
Advance suretyship, security receivables	0	6	0	6
Consideration receivable	0	77	0	77
Other	1	3	1	2
Revaluation allowance	0	(1)	0	(1)
TOTAL	**1,203**	**818**	**676**	**604**

Movements in revaluation allowance for other assets are disclosed in section 5.1.5. (Note f).

b) Movements in inventories of property

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	97	20	82	0
Increase	144	82	144	82
Transferred to investment property	(82)	0	(82)	0
Decrease	0	(5)	0	0
As at 31 December (Note 4.13. a)	**159**	**97**	**144**	**82**

The Bank recorded no impairment charges against property inventories in 2022 (2021: EUR 0 thousand).

4.14. Non-current assets held for sale, and discontinued operations

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Property, plant and equipment held for sale	181	164	0	0
TOTAL	**181**	**164**	**0**	**0**

The item Property, plant and equipment of the Group includes property held for sale by the subsidiary DBS Adria.

4.15. Financial liabilities held for trading

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Other trading liabilities	22	4,822	22	4,822
TOTAL	**22**	**4,822**	**22**	**4,822**

The item Other financial liabilities includes foreign currency trading liabilities, with which the Group regulated net open positions in foreign currencies.

4.16. Deposits by banks and central banks

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Sight deposits by banks	55	511	55	511
TOTAL	**55**	**511**	**55**	**511**

4.17. Deposits by customers

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Sight deposits	1,026,807	934,301	1,026,868	934,748
Short-term deposits	30,425	45,660	30,425	45,660
Long-term deposits	47,869	86,348	47,869	86,348
TOTAL	**1,105,101**	**1,066,309**	**1,105,162**	**1,066,756**

Long-term deposits also include deposits with characteristics of the Bank's subordinated liabilities (Note 4.20.).

4.18. Borrowings from banks and central banks

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Long-term borrowings from banks	0	2,055	0	2,055
TOTAL	**0**	**2,055**	**0**	**2,055**

In 2021, long-term loans also include loans with characteristics of the Bank's subordinated liabilities (Note 4.20.).

4.19. Other financial liabilities

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Suppliers	585	477	579	433
Lease liabilities	1,961	1,732	1,961	1,732
Other liabilities	224	185	220	183
Charges being collected	197	48	197	48
Accrued costs	338	344	337	343
Accrued expenses	317	207	317	207
Other long-term liabilities	5	5	5	5
Other	151	87	151	86
TOTAL	**3,778**	**3,085**	**3,767**	**3,037**

Other financial liabilities include lease liabilities for business premises in accordance with IFRS 16.

4.20. Subordinated liabilities

a) Breakdown by statement of financial position item

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Deposits by customers - long-term deposits (Note 4.17.)	2,120	3,498	2,120	3,498
Borrowings from banks and central banks - long-term borrowings from banks (Note 4.18.)	0	2,055	0	2,055
TOTAL	**2,120**	**5,553**	**2,120**	**5,553**

b) Breakdown by sector

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Subordinated liabilities				
- To banks	0	2,055	0	2,055
- To other financial institutions	2,120	2,968	2,120	2,968
- To households	0	530	0	530
TOTAL	**2,120**	**5,553**	**2,120**	**5,553**

	Date subscribed	Amount	Currency	Interest rate (%)	Maturity date
Subordinated liabilities					
	9. 10. 2015	159	EUR	6.00	10. 10. 2025
	9. 10. 2015	530	EUR	6.00	10. 10. 2025
	9. 10. 2015	848	EUR	6.00	10. 10. 2025
	9. 10. 2015	583	EUR	6.00	10. 10. 2025
TOTAL		**2,120**			

Subordinated liabilities include the Bank's subordinated deposits and loans eligible for inclusion into Tier II capital consistent with the CRR (Note in Chapter 5 and in Section Risk and Capital Management). Subordinated debt was issued over the years in order to maintain the required capital adequacy.

4.21. Provisions

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Provisions for pensions and similar payables to employees (Note 4.21. b and c)	1,389	1,695	1,371	1,672
Provisions for off-balance sheet liabilities (Note 4.21. e)	161	166	161	167
Group 1	108	97	108	98
Group 2	40	39	40	39
Group 3	13	30	13	30
Provisions for pending legal cases (Note 4.21. d)	47	0	47	0
Other provisions (Note 4.21. f)	316	195	301	195
TOTAL	**1,913**	**2,056**	**1,880**	**2,034**

b) Provisions for pensions and similar payables to employees

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Provisions for severance pays	1,269	1,534	1,254	1,515
Provisions for long-service awards	120	161	117	157
TOTAL (Note 4.21. a)	**1,389**	**1,695**	**1,371**	**1,672**

The actuarial calculation of provisions for severance pays and long-service awards to employees included the following assumptions: average earnings growth in the Republic of Slovenia is expected to total an annual 10% in 2023 and 1% in subsequent years; the calculation of liabilities for severance pays takes into account an employee's period of employment; the selected discount factor is 3.91% annually at the Bank. Assumptions on employment fluctuations and the company's related payables: it is assumed that employment fluctuation depends primarily on the employees age; the mortality rates used are from the Slovenian reference population mortality table for 2007; it is assumed that employees will exercise their right to retire upon reaching their full retirement age, and therefore the employer will not incur liabilities for long-service awards projected to fall due at a later date.

An analysis of sensitivity to significant actuarial assumptions for the Bank as at 31 December 2022 is presented in the table below.

					DBS d. d.
					2022
Assumption	Variance	Description	Total	Severance pay	Long-service awards
Basic scenario	0.00%	Total	1,371	1,254	117
Discount IR	(0.50%)	Total	1,426	1,305	121
		Difference	(55)	(51)	(4)
	0.50%	Total	1,321	1,207	114
		Difference	(-51)	(-48)	(-3)
Wage growth	(0.50%)	Total	1,320	1,206	114
		Difference	(-52)	(-49)	(-3)
	0.50%	Total	1,427	1,306	121
		Difference	(55)	(52)	(3)
Duration			**8.0**	**8.2**	**6.1**

c) Movements in provisions for pensions and similar payables to employees

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	1,695	1,676	1,672	1,653
Provisions made during the year	65	78	65	77
Provisions released	(269)	29	(265)	30
Provisions utilised during the year	(102)	(88)	(101)	(88)
As at 31 December (Note 4.21. b)	**1,389**	**1,695**	**1,371**	**1,672**

The Group's recalculated payables to employees total EUR 11,389 thousand, for which provisions of EUR 65 thousand had to be formed as at 31 December 2022. The increase in liabilities in the amount of EUR 70 thousand related to the cost for the period is formed through profit or loss. The actuarial deficit for severance pays was formed in other comprehensive income in the amount of EUR 273 thousand and eliminated in the amount of EUR 23 thousand (Note 4.26.).

The Bank's recalculated payables to employees total EUR 1,371 thousand, for which provisions of EUR 65 thousand had to be formed as at 31 December 2022. The increase in liabilities in the amount of EUR 69 thousand related to the cost for the period is formed through profit or loss. The actuarial deficit for severance pays was formed in other comprehensive income in the amount of EUR 268 thousand and eliminated in the amount of EUR 23 thousand (Note 4.26.).

d) Movements in provisions for tax litigation and other pending legal cases

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	0	0	0	0
Provisions made during the year	47	0	47	0
As at 31 December (Note 4.21. a)	**47**	**0**	**47**	**0**

e) Movements in provisions for commitments and guarantees given

Group DBS	2022				2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	97	39	30	166	125	38	44	207
Transferred to Group 1	46	(46)	0	0	9	(9)	0	0
Transferred to Group 2	(4)	9	(5)	0	(13)	18	(5)	0
Transferred to Group 3	0	(1)	1	0	0	(1)	1	0
Enhancements through issuing and acquisition	5	6	3	14	6	(19)	(9)	(22)
Decreases through derecognition	(11)	(18)	(26)	(55)	(7)	0	(2)	(9)
Changes due to change in credit risk (net)	(25)	51	10	36	(23)	12	1	(10)
As at 31 December	**108**	**40**	**13**	**161**	**97**	**39**	**30**	**166**

DBS d. d.	2022				2021			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	98	39	30	167	154	19	34	207
Transferred to Group 1	46	(46)	0	0	9	(9)	0	0
Transferred to Group 2	(4)	9	(5)	0	(13)	18	(5)	0
Transferred to Group 3	0	(1)	1	0	0	(1)	1	0
Enhancements through issuing and acquisition	5	6	3	14	6	0	1	7
Decreases through derecognition	(11)	(18)	(26)	(55)	(7)	0	(2)	(9)
Changes due to change in credit risk (net)	(26)	51	10	35	(51)	12	1	(38)
As at 31 December	**108**	**40**	**13**	**161**	**98**	**39**	**30**	**167**

f) Movements in other provisions

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	195	500	195	500
Provisions created during the year	316	195	301	195
Provisions released during the year	(195)	(500)	(195)	(500)
As at 31 December (Note 4.21. a)	**316**	**195**	**301**	**195**

4.22. Tax liabilities

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Current tax liabilities	186	376	185	376
Deferred tax liabilities	1	7	1	7
TOTAL	**187**	**383**	**186**	**383**

Pursuant to the Corporate Income Tax Act (ZDDPO-2), the corporate income tax payable for 2022, applying the 19% tax rate, amounts to EUR 187 thousand for the Group and EUR 186 thousand the Bank.

b) Deferred tax liabilities and assets by statement of financial position item

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
1. Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	1	7	1	7
TOTAL	**1**	**7**	**1**	**7**
2. Deferred tax assets				
Provisions for severance pays and long-service awards	107	150	107	150
Impairment of securities	51	169	51	169
Impairment of equity participation	2,521	2,605	2,521	2,605
Tax loss	0	112	0	112
TOTAL (Note 4.12.)	**2,679**	**3,036**	**2,679**	**3,036**
Net deferred tax (2 - 1)	**2,678**	**3,029**	**2,678**	**3,029**

The outstanding tax loss of the Group totals EUR 19,512 thousand. For the Group, deferred tax assets arising from the impaired equity investment, loans, financial leasing, unspent allowances, non-deductible depreciation, provisions for employees and tax losses, were formed in the amount of EUR 6,745 thousand, impairments of deferred tax assets totalling EUR 4,066 thousand.

The Bank's outstanding tax loss amounts to EUR 6,683 thousand. Deferred tax assets were formed in the amount of EUR 4,407 thousand, impairments of deferred tax assets totalling EUR 1,728 thousand. Long-term deferred tax liabilities in the amount of EUR 1 thousand were formed under the enhancement of equity securities. Deferred tax assets arising from tax losses have no limitation on their utilisation in future tax periods.

c) Movements in deferred taxes

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	3,029	3,700	3,029	3,700
Financial assets measured at fair value through other comprehensive income	6	(2)	6	(2)
Impairment of securities	(118)	(59)	(118)	(59)
Impairment of equity participation	(84)	(107)	(84)	(107)
Provisions for severance pays and long-service awards	(43)	(5)	(43)	(5)
Tax loss	(112)	(498)	(112)	(498)
As at 31 December	**2,678**	**3,029**	**2,678**	**3,029**

d) Deferred taxes in the income statement contain the following temporary differences

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Other provisions	(21)	(9)	(20)	(9)
Tax loss	(112)	(498)	(112)	(498)
Impairment of equity participation	(83)	(108)	(83)	(108)
Impairment of securities	(101)	(47)	(101)	(47)
TOTAL (Note 3.16.)	**(317)**	**(662)**	**(316)**	**(662)**

Deferred tax assets and liabilities for 2022 were calculated using the tax rate of 19%, which is expected to apply in the period a particular receivable is collected.

4.23. Other liabilities

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Accruals	156	113	59	28
Payments received in advance	239	81	34	5
Taxes payable	338	254	259	247
Wages and salaries	638	557	627	547
Taxes and contributions	306	292	300	286
Accrued costs	484	361	484	361
TOTAL	**2,161**	**1,658**	**1,763**	**1,474**

4.24. Share capital

a) Breakdown

	Group DBS		DBS d. d.	
Shareholder	No. of ordinary shares	Subscribed value	No. of ordinary shares	Subscribed value
As at 31 December 2021/1 January 2022	4,268,248	17,811	4,268,248	17,811
As at 31 December 2022	**4,268,248**	**17,811**	**4,268,248**	**17,811**

The Bank's share capital is divided into 4,268,248 ordinary no par value shares of class A, of which 4,257,483 are recorded in the central registry of dematerialised securities held by the Slovenian Central Securities Clearing Corporation – KDD. At the year-end of 2022, the Bank's share capital totals EUR 17,811,083.54.

b) Shareholders with over 5% of share capital

				2022
		Group DBS		DBS d. d.
Shareholder	No. of shares	Stake in shareholders' equity in KDD	No. of shares	Stake in shareholders' equity in KDD
KD Group d. d.	1,021,866	24.002	1,021,866	24.002
Kapitalska zadruga, z. b. o.	894,158	21.002	894,158	21.002
Prva Pokojninska družba, d. d.*	668,338	15.698	668,338	15.698
Skupina Prva d. d.	422,557	9.925	422,557	9.925
Banca Popolare di Cividale S.C.p.A.	228,289	5.362	228,289	5.362

* Prva Pokojninska družba, d. d., holds shares in its own name and for the account of pension guarantee funds it manages (note in Business Report, Section VI.6).

At the year-end of 2022, 206 shareholders of Deželna banka Slovenije d. d. were recorded in the KDD central securities register (2021: 266), of which 96 were domestic legal entities, 105 domestic individuals, and 2 foreign legal entities, and 3 fiduciary accounts held abroad. The number of the Bank's shareholders decreased by 60 in 2022.

4.25. Share premium

		Group DBS		DBS d. d.
	2022	2021	2022	2021
As at 1 January	31,257	31,257	31,257	31,257
As at 31 December	**31,257**	**31,257**	**31,257**	**31,257**

Amounting to EUR 31,257 thousand as at 31 December 2022 and 31 December 2021, the share premium comprises payments in excess of the par value of paid-in shares (paid-in surplus).

4.26. Accumulated other comprehensive income

a) Breakdown

		Group DBS		DBS d. d.
	2022	2021	2022	2021
As at 1 January	**(616)**	**(657)**	**(618)**	**(660)**
Items not to be reclassified to profit or loss	**300**	**41**	**295**	**42**
Actuarial gains/losses on defined benefit pension plans	273	(22)	268	(21)
Changes in the fair value of investments into equity instruments measured at fair value through other comprehensive income (Note 4.3. b)	61	72	61	72
Income tax relating to components of items not be reclassified to profit or loss	(34)	(9)	(34)	(9)
As at 31 December	**(316)**	**(616)**	**(323)**	**(618)**

Items not reclassified in the income statement refer to the actuarial deficit for severance pays (Note 4.21. b) and the surplus from the change in the fair value of investments in equity instruments.

b) Movements

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	(616)	(657)	(618)	(660)
Increase in actuarial deficit for severance pays	(23)	(45)	(23)	(45)
Decrease in actuarial deficit for severance pays	273	14	268	15
Changes in the fair value of securities measured at fair value through other comprehensive income	(59)	72	(59)	72
Sale of securities measured at fair value through other comprehensive income	109	0	109	0
As at 31 December	**(316)**	**(616)**	**(323)**	**(618)**

4.27. Revenue reserves

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Reserves for treasury shares	601	601	601	601
Reserves under Statutes	1,924	1,924	1,924	1,924
Other revenue reserves	19,238	16,820	19,238	16,820
TOTAL	**21,763**	**19,345**	**21,763**	**19,345**

Other revenue reserves cannot be used for dividend payments to shareholders or other entities.

b) Reserves for treasury shares

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	601	601	601	601
As at 31 December	**601**	**601**	**601**	**601**

c) Reserves under Statutes

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	1,924	1,924	1,924	1,924
As at 31 December	**1,924**	**1,924**	**1,924**	**1,924**

d) Other revenue reserves

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
As at 1 January	16,820	12,572	16,820	12,572
Appropriation based on the decision of the General Meeting	2,418	4,248	2,418	4,248
As at 31 December	**19,238**	**16,820**	**19,238**	**16,820**

4.28. Treasury shares

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Repurchase of treasury shares - ordinary	(601)	(601)	(601)	(601)
TOTAL	**(601)**	**(601)**	**(601)**	**(601)**

Treasury shares were bought back due to: employee share remuneration, protection from hostile takeovers, and reasons from indents 1 and 2 of Article 247 (1) of the Companies Act.

4.29. Retained earnings (including net profit/loss for financial year)

a) Breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Net profit for the year	7,223	4,695	7,382	4,859
Retained earnings	221	237	(111)	(24)
TOTAL	**7,444**	**4,932**	**7,271**	**4,835**

b) Distributable profit

	DBS d. d.	
	2022	2021
Net profit for the year	7,382	4,859
Retained earnings	(111)	(24)
TOTAL	**7,271**	**4.835**

The Bank's distributable profit as at 31 December 2022 amounts to EUR 7,271 thousand and consists of net profit of EUR 7,382 thousand and retained earnings in the amount of EUR –111 thousand[2].

The appropriation of distributable profit will be decided by the General Meeting.

4.30. Off-balance sheet liabilities

a) Breakdown by type of contingent liabilities and commitments

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Guarantees	19,975	15,421	19,975	15,421
Commitments to extend credit	63,650	60,715	64,199	61,364
TOTAL	**83,625**	**76,136**	**84,174**	**76,785**
Provisions (Note 4.21. a and e)	(161)	(166)	(161)	(167)

[2] Of this, a loss of EUR 82 thousand results from the sale of the equity investments in Hranilnica Vipava and Regia Group and the utilisation of capital revaluation adjustment under severance pays to employees, amounting to EUR 29 thousand.

4.31. Fiduciary activities

The Group manages assets in the total amount of EUR 529 thousand (2021: EUR 561 thousand) in the name and for the accounts of third parties. Assets under management are accounted for separately from the Group's assets. Income and expenses from operations in the name of third parties and for the accounts of third parties are credited or charged to the originator, therefore no liabilities arise for the Group from these operations. The Group charges the related service fees to the originator. In 2022, fees and commissions from intermediation in concluding credit transactions amounted to EUR 0 thousand (2021: EUR 1 thousand). For acting as agent in the sale of numismatic coins, the Group charged fees in the amount of EUR 17 thousand in 2022 (2021: EUR 27 thousand).

Other agency services

The Group's item other agency services includes EUR 529 thousand from intermediation in concluding credit transactions for the customers' account (2021: EUR 561 thousand).

4.32. Related party transactions

The ordinary course of business includes numerous banking transactions with related parties. These transactions are carried out on commercial terms and conditions, and at market rates.

a) Volume of banking transactions among related parties

Group DBS

	Management Board/CEO		Senior management		Close family members of Management Board/CEO/ Members of Supervisory Board		Companies related to members of Management Board/CEO/ Members of Supervisory Board and close family members		Bank's shareholders*, holders of qualifying stake in the Bank		Supervisory Board members		Members of management or supervisory body, or holder of procuration of a legal person who is a shareholder in the Bank – holding a qualified stake	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Loans and deposits														
As at 1 January	6	10	104	216	7	11	1,904	1,777	0	0	5	5	7	8
Increase	3	4	120	31	0	0	13,089	7,859	0	0	0	0	42	11
Decrease	(3)	(8)	(94)	(143)	(5)	(4)	(11,902)	(7,732)	0	0	0	0	(12)	(12)
As at 31 December	6	6	130	104	2	7	3,091	1,904	0	0	5	5	37	7
Interest income	0	0	1	1	0	0	66	45	0	0	0	0	0	0
Revaluation allowance	0	0	0	0	0	0	126	74	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	269	153	630	597	30	19	1,150	676	2,140	2,258	188	157	86	45
Increase	4,080	4,605	1,685	2,588	73	50	13,040	12,695	833	2,285	548	415	693	271
Decrease	(4,016)	(4,489)	(1.761)	(2,555)	(60)	(39)	(13,729)	(12,221)	(346)	(2,403)	(519)	(384)	(246)	(230)
As at 31 December	333	269	554	630	43	30	461	1,150	2,627	2.140	217	188	533	86
Interest expense	0	0	0	0	0	0	0	0	120	120	0	0	0	0
Guarantees issued	0	0	0	0	0	0	700	0	0	0	0	0	0	0
Fee and commission received	0	0	2	2	0	0	67	72	1	0	0	0	1	0
Fee and commission expense	0	0	0	0	0	0	458	445	0	0	0	0	0	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	2	1	0	0	0	0	0	0
Increase	0	0	0	0	0	0	23	18	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(23)	(17)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	2	2	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	23	18	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Other income	0	0	7	6	0	0	4	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	76	58	0	0	0	0	0	0
Other expenses	0	0	3	0	0	0	339	27	0	0	0	0	0	0

* Only the Bank's qualified shareholders are included.

DBS d. d.

	Management Board		Senior management		Close family members of members of the Management Board, Supervisory Board		Companies associated with members of the Management Board, Supervisory Board, and their close family members		Bank's shareholders*, holders of qualifying stake		Supervisory Board members		Members of management or supervisory body, or holder of procuration of a legal person who is a shareholder in the Bank – holding a qualified stake	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Loans and deposits placed														
As at 1 January	6	10	32	133	1	1	1,904	1,777	0	0	5	5	7	8
Increase	3	4	121	31	0	0	13,089	7,859	0	0	0	0	42	11
Decrease	(3)	(8)	(83)	(132)	0	0	(11,902)	(7,732)	0	0	0	0	(12)	(12)
As at 31 December	6	6	70	32	1	1	3,091	1,904	0	0	5	5	37	7
Interest income	0	0	1	1	0	0	66	45	0	0	0	0	0	0
Revaluation allowance	0	0	0	0	0	0	126	74	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	269	153	630	597	30	19	1,150	676	2,140	2,258	188	157	86	45
Increase	4,,080	4,605	1,685	2,588	73	50	13,040	12,695	833	2,285	548	415	693	271
Decrease	(4,016)	(4,489)	(1,761)	(2,555)	(60)	(39)	(13,729)	(12,221)	(346)	(2,403)	(519)	(384)	(246)	(230)
As at 31 December	333	269	554	630	43	30	461	1,150	2,627	2,140	217	188	533	86
Interest expense	0	0	0	0	0	0	0	0	120	120	0	0	0	0
Guarantees issued	0	0	0	0	0	0	700	0	0	0	0	0	0	0
Fee and commission received	0	0	2	2	0	0	67	72	1	0	0	0	1	0
Fee and commission expense	0	0	0	0	0	0	458	445	0	0	0	0	0	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	2	1	0	0	0	0	0	0
Increase	0	0	0	0	0	0	23	18	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(23)	(17)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	2	2	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	23	18	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Other income	0	0	0	0	0	0	4	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	75	58	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	332	24	0	0	0	0	0	0

* Only the Bank's qualified shareholders are included.

Disclosures of transactions among related parties include all changes taking place during the year. Each individual related party is considered as of the date of being entered in the related party list up to the date of exit or until the end of the year of reference.

b) Subsidiaries DBS Leasing, DBS Nepremičnine, and DBS Adria

	Subsidiaries - DBS Leasing, DBS Nepremičnine, DBS Adria		Subsidiaries - related parties - Management Board/CEO/Holder of Procuration		Subsidiaries - related parties - Companies related to members of the Management or Supervisory Board/CEO/Holder of Procuration, or their close family members	
	2022	2021	2022	2021	2022	2021
Loans and deposits placed						
As at 1 January	11,683	11,360	0	0	0	0
Increase	13,801	13,359	0	0	0	0
Decrease	(11,885)	(13,036)	0	0	0	0
As at 31 December	13,599	11,683	0	0	0	0
Interest income	113	95	0	0	0	0
Revaluation allowance	276	215	0	0	0	0
Deposits and borrowings						
As at 1 January	446	239	0	0	0	0
Increase	7,509	4,962	0	0	0	0
Decrease	(7,894)	(4,755)	0	0	0	0
As at 31 December	61	446	0	0	0	0
Fee and commission received	146	193	0	0	0	0
Full operational lease granted						
As at 1 January	0	0	0	0	0	0
Increase	15	14	0	0	0	0
Decrease	(15)	(14)	0	0	0	0
As at 31 December	0	0	0	0	0	0
Lease income	15	14	0	0	0	0
Other receivables	1	1	0	0	0	0
Other income	9	8	0	0	0	0

c) Remuneration of Senior Management

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Wages and other short-term benefits	1,479	1,415	1,431	1,369
Variable remuneration	204	257	200	256
Variable remuneration - severance pays	0	12	0	12
TOTAL	**1,683**	**1,684**	**1,631**	**1,637**

The remuneration of the Management Board and employees under individual contracts who report directly to the Management Board, includes gross wages, pay for annual leave, fringe benefits (statutory severance pays, long-service awards, compensations), cost reimbursement and supplementary pension insurance. The variable component of remuneration includes the variable component of job and business performance, fringe benefits and severance pays under contract. The variable remuneration amounting to EUR 200 thousand is composed of monetary remuneration and other fringe benefits (use of a car, accident insurance and liability insurance).

The Management Board and others on management contracts held 1,023 shares (0.024% of share capital) as at 31 December 2022, and 1,358 shares (0.032% of share capital) as at 31 December 2021.

d) Remuneration of Supervisory Board members and members of its Committees

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Wages and other short-term benefits	89	88	89	88
TOTAL	**89**	**88**	**89**	**88**

The amount includes the earnings of Supervisory Board members and those of the members of the Supervisory Board Nomination, Audit and Risk Committee.

e) Remuneration of members of management and supervisory bodies in 2022

	Group DBS							DBS d. d.						
	Fixed remuneration				Variable remuneration			Fixed remuneration				Variable remuneration		
Position/Remuneration type	Fixed remu-neration	Cost reim-burse-ment	Supple-ment pension insur-ance	Total	Vari-able remu-nera-tion	Other pay-ments	Total	Fixed remu-neration	Cost reim-burse-ment	Supple-ment pension insur-ance	Total	Vari-able remu-nera-tion	Other pay-ments	Total
Management Board of the Bank	377	3	6	386	91	8	99	377	3	6	386	91	8	99
Supervisory Board of the Bank	86	3	0	89	0	0	0	86	3	0	89	0	0	0
Senior management in subsidiaries	45	2	1	48	3	0	3	-	-	-	-	-	-	-
TOTAL	**508**	**8**	**7**	**523**	**94**	**8**	**102**	**463**	**6**	**6**	**475**	**91**	**8**	**99**

The table shows the earnings of Management Board members of the Bank, and of Supervisory Board members and CEOs of subsidiaries, pursuant to the requirement of Article 294 of the Slovenian Companies Act. Management and supervisory bodies are specified in the Business Report, chapter VI.4. Composition and operations of the management and supervisory bodies and their committees.

f) Remuneration of Identified Staff in 2022

Group DBS

Position/ Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**25**	**1,411**	**145**	**55**	**27**	**1,638**

DBS d. d.

Position/ Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**23**	**1,365**	**142**	**53**	**26**	**1,586**

The category of Identified Staff comprises the Management Board, directors of Sections and Departments and of Branch units. Remuneration of the Management Board is specifically stated only in the table under item e).

4.33. Remuneration system and important business contacts

Remuneration system

The system of remuneration in the Group is based on the Remuneration Policy for employees (hereinafter: Remuneration Policy), which lays down the system of remuneration and performance bonuses for employees in the Bank and the banking Group. The necessary preconditions for variable pay are the Bank's reporting a profit for the assessment period and its reaching all basic objectives. In 2022, a total of EUR 245 thousand was allocated to the variable component of remuneration for Identified Staff by business segments.

Important business contacts

A significant indirect business contact exists if a member of the Management Board or Supervisory Board, or their close family member, is a business partner, holder of a qualifying stake in Group companies, CEO or member of the senior management in a company or organisation that is in a business relationship with the Group. In this respect the Group promotes the culture of avoiding significant direct and indirect business contacts.

Disclosures in accordance with Article 88 of the Banking Act and Section 8 of Regulation (EU) No 575/2013 are included in the Annual Report of the Deželna banka Slovenije Group for 2022 in Chapter VI.4, which is published on the Bank's website www.dbs.si.

4.34. Events after the end of the 2022 financial year

There were no events after the statement of financial position date that would require additional disclosures in the financial statements.

5. RISK CONTROL

The Group devotes particular attention to the risks it is or could be exposed to in its line of business. For this purpose, it has set up an independent control function of risk management, whose independence, autonomy, and effectiveness are guaranteed by a transparent organisation structure and delimitation of competences. Risk is monitored by the Risk Management Section, which is in charge of, among other things, designing and updating individual strategies and policies of risk-taking and risk management, overseeing their implementation, continually improving the system of monitoring and controlling all major types of risk, and preparing in-house reports and reports for regulators. The Group has also set up an Asset and Liability Management Board (ALM Board) and a Supervisory Board Risk Committee, which – together with the Supervisory Board and senior management – promptly monitor the Group's exposure to risk, its risk profile and its risk appetite.

The common objective of risk-taking and risk-management strategies and policies is to prevent and limit losses due to individual risks. The risk-management strategy includes objectives and general guidelines for risk-taking and risk management for individual risks, and the responsibilities of the Supervisory Board, Management Board and senior management in the area of risk management. To measure exposure to different types of risk, the Group uses internal methodologies and approaches in addition to regulatory ones, which facilitates a close monitoring of risks and their management. The Group pursues a moderate risk-taking policy.

The risks that the Group is exposed to are identified at the level of prudential consolidation, and the manner and intensity of their management depend on the risk profile estimated within the internal capital adequacy assessment process (hereinafter: ICAAP) and risk of the environment. In the ICAAP process, the Group identifies risks to which it already is or could be exposed in the future. Further on in the process, material risks are quantified, the related capital needs are assessed and the necessary capital is allocated. The risk profile is an assessment of the Group's exposure to the risks inherent in its business and is the result of the risk management process.

In recent years, the banking system has faced uncertainty brought about by the outbreak of the COVID-19 pandemic, geopolitical tensions, tightening financial conditions in most economies and high inflation. These factors have a significant impact on the bank's operations and risk management. The Bank keeps the situation under regular review, analyses it and takes the necessary measures to manage the risks. The Bank regularly monitors the financial position of borrowers, implements measures of intervention legislation, and when approving new investments, acts prudently and within its current or expected ability of taking risk. It will continue to monitor forecasts of economic trends, calculate parameters for assessing credit risk losses and, accordingly, perform simulations to calculate the effect on the formation of impairments. In risk management, it will continue to be conservative in accepting new risks, striving to implement the set risk-taking and risk management strategy, and to ensure capital ratios as prescribed by the Bank of Slovenia.

In 2022, the Group complied with all requirements of the capital accord and other requirements of the regulatory framework at the level of prudential consolidation. The Supervisory Board was acquainted with the risk profile and risk-taking capacity as part of the internal capital adequacy and liquidity assessment processes (ICAAP and ILAAP), and regularly monitored the risk exposure. All critical risk management internal acts were revised in 2022, and updated if necessary.

Under Directive 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013 (CRR), the controlling company DBS d. d. and the two subsidiaries DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. are included in prudential consolidation. Both subsidiaries had also been included in prudential consolidation under the previous legislation in force. Consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine d. o. o. is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the Regulation.

Risk control is presented within prudential consolidation, and not for the whole Group. In addition to DBS d. d. and the two subsidiaries, DBS Leasing d. o. o. and DBS Nepremičnine d. o. o., consolidation for accounting purposes also includes the subsidiary DBS Adria d. o. o., which is excluded from prudential consolidation per Article 19 of the Regulation. Notwithstanding its exclusion, the company is estimated not to have significant risks, and the impact of its share of interest, liquidity and foreign exchange risk on the Group is estimated as negligible or, in any event, not greater than any similar exposure.

The entire Chapter 5 of this Annual Report has been prepared using prudential consolidation data.

Group statement of financial position – comparison of regulatory and prudential consolidation as at 31 December 2022

Code	Items			2022
		Accounting consolidation	Prudential consolidation	Difference between accounting and prudential consolidation
1	Cash, balances at central banks, and sight deposits at banks	219,421	219,421	0
2	Financial assets held for trading	91	91	0
3	Financial assets measured at fair value through other comprehensive income	2,714	2,714	0
4	Financial assets measured at amortised cost	935,891	936,078	(187)
	- Debt securities	171,450	171,450	0
	- Loans to banks	1,189	1,189	0
	- Loans to customers	761,187	761,374	(187)
	- Other financial assets	2,065	2,065	0
5	Tangible assets	27,538	27,538	0
	- Property, plant and equipment	10,709	10,709	0
	- Investment property	16,829	16,829	0
6	Intangible assets	857	857	0
7	Income tax assets	2,679	2,679	0
	- Current tax assets	0	0	0
	- Deferred tax assets	2,679	2,679	0
8	Other assets	1,203	1,203	0
9	Non-current assets held for sale, and discontinued operations	181	28	153
10	**TOTAL ASSETS** (from 1 to 9)	**1,190,575**	**1,190,609**	**(34)**
11	Financial liabilities held for trading	22	22	0
12	Financial liabilities measured at amortised cost	1,108,934	1,108,934	0
	- Deposits by banks and central banks	55	55	0
	- Deposits by customers	1,105,101	1,105,101	0
	- Borrowings from banks and central banks	0	0	0
	- Other financial liabilities	3,778	3,778	0
13	Provisions	1,913	1,913	0
14	Income tax liabilities	187	187	0
	- Current tax liabilities	186	186	0
	- Deferred tax liabilities	1	1	0
15	Other liabilities	2,161	2,162	(1)
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,113,217**	**1,113,218**	**(1)**
17	Share capital	17,811	17,811	0
18	Share premium	31,257	31,257	0
19	Accumulated other comprehensive income	(316)	(316)	0
20	Revenue reserves	21,763	21,763	0
21	Treasury shares	(601)	(601)	0
22	Retained earnings (including profit/loss for the year)	7,444	7,477	(33)
23	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 17 to 22)	**77,358**	**77,391**	**(33)**
24	TOTAL EQUITY (23)	77,358	77,391	(33)
25	**TOTAL EQUITY AND LIABILITIES** (16 + 24)	**1,190,575**	**1,190,609**	**(34)**

Credit risk

Credit risk is the risk that a borrower will cause a financial loss by failing to fully discharge an obligation when due without calling on collateral, for whatever reason, whether this obligation be of a financial nature or another contractual obligation. In line with its portfolio and its risk-taking and risk-management strategy, the Group takes into account that credit risk can potentially arise out of increased concentration of exposure. Credit risk management involves the timely and adequate detection, measurement, assessment, control, monitoring and reporting of credit risk. The objective is to ensure an adequate mechanism of taking on and managing credit risk. Such a mechanism has to reflect the Group's readiness and capacity to take on credit risk in compliance with regulatory demands, the regulatory framework for banks and regulatory capital requirements. The objectives and general guidelines of taking on and managing credit risk are laid down in the Risk-taking and Risk Management Strategy and in the Concise Risk Statement Approved by the Management Body. The Group's process of credit risk management involves looking at all risky balance sheet and off-balance sheet assets.

In order to manage credit risk, the Group has been increasing the diversification of the credit portfolio and exposure to the retail sector, farmers and SMEs, and at the same time improving the quality of collateral and its adequacy, while regularly monitoring debtors' operations with the help of the early warning system for increased credit risk (EWS).

Market risk

Market risk is the risk of decreased asset value or profitability due to adverse changes in market variables (prices, interest rates, foreign exchange rates). Market risk appears when the Group acts as market maker, if it trades or takes positions in bonds, shares, foreign currencies, commodities and derivatives. The Group has in place a proprietary methodology and policy for determining, measuring and managing market risk, and for determining the level of exposure. The Group's risk management policy for market risk is based on the current and expected market conditions, realised and planned financial data, valid regulations and existing risk management systems. With its methodology for measuring and mitigating market risk for trading positions in equities, the Group operates its system of limits and the calculation of opportunity loss for a particular trading position. The Group has in place a system of limits to limit market risk, and the relevant committees, board and organisational units participate in discharging the function of market risk management as laid down in the Rules of Organisation.

Foreign exchange risk

Foreign exchange risk is present when the Group is directly or indirectly exposed to changes in currency exchange rates in global markets. Adverse global FX changes may result in losses in domestic currency. Exposure to foreign exchange risk arises out of a mismatch between assets and liabilities in different currencies. It involves mainly the risk of an instrument's potential decreased value due to changes in currency exchange rates. The Group pursues a closed currency positions policy. Accordingly, individual currency positions are monitored daily and potential overruns are reported to decision makers in line with instructions.

Interest rate risk and credit spread risk arising from non-trading book activities

Interest rate risk is the risk of loss (i.e. lower interest income, higher interest expenses, decreased value of investments, opportunity loss) on interest-sensitive on-balance sheet and off-balance sheet positions due to a change in the level of market interest rates. Interest rates changes have a significant effect on the revenues and expenses as well as the value of individual items and thus the economic value of equity. In addition to the above, the Bank is also exposed to the risk of changes in credit spreads which results from non-trading book activities and is not explained by interest rate risk in the banking book or expected credit risk.

Interest rate risk is measured, managed, controlled and monitored in accordance with the Risk-taking and Risk Management Policy for interest rate risk in the banking book and the credit spread risk arising from non-trading book activities and the Methodology for the assessment of interest rate risk in the banking book (IRRBB) and the credit spread risk arising from non-trading book activities (CSRBB). For measuring the risk of interest rates changing, a gap analysis is used to calculate the potential impacts of interest rate stress scenarios on net interest income and the sensitivity of the equity capital economic value. The stress scenarios are aligned with the guidelines of the European Banking Authority (EBA).

Credit spread risk represents the exposure of the Group's financial result or equity to unfavourable changes in the credit spread. To measure the credit spread risk, the Group allocates the future cash flows of debt securities into maturity gaps, which are used to calculate the sensitivity of the economic value of the Bank's equity by applying various changes in the increase in the required return due to an increase in the credit spread.

Liquidity risk

Liquidity risk is the risk of providing sources of liquidity in cases of potential loss when the Group is unable to discharge all its matured liabilities or when, due to its inability to provide sufficient funds to settle its matured liabilities, the Group is forced to obtain liquidity at significantly higher costs. The management of liquidity is a critical component of safe and prudent operations. Careful management of liquidity includes prudent management and matching of assets and liabilities, both with respect to financing and cash flows, and with respect to their concentration. Risk-taking and Risk Management Policy for Liquidity Risk defines the methods and procedures for determining, measuring, controlling and monitoring liquidity risk, the objective of which is being able to settle due obligations in time.

In order to ensure adequate liquidity for expected and potential cash outflows, the Group tests the adequacy of its so-called disaster plan, which includes four liquidity stress scenarios run over a three-month period, as detailed in the Methodology for Liquidity Stress Scenarios and Calculation of Liquidity Ratios. The maximum liquidity shortage for up to one month is calculated based on the stress scenarios, which serves to determine the minimum level of unencumbered liquid assets, which the Group need to have at its disposal at all times. With a view to determining its structural liquidity position, the Group also calculates liquidity ratios and monitors trends in selected structural liquidity ratios.

In 2022, the Group fully complied with the regulations on the minimum requirements for ensuring an adequate liquidity position, which stipulate as mandatory the achievement of the regulatory liquidity coverage ratio (LCR). The Group also complied with the regulatory requirement on the level of the NSFR ratio.

Operational risk

Operational risk is the risk of loss due to inappropriate or unsuccessful implementation of internal processes, the human factor and system operations or external factors and includes legal and model risk. It also includes information security and cyber risk, risks related to external contractors, conduct risk, compliance risk, and tax risks. The Group manages operational risk by recording and closely monitoring (loss) events associated with operational risk, by decreasing the frequency and impact of such loss events, by keeping the total amount of evaluated loss events at a minimum, and by regularly checking and updating its disaster recovery and business continuity plan. The Group has in place a Risk-taking and Risk Management Policy for Operational Risk, which defines, among other things, the methods and procedures for determining, measuring, managing, monitoring, reporting and mitigating exposure to operational risk. Integrated into the reporting system for events associated with operational risk are measures to resolve such events and prevent repeat events. Reports of events associated with operational risk and of measures to resolve them are promptly submitted to the Management Board and Internal Audit, and quarterly also to the Operational Risk Committee.

Capital risk

The Group must always have at its disposal sufficient and adequate capital in terms of the services it provides and in terms of the risks it is, or could be, exposed to. Therefore, capital risk is associated with insufficient capital, with inadequate capital structure in relation to the volume and type of operations, or with difficulties in obtaining fresh capital or with capital falling below the prescribed and/or appropriate level in relation to other inherent risks assumed by the Group. Capital risk is monitored on a monthly basis, when the amount of capital, capital requirements and capital requirement ratios are calculated. These calculations are communicated monthly to members of the Asset and Liability Committee, and the Bank's Management Board and quarterly to the Supervisory Board and the Risk Committee in the context of a comprehensive risk analysis. Where necessary, appropriate risk management/mitigation measures are taken to ensure that both regulatory capital and internal capital remain adequate and that the Group achieves appropriate levels of capital ratios. The actions are aligned with the Group's Risk-taking and Risk Management Strategy and the Group's risk-taking capacity. Several internal acts are used in the process of controlling, managing, and mitigating capital risk, including the Risk-taking and Risk Management Strategy, the Risk-taking and Risk Management Policy for the Risk of Capital Inadequacy, and the Methodology for the internal capital adequacy assessment process.

5.1. Credit risk

The most significant risk to which the Group is exposed is credit risk. It is related to the inability or unwillingness of a debtor to meet its obligation within the contractual timeframe and therefore the primary objective of credit risk management is to achieve and maintain an adequate credit portfolio. To ensure this objective, the Group has introduced:

- appropriate segregation of duties and responsibilities between organisational units,
- established procedures for determining the creditworthiness of clients in the investment approval process,
- established procedures for the regular monitoring of the credit portfolio,
- established procedures for the identification and treatment of problem exposures,
- established limits that are aligned with the propensity to take on credit risk,
- established impairments and provisions process,
- regular reporting on credit risk exposure.

5.1.1. Measuring credit risk

(a) Loans and receivables

In 2022 the Group determined credit risk pursuant to the valid regulations. To this end, it drew up its credit portfolio quality analyses, into which it included data on:

- migration of customers among credit rating classes,
- movements of impairments,
- provisioning of impairments for individual types of credit exposure, and
- past due defaulting receivables and non-performing exposures.

For more on forming provisions and impairments, see Chapter 5.1.3.

(b) Debt securities

In assuming exposure to credit risk when buying debt securities in 2022, the Group used the classification into credit rating classes according to issuing states and other issuers, the kind used by renowned credit rating agencies, whereby it specified the minimum acceptable credit rating limit for the respective securities.

5.1.2. Control over limiting credit risk, and guidelines on mitigating credit risk

The Group manages, limits and controls credit risk concentration wherever it is detected, especially in relation to individual customers and groups of customers, economy sectors, businesses and geographical regions.

Exposure to credit risk is managed with a system of limits, which stipulates the maximum acceptable credit risk limit. This risk is regularly monitored and examined. Limits of exposure are set for individual debtors, sectors, businesses and regions. The maximum possible total exposure of the Group towards a corporate customer is defined by the Risk Management Section. When the threshold of large exposure is greatly exceeded and in case of clients in a special relationship with the Bank, the proposed level of permissible exposure must also be approved by the Bank's Supervisory Board. Limits of exposure are determined by considering the basic principles of banking, especially safety.

(a) Collateral

The Group employs a variety of ways to mitigate credit risk, pursuant to its internal rules on collateral, which stipulate the acceptability of different types of collateral.

Internal rules on collateral define:

- types and extent of collateral accepted,
- minimum eligibility criteria that collateral must normally meet,
- methodology for determining the type and amount of, and the order of calling on collateral,
- methodology for verifying and monitoring collateral, and
- detecting and preventing risks associated with accepted collateral.

As a rule, the Group will never fail to investigate a debtor's creditworthiness, even if exposure is collateralised. In agreeing on the type of collateral for an exposure, both the principles on credit risk reduction techniques and the principles on capital requirements should be adhered to, to the greatest extent possible.

The main types of collateral used by the Group are property as collateral and insurance covers, guarantees, bank deposits and assignments of claims. Personal collateral issuers are assessed for eligibility on the basis of their credit ratings, obtained using an internal methodology.

As a rule, the Group collateralises all loans. Most collateral is property evaluated according to appraisals by certified appraisers in compliance with the International Valuation Standards (IVS) and complying with other requirements in line with the Regulation (EU) No 575/2013.

(b) Off-balance sheet commitments

Guarantees and letters of credit as well as unused loans granted represent the same credit risk for the Group as loans. The Group regularly monitors maturity dates of loan commitments, since especially long-term commitments represent a higher credit risk than short-term commitments.

5.1.3. Guidelines on forming impairments and provisions

Pursuant to the regulatory framework for banks, and the provisions of the International Financial Reporting Standards (IFRS 9, effective from 1 January 2018), the Group classifies financial assets and off-balance sheet commitments (hereinafter: exposures) into groups according to their risk profile, and assesses the amount of expected losses associated with these exposures. The IFRS 9 standard introduces the expected credit loss model, while also taking into account forward-looking information. The Group has set up its own model for calculating impairments and implemented the necessary adjustments to applications. The model has been validated by an external auditor who confirmed its correct functioning.

The credit rating system

The Group has in place a system of credit rating grades for categorising exposure. Eleven credit rating grades are used for measuring credit exposure of business entities, and five grades are used for natural persons. To categorise an entity into a credit rating grade, four groups of criteria are used with business entities, i.e. selected financial ratios (based on the entity's balance sheet and income statement data), soft or subjective factors (additional information on entity's performance in the business environment), other risk factors (delays, compulsory composition, bankruptcy, restructuring, blockage, outstanding tax liabilities, etc.) and an assessment acquired through an in-depth analysis of its operations. With natural persons, the decision to classify them into a credit rating grade mainly depends on the length of material default, but also on other criteria (personal bankruptcy, renegotiating claims, etc.).

For establishing an increase in credit risk, the Group has harmonised the credit rating grades for business entities and natural persons in the context of forming impairments based on the model, and thus uses five individual grades as shown in the table below.

Credit rating grades

Group DBS

Harmonised credit rating grades	Business entities	Natural persons and farmers	Risk	Estimated annual conditional PD (from – to)
A	A1, A2, A3	A	Low credit risk	0.18–1.99%
B	B1, B2, B3	B	Medium credit risk	2.81–4.19%
C	C1, C2, C3	C	High credit risk	12.47–27.40%
D	D	D	Defaulted obligor	100%
E	E	E	Defaulted obligor	100%

DBS d. d.

Harmonised credit rating grades	Business entities	Natural persons and farmers	Risk	Estimated annual conditional PD (from – to)
A	A1, A2, A3	A	Low credit risk	0.18–1.99%
B	B1, B2, B3	B	Medium credit risk	2.81–4.19%
C	C1, C2, C3	C	High credit risk	12.47–27.40%
D	D	D	Defaulted obligor	100%
E	E	E	Defaulted obligor	100%

Classification of financial assets

At each reporting date, the Group classifies the exposures for which impairment requirements are used into groups 1, 2 and 3, depending on whether credit risk has increased significantly since initial recognition.

The Group classifies as group 1 all exposures whose credit risk has not increased significantly since initial recognition or which are considered low-credit risk transactions (this includes sovereign exposure, exposure to institutions, the public sector, as well as local and regional authorities). For such exposures, the Group measures 12-month expected credit losses.

If the Group establishes that the credit risk of an exposure has increased significantly since initial recognition, the instrument is classified as group 2, and expected credit losses are measured as full lifetime expected credit losses.

Exposures for which there is objective evidence of impairment (i.e. transactions by customers with the status of defaulted obligors) are classified as group 3. Their credit losses are measured based on estimated future cash flows reflecting the current value of estimated cash flows or based on the assessment of the repayable amount of collateral based on the not-going concern principle. For exposures approved after 26 April 2019, which are defined as NPEs, Regulation (EU) No 2019/630 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the minimum loss coverage for non-performing exposures (hereinafter: Regulation 2019/630) shall be strictly taken into account when calculating individual impairments.

At each reporting date, the Group estimates whether the credit risk of a financial instrument has increased significantly since initial recognition, taking into account appropriate and demonstrable information that can be acquired without entailing excessive costs or efforts. Credit insurance is not taken into account in classifying exposures as group 1, 2 or 3. The tables below show the classification of balance sheet exposures by receivables credit rating and groups as at 31 December 2022 and as at 31 December 2021.

Classification of balance sheet exposures by receivables credit rating and groups as at 31 December 2022 and 31 December 2021 for the Group and the Bank

Group DBS					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	987,815	53,006	1	0	1,040,822	964,239	27,536	0	0	991,775
Receivable's credit rating B	63,612	25,284	0	0	88,896	63,774	30,374	0	0	94,148
Receivable's credit rating C	2,456	11,860	0	0	14,316	556	8,270	0	0	8,826
Receivable's credit rating D	0	0	128	0	128	0	0	109	0	109
Receivable's credit rating E	0	0	231	0	231	0	0	348	0	348
Receivable's credit rating P	0	0	20,362	0	20,362	0	0	26,178	0	26,178
Gross carrying amount of classified balance sheet exposures	1,053,883	90,150	20,722	0	1,164,755	1,028,569	66,180	26,635	0	1,121,384
Revaluation allowance for classified balance sheet exposures	(1,698)	(2,934)	(10,616)	0	(15,248)	(1,530)	(2,701)	(12,666)	0	(16,897)
Net carrying amount of classified balance sheet exposures	1,052,185	87,216	10,106	0	1,149,507	1,027,039	63,479	13,969	0	1,104,487

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	976,265	52,809	1	0	1,029,075	955,371	27,336	0	0	982,707
Receivable's credit rating B	73,867	23,352	0	0	97,219	72,246	28,918	0	0	101,164
Receivable's credit rating C	2,456	11,513	0	0	13,969	556	7,912	0	0	8,468
Receivable's credit rating D	0	0	128	0	128	0	0	107	0	107
Receivable's credit rating E	0	0	226	0	226	0	0	308	0	308
Receivable's credit rating P	0	0	19,754	0	19,754	0	0	25,250	0	25,250
Gross carrying amount of classified balance sheet exposures	1,052,588	87,674	20,109	0	1,160,371	1,028,173	64,166	25,665	0	1,118,004
Revaluation allowance for classified balance sheet exposures	(1,874)	(2,768)	(10,596)	0	(15,238)	(1,660)	(2,578)	(12,327)	0	(16,565)
Net carrying amount of classified balance sheet exposures	1,050,714	84,906	9,513	0	1,145,133	1,026,513	61,588	13,338	0	1,101,439

Significant increase of credit risk

For all financial assets subject to impairment requirements, the Group estimates whether a significant increase of credit risk has occurred since initial recognition, i.e. whether to apply full lifetime expected credit losses instead of 12-month expected credit losses. The Group considers for a significant increase of credit risk to have occurred when at least one of the following criteria is fulfilled:

a) at the time of approving the transaction, the customer's credit rating is A, and as at the reporting date, their credit rating is B or C;
b) at the time of approving the transaction, the customer's credit rating is B, and as at the reporting date, their credit rating is C;
c) in the trial period, the customer was restructured profitably (group 2), or restructured unprofitably (group 3);
d) the customer is included on the last watch list due to enforcement or non-permitted negative balances.

The Group has decided not to use the rebuttable presumption of material default in the transaction that is more than 30 days past due, and rather classify all transactions with the material default of more than 30 days as group 2 and recognise for them full lifetime expected credit losses.

If the customer's credit rating is D or E (exposure will be recognised as a non-performing exposure when it is considered there to have been a default in accordance with article 178 of CRR, or when it has been found to have been impaired in accordance with an effective accounting standard), the transaction will be considered credit impaired and therefore classified as group 3 regardless of the credit rating grade upon initial recognition.

COLLECTIVE ASSESSMENT OF CREDIT LOSSES

Use of forward-looking information

In measuring the expected credit losses (ECL), the Group uses forward-looking information which is available without undue cost or effort. External information includes economic data and forecasts published by state institutions The Group then forms the most likely outcome for future behaviour of economic variables, and also the best-case and the worst-case scenario. Each scenario is ascribed a weight that represents a percentage of its probability to materialise. The use of forward-looking information and determination of scenarios is described further below.

Measurement of expected credit losses (ECL)

Exposures classified as group 1 or 2 are, as a rule, impaired on a collective basis, and exposures classified as group 3 on an individual basis, with certain exceptions, such as limits that are subject to an action, service and payment guarantees, and non-credit transactions, for which, even if classified as group 3, impairment is recognised on a collective basis.

Collective impairment is calculated as the sum of discounted monthly weighted expected credit losses, and an individual (monthly) unit is calculated as the product of probability of default (PD), loss given default (LGD), exposure at default (EAD) and, in the case of off-balance-sheet receivables, also conversion factor (CCF).

Calculation of limit probability of default (PD)

In accordance with IFRS 9, the calculation of expected credit losses is based on the monthly limit PD that comprises expectations for the future and takes into consideration the probability of viability up to a certain month and the default event in this certain month. Forward-looking PD is calculated for the most likely outcome as well as the best-case and worst-case scenarios, and is based on the forecast for the chosen macroeconomic variable.

Calculation of forward-looking PS is based on the Z-shift method that enables forecasts for migration matrices in the coming periods using the forecast for macroeconomic variables. Using the forecast migration matrices, we can discern the probability of transfer to grades D and E, which stands for the probability of default (PD). In PD calculations, expectations for the future are comprised in the Z variable that is related to the chosen macroeconomic variable.

PD calculations use annual migration matrices, whereas macroeconomic variables also refer to the annual level. Migration matrices for farmers and natural persons are combined, and estimated PD values are thus acquired using two models: (I) the business entity model, and (II) the natural persons and farmers model. The source of past data and forecasts for macroeconomic variables is the Forecast of Economic Trends of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (hereinafter: IMAD).

Forecasts for Z values are acquired with the regression model based on the ordinary least squares method (OLS). Z values are then translated back into migration matrices. For the years for which forecasts for the macroeconomic variable are no longer available, the last available Z value is used and decreased gradually to 0 (which results in an average matrix).

The annual conditional PD is then translated to the monthly level and in turn used to calculate the monthly limit PD. For each type of customer (corporate customers, natural persons, farmers) and each grade (A, B, and C), a time series of monthly limit PDs is calculated monthly taking into account the most likely outcome, the best-case and the worst-case scenario for the movement of the macroeconomic variable. Scenario weights are calculated based on the share of past errors in IMAD's forecasts for the chosen macroeconomic variable.

Calculations of PD for sovereign exposure and exposure to institutions and public sector entities are based on the Pluto-Tasche method, which is used to calculate PD for low- or zero-rate default portfolio. The PD values calculated for the purpose of measuring the expected credit losses are also translated to the monthly level.

Calculation of loss given default (LGD)

Loss given default (LGD) is the share the Group loses on average within seven years of the occurrence of default with respect to the exposure at default.

As of 31 October 2019, the calculation of LGD is based on forward-looking recovery rates. The past annual recovery rates are linked to the chosen macroeconomic variable and, based on its forecast, predictions for future recovery rates are formed.

The recovery rate used in the calculation is the share acquired by the Group after the occurrence of default either from calling on collateral or repayments. Calculations of the recovery rate take into account the actual cash flows received, and not the expected repayments from outstanding transactions.

In the ECL calculation, the annual prediction LGD is taken into account and can differ by year (depending on the forecast of macroeconomic variables that were used in forming the prediction).

The LGD parameter is calculated for (i) collateralised exposures, and (ii) exposures for receivables without collateral, which also includes receivables with types of collateral that are not taken into account in the calculation of LGD for the collateralised portion of the receivable. The LGD parameter is calculated separately for corporate customers and jointly for natural persons, farmers and private individuals without a registration number.

Calculations of expected credit losses for sovereign exposure are based on LGD values laid down in Article 161(1) of Regulation (EU) No 575/2013 (CRR).

Calculation of exposure at default (EAD)

As at the reporting day, the actual exposure (EAD) is taken into account for each financial Instrument. If in the future, the exposure of a financial instrument changes in accordance with the contractually agreed repayment of interest and the principal, all future expected exposures of a financial instrument until its maturity are recalculated on the reporting day. If a delay in the payment of individual financial instruments should occur as at the reporting day, it is assumed that any delay will be repaid within the month following the reporting day. In the event of overpayment of instalment loans, the expected future exposure does not decrease until overpayments are equivalent to the expected exposure under the amortisation schedule. In the event of overpayment of annuity loans, the expected future exposure is regularly decreased by the amount of annuity, which results in advance repayment of loan.

If in the future, the exposure of a financial instrument is not liable to change in accordance with the contractually agreed repayment of interest and the principal, i.e. if the movement of exposure of a financial instrument is not known in advance (in case of a revolving loan, overdraft loan, limit, etc.), the actual exposure of a financial instrument as at the reporting day is taken into account in all months until the instrument's maturity.

Calculation of credit conversion factor (CCF)

Used as a conversion factor is the regulatory defined CCF as laid down in Article 111(1) of the CRR, which corresponds to the off-balance sheet item based on being classified into a risk category pursuant to the Annex 1 to the CRR.

Calculation of discount factor

Monthly weighted expected credit losses are discounted using a discount factor calculated from the effective interest rate, or the contractual interest rate if the Group has no information on the effective interest rate.

The Group regularly examines the Methodology for assessing credit risk losses, and the assumptions used in assessing losses.

INDIVIDUAL ASSESSMENT OF CREDIT LOSSES

In accordance with the definition of a non-performing exposure, the Group assesses expected credit losses individually. Non-performing exposures are all exposures regarding which a default is considered to have happened pursuant to Article 178 of the CRR, and exposures which have been found impaired pursuant to the valid accounting standard.

The expected loss is calculated as the difference between the asset's carrying amount and estimated future cash flows that are discounted at the original effective interest rate of the financial asset. Expected cash flows are evaluated against the type of scenario, i.e. whether the approach used is that of business as a going concern or a not going concern.

For exposures approved after 26 April 2019, which are defined as NPEs, Regulation (EU) No 2019/630 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the minimum loss coverage for non-performing exposures (hereinafter: Regulation 2019/630) shall be strictly taken into account when calculating individual impairments.

Changes to assessment techniques and material assumptions

Since December 2019, deductions from market value of property are also taken into account when calculating individual expected credit losses. These are calculated separately for residential, commercial and other property. Also in December 2019, the method of calculating LGD was changed, in which forward-looking information is included in accordance with the new methodology.

Impact of the value of collateral on the calculation of expected credit losses

For collateral, the Group only accepts property that conforms to its internal rules on collateral and complies with the conditions for mitigating credit risk as stipulated in Section 4 of CRR. In granting new transactions, the Group consistently follows its internal rules determining the loan-to-value ratio (LTV). When exposures are protected with residential property, the required LTV is 66%, and when protected with commercial property, the required LTV is normally 50%. With respect to housing loans intended for the construction of residential property, the Group also takes into account the growing mortgage value principle, with the future value of the completed property being assessed and the required LTV having to be reached by the completion of construction.

The value of collateralised assets affects the calculation of expected credit losses using the LGD parameter. The LGD parameter is assessed using a defaulted obligors sample and used in the collective assessment of credit losses (for non-defaulted obligors, i.e. groups 1 and 2). In the calculation of expected credit loss, LGD is used with respect to the type of customer and type of collateral. If an exposure has several types of collateral, the calculation of expected credit loss is based on weighted LGD.

The table below shows the shares of the Group's receivables for classification according to credit rating grades, and the shares of those for which impairments and provisions have been formed under IFRS.

	Group DBS				DBS d. d.			
	2022		2021		2022		2021	
Credit rating grade	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)
1. A	88.1	0.1	87.4	0.1	87.4	0.1	86.9	0.1
2. B	9.1	2.2	9.5	2.3	9.8	2.1	10.2	2.2
3. C	1.2	9.8	0.8	10.1	1.2	9.7	0.8	10.0
4. D	0.0	48.4	0.0	39.0	0.0	48.4	0.0	38.6
5. E	0.0	98.9	0.0	92.1	0.0	98.9	0.0	91.0
6. P	1.6	50.7	2.2	47.1	1.6	52.2	2.1	47.6
	100.0	1.2	100.0	1.4	100.0	1.2	100.0	1.4

In 2022, compared to 2021, the total amount of receivables for classification at the Group level increased by 4.2%, and the total amount of formed provisions and impairments decreased by 9.7%. At the year-end of 2022, the majority, i.e. 88.1%, of the Group's receivables for classification were given an A credit rating, followed by receivables for classification given a B credit rating, which represented 9.1% of all receivables for classification, and receivables for classification in the credit rating grade of individually impaired customers (P), which represented 1.6% of all receivables for classification. Impairments and provisions were formed for the latter under IFRS on the basis of the amounts of collateral and expected future cash flows.

At the Bank level, the total amount of receivables for classification increased by 4.2%, and the total amount of formed impairments and provisions decreased by 8%. At the year-end of 2022, the majority, i.e. 87.4%, of the Bank's receivables for classification were given an A credit rating, followed by receivables for classification given a B credit rating, which represented 9.8% of all receivables for classification, and receivables for classification in the credit rating grade of individually impaired customers (P), which represented 1.6% of all receivables for classification. Impairments and provisions were formed for the latter under IFRS 9 on the basis of the amounts of collateral and expected future cash flows.

5.1.4. Loans and receivables

Consistent with its strategy, in 2022, the Group again focused on banking for the retail segment, farmers and SMEs. Those clients were prioritised which, in addition to exhibiting creditworthiness, provided adequate collateral, so as to minimise the possible increase in the exposure to credit risk.

(a) Loans and receivables non past due and not impaired, and loans and receivables collectively assessed as impaired

	Group DBS				DBS d. d.			
	2022		2021		2022		2021	
	Loans to customers	Loans to banks	Loans to customers	Loans to banks	Loans to customers	Loans to banks	Loans to customers	Loans to banks
Non past due and not impaired	1,436	1,189	324	1,400	1,436	1,189	324	1,400
Impaired	774,807	0	742,866	0	770,987	0	739,716	0
Gross amounts	776,243	1,189	743,190	1,400	772,423	1,189	740,041	1,400
Revaluation allowance for impairments of loans	(14,869)	0	(16,628)	0	(14,860)	0	(16,340)	0
Net amounts	**761,374**	**1,189**	**726,562**	**1,400**	**757,563**	**1,189**	**723,701**	**1,400**

The table above shows the amounts of drawn loans to customers and to banks, with loans that are neither due nor impaired including all transactions which will mature in periods after 31 December 2022 and whose impairment percentage equals 0. Loans whose impairment charge is higher than 0 are recorded under impaired loans. Value adjustment is also shown only for the balance sheet portion of exposure.

The total value of the Group's loans and receivables in financial year 2022 was up 5% from 2021, with loans to customers increasing and loans to banks slightly decreasing. The reported impairments of loans and receivables totalled EUR 14,869 thousand (2021: EUR 16,628 thousand). Pursuant to IFRS 9, the Group also measures impairments for receivables from banks, however, the related credit risk having been assessed as low, the total impairment charge for such exposures is negligible.

The total value of the Bank's loans and receivables in financial year 2022 was up 5% from 2021, with loans to customers increasing and loans to banks slightly decreasing. The reported impairments of loans and receivables totalled EUR 14,860 thousand (2021: EUR 16,340 thousand). Pursuant to IFRS 9, the Bank also measures impairments for receivables from banks, however, the related credit risk having been assessed as low, the total impairment charge for such exposures is negligible.

(b) Loans and receivables individually assessed as impaired

Loans and advances to customers (loans and receivables)

Individually impaired loans to customers and receivables from customers, without individually impaired loans to banks (upon transition to IFRS 9, receivables from banks are no longer classified as individually impaired, resulting from which individually impaired loans to banks equal 0) and before considering cash flows from collateral held by the Group, amount to EUR 13,597 thousand (2021: EUR 26,384 thousand).

As opposed to 2021, exposure to micro, small and medium-sized enterprises decreased the most in relative terms, by 39.4% (by EUR 7,056 thousand). Exposure to large corporate clients and exposure to individuals whose receivables were individually impaired also decreased, by 100% and 14.4% respectively.

The total amount of individually impaired loans and receivables according to categories, together with the fair value of their collateral that the Group and the Bank hold as a guarantee, breaks down into:

Group DBS

2022	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	2,725	0	10,872	0	13,597
- Past due up to 15 days	0	0	57	0	57
- Past due 16 to 30 days	69	0	0	0	69
- Past due 31 to 90 days	96	0	36	0	132
- Past due over 90 days	2,560	0	10,779	0	13,339
Impairment charge	702	3,232	6,447	0	10,381
Fair value of collateral	5,469	837	12,431	0	18,737

* Micro, small and medium enterprises.

2021	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	3,184	5,272	17,928	0	26,384
Impairment charge	761	3,193	8,472	0	12,426
Fair value of collateral	5,898	837	18,619	0	25,354

* Micro, small and medium enterprises.

DBS d. d.

2022	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	2,128	0	10,861	0	12,989
- Past due up to 15 days	0	0	57	0	57
- Past due 16 to 30 days	69	0	0	0	69
- Past due 31 to 90 days	96	0	36	0	132
- Past due over 90 days	1,963	0	10,768	0	12,731
Impairment charge	695	3,232	6,440	0	10,367
Fair value of collateral	4,707	837	12,431	0	17,975

* Micro, small and medium enterprises.

2021	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	2,575	5,272	17,605	0	25,452
Impairment charge	747	3,193	8,160	0	12,100
Fair value of collateral	4,975	837	18,522	0	24,334

* Micro, small and medium enterprises.

Loans and advances to banks (loans and receivables)

With respect to exposure to the banking sector, the Group formed no impairments on individual basis in 2022. Pursuant to IFRS 9, revaluation allowance is formed also for less credit risk-prone exposures, which includes banks; however, in the event of a default event, they are impaired collectively and are therefore not shown in the table.

(c) Performing, non-performing exposures, and restructured exposures

Consistent with the Regulation on the Management of Credit Risk Losses of Banks and Savings Banks, the Group treats restructured financial assets as financial assets received – due to the debtor's inability to pay their debt under the initially agreed terms of the original loan agreement – under amended terms (by means of an additional agreement) or under a new loan agreement that stipulates a partial or full repayment of the original debt. Agreements with a restructuring clause also fall into this category. The criteria for identifying performing and non-performing exposures, and restructured and non-restructured exposures, the treatment and management of restructured exposures, restructuring measures for debtors and the reporting system in the Group are all governed by the internal Rules on Managing Non-performing and Restructured Exposures to Debtors.

5.1.5. Movements in revaluation allowance and gross value of financial assets and provisions for off-balance sheet liabilities

Movements in revaluation allowance and provisions for off-balance sheet liabilities

a) Movements in revaluation allowance for financial assets measured at amortised cost – loans, other financial assets, debt securities, other assets and sight deposits at banks

Group DBS					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,530	2,701	12,666	0	16,897	2,788	1,202	14,616	0	18,606
Transferred to Group 1	553	(553)	0	0	0	712	(711)	(1)	0	0
Transferred to Group 2	(218)	403	(185)	0	0	(834)	993	(159)	0	0
Transferred to Group 3	(1)	(101)	102	0	0	(4)	(142)	146	0	0
Enhancements through issuing and acquisition	479	150	122	0	752	721	121	58	0	900
Decreases through derecognition	(149)	(96)	(1,382)	0	(1,627)	(88)	(120)	(901)	0	(1,109)
Changes due to change in credit risk (net)	(496)	430	176	0	110	(1,765)	1,358	1,372	0	965
Write-downs*	0	0	(883)	0	(883)	0	0	(2,465)	0	(2,465)
As at 31 December	**1,698**	**2,934**	**10,616**	**0**	**15,248**	**1,530**	**2,701**	**12,666**	**0**	**16,897**
Repayments of previous write-downs recorded directly in the income statement	2	0	0	0	2	2	0	0	0	2
Write-downs recorded directly in the income statement	0	0	(10)	0	(10)	0	0	(12)	0	(12)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

In 2022, there were no loans and advances regarding which modification or change effects should be recognised.

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,660	2,578	12,327	0	16,565	2,967	1,118	13,087	0	17,172
Transferred to Group 1	527	(527)	0	0	0	689	(688)	(1)	0	0
Transferred to Group 2	(193)	378	(185)	0	0	(798)	954	(156)	0	0
Transferred to Group 3	(1)	(92)	93	0	0	(2)	(105)	107	0	0
Enhancements through issuing and acquisition	501	150	122	0	773	761	119	58	0	938
Decreases through derecognition	(139)	(91)	(1,090)	0	(1,320)	(82)	(117)	(304)	0	(503)
Changes due to change in credit risk (net)	(481)	372	200	0	91	(1,875)	1,297	1,515	0	937
Write-downs*	0	0	(870)	0	(870)	0	0	(1,979)	0	(1,979)
As at 31 December	**1,874**	**2,768**	**10,597**	**0**	**15,239**	**1,660**	**2,578**	**12,327**	**0**	**16,565**
Repayments of previous write-downs recorded directly in the income statement	2	0	0	0	2	2	0	0	0	2
Write-downs recorded directly in the income statement	0	0	(10)	0	(10)	0	0	(12)	0	(12)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

In 2022, there were no loans and advances regarding which modification or change effects should be recognised.

b) Movements in revaluation allowance for balances at central bank and demand deposits at banks

Group DBS					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	2	0	0	0	2	98	0	0	0	98
Enhancements through issuing and acquisition	6	0	0	0	6	0	0	0	0	0
Changes due to change in credit risk (net)	14	0	0	0	14	(96)	0	0	0	(96)
As at 31 December	**22**	**0**	**0**	**0**	**22**	**2**	**0**	**0**	**0**	**2**

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	2	0	0	0	2	98	0	0	0	98
Enhancements through issuing and acquisition	6	0	0	0	6	0	0	0	0	0
Changes due to change in credit risk (net)	14	0	0	0	14	(96)	0	0	0	(96)
As at 31 December	**22**	**0**	**0**	**0**	**22**	**2**	**0**	**0**	**0**	**2**

c) Movements in revaluation allowance for debt securities measured at amortised cost

Group DBS					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	33	0	0	0	33	15	0	0	0	15
Transferred to Group 1	5	(5)	0	0	0	0	0	0	0	0
Transferred to Group 2	(12)	12	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	0	0	0	0	0	8	0	0	0	8
Decreases through derecognition	(9)	0	0	0	(9)	0	0	0	0	0
Changes due to change in credit risk (net)	103	(7)	0	0	96	10	0	0	0	10
As at 31 December	**120**	**0**	**0**	**0**	**120**	**33**	**0**	**0**	**0**	**33**

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	33	0	0	0	33	15	0	0	0	15
Transferred to Group 1	5	(5)	0	0	0	0	0	0	0	0
Transferred to Group 2	(12)	12	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	0	0	0	0	0	8	0	0	0	8
Decreases through derecognition	(9)	0	0	0	(9)	0	0	0	0	0
Changes due to change in credit risk (net)	103	(7)	0	0	96	10	0	0	0	10
As at 31 December	**120**	**0**	**0**	**0**	**120**	**33**	**0**	**0**	**0**	**33**

d) Movements in revaluation allowance for loans measured at amortised cost

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,488	2,701	12,483	0	16,672	2,646	1,200	14,447	0	18,293
Transferred to Group 1	548	(548)	0	0	0	712	(711)	(1)	0	0
Transferred to Group 2	(204)	387	(183)	0	0	(834)	991	(157)	0	0
Transferred to Group 3	(1)	(99)	100	0	0	(4)	(135)	139	0	0
Enhancements through issuing and acquisition	472	146	23	0	641	708	121	14	0	843
Decreases through derecognition	(138)	(91)	(1,316)	0	(1,545)	(84)	(120)	(837)	0	(1,041)
Changes due to change in credit risk (net)	(612)	402	157	0	(53)	(1,656)	1,355	1,336	0	1,035
Write-downs*	0	0	(846)	0	(846)	0	0	(2,458)	0	(2,458)
As at 31 December	**1,553**	**2,898**	**10,418**	**0**	**14,869**	**1,488**	**2,701**	**12,483**	**0**	**16,672**
Repayments of previous write-downs recorded directly in the income statement	2	0	0	0	2	2	0	0	0	2
Write-downs recorded directly in the income statement	0	0	(10)	0	(10)	0	0	(12)	0	(12)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,618	2,578	12,144	0	16,340	2,825	1,116	12,918	0	16,859
Transferred to Group 1	522	(522)	0	0	0	689	(688)	(1)	0	0
Transferred to Group 2	(179)	362	(183)	0	0	(798)	952	(154)	0	0
Transferred to Group 3	(1)	(90)	91	0	0	(2)	(98)	100	0	0
Enhancements through issuing and acquisition	494	146	23	0	663	748	119	14	0	881
Decreases through derecognition	(128)	(86)	(1,024)	0	(1,238)	(78)	(117)	(240)	0	(435)
Changes due to change in credit risk (net)	(597)	344	181	0	(72)	(1,766)	1,294	1,479	0	1,007
Write-downs*	0	0	(833)	0	(833)	0	0	(1,972)	0	(1,972)
Other adjustments	0	0	0	0	0	0	0	0	0	0
As at 31 December	**1,729**	**2,732**	**10,399**	**0**	**14,860**	**1,618**	**2,578**	**12,144**	**0**	**16,340**
Repayments of previous write-downs recorded directly in the income statement	2	0	0	0	2	2	0	0	0	2
Write-downs recorded directly in the income statement	0	0	(10)	0	(10)	0	0	(12)	0	(12)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

e) Movements in revaluation allowance for other financial assets measured at amortised cost

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	7	0	183	0	190	29	2	169	0	200
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(2)	4	(2)	0	0	0	2	(2)	0	0
Transferred to Group 3	0	(2)	2	0	0	0	(7)	7	0	0
Enhancements through issuing and acquisition	1	0	99	0	100	4	0	44	0	48
Decreases through derecognition	(2)	(1)	(66)	0	(69)	(3)	0	(64)	0	(67)
Changes due to change in credit risk (net)	(1)	35	19	0	53	(23)	3	36	0	16
Write-downs*	0	0	(37)	0	(37)	0	0	(7)	0	(7)
As at 31 December	**3**	**36**	**198**	**0**	**237**	**7**	**0**	**183**	**0**	**190**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	7	0	183	0	190	29	2	169	0	200
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(2)	4	(2)	0	0	0	2	(2)	0	0
Transferred to Group 3	0	(2)	2	0	0	0	(7)	7	0	0
Enhancements through issuing and acquisition	1	0	99	0	100	4	0	44	0	48
Decreases through derecognition	(2)	(1)	(66)	0	(69)	(3)	0	(64)	0	(67)
Changes due to change in credit risk (net)	(1)	35	19	0	53	(23)	3	36	0	16
Write-downs*	0	0	(37)	0	(37)	0	0	(7)	0	(7)
As at 31 December	**3**	**36**	**198**	**0**	**237**	**7**	**0**	**183**	**0**	**190**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

f) Movements in revaluation allowance for other assets

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	0	4	0	0	4	1	0	0	0	1
Decreases through derecognition	0	(4)	0	0	(4)	(1)	0	0	0	(1)
As at 31 December	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	0	4	0	0	4	1	0	0	0	1
Decreases through derecognition	0	(4)	0	0	(4)	(1)	0	0	0	(1)
As at 31 December	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

g) Movements in provisions for off-balance sheet commitments and contingent off-balance sheet liabilities

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	98	39	30	0	167	154	19	34	0	207
Transferred to Group 1	46	(46)	0	0	0	9	(9)	0	0	0
Transferred to Group 2	(4)	9	(5)	0	0	(13)	18	(5)	0	0
Transferred to Group 3	0	(1)	1	0	0	0	(1)	1	0	0
Enhancements through issuing and acquisition	5	6	3	0	14	6	0	1	0	7
Decreases through derecognition	(11)	(18)	(26)	0	(55)	(7)	0	(2)	0	(9)
Changes due to change in credit risk (net)	(26)	51	10	0	35	(51)	12	1	0	(38)
As at 31 December	**108**	**40**	**13**	**0**	**161**	**98**	**39**	**30**	**0**	**167**

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	98	39	30	0	167	154	19	34	0	207
Transferred to Group 1	46	(46)	0	0	0	9	(9)	0	0	0
Transferred to Group 2	(4)	9	(5)	0	0	(13)	18	(5)	0	0
Transferred to Group 3	0	(1)	1	0	0	0	(1)	1	0	0
Enhancements through issuing and acquisition	5	6	3	0	14	6	0	1	0	7
Decreases through derecognition	(11)	(18)	(26)	0	(55)	(7)	0	(2)	0	(9)
Changes due to change in credit risk (net)	(26)	51	10	0	35	(51)	12	1	0	(38)
As at 31 December	**108**	**40**	**13**	**0**	**161**	**98**	**39**	**30**	**0**	**167**

Movements in gross value of financial assets and off-balance sheet liabilities

a) Movements in gross value of financial assets measured at amortised cost – loans, other financial assets, debt securities, other assets and demand deposits at banks

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,028,569	66,180	26,635	0	1,121,384	965,541	12,638	36,289	0	1,014,468
Transferred to Group 1	21,942	(21,942)	0	0	0	12,849	(12,739)	(110)	0	0
Transferred to Group 2	(27,242)	28,132	(890)	0	0	(71,180)	73,247	(2,067)	0	0
Transferred to Group 3	(99)	(1,686)	1,785	0	0	(386)	(1,743)	2,129	0	0
New recognition of financial assets	929,313	46,544	230	0	976,087	190,618	9,175	234	0	200,027
Decreases through derecognition	(710,962)	(10,252)	(3,275)	0	(724,489)	(122,620)	(1,533)	(2,830)	0	(126,983)
Write-downs*	0	0	(869)	0	(869)	0	0	(2,467)	0	(2,467)
Other changes	(187,637)	(16,827)	(2,894)	0	(207,358)	53,747	(12,866)	(4,542)	0	36,339
As at 31 December	**1,053,883**	**90,150**	**20,722**	**0**	**1,164,755**	**1,028,569**	**66,180**	**26,635**	**0**	**1,121,384**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,028,173	64,166	25,665	0	1,118,004	965,267	11,860	33,103	0	1,010,230
Transferred to Group 1	21,031	(21,031)	0	0	0	12,113	(12,007)	(106)	0	0
Transferred to Group 2	(24,902)	25,731	(829)	0	0	(68,993)	70,762	(1,769)	0	0
Transferred to Group 3	(99)	(1,623)	1,722	0	0	(300)	(1,502)	1,802	0	0
New recognition of financial assets	923,253	46,544	190	0	969,987	186,731	9,133	235	0	196,099
Decreases through derecognition	(710,206)	(10,002)	(2,957)	0	(723,165)	(121,857)	(1,508)	(2,111)	0	(125,476)
Write-downs*	0	0	(870)	0	(870)	0	0	(1,981)	0	(1,981)
Other changes	(184,661)	(16,111)	(2,812)	0	(203,584)	55,211	(12,572)	(3,508)	0	39,132
As at 31 December	**1,052,588**	**87,674**	**20,109**	**0**	**1,160,371**	**1,028,173**	**64,166**	**25,665**	**0**	**1,118,004**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

b) Movements in gross value of balances at central bank and demand deposits at banks

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	204,599	1,201	0	0	205,800	80,926	0	0	0	80,926
Transferred to Group 1	1,880	(1,880)	0	0	0	0	0	0	0	0
Transferred to Group 2	0	0	0	0	0	(4,273)	4,273	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	791,349	0	0	0	791,349	150	0	0	0	150
Decreases through derecognition	(610,233)	0	0	0	(610,233)	(7,920)	0	0	0	(7,920)
Other changes	(175,737)	1,715	0	0	(174,022)	135,716	(3,072)	0	0	132,644
As at 31 December	**211,858**	**1,036**	**0**	**0**	**212,894**	**204,599**	**1,201**	**0**	**0**	**205,800**

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	204,599	1,201	0	0	205,800	80,926	0	0	0	80,926
Transferred to Group 1	1,880	(1,880)	0	0	0	0	0	0	0	0
Transferred to Group 2	0	0	0	0	0	(4,273)	4,273	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	791,349	0	0	0	791,349	150	0	0	0	150
Decreases through derecognition	(610,233)	0	0	0	(610,233)	(7,920)	0	0	0	(7,920)
Other changes	(175,737)	1,715	0	0	(174,022)	135,716	(3,072)	0	0	132,644
As at 31 December	**211,858**	**1,036**	**0**	**0**	**212,894**	**204,599**	**1,201**	**0**	**0**	**205,800**

c) Movements in gross value of debt securities measured at amortised cost

Group DBS					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	160,740	8,402	0	0	169,142	149,127	0	0	0	149,127
Transferred to Group 1	2,042	(2,042)	0	0	0	0	0	0	0	0
Transferred to Group 2	(1,160)	1,160	0	0	0	(6,287)	6,287	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	0	0	0	0	0	22,603	0	0	0	22,603
Decreases through derecognition	(47,765)	(5,395)	0	0	(53,160)	(15,699)	0	0	0	(15,699)
Other changes	53,099	2,489	0	0	55,588	10,996	2,115	0	0	13,111
As at 31 December	**166,956**	**4,614**	**0**	**0**	**171,570**	**160,740**	**8,402**	**0**	**0**	**169,142**

DBS d. d.					2022					2021
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	160,740	8,402	0	0	169,142	149,127	0	0	0	149,127
Transferred to Group 1	2,042	(2,042)	0	0	0	0	0	0	0	0
Transferred to Group 2	(1,160)	1,160	0	0	0	(6,287)	6,287	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	0	0	0	0	0	22,603	0	0	0	22,603
Decreases through derecognition	(47,765)	(5,395)	0	0	(53,160)	(15,699)	0	0	0	(15,699)
Other changes	53,099	2,489	0	0	55,588	10,996	2,115	0	0	13,111
As at 31 December	**166,956**	**4,614**	**0**	**0**	**171,570**	**160,740**	**8,402**	**0**	**0**	**169,142**

d) Movements in gross value of loans measured at amortised cost

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	661,825	56,499	26,265	0	744,590	733,067	12,484	35,504	0	781,055
Transferred to Group 1	18,010	(18,010)	0	0	0	12,844	(12,736)	(108)	0	0
Transferred to Group 2	(25,733)	26,620	(887)	0	0	(60,537)	62,600	(2,063)	0	0
Transferred to Group 3	(90)	(1,669)	1,759	0	0	(361)	(1,704)	2,065	0	0
New recognition of financial assets	130,982	45,842	64	0	176,888	162,803	9,134	59	0	171,996
Decreases through derecognition	(52,031)	(4,070)	(3,024)	0	(59,125)	(97,459)	(1,362)	(2,257)	0	(101,078)
Write-downs*	0	0	(833)	0	(833)	0	0	(2,453)	0	(2,453)
Other changes	(60,147)	(21,052)	(2,897)	0	(84,096)	(88,532)	(11,917)	(4,481)	0	(104,930)
As at 31 December	**672,817**	**84,160**	**20,447**	**0**	**777,424**	**661,825**	**56,499**	**26,265**	**0**	**744,590**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	661,560	54,491	25,389	0	741,440	732,824	11,706	32,770	0	777,300
Transferred to Group 1	17,099	(17,099)	0	0	0	12,109	(12,004)	(104)	0	0
Transferred to Group 2	(23,394)	24,220	(826)	0	0	(58,352)	60,117	(1,765)	0	0
Transferred to Group 3	(90)	(1,606)	1,696	0	0	(275)	(1,463)	1,738	0	0
New recognition of financial assets	126,054	45,842	64	0	171,960	159,576	9,097	59	0	168,732
Decreases through derecognition	(51,367)	(3,838)	(2,802)	0	(58,007)	(96,703)	(1,337)	(1,792)	0	(99,832)
Write-downs*	0	0	(833)	0	(833)	0	0	(1,967)	0	(1,967)
Other changes	(57,830)	(20,321)	(2,797)	0	(80,948)	(87,619)	(11,624)	(3,550)	0	(102,793)
As at 31 December	**672,032**	**81,689**	**19,891**	**0**	**773,612**	**661,560**	**54,491**	**25,389**	**0**	**741,440**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

e) Movements in gross value of other financial assets measured at amortised cost

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,256	76	294	0	1,626	1,898	154	652	0	2,704
Transferred to Group 1	9	(9)	0	0	0	5	(3)	(2)	0	0
Transferred to Group 2	(349)	352	(3)	0	0	(82)	86	(4)	0	0
Transferred to Group 3	(9)	(17)	26	0	0	(7)	(39)	46	0	0
New recognition of financial assets	5,821	426	166	0	6,413	4,803	40	69	0	4.912
Decreases through derecognition	(811)	(509)	(174)	0	(1,494)	(1,003)	(171)	(356)	0	(1,530)
Write-downs*	0	0	(36)	0	(36)	0	0	(14)	0	(14)
Other changes	(4,223)	22	2	0	(4,199)	(4,358)	9	(97)	0	(4,446)
As at 31 December	**1,694**	**341**	**275**	**0**	**2,310**	**1,256**	**76**	**294**	**0**	**1,626**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,246	70	200	0	1,516	1,873	154	200	0	2,227
Transferred to Group 1	9	(9)	0	0	0	5	(3)	(2)	0	0
Transferred to Group 2	(348)	351	(3)	0	0	(80)	84	(4)	0	0
Transferred to Group 3	(9)	(17)	26	0	0	(7)	(39)	46	0	0
New recognition of financial assets	5,767	426	125	0	6,318	4,334	36	69	0	4,439
Decreases through derecognition	(811)	(492)	(79)	0	(1,382)	(996)	(171)	(102)	0	(1,269)
Write-downs*	0	0	(37)	0	(37)	0	0	(14)	0	(14)
Other changes	(4,183)	7	(14)	0	(4,190)	(3,883)	9	7	0	(3,867)
As at 31 December	**1,671**	**336**	**218**	**0**	**2,225**	**1,246**	**70**	**200**	**0**	**1,516**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

f) Movements in gross value of other assets

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	148	2	76	0	226	523	0	133	0	656
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	0	0	0	0	0	(1)	1	0	0	0
Transferred to Group 3	0	0	0	0	0	(18)	0	18	0	0
New recognition of financial assets	1,161	276	0	0	1,437	259	1	106	0	366
Decreases through derecognition	(122)	(278)	(76)	0	(476)	(539)	0	(217)	0	(756)
Other changes	(630)	0	0	0	(630)	(76)	0	36	0	(40)
As at 31 December	**556**	**1**	**0**	**0**	**557**	**148**	**2**	**76**	**0**	**226**

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	28	1	77	0	106	517	0	133	0	650
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	0	0	0	0	0	(1)	1	0	0	0
Transferred to Group 3	0	0	0	0	0	(18)	0	18	0	0
New recognition of financial assets	83	277	0	0	360	68	0	107	0	175
Decreases through derecognition	(30)	(277)	(77)	0	(384)	(539)	0	(217)	0	(756)
Other changes	(10)	0	0	0	(10)	1	0	36	0	37
As at 31 December	**70**	**1**	**0**	**0**	**71**	**28**	**1**	**77**	**0**	**106**

g) Movements in off-balance sheet commitments and contingent off-balance sheet liabilities

Group DBS	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	71,595	4,465	77	0	76,137	67,993	1,003	97	0	69,093
Transferred to Group 1	1,524	(1,524)	0	0	0	1,034	(1,034)	0	0	0
Transferred to Group 2	(3,685)	3,720	(35)	0	0	(5,743)	5,796	(53)	0	0
Transferred to Group 3	(36)	(23)	59	0	0	(14)	(8)	22	0	0
New recognition of financial assets	48,963	27,656	21	0	76,640	43,531	2,801	13	0	46,345
Decreases through derecognition	(16,326)	(7,687)	(54)	0	(24,067)	(16,329)	(548)	(11)	0	(16,888)
Other changes	(25,042)	(20,042)	(1)	0	(45,085)	(18,877)	(3,545)	9	0	(22,413)
As at 31 December	**76,993**	**6,565**	**67**	**0**	**83,625**	**71,595**	**4,465**	**77**	**0**	**76,137**

DBS d. d.	2022					2021				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	72,244	4,465	76	0	76,785	68,247	1,003	97	0	69,347
Transferred to Group 1	1,524	(1,524)	0	0	0	1,034	(1,034)	0	0	0
Transferred to Group 2	(3,685)	3,720	(35)	0	0	(5,743)	5,796	(53)	0	0
Transferred to Group 3	(36)	(23)	59	0	0	(14)	(8)	22	0	0
New recognition of financial assets	48,964	27,656	21	0	76,641	43,531	2,801	13	0	46,345
Decreases through derecognition	(16,327)	(7,687)	(53)	0	(24,067)	(16,329)	(548)	(11)	0	(16,888)
Other changes	(25,142)	(20,042)	(1)	0	(45,185)	(18,482)	(3,545)	8	0	(22,019)
As at 31 December	**77,542**	**6,565**	**67**	**0**	**84,174**	**72,244**	**4,465**	**76**	**0**	**76,785**

5.1.6. Debt securities and bills

To asses the risk associated with debts, the Group uses either its internal credit ratings for issuers or the credit ratings of renowned credit rating agencies. Owing to the system of limits, investments are made into debts with good ratings.

The table below shows the Group's exposure with respect to its debt securities according to the ratings of a renowned credit rating agency, as at 31 December 2022 and 31 December 2021.

Group DBS	2022				2021			
	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total
AAA	9,614	0	0	9,614	764	0	0	764
AA+	10,246	0	0	10,246	0	0	0	0
AA	17,611	0	0	17,611	15,330	0	0	15,330
AA-	101,773	0	0	101,773	147,608	0	0	147,608
A+	2,164	0	0	2,164	756	0	0	756
A	710	0	0	710	340	0	0	340
A-	704	0	0	704	502	0	0	502
BBB+	574	0	0	574	88	0	0	88
BBB	0	0	0	0	534	0	0	534
BBB-	0	0	0	0	98	0	0	98
Unrated	28,054	0	0	28,054	3,089	0	0	3,089
Total	**171,450**	**0**	**0**	**171,450**	**169,109**	**0**	**0**	**169,109**

DBS d. d.	2022				2021			
	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total
AAA	9,614	0	0	9,614	764	0	0	764
AA+	10,246	0	0	10,246	0	0	0	0
AA	17,611	0	0	17,611	15,330	0	0	15,330
AA-	101,773	0	0	101,773	147,608	0	0	147,608
A+	2,164	0	0	2,164	756	0	0	756
A	710	0	0	710	340	0	0	340
A-	704	0	0	704	502	0	0	502
BBB+	574	0	0	574	88	0	0	88
BBB	0	0	0	0	534	0	0	534
BBB-	0	0	0	0	98	0	0	98
Unrated	28,054	0	0	28,054	3,089	0	0	3,089
Total	**171,450**	**0**	**0**	**171,450**	**169,109**	**0**	**0**	**169,109**

Both in 2022 and 2021, the largest proportion of our debts portfolio were Slovene state bonds, which totalled EUR 158.8 million (the year-end of 2021: EUR 159 million). Alongside state bonds, the Group's portfolio also included institutions' bonds totalling EUR 6.3 million. The rest of the portfolio in the amount of EUR 6.3 million are corporate bonds issued by major global companies. The Group's proprietary portfolio included no subordinated, structured and non-investment grade debt securities.

5.1.7. Collateral acquired by prescription

In 2022, the Group acquired assets by calling on the collateral held as guarantee, namely:

	Carrying amount			
	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Property	199	1,921	199	1,921
Equipment	6	0	6	0
Total	**205**	**1,921**	**205**	**1,921**

5.1.8. Breakdown of all exposure categories according to remaining maturity: up to 1 year and over 1 year

The table below gives the remaining maturities according to categories of exposure.

Group DBS

		Remaining maturity as at 31 December 2022			Remaining maturity as at 31 December 2021		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	228,152	330,695	558,847	253,930	338,118	592,048
02	Regional and local government	13,919	65,923	79,842	1,637	9,492	11,129
03	Public sector entities	711	3,310	4,021	2,092	1,298	3,390
04	MDB	746	803	1,549	0	0	0
05	International organisations	2,966	2,454	5,420	0	0	0
06	Institutions	20,914	3,701	24,615	26,333	3,700	30,033
07	Corporate	19,016	17,674	36,690	13,878	16,229	30,107
08	Retail exposures	76,278	284,892	361,170	74,655	165,145	239,800
09	Secured by mortgages of immovable property	24,561	144,695	169,256	24,036	264,525	288,561
10	Exposures in default	4,039	2,705	6,744	6,155	1,535	7,690
11	Regulatory high risk categories	1,024	1,425	2,449	2,245	524	2,769
14	Investments in investment funds	0	2,578	2,578	1	2,697	2,698
15	Other exposure	18,893	935	19,828	19,339	476	19,815
16	Equity exposure	206	0	206	3,133	0	3,133
	As at 31 December	411,425	861,790	1,273,215	427,434	803,739	1,231,173

DBS d. d.

		Remaining maturity as at 31 December 2022			Remaining maturity as at 31 December 2021		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	228,131	330,695	558,826	253,923	338,118	592,041
02	Regional and local government	13,919	65,923	79,842	1,637	9,492	11,129
03	Public sector entities	711	3,310	4,021	2,092	1,298	3,390
04	MDB	746	803	1,549	0	0	0
05	International organisations	2,966	2,454	5,420	0	0	0
06	Institutions	20,914	3,701	24,615	26,333	3,700	30,033
07	Corporate	17,671	26,874	44,545	12,437	23,679	36,116
08	Retail exposures	75,266	273,458	348,724	73,892	156,205	230,097
09	Secured by mortgages of immovable property	25,716	143,725	169,441	25,140	264,023	289,163
10	Exposures in default	3,446	2,694	6,140	5,554	1,508	7,062
11	Regulatory high risk categories	1,024	1,425	2,449	2,239	524	2,763
14	Investments in investment funds	0	2,578	2,578	1	2,697	2,698
15	Other exposure	18,774	879	19,653	19,134	461	19,595
16	Equity exposure	5,449	0	5,449	7,937	0	7,937
	As at 31 December	414,733	858,519	1,273,251	430,319	801,705	1,232,024

At the year-end of 2022, 32% of the Group's exposure had maturities of up to one year and 68% over one year. In 2022, in absolute terms, the values of exposures secured by mortgages on residential property decreased the most, followed by exposures to central government and central banks, and exposures to institutions, whereas retail exposures increased the most, followed by exposures to regional and local governments and exposures to corporate customers. In conformity with its internal policies, the Group has removed balance sheet exposures from the statement of financial position to keep them in off-balance sheet records. This relates to exposures for which it has ensured to cover the total exposure by applying revaluation allowance or provisions for credit risk losses. These are not comprised in the table showing exposure categories. The exposure categories shown include prudential consolidation, the basis for which is financial statements on such prudential basis rather than regulatory consolidation of the balance sheet.

5.1.9. Capital requirements according to exposure categories

The Group calculates the capital requirement for credit risk according to the standardised approach.

Group DBS

		2022		2021	
	Exposure category	Net exposure	Capital requirement	Net exposure	Capital requirement
01	Central government and central banks	558,847	541	592,048	585
02	Regional and local government	79,842	1,278	11,129	178
03	Public sector entities	4,021	30	3,390	25
04	MDB	1,549	0	0	0
05	International organisations	5,420	0	0	0
06	Institutions	24,615	1,353	30,033	1,850
07	Corporate	36,690	2,142	30,107	1,855
08	Retail exposures	361,170	18,617	239,800	11,646
09	Secured by mortgages of immovable property	169,256	6,496	288,561	10,091
10	Exposures in default	6,744	635	7,690	655
11	Regulatory high risk categories	2,449	294	2,769	331
14	Investments in investment funds	2,578	25	2,698	27
15	Other exposure	19,828	1,028	19,815	1,022
16	Equity exposure	206	16	3,133	251
	As at 31 December	1,273,215	32,455	1,231,173	28,517

5.1.10. Bank’s exposure to credit risk: net exposure values, and average exposure amounts as at 31 December 2022 and 31 December 2021

The table below illustrates the net values, and average amount of the Bank’s exposure to credit risk – whereby not considering any collateral held by the Bank or any other enhancements of credit quality – as at 31 December 2022 as compared to the balance at 31 December 2021. The table is broken down according to different categories of exposure.

The exposure levels for on-balance sheet and off-balance sheet assets are given on the basis of net carrying amounts as reported in the statement of financial position, including off-balance sheet figures, and grouped into categories of exposure pursuant to CRR/CRD IV.

DBS d. d.

	Exposure category	2022 Net exposure	2022 Average exposure	2021 Net exposure	2021 Average exposure
01	Central government and central banks	558,826	572,329	592,041	563,215
02	Regional and local government	79,842	49,679	11,129	5,683
03	Public sector entities	4,021	4,677	3,390	5,585
04	MDB	1,549	949	0	0
05	International organisations	5,420	3,573	0	0
06	Institutions	24,615	28,509	30,033	32,229
07	Corporate	44,545	43,113	36,116	38,143
08	Retail exposures	348,724	291,011	230,097	228,656
09	Secured by mortgages of immovable property	169,441	227,806	289,163	288,070
10	Exposures in default	6,140	5,644	7,062	8,226
11	Regulatory high risk categories	2,449	3,490	2,763	4,127
14	Investments in investment funds	2,578	2,604	2,698	2,707
15	Other exposure	19,653	19,660	19,594	17,398
16	Equity exposure	5,449	5,839	7,937	7,641
	As at 31 December	1,273,251	1,258,884	1,232,023	1,201,680

5.2. Market risk

In managing market risk, the Group relies on the Risk-taking and Risk Management Policy for Market Risk. In compliance with its policy, market risk management is a collaboration of:

- front office (Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section),
- various boards and committees (Liquidity Commission, Investment Committee, Asset and Liability Management Board).

The Group monitors market risk by means of:

- prompt data on trading positions, spending of limits and overdrafts, and exposure to different risks;
- prompt data on currency positions;
- daily reporting on securities trading;
- end-of day reporting on overdrafts;
- monthly reporting on capital requirements for market risk, and
- quarterly risk analyses.

To manage market risks, the Group has:

- adopted the Risk-taking and Risk Management Strategy, which also includes a chapter on market risk;
- established relevant internal controls in implementing transactions;
- introduced quantitative analytic methods to measure individual types of market and foreign exchange risks with the growing complexity and scope of trading, and monthly performance of stress tests for exceptional yet likely situations.

The Group's exposure to market risk is low and complies with the policy of dispersed portfolios and invests in high-quality assets in countries with a high credit rating, avoiding investments with speculative-grade ratings.

Market risk management is based on a diversified system of limits (limits on equity and debt security positions, limits on exposure to individual types of issuers, limits of maximum possible loss, limits according to individual authorised persons, etc.), which the Group regularly reviews and adjusts, if necessary.

Due to the increased volatility of capital markets (compared to bond markets and money markets), the Group devotes special attention to its equity positions. To this end, it has in place the additional »stop-loss« limit system for each position on both the domestic and foreign markets, which daily examines the set limits. In assessing the risk of individual financial instruments, the Group calculates Value-at-Risk over a time horizon (on a monthly basis in the reports to the Asset and Liability Committee) for each position as well as for both sub-portfolios (domestic and foreign equities) and the joint portfolio, in order to detect any potential increased risk due to exposure to increased volatility.

With respect to the bond portfolio on the trading book, the Group calculates the time profile for each position and the related extent of sensitivity to loss in economic value in the event of an interest rate shock (so-called "basis point value"). The value of the average-duration bond portfolio on the trading book over a time horizon is also monitored. All these calculations are conducted once per month, and their results are included into the report to the ALM Board.

The rigorous system of limits, which requires that the securities portfolio be diversified and highly liquid as well as that issuers have good credit ratings, keeps the Group's appetite for assuming market risk at a low level.

The DBS Group meets the conditions set out in Article 94(1) of the CRR Regulation regarding the small trading book business, and therefore includes the capital requirements for trading book items in the calculation of the capital requirement for credit risk. The table below shows the scope of capital requirements for equity and debt financial instruments as well as loans and advances that are held for trading and included in the capital requirement for credit risk.

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equity instruments	6	4	6	4
Loans and other financial assets	2	385	2	385
SUM OF CAPITAL REQUIREMENTS FOR MARKET RISK	**8**	**389**	**8**	**389**

As at 31 December 2022, the Group had a minimum trading portfolio of EUR 91 thousand.

5.2.1. Methods for measuring risk related to trading in trading portfolio equities

To measure and control market risk, the Group applies the Value-at-Risk method (VaR) for its equity trading portfolio. VaR measures the risk of loss on a specific portfolio of financial assets for a 10-day time horizon, with a 99% level of confidence.

As at 31 December 2022 the equity portfolio had a VaR of EUR 11 thousand (2021: EUR 5 thousand).

In order to measure and manage extreme losses that would occur in cases of heavily deteriorated market situations, the Group performs additional monthly stress tests for the equity trading portfolio.

5.2.2. Methods for measuring risk related to trading in trading portfolio debt securities

The Group measures these risks using Basis Point Value (BPV), which denotes the change in the market value of a trading book position, attributable to the parallel movement in the yield curve. BPV tells us how much value financial instruments will gain or lose depending on the market interest rate, i.e. change in yield. As at 31 December 2022, the Group had no debts in its bond trading portfolio.

5.2.3. Foreign exchange risk

Foreign exchange risk is monitored and managed on a daily basis. Limits of maximum acceptable exposures to foreign exchange risk are clearly defined and monitored daily.

The Financial Markets Section balances currency positions and exposure to foreign exchange risk by taking the following measures:
- spot and forward purchases and sales of foreign exchange in the interbank market,
- setting daily mean rates and exchange rates,
- entering into purchases and sales of foreign exchange with legal entities and individuals.

In 2022, the Group promptly balanced the differences between purchases and sales of foreign exchange, which were mainly the result of payment and foreign exchange transactions. Exposure towards financial instruments denominated in foreign currencies was very low and consistent with the set limits.

The tables below show assets and liabilities as at 31 December 2022 and 31 December 2021 by currency:

Group DBS

FOREIGN EXCHANGE RISK as at 31 December 2022					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	216,474	255	409	2,283	219,421
Financial assets held for trading	70	21	0	0	91
Financial assets measured at fair value through other comprehensive income	2,714	0	0	0	2,714
Financial assets measured at amortised cost	927,547	3,028	5,144	359	936,078
- Debt securities	163,051	3,027	5,013	359	171,450
- Loans to banks	1,189	0	0	0	1,189
- Loans to customers	761,243	0	131	0	761,374
- Other financial assets	2,064	1	0	0	2,065
Tangible assets	27,538	0	0	0	27,538
- Property, plant and equipment	10,709	0	0	0	10,709
- Investment property	16,829	0	0	0	16,829
Intangible assets	857	0	0	0	857
Income tax assets	2,675	0	4	0	2,679
- Current tax assets	0	0	0	0	0
- Deferred tax assets	2,675	0	4	0	2,679
Other assets	1,203	0	0	0	1,203
Non-current assets held for sale, and discontinued operations	28	0	0	0	28
TOTAL ASSETS (1)	**1,179,106**	**3,304**	**5,557**	**2,642**	**1,190,609**
Financial liabilities held for trading	22	0	0	0	22
Financial liabilities measured at amortised cost	1,097,532	3,289	5,575	2,538	1,108,934
- Deposits by banks and central banks	55	0	0	0	55
- Deposits by customers	1,093,724	3,264	5,575	2,538	1,105,101
- Other financial liabilities	3,753	25	0	0	3,778
Provisions	1,906	0	0	7	1,913
Income tax liabilities	187	0	0	0	187
- Current tax liabilities	186	0	0	0	186
- Deferred tax liabilities	1	0	0	0	1
Other liabilities	2,162	0	0	0	2,162
TOTAL LIABILITIES (2)	**1,101,809**	**3,289**	**5,575**	**2,545**	**1,113,218**
MISMATCH (1) **less** (2)	**77,297**	**15**	**(18)**	**97**	**77,391**
Off-balance sheet liabilities	**83,008**	**0**	**0**	**616**	**83,624**

FOREIGN EXCHANGE RISK as at 31 December 2021					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	1,143,293	2,989	4,740	2,014	1,153,036
Total liabilities	1,071,116	2,989	4,758	2,018	1,080,881
MISMATCH (1) less (2)	**72,177**	**0**	**(18)**	**(4)**	**72,155**
Off-balance sheet liabilities	**75,518**	**0**	**0**	**618**	**76,136**

DBS d. d.

FOREIGN EXCHANGE RISK as at 31 December 2022					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	216,474	255	409	2,283	219,421
Financial assets held for trading	70	21	0	0	91
Financial assets measured at fair value through other comprehensive income	2,714	0	0	0	2,714
Financial assets measured at amortised cost	923,635	3,028	5,168	359	932,190
- Debt securities	163,051	3,027	5,013	359	171,450
- Loans to banks	1,189	0	0	0	1,189
- Loans to customers	757,408	0	155	0	757,563
- Other financial assets	1,987	1	0	0	1,988
Long-term equity participation in subsidiaries, associates and joint ventures	5,243	0	0	0	5,243
Tangible assets	26,225	0	0	0	26,225
- Property, plant and equipment	10,600	0	0	0	10,600
- Investment property	15,625	0	0	0	15,625
Intangible assets	774	0	0	0	774
Income tax assets	2,675	0	4	0	2,679
- Current tax assets	0	0	0	0	0
- Deferred tax assets	2,675	0	4	0	2,679
Other assets	676	0	0	0	676
TOTAL ASSETS (1)	**1,178,486**	**3,304**	**5,581**	**2,642**	**1,190,013**
Financial liabilities held for trading	22	0	0	0	22
Financial liabilities measured at amortised cost	1,097,582	3,289	5,575	2,538	1,108,984
- Deposits by banks and central banks	55	0	0	0	55
- Deposits by customers	1,093,785	3,264	5,575	2,538	1,105,162
- Other financial liabilities	3,742	25	0	0	3,767
Provisions	1,873	0	0	7	1,880
Income tax liabilities	186	0	0	0	186
- Current tax liabilities	185	0	0	0	185
- Deferred tax liabilities	1	0	0	0	1
Other liabilities	1,763	0	0	0	1,763
TOTAL LIABILITIES (2)	**1,101,426**	**3,289**	**5,575**	**2,545**	**1,112,835**
MISMATCH (1) **less** (2)	**77,060**	**15**	**6**	**97**	**77,178**
Off-balance sheet liabilities	**83,558**	**0**	**0**	**616**	**84,174**

FOREIGN EXCHANGE RISK as at 31 December 2021					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	1,143,356	2,989	4,742	2,014	1,153,101
Total liabilities	1,071,309	2,989	4,756	2,018	1,081,072
Mismatch (1) **less** (2)	**72,047**	**0**	**(14)**	**(4)**	**72,029**
Off-balance sheet liabilities	**76,167**	**0**	**0**	**618**	**76,785**

As at 31 December 2022, the Bank reported no capital requirements for foreign exchange risk, as its net currency position did not exceed 2% of the Bank's capital.

5.3. Interest rate risk and credit spread risk

For managing interest rate risk, the Group uses the Risk-taking and Risk Management Policy for interest rate risk in the banking book and the credit spread risk arising from non-trading book activities. Taking interest rate risk and managing it within the Group is a collaboration of:

- front office (Branch Network, Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section),
- various boards (Lending Committee, Liquidity Commission, Asset and Liability Management Board).

Monthly, the Group monitors exposure to interest rate risk with reference to items in the banking book. In doing so, it relies on the methodology of interest rate sensitivity gap reports according to the type of maturity and time periods relative to the following setting of interest rates (so-called gap analysis). Interest rate gaps show the difference between the cash flows of interest-sensitive assets and interest-sensitive liabilities according to duration gaps. In the analysis of interest rate risk, the Group takes into consideration the distribution of stable sight deposits separately for corporate customers and natural persons, and savings deposits in accordance with the internal model, i.e. by transferring them from the sight deposit (O/N) time bucket to other time buckets with regard to the established continuity. The Group distributes stable sight deposits for natural persons and bank's savings deposits into time buckets of up to 15 years, and sight deposits for corporate customers into time buckets of up to 5 years, whereas unstable deposits are assumed to become due immediately. For deposits without an agreed maturity, the maximum average maturity of 5 years might be used in conformity to the interest rate risk management guidelines, whereas the actual average maturity used by the Group for stable deposits without an agreed maturity is considerably shorter than the maturity mentioned, and was at 2.5 years as at 31 December 2022. Due to its immateriality, the Group did not include behavioural risk in the measurement of interest rate risk. It assesses the size of the behavioural risk at least once a year and will include it in interest rate risk calculations if necessary, when it proves significant. Reports on exposure to interest rate risk are reviewed by the Bank's Asset and Liability Committee on a monthly basis, and are noted quarterly by the Management Board, the Risk Committee, and the Supervisory Board in the context of a risk management analysis.

Measuring, monitoring and examining interest rate risk in the Group is kept separate from adopting decisions on banking positions, which prevents conflicts of interest. This is conducted by the Risk Management Section, which regularly monitors all activities in this area.

The Group calculates quarterly the impact of different interest rate shocks on the Economic Value of Equity (EVE), which demonstrates the present value of future cash flows and provides a comprehensive overview of the potential long-term effects of changes in interest rates based on six standard market interest rate shock scenarios. Also on a quarterly basis, the Group monitors the sensitivity of net interest income (NII) over the next 12 months through a gap analysis, based on two standardised stress scenarios in the form of a parallel shift of the yield curve by +/- 200 basis points.

The Group also monitors and assesses exposures arising from the risk of credit spread changes, which arises from the non-trading book activity (CSRBB). Capital requirements are calculated as the reduction in EVE from the increase in the required return due to an increase in the credit spread on debt securities entered in the non-trading book.

The following tables outline exposure to interest rate risk as at 31 December 2022 and 31 December 2021. Financial instruments are entered in the table at carrying amounts and categorised into time gaps according to the subsequent change in interest rate or maturity. Sight loans to customers (O/N) also include loans linked to the six-month Euribor rate, for which interest rates are fixed each 1 January.

Group DBS

INTEREST RATE RISK as at 31 December 2022									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	219,421	30	219,391	16,990	191,842	10,559	0	0	0
Financial assets held for trading	91	91	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	2,714	2,714	0	0	0	0	0	0	0
Financial assets measured at amortised cost	936,078	6,597	929,481	279,608	44,465	220,335	194,612	94,474	95,987
- Debt securities	171,450	774	170,676	0	869	16,579	21,513	71,100	60,615
- Loans to banks	1,189	0	1,189	0	1,189	0	0	0	0
- Loans to customers	761,374	3,758	757,616	279,608	42,407	203,756	173,099	23,374	35,372
- Other financial assets	2,065	2,065	0	0	0	0	0	0	0
Other assets	1,203	1,203	0	0	0	0	0	0	0
Non-current assets held for sale, and discontinued operations	28	28	0	0	0	0	0	0	0
TOTAL ASSETS	**1,159,535**	**10,663**	**1,148,872**	**296,598**	**236,307**	**230,894**	**194,612**	**94,474**	**95,987**
Financial liabilities held for trading	22	22	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	1,108,934	4,912	1,104,022	950,240	94,875	16,125	30,499	12,075	208
- Deposits by banks and central banks	55	0	55	55	0	0	0	0	0
- Deposits by customers	1,105,101	1,134	1,103,967	950,185	94,875	16,125	30,499	12,075	208
- Other financial liabilities	3,778	3,778	0	0	0	0	0	0	0
Other liabilities	2,162	2,162	0	0	0	0	0	0	0
TOTAL LIABILITIES	**1,111,118**	**7,096**	**1,104,022**	**950,240**	**94,875**	**16,125**	**30,499**	**12,075**	**208**
Net exposure to interest rate risk	**48,417**	**3,567**	**44,850**	**(653,642)**	**141,432**	**214,769**	**164,113**	**82,399**	**95,779**

INTEREST RATE RISK as at 31 December 2021									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	1,119,942	13,540	1,106,402	519,303	24,935	254,209	161,187	61,311	85,457
Total liabilities	1,078,442	10,867	1,067,575	862,195	101,843	34,150	52,081	17,132	174
Net exposure to interest rate risk	**41,500**	**2,673**	**38,827**	**(342,892)**	**(76,908)**	**220,059**	**109,106**	**44,179**	**85,283**

DBS d. d.

INTEREST RATE RISK as at 31 December 2022									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	219,421	30	219,391	16,990	191,842	10,559	0	0	0
Financial assets held for trading	91	91	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	2,714	2,714	0	0	0	0	0	0	0
Financial assets measured at amortised cost	932,190	6,035	926,155	280,168	30,543	220,747	196,306	101,649	96,742
- Debt securities	171,450	774	170,676	0	869	16,579	21,513	71,100	60,615
- Loans to banks	1,189	0	1,189	0	1,189	0	0	0	0
- Loans to customers	757,563	3,273	754,290	280,168	28,485	204,168	174,793	30,549	36,127
- Other financial assets	1,988	1,988	0	0	0	0	0	0	0
Long-term equity participation in subsidiaries, associates and joint ventures	5,243	5,243	0	0	0	0	0	0	0
Other assets	676	676	0	0	0	0	0	0	0
TOTAL ASSETS	**1,160,335**	**14,789**	**1,145,546**	**297,158**	**222,385**	**231,306**	**196,306**	**101,649**	**96,742**
Financial liabilities held for trading	22	22	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	1,108,984	4,901	1,104,083	950,301	94,875	16,125	30,499	12,075	208
- Deposits by banks and central banks	55	0	55	55	0	0	0	0	0
- Deposits by customers	1,105,162	1,134	1,104,028	950,246	94,875	16,125	30,499	12,075	208
- Other financial liabilities	3,767	3,767	0	0	0	0	0	0	0
Other liabilities	1,763	1,763	0	0	0	0	0	0	0
TOTAL LIABILITIES	**1,110,769**	**6,686**	**1,104,083**	**950,301**	**94,875**	**16,125**	**30,499**	**12,075**	**208**
Net exposure to interest rate risk	**49,566**	**8,103**	**41,463**	**(653,143)**	**127,510**	**215,181**	**165,807**	**89,574**	**96,534**

INTEREST RATE RISK as at 31 December 2021									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	1,121,592	18,051	1,103,541	516,442	24,935	254,209	161,187	61,311	85,457
Total liabilities	1,078,655	10,637	1,068,018	862,638	101,843	34,150	52,081	17,132	174
Net exposure to interest rate risk	**42,937**	**7,414**	**35,523**	**(346,196)**	**(76,908)**	**220,059**	**109,106**	**44,179**	**85,283**

The Group's largest exposure as at 31 December 2022 was in Eur, with exposures in other currencies negligible and immaterial. Interest rate risk in 2022 arose mainly out of the imbalance between the maturities of interest-rate-sensitive investments and liabilities, and out of the subsequent determination of interest rates.

In 2023, the Group plans to continue matching interest rate gaps, the emphasis being on sight time gaps of longer maturity, and to maintain a low exposure to interest rate risk. The Group will also continue to upgrade its methodology for establishing and measuring interest rate risk and credit spread risk, while also fulfilling the guidelines for managing interest rate risk originating in non-trading book operations as prescribed by EBA.

Average interest rates as at 31 December

	Group DBS				DBS d. d.			
	2022		2021		2022		2021	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD
Assets		%		%		%		%
Cash, balances at central banks, and sight deposits at banks	1.87	0.01	(0.37)	0.01	1.87	0.01	(0.37)	0.01
Investment securities - debt	0.94	1.64	1.33	2.26	0.94	1.64	1.33	2.26
Loans to banks	(0.75)	0.00	0.11	0.00	(0.75)	0.00	0.11	0.00
Loans to customers	3.05	0.00	1.98	0.00	2.97	0.00	1.92	0.00
Liabilities								
Borrowings from banks and central banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits by customers	0.01	0.04	0.02	0.00	0.01	0.04	0.02	0.00
Subordinated liabilities	6.00	0.00	5.83	0.00	6.00	0.00	5.83	0.00

5.4. Liquidity risk

In managing liquidity risk, the Group applies the Risk-taking and Risk Management Policy for Liquidity Risk. Liquidity risk management in the Group is a collaboration of:

- Management Board,
- front office (Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section, Payments Section, Treasury Section),
- various boards and commissions (Liquidity Commission, Asset and Liability Management Board).

The Group's liquidity situation depends on the set of activities for meeting the required cash flows as well as on the availability of liquidity assets that at all times ensure immediate fulfilment of matured financial obligations with customers. For this purpose, the Group holds on its portfolio adequate amounts of cash and highly liquid securities that can be liquidated immediately and without loss in carrying value.

The Group maintains a diversified pool of liquidity reserves in the form of cash and other highly liquid assets that are free from encumbrances and available at any time. To this end, the Group continually monitors the amount and composition of its liquidity reserves, preparing a list of all liquid assets, including what proportions can be collected and are encumbered or free from encumbrances.

The Group has in place a set of stress scenarios, which are applied to the current liquidity gaps on a monthly basis, as stipulated by future cash flows ordered according to contractual maturity. All stress test scenario outcomes have designated limits, with the critical limit being defined at one-month's survival. A critical outcome represents the minimum amount of the Group's liquidity reserves and spans the period from the first day of the analysis to the moment the cumulative liquidity gap turns negative and exceeds the Group's total unencumbered liquidity assets.

If a critical outcome is confirmed, the Risk Management Section informs the Treasury Division, which must present liquidity balancing measures and report them to the Liquidity Committee. The Bank Management Board, the Internal Audit Department and the Risk Management Section need to be informed of the recovery plan and its planned implementation.

Further, the Group monitors a wide array of interim liquidity trends and structural liquidity ratios. It has requisite limits designated for all values of the monitored ratios, and regularly examines them.

At least once a year, the Group also stress tests the liquidity contingency plan using the liquidity shock scenario prepared by the Risk Management Section. On the basis of this scenario the Treasury Division prepares the Group's response, and diligently notes the duration and implementation of the simulated post-shock recovery process, including an estimate of potential financial consequences. The harmonised report on stress testing of the liquidity continuity plan is presented to the Liquidity Commission.

Liquidity risk is evaluated comprehensively at the Group level once a year within the internal liquidity adequacy assessment process (ILAAP), which is used to assess liquidity and liquidity risk management.

In 2022, the Group had at its disposal an adequate pool of liquidity reserves, which can be utilised to settle any liabilities as well as off-balance sheet liabilities. In addition, it has at its disposal adequate secondary liquidity (liquid debt securities, domestic loans eligible as collateral with the European Central Bank, etc.) which it could easily and efficiently liquidate and use in case of a liquidity stress event that would compromise the daily system of liquidity management, such as e.g. an unexpected large-scale withdrawal of deposits.

The Group calculates on a regular basis the LCR liquidity coverage ratio, which has been defined as the ratio of the stock of high-quality liquid assets and the expected total net cash outflows over a 30 day period. The indicator has been regulated, and thus not allowed to fall below 100%. As at 31 December 2022, the liquidity coverage ratio was 372.76%. On a quarterly basis, the Group also calculates the net stable funding ratio (NSFR), which is defined as the ratio between the available stable funding and the required stable funding. As at 31 December 2022, the net stable financing ratio was 174.99%.

All results of monitoring liquidity risk are reported to the Bank's Asset and Liability Committee on a monthly basis, while the Management Board, the Risk Committee and the Supervisory Board are presented quarterly with reports on exposure to liquidity risk in the context of a risk management analysis.

The following tables summarise the Group's and Bank's exposure to liquidity risk as at 31 December 2022 and 31 December 2021. Financial instruments are listed in the table at undiscounted amounts according to remaining contractual maturity as at 31 December 2022, which in addition to the asset's carrying value includes expected future cash flows from interest.

Group DBS

LIQUIDITY RISK as at 31 December 2022							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash, balances at central banks, and sight deposits at banks	16,990	191,876	10,581	0	0	0	219,447
Financial assets held for trading	91	0	0	0	0	0	91
Financial assets measured at fair value through other comprehensive income	136	2,578	0	0	0	0	2,714
Financial assets measured at amortised cost	10,181	5,625	49,248	118,466	524,971	338,509	1,047,000
- Debt securities	0	480	17,217	22,301	74,731	60,763	175,492
- Loans to banks	0	1,189	0	0	0	0	1,189
- Loans to customers	9,736	2,765	31,875	96,163	450,016	277,699	868,254
- Other financial assets	445	1,191	156	2	224	47	2,065
Other assets	396	72	486	9	15	225	1,203
Non-current assets held for sale, and discontinued operations	28	0	0	0	0	0	28
TOTAL ASSETS	**27,822**	**200,151**	**60,315**	**118,475**	**524,986**	**338,734**	**1,270,455**
Financial liabilities held for trading	0	22	0	0	0	0	22
Financial liabilities measured at amortized cost	954,771	94,891	16,142	30,534	12,589	212	1,109,139
- Deposits by banks and central banks	55	0	0	0	0	0	55
- Deposits by customers	951,052	94,880	16,136	30,534	12,492	212	1,105,306
- Other financial liabilities	3,664	11	6	0	97	0	3,778
Other liabilities	1,696	356	0	32	78	0	2,162
TOTAL LIABILITIES	**956,467**	**95,269**	**16,142**	**30,566**	**12,667**	**212**	**1,111,323**
Net exposure to liquidity risk	**(928,645)**	**104,882**	**44,173**	**87,909**	**512,319**	**338,522**	**159,132**

LIQUIDITY RISK as at 31 December 2021							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	214,839	12,455	85,513	92,518	365,494	424,229	1,195,048
Total liabilities	863,235	107,203	35,589	55,526	15,768	1,601	1,078,922
Net exposure to liquidity risk	**(648,396)**	**(94,748)**	**49,924**	**36,992**	**349,726**	**422,628**	**116,126**

DBS d. d.

LIQUIDITY RISK as at 31 December 2022							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash, balances at central banks, and sight deposits at banks	16,990	191,876	10,581	0	0	0	219,447
Financial assets held for trading	91	0	0	0	0	0	91
Financial assets measured at fair value through other comprehensive income	136	2,578	0	0	0	0	2,714
Financial assets measured at amortised cost	9,386	6,149	48,694	117,018	522,710	337,206	1,041,163
- Debt securities	0	480	17,217	22,301	74,731	60,763	175,492
- Loans to banks	0	1,189	0	0	0	0	1,189
- Loans to customers	8,941	3,364	31,321	94,717	447,755	276,396	862,494
- Other financial assets	445	1,116	156	0	224	47	1,988
Long-term equity participation in subsidiaries, associates and joint ventures	5,243	0	0	0	0	0	5,243
Other assets	396	55	0	0	0	225	676
TOTAL ASSETS	**32,242**	**200,658**	**59,275**	**117,018**	**522,710**	**337,431**	**1,269,334**
Financial liabilities held for trading	0	22	0	0	0	0	22
Financial liabilities measured at amortised cost	954,832	94,880	16,142	30,534	12,589	212	1,109,189
- Deposits by banks and central banks	55	0	0	0	0	0	55
- Deposits by customers	951,113	94,880	16,136	30,534	12,492	212	1,105,367
- Other financial liabilities	3,664	0	6	0	97	0	3,767
Other liabilities	1,696	35	0	32	0	0	1,763
TOTAL LIABILITIES	**956,528**	**94,937**	**16,142**	**30,566**	**12,589**	**212**	**1,110,974**
Net exposure to liquidity risk	**(924,286)**	**105,721**	**43,133**	**86,452**	**510,121**	**337,219**	**158,360**

LIQUIDITY RISK as at 31 December 2021							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	218,248	14,007	84,949	91,065	364,144	424,127	1,196,540
Total liabilities	863,678	107,060	35,587	55,526	15,683	1,601	1,079,135
Net exposure to liquidity risk	**(645,430)**	**(93,053)**	**49,362**	**35,539**	**348,461**	**422,526**	**117,405**

The liquidity gap for the sight time period is indeed deeply in the negative, however, financial liabilities in this group include total sight deposits, and this despite the fact that according to the calculation of the liquidity coverage ratio as at 31 December 2022 (LCR), the Group attains a 94% stability of deposits. In simulating liquidity stress tests, sight deposits and demand deposits in the sight time period are categorised according to their stability/instability calculated using an in-house model. Additionally, the simulation of liquidity stress tests also takes into account the actual and potential future cash flows based on an analysis of funds drawn from off-balance sheet arrangements, the actual share of repayments from loans, and the share of renewed deposits.

Based on the conducted analyses, the Group estimates that its off-balance-sheet positions do not contribute particularly to its exposure to liquidity risk, which is why they were not included into the above table.

As at 31 December 2022, the Group had just short of EUR 374 million of unencumbered liquidity reserves, i.e., of eligible assets available for use in ECB credit operations, which substantially exceed liquidity shortages in case of stress scenarios.

In the future, the Group will maintain the minimum required amount of liquid assets as estimated using stress scenarios, in the form of top-rated debt securities. In addition, attention will be devoted to monitoring the LCR and NSFR indicators and to meeting their required values as well as limit values as specified in accordance with the restoration plan.

5.5. Fair value of financial assets and liabilities

5.5.1. Financial assets not measured at fair value

Group DBS

	2022					2021				
		Fair value					Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total
Assets										
Debt securities at amortised cost	171,450	156,058	0	0	156,058	169,109	172,230	0	0	172,230
Loans and advances to banks	1,189	0	0	1,189	1,189	1,400	0	0	1,400	1,400
Loans and advances to customers	761,187	0	0	870,131	870,131	726,379	0	0	778,956	778,956
Other financial assets	2,065	0	0	2,065	2,065	1,393	0	0	1,393	1,393
Total assets	**935,891**	**156,058**	**0**	**873,385**	**1,029,443**	**898,281**	**172,230**	**0**	**781,749**	**953,979**
Liabilities										
Deposits by banks	55	0	0	55	55	511	0	0	511	511
Deposits by customers*	1,105,101	0	0	1,105,101	1,105,101	1,066,309	0	0	1,066,309	1,066,309
Borrowings from banks and central banks*	0	0	0	0	0	2,055	0	0	2,055	2,055
Other financial liabilities	3,778	0	0	3,778	3,778	3,085	0	0	3,085	3,085
Total liabilities	**1,108,934**	**0**	**0**	**1,108,934**	**1,108,934**	**1,071,960**	**0**	**0**	**1,071,960**	**1,071,960**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2022 and 2021, deposits by customers, and borrowings from banks include deposits, and loans and advances with characteristics of subordinated debt.

DBS d. d.

	2022					2021				
		Fair value					Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total
Assets										
Debt securities at amortised cost	171,450	156,058	0	0	156,058	169,109	172,230	0	0	172,230
Loans and advances to banks	1,189	0	0	1,189	1,189	1,400	0	0	1,400	1,400
Loans and advances to customers	757,563	0	0	864,385	864,385	723,701	0	0	774,594	774,594
Other financial assets	1,988	0	0	1,988	1,988	1,325	0	0	1,325	1,325
Total assets	**932,190**	**156,058**	**0**	**867,562**	**1,023,620**	**895,535**	**172,230**	**0**	**777,319**	**949,549**
Liabilities										
Deposits by banks	55	0	0	55	55	511	0	0	511	511
Deposits by customers*	1,105,162	0	0	1,105,162	1,105,162	1,066,756	0	0	1,066,756	1,066,756
Borrowings from banks and central banks*	0	0	0	0	0	2,055	0	0	2,055	2,055
Other financial liabilities	3,767	0	0	3,767	3,767	3,037	0	0	3,037	3,037
Total liabilities	**1,108,984**	**0**	**0**	**1,108,984**	**1,108,984**	**1,072,359**	**0**	**0**	**1,072,359**	**1,072,359**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2022 and 2021, deposits by customers, and borrowings from banks include deposits, and loans and advances with characteristics of subordinated debt.

(a) Loans and advances to banks

The estimated fair value of loans and advances to banks is based on the discounted cash flows method using prevailing market interest rates for debts with similar credit risk and remaining maturity. The fair value of loans to commercial banks is estimated to closely resemble their carrying amount. Fixed-rate credit operations are short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while the Group does not have any long-term loans to banks. This is why the fair value of loans to commercial banks is the same as their carrying amount.

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The calculated fair value of loans and advances to customers is based on discounting the future cash flows until maturity less the impairment losses, whereby the discount curve has been based on a zero curve as at 31 December 2022.

(c) Debt securities measured at amortised cost

The Group reports debt securities in accounting records at amortised cost. Their fair value as at 31 December 2022 was calculated using actual market prices formed in the markets where they are listed.

(d) Deposits and borrowings

The Group's long-term debt has no market value. Fair value is estimated as the discounted amount of future cash flows, taking into account market interest rates that the Group would currently have to pay for new deposits with similar characteristics and the same residual maturity. Since most borrowings are linked to changing market interest rates, the fair value of deposits does not substantially differ from their carrying amounts.

The fair value of sight deposits to the depository institution depends on the expectations of the timing and amounts of withdrawals of the existing balance, the level of prevailing interest rates with similar terms, the costs of servicing these deposits and the depository institution's – thus the Group's – own credit risk. This is especially important for sight deposits.

The estimated fair value of other deposits is based on discounted contractual cash flows using market interest rates that the Group would currently have to pay for new deposits with similar remaining maturity.

For deposits from banks and deposits from other customers, there are no differences between carrying amount and fair value.

5.5.2. Financial and non-financial assets measured at fair value

Valuation methods for financial instruments measured at fair value in the financial statements

	Group DBS				DBS d. d.			
2022	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held for trading (Note 4.2. a)	70	0	21	**91**	70	0	21	**91**
Financial assets measured at fair value through other comprehensive income (Note 4.3. a)	0	0	2,714	**2,714**	0	0	2,714	**2,714**
Non-financial assets								
Investment property (Note 4.10. a)	0	0	16,829	**16,829**	0	0	15,625	**15,625**
Financial liabilities								
Financial liabilities held for trading (Note 4.15.)	0	0	22	**22**	0	0	22	**22**

	Group DBS				DBS d. d.			
2021	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held for trading (Note 4.2. a)	44	0	4,815	**4,859**	44	0	4,815	**4,859**
Financial assets measured at fair value through other comprehensive income (Note 4.3. a)	0	0	3,118	**3,118**	0	0	3,118	**3,118**
Non-financial assets								
Investment property (Note 4.10. a)	0	0	18,820	**18,820**	0	0	17,511	**17,511**
Financial liabilities								
Financial liabilities held for trading (Note 4.15.)	0	0	4,822	**4,822**	0	0	4,822	**4,822**

The fair value of investments is measured at three levels.
Level 1: Level 1 includes investments in equity and debt securities listed on a regulated securities market and whose fair value equals their market price, i.e. the last official closing price.

Level 2: Level 2 includes investments in unlisted debt securities and derivatives. Fair value for Level 2 investments is determined through an internal methodology. The value of unlisted debt securities for which fair value cannot be calculated even from external data sources is determined using the discounted value method. Unlisted mutual fund shares are measured at their net asset value, which is published daily. If a transaction is concluded in the market and thereafter a market price forms for a security previously measured according to the Bank's internal methodology, the security is restated at the market price.

Level 3: Level 3 includes unlisted equities (EUR 2.6 million is the investment into the Bank Resolution Fund), bonds, receivables and payables associated with the purchase and sale of foreign exchange, loans and advances, and investment property at fair value. The valuation of equities that do not have quoted prices is based on market observables. Key parameters are compared with those of similar assets and liabilities traded in an active market, with the data coming from Bloomberg or another reliable source. Own interest in a private limited liability company is calculated based on the carrying value of equity multiplied by the percentage of own share in equity and the liquidity deduction of 25%. In determining their fair value, the Group applies the same internal methodologies as for Level 2 instruments. The fair value of investment property is determined on the basis of appraisal reports prepared by independent appraisers working in compliance with International Valuation Standards (IVS).

Level 3: Financial assets measured at fair value through other comprehensive income – breakdown

	Group DBS		DBS d. d.	
	2022	2021	2022	2021
Equities				
Bank resolution fund	2,577	2,697	2,577	2,697
Equity investments at cost	137	421	137	421
TOTAL	**2,714**	**3,118**	**2,714**	**3,118**

In 2022, the Bank Resolution Fund total amounted to EUR 2,577 thousand. Pursuant to the Bank Resolution Authority and Fund Act, the Group paid EUR 2,702 thousand into the Bank Resolution Fund in 2016. These assets are managed by the Bank of Slovenia consistent with the Regulation on the Investment Policy and Management Fees of the Bank Resolution Fund. The Bank of Slovenia sends regular monthly reports on the value of the investment, which serves as the basis for its valuation and which is why the Group categorises it as Level 3. The Group additionally categorises as Level 3 capital assets worth EUR 137 thousand for which market value does not exist and which are measured at fair value through other comprehensive income.

There were no transfers between different valuation levels in 2022 and 2021.

5.6. Managing operational risk

In managing operational risk, the Group applies the Risk-taking and Risk Management Policy for Operational Risk.

Operational risk management in the Group is a collaboration of:
- Supervisory Board,
- Management Board,
- senior management,
- Risk Management Section,
- Operations Compliance Department,
- Information Security Department,
- various boards and committees (Operational Risk Committee, Security Committee, Asset and Liability Committee).

The Group regularly reports and monitors (loss) events associated with operational risk. For their systematic monitoring, the Group has developed its own application support, which is regularly updated and supplemented. The Resolution on Internal Governance, Governance Body and Internal Capital Adequacy Assessment Process for Banks and Savings Banks allows each employee of the Group to report a (loss) event into the loss events database. 287 (loss) events associated with operational risk were reported in this manner in 2022, which is more than in 2021 when there were 277. The realised net loss in 2022 was lower than in 2021. It amounted to EUR 24 thousand in 2022, and to EUR 26 thousand in 2021. The financial effects of COVID-19 total EUR 159 thousand (of which EUR 46 thousand in 2022). The total reported net loss was immaterial considering the capital requirement for operational risk, which for the Group was EUR 3,880 thousand.

The system of reporting operational risk events includes measures to resolve such events and prevent repeat events. Since the final quarter of 2010, operational risk (loss) events have been additionally monitored according to key risk indicators. Reports on operational risk (loss) events with the financial impact over EUR 500 and operational risk events that might affect the Bank's reputation are promptly presented to the Bank's Management Board, whereas the Internal Audit Department and the Operations Compliance Department are briefed on all the events recorded.

In 2022, the Bank regularly updated its business continuity plan BCP I (alternative provision of services in case of shorter or longer interruptions of regular operations), BCP II (Bank's operations in case of natural disasters, break-ins, burglaries, earthquakes, communication failures and blackouts, min. twice a year) and BCP III (operations of a back-up computer centre and data restoration). The BCP I, BCP II and BCP III are being tested regularly, with test reports being presented to the Operational Risk Board and the Bank Management Board once a year. In 2022, the Bank staged 7 BCP I tests, 32 BCP II tests and 25 BCP III tests. It also performed 608 self-initiated tests of alarm systems and 152 tests of technical security maintenance systems.

The Group calculates and reports the capital requirement for operational risk using the simple approach. The capital requirement for operational risk is calculated as the three-year average of the sum of net interest income and net non-interest income, minus extraordinary income, the result then multiplied with the weight of 15%. Using the said simple approach, the 2022 capital requirement for operational risk totalled EUR 3,880 thousand (2021: EUR 3,905 thousand).

Table: Capital requirements and risk-weighted exposure amounts for the Group's operational risk

	Relevant indicator			Own funds requirements	Risk exposure amount
	2019	2020	2021		
Banking activities subject to basic indicator approach (BIA)	26,446	25,571	25,576	3,880	48,495

The Bank calculates and reports the capital requirement for operational risk using the simple approach. The capital requirement for operational risk is calculated as the three-year average of the sum of net interest income and net non-interest income, minus extraordinary income, the result then multiplied with the weight of 15%. Using the said simple approach, the Bank's 2022 capital requirement for operational risk totalled EUR 3,792 thousand (2021: EUR 3,834 thousand).

Table: Capital requirements and risk-weighted exposure amounts for the Bank's operational risk

	Relevant indicator			Own funds requirments	Risk exposure amount
	2019	2020	2021		
Banking activities subject to basic indicator approach (BIA)	26,028	25,074	24,729	3,792	47,395

5.7. Capital management

In managing capital risk, the Group applies the Risk-taking and Risk Management Policy for Capital Risk. Capital risk management in the Group is a collaboration of:

- Management Board,
- Risk Committee,
- Supervisory Board,
- all commercial sections in the Group,
- Risk Management Section,
- Financial Management Section,
- various boards and committees (Asset and Liability Management Board, Lending Committee, Non-performing Loans Committee, Real Estate Management Board).

With regard to capital risk management and in relation to policies of managing other inherent risks within the Group, the following is adopted and implemented where necessary:
- measures to increase the Group's regulatory capital,
- measures to reduce risk-adjusted items, including measures to improve the quality of credit and market portfolios,
- measures to improve the Group's risk profile, and
- measures to ensure adequate regulatory capital in stressful situations.

In addition to calculating capital requirements and regulatory capital, the Group also assesses capital requirements and internal capital. The Risk Management Section conducts a comprehensive internal capital requirements assessment process on an annual basis based on the internal capital adequacy assessment process methodology. As part of the ICAAP process, it assesses how much internal capital the Group needs to implement its development strategy sustainably and make an allocation of capital across business sectors. A sufficient level of capital is a level that enables the Group to bear its risks, absorb losses and sustainably implement its development strategy, even during prolonged periods of adverse developments. The ICAAP process thus represents a continuous monitoring of the risks taken by the Bank in relation to its ability to take those risks. The process includes the assessment of capital requirements for the material risks identified, the assessment of the risk profile, the allocation of internal capital and the monitoring of its use.

Comprehensive stress testing and capital planning are also an important part of the ICAAP process. The objective of regular stress testing is to verify that the Group maintains an adequate level of internal capital even in adverse conditions. Stress tests are carried out in accordance with the Stress Testing Programme and the Stress Testing Scenarios for the purposes of the ICAAP process.

In order to ensure that the Group has sufficient capital to cover unexpected losses that could arise from unforeseen events in its operations, the Group ensures adequate internal capital in relation to its risk profile at any given time and in accordance with its assessment of its capital requirements. Based on the results of the ICAAP process, the Group adopts appropriate risk management/mitigation measures to ensure that both regulatory capital and internal capital remain adequate and that the Group achieves appropriate levels of capital ratios. The actions taken are aligned with the Group's Risk-taking and Risk Management Strategy and the Group's risk-taking capacity. Potential actions that the Group may take in the event of an identified capital shortfall are identified in the Stress Testing Programme document.

To ensure appropriate capital risk management in accordance with the devised Restoration plan, the Group has laid down an array of quantitative indicators to monitor its operations and the related major risks in key areas that could affect its existence. Yellow and red zone limit values have been set for each indicator, marking the point of commencement for internal processes based on the Restoration plan process.

The Group has also defined warning limits and operational or RAF limits for the capital indicators based on the ICAAP process, thereby defining its capital risk appetite. Operational limits are set above the yellow zone limit from the restoration plan and thus build on the capital risk taking and management framework in a meaningful way. The array of indicators with set limits has been laid down in the Limit system and also summarised in the Risk-taking and Risk Management Strategy.

To monitor capital risk, the Group has selected two indicators, the Common Equity Tier 1 ratio (CET 1) and the OCR overall capital requirement ratio. The indicators are monitored monthly at the Bank's Asset and Liability Committee, and quarterly at the Bank's Management Board, the Risk Committee, and the Bank's Supervisory Board.

Capital management is a continuous process of determining and maintaining the sufficient scope and quality of capital. The Group must always have at its disposal an adequate amount of capital and capital requirement ratios, which are stipulated by law and depend on the scope and type of services performed by the Group and on the risks the Group is exposed to. In determining the amount and categories of capital, the Group abides by statutory provisions related to capital as stipulated since 1 January 2014 by the Regulation (CRR), the Directive (CRD), EBA guidelines and requirements of the Bank of Slovenia, which the latter prescribes to the Group based on the annual SREP review.

The Group's regulatory capital consists of Tier I and Tier II capital. Under the Regulation, Tier I capital consists of Common Equity Tier I and Additional Tier I capital. The calculation of Common Equity Tier 1 capital is based on: paid capital instruments meeting conditions for inclusion into Common Equity Tier I, share premium, revenue reserves, retained earnings/loss, accumulated other comprehensive income, treasury shares, intangible assets and deferred tax assets associated with future returns and not arising out of temporary differences, as well as special credit risk adjustment and adjustment for prudent valuation of financial assets, and inadequate coverage for non-performing exposures. The following constitute deductions from Common Equity Tier 1 capital: loss, treasury shares, intangible assets and deferred tax assets associated with future returns and not arising out of temporary differences, special credit risk adjustment and adjustment for prudent valuation of financial assets, and inadequate coverage for non-performing exposures

The Group did not have additional Tier I capital either according to the balance as at 31 December 2022 no as at 31 December 2021.

The Group's Tier II capital consists of subordinated debt (subordinated liabilities with contractual maturities of 5 years and 1 day, or longer). The amount of subordinated debt included into Tier II capital decreases on a straight-line basis over the final five years prior to maturity (i.e. prior to repayment).

Capital may never drop below the amount stipulated by the Regulation (EU) No 575/2013 and must always equal at least the sum of minimum capital requirements as stated in the Regulation.

The table below shows the calculation of the Group's and Bank's capital and capital requirement ratios.

		Group DBS		DBS d. d.	
		2022	2021	2022	2021
COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES					
1	Capital instruments and the related share premium	17,811	17,811	17,811	17,811
	of which: instrument type 1	17,811	17,811	17,811	17,811
2	Retained earnings and revenue reserves	21,763	19,345	21,763	19,345
3	Accumulated other comprehensive income and other reserves	30,941	30,641	30,934	30,639
4	**Common equity tier I capital before regulatory adjustments**	**70,515**	**67,797**	**70,508**	**67,795**
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS					
5	Additional fair value and credit risk adjustments	(152)	(333)	(139)	(326)
6	Intangible assets (deductions for associated tax liabilities)	(857)	(657)	(774)	(574)
7	Deferred tax assets associated with future profits and not arising out of temporary differences (deductions for associated tax liabilities if conditions from Article 38(3) are met)	0	(112)	0	(112)
8	Direct and indirect holdings in own common equity tier I capital instruments	(601)	(601)	(601)	(601)
9	Total regulatory adjustments to common equity tier I capital	(1,610)	(1,703)	(1,514)	(1,613)
10	Common equity tier I capital	68,904	66,094	68,994	66,182
11	**TIER I CAPITAL (common equity tier I + additional tier I)**	**68,904**	**66,094**	**68,994**	**66,182**
TIER II CAPITAL: INSTRUMENTS AND PROVISIONS					
12	Capital instruments and the related share premium account	1,111	1,871	1,111	1,871
13	Tier II capital before regulatory adjustments	1,111	1,871	1,111	1,871
14	**TIER II CAPITAL**	**1,111**	**1,871**	**1,111**	**1,871**
15	**TOTAL CAPITAL (tier I + tier II)**	**70,015**	**67,965**	**70,105**	**68,053**
16	Total risk-weighted assets	454,186	405,271	456,617	407,924
CAPITAL RATIOS AND CAPITAL BUFFERS					
17	**Common equity tier I capital** (in %)	**15.17**	**16.31**	**15.11**	**16.22**
18	**Tier I capital** (in %)	**15.17**	**16.31**	**15.11**	**16.22**
19	**Total capital** (in %)	**15.42**	**16.77**	**15.35**	**16.68**
20	Common equity tier I capital that qualifies as capital buffer (in %)	15.17	16.31	15.11	16.22
21	Institution-specific buffer requirement (in %)	2.500	2.500	2.500	2.500
22	of which: capital conservation buffer requirement (in %)	2.500	2.500	2.500	2.500
23	Direct and indirect equity holdings in financial sector entities where the institution does not have a significant investment (amount below 10% threshold, reduced by permitted short positions)	2,610	2,971	2,610	2,971
24	Direct and indirect equity holdings in common equity tier I capital instruments of financial sector entities where the institution has a significant investment (amount below 10% threshold, reduced by permitted short positions)	0	0	5,243	4,804
25	Deferred tax assets arising out of temporary differences (amount under 10% threshold, reduced by associated tax liabilities if conditions from Article 38(3) are met)	2,679	2,923	2,679	2,923

The Group's regulatory capital as at 31 December 2022 amounted to EUR 70,015 thousand, up EUR 2,050 thousand year-on-year. The quality of capital structure improved at the year-end of 2022 as compared to 2021, the share of equity Tier I capital in the capital structure having increased to 98.4% (from 97.2% in 2021). Total capital requirements at Group level totalled EUR 36,335 thousand at the year-end of 2022, up EUR 3,913 thousand year-on-year. The increase in the Group's own funds requirements for credit risk is mainly due to an increase in retail exposures, exposures to regional or local governments and sovereign exposure.

The overall capital requirement ratio (OCR) as at 31 December 2022 thus stood at 15.42%, down 1.35 of a percentage point year-on-year, and by 1.67 of a percentage point higher than what had been imposed by the Bank of Slovenia. Common Equity Tier 1 ratio (CET 1) was 15.17% as at 31 December 2022, down 1.14 of a percentage point year-on-year.

Given the Group's internal capital adequacy assessment established in the ICAAP process, the reported capital requirement ratio is considered appropriate for managing the risk of potential losses. The Group will continue to ensure an adequate amount of capital to sustain its normal operations in the future. For 2022, the Bank of Slovenia imposed minimum capital requirement ratios for the Group on the basis of the SREP process: the OCR overall capital requirement ratio together with the P2G capital guideline[3] at 14.50%, of which 0.75% for the capital guideline (2021: 1%) and the TSCR capital requirement ratio[4] at 11.25% (2021: 11.50%). At the year-end of 2022, the Group thus met all the capital requirement ratios imposed by the Bank of Slovenia.

Based on the SREP process, the Bank of Slovenia prescribed, in addition to the existing capital requirements, a systemic risk buffer for the Group for 2023, i.e. 1% for all retail exposures to individuals secured by residential property, and 0.5% for all other exposures to individuals.

The Bank’s regulatory capital as at 31 December 2022 amounted to EUR 70,105 thousand, up EUR 2,052 thousand year-on-year. The quality of capital structure improved at the year-end of 2022 as compared to 2021, the share of Tier I capital in the capital structure having increased to 98.4% (from 97.2% in 2021). Total capital requirements at the level of the Bank totalled EUR 36,529 thousand at the year-end of 2022, up EUR 3,895 thousand year-on-year. The increase in the Bank’s own funds requirements for credit risk is mainly due to an increase in retail exposures, exposures to regional or local governments and sovereign exposure.

The OCR overall capital requirement ratio as at 31 December 2022 thus stood at 15.35%, down 1.33 of a percentage point year-on-year. Common Equity Tier 1 ratio was 15.11% as at 31 December 2022, down 1.11 of a percentage point year-on-year.

As part of the SREP process, the Bank of Slovenia imposed no minimum capital requirement ratios for the Bank for 2022, but only imposed these ratios at the Group level.

As at 31 December 2022, the Bank's equity holdings in financial sector entities where it had a significant investment (100% of capital), were DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. The equity investment in DBS Leasing totalled EUR 3,720 thousand as at 31 December 2022; consistent with Article 49(2) of the Regulation it was not deduced from capital, but was included in the calculation of the capital requirement for credit risk. The equity investment in DBS Nepremičnine d. o. o. totalled EUR 1,523 thousand as at 31 December 2022. Consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine d. o. o. is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the same. In the calculation of capital and capital requirements for credit risk, Article 49(2) of the Regulation applies to DBS Nepremičnine d. o. o. the same as to DBS Leasing d. o. o.

Under Regulation (EU) No 575/2013, the Bank also had a 100% investment in a qualified holding outside the financial sector: in DBS Adria d. o. o. with EUR 0 thousand following impairment. The investment was not included in prudential consolidation and was not deduced from capital due to Article 89 of the Regulation. Therefore, it was included in the calculation of the capital requirement for credit risk.

[3] Pillar 2 guidance.
[4] Total SREP capital requirement.

The table below shows the balancing of the Group's items of capital with its financial statements.

Code	Items	Prudential consolidation 2022	Inclusion into calculation of capital for the purpose of CA as at 31 December 2022	Note
1	Cash, balances at central banks, and sight deposits at banks	219,421		
2	Financial assets held for trading	91	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Financial assets measured at fair value through other comprehensive income	2,714	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
4	Financial assets measured at amortised cost	936,078		
	- Debt securities	171,450		
	- Loans to banks	1,189		
	- Loans to customers	761,374		
	- Other financial assets	2,065		
5	Tangible assets	27,538		
	- Property, plant and equipment	10,709		
	- Investment property	16,829		
6	Intangible assets	857	(857)	deduction item Article 36 b - fully
7	Income tax assets	2,679		
	- Current tax assets	0		
	- Deferred tax assets	2,679		
	Depending on future profitability and not arising out of temporary differences	0	0	deduction item Article 36 c - 100% of item's value during transitional period
	Depending on future profitability and arising out of temporary differences	2,679		
8	Other assets	1,203		
9	Non-current assets held for sale, and discontinued operations	28		
10	**TOTAL ASSETS** (from 1 to 9)	**1,190,609**		
11	Financial liabilities held for trading	22	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
12	Financial liabilities measured at amortised cost	1,108,934		
	- Deposits by banks and central banks	55		
	- Deposits by customers	1,105,101	1,111	included on the basis of Articles 62 and 63
	- Other financial liabilities	3,778		
13	Provisions	1,913		
14	Income tax liabilities	187		
	- Current tax liabilities	186		
	- Deferred tax liabilities	1		
15	Other liabilities	2,162		
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,113,218**		
17	Share capital	17,811	17,811	fully included; Article 26
18	Share premium	31,257	31,257	fully included; Article 26
19	Accumulated other comprehensive income	(316)	(316)	100% of unrealised losses included since 2018, Article 467
	From non-government equities	(113)		100% of unrealised losses included since 2018, Article 467
	Other revaluation surpluses	(203)		100% of unrealised losses included since 2018, Article 467
20	Revenue reserves	21,763	21,763	fully included; Article 26
21	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
22	Retained earnings (including profit/loss for the year)	7,477		conditions for inclusion not yet met
	Retained earnings	247		
	Profit for the period	7,230		
23	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 17 to 22)	**77,391**		
24	TOTAL EQUITY (23)	77,391		
25	**TOTAL EQUITY AND LIABILITIES** (16 + 24)	**1,190,609**	**70,165**	
			(149)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			(1)	deduction item, Article 36 m - fully
			70,016	**Regulatory capital**

The table below shows the balancing of the Bank's items of capital with its financial statements.

Code	Items	2022	Inclusion into calculation of capital for the purpose of CA as at 31 December 2022	Explanation from Regulation 575/2013
1	Cash, balances at central banks, and sight deposits at banks	219,421		
2	Financial assets held for trading	91	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Financial assets measured at fair value through other comprehensive income	2,714	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
4	Financial assets measured at amortised cost	932,190		
	- Debt securities	171,450		
	- Loans to banks	1,189		
	- Loans to customers	757,563		
	- Other financial assets	1,988		
5	Long-term equity participation in subsidiaries, associates and joint ventures	5,243	(5)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
6	Tangible assets	26,225		
	- Property, plant and equipment	10,600		
	- Investment property	15,625		
7	Intangible assets	774	(774)	deduction item Article 36 b - fully
8	Income tax assets	2,679		
	- Current tax assets	0		
	- Deferred tax assets	2,679		
	Depending on future profitability and not arising out of temporary differences	0	0	deduction item Article 36 c - 100% of item's value during transitional period
	Depending on future profitability and arising out of temporary differences	2,679		
9	Other assets	676		
10	**TOTAL ASSETS** (from 1 to 9)	**1,190,013**		
11	Financial liabilities held for trading	22	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
12	Financial liabilities measured at amortised cost	1,108,984		
	- Deposits by banks and central banks	55		
	- Deposits by customers	1,105,162	1,111	included on the basis of Articles 62 and 63
	- Other financial liabilities	3,767		
13	Provisions	1,880		
14	Income tax liabilities	186		
	- Current tax liabilities	185		
	- Deferred tax liabilities	1		
15	Other liabilities	1,763		
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,112,835**		
17	Share capital	17,811	17,811	fully included; Article 26
18	Share premium	31,257	31,257	fully included; Article 26
19	Accumulated other comprehensive income	(323)	(323)	100% of unrealised losses included since 2018, Article 467
	From non-government equities	(113)	(113)	100% of unrealised losses included since 2018, Article 467
	Other revaluation surpluses	(211)	(211)	fully included; Article 25
20	Revenue reserves	21,763	21,763	fully included; Article 26
21	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
22	Retained earnings (including profit/loss for the year)	7,271	7,271	conditions for inclusion not yet met
	Retained earnings	(111)		
	Profit for the period	7,382		
23	**TOTAL EQUITY** (from 17 to 22)	**77,178**		
24	**TOTAL EQUITY AND LIABILITIES** (16 + 23)	**1,190,013**	**70,236**	**Regulatory capital (sum of capital from SFP)**
			(130)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			(1)	deduction item, Article 36 m - fully
			70,105	**Regulatory capital**

5.8. Asset encumbrance

a) Assets

Group DBS

	2022				2021			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**4,196**	**-**	**1,186,413**	**-**	**13,707**	**-**	**1,139,329**	**-**
Sight deposits	0	-	216,364	-	0	-	209,011	-
Equities	0	0	2,784	2,784	0	0	3,163	3,163
Debt securities	3,007	2,370	168,444	153,689	2,512	2,512	166,597	169,718
Loans and other financial assets other than demand loans	1,189	-	759,967	-	11,195	-	719,762	-
Other assets	0	-	38,854	-	0	-	40,796	-

DBS d. d.

	2022				2021			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**4,196**	**-**	**1,185,817**	**-**	**13,706**	**-**	**1,139,395**	**-**
Sight deposits	0	-	216,364	-	0	-	209,011	-
Equities	0	0	2,784	2,784	0	0	3,163	3,163
Debt securities	3,007	2,370	168,444	153,689	2,512	2,512	166,597	169,718
Loans and other financial assets other than demand loans	1,189	-	756,079	-	11,194	-	716,834	-
Other assets	0	-	42,146	-	0	-	43,790	-

(b) Collateral received

Group DBS

	2022		2021	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**	**0**	**0**
Equity instruments	0	0	0	0
Debt securities	0	0	0	0
Loans and other financial assets other than demand loans	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**0**	**0**

DBS d. d.

	2022		2021	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**	**0**	**0**
Equity instruments	0	0	0	0
Debt securities	0	0	0	0
Loans and other financial assets other than demand loans	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**0**	**0**

(c) Encumbered assets/collateral received and related liabilities

Group DBS

	2022		2021	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	0	0	0	0
Other encumbered liabilities	1,189	4,196	13,706	13,706
Total	**1,189**	**4,196**	**13,706**	**13,706**

DBS d. d.

	2022		2021	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	0	0	0	0
Other encumbered liabilities	1,189	4,196	13,706	13,706
Total	**1,189**	**4,196**	**13,706**	**13,706**

(d) Information on the importance of encumbrance

The Bank's encumbered assets include investments in debt securities measured amortised cost, and non-marketable assets (loans to the state). According to the Decision on Liquid Investments for the Purpose of the Bank Resolution Fund (Official Gazette of the Republic of Slovenia, No. 6/15), a bank must have investments in financial instruments, the so-called liquid investments in the amount as determined for each bank by the Bank of Slovenia, to meet cash requirements for payments in the Bank Resolution Fund. The volume of formed investments for the purpose of the bank resolution fund for the Bank amounts to EUR 2,077 thousand. The purpose of the fund is to finance compulsory liquidation measures that may be imposed on the bank by the Bank of Slovenia. As at 31 December 2022, the encumbered assets for the needs of the bank resolution fund amount to EUR 2,370 thousand. To secure card settlements and other liabilities to Mastercard, the Bank has a guarantee fixed term deposit with Barclays Bank. As at 31 December 2022, the balance of the deposit amounts to EUR 1,189 thousand.

RISK AND CAPITAL MANAGEMENT (disclosures under Pillar 3 of the Basel Accord)

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1. INTRODUCTION

European banks have to disclose many types of information to enable stakeholders a more precise estimate of the risks the banks are exposed to in their operations. Part 8 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (Regulation (EU) No 575/2013) provides minimum disclosure requirements for information concerning risk management and capital requirements, and it is directly binding for all member states. Some disclosure requirements do not apply to the Group – because they refer to different approaches to calculating capital requirements, or because they refer to lines of business not conducted by the Group – and therefore they are not included in this report.

In calculating its regulatory capital requirements, the Group uses the following approaches:
- credit risk – standardised approach,
- operational risk – simple approach.

The DBS Group meets the conditions set out in Article 94(1) of the CRR Regulation regarding the small trading book business, and therefore has included the capital requirements for trading book items in the calculation of the capital requirement for credit risk since May 2021.

2. SCOPE OF APPLICATION

Pursuant to the capital requirements legislation, the Group has to disclose information about its risk management and capital management on a consolidated basis. Calculations at Group level are based on prudential consolidation, which includes DBS d. d. and the subsidiaries DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. Subsidiaries are included in prudential consolidation using the full consolidation method.

Consolidation for accounting purposes includes DBS d. d., DBS Leasing d. o. o., DBS Nepremičnine d. o. o., and DBS Adria d. o. o.

The table below contains a list of Group companies, their main features and the method of consolidation. More on individual companies is available in the Business Report of the Annual Report under section IV.

Subsidiaries	Business activity	Group's share of voting rights	Registered office	Consolidation method for financial reporting	Prudential consolidation method
DBS Leasing d. o. o.	Finance	100%	Republic of Slovenia	Full	Full
DBS Nepremičnine d. o. o.	Buying and selling of own real estate	100%	Republic of Slovenia	Full	Full
DBS Adria d. o. o.	Management of real estate	100%	Republic of Croatia	Full	-

Group statement of financial position as at 31 December 2022 – comparison of consolidation for accounting purposes, and prudential consolidation

		Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
Code	Items	2022	2021	2022	2021	2022	2021
1	Cash, balances at central banks, and sight deposits at banks	219,421	212,673	219,421	212,672	0	1
2	Financial assets held for trading	91	4,859	91	4,859	0	0
3	Financial assets measured at fair value through other comprehensive income	2,714	3,118	2,714	3,118	0	0
4	Financial assets measured at amortised cost	935,891	898,281	936,078	898,464	(187)	(183)
	- Debt securities	171,450	169,109	171,450	169,109	0	0
	- Loans to banks	1,189	1,400	1,189	1,400	0	0
	- Loans to customers	761,187	726,379	761,374	726,562	(187)	(183)
	- Other financial assets	2,065	1,393	2,065	1,393	0	0
	Long-term equity participation in subsidiaries, associates and joint ventures	-	-	-	-	0	0
5	Tangible assets	27,538	29,400	27,538	29,400	0	0
	- Property, plant and equipment	10,709	10,580	10,709	10,580	0	0
	- Investment property	16,829	18,820	16,829	18,820	0	0
6	Intangible assets	857	657	857	657	0	0
7	Income tax assets	2,679	3,037	2,679	3,037	0	0
	- Current tax assets	0	1	0	1	0	0
	- Deferred tax assets	2,679	3,036	2,679	3,036	0	0
8	Other assets	1,203	818	1,203	819	0	(1)
9	Non-current assets held for sale, and discontinued operations	181	164	28	10	153	154
10	**TOTAL ASSETS** (from 1 to 9)	**1,190,575**	**1,153,007**	**1,190,609**	**1,153,036**	**(34)**	**(29)**
11	Financial liabilities held for trading	22	4,822	22	4,822	0	0
12	Financial liabilities measured at amortised cost	1,108,934	1,071,960	1,108,934	1,071,963	0	(3)
	- Deposits by banks and central banks	55	511	55	511	0	0
	- Deposits by customers	1,105,101	1,066,309	1,105,101	1,066,313	0	(4)
	- Borrowings from banks and central banks	0	2,055	0	2,055	0	0
	- Other financial liabilities	3,778	3,085	3,778	3,084	0	1
13	Provisions	1,913	2,056	1,913	2,056	0	0
14	Income tax liabilities	187	383	187	383	0	0
	- Current tax liabilities	186	376	186	376	0	0
	- Deferred tax liabilities	1	7	1	7	0	0
15	Other liabilities	2,161	1,658	2,162	1,657	(1)	1
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,113,217**	**1,080,879**	**1,113,218**	**1,080,881**	**(1)**	**(2)**
17	Share capital	17,811	17,811	17,811	17,811	0	0
18	Share premium	31,257	31,257	31,257	31,257	0	0
19	Accumulated other comprehensive income	(316)	(616)	(316)	(616)	0	0
20	Revenue reserves	21,763	19,345	21,763	19,345	0	0
21	Treasury shares	(601)	(601)	(601)	(601)	0	0
22	Retained earnings (including profit/loss for the year)	7,444	4,932	7,477	4,959	(33)	(27)
23	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 17 to 22)	**77,358**	**72,128**	**77,391**	**72,155**	**(33)**	**(27)**
24	TOTAL EQUITY (23)	77,358	72,128	77,391	72,155	(33)	(27)
25	**TOTAL EQUITY AND LIABILITIES** (16 + 24)	**1,190,575**	**1,153,007**	**1,190,609**	**1,153,036**	**(34)**	**(29)**

Group income statement as at 31 December 2022 – comparison of consolidation for accounting purposes, and prudential consolidation

Code	Items	Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
		1-12 2022	1-12 2021	1-12 2022	1-12 2021	1-12 2022	1-12 2021
1	Interest income	19,698	16,871	19,700	16,875	(2)	(4)
2	Interest expense	(901)	(1,039)	(901)	(1,039)	0	0
3	**Net interest income** (1 + 2)	**18,797**	**15,832**	**18,799**	**15,836**	**(2)**	**(4)**
4	Dividends	33	31	33	31	0	0
5	Fee (commission) income	10,505	9,920	10,505	9,920	0	0
6	Fee (commission) expense	(1,753)	(1,823)	(1,753)	(1,822)	0	(1)
7	**Net fee (commission) income** (5 + 6)	**8,752**	**8,097**	**8,752**	**8,098**	**0**	**(1)**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	7	285	7	285	0	0
9	Net gains/losses from financial assets and liabilities held for trading	202	218	202	218	0	0
10	Net gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	0	1,259	0	1,259	0	0
11	Foreign exchange translation	2	0	2	0	0	0
12	Net gains/losses on derecognition of assets	527	671	527	671	0	0
13	Other net operating gains/losses	1,736	1,746	1,737	1,746	(1)	0
14	Administrative expenses	(19,488)	(18,269)	(19,486)	(18,268)	(2)	(1)
15	Cash contributions to resolution funds and deposit guarantee schemes	(1,717)	(1,170)	(1,717)	(1,170)	0	0
16	Depreciation and amortisation	(1,290)	(1,255)	(1,290)	(1,255)	0	0
17	Provisions	(249)	283	(249)	283	0	0
18	Impairment charge	1,023	(1,965)	1,025	(1,964)	(2)	(1)
19	Net gains/losses from non-current assets held for sale and related liabilities	19	24	19	24	0	0
20	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + sum (7 to 19))	**8,354**	**5,787**	**8,361**	**5,794**	**(7)**	**(7)**
21	Tax	(897)	(1,092)	(897)	(1,092)	0	0
22	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (20 + 21)	**7,457**	**4,695**	**7,464**	**4,702**	**(7)**	**(7)**
23	**PROFIT/LOSS FOR THE YEAR** (22)	**7,457**	**4,695**	**7,464**	**4,702**	**(7)**	**(7)**

3. CAPITAL REQUIREMENTS, TOTAL RISK EXPOSURE AND KEY METRICS

3.1 Capital requirements and total risk exposure

The group discloses capital requirements and total risk exposure based on Article 438 (d). In calculating its regulatory capital requirements, the Group uses the following approaches:

- credit risk – standardised approach, and
- operational risk – simple approach.

The Bank meets the conditions set out in Article 94(1) of Regulation (EU) No 2019/876 regarding the small trading book business, and therefore includes the capital requirements for trading book items in the calculation of the capital requirement for credit risk.

The capital requirement for individual risks totals 8% of the total exposure to a particular type of risk. The table below shows the breakdown of the Group's individual capital requirements and total risk exposure at the year-ends of 2022 and 2021.

Table: Capital requirements and total risk exposure of The Group (template EU OV1)

		Total risk exposure amounts (TREA)		Total own funds requirements
		2022	2021	2022
1	Credit risk (excluding CCR)	405,691	356,458	32,455
2	Of which the standardised approach	405,691	356,458	32,455
3	Of which the Foundation IRB (F-IRB) approach	0	0	0
4	Of which slotting approach	0	0	0
EU 4a	Of which equities under the simple riskweighted approach	0	0	0
5	Of which the Advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk - CCR	0	0	0
7	Of which the standardised approach	0	0	0
8	Of which internal model method (IMM)	0	0	0
EU 8a	Of which exposures to a CCP	0	0	0
EU 8b	Of which credit valuation adjustment - CVA	0	0	0
9	Of which other CCR	0	0	0
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA approach	0	0	0
EU 19a	Of which 1 250 % / deduction	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	0	0	0
21	Of which the standardised approach	0	0	0
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	48,495	48,813	3,880
EU 23a	Of which basic indicator approach	48,495	48,813	3,880
EU 23b	Of which standardised approach	0	0	0
EU 23c	Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250 % risk weight)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	454,186	405,271	36,335

The total amount of exposure increased by 12.1 percentage points in 2022 compared to 2021. The increase is mainly due to an increase in credit risk exposures (by 13.8 percentage points). The largest increase originates in retail exposure and exposure to regional or local governments.

However, operational risk exposure decreases by 0.7 percentage points in 2022 compared to 2021 due to a decrease in the basis for its calculation (three-year average of net fee and commission, net interest income, dividend income and other net profits from financial transactions).

3.2 Key metrics

In accordance with Article 447 of Part 8 of CRR, the Group discloses the key metrics disclosed in Template EU KM1. The Group calculates capital and capital requirement ratios pursuant to the legislation. The detailed requirements of the Bank of Slovenia and the actual calculations for the Group for 2022 are shown in the table below. In 2022, the Group complied with the regulatory capital ratio requirements as well as the leverage ratio requirements.

Table: Key metrics template (template EU KM1)

		31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	68,904	68,549	68,606	66,372	66,094
2	Tier 1 capital	68,904	68,549	68,606	66,372	66,094
3	Total capital	70,016	69,761	69,984	67,981	67,965
	Risk-weighted exposure amounts					
4	Total risk exposure amount	454,185	450,223	411,111	405,018	405,271
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.17	15.23	16.69	16.39	16.31
6	Tier 1 ratio (%)	15.17	15.23	16.69	16.39	16.31
7	Total capital ratio (%)	15.42	15.49	17.02	16.78	16.77
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.250	3.250	3.250	3.250	3.500
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.828	1.828	1.828	1.828	1.969
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.437	2.437	2.437	2.437	2.625
EU 7d	Total SREP own funds requirements (%)	11.250	11.250	11.250	11.250	11.500
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00	0.00	0.00	0.00	0.00
9	Institution specific countercyclical capital buffer (%)	0.00	0.00	0.00	0.00	0.00
EU 9a	Systemic risk buffer (%)	0.00	0.00	0.00	0.00	0.00
10	Global Systemically Important Institution buffer (%)	0.00	0.00	0.00	0.00	0.00
EU 10a	Other Systemically Important Institution buffer (%)	0.00	0.00	0.00	0.00	0.00
11	Combined buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
EU 11a	Overall capital requirements (%)	13.75	13.75	13.75	13.75	14.00
12	CET1 available after meeting the total SREP own funds requirements (%)	4.17	4.24	5.77	5.53	4.81
	Leverage ratio					
13	Total exposure measure	1,221,571	1,206,952	1,201,259	1,185,578	1,189,313
14	Leverage ratio (%)	5.64	5.68	5.71	5.60	5.56

		31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2021
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00	0.00	0.00	0.00	0.00
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00	0.00	0.00	0.00	0.00
EU 14c	Total SREP leverage ratio requirements (%)	3.00	3.00	3.00	3.00	0.00
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00	0.00	0.00	0.00	3.00
EU 14e	Overall leverage ratio requirement (%)	3.00	3.00	3.00	3.00	3.00
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	366,329	363,568	357,385	346,333	331,041
EU16a	Cash outflows - Total weighted value	97,464	94,000	90,429	86,880	83,223
EU16b	Cash inflows - Total weighted value	8,293	8,746	9,611	11,086	10,390
16	Total net cash outflows (adjusted value)	89,171	85,253	80,818	75,794	72,833
17	Liquidity coverage ratio (%)	410.82	426.46	442.21	456.94	454.52
	Net Stable Funding Ratio					
18	Total available stable funding	1,078,661	1,063,600	1,059,823	1,044,822	1,038,160
19	Total required stable funding	616,405	594,286	589,819	585,834	589,194
20	NSFR ratio (%)	174.99	178.97	179.69	178.35	176.20

As at 31 December 2022, the Group's total capital ratio (OCR) was 15.42% and the common equity ratio (CET 1) was 15.17%. Compared to 31 December 2021, the OCR and the CET 1 decreased by 1.35 and 1.14 percentage points, respectively. The main reason for the decrease in the ratios is the higher amount of total exposure by EUR 48.9 million (mainly due to the additional volume of lending to individuals and municipalities).

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BRANCH NETWORK

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