ANNUAL REPORT

2023

DEŽELNA BANKA SLOVENIJE

always near you

Deželna Banka Slovenije

always near you

ANNUAL REPORT
DEŽELNA BANKA SLOVENIJE GROUP
2023

BANK MANAGEMENT BOARD:

Member of the Management Board	Member of the Management Board	President of the Management Board
Andraž Grum, PhD	Barbara Cerovšek Zupančič, MSc	Jure Kvaternik

Ljubljana, 5 April 2024

DEŽELNA BANKA SLOVENIJE d.d.
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1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,414,489	1,190,575	1,153,007
	Total deposits by non-banking sector measured at amortised cost	1,300,002	1,102,981	1,062,812
	- Corporates	364,858	186,130	193,959
	- Individuals	935,144	916,851	868,853
	Total loans to non-banking sector (not held for trading)	785,253	761,187	726,379
	- Corporates	537,699	527,090	499,762
	- Individuals	247,554	234,097	226,617
	Total equity	98,309	77,358	72,128
	Value adjustments and provisions for credit losses	(13,293)	(15,409)	(17,061)
	Off-balance sheet operations (B.1. to B.4.)	82,544	83,625	76,136
2.	**Income statement** (in EUR thousand)			
	Net interest income	48,172	18,797	15,832
	Net non-interest income	10,435	11,278	12,331
	Employee benefits cost, overhead and administrative expenses	(27,006)	(21,205)	(19,439)
	Depreciation and amortisation	(1,429)	(1,290)	(1,255)
	Impairments and provisions (credit losses)	(482)	1,762	(715)
	Profit/loss from continuous and discontinued operations before tax	27,997	8,354	5,787
	Corporate income tax from continuous and discontinued operations	(3,493)	(897)	(1,092)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	24,567	7,648	4,736
4.	**No. of branches** (at end of period)**			
	No. of branches	76	76	75
5.	**No. of employees** (at end of period)			
	No. of employees	383	349	345
6.	**Shares**			
	No. of shareholders (at end of period)	204	206	266
	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)	23.136229	18.238097	17.021438
7.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	19.40	15.17	16.31
	Tier I capital ratio	19.40	15.17	16.31
	Total capital ratio	19.56	15.42	16.77
b)	**Quality of assets and commitments** (in %)			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	1.01	1.75	2.23
	Non-performing loans and other financial assets/Classified loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	1.83	2.79	3.57
	Non-performing loans and other financial assets/Classified loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	1.26	2.19	2.80
	Value adjustments for credit losses/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	(46.32)	(49.01)	(47.53)
	Value adjustments for credit losses/Non-performing loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	(46.32)	(49.01)	(47.53)
	Collaterals received/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	52.83	50.57	52.16
c)	**Profitability** (in %)			
	Interest margin	3.73	1.61	1.42
	Financial intermediation margin	4.54	2.58	2.52
	Return on assets (ROA) after tax	1.90	0.64	0.42
	Return on equity (ROE) before tax	32.28	11.23	8.19
	Return on equity (ROE) after tax	28.25	10.02	6.64
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	2.20	1.93	1.85
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	396.26	456.94	354.91
	- April-June	394.01	442.21	397.35
	- July-September	400.65	426.46	439.38
	- October-December	419.56	410.82	454.52
f)	**Net stable funding ratio** (in %)**	184.01	174.99	176.20
g)	**Leverage ratio** (in %)**	5.82	5.64	5.56

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.	2023	2022	2021
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,414,502	1,190,013	1,153,101
	Total deposits by non-banking sector measured at amortised cost	1,300,785	1,103,042	1,063,258
	- Corporates	365,641	186,191	194,405
	- Individuals	935,144	916,851	868,853
	Total loans to non-banking sector (not held for trading)	782,066	757,563	723,701
	- Corporates	536,740	525,784	499,498
	- Individuals	245,326	231,779	224,203
	Total equity	97,905	77,178	72,029
	Value adjustments and provisions for credit losses	(13,183)	(15,400)	(16,732)
	Off-balance sheet operations (B.1. to B.4.)	83,544	84,174	76,785
2.	**Income statement** (in EUR thousand)			
	Net interest income	47,196	18,182	15,431
	Net non-interest income	10,480	11,072	11,859
	Employee benefits cost, overhead and administrative expenses	(26,540)	(20,839)	(19,083)
	Depreciation and amortisation	(1,409)	(1,257)	(1,206)
	Impairments and provisions (credit losses)	(380)	1,546	(640)
	Profit/loss from continuous and discontinued operations before tax	27,776	8,277	5,951
	Corporate income tax from continuous and discontinued operations	(3,466)	(895)	(1,092)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	24,376	7,568	4,901
4.	**No. of branches** (at end of period)**			
	No. of branches	76	76	75
5.	**No. of employees** (at end of period)			
	No. of employees	376	343	339
6.	**Shares**			
	No. of shareholders (at end of period)	204	206	266
	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)	23.136229	18.238097	17.021438
7.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	19.30	15.11	16.22
	Tier I capital ratio	19.30	15.11	16.22
	Total capital ratio	19.46	15.35	16.68
b)	**Quality of assets and commitments** (in %)			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	0.95	1.70	2.15
	Non-performing loans and other financial assets/Classified loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	1.74	2.72	3.45
	Non-performing loans and other financial assets/Classified loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	1.20	2.14	2.70
	Value adjustments for credit losses/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	(48.64)	(50.40)	(48.09)
	Value adjustments for credit losses/Non-performing loans and other financial assets (including balances at central bank accounts and sight deposits at banks)	(48.64)	(50.40)	(48.09)
	Collaterals received/Non-performing loans and other financial assets (excluding balances at central bank accounts and sight deposits at banks)	50.46	49.17	51.60
c)	**Profitability** (in %)			
	Interest margin	3.66	1.56	1.39
	Financial intermediation margin	4.47	2.51	2.45
	Return on assets (ROA) after tax	1.88	0.63	0.44
	Return on equity (ROE) before tax	32.16	11.19	8.44
	Return on equity (ROE) after tax	28.15	9.98	6.89
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	2.16	1.89	1.83
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	392.55	454.71	353.49
	- April-June	390.20	439.69	395.55
	- July-September	396.94	423.06	437.63
	- October-December	414.18	407.14	453.51
f)	**Net stable funding ratio** (in %)**	183.52	175.53	176.34
g)	**Leverage ratio** (in %)**	5.83	5.65	5.56

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

In 2023, the Bank achieved the best result in its history. Macroeconomic trends and the increase in the key ECB interest rates contributed significantly to the record performance. However, the above-average results are also the result of the right strategic decisions taken in the past with regard to lending and the management of the Bank's balance sheet, which are now paying off. It is also a fact that the volume of ending to non-bank customers has stagnated and in the banking sector even declined. While maintaining lending at the current level, we have focused on strengthening the deposit base, which has been reflected in the growth of the balance sheet total. The Bank also undertook a number of development activities in the areas of risk management, sustainability and technological transformation in 2023, which will continue in 2024, laying the foundations for stable and efficient operations in the future. At the end of the year, a new business strategy was adopted for the period 2024-2027, which includes a number of strategic initiatives to improve operational efficiency, growth, sustainability and technological transformation.

At the end of the year, the Bank achieved a profit before tax of EUR 27.78 million and realised a return on equity of 32.16%. The balance sheet total is 19% higher than in 2022, reaching EUR 1,414 million at the end of 2023, which exceeds the growth of the banking market.

DBS Group's Overall Capital Requirement (OCR) reached 19.56% at the end of 2023, an increase of 4.14 percentage points from the previous year. The DBS Group thus complied with the capital adequacy ratios prescribed by the Bank of Slovenia, including the capital guidance, systemic risk buffer and the countercyclical capital buffer. DBS Group has an adequate level of internal capital for all identified material Pillar II risks as well as for the Pillar I capital requirements calculated in accordance with the CRR Regulation. It also maintains an adequate level of liquidity reserves and liquidity.

The balance of collected funds from households, including foreign entities and non-profit institutions serving households, and deposits having characteristics of subordinated debt, amounted to just over EUR 1 billion at the end of 2023, an increase of 2% compared to the end of 2022. The Bank is actively adapting to the needs of the market. In 2023, this was reflected in the provision of services most needed by customers. In the area of active banking operations, lending to households is a strategic orientation that the bank will continue to pursue in the future. Compared to the end of 2022, loans to households increased by 5%, amounting to EUR 380.34 thousand at the end of 2023.

Another of the Bank's strategic directions is to lend to the agri-food sector in addition to households. This is written in our DNA, as we have had an active and multifaceted partnership with the sector since the beginning of our existence and that of our predecessor banks. Slovenian farmers, whether experienced or young offerors, are one of our key priorities, to which we pay a lot of attention. We are the bank with the largest number of banking products adapted to the characteristics of the agri-food industry, seasonal work on farms and the farmers' needs for financing investments. At the same time, we are looking for additional opportunities and solutions in order to financially support their further development. Many of our farmer customers have been with us since the beginning of their business; the relationship has been passed down from generation to generation, and we feel a responsibility to develop with them. We are very proud of this part of our business, which is why we will continue to develop it and adapt our product range to meet the needs of this segment.

We have spent an important part of the year behind us preparing for future development and growth. We set out a new DBS Group Strategy for the period 2024-2027, renewed our vision, mission and values, and established key priorities and strategic objectives. We believe that these are ambitious and that the road to achieving them will be full of challenges, but also opportunities that will lead to improving the Bank's efficiency, enhancing its competitiveness, implementing sustainable development and ensuring the excellence of its people.

One of our key objectives is to transform ourselves technologically, which is why we developed a new IT strategy for the Bank in 2023. It follows modern IT and banking trends and is based on the Bank's business objectives and business strategy. It covers the digitalisation and automation of business processes, the modernisation of digital channels, data management including advanced analytics, information security, and the strengthening of digital skills or competences of employees and customers. We have linked all this to the requirements of sustainable development. At the end of the year, we completed a several-month GAP analysis as a preliminary phase to the migration from the current central banking system to the new one. By switching to a new system, which is standardised in the Slovenian banking environment and is scheduled for 1 January 2025, the Bank will provide its customers and employees with an improved user experience. Last but not least, the modernisation of some services, processes and user interfaces will also make it possible to acquire new customers more efficiently on a daily basis.

In 2023, the Bank intensively updated its risk management processes. In the first half of the year, the focus was on the assessment and monitoring of credit risk, in particular the assessment of creditworthiness, the rating system and the methodology for monitoring the value of property, as well as IFRS 9. We have overhauled the process of assessing creditworthiness and providing investment opinion, as well as numerous supporting internal documents and policies. We have validated the rating system. We have supplemented the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). In the second half of 2023, we started to improve the methodology for assessing interest rate risk and credit spread risk arising from non-trading book activities. Development activities in this area will also continue in 2024, when the risk-taking and risk management strategy will be renewed.

The Bank pays great attention to ESG factors, which is why we have set up the Sustainable Development Department. We have implemented a number of activities to meet the expectations of the Climate and Environmental Risks Guide. ESG Development activities will continue in 2024. The Bank has already assessed the materiality of climate and environmental risks. The main task of the Sustainable Development Department in 2024 will be to prepare an ESG strategy, and preparations for reporting in accordance with regulatory requirements will also continue.

We have also significantly strengthened our human resources to support the many development activities that are important for our future business. Despite the challenging labour market conditions, we have been able to attract professional and competent staff in the areas where they are most needed. With this in mind, we have optimised our internal organisation and systematisation of jobs, all with the aim of making our employees feel good, because only when they are happy can we expect the best from them.

We are the bank with the most extensive banking network in Slovenia, and we are proud of it. We spend a lot of time maintaining and renovating our branches. In 2023, we moved the Vrhnika and Ormož branches to new and modern premises, which brings added value for both customers and employees there. We maintain 76 branches and, in line with the Bank's slogan "Always near you", we are still present in smaller towns, which makes us accessible to the agri-food segment and different generations of customers.

We have implemented "Always near you" by increasing our presence at various events and forums, where we actively participated by giving interviews or presenting the Bank. We also upgraded our presence at the AGRA agricultural and food trade fair by modernising our exhibition space. This is how we raise awareness of our bank among the general public and our customers We also reinforced this awareness with a completely new advertising campaign called "We all like to be on our own", which, in a modern way, tells the story of several generations of a family, each living on their own, working their own piece of land, developing their own dreams, while staying connected to each other. The new slogan summarises our service offering and highlights the Bank's core values.

In addition to the Bank and project company DBS Nepremičnine, the DBS Group includes the subsidiary DBS Leasing, whose balance sheet total grew by 20% in 2023 and thus exceeded the average growth of the Slovenian leasing market, which grew by 10% in 2023.

Every year we are active in the area of social responsibility, because giving is as important as receiving. With sponsorships and donations, we respond to the needs of the local community and support various associations and institutes related to the agri-food market. This was also on our minds after the catastrophic floods that hit

Slovenia hard last year. Through the Ljubljana Moste-Polje Association of Friends of Youth, we donated funds to help alleviate the damage to those who needed it most. We are pleased that the extreme natural disaster did not have a significant negative impact on the Bank’s portfolio.

Our employees were also charitable, collecting over 200 kilograms of non-perishable food and hygiene products at our regular annual picnic. The collected products were distributed to socially disadvantaged families who are part of the comprehensive Chain of Good People programme.

Throughout the year, all our employees were working on operations compliance, which we take very seriously. Compliance with the provisions of applicable legislation, by-laws and banking standards is a minimum that we are aware of and adhere to at all levels of the Bank's operations.

The newly established strategy gives us the feeling that we are embarking on a new journey, a journey of discovering our capabilities and challenges and finding solutions to the obstacles, of which there will undoubtedly be many. However, with hard-working employees who see the Bank not just as a job but as a place to pursue career goals and personal growth, it is easier to stay on that path, as the doors of knowledge and manoeuvrability between the many projects keep opening for us.

At the beginning of this year, the Bank added a third member to the Management Board, giving us new strength and breadth at senior management level. Together, we believe we can walk the ambitious path and realise the strategic goals for 2024 and beyond.

We have great confidence in all our employees, in their loyalty, their expertise and their professionalism. Without them, it would not have been possible to prepare an ambitious multi-year strategy, plan the migration of the information infrastructure with the involvement of virtually everyone, and begin to actively implement it. The intensive work on these demanding projects does not affect the day-to-day business, which is another virtue of our employees. We would therefore like to thank them for their contribution.

Without the trust and consent of our owners and the strong relationship with our key stakeholders - our customers and business partners - we would not have been able to carry out all these activities, and our sincere thanks also go to them. We want to see our goals come to fruition, and we believe they will. Ambition and the desire to succeed are the bold virtues that drive us and will lead us to ultimate success.

Ljubljana, 5 April 2024

BANK MANAGEMENT BOARD:

Member of the Management Board Andraž Grum, PhD	Member of the Management Board Barbara Cerovšek Zupančič, MSc	President of the Management Board Jure Kvaternik

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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 2023, the Supervisory Board was composed of Ivan Lenart (Chair), Boštjan Škufca Zaveršek (Vice-Chair), Iris Dežman, Nikolaj Maver and Gregor Sluga.

In 2023, the Supervisory Board met at eight regular meetings as well as one extraordinary and one correspondence meeting. Regular reports and other pressing matters as well as major issues related to the Bank's operations were discussed. 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 2023:

The Bank's financial operations

The Supervisory Board regularly discussed the Bank's financial operations and the regular reports of the Bank and its subsidiaries on operations in 2023, monitored the implementation of the plan in doing business with households and corporate customers, approved the rebalancing of the plan for 2023, and gave its consent to the plan for 2024.

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 with the report on the management of non-performing claims.

Human Resources

The Supervisory Board appointed Andraž Grum as a member of the Management Board of Deželna banka Slovenije d. d. for a term of office of five years, commencing on 1 January 2024. The appointment is effective subject to the suspensive condition that the Bank of Slovenia grants him permission to perform the functions of a member of the Management Board. The Supervisory Board examined a shareholder's request for the convening of the General Meeting and the election of new members of the Supervisory Board with a term of office from 1 July 2024 onwards. It took note of the suitability assessments carried out on the candidates proposed by the shareholder, as well as on four other candidates for members of the Supervisory Board. The latter were proposed to the General Meeting for election.

Management of the Bank

The Supervisory Board reviewed and approved the Bank's 2022 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 31 May 2023 the Bank's 40th Annual General Meeting. It approved the Information Technology Development Strategy until 2027 and the Strategy of the Deželna banka Slovenije Group until 2027. It took note of a shareholder's request to convene an Extraordinary General Meeting of Shareholders and, together with the Management Board, on 22 December 2023, convened the Bank's 3rd Extraordinary General Meeting, which was held in 2024.

Internal audit of the Bank

In 2023, the Supervisory Board reviewed the 2022 annual report on the Bank's Internal Audit Department, and half-year reports on its activities in the second half of 2022 and the first half of 2023. Furthermore, it regularly monitored quarterly reports of the Internal Audit Department on outstanding recommendations. It also approved its Annual Work Plan for 2024.

External audit

The Supervisory Board proposed to the General Assembly to appoint the audit company Mazars d. o .o. as the auditor of the financial statements for the period 2023-2025.

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 has updated the Rules of Procedure of the Audit Committee in line with the amendments to the Corporate Sustainability Reporting Directive (CSRD Directive). Where required by the applicable regulations, the Board reviewed and gave its consent to amendments to the Bank's internal acts. Also in 2023, a number of the Bank's acts were renewed, including the Specific Risk Management Policies.

Other relevant activities

The Supervisory Board reviewed the letters from the Bank of Slovenia. It examined reports on the state of 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 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 2023, the Board had 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. The internal organisation of the Supervisory Board is described in Chapter VI.4. Composition and operations of the 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 its regular auditor. All this has contributed to the Bank's stable operations and strong operating result.

As at 15 April 2024, the Management Board provided the Supervisory Board with the Deželna banka Slovenije Group Annual Report for 2023, 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 2023, 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 22 April 2024, the Supervisory Board confirmed the Deželna banka Slovenije Group 2023 Annual Report.

Ljubljana, 22 April 2024

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 2024-04-NS-37 held on 22 April 2024, 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 2023 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 2023.

Ljubljana, 22 April 2024

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.

2023	• Sale of DBS Adria d. o. o.
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 2023, 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;

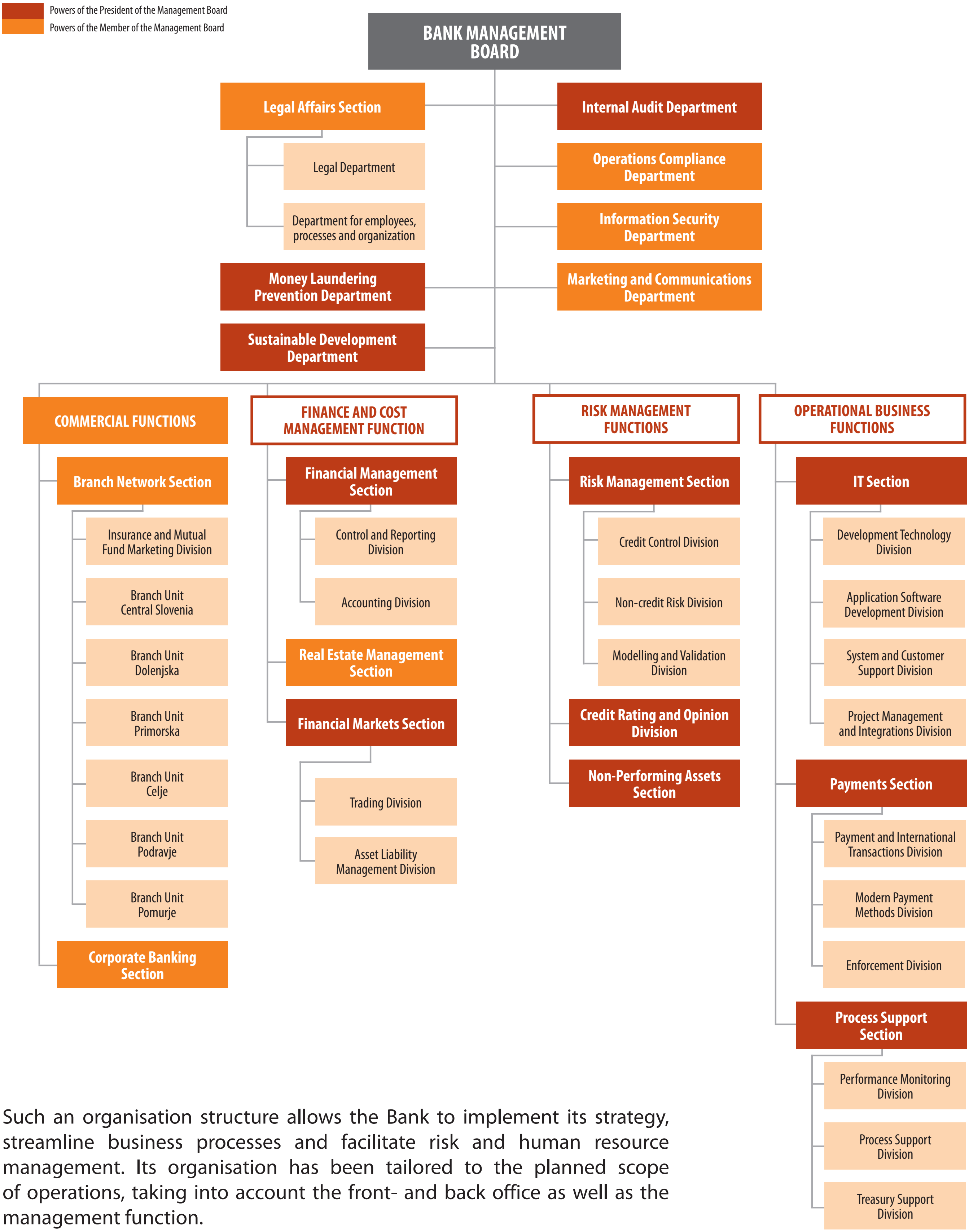
Pursuant to Article 6 of the Slovene Banking Act (ZBan-3), the bank may also provide additional financial services, such as:

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

Organisation chart as at 31 December 2023



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 2023, 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").

Deželna banka Slovenije d. d. prepares consolidated financial statements for the Group, which are the identical to the credit statements due to the sale of the subsidiary DBS Adria d. o. o.

Group companies as at 31 December 2023

	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 Group organisation chart as at 31 December 2023

Performance indicators of the Group's subsidiaries for 2023

Company	DBS Leasing d. o. o.		DBS Nepremičnine d. o. o.		DBS Adria d. o. o.	
	2023	2022	2023	2022	2023	2022
Total assets (in EUR thousand)	22,043	18,361	1,573	1,537	-	155
Equity (in EUR thousand)	3,817	3,720	1,556	1,523	-	0
Profit/loss before tax (in EUR thousand)	125	436	35	(2)	-	(5)
Income tax (in EUR thousand)	(24)	-	(3)	(1)	-	-
Profit/loss after tax (in EUR thousand)	101	436	32	(3)	-	(5)
Return on assets (ROA) before tax (in %)	0.60	2.48	2.25	(0.13)	-	(3.21)
Return on equity (ROE) before tax (in %)	3.25	12.21	2.26	(0.13)	-	-
No. of employees (at end of period)	7	6	0	0	-	0
Total assets/No. of employees (at end of period) (in EUR thousand)	3,149	3,060	-	-	-	-

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 2023, the company had 7 employees.

A profit of EUR 101 thousand was reported for financial year 2023. The company's total assets in 2023 were up 20.1% to EUR 22 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 business was selling the Group's property, renting and developing real estate projects, whereas in 2023, 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 2023, the company reported a net profit of EUR 32 thousand.

DBS Adria d. o. o.

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

The subsidiary DBS Adria was sold in May 2023.

V. THE BANK'S PERFORMANCE IN 2023

V.1. GENERAL ECONOMIC ENVIRONMENT[1]

Global economic growth moderated markedly in the third quarter of 2023, compared with the still relatively robust growth of the previous quarter. Among the advanced economies, Japan experienced the sharpest decline in economic activity. The outlook for economic activity remains weak. Among the main risks are geopolitical tensions in the Middle East and the war in Ukraine, which, if escalated, could lead to volatility in commodity and energy markets and disruptions in supply chains. Other risks include tighter financial conditions, a slowdown in Chinese economic growth towards the end of the year and weather-related disasters. According to the World Bank's January forecasts, global economic growth is expected to slow down to 2.4% in 2024 and pick up again slightly to 2.7% in 2025, with the forecast for 2025 revised down by 0.3 percentage points compared with the June projections.

Sentiment indicators for the euro area suggest that the dynamics of economic activity remained weak in the fourth quarter of last year. The Composite Purchasing Managers' Index (PMI) for the euro area improved slightly in November after falling to its lowest level in three years in October and remained unchanged in December, indicating a borderline between growth and contraction of activity.

The ECB estimates that the euro area GDP increased by 0.6% in 2023, and forecasts slightly higher growth of 0.8% in 2024 and 1.5% and 2025 in its baseline scenario, which is subject to considerable uncertainty related to the development of the conflict in the Middle East.

In Slovenia, the economic sentiment indicator increased in December, but remained lower than a year earlier. Compared to December 2022, confidence was lower in all industries except consumers, where it remained unchanged. Manufacturing output, which started to strengthen in September, was still slightly lower than a year earlier. Trade with EU countries also fell compared with a year earlier. According to data on the value of construction output, construction activity in November was unchanged from the previous month, but higher than a year earlier. The data point to a recovery in household consumption in the fourth quarter of 2023.

On the labour market, employment reached a new high. The number of unemployed was 9.1% lower than a year earlier. Many companies faced labour shortages, which were mainly solved by recruiting foreigners.

GDP growth was 1.6% in 2023, with positive contributions from gross fixed capital formation and household final consumption. A more pronounced decline in imports relative to exports has widened the foreign trade surplus and contributed to GDP growth.

Inflation in 2023 was significantly lower than in 2022, with the annual price growth of 4.2% (2022: 10.3%). Prices of services rose by 6.0% on average over the year, while prices of goods rose by 3.3%. Price increases in food and non-alcoholic beverages pushed up inflation by 0.8 percentage points and in the recreation and culture group by 0.6 percentage points. Higher prices in the alcoholic beverages and tobacco, healthcare, restaurants and hotels, and miscellaneous goods and services groups added 0.5 percentage points each. Compared to the beginning of the year, lower food price increases and lower energy prices were the main contributors to the moderation in inflation. High labour cost inflation is holding back a faster moderation, especially in core inflation. Looking ahead to 2024-2025, in the absence of external shocks, inflation is expected to continue to moderate, and, supported by monetary policy measures, to fall to just above 3% by the end of 2024 and close to 2% by the end of 2025.

The year-on-year decline in the volume of loans to the domestic non-banking sector continued until November (-2.5%). The volume of loans to non-financial companies continued to contract due to the slowdown in economic

[1] Sources:
Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD): Autumn forecast of economic trends 2023,
Slovenian Economic Mirror 1/2024.
Bank of Slovenia: Review of macroeconomic developments, January 2024, Review of macroeconomic developments with projections, December 2023,
Monthly report on bank performance with commentary as of 31 October 2023, December 2023
Websites.

activity and higher interest rates, falling by 7.8% year-on-year, which is the largest year-on-year decline since November 2016. The year-on-year growth in loans to households (3.6%), however, strengthened slightly, driven by growth in consumer and other loans, which may be related to some extent to the recovery in consumption implied by the last quarter's indicators, in addition to the reduction in credit limits at the beginning of the second half of 2023. Growth in housing loans slowed down and was only 0.7% higher than a year earlier in November. Year-on-year growth in domestic non-banking sector deposits fell below 4% in November. Their maturity structure gradually improved. Overnight deposits, which still account for about 80% of total deposits (almost 85% at end-2022), thus declined by 1.7% year-on-year, while term deposits increased by slightly more than a third in the face of higher deposit rates.

Volumes and shares of non-performing exposures (NPEs) remained at the lowest level to date (1%) despite the risks to portfolio quality posed by inflation, elevated interest rates and the consequences of the August floods.

The capital position of the Slovenian banking system remained sound. The capital ratios of the banking system increased in the third quarter of the year compared to the end of 2022. The liquidity of the banking system improved as the funds raised through deposits and debt securities issued were not fully channelled by the banks into lending and other investments but remained in accounts at the central bank.

Future developments in 2024 will be influenced by events related to Russian military aggression and conflicts in the Middle East, which are increasing geopolitical tensions. Despite further declines, inflation remains above the targets of the Eurosystem, the US and the UK central banks. The resilience of core inflation, which remains at higher levels than headline inflation, adds to concerns about the pace of the decline in inflation. In December, the Eurosystem left all three key interest rates unchanged and, on the basis of its forecasts, estimated that inflation would gradually decline in 2024. There was no discussion on lowering the key interest rate at the meeting, and many members of the ECB Governing Council warned that a turnaround in monetary policy was not imminent. Market participants are confidently expecting the first cut in the ECB's deposit facility rate in June 2024.

V.2. THE BANK'S BUSINESS OPERATING POLICY

In December 2023, the Bank's Management Board adopted a new business strategy for the Deželna banka Slovenije Group for the period 2024-2027, and the Bank's Supervisory Board gave its consent to it. The Strategy sets the guidelines for the operations of the Bank and of DBS Leasing and DBS Nepremičnine, and defines the vision, mission, values and key strategic directions.

The vision is the goal we want to achieve. We have set ourselves the vision to be the first choice for homebuyers, entrepreneurs and agriculture.

Retail banking is an important segment of our business, where we want to improve our market position with optimised digital banking services and new products (package banking offers and fast loans). We will also focus on our business with entrepreneurs, and agriculture is a segment to which we have traditionally been attached.

While the vision expresses the objective we want to achieve, the mission defines the company's raison d'être, its purpose and its core activity.

Our mission states that we are a Slovenian universal bank that is sustainable and builds on tradition and values. We are a reliable life partner who stands by our customers in all important life and business events. We offer a full range of banking and financial services and are the financial partner of choice for the agri-food sector, rural areas and cooperatives.

We have also defined the values that are the fundamental framework for our decisions and actions. Our values are: people at the centre, satisfaction and trust, responsibility, affiliation and sustainable development.

Based on an analysis of the economic environment, the banking market, technology trends and customer expectations, as well as a SWOT analysis, we have defined four key strategic priorities for our operations:
- Improving the Bank's efficiency,
- Growth,
- Sustainable operations,
- Technological transformation.

Growth is our key strategic priority, whereby we aim to grow our volume of business by focusing on three key pillars: SMEs, population and the agri-food sector.

In order to achieve the planned business growth, we need to first improve the Bank's efficiency and undertake a technological transformation. The Bank will be more efficient if we improve the way we organise our business, ensure staff excellence, and improve processes and the efficiency of our business network. A key part of the technological transformation is the transition to a new core banking system that will enable sales growth, cost and process optimisation, improved customer and employee experience, compliance with relevant legislation and support for sustainable development.

Understanding sustainability as one of the core priorities of our strategy is key to our long-term success. Our commitment to sustainable practices is not only a response to growing environmental challenges, but also an opportunity to create value for all our stakeholders.

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 2023, 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 401,728 thousand at the end of 2023. This was an increase by EUR 7,415 thousand compared to the year-end of 2022. 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 downward trend in the Bank's non-performing exposures continued in 2023. At the end of the year, non-performing exposures at solo level amounted to EUR 13,975 thousand and their share was 0.95%, which is also comparable to the NPE share in the Slovenian banking system, which has been maintained at 1% since April 2023. he Bank maintains its current method of dealing with non-performing exposures, which involves an individual approach, analysis of the causes of the client's problems, consideration of options and acting in accordance with the findings. Where restructuring is reasonable, the Bank follows the Slovenian restructuring principles adopted by the Bank Association of Slovenia and the recommendations of the Bank of Slovenia. However, if the analysis shows that restructuring is not reasonable, the Bank pursues intensive pre-trial and judicial recovery.

In 2023, the Bank had no significant direct investments with exposure to clients in the area of the Ukraine-Russia conflict or to clients whose business depended significantly on transactions with the mentioned areas.

Running accounts and DBS PRONET electronic banking for corporate customers

At the end of 2023, the number of active corporate transaction accounts was slightly higher than in the preceding year, with 96.31% of its corporate customers having an active transactional account with the Bank using DBS PRONET.

Payment transactions

In 2023, 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 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 2023, the volume of instant payment transactions slowly increased.

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, and deposits by the state, amounted to EUR 295,477 thousand as at 31 December 2023, an increase of EUR 173,437 thousand compared to the previous year. The Bank's activities in relation to collecting corporate deposits were adjusted to the liquidity situation and market demand. In doing so, it kept a close eye on market conditions and investment opportunities. Corporate demand deposits, including deposits by the state and deposits by foreign entities amounted to EUR 110,975 thousand at the end of 2023, up 10% compared to the previous year.

V.3.2. RETAIL BANKING AND BUSINESS NETWORK

The Bank's household operations in 2023 were influenced by the subdued economic growth in the country and the higher level of interest rates, which had a strong impact on the economic activity of households - the population, farmers and sole proprietors.

Collected funds

The balance of collected funds from households, including foreign entities and non-profit institutions serving households, amounted to EUR 1,007,428 thousand at the end of 2023. This was up EUR 24,306 thousand, or 2%, compared to the end of 2022. Of this, funds collected from households, mostly sight deposits, totalled EUR 935,144 thousand.

Lending

The balance of loans and advances to retail customers amounted to EUR 380,338 thousand at the end of 2023, an increase by EUR 17,088 thousand, or 5%, compared to the year-end of 2022.

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 2023, 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 2023, 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 2023, the Bank kept opening transaction accounts actively. 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, Young Farming Transferee 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 2023, 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. In 2023, three issues of collector and commemorative coins were realised: on the 110th anniversary of the birth of the writer Boris Pahor, on the 150th anniversary of the birth of Josip Plemelj, and on the national holiday - the Day of Slovenian Sport.

Electronic banking for individuals – DBS NET

In 2023, 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 integrating new customers and redirecting existing customers actively 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. At the end of the year, the Mobile Bank login was redesigned, and a complete overhaul of online banking was carried out at the same time.

Insurance brokerage

In 2023, 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 2023, the Bank continued its cooperation with DZU Generali Investments in the area of mutual fund marketing.

The Bank's ATM network

At the end of 2023, the Bank's ATM network consisted of 22 machines.

Payment cards

The growth trend in the volume of card business continued in 2023. The number of Mastercard debit cards and Mastercard prepaid cards issued increased, as did the number of Mastercard deferred payment cards. 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 deferred payment cards, there was still interest in both products in 2023. While a decline in interest in the latter two was detected compared to last year, customers are still demanding all card products due to the characteristics and benefits of using each card, i.e., debit cards for everyday use at ATMs, physical points of sale and online purchases; prepaid cards for transactions with previously secured and limited funds (these are more commonly used for online and travel transactions); deferred payment cards, when customers make large purchases and settle liabilities to the bank in instalments, when travelling or booking accommodation where only deferred payment cards are accepted by points of sale, or when settlement of liabilities with deferred payment is more appropriate with regard to their payment habits.

Marketing UPN forms via outsourcers

In 2023, 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 2023 comprised conversions, with which the Bank provided liquidity and managed net open foreign exchange positions.

In 2023, 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 2023 was worth EUR 221,607 thousand. In line with its adopted strategy, in 2023, 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 91 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 2023 amounted to EUR 8,065 thousand, of which investments in subsidiaries represented a 65% share, investment in the Bank Resolution Fund a 33% 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 2.2 million or 14% in 2023. The Bank acquired no 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 1 million of property in 2023, 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 2023, the Group reported EUR 27,997 thousand of profit from ordinary operations before tax, which is a 235% or EUR 19,643 thousand increase year-on-year (2022: EUR 8,354 thousand). The net profit for the year amounted to EUR 24,504 thousand (2022: EUR 7,457 thousand). The Group's operations were improved by the two subsidiaries DBS Leasing and DBS Nepremičnine.

Group net interest income amounted to EUR 48,172 thousand, an increase by EUR 29,375 thousand year-on-year. The majority of interest income results from the Bank's operations, including loans, borrowings, and deposits. The consolidation of subsidiaries into Group statements has increased financing income and net interest income by EUR 976 thousand.

Net fee and commission income amounted to EUR 8,327 thousand, down EUR 425 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 2023, net gains on the derecognition of financial assets and liabilities not measured at fair value through profit or loss totalled EUR 240 thousand (2022: EUR 7 thousand).

Net gains on the derecognition of non-financial assets amounting to EUR 300 thousand (2022: EUR 527 thousand) mostly relate to gains on sales of the Bank’s property.

Net impairment charges for financial assets measured at amortised cost and for non-financial assets amounted to EUR 1,350 thousand. Impairment charges for loans and debt securities resulted in net expenses of EUR 85 thousand, an increase of EUR 1,841 thousand compared to the previous year. The impairment charge against investment property contributed EUR 1.235 thousand of net expenses. Net provision expenses totalled EUR 825 thousand, an increase by EUR 576 thousand compared to 2022.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank recorded a positive result in 2023, achieving profit before tax of EUR 27,776 thousand (2022: EUR 8,277 thousand) and profit after tax of EUR 24,310 thousand (2022: EUR 7,382 thousand). The after-tax comprehensive income was EUR 24,376 thousand (2022: EUR 7,568 thousand). Operating profit before impairments and provisions, and before tax, was EUR 29,727 thousand (2022: EUR 7,158 thousand).

The result in 2023 was positively impacted by EUR 29,014 thousand higher net interest income and EUR 233 thousand higher net profit on derecognition of financial assets and liabilities not measured at fair value through profit or loss. The negative impact was due to EUR 1,523 thousand lower net income from impairments on loans and debt securities.

Net interest income in 2023 amounted to EUR 47,196 thousand, an increase by EUR 29,014 thousand year-on-year (2022: EUR 18,182 thousand). Interest income was higher by EUR 31,162 thousand, mostly due to higher interest received on loans to households, the state, and legal entities, and on debt securities. Interest expense was up EUR 2,148 thousand year-on-year, attributable to higher interest on corporate deposits.

Net fee and commission income totalled EUR 8,371 thousand, down EUR 437 thousand year-on-year (2022: EUR 8,808 thousand). Fee and commission income decreased by EUR 94 thousand, mainly due to a decrease in income from administrative services rendered, whereas the fee and commission income from payment transactions was higher. Fee and commission paid was up EUR 343 thousand year-on-year.

Net expenses from impairments amounted to EUR 1,154 thousand, while impairments were higher by EUR 2,505 thousand compared to the previous year (2022: EUR 1,351 thousand of net expenses). Compared to the previous year, in 2023, net income from impairment of loans and debt securities decreased by EUR 1,523 thousand to EUR 17 thousand (2022: EUR 1,540 thousand net income). There was no impairment on equity investments in subsidiaries (2022: EUR 439 thousand net income). Impairment of investment property resulted in net income of EUR 1,141 thousand, which was EUR 513 thousand higher than in the previous year. There were EUR 797 thousand of net expenses for provisions formed in 2023 (2022: EUR 232 thousand of net expenses). Provisions for potential off-balance-sheet liabilities totalled EUR 397 thousand of net expenses, and other provisions amounted to EUR 400 thousand of net expenses.

Other net operating gains totalled EUR 1,415 thousand (2022: EUR 1,495 thousand). Gains included EUR 806 thousand of lease income.

The Bank's operating expenses in 2023 amounted to EUR 27,949 thousand (2022: EUR 22,096 thousand). Employee benefits cost totalled EUR 17,464 thousand, up EUR 4,001 thousand from 2022. Overhead and administrative expenses amounted to EUR 6,957 thousand and were EUR 1,298 thousand higher than in 2022. Costs for payments into the bank resolution fund and the deposit guarantee scheme amounted to EUR 2,119 thousand and were EUR 402 thousand higher than in 2022. Amortisation and depreciation expenses amounted to EUR 1,409 thousand, up EUR 152 thousand compared to 2022.

V.4.2. FINANCIAL POSITION

DEŽELNA BANKA SLOVENIJE GROUP

The Group's total assets amounted to EUR 1,414,489 thousand at the end of 2023, up EUR 223,914 thousand or 19% throughout 2023. The total assets of subsidiaries amounted to EUR 23,693 thousand and represent 1.7% of the Group's total assets (31 Dec 2022: 1.7%). After the elimination of inter-company relationships, the Group's total assets fell short of the Bank's total assets by EUR 13 thousand.

Loans and other financial assets of the Group amounted to EUR 789,121 thousand at the end of December, up EUR 24,680 thousand. Loans and advances to banks increased to EUR 1,208 thousand, while loans and advances to customers (including the state) were up EUR 24,066 thousand to EUR 785,253 thousand. Other financial assets amounted to EUR 2,660 thousand at the end of 2023, an increase of EUR 595 thousand.

The carrying amount of tangible assets totalled EUR 26,113 thousand as at 31 December 2023. Investments in the capital of two 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 1,307,855 thousand at the end of December 2023. Deposits and borrowings from banks and the central bank were up EUR 203 thousand year-on-year, to EUR 258 thousand, and deposits by customers, including deposits from the state increased by EUR 197,021 thousand to EUR 1,302,122 thousand.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank's total assets amounted to EUR 1,414,502 thousand at the end of 2023. This is an increase by EUR 224,489 thousand or 19% year-on-year, attributable mainly to higher corporate deposits.

Corporate deposits, including state deposits, were up by EUR 173,437 thousand by the end of 2023, which was due to an increase in corporate deposits by EUR 173,615 thousand. Under investments, loans and advances in this segment were up EUR 7,415 thousand.

Household deposits increased by EUR 24,306 thousand in 2023, with loans and advances to households up EUR 17,088 thousand.

Under borrowings from banks and the central bank, the balance increased by EUR 203 thousand by the end of 2023. As to investments, balances with the central bank increased, and together with the minimum reserve, totalled EUR 358,990 thousand at the end of December 2023.

Equity investments in subsidiaries totalled EUR 5,243 thousand. Equity investments in DBS Leasing and DBS Nepremičnine totalled EUR 3,720 thousand and EUR 1,523 thousand, respectively, at the year-end of 2023. In May 2023, the subsidiary DBS Adria was sold. Before the sale, the value of the equity investment in the subsidiary DBS Adria was EUR 0 thousand.

In 2023, the Bank reduced the volume of investment property by a total of EUR 2,134 thousand or 14%, and its inventory of properties by EUR 40 thousand. At the year-end of 2023, the total value of property amounted to EUR 13,595 thousand.

V.5. SHAREHOLDERS’ EQUITY

The Group's equity as at 31 December 2023 amounted to EUR 98,309 thousand, up EUR 20,951 thousand year-on-year.

The Bank's equity as at 31 December 2023 amounted to EUR 97,905 thousand, up EUR 20,727 thousand year-on-year. The equity increased by EUR 24,310 thousand under the current operating result, and by EUR 62 thousand under accumulated other comprehensive income, of which a EUR 93 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 decreased by EUR 31 thousand from an increased loss from actuarial losses for employees.

The share book value as at 31 December 2023 was EUR 23.136229. 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 2023:

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 2023, 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 2023

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.

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;

[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.

- 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 is not jeopardized,
  - the payment does not violate 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% 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

Until 31 January 2023, the Management Board was composed of:

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

Since 1 February 2023, the Management Board has been composed of:

- Jure Kvaternik, President,
- Barbara Cerovšek Zupančič MSc, member.

On 13 February 2024, Andraž Grum, PhD, became the third member of the Management Board after being granted permission by the Bank of Slovenia to perform the function of a member of the Management Board.

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. In accordance with the provisions of the Banking Act, the 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 three members, who hold meetings once a week. 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 Committee, Non-performing Loans Committee, Liquidity Committee, Property Board, Investment Committee, Operational Risk Committee, Information Security Board, Sustainable Development Committee, Security Committee 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 2023, the Supervisory Board was composed of:
- Ivan Lenart, Chair,
- Boštjan Škufca Zaveršek, Vice-Chair,
- Nikolaj Maver, member,
- Gregor Sluga, member,
- 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 2023 the Committee met at six meetings.

Its composition in 2023 was as follows:
- 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 2023, the Committee met at six meetings.

Its composition in 2023 was as follows:
- 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 2023, the Committee met at seven regular and one extraordinary meeting.

Its composition in 2023 was as follows:
- 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 2023

	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		
Jure Kvaternik	0	0
Barbara Cerovšek Zupančič	1	1
Supervisory Board		
Ivan Lenart	1	1
Nikolaj Maver	1	1
Iris Dežman	0	0
Boštjan Škufca Zaveršek	3	3
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 2023, the Bank had five shareholders with direct qualified holding (of over 5%) as outlined in the Takeovers Act, namely:

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 2023, the Bank had three shareholders with an indirect qualified holding of more than 5%, namely:

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, 22 April 2024

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Andraž Grum, PhD
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

DEŽELNA BANKA SLOVENIJE d.d.
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VII. NON-FINANCIAL STATEMENT OF THE DEŽELNA BANKA SLOVENIJE GROUP FOR THE YEAR ENDED 31 DECEMBER 2023

The non-financial statement of the Deželna banka Slovenije Group has been devised pursuant to the requirements of the Companies Act (ZGD-1).

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, cooperative members and agri-food enterprises. 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 its 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:
- focus on the people,
- 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. A 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. REPORTING ON CLIMATE RISK MANAGEMENT

The Bank also includes reporting on climate and environmental risk management in its non-financial reporting on a voluntary basis, based on the following four pillars: governance, strategy, risk management, and metrics and targets. This section reveals our current approach to climate and environmental risk management, and in particular our future activities in this area.

a) Governance

As the highest governance bodies, the Management Board and the Supervisory Board are responsible for the proper governance and oversight of climate and environmental risk management. In February 2023, the Bank's Management Board established a Sustainable Development Committee, whose members are the directors of the sections that play an important role in sustainable development.

By adopting the Rules of Procedure of the Sustainable Development Committee, the Management Board defined its composition, its modus operandi and decision-making, as well as its powers and responsibilities. The Committee monitors and discusses sustainable development activities, initiatives by the Bank's sectors to improve the Bank's sustainability performance, and the management of ESG risks and factors[4] at the Bank level. In December 2023, the Management Board also established the Sustainable Development Department, which is responsible for the development of the area.

The Bank has defined its powers and responsibilities in the area of sustainable development according to the Three Lines of Defence model. This ensures that ESG risks are managed comprehensively and effectively, and clearly defines the related responsibilities of each level and organisational part of the Bank

The Bank's management is aware of the growing challenges posed by climate change and its impact on both the business environment and the Bank's business model. As a result, it pays particular attention to the implementation of activities and targets related to climate change and other ESG factors. To achieve these objectives, in 2024, the Bank will include sustainability objectives among the individual objectives of certain members of senior management as part of the performance evaluation process.

b) Strategy

At DBS Group, we are aware of the changing environment in which we operate, which requires us to be responsive and diligent. Understanding sustainability as one of the core strengths of our strategy is key to our long-term success. Our commitment to sustainable practices is not only a response to growing environmental challenges, but also an opportunity to create value for all our stakeholders. Although being a financial institution, we recognise that our responsibility is also social and environmental. Through sustainable business practices, we aim not only to meet the expectations and requirements of regulators, but also to contribute to the long-term stability and prosperity of society. As a bank, we are firmly committed to sustainable transformation as we believe it is key to building a responsible and prosperous financial future. We operate with the values of sustainable development in mind and are committed to the economic, social and cultural development of local communities.

c) Risk management

DBS Group is committed to effective risk management to protect its clients, shareholders and employees and to maintain business and reputational stability. n this way, it will continue to maintain an appropriate level of risk consistent with its business objectives, capital and liquidity requirements and regulatory requirements. It will pay particular attention to ensuring the stability and integrity as well as sustainability of its business.

[4] Environmental, social and governance factors.

Appropriate management of all relevant risks is an ongoing process, which also needs to be upgraded and supplemented on an ongoing basis. DBS Group has identified climate and environmental risks as material risks in the Internal Capital Adequacy Assessment Process (ICAAP) and has included them in the process of calculating capital requirements.

The assessment of climate and environmental risks is ongoing, and DBS Group will complement and integrate these risk factors into the already identified risk types as appropriate. Climate and environmental risks act as risk factors that drive existing financial and non-financial risks and are therefore not a separate type of ESG risk.

DBS Group will pay particular attention to introducing the field of sustainable development into internal processes, meeting regulatory requirements and improving the availability of data needed to accurately measure and monitor ESG risks. It will also focus specifically on integrating these risks into the risk management framework.

d) Metrics and targets

Compliance with sustainability regulations and identification of business opportunities are among the strategic objectives of DBS Group. In the coming period, the Bank will pay particular attention to preparing for compliance with sustainability regulations and to developing and establishing a sustainability strategy. The latter will define the objectives that DBS Group wants to achieve in the area of environmental, social and governance factors. It will set environmental targets, with DBS Group aiming to reduce its own emissions and portfolio emissions. The strategy will also set out the business guidelines for green financing, i. e. financing the transition of clients to sustainable operations, and restrictions or potential exclusions in the financing of activities that have a high environmental impact. In addition to environmental objectives, we will also identify social and governance objectives.

VII.4. MANAGEMENT OF ENVIRONMENTAL IMPACTS

Recognising the importance of sustainable development and responsible business conduct, the Bank is committed to reducing its negative environmental impacts and promoting sustainable growth and responsible business conduct.

a) Paper consumption and paperless operations

All employees in the Group abide by environmental regulations. To reduce our impact on the environment, we centralised printers in the past (previously, each office had their own machine).

The Bank has taken additional measures to reduce paper consumption in our processes and services. We have been digitising, automating and optimising processes, and encouraging customers to use e-banking. This reduces our negative impact on the environment and supports the sustainable use of resources.

Paper consumption in the DBS Group

Paper consumption	2023	2022
No. of A4 size paper printouts	2,186,094	2,391,094

b) Energy efficiency

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 2023.

Electricity consumption in the DBS Group

Electricity consumption	2023	2022
Energy consumption (in kWh)	1,186,998	1,293,947
Energy consumption per employee (in kWh/employee)	3,099	3,708
Energy consumption per m^2 (in kWh/m^2)	108	118

c) Sustainable mobility

Employees are encouraged to adopt a positive attitude towards the natural environment, e.g. by recommending them to use public of transport to commute and reimbursing the costs of such transport.

We also encourage employees to use electronic channels for all types of communication Thus, in 2023, most of the meetings that were previously held physically were held 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 2023, a certain proportion of employees worked from home, as they had remote access to the Bank's information system. We use an advanced e-training platform, which also reduces the use of vehicles for commuting.

d) Waste management

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.

For many years, we have used glass and ceramic containers (water jugs and bottles, ceramic coffee and teacups, etc.) for protocol purposes, thus helping to reduce waste. We use around 2,000 items of different-sized glass drinkware a year, which we return so that it is recycled.

VII.5. SOCIAL IMPACT MANAGEMENT

Social impact management is one of the three pillars of sustainable business. The most important social impacts include:
- treating employees responsibly,
- treating customers responsibly,
- social responsibility,
- respect for human rights.

a) Employee management

The Group's employees spend most of their time at work, and the Group is committed to providing 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 2023, the Bank also started to pay more attention to work-life balance. It has taken several measures to help employees balance their work and private time.

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. The HR Risk Policy is reviewed, renewed, and updated on an annual basis. Given the available resources, the Bank has filled vacant posts by redeploying 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.

At the end of 2023, the Bank had 376 employees, 33 more than in 2022. In terms of gender, the Bank employs 76% women and 24% men The average age of employees is 46.5.

48% of all employees, i. e. 182 people, work at the Bank's headquarters, while the business network employs a further 52%, i.e. 194 employees.

In 2023, the Bank recruited 66 new employees, 35 at the headquarters and 31 across the business network. 36 employees left the Bank in 2023.

Subsidiary DBS Leasing d. o. o. had 7 employees at the end of 2023. One employee was recruited in the subsidiary in 2023.

In the Bank and the Group:

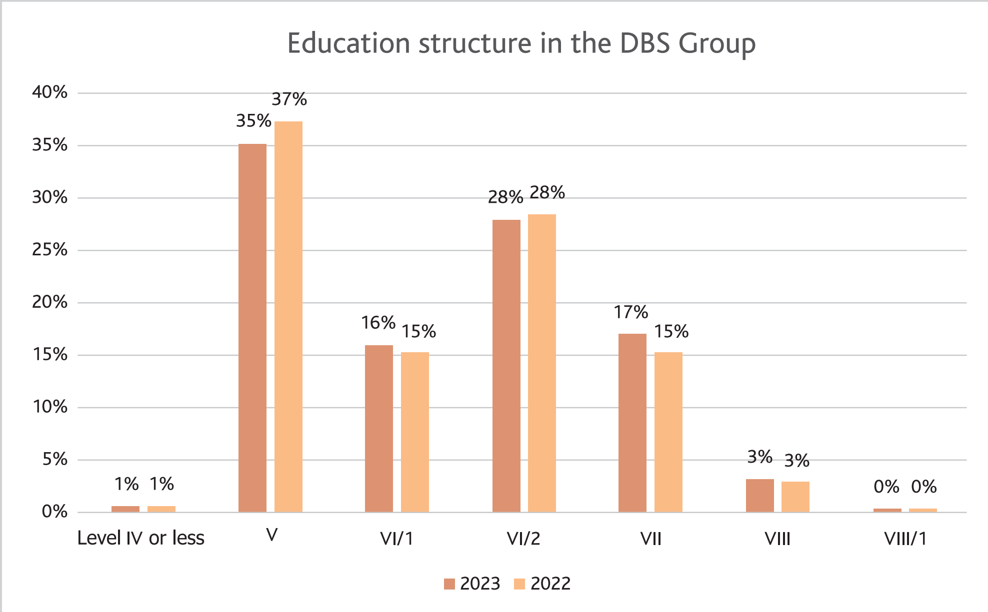
- all employees are responsible for working professionally and with due care, respecting the rules, internal acts and standards of operation in force; compliance with professional standards and ethical values strengthens relationships between employees and other stakeholders; based on open communication 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 2023

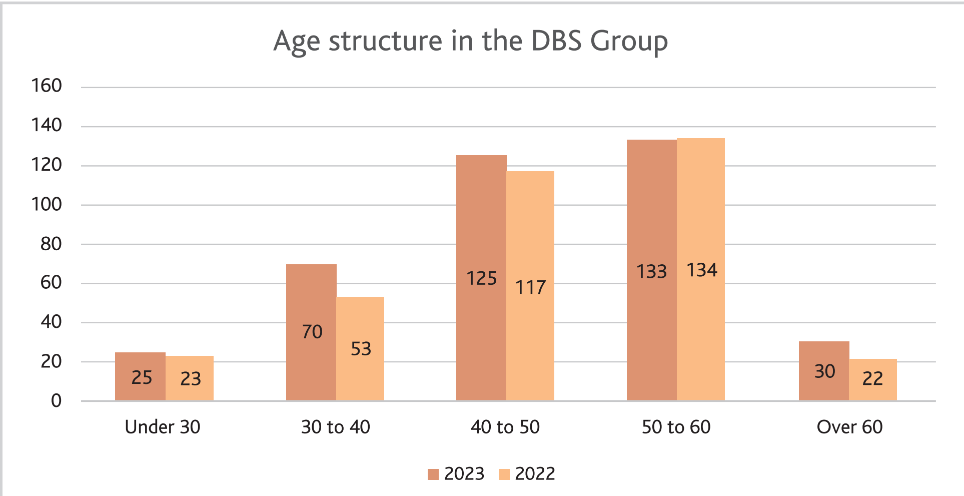
Year	2023	2022	2021
Number of employees*	383	349	345

* DBS Nepremičnine, d. o. o. has no employees.

Number of employees by educational structure in DBS Group as at 31 December 2023 and 31 December 2022



Age structure of employees in DBS Group as at 31 December 2023 and 31 December 2022



Concern for the learning, growth and satisfaction of employees

The Bank recognises that employee development and satisfaction are paramount to the success of the business, the achievement of key strategic objectives and customer satisfaction. The Bank therefore pays special attention to additional training for its employees and invests in improving information technology and optimising processes.

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 periodic annual development interviews.

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. A 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.

The turnover rate in the Bank is manageable and at an acceptable level of 9.73%. The largest share of turnover is accounted for by staff departures due to retirement or termination of employment by mutual agreement. Satisfied employees being keepers ensures that intellectual capital remains in the Bank; their departure would be a great loss for the Bank.

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

b) Customer management

In dealing with customers, we monitor the levels of their satisfaction, loyalty, customer acquisition and retention, and their profitability. 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. Electronic document signing is being introduced in our branches, thereby intensively reducing paper consumption.

We recognise the importance of banking in person and the fact that we are also dealing with generations who are reluctant to fully embrace more modern ways of doing business. For those who use the online banking application, banking services are available at all times, 365 days a year, and at lower prices. In designing and introducing new services, special attention is devoted to 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[5]. 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 who conduct 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 the trust of our customers.

The Bank has set up a system for monitoring customer proposals, complaints and comments based on the Rules on the Complains Procedure and Out-of-Court Dispute Resolution. 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

[5] CRM – customer relationship management.

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.

We also communicate with existing and potential customers via e-channels, thus saving paper. When potential customers ask for information by e-mail, they receive our first response through the same channel, or we call them by phone.

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, and livestock loans.

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 for the purchase or renovation of a home. Such a 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.

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.

With the transition to a new information system, activities will be greatly optimised and expanded in this area as well.

c) Social corporate responsibility

As a socially responsible Group, we place great emphasis on connecting with the environment, coordinating the activities of local communities and the economy, thus giving back to society what we get from it.

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, It addresses professionals (farmers, agricultural and other advisers, representatives of cooperatives, students and professors of technical faculties, representatives of food companies) and other entities of the business community who are involved in agriculture and the food industry in the broadest sense, and as individuals, these are the best consumers with greater purchasing power. It is a media-business project that strives for business excellence and success in the agriculture and food processing industry. It focuses on the entrepreneurial spirit, cooperation, technological progress and innovation of Slovenian farmers and the food processing industry. It highlights companies, individuals and organisations with new marketing approaches and food production technologies or business models that would lead to greater food self-sufficiency in Slovenia, as an example and an incentive to others. As the agri-food sector is important for the Bank, it is a logical choice to participate in this project annually, thereby to address its priority target group, both existing and potential new customers.

VII.6. CORPORATE GOVERNANCE AND OPERATIONS COMPLIANCE

a) Operations Compliance

The Group's corporate compliance function is managed by the Operations Compliance Department, which is functionally and organisationally separate from other departments where conflicts of interest may arise. It represents the second line of defence within the Bank and is located directly under the Bank's Management Board. It has unrestricted access to all the information it needs to carry out its duties within the scope of its responsibilities and direct access to the Supervisory Board.

The Operations Compliance Department shall, at least annually, produce a Compliance Risk Analysis and Assessment to inform the Management Board and the Supervisory Board of the main compliance risks to which the Bank is exposed and to assess the effectiveness of compliance risk management.

The Bank's approach to compliance risk management is set out in the Compliance Risk-taking and Risk Management Policy, which also defines general compliance standards for all employees and more detailed operations compliance rules for specific groups of employees.

Each year, the Operations Compliance Department prepares the Work Programme of the Operations Compliance Department work programme for the year, and semi-annual and annual reports on its work, which are submitted to the management body.

b) Respect for human rights

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

The Bank's employees strictly comply with the provisions of the Code of Conduct, Rules on Prevention of Harassment in the Workplace, and the Employment Relationship Act, which, among other things, stipulate respectful treatment of employees and protection of human rights. 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 Deželna banka Slovenije d. d. Code of Conduct and 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, to which all Bank employees are committed. The Policy of Safeguarding Integrity defines all types of unlawful conduct and the procedure or way to report suspected unlawful conduct by any Bank employee in order to ensure compliance with fundamental professional, ethical and integrity standards. 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 conduct 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.

c) Prevention of corrupt acts and fraud

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.

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 2023, 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.

d) Prevention of money laundering and terrorist financing

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 verifies its customers through procedures under the 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.

e) 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 2023, 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.

Educational diversity in the DBS Group

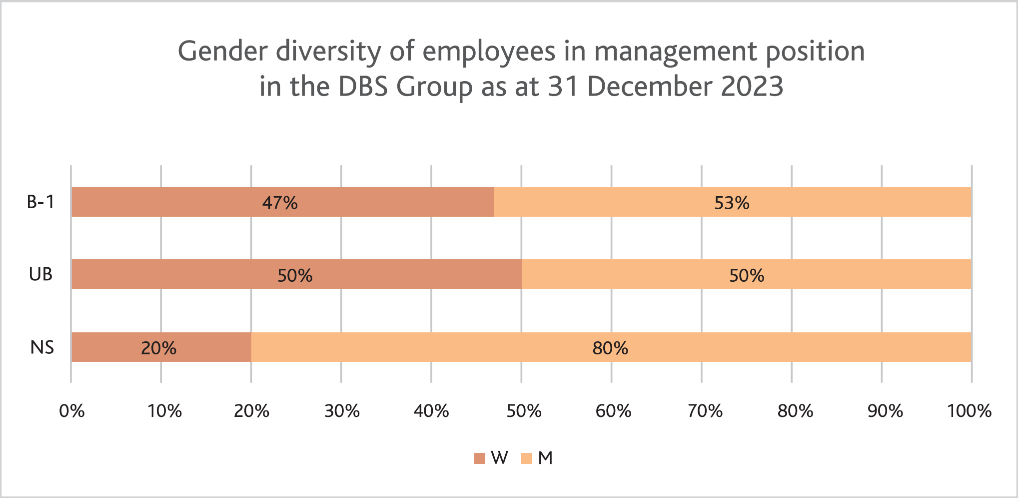
Education diversity	2023	2022
Less than secondary education (%)	1	1
Secondary education (%)	35	37
Higher vocational education or above (%)	64	62

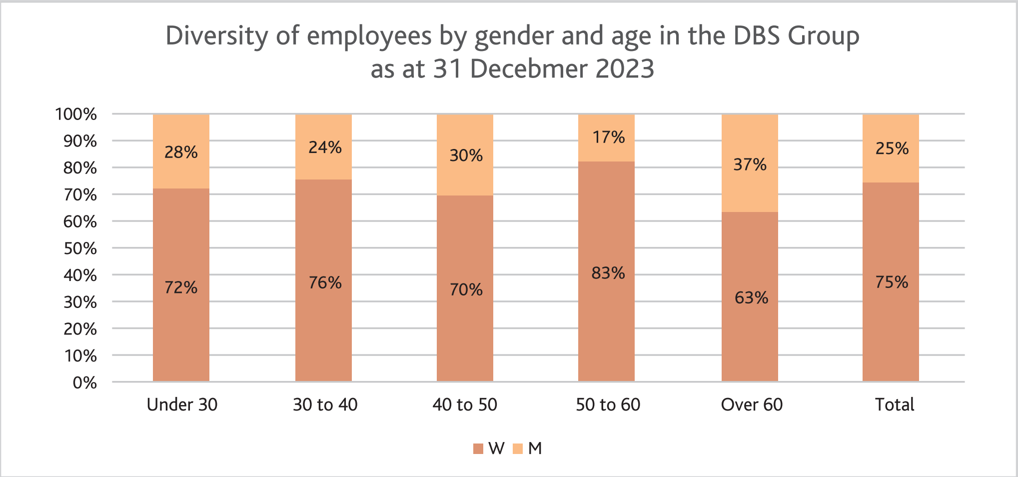
Age diversity in the DBS Group

Age diversity	2023	2022
Employees under 30 years of age (%)	7	7
Employees aged 30 to 50 (%)	51	49
Employees over 50 years of age (%)	43	45

Diversity of employees by gender in the DBS Group

Diversity of employees by gender in the DBS Group	2023	2022
Proportion of women in the Bank's Management and Supervisory Board (%)	29	29
Proportion of women in management positions (%)	47	44
Proportion of women in the total number of employees (%)	75	78





f) Risk management

Risk management is crucial for the Bank as it helps to reduce potential threats, maintain financial stability and ensure long-term viability. In addition to maintaining an adequate capital and liquidity position, the most important 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 DBS Group thus systematically monitors and assesses the risks to which it is exposed in order to manage them effectively in accordance with the relevant regulatory requirements. Risk management involves identifying and measuring risks and taking timely action to manage them. Another important element of risk management is the establishment of an appropriate risk appetite framework, which is the basis for a stable and secure business.

The DBS Group has risk management processes in place for all material risks. Important elements of risk management include regular upgrading and implementation of ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), stress testing, setting up a limit system and internal controls, and establishing timely and adequate reporting.

In order to adequately manage risks, the DBS 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.

Risk management is further elaborated in Chapter VIII. Risk Management.

g) Ensuring data protection

As a bank that processes personal data of individuals and other confidential data as defined by law in order to carry out its core business, we place great emphasis on ensuring data protection, which is why we are constantly adapting our working procedures and introducing organisational and technical measures. The Bank complies with European and national regulations in the protection of data and defines controls in accordance with these regulations in its internal acts.

The Bank's employees and external contractors who, in the performance of their contractual obligations, are confronted with data of a confidential nature are obliged to protect the confidentiality of the data throughout the duration of their employment or business relationship with the Bank and even after its termination. Employees are informed of the manner and importance of protecting data confidentiality during regular training sessions.

In addition to the typical information security safeguards designed to prevent unauthorised access to data, the Bank has technical controls in place to detect and prevent data leakage. Compliance with and implementation of data protection controls is regularly monitored by the Bank's internal control functions.

In the area of personal data protection, we comply with the requirements set out in the General Data Protection Regulation (GDPR) and the Personal Data Protection Act (PDPA-2), to which the Bank has paid particular attention in 2023. The Bank has also appointed a Data Protection Officer to manage the area of personal data protection.

h) Online security

In 2023, the Bank continued its activities aimed at strengthening the cyber resilience of its IT system and the availability and accessibility of its online services. It introduced various protection mechanisms, including a solution to manage privileged remote access and the creation of an external service of a security operations centre operating 24 hours a day, every day of the week to continuously monitor security events in the Bank's IT system.

This is in line with the Bank's objective to continuously improve and develop its information and cyber security. It works proactively to prevent external and internal, as well as targeted and accidental security threats that could pose a risk to its information system, services, and the data it manages.

The introduction of new protection mechanisms, including continuous improvement of internal processes aimed at strengthening information security, is based on new insights, cyber-security trends, newly identified security threats and the results of risk assessments of the exposure of the Bank's systems.

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič, MSc
Member of the Management Board

Andraž Grum, PhD
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

:2 April 2024

Ljubljana, 22 April 2024

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 operations while improving 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 implementing 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 (CSRBB), 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.).

In order to manage risks appropriately, 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 and its risk appetite is 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). Their objective is to contribute to the Group's continuity by ensuring sufficient liquidity and capital levels that are aligned with the Group's strategy, its business model and its Risk-taking and Risk Management Strategy. A sufficient level of capital enables the Group to bear its risks, absorb losses and sustainably pursue its development strategy, even in prolonged periods of adverse developments. As part of the ICAAP/ILAAP process, the Group determines how much internal capital or internal liquidity it needs to be able to sustainably implement its strategy.

The following key steps are included in the comprehensive risk management framework:
- 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;
- updating the limit system with an early warning system and identifying 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;
- regularly prepares reports on credit risk monitoring;
- 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[6], 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-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. Other risks under operational risk include legal and model risk, information security and cyber risk, risks related to external contractors, conduct risk, compliance risk and tax risks. Operational risks also include operational and security risks related to the provision of payment and electronic money services and payment systems.

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.

Other significant risks are monitored monthly as part of the Group's operations analysis and are discussed at the Asset-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

[6] 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.

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 reviewed by 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 also reviewed by the Management Board, the Supervisory Board 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),
- Risk-taking and Risk Management Policy for Credit Risk,
- Risk-taking and Risk Management Policy for Market Risk,
- Risk-taking and Risk Management Policy for Operational Risk,
- 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,
- Risk-taking and Risk Management Policy for Liquidity Risk,
- Risk-taking and Risk Management Policy for Compliance Risk,
- Risk-taking and Risk Management Policy for Profitability Risk,
- Disclosure Policy,
- Risk-taking and Risk Management Policy for Strategic Risk,
- Risk-taking and Risk Management Policy for Reputation Risk,
- Risk-taking and Risk Management Policy for the Risk of Capital Inadequacy,
- Policy on Using External Service Providers,
- Risk-taking and Risk Management Policy for Excessive Leverage Risk,
- Policy on Related Party Transactions,
- Policies for approving new services, products or significant changes,
- Model and Model Risk Management Policy,
- Policy of Safeguarding Integrity.

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 the activities related to the calculation of 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 based on the restoration plan. Recovery measures are stipulated to be intensified depending on achieving yellow or red limit values, enabling the Group to react in a timely manner to the emergence of factors that could jeopardise its business. Based on its adopted risk-management strategy and

ICAAP or ILAAP process, the Group has also set 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, Barbara Cerovšek Zupančič MSc, Member of the Management Board, and Andraž Grum, PhD, 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, 22 April 2024

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič, MSc
Member of the Management Board

Andraž Grum, PhD
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. (hereinafter: Bank) and the Deželna banka Slovenije Group (hereinafter: 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 2023 was moderate or without significant effects. There were no intra-Group or related party transactions in 2023 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 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;
- updating the limit system with an early warning system and identifying 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 material 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 (CSRBB), liquidity, capital, strategic, profitability, reputation, governance risks, CRE investment risk and excessive leverage risk. 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. It regularly monitors the conditions and changes in the environment that may have a material impact on capital adequacy ratios and performance and develops appropriate stress scenarios on this basis. 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.

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 how much and to which risks the Group is exposed in its business and is the result of the risk management process. As part of the ICAAP process, the Group identifies significant risks and assesses the exposure to those risks at least once a year, which forms the basis for the risk profile.

In order to ensure comprehensive risk management, the Group has defined key risk indicators and their limits, which indicate the exposure to specific risks that the Group manages and assumes in the course of its business. The limit system aims to be preventive, as it is designed to enable prudent decision-making and to limit the assumption of unacceptably large risks.

As part of its risk management, the Group has also defined appropriate risk management or risk mitigation measures to ensure 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, the risk profile and the utilisation of limits.

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 2023:

1. Overall Capital Ratio (OCR): 19.56%,
2. Common Equity Tier 1 ratio (CET1): 19.40%,
3. Leverage Ratio: 5.82%,
4. Non-Performing Exposure (NPE) ratio: 1.01%,
5. Liquidity coverage ratio (LCR): 486.84%,
6. Net stable funding ratio (NSFR): 184.01%,
7. Return on Equity (ROE before tax): 32.28%,
8. Financial intermediation margin: 4.54%,
9. Net loss on claims: EUR 103,698.

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:
  - increasing exposure to large businesses, where exposure does normally not exceed EUR 3 million;

  - increasing 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 quality of collateral according to type and amount of collateral, in accordance with the Bank's internal rules;
- 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 limit system;
- 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 (CSRBB)**, 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-trading book 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 in bank governance, it will take decisions that will ensure the proper and continuous operation of the Group in line with its strategy, the regulatory framework and 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 it 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 its strategy and 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 where it considers that it is not economically viable to do so.

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 in a timely manner to the emergence of factors that could jeopardise its business.

Based on its adopted risk strategy and ICAAP process, the Group has also set 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, 22 April 2024

Management Board of the Bank:

Jure Kvaternik
President of the Management Board

Barbara Cerovšek Zupančič, MSc
Member of the Management Board

Andraž Grum, PhD
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

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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 ensuring compliance 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 2023, the Bank continued to renovate and relocate its branches and plans to continue these activities in the future.

In 2023, the Bank continued to upgrade the Bank's ICT infrastructure in line with its IT development strategy. A new internal firewall was introduced, which contributed to the required segmentation of the internal network. We introduced privileged access management and improved security standards in the corporate network. We strengthened the server infrastructure, upgraded server virtualisation and set up monitoring of all the Bank's systems and services. All unsupported operational systems and system software were upgraded. We replaced the disk array, thus increasing capacity and resources. IT asset management was introduced. We also invested in improving the user experience by upgrading the virtual customer system, replacing light clients in the corporate network and upgrading the terminal farm. Sign tablets began to be introduced across the branch network.

In 2023, we also invested in GAP workshops, which were carried out before the start of the core banking system replacement project. We implemented a new financial planning and performance monitoring tool in the cloud, introduced a new platform to support HR and started introducing a call centre. Our online and mobile banking was renovated.

We have also invested in a system for detecting and responding to cyber incidents and embarked on the initial phase of introducing the Security Operations Centre service.

IX.2. INFORMATION TECHNOLOGY

In 2023, we prepared a new, modern strategy for the development of the bank's information technology for the period 2023-2027. It is based on the Bank's business objectives and business strategy, and its most important objectives are:

- setting up a new IT infrastructure and application-process architecture to support and automate, and rapidly develop, any business processes that will arise from the requirements of the new business strategy;
- setting up a new IT organisational structure;
- the introduction of a data management framework including advanced analytics;
- improving IT security and increasing resilience to cyber threats;
- strengthening the digital skills and competences of employees, facilitating professional and personal growth and encouraging active involvement in and participation in business and information projects;
- strengthening the digital skills of the Bank's customers through personalised advice;
- information support for future requirements and projects related to sustainable operations (ESG);
- digitisation and automation of business processes, ensuring paperless operations to the maximum extent possible and reducing risks from manual data manipulation; and
- reducing operational risks from internal staff.

The IT strategy is designed to respond proactively to and adapt to any future changes in the business strategy, economic and technological environment. The implementation of the IT strategy will enable sales growth, cost and process optimisation, improved experience for the Bank's customers and employees, compliance with relevant legislation and support for sustainable development. The main strategic goal is to enable rapid adaptations of IT and architecture to business processes and objectives, thus enabling employees to work more efficiently and making banking services available to customers at any time and in any place, regardless of time and location, while providing a modern, competitive customer experience for customers and employees. Through automation and robotics, we will optimise key business processes in terms of time and cost. We will improve the customer experience through the use of advanced analytics and machine learning, offer pre-approved loans and similar smart predictive products.

The right infrastructure is a prerequisite for a successful upgrade of business, process and application architecture. Therefore, as part of the implementation of the IT strategy in 2023, we have already started to update and prepare the infrastructure for new application, strategic, regulatory and governance requirements. The following infrastructure upgrades are a carefully planned part of the IT strategy:

- the introduction of an internal firewall has contributed to the required segmentation of the Bank's internal network, thereby increasing the level of security in the network by limiting all communication between IT assets to the minimum extent necessary to keep services running without interruption, while enabling all services that are not subject to servicing on endpoint devices; a strict boundary is established in the internal network between the production, test and development environments;
- the introduction of privileged access management has improved control over external contractors connecting to the Bank's network; the system has ensured additional security by allowing only essential access to selected environments and restricting any other access from enabled points;
- by upgrading the entire server virtualisation with new hardware and the latest software versions, we have provided an environment that is flexible and allows the use of the latest virtualisation functionalities;
- we have introduced monitoring of all the bank's systems and services, and the necessary individuals or groups are informed of any outages or malfunctioning by means of appropriate alerting;
- we upgraded all servers that had unsupported operating systems installed;
- the old disk system has been replaced, thereby increasing the capacity and resources made available by the new disk system (larger storage capacities, faster dedicated disks); the current capacity is planned to be increased by 100%, which, based on a simple predictive model, will meet the additional disk space requirements for at least the next five years, including the transition to the Bank's new core IT system;
- the introduction of a new virtual user system has helped to improve the user desktop system, achieving a higher level of security, as well as more responsive user desktops and the necessary resources to allow a wider range of users to work from home;
- replacement of thin clients in the business network was carried out in order to update the outdated hardware and software in the branches.

In 2023, the Bank launched a project to implement a tool for annual planning and financial controlling, SAP Analytics Cloud for Planning, which enables us to optimise the annual operational financial planning, reduce the number of iterations in the preparation of the plan and make communication with all planning participants easier and more manageable. In addition to supporting the planning process, the chosen tool also brings the possibility of business reporting and self-service analytics, as well as artificial intelligence functionality.

We have also launched a project to implement a technology solution for the contact centre, including the implementation of call centre processes. The long-term goal is to establish centralised management of multi-channel communication and related processes. After the introduction of the call centre, we expect positive effects that are in line with the digital transformation set out in the Deželna banka Slovenije.

The organisational structure of the IT Section in 2023 is set up to meet all future strategic and operational orientations. The Information Technology Section consists of four departments: Application Software Development Division, System and Customer Support Division, Development Technology Division and Project Management and Integration Division. The purpose of the Development Technology Division is to centralise the development process within the IT area, which will contribute to better articulation, communication, verification, consistency and quality, and faster implementation of business requirements and functional specifications. The Project Management and Integration Division is responsible for the coordination and management of projects at the

Bank level and for the integration of business and information processes between the different actors involved in the process.

IX.3. INFORMATION AND CYBERSECURITY

With the development and digitalisation of business processes, information technology and data in digital form are assuming a key role in supporting new banking services. This also gives rise to new security threats relating to the operation of the information system and the confidentiality, availability and integrity of data. The Bank is aware of the existence of security threats and their continuous adaptation; and therefore, 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 keep pace with technological developments and global trends, which are increasingly targeting interconnection and online presence.

As the Bank's objectives are high availability, resilience to cyber threats and the absence of security incidents, in 2023, the Bank again carried out a risk assessment of information systems and a self-assessment of the ICT maturity in the area of information and cyber security, on the basis of which it formulated new and improved corrective measures. To improve its preparedness for cyber threats and its understanding of the importance of cyber resilience, the Bank carried out several independent security tests and evaluations of its cyber defences and the robustness of its online services to prevent cyber attacks. The Bank has implemented the findings in a meaningful way by enhancing its technical defences, including the introduction of a privileged remote access management solution and the establishment of an outsourced security operations centre service to ensure continuous monitoring of and proactive response to security events. In order to be proactive, the Bank has also implemented a platform for the monitoring and rapid bilateral exchange of indicators of misuse or cyber threats to detect security incidents. By integrating it into the protection mechanisms already in place, it has been enhanced with automated detection of the occurrence of problematic elements in the Bank's system. Furthermore, in line with its strategy to ensure that its employees are highly competent in the field of information and cyber security, the Bank has continued to improve its training programme for employees and to test their knowledge of protective behaviour to identify cyber threats in 2023. In addition to employee training, the Bank has carried out several customer awareness activities, which have been appropriately adapted to current threats and online scams. This has further improved the security of digital banking, to which the Bank has always paid close attention. The Bank also renewed its cyber insurance policy in 2023.

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

With its activities in 2023, which included both organisational and technical measures based on a firmly established management framework, the Bank continues to strive to meet the regulatory requirements, the supervisory expectations and guidelines, and follows best practices in information security and technology. It continues to ensure that cybersecurity is not adversely affected by business processes and work organisation, and that cybersecurity is always considered as an important aspect when implementing a particular business process.

IX.4. MARKETING AND COMMUNICATION

The Marketing and Communications Department focused 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, one in the spring for the housing loan and one in the autumn for the farmers' loan. 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. In order to advertise and specifically differentiate ourselves from other banks, we have created a new campaign presenting the story of several generations of one family in a modern way, each of them living on their own, cultivating their own piece of land, developing their own dreams while staying connected to others. The campaign is based on the message "We all like living on our own", which unites our service offering and highlights the Bank's core values.

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. We provided marketing support for the relocation of the Vrhnika and Ormož branches. There, we organised open door days, inviting existing and potential customers and providing catering and an attractive decoration of the premises during these days.

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 our target audience, and we support them with our financial services.

The Agrobusiness project, which the Bank has supported for several years in a row, is being developed under the auspices of the Finance newspaper. The Bank thus gets year-round visibility on its web portal, and also takes an active part in the project's main event, 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 new marketing approaches and food production technologies or business models that would lead to faster development of both industries and greater food self-sufficiency. The project marked its 10th anniversary in 2023.

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 two (spring and autumn editions) of the agricultural/craft fair in Komenda. The key trade fair event for the Bank is the Agra International Agricultural and Food Fair in Gornja Radgona at the end of August. There, the DBS Group presents its offer at its stand, while also 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. In 2023, the Bank completely renovated its exhibition space, which is now in line with trends in this area and undoubtedly more attractive to visitors.

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.

The Bank's internal communication is carried out on the intranet portal and by e-mail. Employees are informed regularly, on a monthly basis, in the DBS News e-newsletter about new developments in the Bank, open projects and their progress, as well as events in which the Bank's representatives participate, while a part of the newsletter is devoted to topics related to health care, etiquette, education and other social issues.

The Bank also communicated with existing and potential customers at the local community level at a number of targeted events, either through its own presentations or through discussions with the CEO or his participation in various round tables. For example, we actively participated in three regional forums organised by the Finance newspaper in Velenje, Sežana and Novo mesto, we were present on several occasions at ED Institute events, and we organised events for agricultural cooperatives featuring professional training on the topic of financing while obtaining grants from the state.

The Bank is fulfilling its socially responsible role through sponsorship or donation activities, which was also the case in 2023. 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. The catastrophic weather events of 2023 have prompted us, as a socially responsible institution, to try to mitigate at least a little of the impact by increasing the amount of funding. We worked with a humanitarian organisation to help those affected from the agri-food market.

The Bank actively participated in the interbank advertising of Flik Pay, for which a two-part nationwide advertising campaign was carried out. Under the Bank Association of Slovenia, of which our bank is a member, we participated in a campaign to raise awareness of the dangers of cyber fraud, which is now almost common practice among online hackers. The aim of the campaign was to raise people's awareness and educate them about the ways in which so-called attackers carry out their misuse and how to protect themselves against them.

In 2023, we concluded the campaign with the "Experience in Planica" prize draw, which we developed with our contractual partner Mastercard. The main winners were offered a VIP experience in Planica during the Ski Flying World Cup and a dinner with a Michelin-starred chef.

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. We recorded 545 different media items on the Bank, which is 5.42% more than in 2022, when there were 517 publications. The greatest number of articles reported on the Bank's operations, on price comparison of services, and on the Bank as 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.

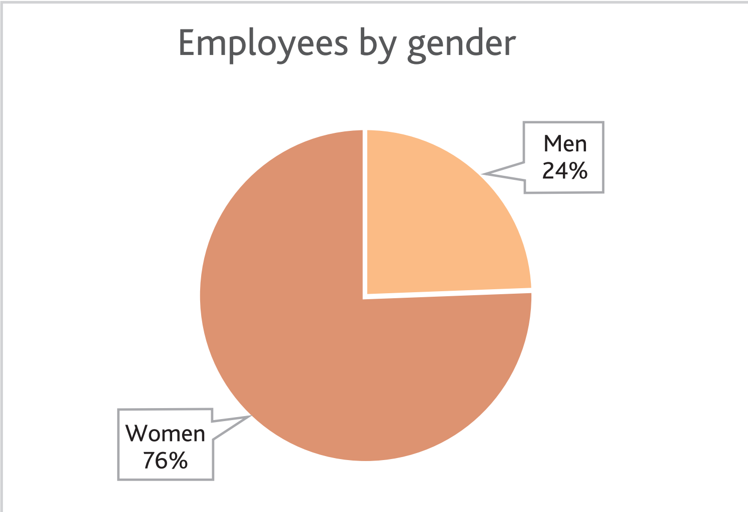
The Bank has adopted the HR risk-taking and risk management policy, which is adapted to the size of the Bank, taking into consideration the nature and complexity of our activities. Within this process, the Human Resources, Process and Organisation Department assesses continually the competence, education and experience of staff with regard to the task 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 2023, the Bank had 376 employees, 33 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.5. Social Impact Management.

The majority of the Bank's employees are still women, of whom there were 284 and 92 men as at 31 December 2023. However, the proportion of men has increased from 22% to 24% compared to 2022.

Employees by gender, for the Bank



The Bank is successfully managing its age structure. In 2023, the average age of the employees has even slightly decreased to 46.5 years (46.9 years in 2022). The Bank has 2.66% of employees with reduced working capacity.

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 turnover rate in the Bank has decreased substantially in 2023 compared to 2022, standing at 9.73%. The largest share of turnover is still accounted for by resignations and the resulting severance agreements, but this share has decreased by 5 percentage points compared to 2022. The turnover rate measured by the retirement criterion is 3.89%, while the turnover rate measured by the resignation criterion accounts for a small share (1.39% in total).

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 management body 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. A 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.

In 2023, the Bank conducted several training courses for target groups of employees (managers, sales staff, technologists, etc.), which will continue in the future.

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 2023, the Bank revamped its own e-learning and set up and delivered several new 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 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 to identified staff 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)	5	2						
Number of identified staff in senior management positions				8		5	5	7
Total fixed remuneration (in EUR)	79,176.72	500,394.66		626,017.76		307,987.46	407,680.01	478,911.75
Total fixed in cash	79,176.72	500,394.66		626,017.76		307,987.46	407,680.01	478,911.75
Total fixed in equity								
Total fixed in other instruments								
Total variable remuneration (in EUR)		133,660.31		102,624.35		78,349.00	62,009.83	74,361.05
Total variable in cash		133,660.31		102,624.35		78,349.00	62,009.83	74,361.05
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		1.00				1.00		
Total severance paid in year N (in EUR)		60,848.52				23,419.04		
Maximum severance paid to individual (in EUR)		60,848.52				23,419.04		

The table shows remuneration amounts for 2023, 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 4.31. 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 Deželna banka Slovenije d. d. Internal Audit Department, which stipulate its powers, responsibilities and operations.

It is a standalone independent organisational unit, 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 2023, the Internal Audit Department operated in accordance with the approved annual work plan and performed 19 regular and one extraordinary 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. It also audited internal governance risks, project management risks, ESG risks and IT and information security risks. The audits were carried out from the perspective of compliance and efficiency. 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.

The Department also engaged in advisory activities in 2023, and coordinated the audits carried out by external supervisory institutions.

At the end of 2023, the Internal Audit Department was staffed for the most part by four 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 in the Internal Audit Department 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 2023 FINANCIAL YEAR

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

FINANCIAL STATEMENTS

CONTENTS

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 remuneration 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 2023

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 2023, 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 2023, 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	Member of the Management Board	President of the Management Board
Andraž Grum, PhD	Barbara Cerovšek Zupančič, MSc	Jure Kvaternik

DEŽELNA BANKA SLOVENIJE
LJUBLJANA
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Ljubljana, 5 April 2024

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DEŽELNA BANKA SLOVENIJE d.d.

Independent Auditor's Report on individual and consolidated Financial Statements

Opinion

We have audited the separate financial statements of DEŽELNA BANKA SLOVENIJE d.d. (the Company) and the consolidated financial statements of DBS Group and their subsidiaries (the Group), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2023, 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 2023 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 and the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA), International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the 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. Key audit matter and our description of how our audit addressed the matter are described below.

We considered the following matter to be a key audit matter:

Impairment of loans to customers

As at 31 December 2023, loans to non-bank customers measured at amortised cost, before allowances amounted to €794 million for the Bank and €798 million for the Group. As at 31 December 2023, allowances for loans totalled €12.15 million for the Bank and €12.25 million for the Group. Loans to non-bank customers made up 55% of the total assets of the Bank and 56% of the total assets of the Group. Management has presented additional information on loan impairments in the accounting part of the Annual Report in paragraphs 4.6 Loans to non-bank customers measured at amortised cost, 3.13 Impairments and 5.1 Credit risk.

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	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

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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

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significant judgements and estimates by management based on the application of complex methods, we considered the 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.

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.

In Stage 1 and 2, impairments on loans to non-bank customers are recognised using complex models and parameters that incorporate significant assumptions and estimates made by management about the probability of default over the life of the loan (PD), the amount of loss given default (LGD) and the identification of significant changes in credit risk, taking into account forward-looking information. As at 31. December 2023, the Bank has recognised gross loans to non-bank customers in Groups 1 and 2 of EUR 781 million (Group EUR 783 million) and impairments totalling EUR 5,63 million (Group EUR 5,7 million).

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.

In Stage 3, as at 31. 12. 2023, the amount of loans to non-bank customers is EUR 13.49 million (Group EUR 14.19 million). As at the reporting date, the Bank has recognised impairments totalling EUR 6.52 million and the Group impairments totalling

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 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 2023, 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

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EUR 6.55 million, representing 54% of the total amount of impairments on loans to non-bank customers at the Bank and 53% of the total amount of impairments impairments on loans to non-bank customers at the Group.

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.

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 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 those charged with governance 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

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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.

Those charged with governance are 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 we exercise professional judgement and maintain professional scepticism 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 and the 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 entities 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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

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outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements on content of auditor's report in compliance with regulation (EU) no. 537/2014 of the European parliament and of the council

Consistence with the Additional Report to the Audit Committee

We confirm that the auditor's opinion included in this auditor's report is consistent with the Additional report to the Audit Committee.

Prohibited services

We confirm that we have not performed any of the services referred to in Article 5(1)(5) of Regulation 537/2014 on behalf of the Bank and the Group and that the audit firm has complied with the independence requirements for the audit.

Other services provided by the audit firm

The audit firm did not provide any services to the Bank and its subsidiaries other than the audit of the financial statements, other than those disclosed in the annual report.

Appointment of the audit firm and the responsible Certified Auditor

The audit firm MAZARS d.o.o. was appointed by the General Meeting of the Bank on 31 May 2023 and the audit contract was signed by the Chairman of the Supervisory Board on 1 August 2023. The contract was concluded for a period of 3 years. The statutory audits of the Company's financial statements have been carried out on a continuous basis since 1 August 2019.

On behalf of MAZARS d.o.o., the key audit partner is M. Sc. Teja Burja.

Ljubljana, April 15, 2024

MAZARS, audit company, d.o.o.

M. Sc. Teja Burja
Certified Auditor

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I. Financial statements as at 31 December 2023

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

in EUR thousand

Code	Items	Note	Group DBS		DBS d. d.	
			1-12 2023	1-12 2022	1-12 2023	1-12 2022
1	Interest income		51,221	19,698	50,245	19,083
2	Interest expense		(3,049)	(901)	(3,049)	(901)
3	**Net interest income** (1 + 2)	3.1.	**48,172**	**18,797**	**47,196**	**18,182**
4	Dividends	3.2.	12	33	12	33
5	Fee (commission) income		10,422	10,505	10,460	10,554
6	Fee (commission) expense		(2,095)	(1,753)	(2,089)	(1,746)
7	**Net fee (commission) income** (5 + 6)	3.3.	**8,327**	**8,752**	**8,371**	**8,808**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	3.4.	240	7	240	7
9	Net gains/losses on financial assets and liabilities held for trading	3.5.	141	202	141	202
10	Foreign exchange translation	3.6.	(1)	2	1	3
11	Net gains/losses on derecognition of assets	3.7.	300	527	300	524
12	Other net operating gains/losses	3.8.	1,407	1,736	1,415	1,495
13	Administrative expenses	3.9.	(24,887)	(19,488)	(24,421)	(19,122)
14	Cash contributions to resolution funds and deposit guarantee schemes	3.10.	(2,119)	(1,717)	(2,119)	(1,717)
15	Depreciation and amortisation	3.11.	(1,429)	(1,290)	(1,409)	(1,257)
16	Provisions	3.12.	(825)	(249)	(797)	(232)
17	Impairment charge	3.13.	(1,350)	1,023	(1,154)	1,351
18	Net gains/losses from non-current assets held for sale and related liabilities	3.14.	9	19	0	0
19	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + sum (7 to 18))		**27,997**	**8,354**	**27,776**	**8,277**
20	Income tax	3.15.	(3,493)	(897)	(3,466)	(895)
21	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (19 + 20)		**24,504**	**7,457**	**24,310**	**7,382**
23	**PROFIT/LOSS FOR THE YEAR (21)**		**24,504**	**7,457**	**24,310**	**7,382**
	a) Attributable to owners of the parent		24,504	7,457	24,310	7,382

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

in EUR thousand

Code	Items	Note	Group DBS		DBS d. d.	
			1-12 2023	1-12 2022	1-12 2023	1-12 2022
1	**PROFIT/LOSS FOR THE YEAR AFTER TAX**		**24,504**	**7,457**	**24,310**	**7,382**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3)		**63**	**191**	**66**	**186**
3	**ITEMS NOT TO BE RECLASSIFIED TO PROFIT/LOSS** (3.1. + 3.2 + 3.3)		**63**	**191**	**66**	**186**
3.1	Actuarial gains/losses on defined benefit pension plans	4.25.	(39)	273	(36)	268
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	119	(74)	119	(74)
3.3	Income tax relating to components of items not be reclassified to profit or loss		(17)	(8)	(17)	(8)
4	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX** (1 + 2)		**24,567**	**7,648**	**24,376**	**7,568**
	a) Attributable to owners of the parent		24,567	7,648	24,376	7,568

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

in EUR thousand

			Group DBS		DBS d. d.	
Code	Items	Note	2023	2022	2023	2022
1	Cash, balances at central banks, and sight deposits at banks	4.1.	369,419	219,421	369,419	219,421
2	Financial assets held for trading	4.2.	122	91	122	91
3	Financial assets measured at fair value through other comprehensive income	4.3.	2,822	2,714	2,822	2,714
4	Financial assets measured at amortised cost		1,010,728	935,891	1,007,437	932,190
	- Debt securities	4.4.	221,607	171,450	221,607	171,450
	- Loans and advances to banks	4.5.	1,208	1,189	1,208	1,189
	- Loans and advances to customers	4.6.	785,253	761,187	782,066	757,563
	- Other financial assets	4.7.	2,660	2,065	2,556	1,988
5	Long-term equity participation in subsidiaries, associates and joint ventures	4.8.	0	0	5,243	5,243
6	Tangible assets		26,113	27,538	24,881	26,225
	- Property, plant and equipment	4.9.	11,512	10,709	11,390	10,600
	- Investment property	4.10.	14,601	16,829	13,491	15,625
7	Intangible assets	4.11.	1,049	857	976	774
8	Income tax assets	4.12.	3,082	2,679	3,081	2,679
	- Current tax assets		1	0	0	0
	- Deferred tax assets		3,081	2,679	3,081	2,679
9	Other assets	4.13.	1,154	1,203	521	676
10	Non-current assets held for sale, and discontinued operations	4.14.	0	181	0	0
11	**TOTAL ASSETS** (from 1 to 10)		**1,414,489**	**1,190,575**	**1,414,502**	**1,190,013**
12	Financial liabilities held for trading	4.15.	31	22	31	22
13	Financial liabilities measured at amortised cost		1,307,855	1,108,934	1,308,619	1,108,984
	- Deposits by banks and central banks	4.16.	258	55	258	55
	- Deposits by customers	4.17.	1,302,122	1,105,101	1,302,905	1,105,162
	- Other financial liabilities	4.18.	5,475	3,778	5,456	3,767
14	Provisions	4.20.	2,449	1,913	2,385	1,880
15	Income tax liabilities	4.21.	3,381	187	3,354	186
	- Current tax liabilities		3,380	186	3,353	185
	- Deferred tax liabilities		1	1	1	1
16	Other liabilities	4.22.	2,464	2,161	2,208	1,763
17	**TOTAL LIABILITIES** (from 12 to 16)		**1,316,180**	**1,113,217**	**1,316,597**	**1,112,835**
18	Share capital	4.23.	17,811	17,811	17,811	17,811
19	Share premium	4.24.	31,257	31,257	31,257	31,257
20	Accumulated other comprehensive income	4.25.	(256)	(316)	(261)	(323)
21	Revenue reserves	4.26.	37,554	21,763	37,554	21,763
22	Treasury shares	4.27.	(601)	(601)	(601)	(601)
23	Retained earnings (including profit/loss for the year)	4.28.	12,544	7,444	12,145	7,271
24	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 18 to 23)		**98,309**	**77,358**	**97,905**	**77,178**
25	TOTAL EQUITY (24)		98,309	77,358	97,905	77,178
26	**TOTAL EQUITY AND LIABILITIES** (17 + 25)		**1,414,489**	**1,190,575**	**1,414,502**	**1,190,013**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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**	**(316)**	**21,763**	**7,444**	**(601)**	**77,358**	**77,358**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(316)**	**21,763**	**7,444**	**(601)**	**77,358**	**77,358**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**63**	**0**	**24,504**	**0**	**24,567**	**24,567**
4	Dividends paid (accounted)	0	0	0	0	(3,636)	0	**(3,636)**	**(3,636)**
5	Allocation of net profit to revenue reserves	0	0	0	15,791	(15,791)	0	**0**	**0**
6	Other transfers among components of equity*	0	0	(3)	0	3	0	**0**	**0**
7	Other*	0	0	0	0	20	0	**20**	**20**
8	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6 + 7)	**17,811**	**31,257**	**(256)**	**37,554**	**12,544**	**(601)**	**98,309**	**98,309**

* Losses through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023

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**	**(323)**	**21,763**	**7,271**	**(601)**	**77,178**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(323)**	**21,763**	**7,271**	**(601)**	**77,178**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**66**	**0**	**24,310**	**0**	**24,376**
4	Dividends paid (accounted)	0	0	0	0	(3,636)	0	**(3,636)**
5	Allocation of net profit to revenue reserves	0	0	0	15,791	(15,791)	0	**0**
6	Other transfers among components of equity*	0	0	(4)	0	4	0	**0**
7	Other*	0	0	0	0	(13)	0	**(13)**
8	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6 + 7)	**17,811**	**31,257**	**(261)**	**37,554**	**12,145**	**(601)**	**97,905**
9	**ACCUMULATED PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**12,145**	**0**	**12,145**

* Losses through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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**

* Izgube preko DVD.

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

in EUR thousand

		Group DBS		DBS d. d.	
Code	**Items**	**2023**	**2022**	**2023**	**2022**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
	Interest received	**42,903**	**17,654**	**41,975**	**17,066**
	Interest paid	(1,449)	(1,071)	(1,449)	(1,071)
	Dividends received	12	33	12	33
	Fee and commission received	10,324	10,507	10,363	10,556
	Fee and commission paid	(2,095)	(1,753)	(2,090)	(1,746)
	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	336	75	336	75
	Realised losses on financial assets and liabilities not measured at fair value through profit or loss	(25)	(31)	(25)	(31)
	Net trading income	120	196	120	196
	Cash payments to employees and suppliers	(24,593)	(19,160)	(24,143)	(18,764)
	Other income	1,396	1,813	1,403	1,571
	Other expenses	(2,301)	(1,943)	(2,295)	(1,936)
a)	**Cash flows from operating activities before changes in operating assets and liabilities**	**24,628**	**6,320**	**24,207**	**5,949**
b)	**(Increases)/decreases in operating assets (no cash equivalents)**	**(19,243)**	**(27,641)**	**(19,503)**	**(26,629)**
	Net (increase)/decrease in financial assets held for trading	(7)	4,747	(7)	4,747
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	3	405	3	405
	Net (increase)/decrease in loans and other financial assets measured at amortised cost	(18,599)	(31,345)	(18,972)	(30,672)
	Net (increase)/decrease in non-current assets held for sale	37	(17)	0	0
	Net (increase)/decrease in other assets	(677)	(1,431)	(527)	(1,109)
c)	**Increases/(decreases) in operating liabilities**	**196,635**	**35,535**	**197,290**	**34,963**
	Net increase/(decrease) in trading liabilities	3	(4,788)	3	(4,788)
	Net increase/(decrease) in deposits and borrowings measured at amortised cost	195,007	39,602	195,923	39,245
	Net (increase)/decrease in other liabilities	1,625	721	1,364	506
d)	**Cash flows from operating activities** (a + b + c)	**202,020**	**14,214**	**201,994**	**14,283**
e)	**Income taxes (paid)/received**	**(717)**	**(769)**	**(716)**	**(770)**
f)	**Net cash from operating activities** (d + e)	**201,303**	**13,445**	**201,278**	**13,513**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
a)	**Investing inflows**	**44,378**	**48,362**	**44,378**	**48,282**
	Proceeds from disposal of property, plant and equipment, and investment property	1,274	2,174	1,274	2,094
	Proceeds from disposal of associates, joint ventures and subsidiaries	130	0	130	0
	Proceeds from disposal of investments in debt securities measured at amortised cost	42,974	46,188	42,974	46,188
b)	**Investing outflows**	**(92,193)**	**(49,457)**	**(92,169)**	**(49,445)**
	(Purchase of property, plant and equipment, and investment property)	(1,647)	(747)	(1,625)	(747)
	(Purchase of intangible long-term assets)	(339)	(324)	(337)	(312)
	(Purchase of debt securities measured at amortised cost)	(90,207)	(48,386)	(90,207)	(48,386)
c)	**Net cash from investing activities** (a + b)	**(47,815)**	**(1,095)**	**(47,791)**	**(1,163)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
a)	**Outflows from financing activities**	**(3,636)**	**(5,718)**	**(3,636)**	**(5,718)**
	(Dividends paid)	(3,636)	(2,418)	(3,636)	(2,418)
	(Repayment of subordinated liabilities)	0	(3,300)	0	(3,300)
b)	**Net cash from financing activities** (a)	**(3,636)**	**(5,718)**	**(3,636)**	**(5,718)**
D.	**Effects of exchange rates on cash and cash equivalents**	**69**	**116**	**69**	**116**
E.	**Net increase in cash and cash equivalents** (Af + Bc + Cb)	**149,852**	**6,632**	**149,851**	**6,632**
F.	**Opening balance of cash and cash equivalents** (Note 4.1. b)	**219,422**	**212,674**	**219,422**	**212,674**
G.	**Closing balance of cash and cash equivalents** (D + E + F) (Note 4.1. b)	**369,343**	**219,422**	**369,342**	**219,422**

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.

BANK MANAGEMENT BOARD:

Member of the
Management Board
Andraž Grum, PhD

Member of the
Management Board
Barbara Cerovšek
Zupančič, MSc

President of the
Management Board
Jure Kvaternik

Ljubljana, 5 April 2024

II. Notes to financial statements for 2023

1. GENERAL INFORMATION

The Deželna banka Slovenije Group (Group) consists of Deželna banka Slovenije d. d. (the Bank) and its subsidiaries DBS Leasing d. o. o. (hereinafter: DBS Leasing) and DBS Nepremičnine d. o. o. (hereinafter: DBS Nepremičnine). Real estate company DBS Adria d. o. o. (hereinafter: DBS Adria) was sold in 2023.

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.

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 2023, the consumer price index was up 4.2% (2022: 10.3%). 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 2023, 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

Standards and amendments effective from 1 January 2023

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, entered into force as at 1 January 2023:

- **IFRS 17 - Insurance Contracts** IFRS 17 introduced an internationally harmonized accounting approach for insurance contracts. Prior to the adoption of IFRS 17, there was considerable diversity in the accounting and disclosure of insurance contracts around the world, with IFRS 4 allowing continued use of many previous accounting approaches (which were not IFRS compliant). IFRS 17 will bring significant changes for many insurance companies, which will require adjustments to existing systems and processes. The new standard is based on the view that insurance contracts combine the characteristics of a financial instrument and a service contract, and that many generate cash flows that change significantly over time.
- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):** In February 2021, the IASB issued Amendments to IAS 1, which change the disclosure requirements related to accounting policies, namely from "significant accounting policies" to "material accounting policy information". The amendments provide guidance on when information about accounting policies is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As the IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been set for the Amendments to IFRS Practice Statement 2.
- **Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors):** In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates in IAS 8. It also clarified that the effects of a change in an input or a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors. The amendments to IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12):** In May 2021, the IASB issued amendments to IAS 12, which clarify whether an exemption from initial recognition applies to those transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease under IFRS 16). The amendments introduce an additional rule for exemption from initial recognition according to IAS 12.15, according to which the exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
- **International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12):** In December 2021, the Organization for Economic Co-operation and Development (OECD) published the document Tax Challenges Arising from the Digitalisation of the Economy - Global Anti-Base Erosion Rules (Pillar Two): The Inclusive Framework on BEPS (Pillar Two Model Rules). In March 2022, the OECD released the Commentary and illustrative Examples that further explain the application and operation of the rules and clarify the meaning of certain terms. Stakeholders have raised concerns with the IASB about the potential implications for income tax accounting, in particular the accounting for deferred taxes, arising from Pillar Two Model Rules. In response to stakeholder concerns, on 23 May 2023, the IASB issued the final Amendments to the International Tax Reform – Pillar Two Model Rules. The amendments introduce a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two Model Rules. They also set out additional disclosure requirements relating to an entity's exposure to Pillar Two income tax.

The standards, amendments and Interpretations effective from 1 January 2023 did not lead to significant changes in 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:

- **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16):** The amendments introduce a requirement that the seller-lessee must determine "lease payments" or "adjusted lease payments" in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

New standards and amendments to valid 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 valid standards:

- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1):** In January 2020, the IASB issued Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, which were additionally partially amended by Non-current Liabilities with Covenants issued in October 2022. The Amendments require that an entity's right to defer settlement of a liability by at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. The classification of liabilities is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability by at least twelve months after the reporting period. Due to the COVID-19 pandemic, the IASB delayed the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.
- **Amendment - Non-current Liabilities with Covenants (Amendments to IAS 1):** After the publication of the Amendments to IAS 1 Classification of Liabilities as Current or Non-current, the IASB additionally amended IAS 1 in October 2022. If an entity's right to deferral is subject to certain conditions being met, such conditions affect whether that right exists at the end of the reporting period, whether the entity is required to comply with the condition at or before the end of the reporting period, but not whether the entity is required to comply with conditions after the end of the reporting period. The amendments also clarify the meaning of the term 'settlement' for the purpose of classifying liabilities as current or non-current.
- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7):** On 25 May 2023, the IASB issued the document Supplier Finance Arrangements, which amends IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendments). These amendments were made as a result of a submission received by the IFRS Interpretations Committee, which relates to the presentation of liabilities and related cash flows arising from supplier finance arrangements and related disclosures. In response to this feedback, the IASB conducted a narrow-scope standard-setting project, which led to amendments. These require entities to provide specific disclosures (qualitative and quantitative) about supplier finance arrangements. The amendments also provide guidance on the nature of supplier finance arrangements.
- **Lack of Exchangeability (Amendments to IAS 21):** On 15 August 2023, the IASB issued the Lack of Exchangeability document, which amends IAS 21 The Effects of Changes in Foreign Exchange Rates. The changes were made as a result of a submission received by the IFRS Interpretations Committee about the determination of the exchange rate when there is a long-term lack of exchangeability. Before the amendments, IAS 21 did not include explicit requirements on the exchange rate when a currency is exchangeable into another currency, which resulted in diversity in practice. The amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. An entity must estimate the spot exchange rate if it determines that a currency is not exchangeable into another currency. The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

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.

2.2. Consolidation

Subsidiaries have been fully consolidated from the day the Bank gained control over them. The Groups' consolidated statements do not include the intra-group transactions, unrealised gains and losses and intra-group balances at the reporting date 31 December 2023. 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.

(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 2023, the Group operates 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, fee and commission, 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 recognised 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 instruments at fair value trough 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.	
	2023 %	2022 %	2023 %	2022 %
Buildings	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Computer equipment	12.5-50	12.5-30.0	12.5-30.0	12.5-30.0
Software	10.0-100.0	10.0-33.3	10.0-100.0	10.0-33.3
Motor vehicles	20.0	20.0	20.0	20.0
Other equipment	10.0-50.0	9.4-50.0	10.0-50.0	10.0-50.0
Property lease right	0.83-100.0	0.83-100.0	0.83-100.0	0.83-100.0

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.	
	2023	2022	2023	2022
(a) Depreciation costs for right-of-use assets:	444	424	444	424
Business premises	444	424	444	424
(b) Interest expense on lease liability	28	26	28	26
(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)	14	13	14	13
(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))	18	3	18	3
(e) Income from subleasing right-of-use assets	2	2	2	2
(f) Total cash outflow for leases	443	403	443	403
(g) Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset:	2,012	1,991	2,012	1,991
Business premises	2,012	1,991	2,012	1,991

(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 (2022: 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 4.30. 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.	
	2023	2022	2023	2022
Interest income				
Debt securities measured at amortised cost	2,747	987	2,747	987
Loans to banks	18	9	18	9
Loans to customers	38,073	17,132	38,431	17,272
Financial leasing	1,334	755	0	0
Other financial assets	9,049	815	9,049	815
TOTAL	**51,221**	**19.698**	**50,245**	**19,083**
Interest expense				
Deposits by customers	2,886	98	2,886	98
Subordinated deposits and loans	120	223	120	223
Other financial liabilities	28	26	28	26
Interest in relation to financial assets with a negative interest rate	15	554	15	554
TOTAL	**3,049**	**901**	**3,049**	**901**
NET INTEREST INCOME	**48,172**	**18,797**	**47,196**	**18,182**

In 2023, the Group realised higher net interest by EUR 29,375 thousand and the Bank by EUR 29,014 thousand. In 2023, the Group recognized EUR 28 thousand of interest expenses from the right of use (2022: EUR 26 thousand) and the Bank EUR 28 thousand (2022: EUR 26 thousand).

3.2. Dividends

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Dividends on financial assets held for trading (Note 4.2. a)	3	5	3	5
Dividends on financial assets measured at fair value through other comprehensive income (Note 4.3. b)	9	28	9	28
TOTAL	**12**	**33**	**12**	**33**

3.3. Fee and commission income and expense

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Fee and commission income				
Payment transactions	5,429	5,298	5,429	5,298
Agency services	133	116	126	111
Administrative services	4,289	4,533	4,221	4,478
Guarantees issued	243	193	243	193
Securities trading	0	1	0	1
Credit operations	320	342	329	351
Services to subsidiaries	0	0	104	100
Foreign exchange transactions	8	22	8	22
TOTAL	**10,422**	**10,505**	**10,460**	**10,554**
Fee and commission expense				
Banking services	673	578	673	578
Securities trading	103	67	103	67
Payment transactions	1,294	1,084	1,294	1,084
Other services	25	24	19	17
TOTAL	**2,095**	**1,753**	**2,089**	**1,746**
NET FEE AND COMMISSION INCOME	**8,327**	**8,752**	**8,371**	**8,808**

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.	
	2023	2022	2023	2022
Realised gains/losses from financial assets measured at amortised cost	**260**	**25**	**260**	**25**
Gains from financial assets measured at amortised cost	264	25	264	25
Losses from financial assets measured at amortised cost	4	0	4	0
Realised net gains/losses from financial liabilities measured at amortised cost	**(20)**	**(18)**	**(20)**	**(18)**
Gains from financial liabilities measured at amortised cost	5	3	5	3
Losses from financial liabilities measured at amortised cost	25	21	25	21
REALISED GAINS/LOSSES	**240**	**7**	**240**	**7**

In 2023, the Group realised net profits in the amount of EUR 240 thousand (2022: EUR 7 thousand), and the Bank EUR 240 thousand (2022: EUR 7 thousand).

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Net gains/losses from trading in equity instruments	21	(8)	21	(8)
Net gains/losses from foreign exchange trading	120	210	120	210
TOTAL	**141**	**202**	**141**	**202**

3.6. Foreign exchange translation

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Positive translation differences	2,054	2,682	2,057	2,686
Negative translation differences	2,055	2,680	2,056	2,683
TOTAL	**(1)**	**2**	**1**	**3**

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Gains				
- Derecognition of property, plant and equipment	9	7	9	3
- Derecognition of investment property	295	567	295	567
- Derecognition of other assets	0	5	0	6
TOTAL	**304**	**579**	**304**	**576**
Losses				
- Derecognition of property, plant and equipment	3	6	3	6
- Derecognition of investment property	1	46	1	46
TOTAL	**4**	**52**	**4**	**52**
TOTAL NET GAINS/LOSSES	**300**	**527**	**300**	**524**

3.8. Other net operating gains/losses

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Gains				
Income from non-banking services	27	58	27	58
Leases and rents (Note 4.10.)	789	777	806	792
Other:	624	978	615	721
- Insurance fee	308	268	308	268
- Grants and subsidies	71	54	71	54
- Fees for ATM	52	45	52	45
- Exemption from contributions	39	34	39	34
- Claims for damages	5	12	5	12
- Numizmatics fee	56	32	55	32
- From court conciliation	40	0	40	0
- Compensation for inability to use denationalisation property (Municipality of Celje)	0	198	0	198
- Revenue from interest on late payments	0	213	0	1
- Other income*	53	122	45	77
TOTAL	**1,440**	**1,813**	**1,448**	**1,571**
Losses				
Expenses from investment property provided to a lessee under an operating lease	0	9	0	9
Other operating expenses:	33	68	33	67
- Penalties	15	34	15	34
- Closing of leases	1	19	1	19
- Other losses	17	15	17	14
TOTAL	**33**	**77**	**33**	**76**
OTHER NET OPERATING GAINS/LOSSES	**1,407**	**1,736**	**1,415**	**1,495**

* Other operating gains: income from lease terminations, legal costs received, sales and other income.

3.9. Administrative expenses

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Employee benefits cost				
Gross wages	12,966	9,913	12,730	9,736
Social security contributions	935	713	918	700
Pension insurance contributions	1,150	879	1,130	862
Other contributions depending on gross wages	3	5	3	5
Severance pays and compensations	166	76	166	76
Perfomance bonuses	386	360	386	360
Other labour costs	2,183	1,771	2,131	1,724
TOTAL	**17,789**	**13,717**	**17,464**	**13,463**
Overhead and administrative expenses				
Costs of material	853	621	845	612
Costs of services	6,078	4,991	5,951	4.893
Other operating costs	167	159	161	154
TOTAL	**7,098**	**5,771**	**6,957**	**5,659**
TOTAL	**24,887**	**19,488**	**24,421**	**19,122**

The costs of severance pays and compensations in 2023 comprised EUR 166 thousand of severance pays (2022: EUR 76 thousand), of which EUR 126 thousand were severance pays for business reasons (2022: EUR 71 thousand).

The Group's and the Bank's administrative expenses in the year 2023 were higher by EUR 5,399 thousand and EUR 5,299 thousand respectively, mainly due to higher labour costs.

The Group's and the Bank's costs of services for 2023 include costs of the audit of the annual report amounting to EUR 68 thousand, of which EUR 62 thousand for the audited statements of the Bank, and EUR 6 thousand for the audited consolidated statements (2022: EUR 56 thousand).

The Bank paid EUR 3 thousand for additional agreed assurance processes and EUR 8 thousand for other non-audit services (2022: a total of EUR 8 thousand).

3.10. Cash contributions to resolution funds and deposit guarantee schemes

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Compensation for BS resolution tasks	18	10	18	10
Other operating expenses	2,101	1,707	2,101	1,707
- Deposit guarantee scheme	2,056	1,662	2,056	1,662
- Contribution to the bank resolution fund	45	45	45	45
TOTAL	**2,119**	**1,717**	**2,119**	**1,717**

3.11. Depreciation and amortisation

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Property, plant and equipment (Note 4.9.)	838	742	830	720
Right-of-use - property (Note 4.9.)	444	424	444	424
Intangible assets (Note 4.11.)	147	124	135	113
TOTAL	**1,429**	**1,290**	**1,409**	**1,257**

In 2023, the Group recognized EUR 444 thousand (2022: EUR 424 thousand) of depreciation and amortization expenses from the right of use and the Bank EUR 444 thousand (2022: EUR 424 thousand).

3.12. Provisions

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Net provisions for off-balance sheet liabilities (Note 4.20. a and e)	**397**	**(6)**	**397**	**(6)**
Expenses for created provisions	745	362	745	362
Income from released provisions	348	368	348	368
Net other provisions	**428**	**255**	**400**	**238**
Net provisions for pensions and other employee benefits (Note 4.20. b and c)	**165**	**42**	**161**	**40**
Expenses for created provisions	165	68	161	66
Income from released provisions	0	26	0	26
Net provisions for tax suits and other pending legal cases	**0**	**47**	**0**	**47**
Expenses for created provisions (Note 4.20. d)	0	47	0	47
Net provisions for other provisions (Note 4.20. f)	**263**	**166**	**239**	**151**
Expenses for created provisions	266	316	239	301
Income from released provisions	3	150	0	150
NET PROVISIONS	**825**	**249**	**797**	**232**

Provisions for off-balance sheet contingent liabilities and other provisions totalled EUR 825 thousand of net income for the Group and EUR 797 thousand of net income for the Bank. The bank disclosed EUR 397 thousand of net expenses from the formation of provisions for off-balance sheet contingent liabilities. In addition, the Bank made a net provision of EUR 161 thousand for long-service awards and severance payments, and a provision of EUR 239 thousand for the reimbursement of the proportional share of the costs of consumer loans that were repaid early between 31 May 2018 and 30 April 2023.

3.13. Impairment charge

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Net impairments of financial assets not measured at fair value through profit or loss	**85**	**(1,756)**	**(17)**	**(1,540)**
Net impairments of debt securities	**13**	**86**	**13**	**86**
Impairments of debt securities	131	322	131	322
Reversal of impairments on debt securities	118	236	118	236
Net impairments of loans	**72**	**(1,842)**	**(30)**	**(1,626)**
Impairments of loans	8,737	5,752	8,658	5,740
Reversal of loan impairments	8,665	7,594	8,688	7,366
Net impairments of equity investments in subsidiaries (Note 4.8.)	**0**	**0**	**0**	**(439)**
Impairment of equity investments in subsidiaries	0	0	0	3
Reversal of impairment of equity investments in subsidiaries	0	0	0	442
Net impairments of other assets	**1,265**	**733**	**1,171**	**628**
Net impairments (revaluations) of investment property (Note 4.10. b)	**1,235**	**733**	**1,141**	**628**
Impairment (revaluation) of investment property	1,282	775	1,188	670
Reversal of investment property impairments (revaluations)	47	42	47	42
Net impairments (revaluations) of other assets	**30**	**0**	**30**	**0**
Impairments (revaluations) of property inventories (Note 4.13. b)	30	0	30	0
NET IMPAIRMENTS	**1,350**	**(1,023)**	**1,154**	**(1,351)**

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Gains on non-current assets held for sale	9	19	0	0
TOTAL	**9**	**19**	**0**	**0**

3.15. Tax

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Income tax	3,911	580	3,884	579
Deferred tax (Note 4.21. d)	(418)	317	(418)	316
TOTAL	**3,493**	**897**	**3,466**	**895**
Profit/loss before tax	27,936	8,354	27,776	8,277
Tax under the 19% tax rate	5,308	1,587	5,277	1,573
Non-taxable income	(481)	(197)	(459)	(140)
Non-deductible expense	171	343	110	298
Tax reliefs	(1,505)	(836)	(1,462)	(836)
TOTAL	**3,493**	**897**	**3,466**	**895**
Effective tax rate (in %)	13	11	12	11

* 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.

3.16. 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.	
	2023	2022	2023	2022
Net profit (in EUR thousand)	24,504	7,457	24,310	7,382
Comprehensive income after tax (in EUR thousand)	24,567	7,648	24,376	7,568
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)	5.79	1.76	5.74	1.74
Comprehensive income per share after tax (in EUR per share)	5.81	1.81	5.76	1.79

Basic EPS of the Group in 2023 amounts to EUR 5.79 (2022: EUR 1.76). The after-tax comprehensive income per share is EUR 5.81 (2022: EUR 1.81). The weighted average number of issued ordinary shares recorded in the KDD central securities register for 2023, with treasury shares deducted, was 4,231,682 (2022: 4,231,682).

Basic EPS of the Bank in 2023 amounts to EUR 5.74 (2022: EUR 1.74). The after-tax comprehensive income per share is EUR 5.76 (2022: EUR 1.79). The weighted average number of issued ordinary shares recorded in the KDD central securities register for 2023, with treasury shares deducted, was 4,231,682 (2022: 4,231,682).

The share book value of the Bank and the Group as at 31 December 2023 was EUR 23.136229 (31 December 2022: EUR 18.238097). 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.	
	2023	2022	2023	2022
Cash				
Cash	7,771	6,549	7,771	6,549
Bank balances at central bank	358,997	210,154	358,997	210,154
Sight deposits at banks	2,688	2,740	2,688	2,740
Revaluation allowance	(37)	(22)	(37)	(22)
TOTAL (Note 4.1. b)	**369,419**	**219,421**	**369,419**	**219,421**

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 2023 to 31 December 2023 amounted to EUR 11,364 thousand on average.

Minimum reserves bore interest at the deposit facility rate up to the amount of the liability from 21 December 2022 to 19 September 2023, and from 20 September 2023 onwards at 0% (from 21 Dec 2022 to 19 Sep 2023 2.00%; from 8 Feb 2023 to 21 Mar 2023 2.50%; from 22 Mar 2023 to 9 May 2023 3.00%; from 10 May 2023 to 20 Jun 2023 3.25%; from 21 Jun 2023 to 1 Aug 2023 3.50%; from 2 Aug 2023 to 19 Sep 2023 3.75%).

From 30 October 2019 to 13 September 2022, the two-step interest rate on excess reserves was applied (based on the Governing Council Decision of 12 September 2019). The average excess reserves were not subject to interest up to 6 times the calculated minimum reserves (i.e. the exempted part of the excess reserves), while the remainder was subject to the deposit facility rate. 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 2023	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2023
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	219,422	69	149,852	369,343
TOTAL	**219,422**	**69**	**149,852**	**369,343**

DBS d. d.

	As at 1 January 2023	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2023
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	219,422	69	149,851	369,342
TOTAL	**219,422**	**69**	**149,851**	**369,342**

4.2. Financial assets held for trading

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Equities (Note 3.2.)	91	70	91	70
Loans held for trading	31	21	31	21
TOTAL	**122**	**91**	**122**	**91**

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

b) Movements

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Equities				
As at 1 January	70	44	70	44
- Acquisition	0	82	0	82
- Sale	0	(48)	0	(48)
- Revaluation	21	(8)	21	(8)
- Margin	0	0	0	0
As at 31 December	**91**	**70**	**91**	**70**
Loans				
As at 1 January	21	4,815	21	4,815
- Increase	33,028	37,221	33,028	37,221
- Foreign exchange differences	4	(16)	4	(16)
- Sale	(33,022)	(41,999)	(33,022)	(41,999)
As at 31 December	**31**	**21**	**31**	**21**
TOTAL	**122**	**91**	**122**	**91**

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

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Equities				
Equity investments	2,822	2,714	2,822	2,714
Bank resolution fund	2,689	2,577	2,689	2,577
Other equity investments	133	137	133	137
TOTAL	**2,822**	**2,714**	**2,822**	**2,714**

In 2023, the Bank increased its position of investments into securities measured at fair value through other comprehensive income by EUR 113 thousand, which was due to revaluation. The Bank Resolution Fund balance was up EUR 112 thousand to EUR 2,689 thousand in 2023 (2022: EUR 2,577 thousand).

b) Movements

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	2,714	3,118	2,714	3,118
Sale	(5)	(331)	(5)	(331)
Revaluation	113	(73)	113	(73)
As at 31 December	**2,822**	**2,714**	**2,822**	**2,714**

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.	
	2023	2022	2023	2022
Equity instruments				
Equity investments				
- Bank resolution fund	2,689	2,577	2,689	2,577
- Total other equity investments	133	137	133	137
Bankart d. o. o.	33	33	33	33
Las MDD z. b. o.	1	1	1	1
LP Invest d. d. (previous Marles d. d., Limbuš)	9	13	9	13
Elektro Ljubljana d. d.	88	88	88	88
Zadružna zveza Slovenije, z. o. o.	2	2	2	2
TOTAL	**2,822**	**2,714**	**2,822**	**2,714**

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 2023, the Group sold part of its equity investment in MRLR (issuer: formerly Marles d. d., now LP Invest d. d.). The Group received a dividend of EUR 9 thousand from Bankart d. o. o. (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.

2023	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
LP INVEST d. d. (previous MARLES d. d.)	5	4	5	4
TOTAL	**5**	**4**	**5**	**4**

4.4. Debt securities measured at amortised cost

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Long-term bank debt securities	6,681	6,177	6,681	6,177
Long-term government debt securities	210,736	162,919	210,736	162,919
Long-term debt securities issued by non-financial institutions	1,921	917	1,921	917
Long-term debt securities issued by other financial institutions	2,402	1,557	2,402	1,557
Revaluation allowance	(133)	(120)	(133)	(120)
TOTAL	**221,607**	**171,450**	**221,607**	**171,450**

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.	
	2023	2022	2023	2022
As at 1 January	171,450	169,109	171,450	169,109
Purchases	93,136	60,384	93,136	60,384
Maturities	(43,132)	(58,278)	(43,132)	(58,278)
Foreign exchange translation	166	310	166	310
Revaluation allowance	(13)	(75)	(13)	(75)
As at 31 December	**221,607**	**171,450**	**221,607**	**171,450**

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

a) Breakdown according to type

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Loans to domestic banks	0	0	0	0
Loans to foreign banks	1,208	1,189	1,208	1,189
TOTAL	**1,208**	**1,189**	**1,208**	**1,189**

b) Breakdown according to maturity

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Short-term loans	1,208	1,189	1,208	1,189
Long-term loans	0	0	0	0
TOTAL	**1,208**	**1,189**	**1,208**	**1,189**

Loans and advances to banks with the original maturity of up to three months, in the amount of EUR 1,208 thousand (2022: EUR 1,189 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.	
	2023	2022	2023	2022
Loans and advances	757,235	741,047	772,013	753,221
Financial lease	19,271	16,250	0	0
Working capital loans	20,996	18,751	22,199	19,202
Revaluation allowance	(12,249)	(14,861)	(12,146)	(14,860)
TOTAL	**785,253**	**761,187**	**782,066**	**757,563**

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.	
	2023	2022	2023	2022
Gross financial lease receivables				
Past due up to 1 year	2,012	1,056	-	-
Past due from 1 to 5 years	10,018	8,166	-	-
Past due over 5 years	7,241	7,028	-	-
TOTAL	**19,271**	**16,250**	**-**	**-**
Revaluation allowance	(426)	(270)	-	-
Net financial lease receivables	**18,845**	**15,980**	**-**	**-**

4.7. Other financial assets

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Trade receivables	396	444	291	365
Interest receivable	71	53	72	53
Fee and commission due	223	122	223	122
Other receivables	2,210	1,689	2,204	1,685
Other prepayments and deferred income	2	2	0	0
Revaluation allowance	(242)	(245)	(234)	(237)
TOTAL	**2,660**	**2,065**	**2,556**	**1,988**

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.	
	2023	2022	2023	2022
Long-term equity investments in other domestic financial institutions				
As at 1 January	0	0	3,720	3,278
Reversal of impairment	0	0	0	442
As at 31 December	**0**	**0**	**3,720**	**3,720**
Long-term equity investments in domestic non-financial institutions				
As at 1 January	0	0	1,523	1,526
Impairments	0	0	0	3
As at 31 December	**0**	**0**	**1,523**	**1,523**
Long-term equity investments in foreign non-financial institutions				
As at 1 January	0	0	0	0
Reversal of impairment	18	0	18	0
Disposal	(18)	0	(18)	0
As at 31 December	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**5,243**	**5,243**

Equity investments in subsidiaries totalled EUR 5,243 thousand at the end of 2023 and remained unchanged throughout 2023. At the end of 2023, the investment in the subsidiary DBS Leasing amounted to EUR 3,720 thousand and in the subsidiary DBS Nepremičnine EUR 1,523 thousand. The capital investment in a foreign subsidiary, DBS Adria, amounting to EUR 18 thousand, which was 100-% impaired, was sold in 2023.

4.9. Property, plant and equipment

Group DBS

2023	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 2022	12,902	3,640	9,496	56	19	26,113
Increases	0	0	0	0	1,650	1,650
Transfer from PPE under construction	10	480	657	206	(1,353)	0
Decreases	0	(1,519)	(750)	(48)	0	(2,317)
As at 31 December 2023	12,912	2,601	9,403	214	316	25,446
Revaluation allowance						
As at 1 January 2023	5,895	3,200	8,281	19	0	17,395
Decreases	0	(1,517)	(748)	(23)	0	(2,288)
Depreciation and amortisation	340	224	247	28	0	839
As at 31 December 2023	6,235	1,907	7,780	24	0	15,946
Net carrying value						
As at 1 January 2023	7,007	440	1,215	37	19	8,718
As at 31 December 2023	6,677	694	1,623	190	316	9,500
Lease rights						
Cost						
As at 31 December 2022	2,398	0	0	0	0	2,398
Increases - new lease rights	1,179	0	0	0	0	1,179
Decreases - end of lease rights	(81)	0	0	0	0	(81)
Decreases	(962)	0	0	0	0	(962)
As at 31 December 2023	2,534	0	0	0	0	2,534
Revaluation allowance						0
As at 1 January 2023	407	0	0	0	0	407
Decreases - end of lease rights	(11)	0	0	0	0	(11)
Decreases	(318)	0	0	0	0	(318)
Depreciation from lease rights	444	0	0	0	0	444
As at 31 December 2023	522	0	0	0	0	522
Net carrying value						0
As at 1 January 2023	1,991	0	0	0	0	1,991
As at 31 December 2023	2,012	0	0	0	0	2,012
Net carrying value total						
As at 1 January 2023	8,998	440	1,215	37	19	10,709
As at 31 December 2023	8,689	694	1,623	190	316	11,512

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

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 2022	12,902	3,640	9,496	56	19	26,113
Revaluation allowance						
As at 1 January 2022	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 2022	5,895	3,200	8,281	19	0	17,395
Net carrying value						
As at 1 January 2022	7,344	316	926	95	114	8,795
As at 31 December 2022	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 2022	2,398	0	0	0	0	2,398
Revaluation allowance						
As at 1 January 2022	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 2022	407	0	0	0	0	407
Net carrying value						
As at 1 January 2022	1,785	0	0	0	0	1,785
As at 31 December 2022	1,991	0	0	0	0	1,991
Net carrying value total						
As at 1 January 2022	9,129	316	926	95	114	10,580
As at 31 December 2022	8,998	440	1,215	37	19	10,709

DBS d. d.

2023	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 2022	12,902	3,618	9,285	56	19	25,880
Increases	0	0	0	0	1,628	1,628
Transfer from PPE under construction	10	478	656	187	(1,331)	0
Decreases	0	(1,519)	(750)	(48)	0	(2,317)
As at 31 December 2023	12,912	2,577	9,191	195	316	25,191
Revaluation allowance						
As at 1 January 2023	5,895	3,183	8,174	19	0	17,271
Decreases	0	(1,517)	(748)	(23)	0	(2,288)
Depreciation and amortisation	340	223	239	28	0	830
As at 31 December 2023	6,235	1,889	7,665	24	0	15,813
Net carrying value						
As at 1 January 2023	7,007	435	1,111	37	19	8,609
As at 31 December 2023	6,677	688	1,526	171	316	9,378
Lease rights						
Cost						
As at 31 December 2022	2,398	0	0	0	0	2,398
Increases - new lease rights	1,179	0	0	0	0	1,179
Decreases - end of lease rights	(81)	0	0	0	0	(81)
Decreases	(962)	0	0	0	0	(962)
As at 31 December 2023	2,534	0	0	0	0	2,534
Revaluation allowance						
As at 1 January 2023	407	0	0	0	0	407
Decreases - end of lease rights	(11)	0	0	0	0	(11)
Decreases	(318)	0	0	0	0	(318)
Depreciation and amortisation	444	0	0	0	0	444
As at 31 December 2023	522	0	0	0	0	522
Net carrying value						
As at 1 January 2023	1,991	0	0	0	0	1,991
As at 31 December 2023	2,012	0	0	0	0	2,012
Net carrying value total						
As at 1 January 2023	8,998	435	1,111	37	19	10,600
As at 31 December 2023	8,689	688	1,526	171	316	11,390

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

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 2022	12,902	3,618	9,285	56	19	25,880
Revaluation allowance						
As at 1 January 2022	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 2022	5,895	3,183	8,174	19	0	17,271
Net carrying value						
As at 1 January 2022	7,344	311	816	18	114	8,603
As at 31 December 2022	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 2022	2,398	0	0	0	0	2,398
Revaluation allowance						
As at 1 January 2022	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 2022	407	0	0	0	0	407
Net carrying value						
As at 1 January 2022	1,785	0	0	0	0	1,785
As at 31 December 2022	1,991	0	0	0	0	1,991
Net carrying value total						
As at 1 January 2022	9,129	311	816	18	114	10,388
As at 31 December 2022	8,998	435	1,111	37	19	10,600

4.10. Investment property

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Long-term investments into investment property				
- Land	5,139	5,870	4,029	4,666
- Buildings	9,462	10,959	9,462	10,959
TOTAL	**14,601**	**16,829**	**13,491**	**15,625**

b) Movements

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	16,829	18,820	15,625	17,511
Increase	1	215	1	215
Transferred from inventories	53	82	53	82
Decrease	(1,341)	(2,111)	(1,341)	(2,111)
Reversal of impairment (revaluations) (Note 3.13.)	47	42	47	42
Impairments (revaluations) (Note 3.13.)	(1,282)	(775)	(1,188)	(670)
Losses upon derecognition	(1)	(11)	(1)	(11)
Income upon derecognition	295	567	295	567
As at 31 December	**14,601**	**16,829**	**13,491**	**15,625**

Lease contracts may be terminated during the lease period. The Group recorded EUR 1,282 thousand worth of impairment charges against investment property in 2023 (2022: EUR 775 thousand) (Note 3.13). The Group has no pledged investment property.

Investment property is categorised into Level 3 of the fair value hierarchy. The fair value of investment properties 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

	2023			2022		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,963	33	3,996	3,637	38	3,675
Increases	0	339	339	12	312	324
Decreases	0	0	0	(3)	0	(3)
Transfer from intangible assets under construction	107	(107)	0	317	(317)	0
As at 31 December	4,070	265	4,335	3,963	33	3,996
Revaluation allowance						
As at 1 January	3,139	0	3,139	3,018	0	3,018
Depreciation and amortisation	147	0	147	124	0	124
Decreases	0	0	0	(3)	0	(3)
As at 31 December	3,286	0	3,286	3,139	0	3,139
As at 1 January	**824**	**33**	**857**	**619**	**38**	**657**
As at 31 December	**784**	**265**	**1,049**	**824**	**33**	**857**

The Group 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.

DBS d. d.

	2023			2022		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,663	33	3,696	3,349	38	3,387
Increases	0	337	337	0	312	312
Decreases	0	0	0	(3)	0	(3)
Transfer from PPE under construction	105	(105)	0	317	(317)	0
As at 31 December	3,768	265	4,033	3,663	33	3,696
Revaluation allowance						
As at 1 January	2,922	0	2,922	2,813	0	2,813
Depreciation and amortisation	135	0	135	112	0	112
Decreases	0	0	0	(3)	0	(3)
As at 31 December	3,057	0	3,057	2,922	0	2,922
As at 1 January	**741**	**33**	**774**	**536**	**38**	**574**
As at 31 December	**711**	**265**	**976**	**741**	**33**	**774**

The Bank 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.

4.12. Corporate income tax assets

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Tax assets	1	0	0	0
Deferred tax assets (Note 4.21. b)	3,081	2,679	3,081	2,679
TOTAL	**3,082**	**2,679**	**3,081**	**2,679**

As at 31 December 2023, the Group discloses EUR 1 thousand of tax assets (2022: EUR 0 thousand). In 2023, the Bank made monthly advance payments for corporate income tax of EUR 36 thousand due to the positive tax base 2022.

4.13. Other assets

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
VAT refund receivables for the tax period	0	16	0	0
Accrued and short-term deferred costs	209	218	200	209
Long-term deferred operating costs	28	26	28	26
Materials inventory	22	34	22	34
Property inventory (Note 4.13. b)	119	159	104	144
Equipment inventory	0	30	0	30
Stock of coins held for sale	164	161	163	161
Advances receivable - construction works	0	55	0	55
Advances to suppliers for operating current assets	609	503	2	16
Consideration receivable	76	0	76	0
Other	2	1	1	1
Revaluation allowance	(75)	0	(75)	0
TOTAL	**1,154**	**1,203**	**521**	**676**

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.	
	2023	2022	2023	2022
As at 1 January	159	97	144	82
Increase	13	144	13	144
Transferred to investment property	(53)	(82)	(53)	(82)
As at 31 December (Note 4.13. a)	**119**	**159**	**104**	**144**

The Bank recorded no impairment charges against property inventories in 2023 (2022: EUR 0 thousand).

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Property, plant and equipment held for sale	0	181	0	0
TOTAL	**0**	**181**	**0**	**0**

The item Property, plant and equipment of the Group for 2022 includes property held for sale of the subsidiary DBS Adria. This was sold in 2023.

4.15. Financial liabilities held for trading

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Other trading liabilities	31	22	31	22
TOTAL	**31**	**22**	**31**	**22**

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.	
	2023	2022	2023	2022
Sight deposits by banks	258	55	258	55
TOTAL	**258**	**55**	**258**	**55**

4.17. Deposits by customers

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Sight deposits	966,866	1,026,807	967,649	1,026,868
Short-term deposits	202,414	30,425	202,414	30,425
Long-term deposits	132,842	47,869	132,842	47,869
TOTAL	**1,302,122**	**1,105,101**	**1,302,905**	**1,105,162**

Long-term deposits also include deposits with characteristics of the Bank's subordinated liabilities (Note 4.19.).

4.18. Other financial liabilities

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Suppliers	727	585	715	579
Lease liabilities	2,008	1,961	2,008	1,961
Other liabilities	1,649	224	1,642	220
Charges being collected	156	197	156	197
Accrued costs	424	338	424	337
Accrued expenses	390	317	390	317
Other long-term liabilities	5	5	5	5
Other	116	151	116	151
TOTAL	**5,475**	**3,778**	**5,456**	**3,767**

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

4.19. Subordinated liabilities

a) Breakdown by statement of financial position item

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Deposits by customers - long-term deposits (Note 4.17)	2,120	2,120	2,120	2,120
TOTAL	**2,120**	**2,120**	**2,120**	**2,120**

b) Breakdown by sector

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Subordinated liabilities				
- to other financial institutions	2,120	2,120	2,120	2,120
TOTAL	**2,120**	**2,120**	**2,120**	**2,120**

	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.

4.20. Provisions

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Provisions for pensions and similar payables to employees (Note 4.20. b and c)	1,512	1,389	1,488	1,371
Provisions for off-balance sheet liabilities (Note 4.20. e)	557	161	557	161
Group 1	132	108	132	108
Group 2	385	40	385	40
Group 3	40	13	40	13
Provisions for pending legal cases (Note 4.20. d)	0	47	0	47
Other provisions (Note 4.20. f)	380	316	340	301
TOTAL	**2,449**	**1,913**	**2,385**	**1,880**

b) Provisions for pensions and similar payables to employees

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Provisions for severance pays	1,410	1,269	1,391	1,254
Provisions for long-service awards	102	120	97	117
TOTAL (Note 4.20. a)	**1,512**	**1,389**	**1,488**	**1,371**

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 2.5% in 2024 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 4.5% 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.

A sensitivity analysis of the significant actuarial assumptions for the Bank as at 31 December 2023 is presented in the table below.

					DBS d. d. 2023
Assumption	Variance	Description	Total	Severance pay	Long-service awards
Basic scenario	0.00%	Total	1,488	1,317	171
Discount IR	-0.50%	Total	1,547	1,371	176
		Difference	(59)	(54)	(5)
	0.50%	Total	1,433	1,267	166
		Difference	55	50	5
Wage growth	-0.50%	Total	1,431	1,265	166
		Difference	57	52	5
	0.50%	Total	1,548	1,372	176
		Difference	(60)	(55)	(5)
Duration			**8.0**	**8.2**	**6.1**

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	1,389	1,695	1,371	1,672
Provisions made during the year	218	65	212	65
Provisions released	0	(269)	0	(265)
Provisions utilised during the year	(95)	(102)	(95)	(101)
As at 31 December (Note 4.20. b)	**1,512**	**1,389**	**1,488**	**1,371**

The Group's recalculated payables to employees total EUR 1,512 thousand, for which, as at 31 December 2023, we had to form additional provisions of EUR 218 thousand. The increase in liabilities in the amount of EUR 165 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 53 thousand and eliminated (Note 4.25.).

The Bank's recalculated payables to employees total EUR 1,488 thousand, for which provisions of EUR 212 thousand had to be formed as at 31 December 2023. The increase in liabilities in the amount of EUR 162 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 50 thousand (Note 4.25.).

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	47	0	47	0
Provisions made during the year	(47)	47	(47)	47
As at 31 December (Note 4.20. a)	**0**	**47**	**0**	**47**

e) Movements in provisions for commitments and guarantees given

Group DBS	2023				2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	108	40	13	161	97	39	30	166
Transferred to Group 1	25	(25)	0	0	46	(46)	0	0
Transferred to Group 2	(32)	40	(8)	0	(4)	9	(5)	0
Transferred to Group 3	(3)	(5)	8	0	0	(1)	1	0
Enhancements through issuing and acquisition	57	4	1	62	5	6	3	14
Decreases through derecognition	(6)	(2)	(3)	(11)	(11)	(18)	(26)	(55)
Changes due to change in credit risk (net)	(17)	333	29	345	(25)	51	10	36
As at 31 December	**132**	**385**	**40**	**557**	**108**	**40**	**13**	**161**

DBS d. d.	2023				2022			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	108	40	13	161	98	39	30	167
Transferred to Group 1	25	(25)	0	0	46	(46)	0	0
Transferred to Group 2	(32)	40	(8)	0	(4)	9	(5)	0
Transferred to Group 3	(3)	(5)	8	0	0	(1)	1	0
Enhancements through issuing and acquisition	57	4	1	62	5	6	3	14
Decreases through derecognition	(6)	(2)	(3)	(11)	(11)	(18)	(26)	(55)
Changes due to change in credit risk (net)	(17)	333	29	345	(26)	51	10	35
As at 31 December	**132**	**385**	**40**	**557**	**108**	**40**	**13**	**161**

f) Movements in other provisions

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	316	195	301	195
Provisions created during the year	267	316	239	301
Provisions released during the year	0	(195)	0	(195)
Provisions utilised during the year	(203)	0	(200)	0
As at 31 December (Note 4.20. a)	**380**	**316**	**340**	**301**

4.21. Tax liabilities

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Current tax liabilities	3,380	186	3,353	185
Deferred tax liabilities	1	1	1	1
TOTAL	**3,381**	**187**	**3,354**	**186**

Pursuant to the Corporate Income Tax Act (ZDDPO-2), the corporate income tax payable for 2023, applying the 19% tax rate, amounts to EUR 3,381 thousand for the Group and EUR 3,354 thousand the Bank.

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
1. Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	1	1	1	1
TOTAL	**1**	**1**	**1**	**1**
2. Deferred tax assets				
Provisions for severance pays and long-service awards	129	107	129	107
Impairment of securities	36	51	36	51
Impairment of equity participation	2,916	2,521	2,916	2,521
TOTAL (Note 4.12.)	**3,081**	**2,679**	**3,081**	**2,679**
Net deferred tax (2 - 1)	**3,080**	**2,678**	**3,080**	**2,678**

The outstanding tax loss of the Group totals EUR 12,817 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 6,410 thousand, impairments of deferred tax assets totalling EUR 3,329 thousand.

In 2023, the Bank fully utilised the outstanding tax loss from previous years. Deferred tax assets were formed in the total amount of EUR 3,590 thousand and their adjustments in the amount of EUR 509 thousand. Long-term deferred tax assets in the amount of EUR 1 thousand were formed under the enhancement of equity securities.

c) Movements in deferred taxes

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	2,678	3,029	2,678	3,029
Financial assets measured at fair value through other comprehensive income	0	6	0	6
Impairment of securities	(15)	(118)	(15)	(118)
Impairment of equity participation	395	(84)	395	(84)
Provisions for severance pays and long-service awards	22	(43)	22	(43)
Tax loss	0	(112)	0	(112)
As at 31 December	**3,080**	**2,678**	**3,080**	**2,678**

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

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Other provisions	17	(21)	17	(20)
Tax loss	0	(112)	0	(112)
Impairment of equity participation	395	(83)	395	(83)
Impairment of securities	6	(101)	6	(101)
TOTAL (Note 3.15.)	**418**	**(317)**	**418**	**(316)**

Deferred tax assets and liabilities for 2023 were calculated using the increased tax rate of 22%, which is expected to apply in the period a particular receivable is collected. The increased corporate income tax rate is in line with the Act on Reconstruction, Development and Provision of Funds (ZORZFS), adopted in December 2023, and applies to the periods 2024-2028 when the Bank's result will also be affected by the future tax on total assets, which, according to an estimation under the 2024 Plan, will reduce the corporate income tax base in that year by EUR 2,287 thousand.

4.22. Other liabilities

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Accruals	138	156	35	59
Payments received in advance	169	239	48	34
Taxes payable	283	338	273	259
Wages and salaries	753	638	738	627
Taxes and contributions	391	306	383	300
Accrued costs	730	484	731	484
TOTAL	**2,464**	**2,161**	**2,208**	**1,763**

4.23. Share capital

a) Breakdown

	Group DBS		DBS d. d.	
	No. of ordinary shares	Subscribed value	No. of ordinary shares	Subscribed value
As at 31 December 2022/1 January 2023	4,268,248	17,811	4,268,248	17,811
As at 31 December 2023	**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 2023, the Bank's share capital totals EUR 17,811,083.54.

b) Shareholders with over 5% of share capital

		2023
		DBS d. d.
Shareholder	No. of shares	Stake inshareholders' equity in KDD
KD Group d. d.	1,021,866	24.002
Kapitalska zadruga, z. b. o.	894,158	21.002
Prva Pokojninska družba, d. d.*	668,338	15.698
Skupina Prva d. d.	422,557	9.925
Banca Popolare di Cividale S.C.p.A.	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 2023, 204 shareholders of Deželna banka Slovenije d. d. were recorded in the KDD central securities register (2022: 206), of which 95 were domestic legal entities, 104 domestic individuals, 2 foreign legal entities, and 3 fiduciary accounts held abroad. The number of the Bank's shareholders decreased by 2 in 2023.

4.24. Share premium

		Group DBS		DBS d. d.
	2023	2022	2023	2022
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 2023 and 31 December 2022, the share premium comprises payments in excess of the par value of paid-in shares (paid-in surplus).

4.25. Accumulated other comprehensive income

a) Breakdown

		Group DBS		DBS d. d.
	2023	2022	2023	2022
As at 1 January	**(316)**	**(616)**	**(323)**	**(618)**
Items not to be reclassified to profit or loss	**60**	**300**	**62**	**295**
Actuarial gains/losses on defined benefit pension plans	(38)	273	(36)	268
Changes in the fair value of investments into equity instruments measured at fair value through other comprehensive income (Note 4.3. b)	115	61	115	61
Income tax relating to components of items not be reclassified to profit or loss	(17)	(34)	(17)	(34)
As at 31 December	**(256)**	**(316)**	**(261)**	**(323)**

Items not reclassified in the income statement refer to the actuarial deficit for severance pays upon retirement (Note 4.20. b) and the surplus from the change in the fair value of investments in equity instruments.

b) Movements

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
As at 1 January	(316)	(616)	(323)	(618)
Increase in actuarial deficit for severance pays	(47)	(23)	(45)	(23)
Decrease in actuarial deficit for severance pays	14	273	14	268
Changes in the fair value of securities measured at fair value through other comprehensive income	97	(59)	97	(59)
Sale of securities measured at fair value through other comprehensive income	(4)	109	(4)	109
As at 31 December	**(256)**	**(316)**	**(261)**	**(323)**

4.26. Revenue reserves

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Reserves for treasury shares	601	601	601	601
Reserves under Statutes	1,924	1,924	1,924	1,924
Other revenue reserves	35,029	19,238	35,029	19,238
TOTAL	**37,554**	**21,763**	**37,554**	**21,763**

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

b) Reserves for treasury shares

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
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.	
	2023	2022	2023	2022
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.	
	2023	2022	2023	2022
As at 1 January	19,238	16,820	19,238	16,820
Appropriation based on the decision of the General Meeting	3,636	2,418	3,636	2,418
Transferred from net profit	12,155	0	12,155	0
As at 31 December	**35,029**	**19,238**	**35,029**	**19,238**

4.27. Treasury shares

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
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.

4.28. Retained earnings (including net profit/loss for financial year

a) Breakdown

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Net profit for the year	12,311	7,223	12,155	7,382
Retained earnings	233	221	(10)	(111)
TOTAL	**12,544**	**7,444**	**12,145**	**7,271**

b) Distributable profit

	DBS d. d.	
	2023	2022
Net profit for the year	24,310	7,382
Retained net profit/ net loss	(10)	(111)
Increase in other profit reserves following a decision by the Management Board	12,155	0
DISTRIBUTABLE PROFIT	**12,145**	**7,271**

The Bank's distributable profit of the financial year 2023, amounting to EUR 12,145 thousand, remains undistributed. Its distribution will be decided by the General Meeting.

4.29. Off-balance sheet liabilities

a) Breakdown by type of contingent liabilities and commitments

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Guarantees	23,163	19,975	23,162	19,975
Commitments to extend credit	59,381	63,650	60,382	64,199
TOTAL	**82,544**	**83,625**	**83,544**	**84,174**
Provisions (Note 4.20. a and e)	(557)	(161)	(557)	(161)

4.30. Fiduciary activities

The Group manages assets in the total amount of EUR 267 thousand (2022: EUR 529 thousand) on behalf of and for the accounts of third parties. Assets under management are accounted for separately from the Group's assets. For acting as agent in the sale of numismatic coins, the Group charged fees in the amount of EUR 23 thousand in 2023 (2022: EUR 17 thousand).

Other agency services

The Group's item Other agency services includes EUR 267 thousand from intermediation in concluding credit transactions for the customers' account (2022: EUR 529 thousand).

4.31. 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Loans and deposits														
As at 1 January	6	6	130	104	2	7	3,091	1,904	0	0	5	5	37	7
Increase	1	3	471	120	1	0	8,491	13,089	0	0	0	0	418	42
Decrease	(2)	(3)	(272)	(94)	(2)	(5)	(10,294)	(11,902)	0	0	0	0	(231)	(12)
As at 31 December	5	6	329	130	1	2	1,288	3,091	0	0	5	5	224	37
Interest income	0	0	8	1	0	0	73	66	0	0	0	0	5	0
Revaluation allowance	0	0	1	0	0	0	98	126	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	333	269	554	630	43	30	461	1,150	2,627	2,140	217	188	533	86
Increase	1,169	4,080	2,444	1,685	162	73	34,028	13,040	1,217	833	583	548	898	693
Decrease	(1,312)	(4,016)	(2,243)	(1,761)	(107)	(60)	(1,193)	(13,729)	(1,339)	(346)	(603)	(519)	(1,259)	(246)
As at 31 December	190	333	755	554	98	43	33,296	461	2,505	2,627	197	217	172	533
Interest expense	0	0	0	0	0	0	36	0	123	120	0	0	0	0
Guarantees issued	0	0	0	0	0	0	0	700	0	0	0	0	0	0
Fee and commission received	0	0	2	2	0	0	16	67	1	1	0	0	1	1
Fee and commission expense	0	0	0	0	0	0	0	458	0	0	0	0	0	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	2	2	0	0	0	0	0	0
Increase	0	0	0	0	0	0	3	23	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(5)	(23)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	0	2	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	4	23	0	0	0	0	0	0
Other income	0	0	6	7	0	0	0	4	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	82	76	0	0	0	0	0	0
Other expenses	0	0	3	3	0	0	799	339	0	0	0	0	0	0

* Only the Bank's qualified shareholders are included.

DBS d. d.

	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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Loans and deposits placed														
As at 1 January	6	6	70	32	1	1	3,091	1,904	0	0	5	5	37	7
Increase	1	3	471	121	1	0	8,491	13,089	0	0	0	0	418	42
Decrease	(2)	(3)	(260)	(83)	(1)	0	(10,294)	(11,902)	0	0	0	0	(231)	(12)
As at 31 December	5	6	281	70	1	1	1,288	3,091	0	0	5	5	224	37
Interest income	0	0	7	1	0	0	73	66	0	0	0	0	5	0
Revaluation allowance	0	0	1	0	0	0	98	126	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	333	269	554	630	43	30	461	1,150	2,627	2,140	217	188	533	86
Increase	1,169	4,080	2,444	1,685	162	73	34,028	13,040	1,217	833	583	548	898	693
Decrease	(1,312)	(4,016)	(2,243)	(1,761)	(107)	(60)	(1,193)	(13,729)	(1,339)	(346)	(603)	(519)	(1,259)	(246)
As at 31 December	190	333	755	554	98	43	33,296	461	2,505	2,627	197	217	172	533
Interest expense	0	0	0	0	0	0	36	0	123	120	0	0	0	0
Guarantees issued	0	0	0	0	0	0	0	700	0	0	0	0	0	0
Fee and commission received	0	0	2	2	0	0	16	67	1	1	0	0	1	1
Fee and commission expense	0	0	0	0	0	0	0	458	0	0	0	0	0	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	2	2	0	0	0	0	0	0
Increase	0	0	0	0	0	0	3	23	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(5)	(23)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	0	2	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	4	23	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	4	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	82	75	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	793	332	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	
	2023	2022	2023	2022	2023	2022
Loans and deposits placed						
As at 1 January	13,599	11,683	0	0	0	0
Increase	22,004	13,801	0	0	0	0
Decrease	(18,134)	(11,885)	0	0	0	0
As at 31 December	17,469	13,599	0	0	0	0
Interest income	336	113	0	0	0	0
Revaluation allowance	330	276	0	0	0	0
Deposits and borrowings						
As at 1 January	61	446	0	0	0	0
Increase	9,887	7,509	0	0	0	0
Decrease	(9,166)	(7,894)	0	0	0	0
As at 31 December	782	61	0	0	0	0
Fee and commission received	157	146	0	0	0	0
Full operational lease granted						
As at 1 January	0	0	0	0	0	0
Increase	17	15	0	0	0	0
Decrease	(17)	(15)	0	0	0	0
As at 31 December	0	0	0	0	0	0
Lease income	17	15	0	0	0	0
Other receivables	1	1	0	0	0	0
Other income	0	9	0	0	0	0
Other expenses	9	0	0	0	0	0

* DBS Adria was included in 2022, but not in 2023.

c) Remuneration of Senior Management

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Wages and other short-term benefits	1,904	1,479	1,842	1,431
Variable remuneration	300	204	290	200
Variable remuneration - severance pays	84	0	84	0
TOTAL	**2,288**	**1,683**	**2,216**	**1,631**

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 290 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 924 shares (0.022% of share capital) as at 31 December 2023, and 1,023 shares (0.024% of share capital) as at 31 December 2022.

d) Remuneration of Supervisory Board members and members of its Committees

	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Wages and other short-term benefits	79	89	79	89
TOTAL	**79**	**89**	**79**	**89**

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 2023

	Group DBS							DBS d. d.						
	Fixed remuneration				Variable remuneration			Fixed remuneration				Variable remuneration		
Position/ Remuneration type	Fixed remuneration	Cost reimbursement	Supplement pension insurance	Total	Variable remuneration	Other payments	Total	Fixed remuneration	Cost reimbursement	Supplement pension insurance	Total	Variable remuneration	Other payments	Total
Management Board of the Bank	491	3	6	500	113	21	134	491	3	6	500	113	21	134
Supervisory Board of the Bank	77	2	0	79	0	0	0	77	2	0	79	0	0	0
Senior management in subsidiaries	58	3	1	62	10	0	10	-	-	-	-	-	-	-
TOTAL	**626**	**8**	**7**	**641**	**123**	**21**	**144**	**568**	**5**	**6**	**579**	**113**	**21**	**134**

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 defined 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 2023

Group DBS

Position/Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**25**	**1,713**	**317**	**63**	**45**	**2,138**

DBS d. d.

Position/Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**23**	**1,655**	**308**	**60**	**43**	**2,066**

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).

4.32. 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 2023, a total of EUR 317 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 operational part of the Annual Report of the Deželna banka Slovenije Group for 2023 in Chapter VI.4, which is published on the Bank's website www.dbs.si.

4.33. Events after the end of the 2023 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-Liability Committee and a 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 how much the Group is exposed to risks in its business activities 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, floods and other natural disasters, 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. It also 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 2023, 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 2023 and updated if necessary.

Under Directive 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013EU (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.

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. It has a system of limits in place to limit market risk, whereas the relevant committees, board and organisational units participate in the market risk management function 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 apply various changes in the increase in the required return due to an increase in the credit spread and calculate the sensitivity of the economic value of the Bank's equity.

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. This plan includes regular implementation of four liquidity stress scenarios every three months, which scenarios are 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. To determine its structural liquidity position, the Group also calculates liquidity ratios and monitors trends in selected structural liquidity ratios.

In 2023, 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. It 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 every month to members of the Asset-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. If necessary, actions are taken to manage or mitigate risks, as appropriate, 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 time frame 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 approving investments;
- established procedures for 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 2023, 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 2023, 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), 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, five groups of criteria are used with business entities, i.e. selected financial ratios (based on the entity's balance sheet and income statement data), forward-looking information (based on forecasts by the Institute of Macroeconomic Analysis and Development; hereinafter: IMAD), 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	0.64–1.86%
B	B1, B2, B3	B	Medium credit risk	10.95–3.76%
C	C1, C2, C3	C	High credit risk	26.42–29.60%
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	0.64–1.86%
B	B1, B2, B3	B	Medium credit risk	10.95–3.76%
C	C1, C2, C3	C	High credit risk	26.42–29.60%
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 2023 and as at 31 December 2022.

Classification of balance sheet exposures by receivables credit rating and groups as at 31 December 2023 and 31 December 2022 for the Group and the Bank

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	1,195,388	66,704	1	0	1,262,093	987,815	53,006	1	0	1,040,822
Receivable's credit rating B	55,775	36,093	0	0	91,868	63,612	25,284	0	0	88,896
Receivable's credit rating C	854	16,341	9	0	17,204	2,456	11,860	0	0	14,316
Receivable's credit rating D	0	0	228	0	228	0	0	128	0	128
Receivable's credit rating E	0	0	334	0	334	0	0	231	0	231
Receivable's credit rating P	0	0	13,995	0	13,995	0	0	20,362	0	20,362
Gross carrying amount of classified balance sheet exposures	1,252,017	119,138	14,567	0	1,385,722	1,053,883	90,150	20,722	0	1,164,755
Revaluation allowance for classified balance sheet exposures	(2,080)	(3,815)	(6,841)	0	(12,736)	(1,698)	(2,934)	(10,616)	0	(15,248)
Net carrying amount of classified balance sheet exposures	1,249,937	115,323	7,726	0	1,372,986	1,052,185	87,216	10,106	0	1,149,507

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	1,185,291	65,452	1	0	1,250,744	976,265	52,809	1	0	1,029,075
Receivable's credit rating B	67,683	32,836	0	0	100,519	73,867	23,352	0	0	97,219
Receivable's credit rating C	854	15,794	9	0	16,657	2,456	11,513	0	0	13,969
Receivable's credit rating D	0	0	228	0	228	0	0	128	0	128
Receivable's credit rating E	0	0	329	0	329	0	0	226	0	226
Receivable's credit rating P	0	0	13,237	0	13,237	0	0	19,754	0	19,754
Gross carrying amount of classified balance sheet exposures	1,253,828	114,082	13,804	0	1,381,714	1,052,588	87,674	20,109	0	1,160,371
Revaluation allowance for classified balance sheet exposures	(2,293)	(3,529)	(6,804)	0	(12,626)	(1,874)	(2,768)	(10,596)	0	(15,238)
Net carrying amount of classified balance sheet exposures	1,251,535	110,553	7,000	0	1,369,088	1,050,714	84,906	9,513	0	1,145,133

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), discount factor (DF) 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 IMAD's Autumn Forecast of Economic Trends.

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.

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. From August 2023, transition matrices for calculating PD are adjusted according to year-on-year transitions to the default status.

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). 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.			
	2023		2022		2023		2022	
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	89.3	0.1	88.1	0.1	88.7	0.1	87.4	0.1
2. B	8.1	2.3	9.1	2.2	8.7	2.2	9.8	2.1
3. C	1.7	8.5	1.2	9.8	1.7	8.4	1.2	9.7
4. D	0.0	52.8	0.0	48.4	0.0	52.8	0.0	48.4
5. E	0.0	97.0	0.0	98.9	0.0	96.9	0.0	98.9
6. P	1.0	46.1	1.6	50.7	0.9	48.4	1.6	52.2
	100.0	0.9	100.0	1.2	100.0	0.9	100.0	1.2

In 2023, compared to 2022, the total amount of receivables for classification at the Group level increased by 17.6% and the total amount of formed provisions and impairments decreased by 13.7%. At the year-end of 2023, the majority, i.e. 89.3% 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 8.1% of all receivables for classification, and receivables for classification in the credit rating grade of individually impaired customers (P), which represented 1.0% 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 17.7% and the total amount of formed impairments and provisions decreased by 14.4%. At the year-end of 2023, the majority, i.e. 88.7%, 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 8.7% of all receivables for classification, and receivables for classification in the credit rating grade of individually impaired customers (P), which represented 0.9% 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 2023, 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.			
	2023		2022		2023		2022	
	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	1,549	1,208	1,436	1,189	1,549	1,208	1,436	1,189
Impaired	795,953	0	774,807	0	792,663	0	770,987	0
Gross amounts	797,502	1,208	776,243	1,189	794,212	1,208	772,423	1,189
Revaluation allowance for impairments of loans	(12,249)	0	(14,869)	0	(12,146)	0	(14,860)	0
Net amounts	**785,253**	**1,208**	**761,374**	**1,189**	**782,066**	**1,208**	**757,563**	**1,189**

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 2023 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 2023 was up 3% from 2022. The reported impairments of loans and receivables totalled EUR 12,249 thousand (2022: EUR 14,869 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 2023 was up 3% from 2022. The reported impairments of loans and receivables totalled EUR 12,146 thousand (2022: EUR 14,860 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 14,180 thousand (2022: EUR 13,597 thousand).

As opposed to 2022, exposure to micro, small and medium-sized enterprises decreased the most, by 59.1% (by EUR 6,424 thousand). Exposure to large corporate clients increased by 100% (by EUR 5,554 thousand) and exposure to individuals whose receivables were individually impaired increased by 53.3% (by EUR 1,453 thousand).

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

2023	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	4,178	5,554	4,448	0	14,180
- Past due up to 15 days	0	0	2,274	0	2,274
- Past due 16 to 30 days	91	0	0	0	91
- Past due 31 to 90 days	547	0	127	0	674
- Past due over 90 days	3,540	5,554	2,047	0	11,141
Impairment charge	955	3,499	2,146	0	6,600
Fair value of collateral	10,765	837	8,403	0	20,005

* Micro, small and medium enterprises.

2022	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	2,725	0	10,872	0	13,597
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.

DBS d. d.

2023	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	3,532	5,554	4,318	0	13,404
- Past due up to 15 days	0	0	2,254	0	2,254
- Past due 16 to 30 days	91	0	0	0	91
- Past due 31 to 90 days	520	0	108	0	628
- Past due over 90 days	2,921	5,554	1,956	0	10,431
Impairment charge	946	3,499	2,122	0	6,567
Fair value of collateral	9,933	837	8,403	0	19,173

* Micro, small and medium enterprises.

2022	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	2,128	0	10,861	0	12,989
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.

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 2023. 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	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,698	2,934	10,616	0	15,248	1,530	2,701	12,666	0	16,897
Transferred to Group 1	236	(236)	0	0	0	553	(553)	0	0	0
Transferred to Group 2	(311)	558	(247)	0	0	(218)	403	(185)	0	0
Transferred to Group 3	(9)	(416)	425	0	0	(1)	(101)	102	0	0
Enhancements through issuing and acquisition	814	67	182	0	1,063	479	150	122	0	752
Decreases through derecognition	(108)	(131)	(843)	0	(1,082)	(149)	(96)	(1,382)	0	(1,627)
Changes due to change in credit risk (net)	(240)	1,039	146	0	945	(496)	430	176	0	110
Write-downs*	0	0	(3,438)	0	(3,438)	0	0	(883)	0	(883)
As at 31 December	**2,080**	**3,815**	**6,841**	**0**	**12,736**	**1,698**	**2,934**	**10,616**	**0**	**15,248**
Repayments of previous write-downs recorded directly in the income statement	1	0	0	0	1	2	0	0	0	2
Write-downs recorded directly in the income statement	(1)	0	(13)	0	(14)	0	0	(10)	0	(10)

* 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 2023, there were no loans and advances regarding which modification or change effects should be recognised.

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,874	2,768	10,597	0	15,239	1,660	2,578	12,327	0	16,565
Transferred to Group 1	199	(199)	0	0	0	527	(527)	0	0	0
Transferred to Group 2	(260)	465	(205)	0	0	(193)	378	(185)	0	0
Transferred to Group 3	(8)	(345)	353	0	0	(1)	(92)	93	0	0
Enhancements through issuing and acquisition	844	67	182	0	1,093	501	150	122	0	773
Decreases through derecognition	(88)	(120)	(844)	0	(1,052)	(139)	(91)	(1,090)	0	(1,320)
Changes due to change in credit risk (net)	(268)	893	159	0	784	(481)	372	200	0	91
Write-downs*	0	0	(3,438)	0	(3,438)	0	0	(870)	0	(870)
As at 31 December	**2,293**	**3,529**	**6,804**	**0**	**12,626**	**1,874**	**2,768**	**10,597**	**0**	**15,239**
Repayments of previous write-downs recorded directly in the income statement	1	0	0	0	1	2	0	0	0	2
Write-downs recorded directly in the income statement	(1)	0	(13)	0	(14)	0	0	(10)	0	(10)

* 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 2023, 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	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	22	0	0	0	22	2	0	0	0	2
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(11)	11	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	40	0	0	0	40	6	0	0	0	6
Decreases through derecognition	(2)	0	0	0	(2)	0	0	0	0	0
Changes due to change in credit risk (net)	(42)	19	0	0	(23)	14	0	0	0	14
As at 31 December	**7**	**30**	**0**	**0**	**37**	**22**	**0**	**0**	**0**	**22**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	22	0	0	0	22	2	0	0	0	2
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(11)	11	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	40	0	0	0	40	6	0	0	0	6
Decreases through derecognition	(2)	0	0	0	(2)	0	0	0	0	0
Changes due to change in credit risk (net)	(42)	19	0	0	(23)	14	0	0	0	14
As at 31 December	**7**	**30**	**0**	**0**	**37**	**22**	**0**	**0**	**0**	**22**

c) Movements in revaluation allowance for debt securities measured at amortised cost

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	120	0	0	0	120	33	0	0	0	33
Transferred to Group 1	0	0	0	0	0	5	(5)	0	0	0
Transferred to Group 2	0	0	0	0	0	(12)	12	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	78	0	0	0	78	0	0	0	0	0
Decreases through derecognition	(14)	0	0	0	(14)	(9)	0	0	0	(9)
Changes due to change in credit risk (net)	(51)	0	0	0	(51)	103	(7)	0	0	96
As at 31 December	**133**	**0**	**0**	**0**	**133**	**120**	**0**	**0**	**0**	**120**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	120	0	0	0	120	33	0	0	0	33
Transferred to Group 1	0	0	0	0	0	5	(5)	0	0	0
Transferred to Group 2	0	0	0	0	0	(12)	12	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
Enhancements through issuing and acquisition	78	0	0	0	78	0	0	0	0	0
Decreases through derecognition	(14)	0	0	0	(14)	(9)	0	0	0	(9)
Changes due to change in credit risk (net)	(51)	0	0	0	(51)	103	(7)	0	0	96
As at 31 December	**133**	**0**	**0**	**0**	**133**	**120**	**0**	**0**	**0**	**120**

d) Movements in revaluation allowance for loans measured at amortised cost

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,553	2,898	10,418	0	14,869	1,488	2,701	12,483	0	16,672
Transferred to Group 1	236	(236)	0	0	0	548	(548)	0	0	0
Transferred to Group 2	(300)	546	(246)	0	0	(204)	387	(183)	0	0
Transferred to Group 3	(9)	(412)	421	0	0	(1)	(99)	100	0	0
Enhancements through issuing and acquisition	694	67	53	0	814	472	146	23	0	641
Decreases through derecognition	(90)	(128)	(783)	0	(1,001)	(138)	(91)	(1,316)	0	(1,545)
Changes due to change in credit risk (net)	(146)	1,030	111	0	995	(612)	402	157	0	(53)
Write-downs*	0	0	(3,428)	0	(3,428)	0	0	(846)	0	(846)
As at 31 December	**1,938**	**3,765**	**6,546**	**0**	**12,249**	**1,553**	**2,898**	**10,418**	**0**	**14,869**
Repayments of previous write-downs recorded directly in the income statement	1	0	0	0	1	2	0	0	0	2
Write-downs recorded directly in the income statement	(1)	0	(7)	0	(8)	0	0	(10)	0	(10)

* 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.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,729	2,732	10,399	0	14,860	1,618	2,578	12,144	0	16,340
Transferred to Group 1	199	(199)	0	0	0	522	(522)	0	0	0
Transferred to Group 2	(249)	453	(204)	0	0	(179)	362	(183)	0	0
Transferred to Group 3	(8)	(341)	349	0	0	(1)	(90)	91	0	0
Enhancements through issuing and acquisition	724	67	53	0	844	494	146	23	0	663
Decreases through derecognition	(71)	(117)	(782)	0	(970)	(128)	(86)	(1,024)	0	(1,238)
Changes due to change in credit risk (net)	(174)	885	130	0	841	(597)	344	181	0	(72)
Write-downs*	0	0	(3,428)	0	(3,428)	0	0	(833)	0	(833)
As at 31 December	**2,150**	**3,480**	**6,517**	**0**	**12,147**	**1,729**	**2,732**	**10,399**	**0**	**14,860**
Repayments of previous write-downs recorded directly in the income statement	1	0	0	0	1	2	0	0	0	2
Write-downs recorded directly in the income statement	(1)	0	(7)	0	(8)	0	0	(10)	0	(10)

* 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	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	3	36	198	0	237	7	0	183	0	190
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	0	1	(1)	0	0	(2)	4	(2)	0	0
Transferred to Group 3	0	(4)	4	0	0	0	(2)	2	0	0
Enhancements through issuing and acquisition	2	0	54	0	56	1	0	99	0	100
Decreases through derecognition	(2)	(3)	(60)	0	(65)	(2)	(1)	(66)	0	(69)
Changes due to change in credit risk (net)	(1)	(10)	35	0	24	(1)	35	19	0	53
Write-downs*	0	0	(10)	0	(10)	0	0	(37)	0	(37)
As at 31 December	**2**	**20**	**220**	**0**	**242**	**3**	**36**	**198**	**0**	**237**
Write-downs recorded directly in the income statement	0	0	(6)	0	(6)	0	0	0	0	0

* 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.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	3	36	198	0	237	7	0	183	0	190
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	0	1	(1)	0	0	(2)	4	(2)	0	0
Transferred to Group 3	0	(4)	4	0	0	0	(2)	2	0	0
Enhancements through issuing and acquisition	2	0	54	0	56	1	0	99	0	100
Decreases through derecognition	(1)	(3)	(62)	0	(66)	(2)	(1)	(66)	0	(69)
Changes due to change in credit risk (net)	(1)	(11)	29	0	17	(1)	35	19	0	53
Write-downs*	0	0	(10)	0	(10)	0	0	(37)	0	(37)
As at 31 December	**3**	**19**	**212**	**0**	**234**	**3**	**36**	**198**	**0**	**237**
Write-downs recorded directly in the income statement	0	0	(6)	0	(6)	0	0	0	0	0

* 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	2023					2022				
	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	0	75	0	75	0	4	0	0	4
Decreases through derecognition	0	0	0	0	0	0	(4)	0	0	(4)
As at 31 December	**0**	**0**	**75**	**0**	**75**	**0**	**0**	**0**	**0**	**0**

DBS d. d.	2023					2022				
	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	0	75	0	75	0	4	0	0	4
Decreases through derecognition	0	0	0	0	0	0	(4)	0	0	(4)
As at 31 December	**0**	**0**	**75**	**0**	**75**	**0**	**0**	**0**	**0**	**0**

g) Movements in provisions for off-balance sheet commitments and contingent off-balance sheet liabilities

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	108	40	13	0	161	98	39	30	0	167
Transferred to Group 1	25	(25)	0	0	0	46	(46)	0	0	0
Transferred to Group 2	(32)	40	(8)	0	0	(4)	9	(5)	0	0
Transferred to Group 3	(3)	(5)	8	0	0	0	(1)	1	0	0
Enhancements through issuing and acquisition	57	4	1	0	62	5	6	3	0	14
Decreases through derecognition	(6)	(2)	(3)	0	(11)	(11)	(18)	(26)	0	(55)
Changes due to change in credit risk (net)	(17)	333	29	0	345	(26)	51	10	0	35
As at 31 December	**132**	**385**	**40**	**0**	**557**	**108**	**40**	**13**	**0**	**161**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	108	40	13	0	161	98	39	30	0	167
Transferred to Group 1	25	(25)	0	0	0	46	(46)	0	0	0
Transferred to Group 2	(32)	40	(8)	0	0	(4)	9	(5)	0	0
Transferred to Group 3	(3)	(5)	8	0	0	0	(1)	1	0	0
Enhancements through issuing and acquisition	57	4	1	0	62	5	6	3	0	14
Decreases through derecognition	(6)	(2)	(3)	0	(11)	(11)	(18)	(26)	0	(55)
Changes due to change in credit risk (net)	(17)	333	29	0	345	(26)	51	10	0	35
As at 31 December	**132**	**385**	**40**	**0**	**557**	**108**	**40**	**13**	**0**	**161**

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					2023					2022
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,053,883	90,150	20,722	0	1,164,755	1,028,569	66,180	26,635	0	1,121,384
Transferred to Group 1	12.117	(12,117)	0	0	0	21,942	(21,942)	0	0	0
Transferred to Group 2	(41,386)	43,294	(1,908)	0	0	(27,242)	28,132	(890)	0	0
Transferred to Group 3	(380)	(5,154)	5,534	0	0	(99)	(1,686)	1,785	0	0
New recognition of financial assets	3,380,511	18,882	395	0	3,399,788	929,313	46,544	230	0	976,087
Decreases through derecognition	(3,127,511)	(8,390)	(2,296)	0	(3,138,197)	(710,962)	(10,252)	(3,275)	0	(724,489)
Write-downs*	0	0	(3,438)	0	(3,438)	0	0	(869)	0	(869)
Other changes	(25,217)	(7,527)	(4,442)	0	(37,186)	(187,637)	(16,827)	(2,894)	0	(207,358)
As at 31 December	**1,252,017**	**119,138**	**14,567**	**0**	**1,385,722**	**1,053,883**	**90,150**	**20,722**	**0**	**1,164,755**

* 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.					2023					2022
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,052,588	87,674	20,109	0	1,160,371	1,028,173	64,166	25,665	0	1,118,004
Transferred to Group 1	11,211	(11,211)	0	0	0	21,031	(21,031)	0	0	0
Transferred to Group 2	(36,197)	37,715	(1,518)	0	0	(24,902)	25,731	(829)	0	0
Transferred to Group 3	(379)	(4,558)	4,937	0	0	(99)	(1,623)	1,722	0	0
New recognition of financial assets	3,375,077	18,871	395	0	3,394,343	923,253	46,544	190	0	969,987
Decreases through derecognition	(3,125,962)	(8,096)	(2,286)	0	(3,136,344)	(710,206)	(10,002)	(2,957)	0	(723,165)
Write-downs*	0	0	(3,438)	0	(3,438)	0	0	(870)	0	(870)
Other changes	(22,510)	(6,313)	(4,395)	0	(33,218)	(184,661)	(16,111)	(2,812)	0	(203,584)
As at 31 December	**1,253,828**	**114,082**	**13,804**	**0**	**1,381,714**	**1,052,588**	**87,674**	**20,109**	**0**	**1,160,371**

* 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					2023					2022
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	211,858	1,036	0	0	212,894	204,599	1,201	0	0	205,800
Transferred to Group 1	0	0	0	0	0	1,880	(1,880)	0	0	0
Transferred to Group 2	(1,515)	1,515	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	3,186,805	0	0	0	3,186,805	791,349	0	0	0	791,349
Decreases through derecognition	(3,039,909)	(985)	0	0	(3,040,894)	(610,233)	0	0	0	(610,233)
Other changes	1,757	1,122	0	0	2,879	(175,737)	1,715	0	0	(174,022)
As at 31 December	**358,996**	**2,688**	**0**	**0**	**361,684**	**211,858**	**1,036**	**0**	**0**	**212,894**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	211,858	1,036	0	0	212,894	204,599	1,201	0	0	205,800
Transferred to Group 1	0	0	0	0	0	1,880	(1,880)	0	0	0
Transferred to Group 2	(1,515)	1,515	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	3,186,805	0	0	0	3,186,805	791,349	0	0	0	791,349
Decreases through derecognition	(3,039,909)	(985)	0	0	(3,040,894)	(610,233)	0	0	0	(610,233)
Other changes	1,757	1,122	0	0	2,878	(175,737)	1,715	0	0	(174,022)
As at 31 December	**358,996**	**2,688**	**0**	**0**	**361,684**	**211,858**	**1,036**	**0**	**0**	**212,894**

c) Movements in gross value of debt securities measured at amortised cost

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	166,956	4,614	0	0	171,570	160,740	8,402	0	0	169,142
Transferred to Group 1	0	0	0	0	0	2,042	(2,042)	0	0	0
Transferred to Group 2	0	0	0	0	0	(1,160)	1,160	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	86,861	1,372	0	0	88,233	0	0	0	0	0
Decreases through derecognition	(40,158)	(4,632)	0	0	(44,790)	(47,765)	(5,395)	0	0	(53,160)
Other changes	2,977	3,750	0	0	6,727	53,099	2,489	0	0	55,588
As at 31 December	**216,636**	**5,104**	**0**	**0**	**221,740**	**166,956**	**4,614**	**0**	**0**	**171,570**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	166,956	4,614	0	0	171,570	160,740	8,402	0	0	169,142
Transferred to Group 1	0	0	0	0	0	2,042	(2,042)	0	0	0
Transferred to Group 2	0	0	0	0	0	(1,160)	1,160	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	86,861	1,372	0	0	88,233	0	0	0	0	0
Decreases through derecognition	(40,158)	(4,632)	0	0	(44,790)	(47,765)	(5,395)	0	0	(53,160)
Other changes	2,977	3,750	0	0	6,727	53,099	2,489	0	0	55,588
As at 31 December	**216,636**	**5,104**	**0**	**0**	**221,740**	**166,956**	**4,614**	**0**	**0**	**171,570**

d) Movements in gross value of loans measured at amortised cost

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	672,817	84,160	20,447	0	777,424	661,825	56,499	26,265	0	744,590
Transferred to Group 1	12,106	(12,106)	0	0	0	18,010	(18,010)	0	0	0
Transferred to Group 2	(39,667)	41,573	(1,906)	0	0	(25,733)	26,620	(887)	0	0
Transferred to Group 3	(361)	(5,108)	5,469	0	0	(90)	(1,669)	1,759	0	0
New recognition of financial assets	104,508	17,324	226	0	122,058	130,982	45,842	64	0	176,888
Decreases through derecognition	(44,773)	(2,530)	(2,177)	0	(49,480)	(52,031)	(4,070)	(3,024)	0	(59,125)
Write-downs*	0	0	(3,428)	0	(3,428)	0	0	(833)	0	(833)
Other changes	(31,045)	(12,373)	(4,446)	0	(47,864)	(60,147)	(21,052)	(2,897)	0	(84,096)
As at 31 December	**673,585**	**110,940**	**14,185**	**0**	**798,710**	**672,817**	**84,160**	**20,447**	**0**	**777,424**

* 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.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	672,032	81,689	19,891	0	773,612	661,560	54,491	25,389	0	741,440
Transferred to Group 1	11,201	(11,201)	0	0	0	17,099	(17,099)	0	0	0
Transferred to Group 2	(34,491)	36,007	(1,516)	0	0	(23,394)	24,220	(826)	0	0
Transferred to Group 3	(361)	(4,515)	4,876	0	0	(90)	(1,606)	1,696	0	0
New recognition of financial assets	100,516	17,313	226	0	118,055	126,054	45,842	64	0	171,960
Decreases through derecognition	(43,421)	(2,240)	(2,169)	0	(47,830)	(51,367)	(3,838)	(2,802)	0	(58,007)
Write-downs*	0	0	(3,428)	0	(3,428)	0	0	(833)	0	(833)
Other changes	(29,438)	(11,155)	(4,395)	0	(44,988)	(57,830)	(20,321)	(2,797)	0	(80,948)
As at 31 December	**676,038**	**105,898**	**13,485**	**0**	**795,421**	**672,032**	**81,689**	**19,891**	**0**	**773,612**

* 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	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,694	341	275	0	2,310	1,256	76	294	0	1,626
Transferred to Group 1	11	(11)	0	0	0	9	(9)	0	0	0
Transferred to Group 2	(202)	204	(2)	0	0	(349)	352	(3)	0	0
Transferred to Group 3	(19)	(46)	65	0	0	(9)	(17)	26	0	0
New recognition of financial assets	891	182	94	0	1,167	5,821	426	166	0	6,413
Decreases through derecognition	(2,349)	(239)	(119)	0	(2,707)	(811)	(509)	(174)	0	(1,494)
Write-downs*	0	0	(10)	0	(10)	0	0	(36)	0	(36)
Other changes	2,166	(28)	5	0	2,143	(4,223)	22	2	0	(4,199)
As at 31 December	**2,192**	**403**	**308**	**0**	**2,903**	**1,694**	**341**	**275**	**0**	**2,310**

* 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.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	1,671	336	218	0	2,225	1,246	70	200	0	1,516
Transferred to Group 1	10	(10)	0	0	0	9	(9)	0	0	0
Transferred to Group 2	(189)	191	(2)	0	0	(348)	351	(3)	0	0
Transferred to Group 3	(18)	(43)	61	0	0	(9)	(17)	26	0	0
New recognition of financial assets	843	183	93	0	1,119	5,767	426	125	0	6,318
Decreases through derecognition	(2,355)	(236)	(117)	0	(2,708)	(811)	(492)	(79)	0	(1,382)
Write-downs*	0	0	(10)	0	(10)	0	0	(37)	0	(37)
Other changes	2,194	(31)	1	0	2,164	(4,183)	7	(14)	0	(4,190)
As at 31 December	**2,156**	**390**	**244**	**0**	**2,790**	**1,671**	**336**	**218**	**0**	**2,225**

* 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	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	556	1	0	0	557	148	2	76	0	226
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(2)	2	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	1,446	3	75	0	1,524	1,161	276	0	0	1,437
Decreases through derecognition	(322)	(4)	0	0	(326)	(122)	(278)	(76)	0	(476)
Other changes	(1,070)	0	0	0	(1,070)	(630)	0	0	0	(630)
As at 31 December	**608**	**2**	**75**	**0**	**685**	**556**	**1**	**0**	**0**	**557**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	70	1	0	0	71	28	1	77	0	106
Transferred to Group 1	0	0	0	0	0	0	0	0	0	0
Transferred to Group 2	(2)	2	0	0	0	0	0	0	0	0
Transferred to Group 3	0	0	0	0	0	0	0	0	0	0
New recognition of financial assets	52	3	75	0	130	83	277	0	0	360
Decreases through derecognition	(119)	(4)	0	0	(123)	(30)	(277)	(77)	0	(384)
Other changes	1	0	0	0	1	(10)	0	0	0	(10)
As at 31 December	**2**	**2**	**75**	**0**	**79**	**70**	**1**	**0**	**0**	**71**

g) Movements in off-balance sheet commitments and contingent off-balance sheet liabilities

Group DBS	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	76,993	6,565	67	0	83,625	71,595	4,465	77	0	76,137
Transferred to Group 1	2,841	(2,841)	0	0	0	1,524	(1,524)	0	0	0
Transferred to Group 2	(16,679)	16,750	(71)	0	0	(3,685)	3,720	(35)	0	0
Transferred to Group 3	(43)	(244)	287	0	0	(36)	(23)	59	0	0
New recognition of financial assets	36,893	7,325	45	0	44,263	48,963	27,656	21	0	76,640
Decreases through derecognition	(3,812)	(1,927)	(3)	0	(5,742)	(16,326)	(7,687)	(54)	0	(24,067)
Other changes	(29,005)	(10,379)	(218)	0	(39,602)	(25,042)	(20,042)	(1)	0	(45,085)
As at 31 December	**67,188**	**15,249**	**107**	**0**	**82,544**	**76,993**	**6,565**	**67**	**0**	**83,625**

DBS d. d.	2023					2022				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	77,542	6,565	67	0	84,174	72,244	4,465	76	0	76,785
Transferred to Group 1	2,841	(2,841)	0	0	0	1,524	(1,524)	0	0	0
Transferred to Group 2	(16,679)	16,750	(71)	0	0	(3,685)	3,720	(35)	0	0
Transferred to Group 3	(43)	(244)	287	0	0	(36)	(23)	59	0	0
New recognition of financial assets	36,893	7,325	45	0	44,263	48,964	27,656	21	0	76,641
Decreases through derecognition	(3,812)	(1,927)	(4)	0	(5,743)	(16,327)	(7,687)	(53)	0	(24,067)
Other changes	(28,553)	(10,379)	(218)	0	(39,150)	(25,142)	(20,042)	(1)	0	(45,185)
As at 31 December	**68,189**	**15,249**	**106**	**0**	**83,544**	**77,542**	**6,565**	**67**	**0**	**84,174**

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 2023 and 31 December 2022.

Group DBS	2023				2022			
	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	7,292	0	0	7,292	9,614	0	0	9,614
AA+	10,786	0	0	10,786	10,246	0	0	10,246
AA	18,246	0	0	18,246	17,611	0	0	17,611
AA-	96,057	0	0	96,057	101,773	0	0	101,773
A+	5,183	0	0	5,183	2,164	0	0	2,164
A	1,099	0	0	1,099	710	0	0	710
A-	5,835	0	0	5,835	704	0	0	704
BBB+	784	0	0	784	574	0	0	574
BBB	0	0	0	0	0	0	0	0
BBB-	0	0	0	0	0	0	0	0
Unrated	76,325	0	0	76,325	28,054	0	0	28,054
Total	**221,607**	**0**	**0**	**221,607**	**171,450**	**0**	**0**	**171,450**

DBS d. d.	2023				2022			
	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	7,292	0	0	7,292	9,614	0	0	9,614
AA+	10,786	0	0	10,786	10,246	0	0	10,246
AA	18,246	0	0	18,246	17,611	0	0	17,611
AA-	96,057	0	0	96,057	101,773	0	0	101,773
A+	5,183	0	0	5,183	2,164	0	0	2,164
A	1,099	0	0	1,099	710	0	0	710
A-	5,835	0	0	5,835	704	0	0	704
BBB+	784	0	0	784	574	0	0	574
BBB	0	0	0	0	0	0	0	0
BBB-	0	0	0	0	0	0	0	0
Unrated	76,325	0	0	76,325	28,054	0	0	28,054
Total	**221,607**	**0**	**0**	**221,607**	**171,450**	**0**	**0**	**171,450**

Both in 2023 and 2022, the largest proportion of our debts portfolio were Slovene state bonds, which totalled EUR 206.4 million (the year-end of 2022: EUR 158.8 million). Alongside state bonds, the Group's portfolio also included institutions' bonds totalling EUR 7.8 million. The rest of the portfolio in the amount of EUR 7.4 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 2023, the Group acquired no assets through the prescription of the collateral.

	Carrying amount			
	Group DBS		DBS d. d.	
	2023	2022	2023	2022
Property	0	199	0	199
Equipment	0	6	0	6
Total	**0**	**205**	**0**	**205**

5.1.8. Breakdown of all exposure classes according to remaining maturity: up to 1 year and over 1 year

The table below gives the remaining maturities according to exposure classes.

Group DBS

		Remaining maturity as at 31 December 2023			Remaining maturity as at 31 December 2022		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	433,422	342,132	775,554	228,152	330,695	558,847
02	Regional and local government	13,598	56,044	69,642	13,919	65,923	79,842
03	Public sector entities	1,202	8,854	10,056	711	3,310	4,021
04	MDB	1,569	0	1,569	746	803	1,549
05	International organisations	500	2,893	3,393	2,966	2,454	5,420
06	Institutions	18,020	4,784	22,804	20,914	3,701	24,615
07	Corporate	26,947	20,040	46,987	19,016	17,674	36,690
08	Retail exposures	71,763	192,927	264,690	76,278	284,892	361,170
09	Secured by mortgages of immovable property	25,905	242,080	267,985	24,561	144,695	169,256
10	Exposures in default	1,981	1,724	3,705	4,039	2,705	6,744
11	Regulatory high risk categories	2,314	187	2,501	1,024	1,425	2,449
14	Investments in investment funds	0	2,689	2,689	0	2,578	2,578
15	Other exposure	21,387	2,239	23,626	18,893	935	19,828
16	Equity exposure	224	0	224	206	0	206
	As at 31 December	618,832	876,593	1,495,425	411,425	861,790	1,273,215

DBS d. d.

		Remaining maturity as at 31 December 2023			Remaining maturity as at 31 December 2022		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	433,415	342,132	775,547	228,131	330,695	558,826
02	Regional and local government	13,598	56,044	69,642	13,919	65,923	79,842
03	Public sector entities	1,202	8,854	10,056	711	3,310	4,021
04	MDB	1,569	0	1,569	746	803	1,549
05	International organisations	500	2,893	3,393	2,966	2,454	5,420
06	Institutions	18,020	4,784	22,804	20,914	3,701	24,615
07	Corporate	24,964	31,151	56,115	17,671	26,874	44,545
08	Retail exposures	70,630	180,949	251,579	75,266	273,458	348,724
09	Secured by mortgages of immovable property	27,013	241,704	268,717	25,716	143,725	169,441
10	Exposures in default	1,360	1,670	3,030	3,446	2,694	6,140
11	Regulatory high risk categories	2,314	172	2,486	1,024	1,425	2,449
14	Investments in investment funds	0	2,689	2,689	0	2,578	2,578
15	Other exposure	21,258	2,153	23,411	18,774	879	19,653
16	Equity exposure	5,467	0	5,467	5,449	0	5,449
	As at 31 December	621,310	875,195	1,496,504	414,733	858,519	1,273,251

At the year-end of 2023, 41% of the Group's exposure had maturities of up to one year and 59% over one year. In 2023, in absolute terms, retail exposures, exposures to regional or local government units and exposures in default decreased the most, followed by exposures to international organisations and institutions, while exposures to central governments or central banks, exposures secured by mortgages on residential property and exposures to corporate customers increased the most, followed by exposures to public sector entities and other items. 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 them in total by applying revaluation allowance or provisions for credit risk losses. These are not comprised in the table showing exposure classes. The exposure classes 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 classes

The Group calculates the capital requirement for credit risk according to the standardised approach.

Group DBS

		2023		2022	
	Exposure category	Net exposure	Capital requirement	Net exposure	Capital requirement
01	Central government and central banks	775,554	616	558,847	541
02	Regional and local government	69,642	1,114	79,842	1,278
03	Public sector entities	10,056	153	4,021	30
04	MDB	1,569	0	1,549	0
05	International organisations	3,393	0	5,420	0
06	Institutions	22,804	1,178	24,615	1,353
07	Corporate	46,987	2,881	36,690	2,142
08	Retail exposures	264,690	13,290	361,170	18,617
09	Secured by mortgages of immovable property	267,985	9,596	169,256	6,496
10	Exposures in default	3,705	359	6,744	635
11	Regulatory high risk categories	2,501	300	2,449	294
14	Investments in investment funds	2,689	36	2,578	25
15	Other exposure	23,626	1,215	19,828	1,028
16	Equity exposure	224	18	206	16
	As at 31 December	1,495,426	30,756	1,273,215	32,455

5.1.10. Bank's exposure to credit risk: net exposure values, and average exposure amounts as at 31 December 2023 and 31 December 2022

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 2023 as compared to the balance at 31 December 2022. The table is broken down according to different exposure classes.

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 classes of exposure pursuant to CRR/CRD IV.

DBS d. d.

		2023		2022	
	Exposure category	Net exposure	Average exposure	Net exposure	Average exposure
01	Central government and central banks	775,547	682,500	558,826	572,329
02	Regional and local government	69,642	76,902	79,842	49,679
03	Public sector entities	10,056	10,953	4,021	4,677
04	MDB	1,569	1,285	1,549	949
05	International organisations	3,393	5,253	5,420	3,573
06	Institutions	22,804	24,624	24,615	28,509
07	Corporate	56,115	51,554	44,545	43,113
08	Retail exposures	251,579	258,661	348,724	291,011
09	Secured by mortgages of immovable property	268,717	265,697	169,441	227,806
10	Exposures in default	3,030	3,182	6,140	5,644
11	Regulatory high risk categories	2,486	3,552	2,449	3,490
14	Investments in investment funds	2,689	2,628	2,578	2,604
15	Other exposure	23,411	21,316	19,653	19,660
16	Equity exposure	5,467	5,458	5,449	5,839
	As at 31 December	1,496,504	1,413,564	1,273,251	1,258,884

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 this 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-Liability Committee).

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 as it 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-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 Asset-Liability Committee.

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.	
	2023	2022	2023	2022
Equity instruments	7	6	7	6
Loans and other financial assets	2	2	2	2
SUM OF CAPITAL REQUIREMENTS FOR MARKET RISK	**9**	**8**	**9**	**8**

As at 31 December 2023, the Group had a minimum trading portfolio of EUR 122 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 2023, the VaR on market revaluation of equity investments amounted to EUR 10 thousand (2022: EUR 11 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 2023, 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 2023, 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 2023 and 31 December 2022 by currency:

Group DBS

FOREIGN EXCHANGE RISK as at 31 December 2023					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	366,567	499	1,316	1,037	369,419
Financial assets held for trading	91	31	0	0	122
Financial assets measured at fair value through other comprehensive income	2,822	0	0	0	2,822
Financial assets measured at amortised cost	1,003,131	2,617	4,522	458	1,010,728
- Debt securities	214,128	2,615	4,406	458	221,607
- Loans to banks	1,208	0	0	0	1,208
- Loans to customers	785,137	0	116	0	785,253
- Other financial assets	2,658	2	0	0	2,660
Tangible assets	26,113	0	0	0	26,113
- Property, plant and equipment	11,512	0	0	0	11,512
- Investment property	14,601	0	0	0	14,601
Intangible assets	1,049	0	0	0	1,049
Income tax assets	3,076	0	6	0	3,082
- Current tax assets	1	0	0	0	1
- Deferred tax assets	3,075	0	6	0	3,081
Other assets	1,154	0	0	0	1,154
TOTAL ASSETS (1)	**1,404,003**	**3,147**	**5,844**	**1,495**	**1,414,489**
Financial liabilities held for trading	31	0	0	0	31
Financial liabilities measured at amortised cost	1,297,384	3,141	5,864	1,466	1,307,855
- Deposits by banks and central banks	258	0	0	0	258
- Deposits by customers	1,291,686	3,109	5,861	1,466	1,302,122
- Other financial liabilities	5,440	32	3	0	5,475
Provisions	2,449	0	0	0	2,449
Income tax liabilities	3,381	0	0	0	3,381
- Current tax liabilities	3,380	0	0	0	3,380
- Deferred tax liabilities	1	0	0	0	1
Other liabilities	2,464	0	0	0	2,464
TOTAL LIABILITIES (2)	**1,305,709**	**3,141**	**5,864**	**1,466**	**1,316,180**
MISMATCH (1) less (2)	**98,294**	**6**	**(20)**	**29**	**98,309**
Off-balance sheet liabilities	**82,521**	**23**	**0**	**0**	**82,544**

FOREIGN EXCHANGE RISK as at 31 December 2022					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	1,179,106	3,304	5,557	2,642	1,190,609
Total liabilities	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**

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FOREIGN EXCHANGE RISK as at 31 December 2023					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	366,567	499	1,316	1,037	369,419
Financial assets held for trading	91	31	0	0	122
Financial assets measured at fair value through other comprehensive income	2,822	0	0	0	2,822
Financial assets measured at amortised cost	999,843	2,617	4,519	458	1,007,437
- Debt securities	214,128	2,615	4,406	458	221,607
- Loans to banks	1,208	0	0	0	1,208
- Loans to customers	781,953	0	113	0	782,066
- Other financial assets	2,554	2	0	0	2,556
Long-term equity participation in subsidiaries, associates and joint ventures	5,243	0	0	0	5,243
Tangible assets	24,881	0	0	0	24,881
- Property, plant and equipment	11,390	0	0	0	11,390
- Investment property	13,491	0	0	0	13,491
Intangible assets	976	0	0	0	976
Income tax assets	3,075	0	6	0	3,081
- Current tax assets	0	0	0	0	0
- Deferred tax assets	3,075	0	6	0	3,081
Other assets	521	0	0	0	521
TOTAL ASSETS (1)	**1,404,019**	**3,147**	**5,841**	**1,495**	**1,414,502**
Financial liabilities held for trading	31	0	0	0	31
Financial liabilities measured at amortised cost	1,298,148	3,141	5,864	1,466	1,308,619
- Deposits by banks and central banks	258	0	0	0	258
- Deposits by customers	1,292,469	3,109	5,861	1,466	1,302,905
- Other financial liabilities	5,421	32	3	0	5,456
Provisions	2,385	0	0	0	2,385
Income tax liabilities	3,354	0	0	0	3,354
- Current tax liabilities	3,353	0	0	0	3,353
- Deferred tax liabilities	1	0	0	0	1
Other liabilities	2,208	0	0	0	2,208
TOTAL LIABILITIES (2)	**1,306,126**	**3,141**	**5,864**	**1,466**	**1,316,597**
MISMATCH (1) less (2)	**97,893**	**6**	**(23)**	**29**	**97,905**
Off-balance sheet liabilities	**83,521**	**23**	**0**	**0**	**83,544**

FOREIGN EXCHANGE RISK as at 31 December 2022					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	1,178,486	3,304	5,581	2,642	1,190,013
Total liabilities	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**

As at 31 December 2023, 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-Liability Committee).

Monthly, the Group monitors exposure to interest rate risk with reference to items in the banking book. In doing so, it applies 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 3 years as at 31 December 2023. 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-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. Based on the results of the standardised stress scenario, the DBS Group estimated the maximum negative impact on EVE at the end of 2023 in the amount of EUR 3,032 thousand on an individual basis and EUR 2,339 thousand on a consolidated basis.

Estimate of the impact of a 200-basis point change in the interest rate on the economic value of the banking book position:

	Group DBS		DBS d. d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Interest rate risk in the banking book - EVE	2,339	2,098	3,032	2,560
Interest rate risk in the banking book - EVE as % of equity	2.77	3.04	3.59	3.71

Also on a quarterly basis, the Group monitors the sensitivity of net interest income (NII) over the next 12 months through a gap analysis. The DBS Group estimated the impact of a 50-basis point change in the interest rate on the level of net interest income for the banking book position at the end of 2023 at EUR 2,412 thousand on an individual basis and at EUR 2,670 thousand on a consolidated basis.

Estimate of the impact of a 50-basis point change in the interest rate on the level of net interest income for the banking book position:

	Group DBS		DBS d. d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
NII Sensitivity	2,412	3,283	2,670	3,164
NII Sensitivity - as % of equity	2.86	4.76	3.16	4.59

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 2023 and 31 December 2022. 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 2023									
Balance sheet items	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	369,419	113	369,306	18,314	338,632	12,360	0	0	0
Financial assets held for trading	122	122	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	2,822	2,822	0	0	0	0	0	0	0
Financial assets measured at amortised cost	1,010,728	12,521	997,386	252,547	30,231	203,006	264,956	117,254	129,392
- Debt securities	221,607	1,107	220,500	0	3,658	5,333	80,239	65,527	65,743
- Loans to banks	1,208	0	1,208	1,208	0	0	0	0	0
- Loans to customers	785,253	9,575	775,678	251,339	26,573	197,673	184,717	51,727	63,649
- Other financial assets	2,660	2,660	0	0	0	0	0	0	0
Other assets	1,154	1,154	0	0	0	0	0	0	0
TOTAL ASSETS	**1,384,245**	**16,732**	**1,366,692**	**270,861**	**368,863**	**215,366**	**264,956**	**117,254**	**129,392**
Financial liabilities held for trading	31	31	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	1,307,855	8,230	1,299,606	898,767	160,084	65,464	162,202	12,854	235
- Deposits by banks and central banks	258	0	258	258	0	0	0	0	0
- Deposits by customers	1,302,122	2,774	1,299,348	898,509	160,084	65,464	162,202	12,854	235
- Other financial liabilities	5,475	5,475	0	0	0	0	0	0	0
Other liabilities	2,464	2,464	0	0	0	0	0	0	0
TOTAL LIABILITIES	**1,310,350**	**10,725**	**1,299,606**	**898,767**	**160,084**	**65,464**	**162,202**	**12,854**	**235**
Net exposure to interest rate risk	**73,895**	**6,007**	**67,086**	**(627,906)**	**208,779**	**149,902**	**102,754**	**104,400**	**129,157**

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
Total assets	1,159.535	10,663	1,148,872	296,598	236,307	230,894	194,612	94,474	95,987
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**

DBS d. d.

INTEREST RATE RISK as at 31 December 2023									
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	369,419	113	369,306	18,314	338,632	12,360	0	0	0
Financial assets held for trading	122	122	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	2.822	2,822	0	0	0	0	0	0	0
Financial assets measured at amortised cost	1,007,437	12,521	994,916	235,445	30,449	203,623	267,537	127,826	130,036
- Debt securities	221,607	1,107	220,500	0	3,658	5,333	80,239	65,527	65,743
- Loans to banks	1,208		1,208	1,208	0	0	0	0	0
- Loans to customers	782,066	8,858	773,208	234,237	26,791	198,290	187,298	62,299	64,293
- Other financial assets	2,556	2,556	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	521	521	0	0	0	0	0	0	0
TOTAL ASSETS	**1,385,564**	**21,342**	**1,364,222**	**253,759**	**369,081**	**215,983**	**267,537**	**127,826**	**130,036**
Financial liabilities held for trading	31	31	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	1,308,619	8,230	1,300,389	899,550	160,084	65,464	162,202	12,854	235
- Deposits by banks and central banks	258	0	258	258	0	0	0	0	0
- Deposits by customers	1,302,905	2,774	1,300,131	899,292	160,084	65,464	162,202	12,854	235
- Other financial liabilities	5,456	5,456	0	0	0	0	0	0	0
Other liabilities	2,208	2,208	0	0	0	0	0	0	0
TOTAL LIABILITIES	**1,310,858**	**10,469**	**1,300,389**	**899,550**	**160,084**	**65,464**	**162.,202**	**12,854**	**235**
Net exposure to interest rate risk	**74,706**	**10,873**	**63,833**	**(645,791)**	**208,997**	**150,519**	**105,335**	**114,972**	**129,801**

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
Total assets	1,160,335	14,789	1,145,546	297,158	222,385	231,306	196,306	101,649	96,742
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**

The Group's largest exposure as at 31 December 2023 was in euro, with exposures in other currencies negligible and immaterial. Interest rate risk in 2023 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 2024, 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.			
	2023		2022		2023		2022	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD
Assets		%		%		%		%
Cash, balances at central banks, and sight deposits at banks	3.76	0.01	1.87	0.01	3.76	0.01	1.87	0.01
Investment securities - debt	0.76	1.82	0.94	1.64	0.76	1.82	0.94	1.64
Loans to banks	3.00	0.00	(0.75)	0.00	3.00	0.00	(0.75)	0.00
Loans to customers	5.42	0.00	3.05	0.00	5.36	0.00	2.97	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	0.61	0.38	0.01	0.04	0.61	0.38	0.01	0.04
Subordinated liabilities	6.00	0.00	6.00	0.00	6.00	0.00	6.00	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:

- the Bank's 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-Liability Committee).

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.

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 2023, 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 adequate secondary liquidity reserves (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 2023, the liquidity coverage ratio was 486.84%. 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 2023, the net stable funding ratio was 184%.

All results of monitoring liquidity risk are reported to the Bank's Asset-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 2023 and 31 December 2022. Financial instruments are listed in the table at undiscounted amounts according to remaining contractual maturity as at 31 December 2023, which in addition to the asset's carrying value includes expected future cash flows from interest.

Group DBS

LIQUIDITY RISK as at 31 December 2023

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	18,315	338,789	12,360	0	0	0	369,464
Financial assets held for trading	122	0	0	0	0	0	122
Financial assets measured at fair value through other comprehensive income	101	2,721	0	0	0	0	2,822
Financial assets measured at amortised cost	8,319	9,339	35,520	190,335	574,776	402,693	1,220,982
- Debt securities	0	3,268	6,331	81,918	69,880	68,422	229,819
- Loans to banks	1,208	0	0	0	0	0	1,208
- Loans to customers	6,485	4,301	29,127	108,364	504,825	334,193	987,295
- Other financial assets	626	1,770	62	53	71	78	2,660
Other assets	713	56	2	0	0	383	1,154
TOTAL ASSETS	**27,570**	**350,905**	**47,882**	**190,335**	**574,776**	**403,076**	**1,594,544**
Financial liabilities held for trading	0	31	0	0	0	0	31
Financial liabilities measured at amortised cost	904,463	160,883	65,961	164,580	15,354	319	1,311,560
- Deposits by banks and central banks	258	0	0	0	0	0	258
- Deposits by customers	899,376	160,381	65,961	164,522	15,328	259	1,305,827
- Other financial liabilities	4,829	502	0	58	26	60	5,475
Other liabilities	2,387	30	1	12	21	13	2,464
TOTAL LIABILITIES	**906,850**	**160,944**	**65,962**	**164,592**	**15,375**	**332**	**1,314,055**
Net exposure to liquidity risk	**(879,280)**	**189,961**	**(18,080)**	**25,743**	**559,401**	**402,744**	**280,489**

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
Total assets	27,822	200,151	60,315	118,475	524,986	338,734	1,270,455
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**

DBS d. d.

LIQUIDITY RISK as at 31 December 2023							
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	18,315	338,789	12,360	0	0	0	369,464
Financial assets held for trading	122	0	0	0	0	0	122
Financial assets measured at fair value through other comprehensive income	101	2,721	0	0	0	0	2,822
Financial assets measured at amortised cost	7,413	9,472	35,192	188,582	573,938	401,247	1,215,844
- Debt securities	0	3,268	6,331	81,918	69,880	68,422	229,819
- Loans to banks	1,208	0	0	0	0	0	1,208
- Loans to customers	5,590	4,434	28,799	106,611	504,004	332,823	982,261
- Other financial assets	615	1,770	62	53	54	2	2,556
Long-term equity participation in subsidiaries, associates and joint ventures	5,243	0	0	0	0	0	5,243
Other assets	317	1	2	0	0	201	521
TOTAL ASSETS	**31,511**	**350,983**	**47,554**	**188,582**	**573,938**	**401,448**	**1,594,016**
Financial liabilities held for trading	0	31	0	0	0	0	31
Financial liabilities measured at amortised cost	905,227	160,883	65,961	164,580	15,354	319	1,312,324
- Deposits by banks and central banks	258	0	0	0	0	0	258
- Deposits by customers	900,159	160,381	65,961	164,522	15,328	259	1,306,610
- Other financial liabilities	4,810	502	0	58	26	60	5,456
Other liabilities	2,131	30	1	12	21	13	2,208
TOTAL LIABILITIES	**907,358**	**160,944**	**65,962**	**164,592**	**15,375**	**332**	**1,314,563**
Net exposure to liquidity risk	**(875,847)**	**190,039**	**(18,408)**	**23,990**	**558,563**	**401,116**	**279,453**

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
Total assets	32,242	200,658	59,275	117,018	522,710	337,431	1,269,334
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**

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 2023 (LCR), the Group attains a 94% stability of deposits. In simulating liquidity stress scenarios, 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 scenarios 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 2023, the Group had just short of EUR 428 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

	2023					2022				
		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	221,607	212,645	0	0	212,645	171,450	156,058	0	0	156,058
Loans and advances to banks	1,208	0	0	1,208	1,208	1,189	0	0	1,189	1,189
Loans and advances to customers	785,253	0	0	988,835	988,835	761,187	0	0	870,131	870,131
Other financial assets	2,660	0	0	2,660	2,660	2,065	0	0	2,065	2,065
Total assets	**1,010,728**	**212,645**	**0**	**992,703**	**1,205,348**	**935,891**	**156,058**	**0**	**873,385**	**1,029,443**
Liabilities										
Deposits by banks	258	0	0	258	258	55	0	0	55	55
Deposits by customers*	1,302,122	0	0	1,302,122	1,302,122	1,105,101	0	0	1,105,101	1,105,101
Other financial liabilities	5,475	0	0	5,475	5,475	3,778	0	0	3,778	3,778
Total liabilities	**1,307,855**	**0**	**0**	**1,307,855**	**1,307,855**	**1,108,934**	**0**	**0**	**1,108,934**	**1,108,934**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2023 and 2022, deposits by customers include deposits with characteristics of subordinated debt.

DBS d. d.

	2023					2022				
		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	221,607	212,645	0	0	212,645	171,450	156,058	0	0	156,058
Loans and advances to banks	1,208	0	0	1,208	1,208	1,189	0	0	1,189	1,189
Loans and advances to customers	782,066	0	0	983,845	983,845	757,563	0	0	864,385	864,385
Other financial assets	2,556	0	0	2,556	2,556	1,988	0	0	1,988	1,988
Total assets	**1,007,437**	**212,645**	**0**	**987,609**	**1,200,254**	**932,190**	**156,058**	**0**	**867,562**	**1,023,620**
Liabilities										
Deposits by banks	258	0	0	258	258	55	0	0	55	55
Deposits by customers*	1,302,905	0	0	1,302,905	1,302,905	1,105,162	0	0	1,105,162	1,105,162
Other financial liabilities	5,456	0	0	5,456	5,456	3,767	0	0	3,767	3,767
Total liabilities	**1,308,619**	**0**	**0**	**1,308,619**	**1,308,619**	**1,108,984**	**0**	**0**	**1,108,984**	**1,108,984**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2023 and 2022, deposits by customers include deposits 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 2023.

(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 2023 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.			
2023	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)	91	0	31	**122**	91	0	31	**122**
Financial assets measured at fair value through other comprehensive income (Note 4.3. a)	0	0	2,822	**2,822**	0	0	2,822	**2,822**
Non-financial assets								
Investment property (Note 4.10. a)	0	0	14,601	**14,601**	0	0	13,491	**13,491**
Financial liabilities								
Financial liabilities held for trading (Note 4.15.)	0	0	31	**31**	0	0	31	**31**

	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**

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, bonds, (EUR 2,689 thousand is the investment into the Bank Resolution Fund), 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.	
	2023	2022	2023	2022
Equities				
Bank resolution fund	2,689	2,577	2,689	2,577
Equity investments at cost	133	137	133	137
TOTAL	**2,822**	**2,714**	**2,822**	**2,714**

In 2023, the Bank Resolution Fund total amounted to EUR 2,689 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 133 thousand for which market value does not exist and which are measured at fair value through other comprehensive income.

There was no transfer between different valuation levels in 2023.

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,
- the Bank's Management Board,
- senior management,
- Risk Management Section,
- Operations Compliance Department,
- Information Security Department,
- various boards and committees (Operational Risk Committee, Security Committee, Asset-Liability Committee).

The Group regularly reports (loss) events associated with operational risk. For their systematic monitoring, it 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. In 2023, 307 (loss) events associated with operational risk were recorded, which is more than in 2022 when there were 287. The realised net loss in 2023 was higher than in 2022. It amounted to EUR 104 thousand in 2023, and to EUR 24 thousand in 2022. The total reported net loss was immaterial considering the capital requirement for operational risk, which for the Group was EUR 4,005 thousand.

The system of reporting operational risk events includes measures to resolve such events and prevent repeat events. Operational risk (loss) events are 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 2023, 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 2023, the Bank staged 11 BCP I tests, 29 BCP II tests and 12 BCP III tests. It also performed 513 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 2023 capital requirement for operational risk totalled EUR 4,005 thousand (2022: EUR 3,880 thousand).

Capital requirements and risk-weighted exposure amounts for the Group's operational risk:

	Relevant indicatork			Own funds requirements	Risk exposure amount
	2020	2021	2022		
Banking activities subject to basic indicator approach (BIA)	25,571	25,576	28,960	4,005	50,067

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 2023 capital requirement for operational risk totalled EUR 3,899 thousand (2022: EUR 3,792 thousand).

Capital requirements and risk-weighted exposure amounts for the Bank's operational risk:

	Relevant indicator			Own funds requirements	Risk exposure amount
	2020	2021	2022		
Banking activities subject to basic indicator approach (BIA)	25,074	24,729	28,179	3,899	48,739

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-Liability Committee, Lending Committee, Non-performing Loans Committee, Property Management Committee, Sustainable Development Committee).

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 times of stress.

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 Methodology for the Internal Capital Adequacy Assessment Process. As part of the ICAAP process, it determines how much internal capital the Group needs to implement its development strategy sustainably and makes an allocation of capital across business sectors. A sufficient level of capital enables the Group to bear its risks, absorb losses and sustainably implement its development strategy, even in prolonged periods of adverse developments. The ICAAP process thus enables continuous control of the risks taken by the Bank according to its capabilities. The process includes assessing capital requirements for identified material risks, determining the risk profile, allocating internal capital and monitoring 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 cover unexpected losses that could arise from unforeseen events in its operations, the Group ensures adequate internal capital, which depends on its risk profile at any given time and is in line with its assessment of its capital requirements. Based on the results of the ICAAP process, actions are taken to manage or mitigate risks, as appropriate, 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 Risk-taking and Risk Management Strategy and the Bank's risk-taking capacity. Potential actions that the Group may take in the event of an identified capital shortfall are set out in the Stress Testing Programme document.

To ensure appropriate capital risk management in accordance with the devised Group Restoration plan, the Group has laid down an array of quantitative indicators to monitor its operations and the related major Group's 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 in line with the Restoration plan.

The Group has also determined 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-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 or 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 or 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 2023 or as at 31 December 2022.

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.	
		2023	2022	2023	2022
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	37,553	21,763	37,553	21,763
3	Accumulated other comprehensive income and other reserves	31,001	30,941	30,997	30,934
4	**Common equity tier I capital before regulatory adjustments**	**86,365**	**70,515**	**86,361**	**70,508**
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS					
5	Additional fair value and credit risk adjustments	(425)	(152)	(388)	(139)
6	Intangible assets (deductions for associated tax liabilities)	(1,049)	(857)	(976)	(774)
7	Direct and indirect holdings in own common equity tier I capital instruments	(601)	(601)	(601)	(601)
8	Total regulatory adjustments to common equity tier I capital	(2,075)	(1,610)	(1,965)	(1,514)
9	Common equity tier I capital	84,290	68,904	84,396	68,994
10	**TIER I CAPITAL (common equity tier I + additional tier I)**	**84,290**	**68,904**	**84,396**	**68,994**
TIER II CAPITAL: INSTRUMENTS AND PROVISIONS					
11	Capital instruments and the related share premium account	711	1,111	711	1,111
12	Tier II capital before regulatory adjustments	711	1,111	711	1,111
13	**TIER II CAPITAL**	**711**	**1,111**	**711**	**1,111**
14	**TOTAL CAPITAL (tier I + tier II)**	**85,002**	**70,015**	**85,107**	**70,105**
15	Total risk-weighted assets	434,520	454,186	437,379	456,617
CAPITAL RATIOS AND CAPITAL BUFFERS					
16	**Common equity tier I capital** (in %)	**19.40**	**15.17**	**19.30**	**15.11**
17	**Tier I capital** (in %)	**19.40**	**15.17**	**19.30**	**15.11**
18	**Total capital** (in %)	**19.56**	**15.42**	**19.46**	**15.35**
19	Common equity tier I capital that qualifies as capital buffer (in %)	19.40	15.17	19.30	15.11
20	Institution-specific buffer requirement (in %)	3.33	2.50	3.32	2.50
21	of which: capital conservation buffer requirement (in %)	2.50	2.50	2.50	2.50
22	of which: countercyclical capital buffer requirement (in %)	0.50	0.00	0.50	0.00
23	of which: systemic risk buffer requirement (in %)	0.33	0.00	0.32	0.00
24	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)	2,721	2,610	2,721	2,610
25	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	5,243
26	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)	3,081	2,679	3,081	2,679

The Group's regulatory capital as at 31 December 2023 amounted to EUR 85,002 thousand, up EUR 14,986 thousand year-on-year. The quality of capital structure improved at the year-end of 2023 as compared to 2022, the share of equity Tier I capital in the capital structure having increased to 99.2% (from 98.4% in 2022). Total capital requirements at Group level totalled EUR 34,761 thousand at the year-end of 2023, down EUR 1,593 thousand year-on-year. The Group's capital requirements for credit risk decreased mainly due to a decrease in the retail exposure, exposures in default, and exposure to institutions.

The overall capital requirement ratio (OCR) as at 31 December 2023 thus stood at 19.56%, up 4.14 of a percentage point year-on-year, and by 4.98 of a percentage point higher than what had been imposed by the Bank of Slovenia. Common equity tier 1 ratio (CET 1) was 19.40% as at 31 December 2023, up 4.23 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. As part of the SREP process, the Bank of Slovenia imposed minimum capital requirement ratios for the Group for 2023, namely the overall capital requirement ratio together with the P2G capital guideline[1] in the amount of 14.50%, which is increased by the systemic risk buffer[2] (this changes monthly depending on the Group's exposure to individuals), and from 31 December 2023 onwards, it must also comply with the Bank's own countercyclical capital buffer[3]. At the year-end of 2023, the Group met all the capital adequacy ratios imposed by the Bank of Slovenia.

The Bank's regulatory capital as at 31 December 2023 amounted to EUR 85,107 thousand, up EUR 15,002 thousand year-on-year. The quality of capital structure improved at the year-end of 2023 as compared to 2022, the share of Tier I capital in the capital structure having increased to 99.2% (from 98.4% in 2022). Total capital requirements at the level of the Bank totalled EUR 34,990 thousand at the year-end of 2023, down EUR 1,540 thousand year-on-year. The Bank's capital requirements for credit risk decreased mainly due to a decrease in the retail exposure, exposures in default, exposure to institutions and exposure to regional or local government.

The OCR overall capital requirement ratio as at 31 December 2023 thus stood at 19.46%, up 4.11 of a percentage point year-on-year. Common equity tier 1 ratio was 19.30% as at 31 December 2023, up 4.19 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 2023, but only imposed these ratios at the Group level.

As at 31 December 2023, 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 d. o. o. totalled EUR 3,720 thousand as at 31 December 2023; 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 2023. 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.

1 Pillar 2 Guidance.
2 1% for all retail exposures to individuals secured by residential property and 0.50% for all other exposures to individuals.
3 Own countercyclical capital buffer, which amounts to 0.50% for exposures in the Republic of Slovenia from 31 December 2023 onwards.

The table below shows the balancing of the Group's items of capital with its financial statements.

Code	Items	Prudential consolidation 2023	Inclusion into calculation of capital for the purpose of CA as at 31 December 2023	Explanation from Regulation 575/2013
1	Cash, balances at central banks, and sight deposits at banks	369,419		
2	Financial assets held for trading	122	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Financial assets measured at fair value through other comprehensive income	2,822	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
4	Financial assets measured at amortised cost	1,010,728		
	- Debt securities	221,607		
	- Loans to banks	1,208		
	- Loans to customers	785,253		
	- Other financial assets	2,660		
5	Tangible assets	26,113		
	- Property, plant and equipment	11,512		
	- Investment property	14,601		
6	Intangible assets	1,049	(1,049)	deduction item Article 36 b - fully
7	Income tax assets	3,082		
	- Current tax assets	1		
	- Deferred tax assets	3,081		
	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	3,081		
8	Other assets	1,154		
9	Non-current assets held for sale, and discontinued operations	0		
10	**TOTAL ASSETS** (from 1 to 9)	**1,414,489**		
11	Financial liabilities held for trading	31		deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
12	Financial liabilities measured at amortised cost	1,307,855		
	- Deposits by banks and central banks	258		
	- Deposits by customers	1,302,122	711	included on the basis of Articles 62 and 63
	- Other financial liabilities	5,475		
13	Provisions	2,449		
14	Income tax liabilities	3,381		
	- Current tax liabilities	3,380		
	- Deferred tax liabilities	1		
15	Other liabilities	2,464		
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,316,180**		
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	(256)	(256)	100% of unrealised losses included since 2018, Article 467
	From non-government equities	(19)		100% of unrealised losses included since 2018, Article 467
	Other revaluation surpluses	(238)		100% of unrealised losses included since 2018, Article 467
20	Revenue reserves	37,554	37,554	fully included; Article 26
21	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
22	Retained earnings (including profit/loss for the year)	12,544		conditions for inclusion not yet met
	Retained earnings	233		
	Profit for the period	12,311		
23	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 17 to 22)	**98,309**		
24	TOTAL EQUITY (23)	98,309		
25	**TOTAL EQUITY AND LIABILITIES** (16 + 24)	**1,414,489**	**85,424**	**Regulatory capital (sum of capital from SFP)**
			(422)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			85,002	**Regulatory capital**

The table below shows the balancing of the Bank's items of capital with its financial statements.

Code	Items	2023	Inclusion into calculation of capital for the purpose of CA as at 31 December 2023	Explanation from Regulation 575/2013
1	Cash, balances at central banks, and sight deposits at banks	369,419		
2	Financial assets held for trading	122	(0)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Financial assets measured at fair value through other comprehensive income	2,822	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
4	Financial assets measured at amortised cost	1,007,437		
	- Debt securities	221,607		
	- Loans to banks	1,208		
	- Loans to customers	782,066		
	- Other financial assets	2,556		
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	24,881		
	- Property, plant and equipment	11,390		
	- Investment property	13,491		
7	Intangible assets	976	(976)	deduction item Article 36 b - fully
8	Income tax assets	3,081		
	- Current tax assets	0		
	- Deferred tax assets	3,081		
	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	3,081		
9	Other assets	521		
10	**TOTAL ASSETS** (from 1 to 9)	**1,414,502**		
11	Financial liabilities held for trading	31		deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
12	Financial liabilities measured at amortised cost	1,308,619		
	- Deposits by banks and central banks	258		
	- Deposits by customers	1,302,905	711	included on the basis of Articles 62 and 63
	- Other financial liabilities	5,456		
13	Provisions	2,385		
14	Income tax liabilities	3,354		
	- Current tax liabilities	3,353		
	- Deferred tax liabilities	1		
15	Other liabilities	2,208		
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,316,597**		
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	(261)	(261)	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	(211)		fully included; Article 25
20	Revenue reserves	37,554	37,554	fully included; Article 26
21	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
22	Retained earnings (including profit/loss for the year)	12,145		conditions for inclusion not yet met
	Retained earnings	(10)		
	Profit for the period	12,155		
23	**TOTAL EQUITY** (from 17 to 22)	**97,905**		
24	**TOTAL EQUITY AND LIABILITIES** (16 + 23)	**1,414,502**	**85,487**	**Regulatory capital (sum of capital from SFP)**
			(380)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			85,107	**Regulatory capital**

5.8. Asset encumbrance

(a) Assets

Group DBS

	2023				2022			
	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	**4,214**	**-**	**1,410,275**	**-**	**4,196**	**-**	**1,186,413**	**-**
Sight deposits	0	-	365,375	-	0	-	216,364	-
Equities	0	0	2,913	2,913	0	0	2,784	2,784
Debt securities	3,006	2,601	218,601	210,044	3,007	2,370	168,444	153,689
Loans and other financial assets other than demand loans	1,208	-	784,216	-	1,189	-	759,967	-
Other assets	0	-	39,170	-	0	-	38,854	-

DBS d. d.

	2023				2022			
	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	**4,214**	**-**	**1,410,288**	**-**	**4,196**	**-**	**1,185,817**	**-**
Sight deposits	0	-	365,375	-	0	-	216,364	-
Equities	0	0	2,913	2,913	0	0	2,784	2,784
Debt securities	3,006	2,601	218,601	210,044	3,007	2,370	168,444	153,689
Loans and other financial assets other than demand loans	1,208	-	780,925	-	1,189	-	756,079	-
Other assets	0	-	42,474	-	0	-	42,146	-

(b) Collateral received

Group DBS

	2023		2022	
	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.

	2023		2022	
	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

	2023		2022	
	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	1,208	4,214	1,189	4,196
Total	**1,208**	**4,214**	**1,189**	**4,196**

DBS d. d.

	2023		2022	
	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	1,208	4,214	1,189	4,196
Total	**1,208**	**4,214**	**1,189**	**4,196**

(d) Information on the importance of encumbrance

The Group's encumbered assets include investments in debt securities measured amortised cost, and as 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 2023, the encumbered assets for the needs of the bank resolution fund amount to EUR 2,601 thousand. To secure card settlements and other liabilities to Mastercard, the Bank has a guarantee fixed term deposit with HSBC Bank. As at 31 December 2023, the balance of the deposit amounts to EUR 1,208 thousand.

RISK AND CAPITAL MANAGEMENT (disclosures under Pillar 3 of the Basel Accord)

CONTENTS

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.

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

Group statement of financial position as at 31 December 2023 – comparison of consolidation for accounting purposes, and prudential consolidation

Code		Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
		2023	2022	2023	2022	2023	2022
1	Cash, balances at central banks, and sight deposits at banks	369,419	219,421	369,419	219,421	0	0
2	Financial assets held for trading	122	91	122	91	0	0
3	Financial assets measured at fair value through other comprehensive income	2,822	2,714	2,822	2.714	0	0
4	Financial assets measured at amortised cost	1,010,728	935,891	1,010,728	936,078	0	(187)
	- Debt securities	221,607	171,450	221,607	171,450	0	0
	- Loans to banks	1,208	1,189	1,208	1,189	0	0
	- Loans to customers	785,253	761,187	785,253	761,374	0	(187)
	- Other financial assets	2,660	2,065	2,660	2,065	0	0
5	Tangible assets	26,113	27,538	26,113	27,538	0	0
	- Property, plant and equipment	11,512	10,709	11,512	10,709	0	0
	- Investment property	14,601	16,829	14,601	16,829	0	0
6	Intangible assets	1,049	857	1,049	857	0	0
7	Income tax assets	3,082	2,679	3,082	2,679	0	0
	- Current tax assets	1	0	1	0	0	0
	- Deferred tax assets	3,081	2,679	3,081	2,679	0	0
8	Other assets	1,154	1,203	1,154	1,203	0	0
9	Non-current assets held for sale, and discontinued operations	0	181	0	28	0	153
10	**TOTAL ASSETS** (from 1 to 9)	**1,414,489**	**1,190,575**	**1,414,489**	**1,190,609**	**0**	**(34)**
11	Financial liabilities held for trading	31	22	31	22	0	0
12	Financial liabilities measured at amortised cost	1,307,855	1,108,934	1,307,855	1,108,934	0	0
	- Deposits by banks and central banks	258	55	258	55	0	0
	- Deposits by customers	1,302,122	1,105,101	1,302,122	1,105,101	0	0
	- Other financial liabilities	5,475	3,778	5,475	3,778	0	0
13	Provisions	2,449	1,913	2,449	1,913	0	0
14	Income tax liabilities	3,381	187	3,381	187	0	0
	- Current tax liabilities	3,380	186	3,380	186	0	0
	- Deferred tax liabilities	1	1	1	1	0	0
15	Other liabilities	2,464	2,161	2,464	2,162	0	(1)
16	**TOTAL LIABILITIES** (from 11 to 15)	**1,316,180**	**1,113,217**	**1,316,180**	**1,113,218**	**0**	**(1)**
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	(256)	(316)	(256)	(316)	0	0
20	Revenue reserves	37,554	21,763	37,554	21,763	0	0
21	Treasury shares	(601)	(601)	(601)	(601)	0	0
22	Retained earnings (including profit/loss for the year)	12,544	7,444	12,544	7,477	0	(33)
23	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 17 to 22)	**98,309**	**77,358**	**98,309**	**77,391**	**0**	**(33)**
24	TOTAL EQUITY (23)	98,309	77,358	98,309	77,391	0	(33)
25	**TOTAL EQUITY AND LIABILITIES** (16 + 24)	**1,414,489**	**1,190,575**	**1,414,489**	**1,190,609**	**0**	**(34)**

Group income statement for the year ended 31 December 2023 – comparison of consolidation for accounting purposes, and prudential consolidation

Code		Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
		1-12 2023	1-12 2022	1-12 2023	1-12 2022	1-12 2023	1-12 2022
1	Interest income	51,221	19,698	51,221	19,700	0	(2)
2	Interest expense	(3,049)	(901)	(3,049)	(901)	0	0
3	**Net interest income** (1 + 2)	**48,172**	**18,797**	**48,172**	**18,799**	**0**	**(2)**
4	Dividends	12	33	12	33	0	0
5	Fee (commission) income	10,422	10,505	10,422	10,505	0	0
6	Fee (commission) expense	(2,095)	(1,753)	(2,095)	(1,753)	0	0
7	**Net fee (commission) income** (5 + 6)	**8,327**	**8,752**	**8,327**	**8,752**	**0**	**0**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	240	7	240	7	0	0
9	Net gains/losses from financial assets and liabilities held for trading	141	202	141	202	0	0
10	Foreign exchange translation	(1)	2	(1)	2	0	0
11	Net gains/losses on derecognition of assets	300	527	300	527	0	0
12	Other net operating gains/losses	1,407	1,736	1,407	1,737	0	(1)
13	Administrative expenses	(24,887)	(19,488)	(24,887)	(19,486)	0	(2)
14	Cash contributions to resolution funds and deposit guarantee schemes	(2,119)	(1,717)	(2,119)	(1,717)	0	0
15	Depreciation and amortisation	(1,429)	(1,290)	(1,429)	(1,290)	0	0
16	Provisions	(825)	(249)	(825)	(249)	0	0
17	Impairment charge	(1,350)	1,023	(1,350)	1,025	0	(2)
18	Net gains/losses from non-current assets held for sale and related liabilities	9	19	9	19	0	0
19	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + sum (7 to 18))	**27,997**	**8,354**	**27,997**	**8,361**	**0**	**(7)**
20	Tax	(3,493)	(897)	(3,493)	(897)	0	0
21	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (19 + 20)	**24,504**	**7,457**	**24,504**	**7,464**	**0**	**(7)**
22	**PROFIT/LOSS FOR THE YEAR** (21)	**24,504**	**7,457**	**24,504**	**7,464**	**0**	**(7)**

In 2022, the regulatory consolidation included DBS Adria d. o. o., which was sold in 2023, therefore the regulatory and prudential consolidation is the same in 2023.

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 2023 and 2022.

Table: Capital requirements and total risk exposure of The Group (template EU OV1)

		Total risk exposure amounts (TREA)		Total own funds requirements
		2023	2022	2023
1	Credit risk (excluding CCR)	384,453	405,691	30,756
2	Of which the standardised approach	384,453	405,691	30,756
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 risk weighted 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 risk weight 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	50,067	48,495	4,005
EU 23a	Of which basic indicator approach	50,067	48,495	4,005
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	434,520	454,186	34,762

The total amount of exposure decreased by 4.3 percentage points in 2023 compared to 2022. The decrease is mainly due to a decrease in credit risk exposures (by 5.2 percentage points). The largest decreases stem from the decrease in exposures in default, retail exposure, exposure to institutions and exposure to regional or local government.

However, operational risk exposure increased by 3.2 percentage points in 2023 compared to 2022 due to an increase 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 2023 are shown in the table below. In 2023, the Group met the regulatory requirements for capital ratios, leverage ratio and buffers (capital conservation buffer, systemic risk buffer and the Group's own countercyclical capital buffer).

Table: Key metrics template (template EU KM1)

		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	84,291	72,554	72,708	69,086	68,904
2	Tier 1 capital	84,291	72,554	72,708	69,086	68,904
3	Total capital	85,002	73,366	73,620	70,098	70,016
	Risk-weighted exposure amounts					
4	Total risk exposure amount	434,520	442,784	441,248	432,524	454,185
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19.40	16.39	16.48	15.97	15.17
6	Tier 1 ratio (%)	19.40	16.39	16.48	15.97	15.17
7	Total capital ratio (%)	19.56	16.57	16.68	16.21	15.42
	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	3.250
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.828	1.828	1.828	1.828	1.828
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.437	2.437	2.437	2.437	2.437
EU 7d	Total SREP own funds requirements (%)	11.250	11.250	11.250	11.250	11.250
	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 (%)	0.50	0.00	0.00	0.00	0.00
EU 9a	Systemic risk buffer (%)	0.33	0.33	0.32	0.33	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 (%)	3.33	2.83	2.82	2.83	2.50
EU 11a	Overall capital requirements (%)	14.58	14.08	14.07	14.08	13.75
12	CET1 available after meeting the total SREP own funds requirements (%)	8.31	5.32	5.43	4.96	4.17
	Leverage ratio					
13	Total exposure measure	1,447,235	1,379,375	1,318,644	1,302,957	1,221,571
14	Leverage ratio (%)	5.82	5.26	5.51	5.30	5.64

		31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
	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	3.00
	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	0.00
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)	456,362	414,410	390,433	377,194	366,329
EU16a	Cash outflows - Total weighted value	114,652	109,177	105,410	101,763	97,464
EU16b	Cash inflows - Total weighted value	6,574	5,993	5,418	5,558	8,293
16	Total net cash outflows (adjusted value)	108,770	103,435	99,093	95,189	89,171
17	Liquidity coverage ratio (%)	419.56	400.65	394.01	396.26	410.82
	Net Stable Funding Ratio					
18	Total available stable funding	1,193,144	1,153,439	1,126,490	1,123,878	1,078,661
19	Total required stable funding	648,428	644,538	643,174	632,889	616,405
20	NSFR ratio (%)	184.01	178.96	175.15	177.58	174.99

As at 31 December 2023, the Group's total capital ratio (OCR) was 19.56% and the common equity ratio (CET 1) was 19.40%. Compared to 31 December 2022, the OCR and the CET 1 increased by 4.14 and 4.23 percentage points, respectively. The main reasons for the increase in ratios are a decrease of EUR 19.7 million in total exposures (mainly due to lower lending to individuals, municipalities, institutions and a decrease in exposures in default) and an increase in regulatory capital of EUR 14,986 thousand.

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BRANCH NETWORK

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