GORENJSKA BANKA GROUP

DISCLOSURE OF ADDITIONAL INFORMATION FOR 2022

18 April 2023

Contents

Introduction

In line with Article 13(1) of CRR Regulation (*Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012*), we are hereby publishing the disclosures of additional information (hereinafter: Disclosures) of the Gorenjska banka Group (hereinafter: Group).

Legal bases for mandatory disclosures:

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012,
- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 regarding the leverage ratio, the net stable funding ratio, the requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/201,
- Commission Implementing Regulation (EU) No. 2021/637 of 15 March 2021 laying down the implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

Gorenjska banka d.d., Kranj (LEI code 5493000UPYR7EEHN2R94) is a major EU subsidiary of the parent institution, Agri Europe Cyprus Limited, Cyprus. As a major subsidiary, it is also obligated to disclose information from Articles 437, 438, 440, 442, 450, 451, 451a and 453 of the CRR Regulation on a sub-consolidated basis. The Bank prepared disclosures on a sub-consolidated basis for the first time for 2021, as it has been defined as a systemically important bank since 30 September 2021 in accordance with the decision of the Bank of Slovenia.

The following companies are included in the consolidation for regulatory purposes (prudential consolidation on a sub-consolidated basis):

- Gorenjska banka d.d., Kranj, as the parent company,
- GB Leasing d.o.o., Ljubljana, Slovenia, as a subsidiary, 100% owned by Gorenjska banka d.d. Kranj

The following companies are included in the consolidation for financial purposes:

- Gorenjska banka d.d., Kranj, as the parent company,
- GB Leasing d.o.o., Ljubljana, Slovenia, as a subsidiary,
- Imobilia – GBK d.o.o., Kranj,
- Hypo Alpe Adria Leasing d.o.o., Ljubljana,
- Filira, poslovne storitve d.o.o., Ljubljana, as a subsidiary owned by Hypo Alpe-Adria-Leasing d.o.o.

The disclosures of the Group, which include Gorenjska banka d.d., Kranj and GB Leasing d.o.o., Ljubljana, are compliant with the requirements of part VIII of the CRR and the requirements of the appropriate technical standards and guidelines regarding the disclosures in part VIII of the CRR Regulation. To ensure compliance with the requirements of part VIII of the CRR Regulation, the disclosures policy has been adopted on 22. November 2022, and is applied for disclosures on a sub-consolidated basis.

The Group assessed the need to disclose information more than once a year and found that annual disclosure is suitable. Disclosures for the years 2022 and 2021 are published on the website https://www.gbkr.si/.

Disclosures that are an integral part of the revised Annual Report and required by the CRR Regulation are not included again.

The Group has no collateral obtained from taking possession and from recovery processes, therefore it does not disclose information as defined on the EU CQ7 template. The Group is not a financial conglomerate and therefore it does not disclose information defined in the EU INS template. There were no paid our remunerations of EUR 1 million or more in the Group, which is why it does not disclose information defined in the EU REM4 template.

The ratio between the gross book value of loans and other financial assets that fall under Article 47a(3) of the CRR Regulation, and the total gross book value of loans and other financial assets that fall under Article 47a(1) of the CRR Regulation, is less than 5%, which is why the Group does not disclose information defined in templates EU CR2a, EU CQ2, EU CQ6, and EU CQ8.

Disclosures were reviewed by the Internal Audit Division and approved by the management board of Gorenjska banka d.d., Kranj. Following the confirmation by the Management Board, the Bank's Supervisory Board and Risk Committee get familiarised with and confirmed the disclosures.

All these amounts are in thousand EUR, unless stated otherwise. A zero value means that the amount is more than EUR 0 and less than EUR 500. Any data discrepancies are due to the rounding off of values.

Rows and columns with non-relevant zeroes are not shown. The numbering of rows or columns does therefore not change and it is harmonised with the templates from the CRR Regulation. Any other waivers of disclosures are listed under each template.

1 Own Funds

(Article 437 of the CRR Regulation)

1.1. Composition of Regulatory Own Funds

The basis for the calculation of the capital on a sub-consolidated basis is the statements of the Group (Gorenjska banka d.d., Kranj and GB leasing d.o.o., Ljubljana), which were made by considering the consolidation for regulatory purposes. The capital of the Group is comprised of elements of the total capital, additionally reduced by deductibles and credit rating filters. In accordance with the regulatory requirements, the Group and the Bank must maintain the common equity tier 1 capital ratio of 4.5%, the tier 1 capital ratio of 6% and the total capital ratio of 8%.

On the basis of resolutions adopted by the general meeting of Gorenjska banka d.d., Kranj, in September 2022, the Group's regulatory capital has increased by EUR 10,000 thousand as at 30 September 2022. The increase refers to the redistribution of the retained earnings into retained earnings from previous years, available for unlimited and immediate use to cover risks and losses, as soon as they occur. The Group's additional capital increased in December 2022 by EUR 30,000 thousand and refers to subordinated debt received from AIK bank a.d., Beograd. Information in this document is disclosed on the basis of the Group's capital in the amount of EUR 266,734 thousand.

The **EU CC1** template below shows the structure of the regulatory capital as at 31 December 2022. Column (b) shows the source of amounts related to the EU CC2 template, column (c).

		(a)	(b)
		Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	36,211	21 + 22
	of which: ordinary shares	16,188	21
2	Retained earnings	38,297	29
3	Accumulated other comprehensive income (and other reserves)	175,143	25 + 26
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**249,651**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(42)	0.1% od 2 + 3
8	Intangible assets (net of related tax liability) (negative amount)	(3,270)	7
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(4,137)	9
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	(26,007)	27
27a	Other regulatory adjustments	538	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(32,918)	
29	**Common Equity Tier 1 (CET1) capital**	**216,734**	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**216,734**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	50,000	15
51	**Tier 2 (T2) capital before regulatory adjustments**	**50,000**	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**50,000**	
59	**Total capital (TC = T1 + T2)**	**266,734**	
60	**Total Risk exposure amount**	**1,513,903**	
Capital ratios and requirements including buffers (%)			
61	Common Equity Tier 1 capital	14.32	
62	Tier 1 capital	14.32	
63	Total capital	17.62	
64	Institution CET1 overall capital requirements	8.58	
65	of which: capital conservation buffer requirement	2.50	
66	of which: countercyclical capital buffer requirement	0.03	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	6.05	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	6.25	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	14,613	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	2,606	5

The applicable upper limits regarding the inclusion of provisions in the additional capital and capital instruments for which gradual eliminations are used are irrelevant for the Group, thereby rows 76-85 are not displayed.

1.2. Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

The **EU CC2** template below shows the harmonisation of the regulatory capital with the statement of financial position in the audited financial statements. Column (a) shows the audited Group statement of financial position as at 31 December 2022, and column (b) shows the statement of financial position for regulatory purposes. The elements of the statement of financial position are expanded to the level of fragmentation required due to the reference to the EU CC1 template, column (b).

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		31 December 2022	31 December 2022	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash, cash balances at central banks and other demand deposits at banks	313,817	313,733	
2	Non-trading financial assets mandatorily at fair value through profit or loss	9,457	9,457	part 7
3	Financial assets measured at fair value through other comprehensive income	32,928	32,928	part 7
4	Financial assets measured at amortised cost	1,875,837	1,875,876	
5	Investments in subsidiaries	-	2,606	73
6	Tangible assets	69,033	66,189	
7	Intangible assets	3,270	3,270	8
8	Tax assets	5,030	4,996	
9	- Deferred tax assets that rely on future profitability	4,137	4,137	10
10	- Other tax assets	892	858	
11	Other assets	5,393	5,360	
12	Non-current assets classified as held for sale	293	293	
13	**Total assets**	**2,315,059**	**2,314,707**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
14	Financial liabilities measured at amortised cost	2,030,667	2,032,023	
15	- Subordinated loans	50,000	50,000	46
16	- Other financial liabilities measured at amortised cost	1,980,667	1,982,023	
17	Provisions	4,624	4,624	
18	Tax liabilities	0	0	
19	Other liabilities	6,188	5,995	
20	**Total liabilities**	**2,041,479**	**2,042,643**	
Shareholders' Equity				
21	Paid-up capital	16,188	16,188	1
22	Share premium	20,023	20,023	1
23	Accumulated other comprehensive income	(2,171)	(2,171)	
24	- Actuarial gains on defined benefit pension plans	115	115	
25	- Other accumulated other comprehensive income	(2,286)	(2,286)	3
26	Reserves from profit	177,429	177,429	3
27	Treasury shares	(26,007)	(26,007)	16
28	Retained earnings (including income from the current year)	88,117	86,601	
29	- Retained earnings from previous years, available for unlimited and immediate use to cover risks	38,297	38,297	2
30	- Retained earnings from previous years, not available for unlimited and immediate use to cover risks	49,820	48,304	
32	**Total shareholders' equity**	**273,580**	**272,064**	

1.3. Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments

Among the instruments of common equity capital, the Group includes common shares that meet the terms and conditions from Article 28 of the CRR Regulation. The **EU CCA** template below shows the main characteristics of the common equity tier 1 capital instruments.

		a
1	Issuer	Gorenjska banka d. d., Kranj
2	Unique identifier (ISIN Code)	SI0021109630
2a	Public or private placement	Public placement
3	Governing law(s) of the instrument	Slovenian legislation
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	N/A
5	Post-transitional CRR rules	Common Equity Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Subconsolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1 Capital; article 26(3) CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 16 million
9	Nominal amount of instrument	41.73 EUR
EU-9a	Issue price	41.73 EUR
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	23 May 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	Floating dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	Yes
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

N/A – not applicable

The instruments of added capital refer to subordinate liabilities from the two loans taken at AIK banka a.d. Beograd, and have the characteristic of an additional capital from Article 62, paragraph one, item (a) of the CRR Regulation. In case of insolvency of the borrower, the facility ranks below any claim from eligible liabilities instruments. The table below shows the amounts of subordinated debt as of 31 December 2022:

Issuer	Date of conclusion	Due date	Amount	Interest rate	Interest rate type
AIK BANKA AD	12.02.2020	28.02.2030	20.000	5.00%	fixed
AIK BANKA AD	5.12.2022	14.12.2032	30.000	9.00%	fixed

1.4. Estimated effect of applying Article 468 CRR

In June of 2020 a temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic was introduced in article 468 of CRR.

In accordance with the above, on 31 December 2022, the Group recorded an increase of Common Equity Tier 1, i.e. total capital by EUR 0.8 million.

The table below shows a comparison of the bank's own funds and capital with and without the application of temporary treatment in accordance with Article 468 of the CRR Regulation as of 31 December 2022

	Available capital (amounts)	
1	Common Equity Tier 1 (CET1) capital	216,734
1a	Common Equity Tier 1 (CET1) capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	215,944
2	Tier 1 capital	216,734
2a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	215,944
3	Total capital	266,734
3a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	265,944
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets	1,513,903
4a	Total risk-weighted assets as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	1,514,367
4b	Total risk-weighted assets as if all temporary treatments had not been applied	1,514,367
	Capital ratios	
5	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.32%
5a	Common Equity Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.26%
6	Tier 1 (as a percentage of risk exposure amount)	14.32%
6a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.26%
7	Total capital (as a percentage of risk exposure amount)	17.62%
7a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,56%
	Leverage ratios	
8	Leverage ratio total exposure measure	2.409.618
9	Leverage ratio	8,99%
10	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,96%

2 Capital requirements and risk-weighted exposure amounts

(Article 438 of the CRR Regulation)

2.1. Overview of Total Risk Exposure Amounts

The Group uses the standardised approach to calculate tier 1 capital requirements for credit and market risks, and the simple approach to calculate the tier 1 capital requirement for operational risks.

The capital requirement for each risk is 8% of the total exposure to each risk.

The **EU OV1** template below shows the amounts of the total exposure to risk and the total capital requirements under various risk categories. Columns (a) and (b) show the total exposures to risks as at 31 December 2022 and 31 December 2021, and column (c) shows the total capital requirements under individual risk types as at 31 December 2022, calculated in line with Article 92 of the CRR Regulation.

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31 December 2022	31 December 2021	31 December 2022
1	Credit risk (excluding CCR)	1,385,607	1,223,237	110,849
2	Of which the standardised approach	1,385,607	1,223,237	110,849
6	Counterparty credit risk - CCR	0	0	0
15	Settlement risk	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	0	0	0
23	Operational risk	128,297	113,496	10,264
EU 23a	Of which basic indicator approach	128,297	113,496	10,264
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	7,954	7,090	636
29	**Total**	**1,513,903**	**1,336,732**	**121,112**

2.2. Key metrics

The **EU KM1** template below shows the key matrixes relating to the disclosures of capital requirements.

		a	e
		31 December 2022	31 December 2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	216,734	208,225
2	Tier 1 capital	216,734	208,225
3	Total capital	266,734	228,225
	Risk-weighted exposure amounts		
4	Total risk exposure amount	1,513,903	1,336,732
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)		
5	Common Equity Tier 1 ratio (%)	14.32	15.58
6	Tier 1 ratio (%)	14.32	15.58
7	Total capital ratio (%)	17.62	17.07
	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 (%)	2.75	2.75
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.55	1.55
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.06	2.06
EU 7d	Total SREP own funds requirements (%)	10.75	10.75

2.3. Insurance Participations

The Group has a capital investment at an insurance company. The capital instrument is not deducted from the capital in line with Article 49 of the CRR Regulation. The risk weight is 100%. The **EU INS1** template below discloses the value of exposures from participation in insurance companies as at 31 December 2022.

		a	b
		Exposure value	Risk exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	205	205

2.4. Internal Capital Adequacy Assessment Process Information (EU OVC)

2.4.1. Approach to Assessing the Adequacy of the Internal Capital of the Group

The Internal Capital Adequacy Assessment Process for the Group is thus far prepared only for the Bank, which represents the predominant part of the Group's risks.

The Bank carries out the process of evaluating the internal capital adequacy in line with the ICAAP and ILAAP policy and the Capital Management Policy, which is based on the Business Strategy of the Bank and the Risk Management Strategy and Policy.

Within the calculation of the first pillar capital requirements, the Bank calculates its capital requirements for the credit, market and operational risks. The Bank has established the internal capital adequacy assessment process (ICAAP), in the framework of which it pursues the recommendations of the regulator and good banking practices in this area.

The Bank assesses the significance of each risk type by using quantitative and qualitative criteria for determining materially significant risks. The Group only defines stress tests for risks that are identified as significant and material for the Group.

In its calculation of the internal capital, the Group separately discusses the following risk types:

- credit risk,
- remaining risk,
- risk of lending in a foreign currency,
- reduced value of factored receivables risk,
- real estate price change risk,
- concentration risk,
- credit risk induced by interest rate risk,
- interest rate risk,
- credit spread risk in the banking book,
- liquidity risk,
- market risks,
- country risk,
- investment risk,
- sovereign risk
- operational risk,
- climate related and environmental risk
- model risk,
- other risks.

Within individual risks, the bank also considers subcategories of these risks.

When defining risk types for which the Group, within the second pillar, calculates the capital demands, the Bank takes as its basis the above-mentioned ICAAP cornerstones - the strategies, the risk appetite and the risk profile.

2.4.2. The Result of the Institution's Internal Capital Adequacy Assessment Process of the Group (Upon Demand from the Relevant Competent Authority)

The Group is not bound to disclose the results of the internal capital adequacy assessment process.

3 Countercyclical Capital Buffer

(Article 440 of the CRR Regulation)

With the introduction of the Basel III regulation, the European legislation implemented the capital buffers system, which represents an additional requirement for determining the required capital amount. In addition to the requirements from the first and second Basel pillars, the Group must also meet the capital buffer requirements with its common equity tier capital. Failure to comply with the requirements regarding capital buffers results in restrictions in distributing the operating result, with the purpose of strengthening the Group's capital base.

3.1. Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer

The EU CCyB1 template below shows the geographical spread of the general credit exposure of the Group for calculating the countercyclical capital buffer as at 31 December 2022. The countercyclical buffer rate of 0% (column (m)) is also considered for countries in which the competent authority failed to determine its rate.

		a	g	k	l	m
		General credit exposures	Own fund requirements	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the SA approach	Relevant credit risk exposures - Credit risk			
010	**Breakdown by country:**					
010.1	Slovenia	1,705,862	84,724	1,059,055	79.94	0.00
010.2	Croatia	93,294	7,359	91,984	6.94	0.00
010.3	Serbia	70,891	3,974	49,673	3.75	0.00
010.4	Luxembourg	19,631	2,356	29,446	2.22	0.50
010.5	Italy	18,178	1,386	17,327	1.31	0.00
010.6	Montenegro	11,581	1,374	17,173	1.30	0.00
010.7	Bosnia and Herzegovina	11,333	611	7,633	0.58	0.00
010.8	Czech Republic	9,492	759	9,492	0.72	1.50
010.9	Uzbekistan	9,719	137	1,719	0.13	0.00
010.10	Netherlands	6,963	343	4,292	0.32	0.00
010.11	Slovakia	5,601	448	5,597	0.42	1.00
010.12	Austria	5,632	398	4,969	0.38	0.00
010.13	Germany	5,467	427	5,340	0.40	0.00
010.14	Hungary	3,922	310	3,876	0.29	0.00
010.15	United Kingdom	3,981	263	3,281	0.25	1.00
010.16	Ukraine	3,354	11	137	0.01	0.00
010.17	Belgium	2,872	230	2,878	0.22	0.00
010.18	United States	2,860	190	2,373	0.18	0.00
010.19	Spain	2,714	217	2,714	0.20	0.00
010.20	Poland	1,936	155	1,934	0.15	0.00
010.21	Romania	1,921	138	1,729	0.13	0.50
010.22	Switzerland	1,250	100	1,250	0.09	0.00
010.23	Other countries	1,181	71	887	0.00	
020	**Total**	**1,999,636**	**105,981**	**1,324,760**	**100.00**	

Row 23 includes 19 countries with exposure below EUR 1 million. The Group has no credit exposure for market risks and exposures in securitisation, therefore columns b, c, d, e, f, h, i, and j are irrelevant.

3.2. Amount of Institution-specific Countercyclical Capital buffer

The level of each institution's own countercyclical capital buffer is calculated as a weighted average of the countercyclical buffer rates which are used in countries in which appropriate credit exposures of institutions are present, from rows 010.1 to 010.23 of the (m) column of the **EU CCyB1** template. The weight used for the countercyclical buffer rate in each country is the share of capital requirements in the common capital requirements, and is reported in column (l) of the **EU CCyB1** template.

The EU CCyB2 template below shows the requirement calculation for each institution’s own countercyclical capital buffer of the Group as at 31 December 2022.

		a
1	Total risk exposure amount	1,513,903
2	Institution specific countercyclical capital buffer rate (%)	0.03
3	Institution specific countercyclical capital buffer requirement (1*2)	454

4 Exposure to Credit Risk and Impairment risk

(Article 442 of the CRR Regulation)

4.1. Additional Disclosure Related to the Credit Quality of Assets (EU CRB)

4.1.1. The Definition of ‘Past-due’ and ‘Impaired’ Exposures used for Accounting Purposes

The Group uses the same definitions when determining default status for regulatory purposes, as well as for the accounting recognition of credit impaired assets, which are included in Stage 3.

All past-due exposures are defined as non-performing exposures and are accounted for in Stage 3. Unpaid exposures are classified as all exposures where:

a. the debtor is more than 90 days past due with the payment of any significant credit obligation,
b. there is a low probability that the debtor will settle his credit obligations in full, without the Group using measures such as collateral encashment for repayment.

The Group considers all active balance sheet and off-balance sheet items in which the counterparty has not settled its contractual obligations on time and within the contractually agreed scope as significant credit obligations in arrears, and amount to at least 100 euros and at least 1% of the total exposure of the transaction.

In the case of exposure to natural persons, the Group applies the definition of non-payment from the above two points at the level of individual credit obligations (transaction level), and in the case of exposure to a legal entity, the overall exposure to the debtor.

4.1.2. The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

The Group had a total of EUR 467 thousand in exposures that were matured for over 90 days as at 31 December 2022, which were considered as stage 3, but since they were over insured, no impairments had been allocated.

4.1.3. Description of methods used for determining general and specific credit risk adjustments

Pursuant to the IFRS 9, the Bank had the concept of expected credit losses, which provides impartial and weighted credit risk loss assessments by taking into account various macroeconomic scenarios. That way, the Bank also recognises losses that are expected to be incurred in the future from its portfolio of financial instruments at the balance sheet date. Allowance for expected credit losses is recognised by the Bank for all loans and other debt financial instruments that are not measured at fair value through the income statement, which includes provisions made for contingent liabilities arising from undisbursed loans and financial guarantee contracts.

The allowance is based on expected credit losses arising from the classification of assets into a specific group, the estimated probability of default (PD) in the following 12 months and throughout the term of the instrument for those where credit risk has increased significantly since initial recognition. The Bank has criteria for a significant increase in the lifelong probability of default, defined by segment on the basis of qualitative and quantitative information and analyses made on the basis of past information, experiences and expert credit assessments and forward-looking information.

The process and rules of classification are regularly monitored. The key criteria for classification derive from the applicable regulatory requirements and the IFRS 9. Receivables are classified into individual stages; i.e. stages 1 and 2 for performing receivables and stage 3 for non-performing receivables. The classification criteria are defined in the Bank's internal acts. The same criteria are applied to the classification of all financial assets into stages. The classification takes place in several steps, whereby individual criteria are checked at every step. In step 1, it is checked whether a financial asset was bought or originally impaired. In step 2, the Bank checks whether a default has occurred in a financial asset (due to 90 days past due on client level for legal entities and loan level for private individuals or the client/loan meet the unlikely to pay - UTP criteria) in which case the asset is allocated to stage 3. In step 3, three criteria for increased credit risk are checked (30 days past due, restructuring, watchlist inclusion), whereby the fulfilment of any of them implies the classification of the asset in stage 2. In step 4, it is checked whether an asset belongs to a low credit risk category and meets the conditions for classification in stage 1. In step 5, the Bank also checks the increase in the lifelong probability of default from the point of asset recognition to the reporting date, whereby an increase above the defined limit requires the classification of the asset in stage 2. The criteria of a significant increase in the lifelong probability of default from asset recognition to the reporting date have been laid down by the Bank based on available statistical analyses and differ with respect to the segment of clients.

The Bank classifies all exposures at the client level that exceed EUR 200,000 and that are defined as unlikely to pay as individually impaired. It also classifies the following as individually impaired:

- POCI exposures,
- modified exposures, when the UTP criteria is met
- leasing exposures after the withdrawal of the subject of the lease, and
- partly written-off exposures.

For all exposures classified as individually impaired, the required impairments or provisions are assessed individually in accordance with the definitions listed in the Methodology for the formation of individual impairments.

When assessing expected credit losses, the Bank is required to take into account the longest contractual period in which it is exposed to credit risk. For transactions with specific features and without maturity, the Bank has defined principles for taking into account their maturity by observing the nature of the transaction and available information about them.

When calculating the values of credit risk parameters, the Bank includes information that derives from previous credit risk matrices in the past 8 years and forward-looking expectations and available information, such as macroeconomic scenarios involving major credit risk factors.

By applying the Z-shift method, the Bank includes the relationship between macroeconomic conditions in the country and the shares of default in the Bank's credit portfolio in calculations of credit risk parameters. For the purposes of calculating impairments as per the IFRS 9, the Bank has defined various macroeconomic scenarios from same GDP projection by applying the error distribution method. However, this year the Bank has used in-model adjustments and defined various macroeconomic scenarios where each scenario uses different GDP to better reflect current and future macroeconomic outlook.

The Bank applies the following probabilities of individual scenarios:

- realistic scenario: 60%,
- optimistic scenario: 10%,
- pessimistic scenario: 30%.

Scenarios for future values of real GDP growth in Slovenia are used for the portfolio of companies, sole proprietors, private individuals, banks, countries and government institutions. The Bank also assesses the probability of default for entities that fall within the low default share portfolio (banks, countries, government institutions).

When calculating loss, the Bank derives from the data on the share of losses from individual cases weighted by the exposure of an individual debtor during the transition to defaulters. Furthermore, the recommended regulatory LGD may be used in other segments when the Bank is unable to calculate the level of loss due to various substantiated reasons. For the following reason, the Bank also applies the regulatory LGD in segments of the Central State level and Central Bank and Institutions.

Exposure at default (EAD) is modelled at the Bank to adjust the existing exposure to contractual future cash flows, where future contractual cash flows are not taken into account in the period of three months before default. In exposures with no contractual future cash flows, the cash flow is deemed to be total repayment upon maturity. If an exposure has no due date, the due date is considered to be the period of one year, where the cash flow is deemed to be total repayment upon such a new due date. EAD takes into account off-balance-sheet exposure multiplied by CCF values, as laid down in Annex 1 to Regulation 575/2013. When calculating the level of loss, the Bank is also considering the weighted values of appropriate collaterals, which it discounts and adequately allocates to individual transactions, and the discount factor is determined on the basis of the annual average interest rate of non-performing exposures weighted with the EAD share. The algorithm for classifying collaterals is described in the Methodology on the collateral types and valuations at GB d.d. To determine the value of the collaterals used in the leasing portfolio, the Bank uses the value drop curve (depreciation).

All risk parameters are calculated once a year, or more frequently if the economic forecasts change substantially compared to the previous forecasts; in such a case, the parameters are recalculated with respect to new forecasts.

The validation of all risk parameters is conducted once a year.

4.1.4. Risk weighted assets (RWA)

The Group uses a standardized approach when calculating capital requirements on credit risks. Credit risk mitigation techniques considers insurance, namely personal guarantees and property insurance. As of 31 December 2022, the bank considered government guarantees amounting to EUR 50,276 thousand and collateral with cash at the bank amounting to EUR 27,442 thousand. The Group does not use balance reconciliation.

For the purpose of calculation of RWA, the Group assigns exposures secured by CRR eligible immovable property to category exposures secured by mortgages on immovable property. In the case of exposures that are fully and completely secured by mortgages on residential real estate located in the territory of the Republic of Slovenia, a risk weight of 35% is used for the part of the credit that does not exceed 60% of the market value of the relevant real estate. In the case of exposure fully and completely secured by mortgages on suitable commercial real estate, a risk weight of 50% is considered when calculating the RWA for the part of the credit that does not exceed 50% of the market value of the real estate. The eligibility of residential and commercial immovable property for inclusion in the RWA calculation (assignment of a risk weight of 35% or 50%) is defined by the definitions of each property type in internal documents. Fulfilment of the conditions for inclusion among suitable real estate is carried out when the real estate is accepted for insurance, and monitoring is carried out throughout the duration of the insurance. To real estate property that is part of project financing and is intended for sale on the market, a weight of 150% is assigned when calculating RWA. The valuation of all properties is in line with international standards. the valuations for the properties are carried out by qualified and experienced external valuers, the internal valuers also issue an opinion on the adequacy of the report when reviewing the external valuations. The immovable properties that the bank received as collateral are located in the territory of the Republic of Slovenia (81%), as well as abroad (19%, of which the majority is located in Croatia).

More information about the credit risk management system is described in the Annual Report.

4.1.5.The Definition of a Restructured Exposure

The definition of the restructured exposure which the Group uses for implementing Article 178(3)(d) of CRR, as defined in the EBA guidelines on default, in line with Article 178 of CRR, is the same as the definition of the restructured exposure defined as such in Annex V to the Commission Implementing Regulation (EU) No. 680/2014.

Thus, the following two conditions need to be med for the restructured financial asset:

- the debtor is in financial difficulties,
- the debtor was given a “waiver” to the initially agreed investment conditions.

The financial difficulties or the ability to pay debt must be assessed by the Bank on the level of the debtor and in the event of identified financial difficulties, the change of conditions of each investment means a restructured financial asset. Here, all interrelated companies in the group that is subject to the accounting consolidation are considered as debtors.

4.2. Performing and Non-performing Exposures and Related Provisions

The **EU CR1** template below shows performing and non-performing exposures, accumulated impairments and provisions, accumulated negative fair value changes due to credit risk, accumulated partial write-offs, received collateralisations and financial guarantees as at 31 December 2022.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	290,687	290,687	-	-	-	-	(60)	(60)	-	-	-	-	-	-	-
010	Loans and advances	1,519,922	1,311,117	208,806	31,268	-	31,268	(10,358)	(6,042)	(4,316)	(10,299)	-	(10,299)	(171)	1,120,267	20,206
020	Central banks	251	251	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	5,946	5,740	207	-	-	-	(35)	(32)	(4)	(0)	-	(0)	-	21	-
040	*Credit institutions*	46,656	46,656	-	-	-	-	(307)	(307)	-	-	-	-	-	-	-
050	*Other financial corporations*	30,998	30,013	986	-	-	-	(280)	(278)	(2)	(0)	-	(0)	-	9,004	-
060	*Non-financial corporations*	865,711	745,392	120,320	21,675	-	21,675	(7,796)	(4,216)	(3,580)	(7,813)	-	(7,813)	(119)	636,263	13,610
070	*Of which SMEs*	644,543	554,758	89,786	9,622	-	9,622	(6,040)	(3,425)	(2,615)	(3,167)	-	(3,167)	(119)	526,097	6,203
080	*Households*	570,359	483,065	87,294	9,592	-	9,592	(1,941)	(1,209)	(731)	(2,486)	-	(2,486)	(52)	474,979	6,596
090	Debt securities	374,684	369,678	5,006	-	-	-	(341)	(224)	(118)	-	-	-	-	16,942	-
110	*General governments*	328,830	328,830	-	-	-	-	(157)	(157)	-	-	-	-	-	-	-
120	*Credit institutions*	23,080	23,080	-	-	-	-	(29)	(29)	-	-	-	-	-	10,973	-
140	*Non-financial corporations*	22,774	17,768	5,006	-	-	-	(156)	(38)	(118)	-	-	-	-	5,969	-
150	Off-balance-sheet exposures	449,831	436,693	13,139	635	-	635	(1,479)	(1,379)	(100)	(383)	-	(383)		66,647	160
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		264	-
170	*General governments*	15,940	15,940	-	-	-	-	(9)	(9)	-	-	-	-		50	-
180	*Credit institutions*	843	843	-	-	-	-	(0)	(0)	-	-	-	-		-	-
190	*Other financial corporations*	3,054	3,054	-	-	-	-	(8)	(8)	-	-	-	-		76	-
200	*Non-financial corporations*	366,861	353,973	12,888	613	-	613	(1,445)	(1,347)	(98)	(380)	-	(380)		61,931	160
210	*Households*	63,133	62,882	251	22	-	22	(17)	(16)	(1)	(3)	-	(3)		4,590	-
220	***Total***	**2,635,125**	**2,408,174**	**226,951**	**31,902**	**-**	**31,902**	**(9,221)**	**(4,886)**	**(4,334)**	**(9,916)**	**-**	**(9,916)**	**(171)**	**1,203,856**	**20,366**

4.3. Maturity of Exposures

The **EU CR1-A** template below shows the value of balance and off-balance exposures as at 31 December 2022, reduced for impairments or provisions and without considering impacts from credit insurances after the remaining maturity. Exposures that are being paid in instalments are classified into the maturity bucket which corresponds to the last instalment.

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	113,166	491,185	636,537	738,246	-	1,979,134
2	Debt securities	-	53,064	149,942	168,815	-	371,820
3	***Total***	**113,166**	**544,249**	**786,479**	**907,061**	**-**	**2,350,955**

4.4. Credit Quality of Forborne Exposures

The **EU CQ1** template below shows performing and non-performing restructured exposures, accumulated impairments and provisions, accumulated negative fair value changes due to credit risk, received collateralisations and financial guarantees for restructured exposures as at 31 December 2022.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
010	Loans and advances	53,105	17,322	17,322	17,322	(1,511)	(6,193)	57,392	11,010
060	*Non-financial corporations*	52,682	17,257	17,257	17,257	(1,506)	(6,190)	56,967	10,949
070	*Households*	423	64	64	64	(5)	(3)	425	61
090	Loan commitments given	2,842	36	-	-	-	-	2,842	-
100	***Total***	**55,947**	**17,358**	**17,322**	**17,322**	**(1,511)**	**(6,193)**	**60,234**	**11,010**

4.5. Credit Quality of Performing and Non-performing Exposures by Past Due Days

The **EU CQ3** template below shows performing and non-performing exposures by individual maturity bucket as at 31 December 2022. For the maturity allocation in the table below, maturity of each contract is taken into account.

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	290,687	290,687	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	1,519,922	1,504,736	15,186	31,268	27,377	1,027	1,656	628	378	30	173	31,268
020	*Central banks*	251	251	-	-	-	-	-	-	-	-	-	-
030	*General governments*	5,946	5,946	-	0	0	-	-	-	-	-	-	0
040	*Credit institutions*	46,656	46,656	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	30,998	30,979	20	0	-	-	-	-	-	-	0	0
060	*Non-financial corporations*	865,711	860,483	5,228	21,675	19,839	601	800	297	138	0	0	21,675
070	*Of which SMEs*	644,543	639,315	5,228	9,622	7,786	601	800	297	138	0	0	9,622
080	*Households*	570,359	560,421	9,938	9,592	7,538	425	856	330	240	30	173	9,592
090	Debt securities	374,684	374,684	-	-	-	-	-	-	-	-	-	-
110	*General governments*	328,830	328,830	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	23,080	23,080	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	22,774	22,774	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	449,831			635								635
170	*General governments*	15,940			-								-
180	*Credit institutions*	843			-								-
190	*Other financial corporations*	3,054			-								-
200	*Non-financial corporations*	366,861			613								613
210	*Households*	63,133			22								22
220	***Total***	**2,635,125**	**2,170,108**	**15,186**	**31,902**	**27,377**	**1,027**	**1,656**	**628**	**378**	**30**	**173**	**31,902**

4.6. Quality of Non-performing Exposures by Geography

The **EU CQ4** template below shows non-performing balance and off-balance exposures by country on the basis of the head office of the direct counterparty as at 31 December 2022.

		a	b	c	d	e	f
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given
			Of which non-performing		Of which subject to impairment		
				Of which defaulted			
010	***On-balance-sheet exposures***	**1,925,874**	**31,268**	**31,268**	**1,925,874**	**(20,998)**	
020	*Slovenia*	1,469,039	30,777	30,777	1,469,039	(18,253)	
030	*Serbia*	111,046	48	48	111,046	(780)	
040	*Croatia*	89,876	223	223	89,876	(964)	
050	*Italy*	25,806	2	2	25,806	(58)	
060	*Luxembourg*	19,901	0	0	19,901	(270)	
070	*Austria*	15,114	18	18	15,114	(17)	
080	*France*	14,768	0	0	14,768	(5)	
090	*Germany*	14,194	0	0	14,194	(7)	
100	*Spain*	13,572	0	0	13,572	(8)	
110	*Poland*	12,186	0	0	12,186	(4)	
120	*Netherlands*	12,101	0	0	12,101	(7)	
130	*Montenegro*	11,236	0	0	11,236	(14)	
140	*Portugal*	10,392	0	0	10,392	(4)	
150	*Ireland*	10,120	0	0	10,120	(4)	
160	*Uzbekistan*	10,000	0	0	10,000	(281)	
170	*Bosnia and Herzegovina*	9,319	190	190	9,319	(111)	
180	*Czech Republic*	9,099	0	0	9,099	(5)	
190	*Slovakia*	8,257	0	0	8,257	(12)	
200	*Lithuania*	8,233	0	0	8,233	(3)	
210	*Latvia*	8,030	0	0	8,030	(3)	
220	*United Kingdom*	7,855	0	0	7,855	(11)	
230	*Romania*	7,228	0	0	7,228	(84)	
240	*Belgium*	5,789	0	0	5,789	(23)	
250	*Israel*	4,728	0	0	4,728	(2)	
260	*Macedonia*	3,678	0	0	3,678	(10)	
270	*Estonia*	2,981	0	0	2,981	(1)	
280	*Hungary*	2,888	0	0	2,888	(10)	
290	*United States*	2,854	0	0	2,854	(27)	
300	*Ukraine*	2,123	0	0	2,123	(6)	
310	*Turkey*	1,902	0	0	1,902	(7)	
320	*Other countries*	1,558	10	10	1,558	(7)	
330	***Off-balance-sheet exposures***	**450,462**	**635**	**635**			**1,862**
340	*Slovenia*	380,364	635	635			1,424
350	*Croatia*	13,505	0	0			366
360	*Italy*	12,895	0	0			7
370	*Germany*	12,479	0	0			3
380	*Bosnia and Herzegovina*	8,902	0	0			40
390	*Hungary*	5,224	0	0			2
400	*Ukraine*	2,478	0	0			0
410	*Switzerland*	2,421	0	0			5
420	*Austria*	2,346	0	0			3
430	*Czech Republic*	1,992	0	0			1
440	*Montenegro*	1,800	0	0			5
450	*Slovakia*	1,765	0	0			3
460	*Poland*	1,335	0	0			1
470	*Other countries*	2,959	0	0			3
480	***Total***	**2,376,336**	**31,902**	**31,902**	**1,925,874**	**(20,998)**	**1,862**

Row 320 includes 23 countries with exposure below EUR 1 million. Row 470 includes 25 countries with exposure below EUR 1 million.

The Group's non-performing exposures do not include exposures measured at fair value, which is why the template above does not disclose column (g) with accumulated negative changes of fair value due to credit risk in non-performing exposures.

4.7. Credit Quality of Loans and Advances to Non-financial Corporations by Industry

The **EU CQ5** template below shows loans and other financial assets for non-financial companies by industry as at 31 December 2022.

		a	b	c	d	e
		Gross carrying amount				Accumulated impairment
			Of which non-performing		Of which subject to impairment	
				Of which defaulted		
010	Agriculture, forestry and fishing	2,574	-	-	2,574	(17)
020	Mining and quarrying	2,194	2	2	2,194	(9)
030	Manufacturing	268,715	3,257	3,257	268,715	(3,869)
040	Electricity, gas, steam and air conditioning supply	9,067	69	69	9,067	(116)
050	Water supply	5,771	38	38	5,771	(43)
060	Construction	98,095	727	727	98,095	(1,003)
070	Wholesale and retail trade	104,210	923	923	104,210	(1,317)
080	Transport and storage	38,827	665	665	38,827	(523)
090	Accommodation and food service activities	85,215	15,113	15,113	85,215	(5,435)
100	Information and communication	23,347	101	101	23,347	(393)
110	Financial and insurance activities	1,416	-	-	1,416	(54)
120	Real estate activities	171,558	109	109	171,558	(922)
130	Professional, scientific and technical activities	45,891	177	177	45,891	(492)
140	Administrative and support service activities	13,914	300	300	13,914	(801)
150	Public administration and defence, compulsory social security	212	-	-	212	(5)
160	Education	2,429	9	9	2,429	(20)
170	Human health services and social work activities	5,635	154	154	5,635	(120)
180	Arts, entertainment and recreation	7,132	16	16	7,132	(458)
190	Other services	1,185	13	13	1,185	(10)
200	***Total***	**887,387**	**21,675**	**21,675**	**887,387**	**(15,608)**

The Group's non-performing exposures do not include exposures measured at fair value, which is why the template above does not disclose column (f) with accumulated negative changes of fair value due to credit risk in non-performing exposures.

5 Remuneration policy

(Article 450 of the CRR Regulation)

Detailed disclosures in relation to the Remuneration Policy will be disclosed in the additional document, which will be published on the Bank's website.

5.1. Main elements and implementation of the remuneration policy

5.1.1.Information relating to the bodies that oversee remuneration

In 2022, the Remuneration Committee of the Bank was responsible for the supervision of remunerations. The Committee held 1 session in 2022. The members of the Remuneration Committee are identified in the Annual Report (president – Jurij Bajec, members: Aleksandra Babić in Ana Živanović).

In 2022, the Bank did not employ external advisors in the formation and implementation of the remuneration policy. Considering the peculiarity of the Group's organisation, all the remunerations of employees performing work of a special nature in the company are included in the Policy of the Bank.

The Remuneration Policy is used in the Group in accordance with the qualitative and appropriate quantitative measures to determine the categories of employees who may, in the scope of their powers or work tasks and activities, have a significant impact on the risk profile of the Bank, or whose professional activity has a significant influence on the profile of the Bank.

It is used in the Bank for the following employee categories:

- the Bank's Management Board,
- senior management of the Bank,
- management of the internal controls system and other independent control functions in the Bank,
- directors of subsidiaries.

For all of the above four categories, the term "employees performing work of a special nature" is used.

Following the definition of employees whose occupational activities have or may have a significant impact on the institution's risk profile, additional key job positions are also proposed, or a reward may also be given to other individuals who are performing essential jobs.

5.1.2. Information relating to the design and structure of the remuneration system for identified staff

The variable remuneration policy is determined in such a way that it is compatible with effective and wise risk management, and does not encourage risk-taking that surpasses the level that is acceptable for the bank, that it is in accordance with the business strategy, long-term goals and interests of the bank, and that it predicts the measures to prevent conflicts of interest. The Remuneration Policy is transparent, known in advance and appropriately documented.

The goals of the remuneration policy are:

- to promote motivation and achieving or surpassing the planned working results,
- to promote motivation in order to achieve the best possible business results with appropriate risk management,
- to ensure the transparency of remunerations.

Key properties:

- The remuneration policy clearly distinguishes between the criteria for determining fixed remuneration and variable remuneration;
- The variable part of a remuneration is based on a combination of an individual's performance assessment and their organisational unit, and the bank's general business results;
- The variable remuneration of an individual cannot exceed 100 per cent of the fixed remuneration of that individual;
- At least 40% of the variable remuneration of each individual is deferred, and paid to the employee on the day of the third anniversary of the first payment of the variable remuneration;
- Variable remunerations are only paid or become payable if they are sustainable in terms of the Bank's financial state, and if they are justified by the success of the bank, the organisational unit and the individual;
- With this policy, the bank has established internal rules on the system of reducing the variable remuneration or clawback;
- Any payment to an individual connected to the early termination of their employment contract reflects the performance of that individual in a certain period, and cannot reward them for poor performance or any violations within the bank.

Stakeholders:

- The Remuneration Committee is responsible for the preparation of decisions regarding remunerations adopted by the Supervisory Board, especially for employees whose professional activities have a significant impact or could have a significant impact on the risk profile of the institution, It evaluates the systems and mechanisms for the remuneration system to appropriately consider all risk types, levels of liquidity and capital, and for it to be in line with the prudent and efficient risk management principle in general. It assesses the achievement of performance targets in accordance with the adopted internal methodologies, and proposes subsequent adjustment of allocated variable remunerations to risks, including the usage of provisions on the malus (reduction) system and clawback. It directly controls the remunerations of senior employees in independent control functions;
- The Supervisory Board estimates the compliance of the general principles of the bank's remuneration policy with the values, strategies and interests of the bank (both too high or too low remunerations of employees performing work of a special nature), and especially assesses (complies with) whether the remuneration policy is compatible with effective and wise risk management, and also encourages such risk management (it does not encourage risk exposure that is not in accordance with the tendency of

taking risk). It evaluates the performance of the Management Board and defines the fixed and variable remuneration for the Management Board of the Bank, decides on the pay-out of the variable remunerations when the achieved results are below the planned values, uses the discretionary right to restrict assets meant for variable remunerations (it defines the so-called bonus pool or the percentage of the profits after tax which are available for variable remunerations for employees performing work of a special nature).

- The Management Board of the Bank drafts and proposes the remunerations policy. It ensures a comprehensive and independent audit of the compliance of actual remunerations with the remuneration policy and practices at least once a year. The bank's Management Board ensures that the remuneration policy consistently follows the general principles of the policy in a way and scope that meets its size, internal organisation and the nature, scope and complexity of the activities they are performing. The Bank's Management Board needs to ensure with its remuneration policy that all variable remunerations are in general significantly lower when the financial success of the bank is poor or in the negative, where the current reduced remunerations of earned amounts, including agreements on the malus system or clawbacks, is also taken into account.
- The Risk Management function assesses how the structure of the variable remunerations affects the risk profile and risk assuming culture of the institution, and at the same time assesses and confirms the data on adjustment due to risks.
- The Compliance function analyses how the remuneration policy affects compliance with legislation, regulation, as well as internal policies and rules, and must report any compliance risks found.

Variable remunerations, including the deferred part, are only paid or are payable when the financial situation of each subsidiary and their exposure to risk is on an acceptable and sustainable level, and when such a pay-out is justified based on the operating results of each subsidiary, organisational unit and individual in each time period (which is used as the criterion for the performance evaluation, e.g. calendar year, etc.).

To ensure long-term success, the Bank may defer payment of a certain part of the variable remunerations. The deferred part of the variable remuneration does not bear interest during the deferral period.

The Bank may cancel a part of or the entire deferred variable remuneration, or demand the return of already paid variable remuneration if, on the basis of circumstances, it finds out that the actions, waivers thereof or decisions of an employee have led to significant losses in the Bank.

The remunerations policy of the Bank was also reviewed by the Internal Audit and a report was prepared for the Management Board. The audit provided minor recommendations to update and amend the timeline to ensure a timely reporting process, as well as a recommendation to harmonise the Policy with the latest amendments to regulations. Certain amendments of the policy will be implemented after the new remunerations policy is adopted on the level of the Group.

Employees who are performing control functions are independent from the organisational units they are monitoring, and have appropriate authorisations and receive remunerations based on achieving objectives related to their functions, independently of the success of the business areas they are monitoring.

5.1.3. Description of the ways in which current and future risks are taken into account in the remuneration processes

In cases when the Bank does not achieve the determined level of capital or capital adequacy in accordance with the law that governs the business of banks and the implementing regulations, or if the risks that the Bank is exposed to have been raised in opposition to the risk appetite, the variable remuneration is not determined and is not paid out. The Bank establishes the compliance of risk-taking with the expressed risk appetite by achieving the indicators defined in the Risk Appetite Statement, which is monitored and presented in the Risk Management Report and is dealt with quarterly by the Supervisory Board.

The variable part of the remuneration shall not be designated and not paid, if the Bank exceeds the reference value of two of the displayed risk appetite indicators defined in the Risk Appetite Statement;

The Supervisory Board may decide not to determine and pay out the variable remuneration should the Bank suffer losses in its current business due to the determination and payment of the variable remuneration, or it may define a proportionally smaller amount of variable remunerations in line with the commercial and financial plan of the Bank, or the planned items for the variable part of the remunerations.

5.1.4. The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD

The variable remuneration does not exceed 100 percent of the fixed remuneration.

The variable part of the remuneration has to reflect the sustainable and risk-based success that is higher than the average expected success, reflected in the fixed part of the remuneration.

5.1.5. Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration

The variable remuneration is determined on the basis of the performance assessment on three segments, namely:

- the performance assessment of achieving the business results of the Bank as a whole,
- the performance assessment of an individual,
- the performance assessment of their business and organisational unit or area for which they are responsible.

The performance assessment is based on achieving goals that contribute to the total success of the Bank. The criteria for the performance assessment are set in such a way that they reward efficiency, productivity, and profitability which exceeds the regular job performance and defined in a special document which is approved by the Supervisory Board of the Bank.

The employee must achieve 100% performance or more in every one of the three segments. If the performance is lower than 100% in any segment, then the individual is not eligible to receive the variable remuneration. If the individual's performance is below expectations, appropriate measures are taken.

5.1.6. Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance

Based on the determination of the variable component of the remuneration (previous section), the Bank pays the variable remuneration so determined to the beneficiary, half in cash and half in a financial instrument. The remainder (40%) of the variable remuneration is deferred, and paid on the 3rd anniversary of the payment of the first part of the variable remuneration, whereby half is paid in cash and half in a financial instrument. The deferred part of the variable remuneration does not bear interest during the deferral period. The terms and conditions of the financial instrument for the payment of the variable remuneration are defined in Annex 1, which is an integral part of this Policy. Even former employees are entitled to the payment of the deferred variable remuneration.

The bank may defer the payment of the deferred variable remuneration from the previous paragraph if it does not achieve the business performance criteria as a whole, which is decided by the Supervisory Board.

The bank must defer the payment of the deferred variable remuneration component if it fails to achieve the required level of capital (i.e. ensure capital adequacy) in accordance with the law governing banking and its implementing regulations. In that case, payments are deferred until all the legal requirements are met.

There are no differences between employees or employee categories.

The bank may cancel a part of or the entire deferred variable remuneration, or demand the return of the variable remuneration if, on the basis of circumstances, it finds out:

- that the individual's actions or decisions have led to important losses for the bank, or
- that the individual does not meet the suitability standards when working in the Bank.
- Once a year, the Remuneration Committee determines, based on reverse testing, whether the criteria for the payment of the variable component of remuneration are met. In the case of the following circumstances:
- signs of severe careless treatment and mistakes due to violations of external and internal regulations that led to significant losses for the institution,
- considerable decline in the business of an organisational unit or the Bank as a whole, reflected in the performance indicators,
- improper risk management in a specific area or individual organisational unit, and non-compliance with the adopted values and rules, reflected in the decline of the risk profile of the Bank and not just in the excess of the reference values of the risk appetite indicators,
- request to increase the capital demands due to an increased risk in association with a specific activity or organisational unit,
- regulatory sanctions as a consequence of the improper treatment of employees,

the Committee needs to submit a proposal to the Supervisory Board that it should determine the reduction, cancellation or return of the variable component of remuneration. The decision-making bases are prepared by the organisational units which are responsible for the personnel area, financial controlling, risk management, and compliance of operations. The Risk Management function assesses how the structure of the variable remunerations affects the risk profile and risk assuming culture of the institution, and at the same time assesses and confirms the data on adjustment due to risks. The Compliance function analyses how the remuneration policy affects compliance with legislation, regulation, as well as internal policies and rules, and must report any compliance risks found from previous paragraphs of this section. Findings are disclosed in the material which is submitted to the Committee and the Supervisory Board.

5.1.7. The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit, as referred to in point (f) of Article 450(1) CRR

The variable part of remunerations refers to the payment which depends on the achieved results directly related to the achievement of the goals in Gorenjska banka as a whole, the goals of the individual organisational unit, and the goals of the individual, and are given and paid in the form of cash and/or instruments. These goals are meant to ensure sustainable development of the Bank.

The criteria and performance assessment defined in this document are used to determine the variable remunerations at Gorenjska banka d.d., Kranj, as well as in all of its dependent companies.

The quantitative performance criteria that contribute to the total success of the Bank are as follows:

- return on capital,
- profit before tax,
- operating costs based on revenue,
- interest margin,
- risk cost,
- non-performing exposures based on the classified exposures.

The qualitative criteria are as follows:

- ensuring the development of human resources,
- timely implementation of recommendations of the Internal Audit,
- strategic projects,
- initiatives for improving processes,
- performing in line with company values,

operating in the framework of a socially responsible employer.

5.1.8. Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management

The total remunerations of the management body's members are disclosed by name and type of remuneration in the Annual Report of Gorenjska banka d.d., Kranj and the Gorenjska banka Kranj Group, chapter 6.4.

5.1.9. Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD, as referred to in point (k) of Article 450(1) CRR

Annual variable remunerations per employee do not exceed EUR 50,000 in the Bank, and they do not represent more than a third of the total annual remunerations of this employee.

The Bank may use deviations as per Article 94(3) (b) of CRD. The aforementioned deviation is used by the Bank for the principle from Article 94 (1) (l).

For 2022, the aforementioned deviation will be used for 45 employees. The total remunerations for these employees amount to EUR 4,798,278, of which EUR 4,157,335 are fixed and EUR 640,943 are variable.

5.1.10. The quantitative information on the remuneration of collective management body of institution, differentiating between executive and non-executive members, as referred to in Article 450(2) CRR

The Bank may use deviations as per Article 94(3) (b) of CRD. The aforementioned deviation is used by the Bank for the principle from Article 94 (1) (l). For 2022, the total remunerations of the management body's members are already disclosed by name and type of remuneration in the Annual Report of Gorenjska banka d.d., Kranj and the Gorenjska banka Kranj Group, chapter 6.4.

5.2. Remuneration Awarded for the Financial Year

The **EU REM1** template below shows the remunerations of the Group allocated for the 2022 financial year.

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	3	31	2
2		Total fixed remuneration	164	729	3,161	104
3		Of which: cash-based	164	729	3,161	104
9	Variable remuneration	Number of identified staff	8	3	31	2
10		Total variable remuneration	-	128	505	8
11		Of which: cash-based	-	128	505	8
17	**Total remuneration (2 + 10)**		**164**	**857**	**3,667**	**111**

Variable remuneration includes the amounts of the actual allocation for 2022, which was carried out in 2023.

5.3. Special payments to staff of the Group whose professional activities have a material impact on institutions' risk profile (identified staff)

The **EU REM2** template below shows payments made to employees whose professional activities have a significant influence on the risk profile of the Group, for the 2022 financial year.

		c
		Other senior management
	Severance payments awarded during the financial year	
6	Severance payments awarded during the financial year - Number of identified staffs	2
7	Severance payments awarded during the financial year - Total amount	60
8	Of which paid during the financial year	60
11	Of which highest payment that has been awarded to a single person	49

The templates above do not show columns (a) and (b) because employees in the management body and the supervisory function and management function did not receive any special payments in 2022. The same applies to column (d) because no other employees whose professional activities have a significant influence on the risk profile of the Group did not receive any special payments.

5.4. Deferred Remuneration

The **EU REM3** template below shows deferred remunerations of employees whose professional activities have a significant influence on the risk profile of the Group, for the 2022 financial year.

		a	b	c
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years
7	MB Management function	**37**	**14**	**23**
8	Cash-based	37	14	23
13	Other senior management	**21**	**5**	**16**
14	Cash-based	21	5	16
25	Total amount	**59**	**19**	**39**

The template above does not show columns (d), (e) and (f) because deferred remunerations were not adjusted to the performance and subsequent implicit adjustments. The same applies for columns EU-g and EU-h because deferred remunerations allocated prior to the financial year which would have been paid in the financial year, and deferred remunerations allocated for previous performance assessment periods which would mature but would enter into the retention period, are irrelevant for the Group.

5.5. Information on Remuneration of Staff whose Professional Activities have a Material Impact on Institutions' risk profile (identified staff)

The **EU REM5** template below shows remunerations of employees whose professional activities have a significant influence on the risk profile of the Group, for the 2022 financial year.

		a	b	c	e	f	g	h	j
		Management body remuneration			Business areas				Total
		MB Supervisory function	MB Management function	Total MB	Retail banking	Asset management	Corporate functions	Independent internal control functions	
1	Total number of identified staff								44
	Of which: members of the MB	8	3	11					
3	Of which: other senior management				12	2	11	6	
4	Of which: other identified staff				-	-	-	2	
5	Total remuneration of identified staff	164	857	1,020	1,614	263	1,188	713	
6	Of which: variable remuneration	-	128	128	265	36	123	90	
7	Of which: fixed remuneration	164	729	893	1,350	227	1,066	623	

The template above does not show column (d) because the Group is not active in investment banking. The same applies for column (i) because the Group has no other areas of operations.

6 Leverage

(Article 451 of the CRR Regulation)

The purpose of the leverage ratio is to limit the size of the Group's balance sheet, with a special emphasis on exposures not weighted as part of the existing calculations of capital requirements. The calculation of the leverage thus uses tier 1 capital in the numerator, while in the denominator it uses the total exposure of all balance and off-balance-sheet items after performed adjustments, as part of which exposures from derivatives, exposures from financing transactions concerning securities and other off-balance-sheet items are especially emphasised.

6.1. Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

The **EU LR1-LRSum** template below shows a summary of the harmonisation of accounting assets and the leverage ratio as at 31 December 2022.

		a
		Applicable amount
1	Total assets as per published financial statements	2,315,059
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(352)
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	128,619
12	Other adjustments	(33,708)
13	**Total exposure measure**	**2,409,618**

6.2. Leverage Ratio Common Disclosure

Rows from 1 to EU27a in the **EU LR1-LRCom** template below show the disclosure for the financial leverage ratio as at 31 December 2022 and 31 December 2021.

		CRR leverage ratio exposures	
		a	b
		31 December 2022	31 December 2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2,314,707	2,273,044
6	(Asset amounts deducted in determining Tier 1 capital)	(33,708)	(34,504)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,280,999	2,238,540
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	452,432	373,915
20	(Adjustments for conversion to credit equivalent amounts)	(323,813)	(262,534)
22	Off-balance sheet exposures	128,619	111,381
Capital and total exposure measure			
23	Tier 1 capital	216,734	208,225
24	Total exposure measure	2,409,618	2,349,921
Leverage ratio			
25	Leverage ratio (%)	8.99	8.86
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.99	8.86
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.99	8.86
26	Regulatory minimum leverage ratio requirement (%)	3.00	3.00
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00	0.00
27	Leverage ratio buffer requirement (%)	0.00	0.00
EU-27a	Overall leverage ratio requirement (%)	3.00	3.00

Rows 30 to 31a of the **EU LR1-LRCom** template below show the arithmetic mean value of the total exposure and leverage ratio for 2022 and 2021.

		CRR leverage ratio exposures	
		a	b
		2022	2021
Disclosure of mean values			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2,405,564	2,324,257
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2,405,564	2,324,257
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	8.83	8.43
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	8.83	8.43

6.3. Split-up of On balance Sheet Exposures

The **EU LR3-LRSpl** template below shows the exposure of the leverage ratio as at 31 December 2022.

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**2,314,706**
EU-3	Banking book exposures, of which:	2,314,706
EU-5	Exposures treated as sovereigns	413,221
EU-7	Institutions	82,180
EU-8	Secured by mortgages of immovable properties	265,708
EU-9	Retail exposures	586,196
EU-10	Corporates	426,213
EU-11	Exposures in default	20,619
EU-12	Other exposures (e.g. equity and other non-credit obligation assets)	520,568

6.4. Leverage Ratio Qualitative Information (EU LRA)

6.4.1. Description of the Processes used to manage the Risk of Excessive Leverage

The Group regularly monitors the leverage ratio value. Its monitoring has been defined in the Recovery Plan of Agri Europe Cyprus Limited. The ratio’s value is reported to the Supervisory Board, the Management Board, and the Assets and Liabilities Management Committee.

The Group defined the green, amber and red leverage ratio threshold values in the Recovery Plan, and the notifications system in the event that these values are exceeded.

6.4.2. Description of the Factors that had an Impact on the Leverage Ratio during the Period to which the Disclosed Leverage Ratio Refers

The Group’s calculation of the leverage ratio considered the appropriate measure of exposure and the tier 1 capital amount. The ratio has increased by 0.40 percentage points in 2022, which was mostly due to increased mean value of tier 1 capital (8.43%) especially due to the deferred profits from previous years and due to higher exposure measure (3.5%).

7 Liquidity Requirements

(Article 451a of the CRR regulation)

7.1. Qualitative Information on Liquidity Risk Management (EU LIQA)

7.1.1. Strategies and Processes in the Management of the Liquidity Risk, Including Policies on Diversification in the Sources and Tenor of Planned Funding

Liquidity risk is considered as one of the most important risks that needs to be managed carefully. The liquidity risk management of the Group is defined as the ability to achieve cash flows and meeting obligations without suffering any losses in the Group which are not in line with its risk appetite. Sufficient liquidity depends on the ability of the Group to efficiently generate the expected and unexpected cash flows, and to meet the collateral needs without a negative impact on the current operations and financial position of the Group.

Liquidity risk is linked to the risk of financing liquidity (in terms of liabilities) and market liquidity risk (liquidity reserves in terms of assets). On the liabilities side, liquidity risk may lead to losses if the Group is unable to settle all of its obligations or if it cannot secure sufficient assets for the settlement of its obligations, and is therefore forced to obtain the required assets for a price which is significantly higher than the regular price. On the assets side, liquidity risk is linked to the market value of liquidity reserves, and occurs in the event of a significant reduction of the market value of each financial instrument, and may lead to insufficient liquidity reserves to cover the liquidity needs of the Bank.

The Group has defined key risk factors and certain limit system frameworks. It has established the model for calculating liquidity risk, stress scenarios for resilience tests, as well as the financing plan to be used in extraordinary circumstances, and a sufficient liquidity buffer level. The Group has a clearly defined and measurable tolerance for managing liquidity risk and financing risk, which was formed on the basis of the Liquidity Risk Management Policy. The Group defines tolerance to liquidity risk with the following key indicators: LCR and NSFR and with supporting metrics LTD and survival horizont and the following additional structural liquidity indicators: concentrations by depositors (top1, top10 and top 30), the ratio of encumbered assets in all assets, the share of deposits non-banking sector in all liabilities and the share of sight deposits in all sources of financing. The Group's goal is to meet regulatory liquidity requirements as well as internally determined limits at all times. Tolerance to liquidity risk is low.

LCR has been defined in order to ensure that the Group has the available assets to bridge its short-term liquidity fluctuations. The Group must have a certain amount of highly liquid assets (cash or appropriate securities), which must be equal to or higher than the potential net cash outflow in the period of 30 days. In line with the regulations, amount of more than 100% is prescribed. NSFR has been defined in order for the Banks to maintain a stable financing profile regarding the structure of assets and off-balance activities. An appropriate financing structure reduces the likelihood that fluctuations in regular financing sources would endanger the liquidity position of the Group, in the sense of increasing the risk for its ruin, and which would potentially lead to more widespread systemic stress.

Detailed rules, limits, guidelines, and powers regarding risk management are defined in internal acts and policies, and in the Strategy. Regardless of the local directions, the Group must abide by the uniform key directions regarding risks on the level of the AEC Group.

In terms of assuming and managing liquidity risk, the Group has established rules and a certain system of responsibilities in the following documents:

- Risk Management Strategy,
- Risk Appetite Statement (RAS),
- Liquidity Risk Management Policy,
- Module on regulatory liquidity ratios,
- Module on liquidity buffer and stress scenarios,
- Liquidity gap generation module,
- Capital Management Policy,
- Rules of procedure of the Balance Management Committee,
- Rules of procedure of the Risk Committee,
- Rules of Procedure of the Liquidity Committee.

The main aims concerning risk appetite are disclosed in the Risk Appetite Statement (RAS), which is integral part of the annual report of GBKR.

7.1.2.Structure and Organisation of the Liquidity Risk Management Function (Authority, Statute, Other Arrangements)

The aim of the Group is to establish balance in managing the relationship between risk and profitability, in order to ensure long-term and sustainable growth and an adequate return on capital. The Group achieves this goal by comprehensively including the risk management function in its everyday business activities and strategic planning, and by consistently realising its business strategy within the defined risk appetite.

The provision of the appropriate scope of liquidity and managing liquidity reserves is performed in a decentralised manner, in line with the requirements of the local regulations and the applicable internal guidelines and policies within the Group, as well as on the level of the entire AEC Group.

The Management Board defines the Group's risk appetite (Risk Management Strategy and Risk Appetite Statement (RAS)), and approves the Liquidity Risk Management Policy which defines the key principles of managing liquidity risk in the Group. It is also responsible for adopting decisions on liquidity management, usually through their membership in the Assets and Liabilities Committee and participation in their work. The Assets and Liabilities Committee regularly examines reports on the liquidity position based on the approved limits and goals. It controls financing and the liquidity position of the Group, and decides on the liquidity position and management on the level of the. Two committees are responsible for managing liquidity risk: The Assets and Liabilities Committee and the Risk Management Committee of the Group and also on the entire AEC Group. The Assets and Liabilities Committee adopts decisions on managing liquidity risk and provides directions, defines the criteria regarding the structure and revenue for ensuring the appropriate scope of liquid investments, establishes the internal control mechanisms in the area of managing liquidity risk, and analyses the findings of the audit in this area. The Risk Management Committee is authorised to discuss materials and adopt decisions regarding the proposed resolutions relating to the risk profile management, monitoring of the regulatory frameworks, monitoring the internal acts and frameworks in managing risks, and the key strategic documents.

7.1.3.A Description of the Degree of Centralisation of Liquidity Management and Interaction Between the Group's Units

The Group's risk measurement and reporting is systematically relevant, and as such is included in the single supervisory mechanism (SSM), the control of which falls on the "Joint Supervisory Team" in the framework of the European Central Bank and the Bank of Slovenia. The Group operates in line with the provisions of the ECB, EBA and Basel regulations, and the best practices in banking methodologies.

In order to ensure a timely settlement of outstanding liabilities, under the conditions of normal operation as well as under an extreme liquidity situation, the Group actively monitors the daily liquidity position. The day-to-day management of liquidity risk includes the continuous intraday monitoring and supervision of liquidity, ensuring liquidity sources for meeting the intraday liquidity demands. Foreign exchange liquidity is also monitored daily, which is also planned on the basis of the annual or monthly liquidity plan. Consequently, all liquidity risk management processes are monitored at the Liquidity Committee's sessions. Reports and monitoring are discussed on a monthly basis by the Assets and Liabilities Committee, on a quarterly basis by the Risk Committee, and a monthly risk report is also sent to the AEC Group. Liquidity risk in the Group is monitored in the Division for Strategic Risk Management - Non-credit risk controlling department, management is carried out in the Treasury Division.

7.1.4.Scope and Nature of Liquidity Risk Reporting and Measurement Systems

Risk reporting in the Group is performed in line with the directions on the level of the AEC Group which, based on the content and frequency of reporting, considers the internal needs and the demands of the European Central Bank and the Bank of Slovenia. Risk reporting is performed in the form of standardised reports that allow for a reasonable unification of the risk management policy with the methodologies for assessing and balancing exposures to risks, the established standardised structures of databases within a data warehouse, the comprehensive provision of the quality of data through established controls, and automated report drafts on the Group level, which also ensures their quality and reduces the possibility of error.

In addition to reporting and managing key LCR and NSFR metrics for liquidity risk, the Group also monitors the following indicators: LTD, survival horizont, deposit concentration by depositors, the share of encumbered assets, the share of sight deposits and the share of the non-banking sector in all sources of financing. The group also measures and monitors the indicators of the recovery plan on a monthly basis, in addition to the key indicators of LCR, NSFR and LTD, from January 2023 onwards it also monitors unencumbered eligible assets for the ECB (HQLA) and liquidity position (Counterbalancing capacity -CBC). In 2022, the liquidity indicators LCR and NSFR were above the defined RAS limit and also additional metrics and structural indicators. All indicators are discussed by the Assets and Liabilities Committee on a monthly basis, also in Committee on Group level for assets and liabilities (GALSCO).

For the purposes of monitoring and managing structural liquidity, the Group prepares a report on liquidity risk management, in which it shows the regulatory as well as the structural liquidity ratios, indicators of recovery plan, the liquidity gap and the scenario results of extraordinary liquidity conditions which consider a specific crisis of the Group, or a systemic crisis in the broader economic environment.

Cash flows for sight deposits are considered in liquidity gaps by individual time pockets according to a model - using the Value at Risk (VaR) method. The basis for calculating the stability of sight deposits using the value-at-risk (VaR) method is a 10-year time series of daily data on the state of sight deposits of retail and wholesale in domestic currency and separately also in foreign currency. Further, on a monthly basis, a daily growth rate calculation is prepared, which is calculated as a quotient between the daily increase and the balance from the previous day. The input data are the daily balances of sight deposits. The VaR value is calculated at two levels of confidence, namely at 90% and 95% and for different holding periods: 7, 19, 30, 60, 135, 270 and 540 days. Calculations are performed on a monthly basis. The unstable part of sight deposits determines the 30-day VaR at a 95% confidence level, the remaining part represents the stable part of sight deposits. Group then further divides the stable part of sight deposits into core and non-core. Group treats all unstable deposits as overnight deposits and consequently classifies them in the time bucket of the shortest maturity (O/N). Group also include all sight deposits of wholesale financial customers as an unstable part (in the bucket overnight). The remaining sight deposits, which are recognized as core deposits, are classified linearly up to five years with percentages.

In 2022, when monitoring the balance sheet net cash flows, Group also took into account off-balance sheet flows, as their exposure and the volatility of the share of utilization are quite high, which the Group verifies on a monthly basis by analysing credit utilization and annually by analysing off-balance sheet payment and trade guarantees. Group prepares monthly data for the 2-year average utilization/unutilization of loans. It uses the following methodology to account for the undrawn part of the liquidity gap:

- If at reporting date the average utilization is <(below) 2-year average, then the additional share up to this average is proportionally distributed over time buckets of up to 1 year in the liquidity gap;
- If on the reporting date the utilization average is >= (greater than or equal to) 2-year average, then the additional share of unused credit is not added in the liquidity gap.

In February 2022, Group included an additional part of undrawn loans in the liquidity gap. In addition to taking into account the additional part of undrawn loans in the liquidity gap balance sheet items, the Group also takes into account other contingent liabilities based on the 1-year analysis of guarantees, which is already carried out in the LCR reporting framework. In the liquidity gap Group takes into account the 10% share of the off-balance sheet part and include it proportionally over time buckets of up to 1 year. After each annual analysis for payments and trade financing for LCR reporting, group applies to the liquidity gap the same percentage as for LCR reporting

The Strategic Risk Management Division reports on liquidity risk in the following forms:

- daily reports on Interbank and currency exposure (FX) to the AEC group,
- monthly reports to the Assets and Liabilities Committee (calculations and monitoring of liquidity indicators, results of liquidity reserves, liquidity gaps, stability of sight deposits, concentration of deposits by depositors, results of regular liquidity stress tests, results of the securities portfolio by type, by credit rating, green bonds, etc.),
- monthly reports to the central bank (LCR indicator, ALM metrics),
- quarterly reports to the central bank (NSFR indicator, SREP reporting),
- quarterly reports to the Risk Management Committee and the Supervisory Board,

annual reports to the central bank (SREP reporting, ILAAP).

7.1.5. Policies for Hedging and Mitigating the Liquidity Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges and Mitigants

The Group uses various techniques to reduce risks, or where possible, to avoid them completely. These include the system of limits, the process of internal controls, and the establishment of restrictions for assuming risks, all in accordance with the defined risk appetite.

The Strategic Risk Management Division performs monthly liquidity stress tests in line with the three scenario types (market, idiosyncratic and combined). The group pays special attention to the combination of idiosyncratic and market scenarios, which includes two levels of aggravation (seriously harmful stress scenarios - adverse and extreme stress scenarios – extreme). On the basis of the stress tests, the minimum scope of unburdened liquidity reserves, which the Group must have to cover any unexpected expenditures, is determined. The Group maintains an appropriate level of liquidity reserves in cash, and other highly liquid and unburdened assets which are available in a relatively short time. Liquidity reserves can settle matured liabilities in a previously defined short period of stress liquidity conditions. The minimum scope is the amount of liquidity reserves which would allow survival in the event of strong stress in the period of 45 days or three months, and by considering the combined scenario. The Group disposed of an adequate volume and structure of liquidity reserves throughout 2022. After performing the stress tests, Group also performs a reverse test of indicators LCR, NSFR and LTD, which shows how long it takes for the indicators to fall below the regulatory limit.

7.1.6. An Outline of the Group`s Contingency Funding Plans and Stress Testing

To manage liquidity, the Group, in addition to the daily and monthly monitoring processes, also prepares an annual Liquidity Contingency Plan, in case of any deficiencies, which focuses on the definition of possible measures for bridging any temporary and/or long-term liquidity disturbances. Early detection of a crisis situation is ensured by regular daily monitoring of the liquidity position and forecasting of the liquidity ratios. The annual review is performed by the Assets and Liabilities Committee and AEC Group, and is also included as an attachment in the annual Internal liquidity adequate assessment (ILAAP).

In addition to the annual review, the Group also prepares the Recovery Plan every year, which is prepared jointly on the level of the AEC Group. The Recovery Plan of the AEC Group contains all the possible measures, extraordinary circumstances, stress tests, required measures for the establishment of an appropriate position, and the required time schedule for establishing regular operations.

Stress testing of extraordinary situations represents an important part of risk management in the Group, because it draws attention to unexpected negative results. The aim of these tests is to detect the decline of the Bank's liquidity position in a timely manner, and to recognise the impact of negative potential extreme events on the liquidity ability of the Group.

The purpose of the liquidity buffer and the survival horizon is to provide Group with excess liquidity available in stressful situations so that it can operate without additional resources and meet its obligations on time. When determining the scope and composition of the liquidity buffer, the bank takes into account the degree of difficulty and characteristics of stress scenarios, the defined time period of extraordinary liquidity conditions (survival period), and the quality and characteristics of the liquid assets that make up the liquidity buffer.

The Group has a defined liquidity buffer scope and structure on the basis of stress scenarios which are based at least on a monthly time period of extraordinary liquidity conditions. Within this period, the Group provides a liquidity buffer in the form of cash, balance amount with central bank (without mandatory reserves) and highly unencumbered liquid assets, which are immediately available to cover outflows in stressful conditions during the 1-month survival period. The liquidity buffer for the remaining time period of less problematic liquidity conditions may include a broader set of liquidity assets, on the basis of which the Group is able to obtain liquidity in a short time span. The Group makes sure that the assets which make up the liquidity buffer are unburdened and available at any given moment, including in extraordinary liquidity conditions, without legal or other legally binding or operating restrictions.

The Group has established scenarios which are based on different types of difficulties and different periods of emergency liquidity situation, and are divided into three categories:

a) Scenario tailored to the own liquidity position (idiosyncratic scenario**):** which assumes a stress scenario stemming from internal situation resulting in (in particular) no rollover of unsecured wholesale funding and outflows of retail deposits due to the deterioration of Group's reputation.

b) Scenario tailored to the market situation (market-wide scenario**):** which assumes a stress scenario stemming from external situation resulting in a decline in the liquidity value of liquid assets and deterioration in funding market conditions due to deteriorating liquidity conditions in the market.
c) Scenario based on the combination of the idiosyncratic and the market scenario (combined): it covers both macroeconomic impacts and the deterioration of Group's reputation.

Below are emergency liquidity stress scenarios and their main assumptions:

In an idiosyncratic scenario, Group assumes a loss of trust from its customers, in which case it would suffer the following:

- a decrease of sight and time deposits,
- recall of all wholesale financing sources,
- unplanned withdrawals of indicative liquidity credits or indicative credits,
- unplanned withdrawals of unused payment and trade financing.

In the market-wide scenario, Group assumes a significant change in macroeconomic conditions, which makes it difficult to ensure liquidity and limits access to financing sources, in which case it would suffer the following:

- a decrease in the market value of extremely high-quality as well as high-quality liquid securities,
- reduction of loan repayments and loan renewals,

and thus, an additional increase in the unplanned drawdown of payment and trade finance and the drawn of credits. A Group's resilience to a liquidity shock is measured by the maturity scale metric (C66), which supports the calculation of the net liquidity position on a daily basis, in overnight time buckets up to 12 months. The focus is on Group's ability to handle hypothetical idiosyncratic liquidity shocks (adverse, extreme) in which Bank faces increasing liquidity outflows.

At the end of 2022, the Group implemented changes to the stress scenarios in accordance with the Group Risk Controlling and Monitoring unit. Until November 2022, the Group used the linear method for stress scenarios, but in the last month of 2022, it changed the model and started using half-life stress functions, which were used for applications or role breakdown, as internal validation has shown that this is a more rigorous approach than a linear one. The half-life stress function assumes that more deposits are withdrawn in short-term time pockets and that the outflow curve is sharper than the linear one. The methodology of the liquidity stress test model assumes different days of deposit outflows and by different customer segments.

When measuring the liquidity position in stressful situations and for the survival period, the Group pays attention to monitoring and measuring a combination of idiosyncratic and market-wide scenarios according to the degree of unfavourable deterioration (seriously unfavourable stress scenario).

When updating the stress scenarios, the Group also considers the survival period and the Group's liquidity surplus separately, without taking into account the sight deposits of the largest client (the client with "crypto activity"), because this activity is associated with very high volatility and risk, which can cause an immediate outflow of funds. As a result, the group deals with the stressful situation from both perspectives (with and without this client), which at the end of 2022 amounted to a survival period of 146 days, while the survival period with the largest client involved was 149 days, which represented the fulfilment of the minimum and optimal range of survival.

The competent bodies, the Management Board, the Supervisory Board and Committees of the Group AEC, discuss the results of testing situations. It should be pointed out that testing exceptional situations is not a tool for forecasting, but rather a tool for managing operations, which helps the Group manage the relationship between risk and profitability, and offers a future-oriented view of the risk management profile in accordance with the risk appetite and risk management strategy.

Stress testing is also included in the ICAAP, ILAAP process, the resolution plan and the planning process, in order to assess the impact of unexpected stricter conditions in the macroeconomic environment on the capital adequacy or liquidity position of the Group. In addition, the stress test results are an important element in determining the risk appetite and other risk-related limits.

7.1.7.A Declaration on the Adequacy of Liquidity Risk Management Arrangements of the Group and a Concise Liquidity Risk Statement of the Group

GB Leasing d.o.o., Ljubljana is a subsidiary which is 100% owned by Gorenjska banka d.d., Kranj. It carries out non-financial maintenance services for Gorenjska banka d.d., Kranj in the area of the financial leasing of movables. It provides services of leasing vehicles and equipment as a secondary activity. Financial leasing that the leasing company provides for Gorenjska banka d.d., Kranj is wholly a part of Gorenjska banka d.d., Kranj's portfolio as an additional financial product. It is therefore unreasonable to define the declaration on the adequacy of risk management arrangements on the level of the Group, because their part is included in the very portfolio of Gorenjska banka d.d., Kranj. The content is already defined in the framework of the concise risk statement of the management body, disclosed in the Annual Report of Gorenjska banka d.d., Kranj for 2022. Due to the same reason as the predicted cash flows, the future liquidity position by considering the off-balance-sheet items, liquidity exposure and financing needs on the level of each legal entity, foreign subsidiary and subsidiary, with consideration given to the legal, regulatory and commercial restrictions in transferring liquidity, the balance and off-balance items are broken down into maturity buckets, and the consequent liquidity gaps are included in the Annual Report of Gorenjska banka d.d., Kranj for 2022, item 7.3. Liquidity risk.

7.2. Quantitative information of LCR (EU LIQB)

7.2.1.Explanations on the Main Drivers of LCR Results and the Evolution of the Contribution of Inputs to the LCR's Calculation over Time

The liquidity coverage ratio (LCR) relates to highly liquid assets (HQLA), comprised of cash or assets that may be converted to cash without the loss of value due to the fulfilment of liquidity needs under the liquidity stress scenario for 30 calendar days. LCR is meant to protect the Group from expenditures with the increased trust of borrowers, in order for it to rely more on capital than on debt. LCR also helps reduce mismatches of maturities by extending the maturity of liabilities and reducing the maturity of assets. The minimum regulatory liquidity coverage ratio is 100%, and the limit in the Risk Appetite Statement is defined at over 120%.

The Group preserves a highly liquid position, high above the defined limits for assuming risks. In the previous year (from 31 March 2022 to 31 December 2022), the LCR of the Group was between 227% and 265% (31 December 2022: 264.6%).

7.2.2.Explanations on the Changes in the LCR over Time

Throughout 2022, the LCR of the Group was above the regulatory and also above the internally defined LCR limit value. In the first half of 2022, it was between 213 and 272%, while in the second half of 2022 it was lower, between 193 and 242%. The lowest was in October 2022 and the highest was in January 2022. The average ratio of liquidity coverage throughout the year 2022 was 227%. The most frequent impacts for the indicator's fluctuations in the period of 2022 included: fluctuations of sight deposits from financial and non-financial clients, amendments of loan maturities in the period of 30 days, amendments on nostro and loro account balances, maturities and new purchases of debt securities and movements of market rates of debt securities.

The excess of high-quality liquid assets (HQLA) remains on a high level in the Group, and was between EUR 247 million and EUR 470 million last year (EUR 285 million as at 31 December 2022). The maximum amount of the liquidity buffer was EUR 805 million, the minimum was EUR 490 million, and the average liquidity buffer in 2022 was EUR 637 million.

Net liquidity outflows were the highest in the amount of EUR 378 million and the lowest in the amount of EUR 251 million, and the average was EUR 281 million. In the first half of 2022, the Group had fairly high receivables from financial customers and a high liquidity buffer, which resulted in a higher liquidity coverage ratio at the Group level, and in the second half of 2022, a lower liquidity buffer, as a result of lower securities prices and a decrease in sight deposits and the reduction of receivables from financial customers with a remaining maturity of up to 30 days.

7.2.3. Explanations on the Actual Concentration of Funding Sources

In line with the Risk Appetite Statement, the liquidity risk tolerance is low, therefore the aim of the financing strategy is to ensure sufficient, stable and diverse financing sources for a longer term, and compliance with the respective regulatory frameworks. In line with the business model, the main source of financing of the Group are deposits from the non-banking sector, from which the highest share stems from retail and commercial. The Group considers the concentration of financing sources in the business strategy, and thus takes care of the diversification of financing sources and prevents negative concentration impacts. The Group considers the concentration of financing sources, and thus takes care of the good diversification of financing sources and prevents negative concentration impacts. A limit is defined for deposits from the non-banking sector as the main financing source, which prevents an excessive concentration of each client, Top10 or TOP30 clients. Concentration of financing sources is discussed by the Assets and Liabilities Committee on a monthly basis. The Group-level concentration of the 30 largest deposit clients of the non-banking sector amounted to 12.7% of the total financing sources in 2022; 10 of the largest ones made 8.5% and the largest client had a 1.8% share compared to all the financing sources. Thus, these shares were below the set limits.

7.2.4. High-level Description of the Composition of the Institution`s Liquidity Buffer

The liquidity buffer represents the most liquid assets available immediately and which may be used in the event of stress conditions within a short time span (within 1 month). It is comprised of cash, balance at the central bank (without obligations of the mandatory reserve), and internally defined unburdened high-quality liquid assets (debt securities), which can be called on the basis of a repo process or by selling them without major losses in value. There are no legal, regulatory or operating restrictions in using these assets.

7.2.5. Derivative Exposures and Potential Collateral Calls

In 2022, the Group did not conclude any transactions with derivatives to support legal entities and financial institutions in managing financial exposures (operations) and to manage risks, e.g. interest rate risk and foreign exchange risk.

7.2.6. Currency Mismatch in the LCR

The Group is actively managing exposures from liquidity risk and the needs for international currencies in line with the Regulation of the European Central Bank. Because the main currency of the Group is the euro, the Group reports on the LCR in euros for all the currencies. In addition to reporting in all currencies, the Group also reports in the individual main currency, the euro. In other foreign currencies, the Group does not report on a sub-consolidated basis because the denomination of this currency does not exceed 5% of the total balance liabilities in this currency.

7.2.7. Other Items in the LCR Calculation that are not Captured in the LCR Disclosure Template but that the Group Considers Relevant for its Liquidity Profile

Group operations are mostly focused on retail and commercial operations. The balance of the Group does not include any complex products. The liquidity of the Group is stable, and the scope of unburdened liquidity reserves is sufficient.

The Group does not consider debt securities of 2A and 2B asset levels in its liquidity buffer. Following the annual analysis and approval by the Assets and Liabilities Committee of the Bank, the Group decides on the inclusion of these assets in the liquidity buffer. Consequently, the Group assumes the conservative approach and therefore did not consider these assets in 2022, because their scope represents a small scope of the entire securities portfolio of the Group. The conservative approach is also considered in reporting about the obligations of payment guarantees, namely the 10% weighted value is considered in the final calculation of the LCR, even though it could have considered the 5% weighted value following the confirmation by the regulatory body.

7.3. Quantitative Information of LCR

The **EU LIQ1** template below shows the average of data at the end of the month in the period of 12 months prior to the end of every quarter in 2022.

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31 December 2022	30 September 2022	30 June 2022	31 March 2022	31 December 2022	30 September 2022	30 June 2022	31 March 2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					637,343	699,655	748,467	774,620
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	1,403,043	1,386,963	1,366,216	1,341,918	92,868	88,705	86,789	84,567
3	*Stable deposits*	1,094,630	1,112,272	1,102,304	1,090,362	54,731	55,614	55,115	54,518
4	*Less stable deposits*	308,413	274,691	263,912	251,555	38,136	33,091	31,674	30,049
5	Unsecured wholesale funding	443,544	448,604	447,402	453,609	236,011	249,256	256,336	267,540
7	*Non-operational deposits (all counterparties)*	443,544	448,604	447,402	453,609	236,011	249,256	256,336	267,540
10	Additional requirements	100,424	105,097	110,533	112,961	8,410	8,634	8,885	9,068
13	*Credit and liquidity facilities*	100,424	105,097	110,533	112,961	8,410	8,634	8,885	9,068
14	Other contractual funding obligations	24,241	22,806	23,222	22,322	18,158	17,142	17,773	16,929
15	Other contingent funding obligations	86,436	78,731	73,314	70,711	5,504	5,114	4,846	4,760
16	TOTAL CASH OUTFLOWS					360,951	368,850	374,629	382,864
CASH – INFLOWS									
18	Inflows from fully performing exposures	98,753	99,888	100,363	99,171	75,966	78,937	81,698	82,817
19	Other cash inflows	3,552	2,983	8,064	8,018	3,552	2,983	8,064	8,018
20	TOTAL CASH INFLOWS	102,305	102,870	108,427	107,189	79,518	81,920	85,133	86,207
EU-20c	*Inflows subject to 75% cap*	102,305	102,870	103,798	102,561	79,518	81,920	85,133	86,207
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					637,343	699,655	748,46	774,620
22	TOTAL NET CASH OUTFLOWS					281,433	286,930	289,496	296,658
23	LIQUIDITY COVERAGE RATIO					**226.71%**	**246.45%**	**261.26%**	**264.63%**

7.4. Net Stable Funding Ratio

The **EU LIQ2** templates below show unweighted and weighted values by items of the available and required stable financing. Unweighted values are disclosed by the remaining maturities.

Values at the end of every quarter of 2022 are disclosed.

EU LIQ2 on 31 December 2022:

		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	224,435	-	-	50,000	274,435
2	*Own funds*	224,435	-	-	50,000	274,435
4	Retail deposits		1,380,922	23,684	18,607	1,341,836
5	*Stable deposits*		1,162,455	19,217	13,420	1,136,009
6	*Less stable deposits*		218,467	4,466	5,187	205,827
7	Wholesale funding:		447,351	19,633	127,770	324,240
9	*Other wholesale funding*		447,351	19,633	127,770	324,240
11	Other liabilities:	-	21,421	503	29,105	29,356
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		21,421	503	29,105	29,356
14	**Total available stable funding (ASF)**					**1,969,867**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					14,297
17	Performing loans and securities:		189,416	108,516	1,237,766	1,212,389
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		35,548	20,110	-	13,610
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs,of which:*		142,458	75,956	938,858	883,443
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3,029	-	17,692	20,721
22	*Performing residential mortgages, of which:*		4,236	12,450	265,711	282,397
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		81	45	134,493	134,620
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		7,173	-	33,197	32,939
26	Other assets:		101,290	576	100,704	136,015
32	Off-balance sheet items		209,718	113,682	128,953	28,522
33	**Total required stable funding (RSF)**					**1,391,223**
34	**Net Stable Funding Ratio (%)**					**141.59**

EU LIQ2 on 30 September 2022:

		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	224,519	-	-	20,000	244,519
2	*Own funds*	224,519	-	-	20,000	244,519
4	Retail deposits		1,369,592	31,646	16,042	1,335,980
5	*Stable deposits*		1,150,790	25,701	13,060	1,130,726
6	*Less stable deposits*		218,801	5,945	2,983	205,254
7	Wholesale funding:		501,553	16,879	103,993	311,568
9	*Other wholesale funding*		501,553	16,879	103,993	311,568
11	Other liabilities:	-	19,526	608	15,364	15,668
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		19,526	608	15,364	15,668
14	**Total available stable funding (ASF)**					**1,907,735**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					14,255
17	Performing loans and securities:		241,152	112,075	1,215,191	1,199,907
19	*Performing securities financing Transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		95,254	25,204	-	22,127
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		133,998	76,621	929,004	876,383
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3,672	71	43,210	46,953
22	*Performing residential mortgages, of which:*		5,718	10,250	253,375	269,343
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		27	132	126,519	126,678
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		6,182	-	32,811	32,053
26	Other assets:		96,114	479	58,154	90,833
32	Off-balance sheet items		139,359	158,080	122,764	26,396
33	**Total required stable funding (RSF)**					**1,331,391**
34	**Net Stable Funding Ratio (%)**					**143.29**

EU LIQ2 on 30 June 2022:

		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	214,759	-	-	20,000	234,759
2	*Own funds*	214,759	-	-	20,000	234,759
4	Retail deposits		1,361,044	42,056	14,944	1,336,466
5	*Stable deposits*		1,141,225	33,405	11,930	1,127,828
6	*Less stable deposits*		219,820	8,651	3,014	208,638
7	Wholesale funding:		452,255	30,610	89,177	273,019
9	*Other wholesale funding*		452,255	30,610	89,177	273,019
11	Other liabilities:	-	22,947	332	24,800	24,966
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		22,947	332	24,800	24,966
14	**Total available stable funding (ASF)**					**1,869,210**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					14,241
17	Performing loans and securities:		196,232	69,786	1,143,986	1,113,821
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		32,632	241	-	3,384
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		142,982	61,019	869,822	814,340
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		5,318	145	9,712	15,174
22	*Performing residential mortgages, of which:*		16,570	5,896	241,224	263,689
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		107	223	107,024	107,354
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		4,048	2,630	32,940	32,408
26	Other assets:		124,687	617	77,767	111,987
32	Off-balance sheet items		127,355	124,086	136,145	24,331
33	**Total required stable funding (RSF)**					**1,264,379**
34	**Net Stable Funding Ratio (%)**					**147.84**

EU LIQ2 on 31 March 2022:

		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	216,007	-	-	20,000	236,007
2	*Own funds*	216,007	-	-	20,000	236,007
4	Retail deposits		1,306,677	51,598	15,921	1,295,260
5	*Stable deposits*		1,096,071	41,777	12,527	1,093,482
6	*Less stable deposits*		210,606	9,820	3,394	201,778
7	Wholesale funding:		591,659	37,942	91,435	304,611
9	*Other wholesale funding*		591,659	37,942	91,435	304,611
11	Other liabilities:	-	19,556	382	43,067	43,258
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		19,556	382	43,067	43,258
14	**Total available stable funding (ASF)**					**1,879,136**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					14,438
17	Performing loans and securities:		190,613	70,511	1,081,124	1,044,377
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		58,883	205	-	5,991
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		121,644	60,372	759,901	704,739
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		3,152	862	15,628	19,641
22	*Performing residential mortgages, of which:*		5,354	7,325	287,913	300,592
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		447	42	84,978	85,467
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		4,731	2,610	33,311	33,054
26	Other assets:		134,521	810	73,796	113,833
32	Off-balance sheet items		142,711	95,446	113,665	28,760
33	**Total required stable funding (RSF)**					**1,201,408**
34	**Net Stable Funding Ratio (%)**					**156.41**

8 The Use of Credit Risk Mitigation Techniques

(Article 453 of the CRR Regulation)

8.1. A Description of the Core Features of the Policies and Processes for On- and Off-balance Sheet Netting and an Indication of the Extent to which Institutions Make Use of Balance Sheet Netting

Disclosure not relevant. The Group does not use balance reconciliation as a form of credit collateral.

8.2. The Core Features of Policies and Processes for Eligible Collateral Evaluation and Management

The umbrella document that regulates collateral in the Group is the Methodology on the Types and Valuation of Collateral at Gorenjska banka d.d., Kranj, which presents all the appropriate forms of securing loans and basic policies that have to be taken into account when concluding and monitoring collateral.

The reduction of the credit risk includes the establishment of measures, rules and processes which relate to the adoption, reduction, dispersion, transfer, and avoidance of risk.

The Group adopts various types of collateral for securing exposures as the secondary source of repayment in the event of a default. A definition is given to every type of collateral whether they can be seen as a factor to reduce risks. Collateral must meet the legal and regulatory demands in order to be accepted as a risk-reducing factor.

The value of collateral should be monitored more frequently in the event of significant changes on the market, and whenever there is available information indicating a significant decline in the value of the collateral.

8.3. A Description of the Main Types of Collateral Taken by the Group to Mitigate Credit Risk

The Group pursues the goal in which investments are insured with appropriate insurance. Pledge on immovable property is the most common form of collateral for investments of legal entities and natural persons with a long-term exposure to the Group.

The main types of collateral taken by the Group are:

- residential and commercial real estates,
- movables,
- assignment of receivables,
- bank deposits,
- securities and business shares,
- bank or other guarantees,
- insurance at an insurance company,
- guarantees and approaches to debt,
- bills of exchange,
- pledged business interests.

Funded credit protection is a technique for reducing credit risk, whereby the Group may call in on the pledged property in the event of a default.

Unfunded credit protection is a technique of credit risk mitigation for when liabilities are not paid, and the Group calls on the third party in the process to make the payment.

Collateral is usually assessed in the investment approval process. Special attention is given to check whether all the necessary conditions for the establishment of the collateral and their enforceability are met, should a default occur on the side of the borrower.

8.4. The Main Types of Guarantor used for the Purposes of Reducing Capital Requirements

Guarantees or unfunded credit protection is a type of credit risk mitigation where a third person undertakes to pay the owed amount in the event of a default by the primary obligor (borrower).

The most important types of suitable guarantors:

- central level units of the state and central bank,
- institutions.

Institutions that the Group takes into account as guarantors when recognising unfunded credit protections to calculate the capital requirement for credit risk have no credit assessment comparable to ECAI (and non-EU countries whose regulations are in line with the EU regulations), but exposures are assigned a weight of 0% due to the country where the institutions are located.

For institutions that the Group takes into account as guarantors when recognising unfunded credit protections to calculate the capital requirement for credit risk, the weight of the country in which these institutions are located is used.

The Group has no transactions with credit derivatives.

8.5. Information about Market or Credit Risk Concentrations within the Credit Mitigation Taken

The Group avoids the concentration risk regarding collateral by diversifying its portfolio in terms of the volume, segment of clients, geographical region, etc.

In the event of insurance with securities, the Group is subject to market risk, or more accurately, to the risk of price changes of securities on the capital markets. In the event of collateral in the form of surety and guarantees, there is a credit risk of the collateral provider, therefore the Group includes the amount of the surety received in the guarantor's upper limit of borrowing. Due to the high real estate prices, the risk arising from the real estate market is also increasing.

When approving investments, the counterparty risk in the transaction and the assessment of the client's free cash flow are of primary importance, and collateral is only a secondary source for paying the obligations. Collateral has an important role in the event of impairment of the client's creditworthiness. To avoid the effect of risks that are the result of individual forms of collateral, the Group has prescribed minimum ratios between the value of the collateral and the investment.

The collateral is exclusively a mechanism of credit protection, established in order to protect the Group from irregular payments from the borrower, and reduce losses in the event of material deterioration of the risk profile or default of the borrower.

Special attention must be given to collateralisation of existing loans during a period of the borrower's financial crisis. Collateral established during such a period must be defensible and enforceable according to the respective local legal provisions in the event of subsequent insolvency.

In order to form individual impairments, the Bank considers the liquidation values of real estate collateral, which includes both the assessed sale timeline, as well as additional discounts for the process of calling on collateral and incurred costs. Because the assessed liquidation values stem from market values, a significant reduction of the market value would see the Bank form additional impairments.

The table below shows the fair value of received collateral. It takes into account appropriate forms of collateral that the Group uses to manage credit risks. It includes the collateral received for balance sheet receivables and assumed liabilities. Inadequate collateral and securities investment collateral are not included.

	31 December 2022
Immovable property	1,370,248
Movable property	413,503
Deposits	39,169
Securities and business shares	-
Insurance companies	146,605
Assigned claims	58,412
Government/state guarantees	50,396
Other insurances	15,014
Total	**2,093,347**

8.6. The Use of Credit Risk Mitigation Techniques

As eligible collateral for calculating the capital requirement for credit risk, the Group uses the following in rem financial collateral:

- bank deposits at the bank, or cash-like instruments the bank holds (it takes into account deposits maturity which equals or exceeds the maturity of the credit exposure);
- debt securities issued by central government or central banks (that have a credit assessment from a suitable ECAI with a credit quality step of at least 4);

- debt securities issued by institutions (that have a credit assessment from a suitable ECAI with a credit quality step of at least 3);
- debt securities issued by other entities (that have a credit assessment from a suitable ECAI with a credit quality step of at least 3);
- debt securities issued with a short-term credit assessment from a suitable ECAI (with a credit quality step of at least 3);
- equities or main index convertible bonds;

8.7. Credit Risk Exposure and Credit Risk Mitigation Effects

The **EU CR4** template below shows the coverage of exposure before and after using the credit conversion factors (CCF) and techniques for reducing credit risk (CRM) and the amount and frequency of risk-weighted assets (RWA).

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	327,455	9,162	406,911	6,161	10,304	2.49
2	Regional government or local authorities	4,009	6,203	4,009	1,238	1,049	20.00
3	Public sector entities	2,302	604	2,302	220	1,203	47.71
6	Institutions	93,153	843	82,180	160	48,289	58.65
7	Corporates	469,383	250,492	426,213	63,381	439,397	89.75
8	Retail	604,721	102,908	586,196	14,057	411,747	68.60
9	Secured by mortgages on immovable property	265,708	15,690	265,708	4,701	103,942	38.44
10	Exposures in default	20,828	198	20,619	31	22,657	109.72
11	Exposures associated with particularly high risk	143,430	62,505	136,852	30,977	251,744	150.00
14	Collective investment undertakings	8,030	1,966	8,030	1,966	4,691	46.93
15	Equity	19,173	0	19,173	0	23,081	120.38
16	Other items	348,921	0	348,921	0	67,502	19.35
17	**Total**	**2,307,114**	**450,570**	**2,307,114**	**122,891**	**1,385,607**	**57.02**

8.8. Exposure Value Covered by Eligible Financial Collateral

The **EU CR3** template below shows the coverage of loans, other financial assets and debt securities with an appropriate credit insurance.

		Unsecured carrying amount	Secured carrying amount		
				Of which secured by collateral	Of which secured by financial guarantees
		a	b	c	d
1	Loans and advances	680,687	1,140,473	1,106,586	33,887
2	Debt securities	357,742	16,942	-	16,942
3	Total	1,038,429	1,157,416	1,106,586	50,829
4	*Of which non-performing exposures*	11,061	20,206	19,685	522
EU-5	*Of which defaulted*	11,061	20,206		

The template above does not show column (e) because the Group has no exposures secured with credit derivatives.