Gorenjska Banka

Annual report 2023

Gorenjska banka d. d., Kranj and the Gorenjska banka Kranj Group

Gorenjska Banka

Gorenjska banka d.d., Kranj
Bleiweisova cesta 1, p. p. 147
4000 Kranj, Slovenija

Telephone: + 386 4 / 208 40 00
E - mail: info@gbkr.si
Website: https://www.gbkr.si

Contents

Definitions and glossary

Bank	Gorenjska banka d.d., Kranj
CAR	Capital Adequacy Ratio
CAEIR	Credit Adjusted Effective Interest Rate that is Applied on Initial Recognition
CB	Central Bank
CCF	Credit Conversion Factor
CET1	Common Equity Tier 1
CoR	Cost of Risk
CRM	Customer Relationship Management
EAD	Exposure at Default
ECB	European Central Bank
ESG	Environmental, Social, and Governanc
FVTOCI	Fair Value through other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
Group	Gorenjska banka Kranj Group
IFRS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IVS	International Valuation Standards
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LTD	Loan to Deposit
LTV	Loan to Value
MREL	Minimum requirement for own funds and eligible liabilities
NPE	Non-performing Exposures
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
PD	Probability of Default
PELTRO	Pandemic Emergency Longer-term Refinancing Operation
POCI	Purchased or Originated Credit-impaired Financial Assets
RUS	Right of Use Assets
SME	Small and Medium Enterprises
SPPI	Solely Payments of Principal and Interest on the Principal Amount Outstanding
TLTRO	Targeted Longer-term Refinancing Operation

Management Report of the Bank and the Group

Key Financial Data

Amounts in thousands of EUR

	Bank			Group[1]		
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
STATEMENT OF FINANCIAL POSITION, as at 31 December						
Total assets	2,435,107	2,311,015	2,270,571	2,441,636	2,315,059	2,274,739
Total deposits from the non-banking sector, amortised cost:	1,948,781	1,919,943	1,896,198	1,947,819	1,918,449	1,895,512
• corporates and other entities engaged in the activity	561,793	549,551	598,037	560,831	548,057	597,351
• individual clients	1,386,988	1,370,392	1,298,161	1,386,988	1,370,392	1,298,161
Total amount of loans to the non-banking sector:	1,594,066	1,485,608	1,276,055	1,581,891	1,479,561	1,268,761
• corporates and other entities engaged in the activity	984,485	957,902	846,230	972,310	951,855	838,936
• individual clients	609,582	527,706	429,825	609,582	527,706	429,825
Total equity	283,499	271,799	246,937	285,727	273,580	248,522
Value adjustments and provisions for credit losses	(28,615)	(22,970)	(22,844)	(28,606)	(22,947)	(22,835)
Total off-balance sheet operations	544,472	454,625	377,575	542,721	452,748	373,984
INCOME STATEMENT						
Net interest income	89,781	53,447	43,293	89,672	53,392	43,236
Net non-interest income	22,901	21,199	26,807	27,511	24,072	29,699
Labour costs, general and administrative costs	(46,937)	(39,174)	(36,797)	(47,791)	(39,664)	(37,091)
Depreciation	(2,811)	(2,700)	(2,598)	(5,902)	(4,834)	(4,534)
Impairment and provisioning	(5,107)	(1,950)	269	(5,155)	(1,939)	253
Profit before income tax	57,828	30,823	30,975	58,334	31,027	31,563
Tax related to profit/loss	(7,433)	(2,914)	(3,140)	(7,493)	(2,918)	(3,212)
STATEMENT OF COMPREHENSIVE INCOME						
Other comprehensive income before tax	1,587	(3,772)	1,122	1,587	(3,777)	1,125
Tax related to other comprehensive income before tax	(281)	725	218	(281)	725	218
NUMBER OF BRANCHES, as at 31 December	20	20	20	25	25	25
NUMBER OF EMPLOYEES, as at 31 December	417	414	403	506	497	482
SHARES:						
Number of shareholders	2	2	2	2	2	2
Number of shares	387,938	387,938	387,938	387,938	387,938	387,938
Nominal share value or an amount belonging to non-par						
• share in registered capital (in EUR)	42	42	42	42	42	42
Book value per non-par share (in EUR)[2]	797	764	694	803	769	699

RATIOS (in %), transitional arrangements in accordance with the applicable acts of the European Union have not been applied:	Bank			Group[1]		
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
Capital:						
• CET1 Capital ratio	14.39	14.34	15.59	14.32	14.32	15.58
• T1 Capital ratio	14.39	14.34	15.59	14.32	14.32	15.58
• Total Capital ratio	17.55	17.66	17.09	17.47	17.62	17.07
Assets quality:						
• Non-performing exposures / exposures classified	1.24	1.19	1.17	1.25	1.20	1.18
• NPL and other financial assets / loans and other financial assets classified (without CB and B)[3]	2.03	2.00	2.08	2.03	2.01	2.10
• NPL and other financial assets / loans and other financial assets classified (with CB and B)[3]	1.69	1.69	1.60	1.70	1.70	1.61
• Value adjustments for credit losses / NPL and other financial assets (without CB and B)[3]	32.50	32.84	31.90	32.50	32.84	31.90
• Value adjustments for credit losses / NPL and other financial assets (with CB and B)[3]	32.50	32.84	31.90	32.50	32.84	31.90
• Insurance received / NPL and other financial assets	58.16	64.77	65.77	58.16	64.77	65.77
Profitability:						
• Interest margin (net interest income to total assets)	3.9	2.34	1.93	3.89	2.33	1.92
• Financial mediation margin (net interest income and net non-interest income to total assets)	4.89	3.27	3.12	5.08	3.39	3.25
• Return on assets – before tax	2.51	1.35	1.38	2.53	1.36	1.40
• Return on assets – after tax	2.19	1.22	1.24	2.20	1.23	1.26
• Return on equity – before tax	21.56	12.03	13.38	21.66	12.07	13.59
• Return on equity – after tax	18.79	10.89	12.03	18.88	10.93	12.21
Operational costs:						
• Operational costs / average assets	2.16	1.83	1.76	2.33	1.94	1.85
• Operational costs / income	44.15	56.10	56.20	45.82	57.44	57.07
Liquidity and leverage ratios:						
• Liquidity coverage ratio	229.55	226.27	256.14	229.55	226.71	257.80
• Net stable funding ratio	144.27	142.23	155.20	143.32	141.60	155.06
• Leverage ratio	8.92	9.00	8.86	8.91	8.99	8.86

1 The capital, liquidity and leverage ratios for the Group are calculated on the basis of prudential consolidation.

2 In the calculation of the book value per non-par share, treasury shares are not considered.

3 CB and B: Cash balances at central banks and other demand deposits at banks

Statement of the President of the Management Board of Gorenjska banka d.d., Kranj

Dear shareholders, customers, partners and employees,

The year 2023 was exceptional in many ways. It was marked by a challenging macroeconomic and geopolitical environment and, unfortunately, by natural disasters which required adaptations and the right decisions that needed to be made quickly. In these challenging circumstances, the Gorenjska banka Group successfully and responsibly met its goals and achieved excellent results in all business segments. It received several awards and recognitions for its efforts and concluded the year with reinforced relationships with its customers, business partners, and employees.

We made a major step forward in 2023 in the digital transformation process of the Bank and managed to modernise our digital banking channels. The update allowed our customers to have an improved user experience when carrying out daily banking services remotely, with the highest possible security level, and it also optimised the business processes of the Bank. We will continue developing the digital banking services, the portfolio of banking products, and innovative digital tools that support customers in making financial decisions.

We have successfully carried out activities with which we reinforced our position as an all-Slovenian bank which offers customers a comprehensive set of financial services. We consistently provided competitive offers of financial services to our customers during the times of changes on financial markets. We efficiently supported the goals of our business partners, extended our cooperation with fintech partners, and reinforced our role as a leading provider of factoring services on the Slovenian market by increasing the share of companies opting to purchase receivables through our own digital platform. Even in 2023, we were the bank of choice for experienced investors in construction projects.

In November 2023, we successfully issued bonds in line with the Bank's development strategy, and by meeting the minimum capital requirements and MREL standards. The issue attracted several experienced domestic and regional investors, reaffirming the high level of trust in the business growth and development of the Bank.

In challenging moments during the August flash floods, we, as a responsible and reliable partner, immediately came to the aid of our employees, customers and local communities. Employees who were directly affected by the flash floods were given solidarity aid. They were able to take emergency paid leave, and we also organised several working initiatives to aid in the cleaning and restoration process. We helped the local communities where we especially focused on the well-being of children in care and education facilities which were affected by the flash floods. We adopted several measures to aid our affected customers, waiving certain everyday banking operation costs, and we listened to them individually.

Our employees are the driving force behind our development and progress, and their responsible work, commitment to clients and innovative thinking have contributed greatly to the business success of the Bank. As a responsible employer, we are dedicated to creating the working conditions, atmosphere and opportunities for employees to be able to build on their own potential. We are proud to be the first bank in Slovenia which has received the entry Socially Responsible Employer certificate, which we upgraded to an advanced certificate in 2023.

We are aware of the environmental responsibility in which we operate, which is why we strengthened our endeavours in the last year in the ESG area by following the priority goals of sustainable development, social responsibility and corporate management standards. We took a bold, decisive and concrete step on the green transformation path and received the Green Star sustainable operations and climate action certificate at the end of 2023, thus joining the commitments of the green Slovenian economy which strives to achieve ambitious sustainable operations and climate action goals. Our socially responsible activities in 2023 have also shown that small steps may lead to major changes. We paid special attention to the socially disadvantaged, to youth centres, to training centres, and to care and work centres, as well as to environmental protection organisations, and we set out to improve the conditions to develop our youngest members in the form of renewing seven kindergartens in Slovenia.

Dynamic changes in our environment require quick adaptations and decisiveness, which is why we remain committed to innovations, digital development and sustainable operations as the core pillar of our operations. Through our continuous improvement of digital banking channels, financial literacy of customers and through our social responsibility activities, we strive to remain not only a trustworthy financial partner, but also the driver of positive changes in our environment. We believe this to be an excellent platform for our future development paths, together with our focus on ensuring the best possible value for our stakeholders.

We therefore thank our employees, customers and business partners for their trust and cooperation. We are preparing for the future with enthusiasm and dedication, where we will continue to meet the expectations of our customers.

Mario Henjak
President of the Management Board

Report of the Supervisory Board of Gorenjska banka d.d., Kranj

The Supervisory Board Structure in 2023

At the end of 2023, the Supervisory Board of Gorenjska banka d.d., Kranj, operated with seven members: President Mrs Jelena Galić, Deputy President Mr Jurij Bajec, and members Mr Bojan Pavlović, Mr Tim Umberger, Mr Aleksander Milostnik, Mrs Aleksandra Babić and Mrs Ana Živanović.

Mr Bojan Pavlović was appointed as a new member of the Supervisory Board at the 43rd session in Gorenjska banka d.d., Kranj, on 11 April 2022, under the suspensive condition of obtaining a licence from the European Central Bank (ECB), but not earlier than 23 July 2023. The licence from the ECB was granted on 15 July 2022. He was appointed to the position of Supervisory Board Member after the resignation of the previous member of the Supervisory Board and member of the Commission, Mr Vladimir Sekulić, on 23 July 2023.

In 2023, four committees operated in order to ensure more detailed and in-depth supervision over individual business areas: The Audit Committee, the Risk Monitoring, the Nomination Committee and the Remuneration Committee, which, in accordance with their authorities, have also been preparing professional bases and resolution proposals for the Supervisory Board.

In 2023, the Audit Committee had seven regular sessions, the Risk Committee also had seven regular sessions, the Nomination Committee had six regular sessions, and the Remuneration Committee had five regular sessions.

Overview of the Supervisory Board Activities in 2023

In 2023, the Supervisory Board held seven regular sessions and one correspondence session. It monitored and supervised the Bank's operations and the Management Board's work in line with the powers, competencies, and duties laid down in the Slovenian and European legislations and internal acts of Gorenjska banka d.d., Kranj. The Bank's Management Board informed the members of the Supervisory Board, in due time, consistently and accurately, about the results achieved and all events related to the Bank's operation, strategy and risk management.

The Supervisory Board of Gorenjska banka d.d., Kranj, actively participated in the control over the operations of the Management Board and of the Bank. Based on our know-how and understanding of the business, the financial data of the Bank and the goals, strategies and policies of the Bank, and by considering the regulations and requirements of the Bank of Slovenia, the Supervisory Board discussed, reviewed and adopted regular reports and documents submitted for discussion.

The business plan of Gorenjska banka for the period 2024-2026 was adopted in 2023. Moreover, in 2023, the Risk Management Strategy and the Risk Appetite Statement were adopted. Gorenjska banka is a step closer to pursuing potential growth, supported by a suitable infrastructure and investments in successful sustainable operations.

With the desire to pursue more modern forms of operation and to achieve high levels of competitiveness, the Bank further improved its processes and their automation.

The Supervisory Board also adopted the audited Annual Report of the Bank and of the Group for 2022, and the reports of the authorised auditor, the quarterly reports of the internal audit and risk, as well as the semi-annual compliance reports. It familiarised itself with and consented to the transactions that present high exposures or transactions with related persons, and transactions with persons in a special relationship with the Bank, and it also performed a self-assessment of the work and efficiency of the Supervisory Board. The main priority of the Supervisory Board was the monitoring of the regular reports on the Bank's operations and risk management.

The Supervisory Board carried out a review of the ICAAP/ILAAP process. Based on the technical standards set by the Bank of Slovenia, the Bank appropriately reported on the performance of ICAAP and ILAAP, considering individual EBA guidelines. In 2023, Gorenjska banka continued with the ICAAP and ILAAP implementation on the basis of the consolidated position of its parent holding, Agri Europe Cyprus. The Supervisory Board is aware of the importance of respecting the ICAAP and ILAAP reporting, which is why it will continue to make its processes compliant with all the requirements of the regulator. Furthermore, pursuant to the European environmental regulations, the Supervisory Board placed great emphasis on the monitoring and control of the environmental and climate risk implementation process.

The Supervisory Board adopted the SRB work programme for the 2024 calendar year and MREL funding plan 2024-2025. It adopted the Internal Policy for the Management of Rescue Operations of Gorenjska banka d.d., Kranj, the new version of the Capital management policy and the Internal management policy of Gorenjska banka and the group, Renumeration policy, Policy on the assessment of the suitability of members of the management bodies and key function holders (Suitability Policy), Internal acts on the Internal Audit and the Investment policy of Gorenjska banka d.d., Kranj.

The Supervisory Board monitored the work of the Internal Audit Department on the basis of quarterly reports. Based on the internal audit report for 2023, it found that the Service acted independently and in line with the adopted programme of work and the internal audit rules of procedure. Within the framework of its tasks, the Supervisory Board gave its consent to the GBKR 2023 recovery plan on the consolidated level of the AEC financial holding.

Throughout the year, increased attention has been focused on monitoring the Bank's operations in relation to the possible negative consequences of the Ukrainian/Russian crisis, rising interest rates and other uncertainties in the economic markets. The Supervisory Board focused on exercising relevant supervision over all the key banking segments and portfolios of the Bank. Despite the unforeseeable circumstances, the Bank managed to follow its business strategy of balanced portfolio growth.

The sessions were held undisturbed and in line with the annual plan.

In the framework of their tasks, the members of the Supervisory Board assessed their work and efficiency. Based on the inspected range of successful activities and the implementation of guidelines for the work of the Supervisory Board, and based on the self-assessment process, the Supervisory Board of Gorenjska banka d.d. considered that the work of the Supervisory Board was carried out professionally and productively, and that there were no discrepancies from the best practice. The work of the Supervisory Board in individual areas has been and will continue to be on a higher or optimal quality level, in accordance with the set criteria.

Cooperation and communication between the Supervisory Board and the Management Board of the Bank were on the highest professional level, by pursuing the goal of having the best possible operating results in Gorenjska banka d.d., Kranj, and preventing negative consequences of the Covid-19 epidemic and the Ukrainian/Russian crisis. The Supervisory Board gave its constructive opinions, efficiently monitored the decisions of the Management Board and effectively realised its role in adopting the policies and decisions in the framework of its powers.

The Operation of Gorenjska banka in 2023

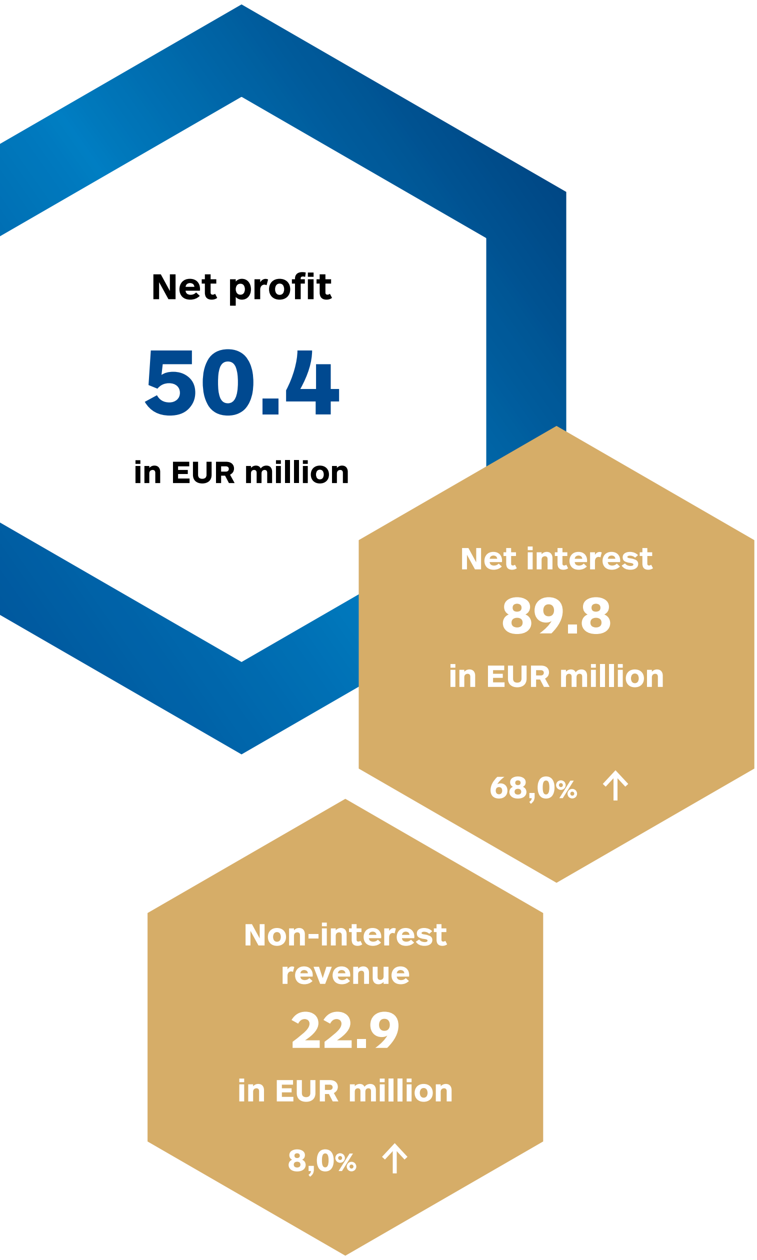
The year 2023 in Slovenia was most marked by the August floods and the activities that followed them to eliminate the consequences of this natural disaster. The bank immediately responded with various forms of assistance, such as: direct donations to kindergartens and schools, employee voluntary help to eliminate the consequences of the floods, and in the financial field, it listened to all the bank's clients affected by the floods who approached it with a request for an agreement regarding repayment of existing loans or arranging new ones for damage repair. After the end of the year, the bank estimates that the impact of these floods and other natural disasters on the bank was smaller than originally estimated, and that it is immaterial. Another important factor was high inflation, which only began to moderate towards the end of 2023. The bank partially mitigated the inflationary pressures on employees with a general increase in employee wages, which is reflected in higher labour costs, and inflation also represents an important factor for the growth of the bank's other administrative costs. Despite everything, the bank operated successfully in 2023, and achieved all the set financial goals.

Net interest income was 68% higher than the year before, and amounted to EUR 89.8 million. Non-interest revenue was 8% higher, amounting to EUR 22.9 million (2022: EUR 21.1 million). The bank generated higher commission income and income from the sale and fair value of securities.

The total operating costs amounted to EUR 49.8 million, which is 18.8% more than in 2022, mainly due to higher staff costs and intensive investments in digitalisation. The cost-effectiveness, measured using the ratio between the operating costs and income, amounted to 44.2%, and has increased compared to the previous year.

In 2023, the Bank generated a profit before impairments and taxes in the amount of EUR 63 million. Considering the net allocated impairments and provisions in the amount of EUR 5.1 million and tax, the Bank realised a net profit of EUR 50.4 million. The return on equity after tax was 18.8%.

At the end of 2023, the Bank's capital adequacy amounted to 17.55%, and decreased by 0.11 percentage points compared to 2022.



Information on the Approval and Adoption of the 2023 Annual Report

The Bank's Management submitted the 2023 Annual Report to the Audit Committee, which gave a positive opinion thereon. The Management Board submitted the audited 2023 Annual Report to the Supervisory Board for verification within the statutory deadline, along with the audited financial statements of the Bank and Group and the certified auditor's reports prepared by the audit firm BDO Revizija d.o.o.

Based on the performed audit of the non-consolidated financial statements of Gorenjska banka d.d., Kranj, (the Bank) and the consolidated financial statements of Gorenjska banka d.d., Kranj and its subsidiaries (the Group) as of 31 December 2023, which include the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and a summary of significant accounting policies and other notes, the auditing firm issued opinions (separately for non-consolidated and consolidated statements) stating that the financial statements presented a true and fair view of the financial standings of the Bank and Group as of 31 December 2023, as well as their profit or loss and cash flows for the then-finished year pursuant to the international financial reporting standards as adopted by the EU. The reports made by the auditing firm also include a positive opinion on the compliance of indications in the business report with the audited financial statements.

The Supervisory Board believes that the Bank's Management and Supervisory Boards met all the legal requirements in the 2023 financial year.

Based on the above, the Supervisory Board approved and adopted the Annual Report of Gorenjska banka d.d., Kranj, and the Gorenjska banka Kranj Group for 2023, and adopted the reports of the certified auditor for the 2023 financial year and agreed with them.

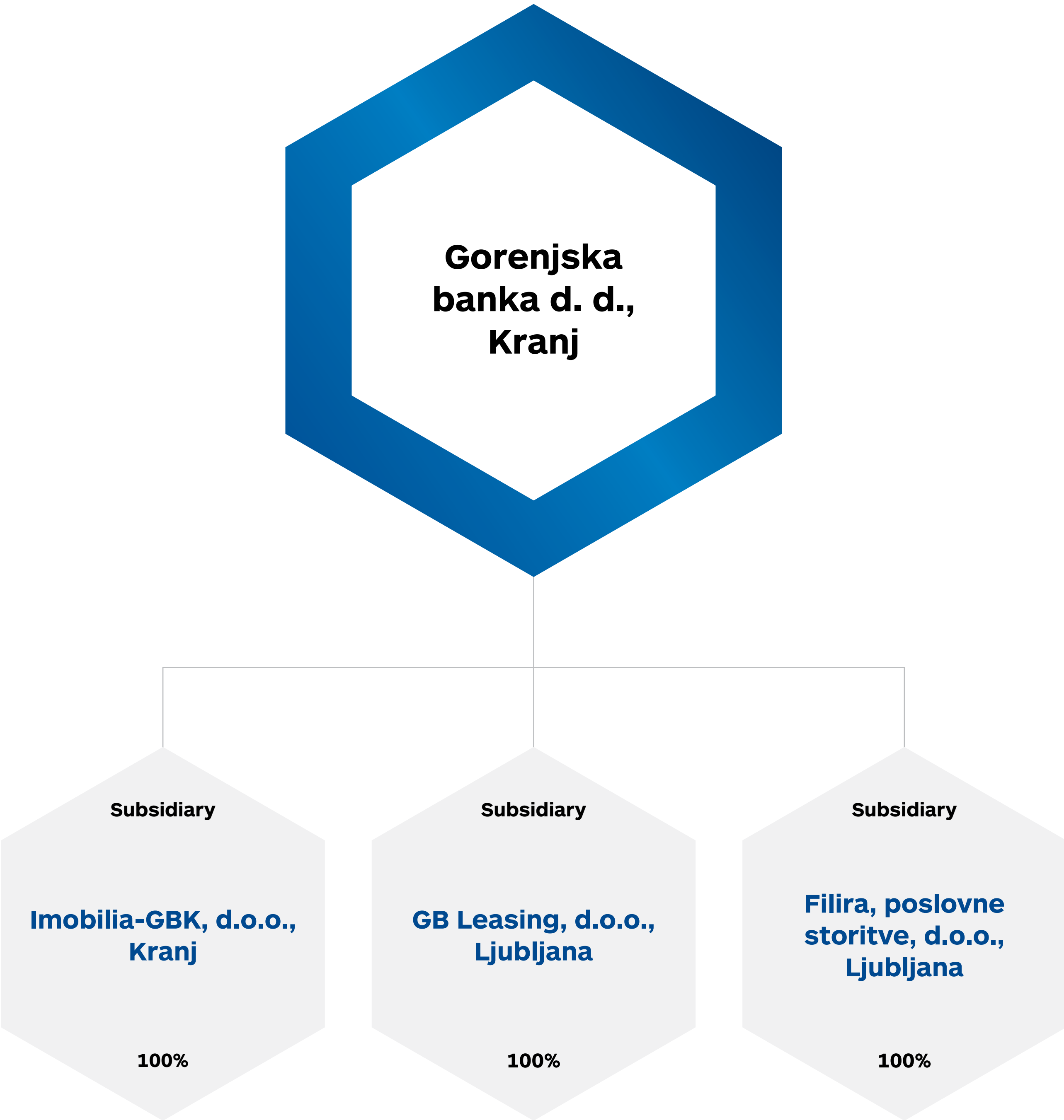
Jelena Galić
Supervisory Board Chairwoman

Organisational Chart of the Bank

- **Management board**
  - Management Board President: **Mario Henjak**
  - Management Board Member: **Marko Filipčič**
  - Management Board Member: **Mojca Osolnik Videmšek**
  - **Legal Affairs Division** – Dejan Kmetec
  - **Internal Audit Division** – Simon Beravs
  - **Organisation and HR Division** – Vesna Pungeršek Žalig
  - **Compliance and AML Division**[4] – Peter Bogataj
  - **Business/ Commercial area - retail banking** – Romina Sabadin
    - **Marketing Division** – Maruša Nučič
    - **Leasing Division** – Aleš Zrinski
    - **Retail Banking Division** – Melita Gregorc
  - **Business/ Commercial area - business with companies** – Gregor Kaiser
    - **Corporate Banking with Small and Medium-size Companies Division** – Simon Šimonka
    - **Corporate Banking with Large Companies Division** – Jure Poljšak
    - **Factoring Division** – Damir Abdić
    - **International and Project Finance Division** – Vanja Jeraj
  - **Risk area** – Mojca Osolnik Videmšek
    - **Strategic Risk Management Division** – Špela Kern Šuklje
    - **Credit Risk Management Division** – Karmen Kordiš
    - **Distressed Asset Recovery Division** – Karmela Miškić
  - **Digitalisation & IT** – Erik Alič
    - **Digitalisation Division** – Vesna Paulič
    - **Information Communication Technology Division** – Aljaž Toman
  - **Financial and infrastructure area** – Marko Filipčič
    - **Financial Controlling and Accounting Division** – Stanko Gracar
    - **Treasury Division** – Peter Jančič
    - **Procurement, Property Management and General Affairs Division** – Mojca Šircelj
    - **Back Office Division** – Monika Modic

4 Compliance and AML Division = Compliance and Prevention of Anti-Money Laundering Division.

Organisational Chart of the Group



Top Management Structure

General Meeting of Shareholders

Supervisory Board

Jelena Galić
Chairwoman

Jurij Bajec
Deputy President

Bojan Pavlović
Member

Aleksander Milostnik
Member

Tim Umberger
Member

Aleksandra Babić
Member

Ana Živanović
Member

Audit Committee

Aleksander Milostnik
President

Ana Živanović
Deputy Chairwoman

Jurij Bajec
Member

Risk Committee

Tim Umberger
President

Bojan Pavlović
Deputy President

Aleksandra Babić
Member

Remuneration Committee

Jurij Bajec
President

Aleksandra Babić
Deputy Chairwoman

Ana Živanović
Member

Nomination Committee

Jurij Bajec
President

Jelena Galić
Deputy Chairwoman

Tim Umberger
Member

Management Board

Mario Henjak
Management Board President

Marko Filipčič
Management Board Member

Mojca Osolnik Videmšek
Management Board Member

Branch Office Network

7 Business units

20 Branches

info@gbkr.si

www.gbkr.si

Business unit	Branch	Address	Telephone
Kranj	Branch Office Bleiweisova 1	Bleiweisova cesta 1, Kranj	04 208 41 01
	Branch Office Primskovo	Cesta Staneta Žagarja 69, Kranj	04 208 45 16
	Branch Office Šenčur	Kranjska cesta 4, Šenčur	04 208 45 07
	Branch Office Cerklje	Trg Davorina Jenka 13, Cerklje	04 208 45 10
	Branch Office Tržič	Trg svobode 1, Tržič	04 208 45 28
Radovljica	Branch Office Radovljica	Gorenjska cesta 16, Radovljica	04 208 46 57
	Branch Office Lesce	Rožna dolina 51, Lesce	04 208 46 68
	Branch Office Bled	Kajuhova cesta 1, Bled	04 208 46 76
	Branch Office Bohinjska Bistrica	Trg svobode 2b, Bohinjska Bistrica	04 208 46 83
Jesenice	Branch Office Jesenice	Cesta maršala Tita 8, Jesenice	04 208 46 08
	Branch Office Kranjska Gora	Borovška cesta 95, Kranjska Gora	04 208 46 26
Dunajska vertikala	Branch Office Ljubljana – Dunajska vertikala	Dunajska cesta 152, Ljubljana	04 208 45 55
	Branch Office Ljubljana – Center	Dalmatinova ulica 4, Ljubljana	04 208 45 45
	Branch Office Ljubljana – Celovška	Celovška cesta 268, Ljubljana	04 208 45 52
Škofja Loka	Branch Office Škofja Loka	Kapucinski trg 7, Škofja Loka	04 208 41 47
	Branch Office Grenc	Grenc 54, Škofja Loka	04 208 41 81
	Branch Office Železniki	Na Kresu 26, Železniki	04 208 41 63
	Branch Office Žiri	Trg svobode 1, Žiri	04 208 41 65
Koper	Branch Office Koper	Cesta Zore Perello - Godina 2, Koper	04 208 45 01
Maribor	Branch Office Maribor	Ulica kneza Koclja 22, Maribor	04 208 45 04

Ratings

Fitch Ratings	Long-Term Issuer Default Rating	Short-Term Issuer Default Rating	Viability Rating	Watch list
	BB-	B	bb-	Stable

The Economic Environment and the Banking Sector

Economic Environment

The global economy has demonstrated major robustness during the major challenges in 2023. Despite several negative factors in a relatively short time, marked especially by inflation and the uncertain geopolitical situation due to the wars in Ukraine and the Middle East in 2023, global economic activity continued to increase in 2023, although its growth is slowly subsiding.

Inflation

Eurozone	Slovenia
5.0%	**7.2%**

Weak growth, which was lower than predicted, was also characteristic for the economic activities in the Eurozone and Slovenia. Economic growth was significantly reduced by foreign trade and domestic consumption, which remained positive in 2023, and above the Euro levels in Slovenia, especially due to the robust private consumerism and solid financial position of households and companies. Restrictive factors present in 2023 will probably hinder economic growth in 2024 as well, which will continue to keep economic activities below the long-term average. Based on the December forecasts by the Bank of Slovenia (BS), economic growth in the coming years in Slovenia (2024-2026) will gradually increase and stabilise mid-term at around two percent.

In line with the economic activity and the labour market dynamics, the unemployment rate in Slovenia remained low in 2023, which will continue to fall in line with the forecasted slower economic growth in 2024, although it will slow down. Salary growth in Slovenia remained relatively high in 2023, and above the Euro average on a tight market, which means inflation in Slovenia will remain above the Euro average in the forecasted period. Based on the latest forecasts of the European Central Bank (ECB), inflation in 2023 will be 5 percent in the Eurozone, whereas inflation in Slovenia, based on the forecasts of the BS, will be at 7.2 percent. Due to the tightened monetary policy of the ECB, inflation started to slow down more quickly at the end of 2023, and will continue to slow down in the forecasted period, nearing the ECB goals in the coming years.

Macroeconomic indicators of Slovenia's development in the period from 2022 to 2024.

	2022	2023	2024
Gross domestic product (GDP; real growth in %)	2.5	(N) 1.3	(N) 2.2
Private consumption (in %)	3.6	(N) 0.5	(N) 1.4
Productivity (in %)	(0.4)	(N) 0.1	(N) 1.7
Net export (contribution to the real GDP growth; in %)	(1.0)	(N) 3.0	(N) (1.4)
Unemployment rate (surveyed, in %)	4.0	(N) 3.7	(N) 3.5
Prices of basic necessities (HICP)	9.3	(N) 7.2	(N) 3.0
Current account (in % of GDP)	(1.0)	(N) 5.1	(N) 3.7

(N) – forecast
Source: Forecasts of macroeconomic trends in Slovenia. December 2023, Bank of Slovenia

EBased on the restrictive monetary policy, the ECB increased the key interest rates six times between January and September 2023 in the amount of 200 basis points, whereby the key interest rate at the end of 2023 amounted to 4.5 percent. The ECB interest rates are determined on the level at which, provided they are maintained long enough, they will significantly contribute to the aim of returning inflation to the medium-term target level of two percent. In addition, the ECB began normalising the Eurosystem balance in 2023, and reducing the securities portfolio.

Key interest rate

4.5%

The tightened monetary policy of the ECB mainly caused an increase in interest rate levels on monetary markets in the first half of 2023, whereby short-term interest rate levels increased more quickly. In light of weaker macroeconomic data and the inflation slowdown in the EU, the European interest rates were lowered significantly on the monetary markets following the ECB Council meeting in October. Higher expectations of market participants regarding future ECB interest rates caused a rapid reduction in interest rates on monetary markets, especially long-term levels, which was also shown in the reduction in the required yields on financial markets. The reduction in non-risk yield curves in the Eurozone was also reflected on other market segments, as yields of European state bonds and private sector bonds dropped, whereas stock indices in 2023 increased.

The Banking Environment

The banking system managed to preserve its positive dynamics in 2023, and remains stable in the Eurozone and in Slovenia, which is maintaining the banking system's resilience to systemic risk at high levels. Despite the increased risks, especially due to geopolitical unrest, the cooling of economic activities and the ever increasing financial debts, risks were reduced somewhat in the Slovenian banking system in 2023. In 2023, the moderate economic activity of the Slovenian economy and the restrictive ECB monetary policy had a favourable impact on banking operations through higher interest rates, and therefore a higher net interest revenue of banks.

The general systemic risk level for the financial stability of banks in Slovenia remains stable in 2023, as in 2022, and such is also the resilience of the Slovenian banking system to systemic risks. The restrictive monetary policy of the ECB in 2023 led to an active adjustment of interest rates for loans due to higher interest rates, whereas deposit interest rates of banks adjusted only gradually to the higher levels of interest rates on monetary markets. Despite the more conservative levels of deposit interest rates of Slovenian banks, deposits of the non-banking sector in 2023 remained a stable financing source of the banking system, and remain the primary source of financing of Slovenian banks at 77 percent. Retail deposits remain the most important source of financing of banks, as has been the case in previous years, because their scope makes up half of the balance sheet, which places Slovenia at the very top of European countries by the share of this financing source. In 2023, due to the gradual increase in deposit interest rate levels, the maturity structure was also changing in terms of more term deposits.

The restrictive monetary policy of the ECB in 2023 was also reflected in reduced accessibility to loans and the ever increasing impact on the activities of the private sector. Higher general interest rate levels on monetary markets led to active adjustments of interest rate levels of banks for non-banking loans as these levels were increased, whereby the scope of loans was reduced compared to 2022, which also had an impact on the lower share of loans within all the investment classes. Based on the moderate strengthening of providing loans to households in 2023, consumer and other loans made up the majority of the increase, whereas the growth of mortgage loans to households in 2023 slowed down and stagnated. The majority of the freshly approved mortgage loans were concluded using fixed interest rates in 2023.

In terms of the resilience of the banking system, the solvency and profitability of banks was also improved in 2023. Higher interest rate levels on monetary markets and the moderate economic growth of Slovenia had a positive impact on the result of Slovenian banks in 2023. The pre-tax profit of banks in the first ten months of 2023, due to low net impairments and provisions, significantly exceeded the yearly profit of 2022, while the yield on capital exceeded twenty percent. The net interest revenue increased year-on-year by 102 percent by October 2023, thus Slovenia is one of the European countries with higher net interest revenue and net interest margin growth. Profitability of banks in 2023 will significantly exceed the average of the coming years.

The favourable results of Slovenian banks have strengthened the capital resilience of banks in 2023. The capital position of the Slovenian banking system remains solid. Capital ratios increased in 2023, due to the reduced credit exposure and higher regulatory capital. This was increased due to retained profits and other reserves, lower losses from the valuation of debt securities, and also due to additional tier 2 instruments to a lesser extent. The total capital adequacy of the Slovenian banking system is still lagging behind the European average on a consolidated level, although it got close to it in 2023.

Slovenian banks remained stable in 2023, and highly liquid at a systemic level. The high liquidity of the banking system in the previous years improved further in 2023, also due to primary liquidity, because its scope in the first ten months of 2023 increased by EUR 1.2 bn to EUR 11.7 bn, which exceeds one fifth of the balance sheet total.

The banking environment will presumably also remain stable in 2024, and it will maintain a positive dynamic. The risk of temporary economic stagnation or mild economic contraction in the euro area will continue to increase. The deceleration of economic activity will not reduce inflation in the eurozone yet, and will come close to the target of two percent. The key interest rates will continue to be the main tool of the ECB in setting the focus of the monetary policy in 2024. Expectations regarding the key interest rates of the ECB for 2024 are falling, despite the increased inflation, and further steps will depend on the current conditions, i.e. the economic and financial data, the trend of the underlying inflation, and the effects of the ECB measures. Interest rates of central banks will presumably remain at high levels in 2024, and will be higher than the long-term average. Such an environment will presumably have a positive impact on banking operations in Slovenia in 2024.

About the Gorenjska banka Group

Composition of the Group

The Gorenjska banka Group (hereinafter "Group") includes Gorenjska banka d.d., Kranj and subsidiaries: Imobilia-GBK d.o.o., Kranj, GB Leasing d.o.o., Ljubljana and Filira, poslovne storitve d.o.o., Ljubljana (in 2023, the merger of Hypo Alpe-Adria Leasing d.o.o., Ljubljana to Filira d.o.o. was executed).

Pursuant to the provisions of the IFRS 10, Gorenjska banka d.d., Kranj, has a controlling company, i.e. Agri Europe Cyprus Limited Group, Limassol, The Gorenjska banka Group is part of the Agri Europe Cyprus Limited Group, Limassol.

Organisational structure of Gorenjska banka Group as at 31 December 2023.

Imobilia-GBK, d.o.o., Kranj

Equity holdings
(in %)

100

Nominal amounts
(in thousands of EUR)

4,589

GB Leasing, d.o.o., Ljubljana

Equity holdings
(in %)

100

Nominal amounts
(in thousands of EUR)

3,800

Filira, poslovne storitve, d.o.o., Ljubljana

Equity holdings
(in %)

100

Nominal amounts
(in thousands of EUR)

8

Presentation of the Bank

Gorenjska banka d.d., Kranj, (hereinafter: "Bank") is an independent public limited company with its head office in Kranj, at the address Bleiweisova cesta 1 (registration number: 5103061000, tax number SI42780071, share capital EUR 16,188,366.33).

The Bank's roots stretch back to the 19th century, when the first seeds of organised banking were formed in the Gorenjska region. On 25/05/1955, the first municipal bank in the Gorenjska region was formed in Kranj, followed by the bank in Škofja Loka and banks in Radovljica, Tržič and Bled the year after. Eventually, a joint bank was formed, which joined the Ljubljanska banka system in 1972, first as a subsidiary and later, as of 27/12/1989, as a limited company in the system of the sister banks of Ljubljanska banka with capital links with one another.

In 1994, the separation process from the Ljubljanska banka system was initiated, namely with the purchase of shares that Nova Ljubljanska banka d.d., Ljubljana, had in Gorenjska banka d.d., Kranj. The process was concluded in 1996, when the bank cancelled the shares.

Gorenjska banka d.d., Kranj, has the authorisation to perform banking services as per Article 5 of the Banking Act (Official Gazette of RS No. 29/21, with Amendments; hereinafter: ZBan-3). Banking services are services of accepting deposits and other repayable funds from the general public, as well as granting credits on its own account.

The Bank has an authorisation to perform mutually-recognised and additional financial services.

The Bank may perform the following mutually-recognised financial services, pursuant to Article 5 of the ZBan-3:

1. Receiving deposits and other repayable funds;
2. Granting of loans, including: consumer loans, mortgage loans, the purchase of receivables with or without recourse (factoring), financing of commercial transactions, including export financing based on the purchase of non-current non-past-due receivables at a discount and without recourse, secured by financial instruments (forfeiting);
3. Financial leasing;
4. Payment services;
5. Issuance and management of other payment instruments (i.e. travellers' cheques and bankers' drafts) in the part in which this service is not included in service of former point 4;
6. Issuing of guarantees and other commitments;
7. Trading for its own account or for the account of customers in foreign exchange, including exchange transactions; trading for own account in money market instruments, financial futures and options, exchange and interest-rate instruments and transferable securities;
8. Other services related to the safekeeping of securities;
9. Renting out safe deposit boxes.

The Bank may also carry out additional financial services as per Article 6 of the ZBan-3, which includes the sale of insurance policies as per the law governing the insurance market and the marketing units of investment funds.

In the period for which the respective business report has been drafted, the Bank performed the banking services and additional financial services for which it received authorisation from the Bank of Slovenia.

Presentation of Subsidiaries

Imobilia-GBK, d.o.o., Kranj

Gorenjska banka d.d., Kranj, holds a 100% stake in the subsidiary company. Imobilia-GBK, promet z nepremičninami in hipotekarnimi posli d.o.o., Kranj, with its head office in Kranj at Koroška cesta 4. The core business of Imobilia-GBK is the management of the real estate portfolio and the execution of market procedures for the brokerage of the founder's real estate on the basis of a Cooperation Agreement.

Imobilia-GBK manages its own investment property, investment property owned by the Bank, and the real estate used by the Bank, in which the Bank performs operations, and which constitute its fixed assets. It also provides other contracted services, such as developing sales strategies for individual processes, producing IREO (Investment Real-Estate Opinion) analyses and developing or updating comprehensive management plans.

In 2023, Imobilia-GBK carried out real estate brokerage activities, real estate investment and investment maintenance activities, real estate management activities and ongoing maintenance of facilities and equipment on all properties.

GB Leasing, d.o.o., Ljubljana

Gorenjska banka d.d., Kranj, holds a 100% stake in the subsidiary company GB Leasing, d.o.o., Ljubljana. The company is operating at the address Dunajska cesta 152, 1000 Ljubljana, with affiliates in Koper, Maribor and Novo mesto.

The company carries out non-financial maintenance services for the Bank in the area of the financial leasing of movables. It began operating in 2016 when the Bank received a consensus from the Bank of Slovenia for financial leasing operations.

Filira, poslovne storitve, d.o.o., Ljubljana

Gorenjska banka is a 100% owner of the subsidiary Filira d.o.o., Ljubljana, with which the former parent company Hypo Alpe-Adria-Leasing, družba za financiranje, d.o.o. was merged in 2023.

Filira d.o.o. has no employees, is non-operational and will be liquidated upon the completion of all lease agreements.

Key financial data of subsidiaries

in thousands of EUR

2023	**GB Leasing**	**Imobilia-GBK**	**Filira**
Assets	21,806	4,642	276
Liabilities	17,714	280	184
Equity	4,092	4,362	92
Loss/Profit	**127**	**334**	**(1)**

in thousands of EUR

2022	**GB Leasing**	**Imobilia-GBK**	**Hypo Alpe-Adria-Leasing**
Assets	13,987	4,355	162
Liabilities	10,022	327	70
Equity	3,965	4,028	92
Loss/Profit	**2**	**140**	**(1)**

Shareholder Information

At the end of 2023, the **Bank's capital stock** was distributed to 387,938 ordinary shares. As at 31/12/2023, Agri Europe Cyprus Limited and Gorenjska banka were registered in the Bank's share register with a fund of own shares (31/12/2022: Agri Europe Cyprus Limited, and Gorenjska banka with a fund of own shares). Agri Europe Cyprus Limited had 91.7% of the registered share capital of the Bank (31/12/2022: Agri Europe Cyprus Limited 91.7%).

Net profit in 2023, achieved through the income statement, amounts to EUR 50,395 thousand and comprehensive income to EUR 51,701 thousand.

Distributable profit, which in addition to net profit in 2023 includes retained earnings in the amount of EUR 46,362 thousand, amounts to EUR 96,757 thousand.

Shareholders of Gorenjska banka d.d., Kranj, as at 31 December 2023:

Name of shareholder	Number of ordinary shares	Share in capital. in %	Share in voting rights, in %
Agri Europe Cyprus Limited	355,723	91.7	100.0
Gorenjska banka d.d., Kranj – own shares	32,215	8.3	0.0
TOTAL	**387,938**	**100.0**	**100.0**

Strategic Orientations of the Bank and Group

The Bank's Values

The Bank fulfils the expectations of clients, business partners and owners with motivated employees, considering the fundamental legal and moral rules of the company. The key values of the Bank are: responsibility, inovativnost, excellence, dedication, trust.

The Bank's Vision

We are dedicated and passionate about building a modern, innovative client- and employee-friendly bank.

The Bank's Mission

We develop partnerships and support you in creating your future.

The Bank's Strategic Goals Until 2026

In the planned strategic period, the Bank will focus on growing its market share with key products such as housing and consumer loans, leasing, factoring, and being the first choice for key segments in the corporate sector, i.e. micro, small and medium-sized enterprises. The Bank will achieve these goals and meet the requirements and needs of its customers through customised products and excellent services, supported above all by efficient and digital processes and motivated, innovative and loyal employees.

Sustainable Development

The Bank is aware of its influence, expectations and responsibility in realising the goals of sustainable development. It undertakes a strategic commitment to try to balance sustainable financial performance with consideration of environmental, social and governance factors and their impact on banking risks and opportunities in its operations. An interdisciplinary Committee for Sustainable Development is established in Gorenjska banka, which brings together experts from various fields within the Bank and focuses on the implementation of ESG principles in its operations.

Environmental responsibility

The Bank contributes to the transition to a low-carbon economy and society by reducing its direct environmental footprint through the pursuit of energy efficiency in operations, reducing water and paper consumption, which it promotes through the introduction of paperless operations in the Bank's internal and external communications. The Bank improves its indirect environmental footprint by developing innovative business solutions that contribute to its commitment to sustainable development. It offers customers an "eco" housing loan with more favourable financing terms for eco-investments and more favourable financing for sustainable projects in cooperation with public institutions at national and EU level. In 2023, the Bank continued to pursue its strategic commitment to sustainable business, working with Ecologists Without Borders, one of the leading organisations in the field of environmental protection and conservation in Slovenia, in its activities in the area of environmental protection. Through the "Every Step Counts" project, the public was encouraged to make small changes in sustainability that can make a big difference in preserving the environment in the long term. The Bank's activities in the field of environmental protection were also supported by financial support to the Slovenian Forest Institute and the forest rehabilitation project at the Potočka Gora mountain above Preddvor. At the end of 2023, the Bank received the Green Star certificate for sustainable business and climate action, thus joining the commitments of the green Slovenian economy, which strives for ambitious sustainable business goals.

Corporate Social Responsibility

Gorenjska banka was the first bank in Slovenia to obtain the Socially Responsible Employer certificate in 2021, which confirms the efforts made so far and lays the foundation for the strategic and systemic management of the Bank's socially responsible operations.

The Bank's social responsibility is primarily related to the Bank's commitments to its employees, clients and the local community. In relation to its employees, the Bank strives to provide decent jobs that ensure gender equality, labour legislation compliance, social protection and social dialogue, professional and personal development of employees, and fair pay. In doing so, the Bank is constantly upgrading and implementing its employee treatment policy, which is manifested, for example, as flexible working hours, time bonus, children's and care time bonus and working from home. Furthermore, the Bank encourages the development of employees' knowledge, competences and innovative thinking by facilitating educational programmes, managing talent and key personnel, encouraging employee rotation and implementing various forms of mentoring. The Bank places significant emphasis on health promotion, which enables employees to be aware of and manage the risks to their health and to implement measures to increase the level of health and well-being at the workplace. By upgrading its operation as a socially responsible employer, the Bank becomes and maintains its position as an attractive employer.

In relation to its clients, the Bank strives to form responsible, long-term and professional relationships, nurturing trust and data protection, and transparent communication. The transparent presentation of products and clear communication helps customers to make financial decisions. With the goal of financial literacy of its clients, the Bank organised days of housing loans, investments and insurance, as well as digital banking days, where it shared its expertise and experience with its clients. During the August weather disasters, the Bank reacted promptly and took a number of measures to help the affected customers, relieving them of certain day-to-day banking charges and listening to them with individualised attention.

In relation to the local community, the Bank proactively implements its donation and sponsorship policy, which improves the quality of life of the local and wider community and strengthens its basic mission, set values and ethical commitments. In doing so, the Bank strategically focuses on the area of environmental protection, assistance to families and individuals in need, and support for sports. In 2023, the Bank continued its Support for Families project, which further strengthened its efforts to improve the quality of life of future generations by donating funds for the renovation of 7 kindergartens across Slovenia. During the August weather disasters, the Bank came to the aid of a number of local communities, paying particular attention to the welfare of children in educational and care institutions affected by the storms, and organised a number of work campaigns to help clean up and rebuild after the floods. In 2023, the Bank also made its traditional donations to families and individuals in need as part of the humanitarian campaign, "V Kranju dobro v srcu mislimo", and also supported the "Center za usposabljanje, delo in varstvo Matevža Langusa Radovljica" and "Mladinski dom Malči Beličeve Ljubljana" with donations and joint activities. The Bank continued its long tradition of supporting local sports events, clubs and associations, which through their dedication, promote exercise and active life, and the development of sport at local and national level.

Corporate governance

The Bank systematically includes environmental, social and governance factors in its business strategy, thereby laying the foundations for the Bank's ESG transformation.

Banking Digitalisation

The Bank continues its digital transformation in several directions:

- Digitising internal processes and introducing new decision-making and reporting systems that reduce the potential for error and are cost-effective;
- The Bank has applied its digital IT architecture to new partnerships with "Fintech" companies;
- We put the customer at the heart of the business and provide a great and easy user experience;
- We involve our customers in the bank's digital processes, educate them and achieve higher customer satisfaction and engagement with fast responsiveness.

Key Sales Segments

Satisfied clients are a prerequisite for successful bank operations in the long run, meaning that the Bank must offer products and services tailored to its clients' needs in a modern and innovative way. In retail banking, the Bank continues to pursue the goal of becoming an all-Slovenian bank, offering clients modern and competitive products along with a good user experience. In the scope of corporate banking, the Bank places great emphasis on the segment of medium and small companies, and pays special attention to micro-companies. At the same time, it strengthens its visible role in the project financing, factoring, and leasing markets.

Financial Objectives

Key performance indicators, as an operation guideline, are defined for the profitability, stability of funding, cost-effectiveness, and the quality of assets.

The key strategic focus of the Bank regarding financial goals will be to:

- ensure capital adequacy;
- ensure a suitable yield on the Bank's capital;
- ensure stable funding and liquidity through a suitable loan to deposit ratio, as well as the moderate growth of stable financing sources;
- become more cost-effective through the optimisation of business processes and the digitalisation of the operation;
- maintain a healthy investment structure, which is reflected in a small share of non-performing investments.

Policies of Subsidiaries

The subsidiary Imobilia–GBK, d.o.o., Kranj, will manage the real estate it has acquired or will acquire from debtors in bankruptcy that sell the real estate in order to meet their obligations to the Bank on its own behalf and for its own account, and in doing so shall observe the principle of economy and pursue the objective of the maximisation of the Group's profit, which includes the preservation and increase of the value of properties.

The GB Leasing, d.o.o., Ljubljana subsidiary is one of the key companies in the financial leasing market, especially in the used car segment. It will further strengthen its position, while optimising its cost and process efficiency and continuing the digitalisation of its business.

The subsidiary Filira, poslovne storitve, d.o.o., which is also the legal successor of Hypo Alpe-Adria-Leasing, družba za financiranje d.o.o., Ljubljana, is not operational.

Business performance in 2023

In 2023, despite the great challenges of the past period, economic growth showed great robustness, despite a number of negative factors in a relatively short period, among which inflation and an uncertain geopolitical environment with the war in Ukraine and the Middle East stood out. Global economic activity continued to increase in 2023, but its growth began to moderate in the second part of the year. Based on increased inflation in the EU, the European Central Bank ("ECB") raised key interest rates six times in the period between January and September 2023 by 200 basis points. From September 2023 onwards, the ECB's key interest rate was 4.5 percent. In the first half of 2023, the tight monetary policy of the ECB led to an increase in interest rates on the money markets, and in the second half of the year, on the basis of high levels of interest rates, inflation in the EU began to decrease faster. In the light of weaker macroeconomic data and a slowdown in inflation, at the end of 2023, euro interest rates on the money markets started to decrease.

The rapid increase in ECB interest rates and the high levels of interest rates on the money markets had a positive impact on the Bank's net interest margin in 2023. At Gorenjska banka, we regularly and carefully monitor macroeconomic trends and changing conditions on the financial markets, and adapt to them on a regular basis with an active pricing policy and other measures.

Financial Operations

In 2023, the Gorenjska banka Group disclosed EUR 50,841 thousand net profit, which is 0.9% higher than the profit in the Bank. Because there are no other major differences between the Bank and the Group, the indication below is focused only on the Bank.

In 2023, the Bank disclosed a profit before tax amounting to EUR 57,828 thousand (2022: EUR 30,823 thousand). It achieved a 21.56% return on equity before tax and a 2.51% return on assets before tax.

The table below shows the key elements of the Bank and the Group's income statements.

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Net interest income	89,782	53,447	89,672	53,392
Net non-interest income	22,901	21,199	27,510	24,072
Total income	**112,683**	**74,646**	**117,182**	**77,464**
Labour costs, general and administrative costs	(44,066)	(36,818)	(44,921)	(37,308)
Cash contributions to resolution funds and deposit guarantee schemes	(2,871)	(2,356)	(2,871)	(2,356)
Depreciation	(2,811)	(2,699)	(5,902)	(4,834)
Total operational cost	**(49,748)**	**(41,873)**	**(53,694)**	**(44,498)**
Impairment and provisioning	(5,107)	(1,950)	(5,154)	(1,939)
Profit before income tax	**57,828**	**30,823**	**58,334**	**31,027**
Tax related to profit	(7,433)	(2,914)	(7,493)	(2,918)
Net profit	**50,395**	**27,909**	**50,841**	**28,109**

The net interest amounted to EUR 89,782 thousand, which is 68% more than in 2022. The growth of net interest is particularly the result of all key business segments, as a result of growth in portfolio size and growth of market interest rates.

Non-interest income amounted to EUR 22,901 thousand, and has increased by 8% compared to 2022. The key part of the non-interest income at the Bank are fees the commissions. Net fees and commissions amounted to EUR 16,905 thousand, which is 4.3% more than in 2022. The highest increase in commissions derives from card business, on guarantees issued and income from other business (bancassurance, etc.).

The total operating costs amounted to EUR 49,748 thousand, which is 18.8% more than in 2022. The largest share of operating costs represents staff costs (46.5%), followed by the costs of materials and services (42%), costs of cash contributions to resolution fund and deposit guarantee scheme (5.8%) and depreciation costs (5.7%). Labour costs were 13.9% higher than in 2022, the costs of materials and services by 26.9%, the costs of cash contributions to resolution funds and deposit guarantee schemes by 21.8% and depreciation costs increased by 4.1%.

Net interest

89,782

in EUR thousand

68.0%

Non-interest income

22,901

in EUR thousand

8.0%

Total operating costs

49,748

in EUR thousand

18.8%

Expenses for provisions and impairments of the loan portfolio and securities exceeded the income from the reversal of provisions and impairments of the loan portfolio and securities by EUR 5,107 thousand in 2023 (2022: EUR 1,950 thousand of expenses for the allocation of provisions and impairments of the loan portfolio and securities).

Comprehensive income, i.e. net profit or loss and other comprehensive income after tax, disclosed a profit of EUR 51,701 thousand in 2023 (2022: EUR 24,862 thousand). It includes a net profit of EUR 50,395 thousand (2022: EUR 27,909 thousand). EUR 1,180 thousand gains related to investments into debt financial instruments (2022: EUR 3,518 thousand loss), actuarial gains amounting to EUR 110 thousand (2022: EUR 45 thousand), gains from fair value changes of equity instruments amounting to EUR 296 thousand (2022: loss of EUR 299 thousand) and tax liabilities amounting to EUR 281 thousand (2022: EUR 725 thousand of tax assets).

The Bank's balance sheet total increased by EUR 124,091 thousand or 5.4% in 2023, and amounted to EUR 2,435,106 thousand at the end of 2023. The main factors of the 2023 growth are: increase in non-banking loan portfolios, customer deposits and issued MREL bonds.

The table below shows the key elements of the Bank's and the Group's statements of financial position.

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Cash, balances at CB and other demand deposits at banks	357,819	313,733	357,819	313,817
Loans to banks	23,439	46,178	23,439	46,178
Investments in securities	390,997	387,727	390,997	387,728
Loans to non-banking sector	1,594,066	1,485,608	1,581,891	1,479,561
Fixed assets	13,177	12,353	31,511	25,080
Investment property	34,948	44,383	38,579	47,223
Investments in subsidiaries	6,406	6,406	-	-
Other assets	14,254	14,627	17,399	15,472
Total assets	**2,435,106**	**2,311,015**	**2,441,635**	**2,315,059**
Due to non-banking sector	1,948,781	1,919,943	1,947,819	1,918,449
Borrowings from banks and central banks	96,867	98,115	96,867	98,115
Other liabilities	283,499	271,799	285,726	273,580
Equity	105,959	21,158	111,223	24,915
Total liabilities and equity	**2,435,106**	**2,311,015**	**2,441,635**	**2,315,059**

Placement of Funds

Cash, balances at CB and other demand deposits at banks decreased by EUR 44,086 thousand or 14.1%. Their share in assets stood at 14.7% at the end of 2023.

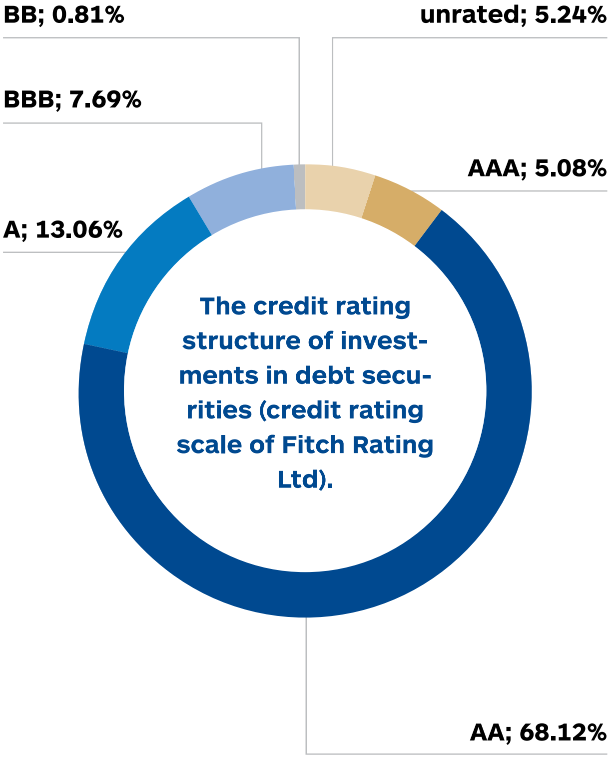
Loans to banks, which include deposits at banks decreased by EUR 22,739 thousand or 49.2%. At the end of December 2023, their share in assets amounted to 1%.

The total value of the Bank's security portfolio amounted to EUR 391 million as at 31 December 2022, and increased by EUR 3.3 million with respect to the end of 2022, when it amounted to EUR 387.7 million. The majority of investments in securities (EUR 322.6 million) are classified as ECB eligible financial assets.

Investments in the equity of subsidiaries with a 0.3% share amounted to EUR 6,406 thousand, which is the same as it was at the end of 2022.

At the end of 2023, the Bank participated in the capital of ten companies. In addition to investments in subsidiaries, these are mostly investments that the Bank acquired in the process of resolving non-performing loans or, rather, investments related to the performance of the Bank's activities (SWIFT, Single Resolution Fund).

The image below shows the credit rating structure of investments in debt securities (credit rating scale of Fitch Rating Ltd).

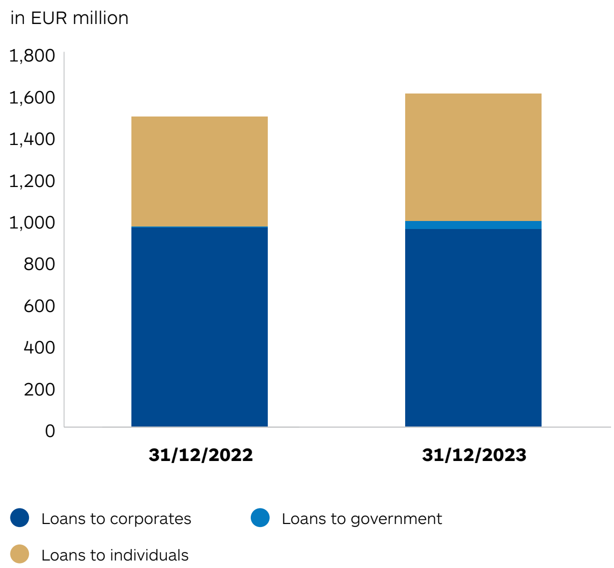


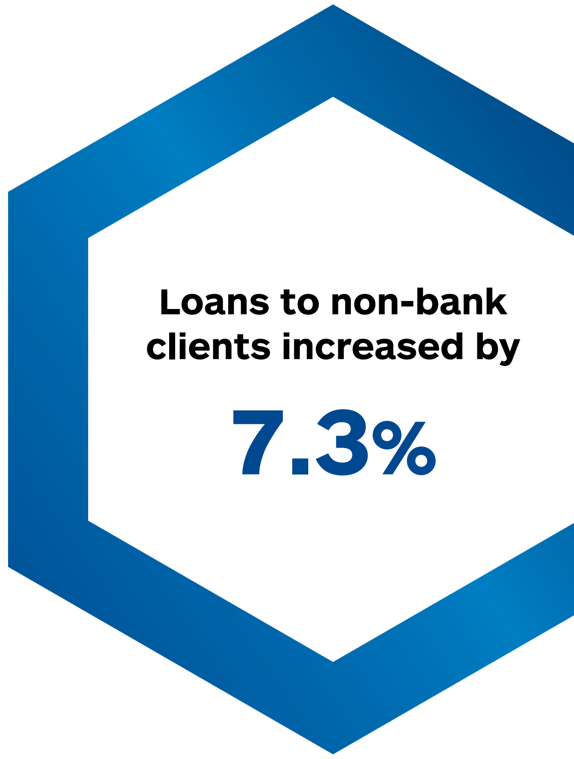
Participation in the capital, 31 December 2023:

Company	% in equity
GB Leasing, d.o.o., Ljubljana	100.0000
Imobilia-GBK, d.o.o., Kranj	100.0000
Filira, d. o. o.	100.0000
Eurofond-1, d. d., Tuzla	5.1119
Sklad za reševanje bank	3.5300
SAVA Turizem, d. d.	2.7290
Bernardin Arkade, d. d., Portorož – regular shares	0.5860
Bernardin Arkade, d. d., Portorož – preferred shares	0.5860
Zavarovalnica Triglav, d. d., Ljubljana	0.0260
SWIFT, La Hulpe, Belgija	0.0036

Loans to non-bank clients increased by EUR 108,458 thousand or 7.3%. Their share in the Bank's assets amounted to 65.5%.

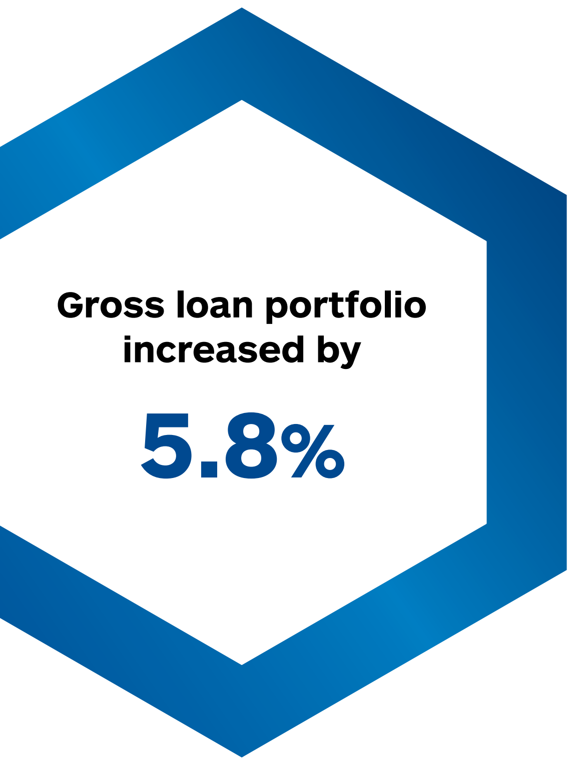
The image below shows the structure of loans to non-bank clients by segment.

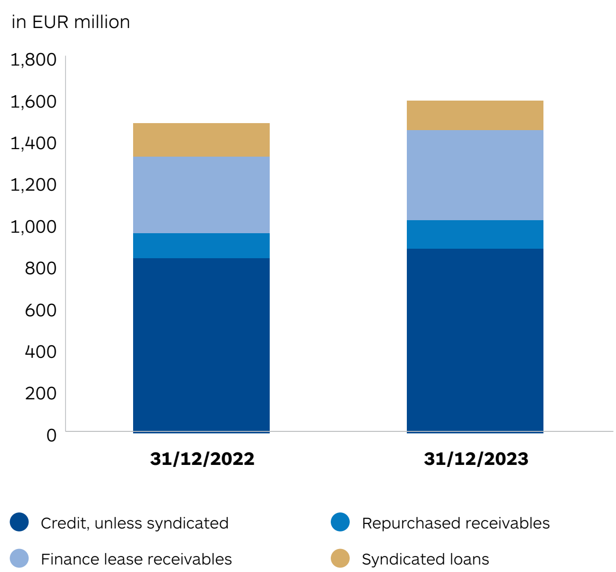




The gross loan portfolio increased by 5.8% in 2023 to EUR 1,643 million, of which gross loans to the non-banking sector increased by 7.5% to EUR 1,619.5 million.

The image below shows the structure of loans to non-bank clients by credit type.



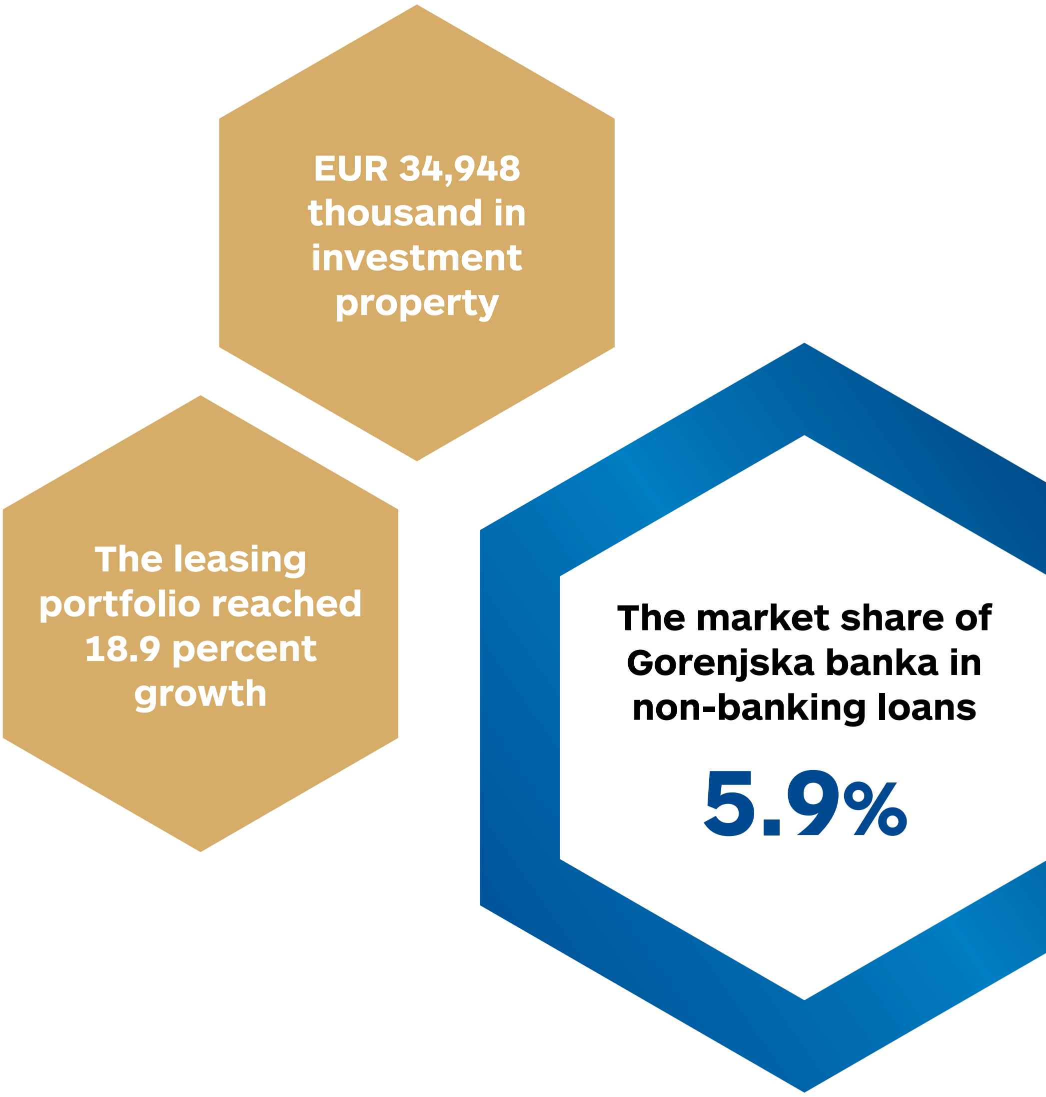


The market share of Gorenjska banka in non-banking loans in 2023 is 5.9%, and has increased by 52 bps. The market share of loans to legal entities is 6.68%. In the area of corporate financing, in line with the strategy, the Bank remains focused primarily on the segment of micro, small and medium-sized enterprises, product factoring and specialised lending with the aim of reducing concentration risk and diversifying credit risks as much as possible. In the area of specialised financing, we focus mainly on residential construction financing, which we manage technically through a combination of external reference specialists, and in sales we promote synergies with residential lending.

A trend of growth in gross retail loans (excluding leasing) continued, with the Bank recording a 17% growth in 2023, compared to the previous year. In addition to the competitive conditions, the partnerships concluded with complementary service providers, the introduction of new and more effective communication and marketing channels, and the continued professional training of loan advisers contributed to that a great deal.

Gorenjska banka continued to increase the volume of its leasing portfolio in 2023, particularly due to a widespread and well-organised brokerage or partner network, through which it effectively responded to demand. Compared to 2022, it achieved 18.9% growth in that area.

At the end of 2023, the Bank disclosed EUR 34,948 thousand in investment property and EUR 38,579 thousand at the Group level. That includes real estate that the Bank acquired in the process of acquiring collateral of non-performing loans.



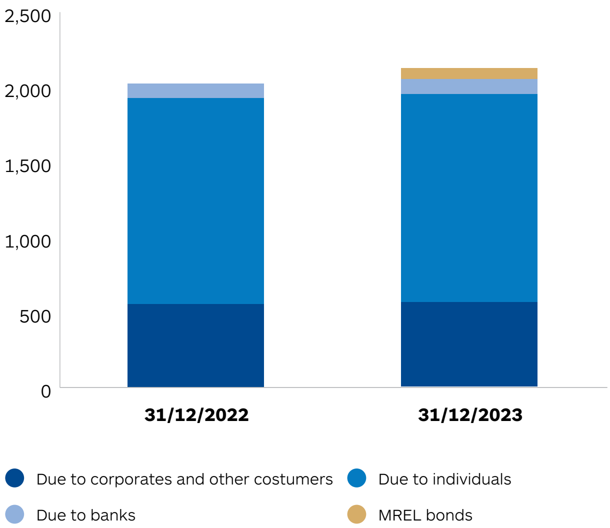
Liabilities

Liabilities to non-bank clients increased by EUR 28,838 thousand or 1.5%. Their share in liabilities amounted to 80% as at the end of 2023.

Deposits of the non-bank sector predominantly include retail deposits, which increased by EUR 16,596 thousand or 1.2%. They represent 57% of liabilities. As at 31 December 2023, liabilities to non-banking legal entities represents 23.1% of total liabilities, and increased by EUR 12,242 thousand or 2.2% in comparison to the end of the previous year.

The image below shows the structure of what is due to customers.

in EUR million



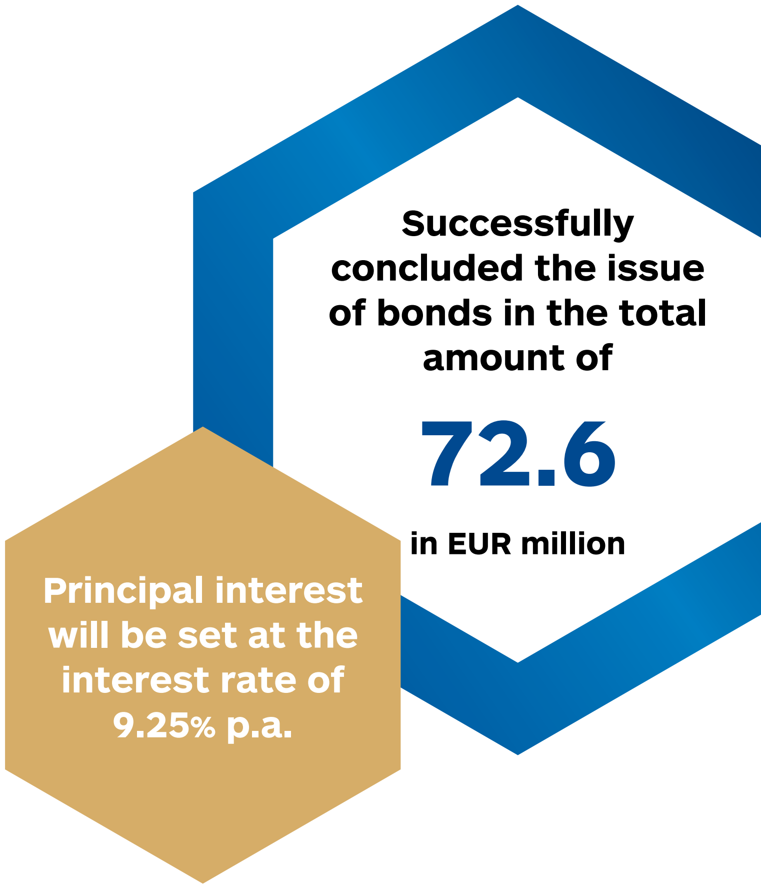
Debts to banks, which include deposits and loans of commercial banks and liabilities to the Central Bank, decreased by EUR 1,248 thousand or 1.3%. As at the end of 2023, their share represents 4% of liabilities.

The long-term indebtedness with commercial banks amounted to EUR 92.3 million, with EUR 50 million of subordinated debt from AIK bank, and the rest are liabilities to other banks.

MREL bonds

On 22 November, with the aim of fulfilling the MREL requirement, Gorenjska banka successfully concluded the issue of bonds in the total amount of EUR 72.6 million, which were offered to well-informed investors at home and abroad. Gorenjska banka thereby re-established itself on the capital markets. The bond will mature in 4 years and an early call will be made available after 3 years. Principal interest will be set at the interest rate of 9.25% p.a. Due to the issue, the Bank will exceed the required capital amount of eligible liabilities on 1 January 2024. More than 20 well-informed domestic and foreign investors showed their confidence in the Bank, which included banks, insurance companies, fund managers and other financial institutions.

Based on the criteria of the European Central Bank (ECB), Gorenjska banka has been one of the most significant banks in Slovenia under the direct control of the ECB since 2021. The Bank is therefore also committed to meet the capital amounts and eligible liabilities (MREL) set by the regulator in advance, in order to enhance the protection of the Bank's customers and the stability of the banking system.



The Management Board President of Gorenjska banka, Mario Henjak, welcomed the issue of the bonds: "The issue of Gorenjska banka bonds is in line with the development strategy of the Bank and the fulfilment of the MREL requirement. It attracted high interest from experienced domestic and regional investors, reaffirming the high level of trust in the business growth and development of Gorenjska banka."

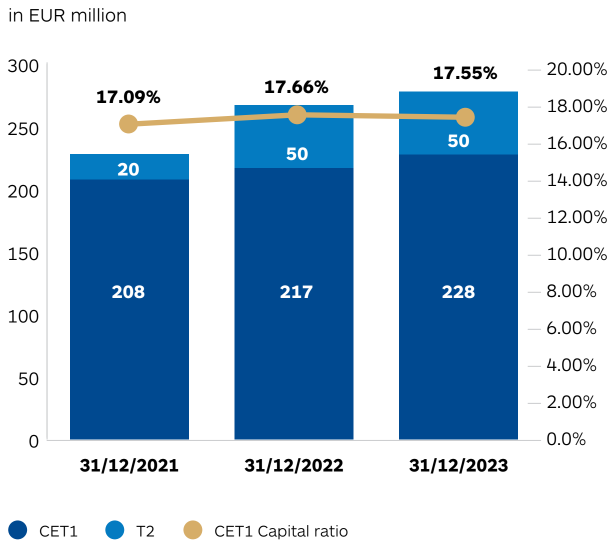
Capital and Capital Adequacy

The total capital amounts to EUR 283,499 in 2023, and increased by EUR 11,700 thousand or 4.3%. Namely, it increased due to current profit (EUR 50,395 thousand), the payment of dividends (EUR 40,001 thousand) and negative OCI impact. The book value of a share, calculated from the total capital of the Bank, amounted to EUR 796.97 at the end of 2023 (2022: EUR 764.07).

As at 31 December 2023, own funds amounted to EUR 277,663 thousand (2022: EUR 266,618 thousand), consisting of common equity tier 1 capital (CET1) and tier 2 capital (T2).

The capital adequacy ratio for total capital decreased in 2023 by 11 bps and amounted to 17.55% as at the end of December 2023 (2022: 17.66%), the capital adequacy ratio for common capital amounted to 14.39%. The Bank uses the standardised approach to calculate capital requirements for credit risks and the simple approach to calculating the capital requirement for operational risks. More about capital adequacy can be found in the financial section of the Annual Report (note 7.5).

The image below shows the trends of the bank's capital adequacy ratios.



Risk Management

The Bank pays a great deal of attention to understanding, monitoring, identifying, measuring and managing risks as required by developments in the wider economic environment, the financial system and the Bank's intention to pursue and include new development aspects in its risk management system, as brought by the good business practice of banks and the changing regulatory environment. The risk management system remains an important element of the Bank's strategy and performance. The goal of the Bank in risk management on a long-term basis and the Bank's attitude towards risks is also to take into account the risk from the macroeconomic environment in which the Bank operates.

One of the key principles of managing risk defines that all assumed risk must be assessed and included in the set profitability measures. This principle is realised by including the "ex-ante" costs in the structure of interest rate surcharges (credit calculator). Risk-adjusted profitability is an integral part of the Business Strategy and new investments.

The bases and basic principles of the risk management system are defined in more detail in the Risk Management Strategy and Risk Appetite Statement, which represent the umbrella documents of a comprehensive risk management system. The Risk Management Strategy lays down the goals of the Bank in managing risks on a long-term basis and the Bank's attitude to the risks it is exposed to or could be exposed to, considering the risks from the macroeconomic environment in which the Bank operates and the strategic objectives defined in the current Business Strategy. The Bank complies with local regulatory requirements in the field of risk management and is at the same time aligned with the requirements of the banking group.

The Bank's Risk Appetite Statement defines at the highest level the types of risks and tolerance towards individual types of risks that the Bank is willing and able to assume in order to achieve the set objectives, and constitutes the incentives and restrictions in the process of making business decisions at the Bank. In addition to the qualitative orientations in the most important areas, the Bank defines its risk appetite in a quantitative manner through a set of key and supporting risk indicators. The definitions and key indicators defined in the Risk Management Strategy and the Risk Appetite Statement (RAS) also provide the basis for defining internal policies, methodologies and the monitoring of individual risk types, as well as the basis for setting up a more detailed limit system in all risk segments. The goal of limit management is to ensure complete control over the risk profile and reliable implementation of the Risk Management Strategy, including appropriate monitoring and escalation of activities that can significantly affect the Bank's risk profile.

Capital management is a regular process of determining and maintaining a sufficient amount and quality of capital, both according to the first (regulatory) pillar, as well as according to the second pillar (internal approach - ICAAP). The Bank has a capital management system as defined in the Bank's Capital Management Policy. The purpose of capital management is to achieve the efficient spending of available capital, ensuring:

- the safety and profitability of operations at the level of the Bank,
- a high degree of trust by all stakeholders,
- the fulfilment of the regulatory requirements concerning capital adequacy,
- maintaining a strong capital base to support business development,
- ensuring the ability to continue providing appropriate returns and benefits to shareholders,
- the attainment of proper capital adequacy in the ICAAP process.

For the optimum achievement of the strategic goals, the Bank also uses the capital management system to establish bases for the transparent and optimum economic allocation of capital to individual business areas based on risk-weighted profitability criteria.

Furthermore, the goal of capital management is to ensure a long-term and stable return on the owners' investment through dividend payments based on pre-defined criteria for the dividend policy, which allows the Bank to operate, grow and achieve strategic goals in a sustainable manner and in the long run, along with the satisfaction of all stakeholders and a stable ownership structure of the Bank.

In addition to capital management, the Bank also has a liquidity risk management process in place, where the Bank defines and implements preventive measures to reduce liquidity risk through liquidity gaps, stress testing, survival horizont and monitoring of regulatory and structural indicators to reduce liquidity risk and future exposure.

By comprehensively addressing risks and their potential impacts on the Bank's operations within the scope of the ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process) and the performance of stress tests, the Bank also provides bases for the timely adoption of proper business decisions at all levels of decision-making. It needs to be pointed out that testing exceptional situations is not a tool for forecasting, but rather a tool for managing operations, which helps the Bank 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.

Below is a detailed description of the key elements of exposure and the management of the Bank's credit, market and liquidity risks in 2023. Detailed information on the Bank's risk management and exposure to individual risks is disclosed in the financial reports of the Bank and the Group (chapter 7), and a separate document entitled "Disclosures of additional information for 2023", which contains disclosures pursuant to Part 8 of Regulation EU 575/2013, the provisions of the Banking Act and the requirements of the IFRS 9.

Credit Risks

Credit risk is the risk of financial loss incurred as a result of the debtor's inability to fulfil its financial or contractual obligation to the Bank, in part or in full, for any reason. Credit risk management is essential for the safe operations of the Bank. Prudent credit risk management includes the control and mitigation of credit risk through various aspects, such as the quality and structure of investments, concentration, investment security, maturity, currency, type of credit, country risk and other risk.

The goal of credit risk management at the Bank is to achieve and maintain the quality and diversification of the credit portfolio, ensuring stable operations and the prudent management of the relationship between risk and return.

In April 2023, the Bank implemented a new unified credit rating scale, which is standardised across the Group, replacing the old credit rating scale. This new scale comprises 25 profitable classes, labelled R1-R25, and one non-profitable class, labelled R26. Additionally, the Bank introduced a new definition for project financing, known as "Specialised Lending," in the past year and commenced the utilisation of a rating model developed specifically for this segment.

The Bank responded to the uncertain geopolitical events in the current year with an in-depth identification of the increased credit risk. The initial analysis has shown that the Bank has no direct exposure to Belarus, and an insignificant scope of exposure to Russia and Ukraine. The Bank also identified clients that will be indirectly exposed to the Russian-Ukrainian crisis, and later did the same for the energy crisis and formed two additional watch lists, the so-called RU/UK and energy watch lists. In 2023, the Bank amended its IFRS 9 methodology, both in terms of its regular calibration of credit risk parameters (PD, LGD and discount rate), as well as in terms of the model adjustment due to the uncertainties that stem mainly from the high inflation and high interest rates, which increases the risk exposure (especially to credit risk arising from interest rate risk). The bank has formulated additional impairments through a proportional increase in the probability of default across the entire portfolio. At the Group level, the Bank also underwent validation of IFRS 9 and the rating model for individual persons, the findings of which the Bank will address during the upcoming year.

Pursuant to the Risk Management Strategy of Gorenjska banka d.d., Kranj, and the Risk Appetite Statement of Gorenjska banka d.d., Kranj, the Bank defines its appetite for credit risk with key and supporting matrices and indicators of the quality and structure of the investment portfolio. In 2023, the Bank partly reviewed and upgraded the applicable limit system defined in the Credit Risk Management Policy, and attachment thereto, in accordance with the strategic directions of the Bank and the umbrella acts for managing risk.

In 2023, as part of the ICAAP (Internal Capital Adequacy Assessment Process), the Bank primarily enhanced the process of identifying individual risk types by compiling a comprehensive risk inventory and assessing the materiality of all identified risks using unified methodologies at the Group level. An important step in upgrading ICAAP in the past year was also considering the economic perspective, where the calculation of risk-adjusted assets is based on the use of the Internal Ratings-Based (IRB) approach. The Internal Ratings-Based (IRB) approach, as stipulated in the Capital Requirements Regulation (CRR), also allows for special treatment of exposures in the "Specialised Lending" segment when the institution is unable to assess the probability of default (PD) or when the institution's PD assessments do not meet PD assessment requirements. In such cases, the CRR defines a set of risk weights based on classification into five categories, considering the basic credit risk and the remaining maturity. This approach is known as the "Supervisory Slotting Criteria Approach." The Bank has chosen to approximate such an approach within the economic perspective of ICAAP, as it represents the most comprehensive and feasible approach for the "Specialised Lending" portfolio.

The table below reveals the key credit risk indicators at the Bank.

In EUR thousands

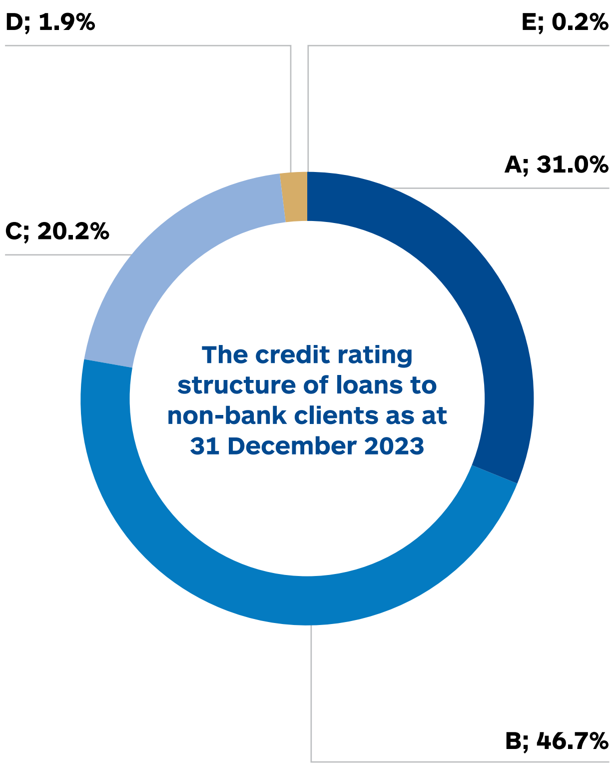
			Change in the year	
	31/12/20223	**31/12/2022**	**In EUR thousands**	**In %. p.p.**
Gross loan portfolio[1]	1,980,670	1,847,564	133,106	7.2%
Loans to non-banking sector	1,625,117	1,510,393	114,724	7.6%
Non-performing loans (NPL)[2]	33,410	31,198	2,212	7.1%
Portfolio coverage by impairments and provisions	1,6 %	1,3 %		0.3 p.p.
Share of non-performing loans (NPL)[3]	1,7 %	1,7 %		0.0 p.p.
Coverage rate of non-performing loans (NPL)[4]	33,5 %	33,4 %		0.1 p.p.

p.p. – Percentage point.
1 gross credit portfolio (balance sheet exposure): gross credits of banks and non-bank clients and other financial assets and deposits with banks and CB
2 gross non-performing credits (balance sheet exposure) and other financial assets
3 the basis for the calculation of the NPL share is the exposure under EBA definition Risk Dashboard (the balance sheet exposure of non-performing loans/balance sheet exposure of the portfolio of loans and other financial assets and deposits with banks and central banks)
4 balance of impairments for NPEs compared to the NPEs themselves.

Non-performing loans increased by 7.1% in 2023.

The figure below shows the credit rating structure of loans to non-bank clients as at 31 December 2023.

The structure of the credit portfolio is also adequate with respect to the segment of clients, since receivables due from the retail sector and small and medium enterprises (SMEs) account for more than 80% of the portfolio.



Liquidity Risks

The basic goal of liquidity risk management in the Bank is to manage assets and liabilities in such a way that it enables the fulfilment of its due obligations at any time, minimises the costs of liquidity maintenance, anticipates extraordinary liquidity situations and implements measures to restore the Bank's adequate liquidity position in a timely manner.

The management of liquidity risk includes the harmonisation, monitoring and measuring of cash flows from the operating activities of the Bank and its clients and the provision of an adequate volume and structure of financing sources and liquidity reserves. In 2023, the Bank's liquidity was still significantly influenced by the composition of its funding sources. The structure of non-banking sector deposits decreased by 3.05 percentage points compared to the end of 2022, constituting 80% of the Bank's total liabilities and 90.6% of its funding sources. Within the overall share of deposits based on funding sources, sight deposits continued to dominate, accounting for 71.6%. This marked a significant 8.9 percentage point decrease compared to the end of 2022. The reduction in sight deposits is primarily attributed to the rapid inflation growth in 2022 and its continuation into the following year, leading to increased market interest rates and consequently rise in offered interest rates for term deposits, to both individuals and legal entities in 2023. Additionally, the persisting impacts of the COVID-19 pandemic, the Ukraine-Russia crisis and the historical energy crisis have further contributed to these shifts, influencing the entire banking system significantly in both economic and financial markets.

The Bank's financial sources are diversified and mostly derive from non-bank deposits, which provide the Bank with a stable position, increases the reliability of the Bank's business model and enables the long-term growth of the Bank's credit portfolio.

In April 2023, the Bank updated its Liquidity Risk Management Policy from 2022, incorporating an enhanced methodology and stress scenario levels. Daily monitoring of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) on a sub-consolidated basis (under the bank's Group Consolidation GBK) was introduced, along with regular daily reporting to the Group. Materiality assessments of risk were integrated into the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). Furthermore, a new daily liquidity risk monitoring and reporting system was implemented, accompanied by additional limits in the framework of the bank's Annual Liquidity Contingency Plan (LCP). An extra indicator to monitor the availability of unencumbered assets and an expansion of liquidity metrics within the Recovery Plan were also introduced.

The Bank calculates the liquidity gap, secondary liquidity needs, or liquidity volume on a monthly basis and assesses the adequacy of the composition of liquidity reserves, following the applicable methodology that considers conservatism in assuming and managing liquidity risk. Throughout the entire year 2023, the Bank maintained a sufficient level and appropriate structure of secondary liquidity, meeting both the survival period threshold and the liquidity position (CBC). In addition to adequate liquidity reserves, the Bank conducts a monthly reverse stress test of liquidity indicators, including the Liquidity Coverage Ratio (LCR). Net Stable Funding Ratio (NSFR), and Loan-to-Deposit Ratio (LTD). As part of risk monitoring, the Bank reports daily LCR and NSFR ratios, as well as exposure to other banks, to the parent banking group, in addition to the monthly reporting.

The Bank effectively managed excess short-term liquidity by approving short-term liquidity loans in the interbank money market. In December 2023, this strategy included an approved interbank short-term placement of EUR 5 million and an overnight placement (margin deposit) of EUR 279 million with the ECB, complemented by substantial balances in accounts and investments in securities. Given the surplus liquidity maintained throughout the year, the Bank abstained from short-term interbank borrowing in 2023. As of the final day of 2023, the Bank held a net creditor position of EUR 298.2 million (with margin deposit with the ECB). In 2023, the Bank additionally secured funds in the long-term market, amounting to EUR 5 million with a domestic bank, to meet the MREL indicator. Consequently, the total indebtedness at the close of 2023 stood at EUR 41.4 million with domestic banks. The Bank consistently engaged in overnight placements (marginal deposit) with the ECB during 2023.

In 2023, the Bank did not borrow ECB's TLTRO III funds (targeted longer-term refinancing operation), where it may, based on pledge of eligible financial assets, obtain the financing sources needed to keep Bank's balance sheet maturities balanced. At the end of 2023, the Bank had no indebtedness to the ECB.

In November 2023, the Bank issued its own GB bonds, raising a total of EUR 72.6 million. The bond has a maturity of 4 years, with the option of early redemption after 3 years. Interest on the principal accrues at an annual rate of 9.25%. The bond issuance aligns with the bank's development strategy and fulfils MREL requirements. It attracted high interest from both domestic and regional informed investors, confirming confidence in the business growth and development of the Bank.

In 2023, the Bank refrained from securing additional funding through the issuance of subordinated loans (Tier 2). By the end of 2023, the total indebtedness stood at EUR 50 million, with this subordinated loan factored into the calculation of additional capital.

The Bank is regularly calculating and monitoring the statutory ratios, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The Bank is calculating its LCR on a monthly basis and NSFR on a quarterly basis as per the status on the last day of the month. In addition to monthly, the Bank monitors and calculates both liquidity indicators, LCR and NSFR, on a daily basis, providing daily reports to its Group. During 2023, both ratios were above the regulatory and internal limits.

Market Risks

Among the non-credit risks, the Bank considers interest rate risk to be the most important, in addition to liquidity risk. The Bank monitors and manages exposure to interest rate risks based on a methodology of interest rate gaps and a stress test for various scenarios showing the effects of interest rate movements on interest revenues and the economic value of the Bank's capital.

The mismatch of positions according to the criterion of the interest rate redetermination period, the Bank's sensitivity to changes in the level of interest rates and the effects of stress scenarios on net interest income increased in 2023, compared to the level at the end of 2022 (by EUR 2.1 million), the impact on the economic value of the Bank's capital in 2023 decreased compared to the previous year 2022 (by EUR 3.5 million), considering the worst-case scenario. The deterioration or increase in the impact on the economic value of capital was mainly due to the increased volume of lending in the non-banking sector and the purchase of securities, with a corresponding increase in sight deposits on the liability side. In addition to amending the Liquidity Risk Management Policy, the Bank also updated the Module for allocating sight deposits in December 2023. Under the new method, the Bank calculates the distribution into stable and unstable part of deposits based on Value at Risk (VaR) using the Monte Carlo method, considering the movement of a 10-year historical timeline of sight deposits. Consequently, the Bank uses a VaR calculation with a 99% confidence level over 30 days for liquidity risk and a 95% confidence level over 30 days for interest rate risk. All documents are harmonised with the banking Group.

The Bank is exposed to foreign exchange risk at a minimum level, since the nature of its operations provides for low exposure limits by individual foreign currencies and a common open position and the banking group. From the point of view foreign exchange risks are irrelevant in terms of their impact on the Bank's operations. However, the Bank has defined a limit for total currency risk (FX risk indicator), as well as individual limits for each currency.

In 2023, the Bank carried out an annual review of the Market Risk Management Policy, resulting in specific modifications, primarily in the adjustment of defined limits and the alignment of the document with the Banking Group's Framework Document. The Bank is not exposed to market risk stemming from the trading book (only currency risk) because it had no trade positions in 2023.

Operational Risks

The operational risk management system and associated processes are based on an internally established methodology, and takes into account the Bank's characteristics as a whole, its size, organisation and scope of operations. In 2023, the Bank provided internal training and monitored entries into the Bank system in the management of operational risks, thus raising the awareness, understanding and quality of detecting potential operational risks or losses and their reporting. The Bank's Operational Risk Management System sets out the responsibilities, key processes for identifying, monitoring, assessing, managing, controlling and reporting operational risks in the Bank and its subsidiaries and to regulators. Within the framework of the Operational Risk Management Policy the Bank has also defined a subordinate document entitled External Contractor Assessment Module, which defines the procedure for assessing the risk of an external contractor, the responsibilities by individual sector, and the structure of the assessment itself, as well as the definition of the final risk assessment of all external contractors and the necessary additional capital requirement. In 2023, the Bank revised its Operational Risk Management Policy with the main changes focusing on the content of the annual self-assessment and its measurement, including the associated matrix. All documents are harmonised with the banking Group.

The operational risks management process comprises two core processes:

- the process of identifying and managing potential operational risks in order to detect them in due time and assess possible effects, while defining the method of managing potential operational risks (self-assessment (the proactive operation of the Bank)) and
- the process of managing loss events, complaints and incidents deriving from realised operational risks, which enables the detection, reporting and assessment of the loss incurred by realised operational risks. The core of the process is to report them in the uniform database of loss events (reactive operation of the Bank).

This process is integrated into all the business functions and major processes of the Bank and covers all employees.

In 2023, the Bank supplemented the described system for the identification of potential operational risks in practice by monitoring the set of key operational risk indicators that indicate a possible increase in operational risks in the Bank's operations, and by monitoring publicly available information on operational risks and loss events that have occurred, affecting institutions in the financial sector or related activities, and that could pose a risk for the Bank's operations. Key indicators and self-assessment are monitored by the Bank on annually basis and information on their trends is included in reports for the competent management bodies.

The established operational risk management system ensures that the Bank's realised net loss in 2023 reached less than 2.2% of the capital requirement at Group level (2.2% at Bank level), which is calculated by the Bank using the simple approach pursuant to the provisions of the CRR Regulation. The slight increase in the capital requirement by 0.07 percentage points compared to 2022 is mainly due to the increase in loss events in the controlled company GB Leasing (the misappropriation of vehicles purchased on lease by customers); however, the Bank promptly and responsibly responds by filing criminal charges with the relevant legal authorities. Consequently, the Bank expects that in the final phase, it will not suffer a net loss under these loss events; nevertheless, court proceedings are rather long-lasting.

Climate and Environmental Risks

In 2023, the Bank continued with the implementation of climate and environmental risks into risk management processes in accordance with the ECB Guide on Climate and Environmental Risks. The Bank thus incorporated climate and environmental risks into the risk management framework in the following manner:

The risk register in the Risk Management Strategy has been supplemented with climate and environmental risks, within which two main risk factors have been identified: physical risk, relating to the financial impact of climate change, including more frequent weather events, gradual climate changes and environmental degradation such as air, water, and soil pollution, water scarcity, loss of biodiversity and deforestation; and transition risk, relating to financial losses of institutions directly and indirectly resulting from adaptation to a low-carbon and more sustainable economy, which can be triggered by factors such as relatively sudden implementation of climate and environmental policies, technological advancements, changes in market sentiment or shifts in market preferences.

The risk appetite statement has been enhanced with metrics for measuring climate and environmental risks and their short-term and medium-term target values.

The Bank has conducted a materiality assessment once again, establishing a methodology and structured approach to assessing the importance of various climate and environmental risks.

A detailed analysis of all physical and transition risks for Slovenia has been carried out, identifying major physical risks from floods, landslides and fires. The Bank utilises the results of the materiality assessment to shape further actions and future strategic challenges aimed at better managing and mitigating the impact of climate and environmental risks.

In 2023, the Bank continued with the development of an ESG data model and digitisation of ESG data collection. Customer data was collected using an ESG questionnaire developed within the working group of the Association of Banks of Slovenia. For this purpose, the Bank developed a website enabling centralised collection of ESG data in the bank's data warehouse. Additionally, the Bank paid special attention to collecting building energy performance certificates, collaborating with other banks in the joint development of a portal for obtaining and parameterising transition, physical and ESG risks. The Bank also participated in enhancing the summary of the appraisal report at the level of the Association of Banks, which was supplemented with data on transition and physical risks.

In 2024, the Bank will continue with activities to implement climate and environmental risks into risk management processes, with particular attention to further integrating climate and environmental risks into the credit approval and monitoring process, while also monitoring the extent of financed CO2 emissions.

Development Projects

In 2023, the Bank continued with its technological development by accelerating the digitalisation of all parts of its banking operations and optimising its processes. The Bank is using such solutions to focus on the customers. It therefore also adjusted its own organisation by establishing the Division for Digitalisation.

In the retail area, we continued developing a banking source system which supports the operations of the Bank's workers, focuses on the customers and optimises the business processes. We began migrating to the new electronic banking solution; not only does it introduce a new technology, but it also has a modern design and allows for advanced functionalities.

We expanded our cooperation with Leanpay, which allows buyers a modern and quick consumer financing service and the Bank is performing its main activity. Cooperation was also extended to cash loans with the company K.D.L., which also has the same technological platform to expand operations to this part of the crediting process. We offered attractive interest rates in assets and liabilities, as well as interesting products.

The Bank is also reinforcing its cooperation with card systems with a higher service quality and a more optimum process and is preparing new functionalities for the MC debit card.

In terms of legal entities, we are cooperating with the AEC Group and are preparing for the upcoming ESG, which has been organised as a project. The crediting process will be reformed in order to make approvals for the SME segment quicker. We are therefore increasing the recognisability of the Bank, not only in terms of flexibility and focus on customers, but also in terms of agility.

Information Technology Upgrade

In 2023, IT followed the "digital but not only" strategy of increasing the scale of operations and the level of digitalisation with the appropriate selection of technology. We are following the principles of continued development and optimisation of back-office services and techniques and we are ensuring the Bank is resilient to any potential cyber attacks.

The biggest change in 2023 was the transfer to two single data centres on the AEC Group level, which was also a large and modern technological upgrade, whereby we considered all of the existing infrastructural elements. A new infrastructure was established for this purpose under the private data cloud principle.

As a systemic bank, we have met the regulatory requirements, which brings additional requirements with regard to the Bank's information technology. It is important to manage all aspects of information technology and data management.

The hybrid work plan remained the normal work plan, whereby we also adjusted the technique to be in line with the Bank's digitalisation focus. The application that was implemented by the call centre for the purpose of its work was expanded throughout the Bank, thus enabling better incident and change management.

We are participating in the projects of the AEC Group, both in reporting, as well as in individual parts of IT support updates, whereby we are helping ourselves with the synergy between the Group's members.

Organisational and HR Changes

Organisational Interventions

We continued to monitor activities and delimit the thematic areas and tasks between the individual divisions in order to pursue the Bank's strategy to optimise working processes and staff.

The Back Office Support Division has gradually reorganised itself in the past three years in order to use three phases to achieve an optimum organisational and staff structure and an appropriate division of content areas and tasks between individual Back Office Support Division departments.

In the scope of the 3rd reorganisation phase, which took place in 2023, reorganisation took place in the framework of the Department for Support for the Operations of Natural Persons and the Deposit and Vault Service Department. We abolished the Deposit and Vault Service Department and excluded card and ATM support from the Department for Support for the Operations of Natural Persons. We therefore established a new department for card and cash operations, which now covers card and ATM support transactions and all of the transactions of the abolished Deposit and Vault Service Department.

The Internal Management Guidelines stipulate that the Bank must provide a suitable and transparent organisational and operational structure which allows for an efficient and diligent management of the institution. Internal control functions must be independent of the business areas they control and a suitable separation of tasks must be ensured, as well as sufficient financial and human resources and authorisations for an efficient performance of roles. The Compliance and Prevention of Money Laundering and Terrorist Financing Division (PPDFT) was therefore reorganised, and new organisational units within the division were established, namely the Money Laundering and Terrorist Financing Department, to which we transferred all the working areas of PPDFT.

In order to provide better contextual links of areas in the Bank, we transferred the security and safety at work area to the Purchasing, Property Management and General Affairs Division.

The Bank is seeing a constant growth of operations in the Factoring Division. To ensure undisturbed work and further growth, an undisturbed process had to be established within the division and a new department had to be created, the so-called Trustee Division for Factoring, whose task is to divide the work of employees in sales functions.

Gorenjska banka was the first bank in Slovenia which received the entry Socially Responsible Employer certificate in 2021, which was upgraded to an advanced certificate. The audit process in 2023 has shown the efficiency of the implementation of our set measures in line with the implementation plan. The certificate encompasses a commitment to social responsibility at the highest management level in the organisation or company, and addresses employees to actively participate in creating and carrying out activities for socially responsible operations of the Bank. Our list of Socially Responsible Employer measures was improved by adding one additional day off for each round anniversary, as well as an additional paid holiday for parents of children attending the 2nd year of primary school on the first day of school. We therefore committed ourselves to operate further in the area of social responsibility and sustainable development, whereby special attention is given to improving the working conditions of our employees.

In 2021, as the first bank in Slovenia, received:

Socially Responsible Employer certificate

For this purpose, and with the support of the reputable global company, Korn Ferry, which is the leading company in employee commitment and organisational efficiency, we carried out the first employee commitment and satisfaction survey at Group level. We therefore received opinions from employees, and prepared a plan for further measures and strategies which will promote a positive working environment and increase employee satisfaction, commitment and also the success of the organisation.

In the framework of ambassadorial duties of employees, the latter have established the so-called "Knjigobežnica", which is an area meant to relax and exchange books. We therefore obtained our own library and an opportunity to give old books new value. We named the project "give a book, give the treasure of knowledge".

At the end of 2023, we became the owner of the Green Star sustainable operations and climate action certificate issued by the CER institute. The Green Star certificate is the first certificate for the successful implementation of sustainability - ESG principles and climate actions into company operations. It is awarded to and highlights companies which courageously, decisively and concretely take steps on the path of green transformation. By obtaining the certificate, Gorenjska banka thus joined the commitments of the green Slovenian economy which strives to achieve ambitious sustainable operations and climate action goals.

The Sustainable Development Committee is actively forming and monitoring the implementation of the sustainable development strategy of the Bank, which is based on the sustainable development goals of the United Nations (UN) and the Paris Climate Accords, and complies with the principles of the UN Global Compact and the UN Guidelines on commercial and human rights. We also come from the ESG area, considering the environmental and social factors and factors concerning company management. We consider the following steps in the formation of the strategy:

1. we focus on the ESG areas that have the highest impact on the company's ability to generate value for its stakeholders,

2. we define the relationship between the ESG areas and the financial performance of the Bank,

3. based on the implemented analysis, we promote the development of products, services, processes and business models that prioritise key ESG areas and we use those to define the goals and key performance indicators,

In 2023 received:

Green Star certificate

4. we hold regular communications with the key stakeholders on the sustainable operations of the Bank.

In the scope of activities organised by the Sustainable Development Committee, we have calculated the carbon footprint of Gorenjska banka and its subsidiaries, Imobilia and GB Leasing. The calculation was carried out in line with the international guidelines (GHG protocol) for the years of 2021 and 2022, and therefore serves as the basis point which will serve as the benchmark for all the future comparisons. The calculation included 33 locations, whereby the report included emissions from various scope 1 and 2 sources.

Even the employees support socially responsible projects that go beyond the financial objective framework, and are oriented towards the well-being of vulnerable groups, local communities and the environment. In 2023, employees took part in charitable projects "Veriga dobrih ljudi" and "Rdeči noski", undertook a community work campaign at the Radovljica care and work centre and provided aid to employees who suffered damage due to floods. The employees collected creation accessories for children, as well as books and food, and therefore helped kindergartens and families in need.

The Bank is engaged in the "Vitalno podjetje" health promotion and well-being at work programme. Gorenjska banka allocates funds to each employee for various activities in order to support their well-being.

Number and Structure of Employees

On the last day of 2023, there were 417 persons employed in Gorenjska banka, which is 3 more than at the end of 2022. The HR dynamics were very pronounced in 2023, due to organisational, economic and technological changes. The Bank recruited 57 persons, while 54 left the Bank, also due to retirement and business reasons. Furthermore, 20% of career moves were internal.

New jobs were mostly due to substituting for those who left, maternity leave and the newly established positions of employment.

Employee transfers also reflected a lower average age and a somewhat improved educational structure of employees. The average age of employees was reduced by 0.1 year, from 43.5 years in 2022 to 43.4 years in 2023. The share of employees who attained a formal level of education is VI. or higher, increased from 68.77% in 2022 to 70.63% in 2023.

The average number of employees broken down into groups with respect to the level of formal education achieved in 2019–2023 was:

Number of employees

417

The average age of employees is 43.4 years.

Level of education	VIII.	VII.	VI.	V.	IV.	Total
Average number of employees in 2023	13	235	43	117	4	**412**
Average number of employees in 2022	13	218	42	121	3	**397**
Average number of employees in 2021	10	201	57	125	9	**402**
Average number of employees in 2020	10	196	55	147	7	**415**
Average number of employees in 2019	10	184	53	158	10	**415**

Education

The Bank allocated considerably more funds for employee training in 2023, as well as the scope of training, than it did the previous year. This resulted in an average of 32 hours of training per staff member per year.

1,324 participants attended external training, with 118 different topics and a total duration of 7,118 hours. Training topics were mostly adjusted to the specific needs of the Bank (professional work-related content, ESG, banking school, leadership, foreign languages, excel,…). 468 participants attended external training, with a total duration of 1,444 hours. Training topics were mostly adjusted to the specific needs of the Bank (safety culture, short training sessions on new developments and professional content for employees' work).

Employees participated in professional consultations and conferences with a view to monitoring current affairs and trends. Employees in the business network also underwent training for the acquisition of a certificate for marketing investment funds and insurance brokerage activities in 2023. By the end of the year, as many as 62% of the staff had acquired both licences.

External training was regularly supplemented with in-house training, both live and online training, which ensured the appropriate in-house transfer of knowledge, and the Bank thus continued with a practice that has proved to be very effective in the past few years.

Statement on Internal Governance Arrangements

According to paragraph 5 of Article 70 of the Companies Act, Gorenjska banka d.d., Kranj, provides the following statement on internal governance arrangements, which is the scope of the business section of its Annual Report.

Gorenjska banka d.d., Kranj, realises internal governance arrangements, including corporate governance, in line with the legislation applicable in the Republic of Slovenia, while observing its internal acts, especially the **Policy of internal governance in Gorenjska banka d.d., Kranj and the Employee Business Ethics Code for Gorenjska banka d.d., Kranj.** In doing so, Gorenjska banka d.d., Kranj, fully observes the acts from paragraph 2 of **Article 9 of the Banking Act[5].**

In order to strengthen the internal governance arrangements, the Bank observes in particular:

1. the provisions of the valid **Companies Act (ZGD-1),**
2. the provisions of the applicable **Banking Act (Zban-3)** laying down internal governance arrangements, particularly the provisions of chapter 3.4 (Bank governance system) and chapter 6 (Internal governance arrangements and adequate internal capital), in the part of the requirements applicable to the bank/savings bank or to members of the management body,
3. **the Decision on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks[6]** , and
4. **the EBA guidelines regulating internal governance, assessment of the suitability of members of the management body and key function holders and the remuneration policy and practice** based on the relevant decisions adopted by the Bank of Slovenia on the use of the guidelines[7].

At the same time, we strive to follow as much as possible the recommendations of the regulator, which were issued in the process of regular supervisory review and risk assessment of credit institutions in 2023.

In 2023, the Bank followed the Internal Management Policy of Gorenjska banka d.d., Kranj and the Group of Gorenjska banka in corporate governance. The Bank last amended the policy in December 2023. The amended policy is valid from 12/12/2023.

Significant Direct and Indirect Holdings of Securities by the Bank

The significant direct and indirect ownership of the Bank's securities in the sense of achieving a qualified share as defined by the law governing takeovers (5% of voting rights) was achieved by AIK banka a.d., Beograd (number of ordinary shares 335,723 share in voting rights 100%) at the end of 2020, 2021 and until 30/12/2022.

In line with the Market and Financial Instruments Act (ZTFI-1) and the Decision on the obligation to disclose regulated information, the Bank made the information (NIH-1/23) on the change of the important shares in the Bank's equity as at 31/12/2022 public on the website of SEOnet on 06/01/2023, namely that the shareholder Agri Europe Cyprus Limited notified the Bank on 05/01/2023 that it had purchased all 355,723 shares of Gorenjska banka d.d., Kranj (GBKR) from AIK BANKA A.D. Belgrade, which is 91.969% of shares and 100% of shares with voting rights in the Bank's share capital.

5 The Banking Act (ZBan-3), Official Gazette of the Republic of Slovenia, No. 92/2021 and 123/21 – ZBNIP;

6 The Bank of Slovenia's Decision on internal governance arrangements, the management body and internal capital adequacy assessment process for banks and savings banks, Official Gazette of the Republic of Slovenia, No. 115/2021;

7 https://www.bsi.si/en/financial-stability/regulation/seznam-predpisov/licensing.

Share Capital Structure

The Bank's share capital comprises 387,938 ordinary shares (2022: 387,938). Ordinary shares confer voting rights, whereby each share confers one vote at the general meeting of shareholders. Shareholders exercise their voting rights at the Bank's general meeting of shareholders with respect to the proportion of their shares in the share capital and with respect to the type of shares, and in accordance with the Bank's articles of association. Treasury shares have no voting rights.

Gorenjska banka d.d., Kranj, is a privately held company with more than EUR 4 million in total equity and is therefore bound by the law that governs acquisitions.

Restrictions to Share Transfers

Bank shares are transferable in accordance with the regulations that govern dematerialised securities. Current shareholders have pre-emptive rights to new share issues corresponding to their proportion of the share capital held. The Bank has no other restrictions on shareholding, while approval from the Bank of Slovenia is required for the acquisition of a qualifying holding. There is no requirement for obtaining the consent of the Bank or other shareholders for the transfer of shares.

Restrictions of Voting Rights

Shareholders' voting rights are exercised with respect to the number of shares and are not restricted by the Articles of Association to a certain proportion or number of votes. Shareholders who are the holders of registered shares with voting rights, who are entered in the central register of book-entry securities.

Bank Rules on the Appointment and Replacement of Members of the Management and Supervisory Bodies and on Amendments to the Articles of Association

The Bank's rules on the appointment and replacement of members of the management and supervisory bodies and on amendments to the articles of association are defined in the articles of association of Gorenjska banka d.d., Kranj.

The Supervisory board appoints and recalls members of the Bank's general meeting of shareholders. Persons who do not fulfil the conditions for membership of the Bank's Supervisory board pursuant to the Companies Act or the Banking Act may not be appointed to the Supervisory board. Members of the Supervisory board are appointed for a five-year term and may be reappointed. Members of the Supervisory board may terminate their terms early through recall or on the basis of a written resignation from the member.

The president and members of the Bank's management board appoint and discharge or recall the Supervisory board. Only persons who fulfil the conditions for appointment pursuant to the Companies Act or the Banking Act may be appointed president of the Bank's management board. The president of the management board and the members of the Management board are appointed for a five-year term and may be reappointed.

The articles of association may be amended through a resolution of the Bank's general meeting of shareholders. The Bank's general meeting of shareholders may authorise the Supervisory board to make amendments to the articles of association, which comprise the harmonisation of the wording with currently adopted resolutions.

Management Authorisations

The Bank may acquire and dispose of treasury shares pursuant to the Companies Act. The Bank's management board decides on the conditions for the acquisition and disposal of treasury shares and must notify the Bank's general meeting of shareholders about transactions involving treasury shares.

With the approval of the Supervisory board, the Bank's management board may increase the Bank's share capital up to a total amount of EUR 8,094,183.16 within five years from the day of entry of fourteen amendments to the articles of association of Gorenjska banka d.d., Kranj, in the court register. Preference shares without voting rights may also be issued within the scope of this capital increase. The fourteenth amendments and supplements to the Articles of Association were entered in the Court Register on 26 July 2018.

Diversity Policy and Representation in Management and Supervisory Bodies

The Bank follows the principle of gender balance according to the Internal Governance Policy of Gorenjska banka d.d., Kranj, under the assumption that the management body (Management Board, Supervisory Board) consists of minimum 20% members of each gender. The management body composition reflects a diversity of theoretical expert knowledge and experience from different fields, thus ensuring:

- the expected (required) qualification member structure according to the size, demanding level and bank risk profile,
- the basis (background) for encouraging different views (opinions) on the discussed matters (issues).

At least half of the supervisory body members should consist of independent members. This includes members with no conflict of interests and who act and decide independently and objectively in favour of the Bank, having no close economic connection to the Bank, the Management Board or more shareholders.

The management body structure (and the sufficient number of independent directors) itself can ensure the effective reaching of substantiated, objective and independent decisions in favour of the Bank.

Last but not least, the diversity policy also requires certain actions by the members of the Bank's Supervisory Board; namely to carry out the assessment of the effectiveness of their work and a self-assessment of collective suitability once a year and to adopt a programme of measures to improve the effectiveness of their work.

Diversity is important also in following the measures for experience assessment. If during such an assessment of a candidate for a member of the management body and the higher bank management, the quantitative criteria thresholds (previous work experience) are not achieved, the candidate can still be regarded as appropriate if they provide a suitable justification after the supplementary assessment and interview. Adequate diversity and a broad range of experience from the viewpoint of the management body as a whole are also considered.

Significant Events After the Date of the Statement of Financial Position

There were no other significant events after the balance sheet date.

Other Explanations

Shareholders in Gorenjska banka d.d., Kranj, do not have any special controlling rights.

The Bank has agreements between the Bank and the management board or Bank employees that foresee compensation if they were dismissed without grounds or their employment relations terminated because of a bid as defined by the law that governs acquisitions. In the event of a recall or termination of the employment contract without good reason, the management board, executive directors and directors are entitled to severance pay. If the term of office of the President of the management board terminates on his/her request (resignation), the severance pay can be paid based on a positive assessment of its work by the Supervisory Board.

A Code of Business Ethics is put in place at the Bank that represents a set of fundamental values and principles guiding our conduct in relation to associates, partners and clients. The Code is available on the Bank's website: *https://www.gbkr.si/wp-content/uploads/2023/03/Kodeks-poslovne-etike-za-na-GBKR.si_.pdf*.

Internal Controls Mechanism

The Bank provides appropriate internal controls mechanism. Internal control mechanisms are established in a way that the rules and supervision over the implementation of the organisational, business and operational procedures of banks are independently and qualitatively determined and are consistently implemented. The system provides systematic control over all the significant risks of the Bank, which is implemented on the basis of the Bank's strategy, policies, processes and measures. Within the internal control mechanisms, the Bank has also established and organised internal control functions and organisational sectors. These provide an independent and objective assessment of the effectiveness and coherence of the Bank's internal governance arrangements based on the review and assessment of the relevant strategies, processes, procedures and methodologies of the risk management of the Bank.

Gorenjska banka has established independent control functions: Internal Audit Division, Compliance and AML Division, Credit Risk Management Division, Strategic Risk Management Division and Distressed Asset Recovery Division.

The Bank provides a description of the main characteristics of the internal control and risk management systems at the Bank, data on the activities of the General Meeting, management and supervisory bodies, and their committees, **in additional disclosures pursuant to part 8 of Regulation 575/2013 (EBA/GL/2016/11 dated 4 August 2017) and Article 104 of the Banking Act,** which are available on the Bank's website.

Internal Controls and Risk Management in Financial Reporting

Gorenjska banka manages the risks associated with the keeping of business books and financial reporting, with properly defined internal acts which are constantly adjusted to the applicable legislation, and by performing internal controls based on these acts. The purpose of internal controls is to ensure the completeness and timeliness of the collection of data on business events and the preparation of financial statements that are a true and fair presentation of the financial position statement, income statement, cash flows and changes in equity, and in accordance with applicable regulations. Internal controls thus include control over the reality of events, the completeness of data coverage and their equality with the actual situation, as well as the information systems used in this area, including the audit trail and the authorisation control systems.

By signing this Statement, we also undertake to proactively strengthen and promote suitable internal governance arrangements and corporate integrity in the wider expert, financial, economic and other public.

Kranj, 29. February 2024

Mojca Osolnik Videmšek
Management Board Member

Marko Filipčič
Management Board Member

Mario Henjak
Management Board President

Jelena Galić
Supervisory Board Chairwoman

A Concise Risk Statement Approved by the Management Body

In accordance with Article 17 of the Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Saving Banks (Official Gazette of the Republic of Slovenia, No. 73/15 and 49/16, 68/17, 33/18, 81/18, 45/19, 92/21 – Zban-3 in 115/21) and Article 435.1 f of Regulation (EU) 575/2013 and 876/2019, the Management Board and the Supervisory Board of Gorenjska banka d.d., Kranj, provide the following

Statement on the management of risk

Due to the development and characteristics of the financial system and significant changes in the economy and the environment, the determination, takeover, measurement and management of risk have become an important element of the Bank's strategy and performance.

The Bank focuses on continuously strengthening risk management practices, establishing an appropriate risk culture and strong corporate governance arrangements, while ensuring that the Bank achieves its key business and strategic objectives. Risk management is conducted within the context of the Bank's return policy, in a controlled and systematic approach, and only to the extent necessary to achieve the Bank's business and strategic objectives.

The primary objectives pursued by the Bank in the context of the risk management system are:

- We take risks that we can manage;
- Establishing clear rules and supporting procedures to manage each type of risk, with clearly defined objectives;
- Making business decisions based on qualitative and/or quantitative analysis of risk parameters to detect changes in risk profile in time;
- Collecting complete and accurate data relevant to risk management and ensuring that the appropriate technical infrastructure for data storage and data processing;
- Taking a precautionary approach to risk management, with continuous monitoring and control of exposure to certain types of risks and compliance with a limit system;
- Using multiple methods to identify and measure risk;
- Using past experience to avoid future mistakes.

In accordance with the strategy and policies of the Bank's operation, risk management is a key component in business decision-making. Risk management is integrated in all the Bank's business processes and culture. The risk management culture consistently supports appropriate risk awareness, risk-taking behaviour and risk-taking judgement within the risk management framework. The risk management culture strengthens effective risk management, encourages informed risk-taking and ensures that emerging risks or risk-taking activities go beyond the Bank's risk-taking propensity are identified, assessed, escalated and addressed on time.

In so doing, the Bank pursues the following principles:

- In its supervisory role, the Board sets an example of thoughtful risk management and establishment of values and expectations,
- Employees at all levels accept and understand the Bank's core values and its approach to risk, and are aware that they are responsible for their actions in relation to the Bank's risk-taking,
- The Bank promotes an environment of open communication in decision-making processes, encourages positive, critical relationships between employees and supports an environment of open and constructive cooperation,
- Financial and non-financial incentives support the fundamental values and risk management culture at all levels of the Bank.

The principles of the Bank's risk culture, defined above, are reflected in three pillars:

1. Risk Management Framework
2. Risk propensity (risk profile of the bank)
3. The reward system

Risk management framework

- The important role of supervisory and management functions
- Risk management policies, procedures and methodologies
- Three pillars of defence are established and operational

The roles and responsibilities of the three Pillars of Defence are listed in the table below:

1.

Defence line – taking risk and risk ownership

Sales units

- Compliance with RAS limits
- Implementing risk management principles
- Risk management procedures embedded in business processes are applied with purpose and without exception
- Business units take risks, with appropriate instruments to implement risk management
- Decision-making takes into account risk reduction compared to profit

2.

Defence line – risk management

Risk management

- Development of processes, models, and tools
- Determining and allocating limits
- Suggesting strategies
- Ensuring internal policies, methodologies and procedures are properly documented and fully justified
- Internal validation framework: content and frequency of validation tasks
- Evaluating the use of models and their correct application in practice, reliability of input data
- Ensuring business compliance

3.

Defence line – monitoring and control

Internal audit

- Support for proper tracking and compliance with regulatory requirements
- Reviewing and monitoring regulatory changes that the bank needs to take into account
- Verifying compliance with regulatory expectations
- Monitoring the effectiveness of internal controls, risk management systems and the reliability of the reporting process
- Overall risk assessment in all aspects
- Internal audit workplan

The Bank's Risk Profile

The Bank has established a modern and transparent risk measurement and risk profile monitoring system. Based on the defined risk appetite and internal limit system, the Bank has defined a set of key indicators for each type of risk and limit values for the review of the risk assessment and its importance for each one.

All key risk indicators are defined in the Bank's Risk Appetite Statement. The values of all defined metrics and their trends are reflected in the Bank's Risk Dashboard, which the Bank conducts on a monthly basis.

The risk assessment is an output based on the analysed trends of key indicators, carried out by the Strategic Policy Division.

The end result of the risk importance analysis is an overall "score" for each risk type, and their importance is assessed on a rating scale. The importance rating should take into account the current risk exposure and future trends (one year period), as shown in the table below:

	Irrelevant	Low	Medium	High	2023 Forecast
Credit risk					**Increased**
Liquidity risk					**Stable**
Interest rate risk					**Increased**
Currency risk					**Stable**
Operational risk					**Increased**
Model risk					**Stable**

In 2023, there were no significant changes in the risk profile of Gorenjska banka d.d., Kranj, with the exception of the identification of a new major risk, i.e. model risk, which is understood as the risk of an occurring loss, or possible damaging consequences due to financial assessments or decisions which are based on the abuse, wrong design, or incorrect usage of models used by the Bank. In 2023, the Bank also assessed changes and trends in its risk profile in terms of macroeconomic conditions and developments in the business environment, which continued to be unfavourable in Slovenia and globally, in particular due to high inflation.

The Bank believes that:

- The credit risk has been increased by volatile macroeconomic conditions.
- The interest risk has been increased by the increase in interest rates.
- The operational risk has been increased by the increased cyber risk.

The Bank is also measuring the risk profile through the exposure to risk, measured with the capital demand for individual risk types, and internally set methodologies and indicators for monitoring and measuring risk.

The total capital requirement of the Bank amounted to EUR 126.59 million at the end of 2023, and increased by EUR 5.78 million compared to the previous year. The increase is the result of capital requirement for credit risk by EUR 3.11 million and for operational risk by EUR 2.67 million. The increase in the capital requirement for credit risks derives mainly from a larger volume of retail banking.

The Bank's exposure to operational risk, measured through the capital requirement and calculated by applying the simple approach, was somewhat higher in 2023, compared to the previous year.

The table below shows the Bank's position as at 31 December 2023 compared to the previous period.

In thousands of EUR

	31 Dec. 2023	Structure 2023	31 Dec. 2022	Structure 2022	Change
Credit risk	114,076	90%	110,963	92%	3,113
Market risk	-	0%	-	0%	-
Operational risk	12,518	10%	9,848	8%	2,670
Total capital requirements	**126,594**	**100%**	**120,811**	**100%**	**5,783**

The Bank is carefully monitoring and managing other risks as well, which originate from the Bank's operations and the dynamic business environment, e.g. compliance risk, reputational risk and strategic risk. For all of the listed risk types, the Bank has defined internal approaches to promptly detect, measure and prepare measures for their management and control.

Readiness to Assume Risk and Capability of Assuming Risks

Risk appetite is the level of risk that the Bank is willing to assume with the purpose of realising its strategic/business goals.

In determining risk appetite and risk tolerance, the Bank considers risk-taking capacity, which is reflected in the amount of internal capital available to the Bank. The Bank's strategic objective is to maintain a capital adequacy ratio above the minimum set by the SREP process.

The risk appetite is determined by the Bank's Business Strategy and Risk Management Strategy. The risks to which the Bank is exposed are further specified in the Bank's Risk Management Strategy.

The Bank is strategically focused on maintaining credit, interest and model risk at a medium level, and liquidity, currency and operational risk at a low level.

In addition to risk, the Bank also defines the level of tolerance for accepting risk through set internal limits, which enable the Bank to keep its risk profile compliant with the Risk Appetite Statement. The Bank's risk profile is an assessment of the Bank's exposure to risk, expressed with numerous indicators and qualitative statements.

The tables below show the key metrics of capital and liquidity management as the main elements for managing the stability and sustainability of the Bank's operations (going concern). In addition to the key indicators below, the Risk Appetite Statement also contains a broad spectrum of other indicators.

Date	Common Equity Tier 1 (CET1)	Tier 1 ratio (T1)	Total Capital ratio (TCR)	Risk bearing capacity (RBC)	Leverage ratio (LR)	MREL TREA	MREL LRE
31/12/2022	14.3%	14.3%	17.7%	71.7%	9.0%	-	-
31/12/2023	14.4%	14.4%	17.6%	-	8.9%	24.1%	14.9%
Limit	> 12.3%	> 14.3%	> 17.0%	< 90%	> 4%	> 22.8%	> 7.0%

Date	LCR	LTD gross	Survival Horizon	NSFR
31/12/2022	214.3%	77.1%	202 dni	142.2%
31/12/2023	304.9%	83.4%	284 dni	144.3%
Limit	> 130%	< 100%	> 45 dni	> 110%

In 2023, the values of the mentioned indicators were within the normal limits and reached levels that do not exceed the set target or limit values at the end of the year.

Pursuant to Article 545 of the Companies Act (ZGD-1), we declare that the Bank, in the circumstances known to it at the time, for legal transactions performed or acts that were committed or omitted, the Bank received an appropriate refund for each legal transaction and/or was not disadvantaged by the fact that the act was committed or omitted.

Kranj, 29. February 2024

Mojca Osolnik Videmšek
Management Board Member

Marko Filipčič
Management Board Member

Mario Henjak
Management Board President

Jelena Galić
Supervisory Board Chairwoman

Social responsibility

Because the growth and progress of each and every one of us depends on family, Gorenjska banka has been part of projects that improve the quality of living, and are aimed at improving the daily lives of children, young families and socially disadvantaged groups.

In 2023, the Bank made donations to seven kindergartens across Slovenia as part of the regional **"Podpora družini"** project with the aim of improving the conditions in which the youngest children grow, learn and develop. They were delighted with the renovated playground at the kindergartens in Kranj (Janina unit), Waldorf kindergarten "Studenček" and "Jožica Flander" kindergarten were overjoyed with the new playground in Maribor, while donations made it possible for the kindergarten in Koper (Ribica unit) to renovate its sensory room, and the kindergartens "Mavrica Izola" and "Barčica Portorož" renovated their outdoor playgrounds. The socially responsible initiative "Podpora družini", in which the MK Group and AIK banka also participated, enabled extensive renovations for a total of 20 kindergartens in the Adriatic region last year.

The Bank also focused on organisations in the local environment that are creating better living conditions for vulnerable groups. In cooperation with the Bank's employees and the pensioners' group, the Bank also supported the **Radovljica Training, Work and Care Centre (CUDV).** In cooperation with the Centre, it organised a work campaign in which the Bank's representatives worked with the Centre's users in tidying up the environment, repainting fences and taking part in sports and social activities. Employees and pensioners of Gorenjska banka raised donations for the Centre, and the Bank then doubled the amount raised.

At the end of 2023, as is now a tradition, the Bank joined the project **"V Kranju dobro v srcu mislimo".** This initiative, in the framework of which funds were collected for families and persons in need living in Kranj and its vicinity and was proposed by the local primary schools, the Kranj Pensioners Association and the Kranj Social Work Centre, was organised by the Tourist and Culture Board of Kranj in cooperation with the Slovenian Association of Friends of Youth of Kranj and the Slovenian Association of Friends of Slovenia.

In the scope of the socially responsible project **"Delamo trojno dobro",** the Bank chose two organisations last year based on the votes cast by its employees, which it then supported with donations – the Clowndoctors Association ("Rdeči noski") and the Ljubljana Moste-Polje Friends of Youth Association. The Bank's donation contributed to the operation of the regular programmes of the Clowndoctors Association and provided funds to support the humanitarian project "Veriga dobrih ljudi", which provides assistance and empowerment to families in need throughout Slovenia. Employees also actively participated in the project by providing food, hygiene items, childcare products and school supplies to the Ljubljana Moste-Polje Friends of Youth Association.

In the challenging times of the **August flash floods,** the Bank came to the immediate aid of its employees, customers and local communities. Employees who were directly affected by the flash floods were given solidarity aid. They were able to take emergency paid leave and the Bank also organised several working initiatives to aid in the cleaning and restoration process. It paid special attention to the welfare of children in educational and care institutions affected by the floods, and it made a significant contribution to the restoration of the Mengeš kindergarten and the primary school at Šmarje pri Kopru with its donations. It also made donations to the post-flood renovation project of the Municipality of Škofja Loka titled "Skupaj gradimo Škofjo Loko" and to the charity football match "Zvezde nogometa za žrtve poplav«.

Supporting sports

Gorenjska banka is aware of the importance of sport participation, which is why it continued its long-lasting tradition in 2023 of supporting local sporting events, clubs and associations that promote movement and an active lifestyle, as well as the development of sports on the local and national levels.

As a supporter of the football club **NK Olimpija Ljubljana,** the Bank proudly supported the socially responsible project **"Žoge vsem zmajčkom",** where they distributed 10,000 footballs to schools, kindergartens, children's and youth football clubs, organisations for children with special needs and children from socially disadvantaged backgrounds. The aim of the campaign was to encourage children to take part in sports, to contribute to their physical development and to introduce children to the principles of fair play through play, and to respect different people and different opinions.

In the light of the project, a socially responsible event was organised in cooperation with the **Malči Beličeva Youth Home,** during which Gorenjska banka and the representatives of the club visited the children at the home and presented them with donations, footballs and other gifts, while the football players conducted sports workshops with the children and hosted them at football matches.

The Bank is also a proud supporter of sporting events in the local environment. Last year it again supported the **L'Etape Slovenia** cycling spectacle under the wing of the Tour de France, the host of which was the Municipality of Kranj in cooperation with the Kranj Tourist and Culture Board. Many clients, business partners, employees and their children joined in the social cycling event with the competition prefix for amateur cyclists and family trials, and the Bank rewarded them for successfully passing the cycling trial.

Environmental protection

Gorenjska banka is aware of its influence, expectations and responsibility in the realisation of the sustainable development goals. It is committed to managing climate change and is actively supporting projects that place the protection of the environment at the forefront because the preservation of the ecosystem’s biodiversity, carbon balance and strengthening of the bond between man and nature are the core forms of social responsibility.

The Bank became a supporter of **Ecologists Without Borders,** one of the leading organisations in the field of environmental protection and conservation in Slovenia, already in 2022. Last year, it continued its collaboration to actively raise awareness and encourage its customers to choose more sustainable solutions to live with a smaller carbon footprint. With the slogan "Every step counts", it also organised sustainable walks for its customers in Ljubljana and Kranj, where participants were able to learn about the most insightful local ideas for sustainable shopping.

After the donation last year made it possible for the **Slovenian Forest Service,** whose mission is the conservation and sustainable development of Slovenia's forests, to thoroughly restore the Visoko Trail, the Bank provided donations and supported an extremely challenging 3-year forest rehabilitation project at the Potoška gora fire site above Preddvor in 2023, where 70 hectares of forest were burnt down in a massive forest fire.

The Bank is committed to protecting the environment – it is digitising all its processes and is transitioning to **paperless operations,** whereby it has digitised over 20 million documents since 2016, preserving over 2000 trees in the process. The Bank allows more than 80% of its banking documentation to be signed and stored electronically. It is regularly informing and encouraging its clients, offering support in the transition to digital banking and is promoting the use of its e-bank service.

Independent Auditor's Report

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

POROČILO NEODVISNEGA REVIZORJA
Delničarju družbe GORENJSKA BANKA D.D., KRANJ

POROČILO O REVIZIJI RAČUNOVODSKIH IZKAZOV

Mnenje

Revidirali smo ločene računovodske izkaze družbe Gorenjska banka d.d., Kranj (v nadaljevanju 'družba') in konsolidirane računovodske izkaze družbe Gorenjska banka d.d., Kranj in njenih odvisnih družb (v nadaljevanju 'skupina'), ki vključujejo ločen in konsolidiran izkaz finančnega položaja na dan 31. decembra 2022, ločen in konsolidiran izkaz poslovnega izida, ločen in konsolidiran izkaz vseobsegajočega donosa, ločen in konsolidiran izkaz sprememb lastniškega kapitala ter ločen in konsolidiran izkaz denarnih tokov za tedaj končano leto ter pojasnila k ločenim in konsolidiranim računovodskim izkazom, ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije.

Po našem mnenju priloženi računovodski izkazi v vseh pomembnih pogledih pošteno predstavljajo finančni položaj družbe in skupine na dan 31. decembra 2022 ter njuno finančno uspešnost in denarne tokove za tedaj končano leto v skladu z Mednarodnimi standardi računovodskega poročanja , kot jih je sprejela Evropska unija (v nadaljevanju MSRP).

Podlaga za mnenje

Revizijo smo opravili v skladu z Mednarodnimi standardi revidiranja (MSR) in Uredbo (EU) št. 537/2014 Evropskega parlamenta in Sveta z dne 16. aprila 2014 o posebnih zadevah v zvezi z obvezno revizijo subjektov javnega interesa (Uredba). Naša odgovornost na podlagi teh pravil je opisana v tem poročilu v odstavku *Revizorjeva odgovornost za revizijo ločenih in konsolidiranih računovodskih izkazov.* V skladu s Mednarodnim kodeksom etike za računovodske strokovnjake (vključno z Mednarodnimi standardi neodvisnosti), ki ga je izdal Odbor za Mednarodne standarde etike za računovodske strokovnjake (Kodeks IESBA) ter etičnimi zahtevami, ki se nanašajo na revizijo računovodskih izkazov v Sloveniji, potrjujemo svojo neodvisnost od družbe in skupine in, da smo izpolnili vse druge etične zahteve v skladu s temi zahtevami in Kodeksom IESBA.

Verjamemo, da so pridobljeni revizijski dokazi zadostni in ustrezni kot osnova za naše revizijsko mnenje.

Ključne revizijske zadeve

Ključne revizijske zadeve so tiste, ki so po naši strokovni presoji najpomembnejše pri reviziji ločenih in konsolidiranih računovodskih izkazov tekočega obdobja. Te zadeve smo upoštevali pri reviziji ločenih in konsolidiranih računovodskih izkazov kot celote ter pri oblikovanju našega mnenja o teh računovodskih izkazih in o teh zadevah ne izražamo ločenega mnenja. Za zadevo, ki jo posebej obravnavamo v nadaljevanju, v tem smislu opisujemo njeno obravnavo v okviru revizije.

Izpolnili smo vse svoje obveznosti, ki so opisane v odstavku Revizorjeva odgovornost za revizijo ločenih in konsolidiranih računovodskih izkazov, vključno s tistimi, ki so povezane s temi zadevami. Zato je revizija vključevala izvedbo postopkov, ki smo jih določili na podlagi naše ocene tveganja pomembno napačne navedbe v ločenih in konsolidiranih računovodskih izkazih. Rezultati naših revizijskih postopkov, vključno s postopki, ki smo jih opravili v zvezi z zadevami, ki jih navajamo v nadaljevanju, služijo kot podlaga za naše revizijsko mnenje o priloženih ločenih in konsolidiranih računovodskih izkazih.

<u>Oslabitve kreditov strankam, ki niso banke (pričakovane kreditne izgube) v ločenih in konsolidiranih izkazih</u>

V ločenih računovodskih izkazih so krediti strankam, ki niso banke, na dan 31.12.2022 znašali 1.485.608 tisoč EUR (31.12.2021: 1.276.055 tisoč EUR) in v konsolidiranih računovodskih izkazih 1.479.561 tisoč EUR (31.12.2021: 1.268.761 tisoč EUR). Od tega znaša bruto znesek kreditov na 31.12.2022 v ločenih računovodskih izkazih 1.505.900 tisoč EUR (31.12.2021: 1.296.893 tisoč EUR) in v konsolidiranih računovodskih izkazih 1.499.781 tisoč EUR (2021: 1.289.575 tisoč EUR). Skupna pričakovana kreditna izguba na dan 31.12.2022 v ločenih računovodskih izkazih znaša 20.292 tisoč EUR (2021: 20.838 tisoč EUR), v konsolidiranih pa 20.220 tisoč EUR (2021: 20.814 tisoč EUR).

BDO Revizija d.o.o., slovenska družba z omejeno odgovornostjo, je članica BDO International Limited, britanske družbe "limited by guarantee" in je del mednarodne BDO mreže med seboj neodvisnih družb članic.
Okrožno sodišče v Ljubljani, vl.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.

BDO

Opis ključne revizijske zadeve	Naš revizijski pristop
Kreditno tveganje predstavlja eno najpomembnejših vrst finančnih tveganj, ki sta jim družba in skupina izpostavljeni. Poslovodstvo mora zato določiti ustrezne metode in modele za merjenje in upravljanje kreditnega tveganja, kar predstavlja enega od najpomembnejših ukrepov za zaščito kapitala banke in skupine. Eno od ključnih področij presoje poslovodstva družbe in skupine v okviru upravljanja tveganj je ustrezna določitev oslabitev za pričakovane kreditne izgube za kredite strankam, ki niso banke. Oslabitev kreditov je računovodska ocena, pri čemer so predvsem predpostavke, uporabljene v modelu slabitve, podvržene subjektivni presoji poslovodstva. Zaradi navedenega ter dejstva, da so krediti strankam, ki niso banke pomembni z vidika računovodskih izkazov ter da oslabitve slonijo na kompleksnem modelu, smo oslabitve kreditov strankam, ki niso banke, določili kot ključno revizijsko zadevo. Poslovodstvo pri presoji časovne komponente in višine oslabitev za pričakovane kreditne izgube kreditov do strank, ki niso banke, izvaja pomembno presojo na naslednjih področjih: - uporaba preteklih podatkov v postopku določanja parametrov tveganja; - ocenjevanje kreditnega tveganja v zvezi z izpostavljenostjo; - presoja pomembnosti naknadnih sprememb kreditnega tveganja za ugotavljanje, ali je prišlo do pomembnega povečanja kreditnega tveganja, ki vodi do sprememb pri razvrščanju po skupinah in zahtevanega merjenja pričakovanih kreditnih izgub za vseživljenjsko obdobje; - presoja glede pričakovanih prihodnjih denarnih tokov iz poslovanja; - vrednotenje zavarovanj in ocenjevanje obdobja realizacije pri posamično ocenjenih izpostavljenostih s poslabšano kreditno kakovostjo. Poslovodstvo je zagotovilo dodatne informacije o oslabitvah kreditov v pojasnilih k računovodskim izkazom 2.2.5 - Oslabitev finančnih instrumentov, 5.7 - Krediti strankam, ki niso banke, merjeni po odplačni vrednosti, 4.15 - Oslabitve ter 7.1 - Kreditno tveganje.	Za obvladovanje tveganj, v povezavi s pričakovanim kreditnimi izgubami pri kreditih strank, ki niso banke in ki so opredeljena kot ključna revizijska zadeva, smo oblikovali spodaj navedene revizijske postopke, s katerimi smo pridobili zadostne in ustrezne revizijske dokaze za naš zaključek. Pri tem smo se zanašali tudi splošne kontrole v informacijskem sistemu, ki smo jih preverili s pomočjo veščakov - revizorjev informacijskih sistemov. Izvedli smo naslednje revizijske postopke v povezavi z vrednotenjem kreditov: - pregledali smo metodologijo, vezano na pripoznavanje oslabitev za pričakovane kreditne izgube in primerjali sprejeto metodologijo z zahtevami MSRP 9; - pridobili smo podlage in utemeljitve za prilagoditve in izboljšave modela, ki jih je banka in skupina dodatno upoštevala v modelu slabitve v tekočem letu v luči trenutnih makroekonomskih razmer in napovedi ter presodili, ali so prilagoditve zadostne in utemeljene; - pridobili smo razumevanje kontrolnega okolja in notranjih kontrol, ki jih poslovodstvo izvaja pri merjenju oslabitev za pričakovane kreditne izgube; - ovrednotili smo zasnove za pregled in izvajanje opredeljenih notranjih kontrol, ki so pomembne za postopek merjenja oslabitev za pričakovane kreditne izgube; - testirali smo vpeljavo in delovanje identificiranih pomembnih notranjih kontrol na področju merjenja oslabitev; - ocenili in testirali smo kakovost preteklih podatkov, uporabljenih pri določanju parametrov tveganja; - razčlenili smo finančno postavko krediti strankam, ki niso banke na podlagi razvrščanja po skupinah (skupina 1, 2, 3) z namenom izbire vzorca. V 3. skupino so razvrščeni individualno obravnavani krediti , merila za razvrščanje pa so med drugim vključevala oceno kreditnega tveganja stranke, tveganja panoge, število dni zapadlosti in druge kriterije; - na vzorcu kreditov smo testirali podatke o pripoznavanju in merjenju oslabitev za pričakovane kreditne izgube, razporejenih v 1. in 2. skupino, s poudarkom na: i. parametrih, uporabljenih pri razvrščanju po skupinah in prehodih med skupinami; ii. predpostavkah, ki jih poslovodstvo uporablja pri modelih za merjenje pričakovanih kreditnih izgub; iii. merilih za ugotavljanje pomembnih povečanj kreditnega tveganja; iv. predpostavkah, uporabljenih pri izračunu verjetnosti neplačila v celotnem obdobju trajanja; v. metodah za izračun izgube v primeru neplačila; vi. metodah, za vključevanje v prihodnost usmerjenih informacij. - preverili smo podatke o pripoznavanju in merjenju oslabitev za pričakovane kreditne izgube na vzorcu individualno ocenjenih slabih kreditov, razporejenih v 3. skupino, kar je zajemalo: i. oceno finančnega položaja in uspešnosti kreditojemalca po najnovejših bonitetnih poročilih ter razpoložljivih informacijah; ii. kritično presojo predpostavk in presoj, uporabljenih pri izračunu in merjenju

pričakovanih prihodnjih denarnih tokov iz poslovanja ob upoštevanju finančnega stanja in uspešnosti kreditojemalca;

iii. kritično presojo in pregled ocenjene vrednosti zavarovanja ter ocenjeno obdobje do unovčitve zavarovanja kot tudi pravne dogovore, podlage ter drugo dokumentacijo iz katere izhaja pravna pravica nad zavarovanjem in obstoj zavarovanja;

iv. kritično oceno diskontnih stopenj, uporabljenih pri oceni pričakovanih denarnih tokov iz poslovanja in/ali zavarovanj;

v. preračun pričakovanih kreditnih izgub z uporabo pregledanih predpostavk.

- pregledali smo razkritja v letnem poročilu v zvezi s krediti in oslabitvami, predvsem z vidika zahtev MSRP 7 - Finančni inštrumenti: razkritja.

Prihodki iz obresti kreditov, merjenih po odplačni vrednosti v ločenih in konsolidiranih izkazih

Prihodki iz obresti so v ločenih računovodskih izkazih za leto 2022 znašali 57.659 tisoč EUR (2021: 48.765 tisoč EUR), od tega prihodki iz obresti kreditov, merjenih po odplačni vrednosti 52.592 tisoč EUR (2021: 43.701 tisoč EUR). Prihodki iz obresti v konsolidiranih računovodskih izkazih znašajo 57.610 tisoč EUR (2021: 48.713 tisoč EUR), od tega prihodki iz obresti kreditov 52.543 tisoč EUR (2021: 43.649 tisoč EUR).

Opis ključne revizijske zadeve	Naš revizijski pristop
Prihodki od obresti kreditov, merjenih po odplačni vrednosti, so ključna postavka v izkazu poslovnega izida. Njihovo pripoznanje ter posledično točnost, obstoj in popolnost izkazanih zneskov, je v veliki meri odvisno od vzpostavljenih in delujočih splošnih kontrol v informacijskem sistemu, tako z vidika upravljanja s pooblastili kot upravljanja s spremembami. Delujoče splošne kontrole v informacijskem sistemu ter druge notranje kontrole, vzpostavljene za zagotavljanje točnosti in popolnosti vhodnih podatkov, so temelj za pravilno pripoznane prihodke iz obresti. Zaradi pomembnosti zneska ter tveganj, povezanih z nedelovanjem splošnih kontrol v informacijskem sistemu, smo pripoznavanje obresti izpostavili kot ključno revizijsko zadevo. Poslovodstvo je zagotovilo dodatne informacije o pripoznanju prihodkov od obresti v pojasnilih k računovodskim izkazom 2.8 - Prihodki in odhodki za obresti in 4.1 - Čiste obresti.	Za obvladovanje tveganj, povezanih s pripoznanjem prihodkov iz obresti, ki so opredeljena kot ključna revizijska zadeva, smo oblikovali spodaj navedene revizijske postopke, s katerimi smo pridobili zadostne in ustrezne revizijske dokaze za naš zaključek. Pri tem smo želeli pridobiti visoko stopnjo zagotovila v delovanje notranjih kontrol na področju pripoznavanja prihodkov od obresti kot tudi informacijskega sistema oz. programske podpore, ki jo družba in skupina uporabljata v procesu pripoznavanja prihodkov od obresti. Del postopkov smo tako opravili revizorji računovodskih izkazov, del, splošne kontrole v informacijskem sistemu, pa naši veščaki - revizorji informacijskih sistemov. Izvedli smo naslednje revizijske postopke: - seznanili smo se s kontrolnim okoljem in z obstoječimi kontrolami, vpeljanimi v procesu pripoznavanja prihodkov iz obresti in ocenili njihovo zasnovo; - preizkusili smo zasnovo in učinkovitost delovanja vzpostavljenih kontrol na področjih upravljanja s spremembami in upravljanja s pooblastili v informacijskih sistemih, vpeljanih v proces pripoznavanja prihodkov iz obresti. Pri tem smo preverili, ali lahko samo določeni uporabniki ustvarijo, spremenijo ali izbrišejo uporabniške račune ter kako je vzpostavljen nadzor nad dostopi, prav tako pa tudi ali so spremembe programskih rešitev ustrezno načrtovane, odobrene in izvedene; - na podlagi ugotovitev, vezanih na zgoraj navedene postopke, smo testirali aplikativno kontrolo, ki zagotavlja točnost izračunanih obresti iz kreditov; - na vzorcu kreditov fizičnih in pravnih oseb ter sklenjenih leasing pogodb smo preverili, ali so bile uporabljene prave obrestne mere; - izvedli smo analitične postopke, ki so potrdili točnost, popolnost in obstoj pripoznanih obresti iz kreditov.

Druge informacije

Za druge informacije je odgovorno poslovodstvo. Druge informacije obsegajo informacije v letnem poročilu razen ločenih in konsolidiranih računovodskih izkazov in našega revizorjevega poročila o njih. Druge informacije smo pridobili pred datumom revizorjevega poročila razen poročila nadzornega sveta, ki bo na voljo kasneje.
Naše mnenje o računovodskih izkazih se ne nanaša na druge informacije in o njih ne izražamo nobene oblike zagotovila.

V povezavi z opravljeno revizijo računovodskih izkazov je naša odgovornost prebrati druge informacije in pri tem presoditi ali so druge informacije pomembno neskladne z ločenimi in konsolidiranimi računovodskimi izkazi, zakonskimi zahtevami ali našim poznavanjem, pridobljenim pri revidiranju, ali se kako drugače kažejo kot pomembno napačne. Če na podlagi opravljenega dela zaključimo, da obstaja pomembno napačna navedba drugih informacij, moramo o takih okoliščinah poročati.

V zvezi s tem na podlagi opisanih postopkov poročamo, da:

- so druge informacije v vseh pomembnih pogledih usklajene z revidiranimi ločenimi in konsolidiranimi računovodskimi izkazi;
- so druge informacije pripravljene v skladu z veljavnimi zakoni in predpisi; ter
- na podlagi poznavanja in razumevanja družbe in njenega okolja, ki smo ga pridobili med revizijo, v zvezi z drugimi informacijami nismo ugotovili bistveno napačnih navedb.

Naša odgovornost je, da na podlagi poznavanja in razumevanja družbe in njenega okolja, ki smo ga pridobili med revizijo, poročamo o tem, ali druge informacije vsebujejo pomembno napačne navedbe. V zvezi z drugimi informacijami nismo ugotovili pomembnih napačnih navedb.

Odgovornost poslovodstva in nadzornega sveta

Poslovodstvo je odgovorno za pripravo in pošteno predstavitev teh ločenih in konsolidiranih računovodskih izkazov v skladu z MSRP in za tàko notranje kontroliranje, kot je v skladu z odločitvijo poslovodstva potrebno, da omogoči pripravo ločenih in konsolidiranih računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.
Poslovodstvo je pri pripravi ločenih in konsolidiranih računovodskih izkazov družbe in skupine odgovorno za oceno njune sposobnosti, da nadaljujeta kot delujoče podjetje, razkritje zadev, povezanih z delujočim podjetjem in uporabo predpostavke delujočega podjetja kot podlago za računovodenje, razen če namerava poslovodstvo družbo oziroma skupino likvidirati ali zaustaviti poslovanje, ali če nima druge možnosti, kot da napravi eno ali drugo.

Nadzorni svet je odgovoren za nadzor nad pripravo ločenih in konsolidiranih računovodskih izkazov in za potrditev revidiranega letnega poročila.

Revizorjeva odgovornost za revizijo računovodskih izkazov

Naši cilji so pridobiti sprejemljivo zagotovilo o tem ali so ločeni in konsolidirani računovodski izkazi kot celota brez pomembno napačne navedbe zaradi prevare ali napake, in izdati revizorjevo poročilo, ki vključuje naše mnenje. Sprejemljivo zagotovilo je visoka stopnja zagotovila, vendar ni jamstvo, da bo revizija, opravljena v skladu z MSR in Uredbo, vedno odkrila pomembno napačno navedbo, če ta obstaja. Napačne navedbe lahko izhajajo iz prevare ali napake, ter se smatrajo za pomembne, če je upravičeno pričakovati, da posamič ali skupaj, vplivajo na gospodarske odločitve uporabnikov, sprejete na podlagi teh računovodskih izkazov.

Med izvajanjem revidiranja v skladu s pravili revidiranja uporabljamo strokovno presojo in ohranjamo poklicno nezaupljivost. Prav tako:

- prepoznamo in ocenimo tveganja pomembno napačne navedbe v ločenih in konsolidiranih računovodskih izkazih, bodisi zaradi napake ali prevare, oblikujemo in izvajamo revizijske postopke kot odzive na ocenjena tveganja ter pridobivamo zadostne in ustrezne revizijske dokaze, ki zagotavljajo podlago za naše mnenje. Tveganje, da ne bomo odkrili napačne navedbe, ki izvira iz prevare, je višje od tistega, povezanega z napako, saj prevara lahko vključuje skrivne dogovore, ponarejanje, namerno opustitev, napačno razlago ali izogibanje notranjih kontrol;
- opravimo postopke preverjanja in razumevanja notranjih kontrol, pomembnih za revizijo z namenom oblikovanja revizijskih postopkov, ki so okoliščinam primerni, vendar ne z namenom izraziti mnenja o učinkovitosti notranjih kontrol družbe;
- presodimo ustreznost uporabljenih računovodskih usmeritev in sprejemljivost računovodskih ocen ter z njimi povezanih razkritij poslovodstva;
- na podlagi pridobljenih revizijskih dokazov o obstoju pomembne negotovosti glede dogodkov ali okoliščin,

ki zbujajo dvom v sposobnost družbe in skupine, da nadaljujeta kot delujoče podjetje, sprejmemo sklep o ustreznosti poslovodske uporabe predpostavke delujočega podjetja, kot podlage računovodenja. Če sprejmemo sklep o obstoju pomembne negotovosti, smo dolžni v revizorjevem poročilu opozoriti na ustrezna razkritja v ločenih in konsolidiranih računovodskih izkazih ali, če so taka razkritja neustrezna, prilagoditi mnenje. Revizorjevi sklepi temeljijo na revizijskih dokazih pridobljenih do datuma izdaje revizorjevega poročila. Vendar kasnejši dogodki ali okoliščine lahko povzročijo prenehanje družbe in skupine kot delujočega podjetja;

- ovrednotimo splošno predstavitev, strukturo, vsebino ločenih in konsolidiranih računovodskih izkazov vključno z razkritji, in ali ločeni in konsolidirani računovodski izkazi predstavljajo zadevne posle in dogodke na način, da je dosežena poštena predstavitev.
- pridobivamo zadostne in ustrezne revizijske dokaze v povezavi s finančnimi informacijami in poslovnimi dejavnostmi družb v skupini, da bi lahko izrazili mnenje o konsolidiranih računovodskih izkazih. Odgovorni smo za vodenje, nadziranje in izvajanje revizije skupine. Revizijsko mnenje je izključno naša odgovornost.

Revizijsko komisijo in nadzorni svet med drugim obveščamo o načrtovanem obsegu in času revidiranja in pomembnih revizijskih ugotovitvah vključno z morebitnimi pomanjkljivostmi notranjih kontrol, ki smo jih zaznali med našo revizijo. Revizijski komisiji in nadzornemu svetu smo predložili našo izjavo, da smo izpolnili vse etične zahteve v zvezi z neodvisnostjo ter jih obvestili o vseh razmerjih in drugih zadevah, za katere bi se lahko upravičeno menilo, da vplivajo na našo neodvisnost, in jih seznanili s tem povezanimi nadzornimi ukrepi.

Od vseh zadev s katerimi smo seznanili revizijsko komisijo in nadzorni svet smo zadeve, ki so bile najpomembnejše pri reviziji ločenih in konsolidiranih računovodskih izkazov tekočega obdobja, določili kot ključne revizijske zadeve. V kolikor zakon ali predpisi ne preprečujejo njihovega javnega razkritja in razen v izjemno redkih okoliščinah, ko lahko utemeljeno pričakujemo, da bi bile posledice poročanja o določeni zadevi bolj škodljive kot je v javnem interesu, te zadeve opisujemo v revizorjevem poročilu.

POROČILO O DRUGIH ZAKONSKIH IN REGULATORNIH ZAHTEVAH

Druge zahteve v zvezi z vsebino revizorjevega poročila v skladu z Uredbo (EU) št. 537/2014 Evropskega parlamenta in Sveta

V skladu s členom 10(2) Uredbe (EU) št. 537/2014 Evropskega parlamenta in Sveta v našem poročilu neodvisnega revizorja navajamo naslednje informacije, ki so zahtevane poleg zahtev Mednarodnih standardov revidiranja:

Imenovanje revizorja, trajanje posla in odgovorni pooblaščeni revizor

Skupščina delničarjev družbe nas je dne 20. marca 2020 imenovala za zakonitega revizorja za obdobje 2020 - 2022, predsednik nadzornega sveta pa je pogodbo o revidiranju podpisal dne 20. 7. 2020. Naše opravljanje posla v celoti in neprekinjeno traja 3. leto. Za opravljeno revizijo je odgovorna pooblaščena revizorka Maruša Hauptman.

Skladnost z dodatnim poročilom revizijski komisiji

Naše mnenje o ločenih in konsolidiranih računovodskih izkazih v tem poročilu je skladno z dodatnim poročilom revizijski komisiji družbe, ki smo ga izdali dne 28. februarja 2023.

Nerevizijske storitve

Izjavljamo, da nismo opravljali nobenih prepovedanih nerevizijskih storitev iz člena 5(1) Uredbe (EU) št. 537/2014 Evropskega parlamenta in Sveta ter, da smo pri opravljanju revizije zagotovili našo neodvisnost od revidirane družbe in njenih odvisnih družb.

Poleg storitev obvezne revizije nismo za družbo in njene odvisne družbe opravili nobenih drugih storitev, ki ne bi bile razkrite v letnem poročilu.

Ljubljana, 28. februar 2023

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

BDO Revizija d.o.o.
Družba za revidiranje

Maruša Hauptman, pooblaščena revizorka

Financial Report of the Bank and the Group

Statement of the Management's Responsibilities

The Management Board of the Bank hereby confirms the Financial Statements of Gorenjska banka d.d., Kranj, and the Gorenjska banka Group for the year ending on 31 December 2023, as well as the accounting policies applied and the Notes on the Financial Statements.

The Management Board is responsible for the preparation of the Annual Report so that it presents a true and fair view of the Bank's and the Group's financial position and operating results for the year ending on 31 December 2023.

The Management Board hereby confirms that they have consistently applied the accounting policies and made the accounting estimates according to the principles of prudence and due diligence. The Management Board also confirms that the Financial Statements have been prepared on the basis of the assumption of a going concern of the company and in line with the applicable legislation, as well as the International Financial Reporting Standards adopted by the EU.

The Management Board is also responsible for the appropriate keeping of accounting records, the implementation of suitable measures for the protection of assets, and for the prevention and detection of abuse and other irregularities or illegal acts.

The Tax Office may review the books of accounts of Group companies at any time within the period of five years from the day the tax needed to be levied, which can subsequently cause the imposition of an additional tax liability or penalty. The Bank's Management Board is not aware of any fact or circumstance that could cause significant liabilities of this type.

Kranj, 29. February 2024

Mojca Osolnik Videmšek
Management Board Member

Marko Filipčič
Management Board Member

Mario Henjak
Management Board President

Income Statement

in thousands of EUR

			Bank		Group	
		Notes	**2023**	**2022**	**2023**	**2022**
1	Interest income		101,666	57,659	101,555	57,610
2	Interest expenses		11,884	4,212	11,883	4,218
3	**Net interest income (1-2)**	**4.1**	**89,782**	**53,447**	**89,672**	**53,392**
4	Dividend income	4.2	335	311	335	311
5	Fee and commission income		17,599	16,789	17,651	16,898
6	Fee and commission expenses		694	584	694	587
7	**Net fee and commission income (5-6)**	**4.3**	**16,905**	**16,205**	**16,957**	**16,311**
8	Gains less losses on financial assets and liabilities,not measured at fair value through profit or loss	4.4	(1)	(3)	(1)	(3)
9	Gains less losses on financial assets and liabilities held for trading	4.5	466	291	466	291
10	Gains less losses on non-trading financial assets mandatorily at fair value through profit or loss	4.6	768	(717)	768	(717)
11	Exchange differences	4.7	(42)	241	(42)	241
12	Gains less losses on derecognition of non-financial assets	4.8	844	275	(731)	(332)
13	Net gains/losses on derecognition of equity investments in subsidiaries, associates and jointly controlled entities		-	-	-	-
14	Other operating gains less losses	4.9	3,665	4,605	9,797	7,979
15	Administration costs	4.10	(44,066)	(36,818)	(44,921)	(37,308)
16	Cash contributions to resolution funds and deposit guarantee schemes	4.11	(2,871)	(2,356)	(2,871)	(2,356)
17	Depreciation	4.12	(2,811)	(2,699)	(5,902)	(4,834)
18	Modification gains/(losses)	4.13	(39)	(9)	(39)	(9)
19	Provisions	4.14	(989)	(986)	(1,045)	(998)
20	Impairment	4.15	(4,118)	(964)	(4,109)	(941)
21	**PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7 to 20)**		**57,828**	**30,823**	**58,334**	**31,027**
22	Tax	4.16	(7,433)	(2,914)	(7,493)	(2,918)
23	**PROFIT AFTER TAX FROM CONTINUING OPERATIONS (21+22)**		**50,395**	**27,909**	**50,841**	**28,109**
24	**PROFIT FOR THE YEAR (23)**		**50,395**	**27,909**	**50,841**	**28,109**

Statement of Comprehensive Income

in thousands of EUR

		Bank		Group	
		2023	**2022**	**2023**	**2022**
1	**PROFIT FOR THE YEAR AFTER TAX**	**50,395**	**27,909**	**50,841**	**28,109**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX (3+4)**	**1,306**	**(3,047)**	**1,306**	**(3,051)**
3	**ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS**	**350**	**(197)**	**350**	**(202)**
3.1	Actuarial gains on defined benefit pension plans	110	45	110	41
3.2	Fair value changes of equity instruments measured at fair value through other comprehensive income	296	(299)	296	(299)
3.3	Income tax relating to items that will not be reclassified to profit or loss	(56)	57	(56)	57
4	**ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS**	**956**	**(2,850)**	**956**	**(2,850)**
4.1	Debt instruments measured at fair value through other comprehensive income	1,180	(3,518)	1,180	(3,518)
4.1.1	Valuation gains/(losses) taken to equity	1,245	(3,536)	1,245	(3,536)
4.1.2	Transferred to profit or loss	(65)	18	(65)	18
4.2	Income tax relating to items that may be reclassified to profit or loss	(224)	668	(224)	668
5	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX (1+2)**	**51,701**	**24,862**	**52,147**	**25,058**

The notes are an integral part of these financial statements.

Statement of Financial Position

in thousands of EUR

			Bank		Group	
		Notes	31/12/2023	31/12/2022	31/12/2023	31/12/2022
1	Cash, cash balances at central banks and other demand deposits at banks	5.1	357,819	313,733	357,819	313,817
2	Non-trading financial assets mandatorily at fair value through profit or loss	5.2	6,650	9,457	6,650	9,457
3	Financial assets measured at fair value through other comprehensive income	5.3	82,505	32,927	82,505	32,928
4	Financial assets measured at amortised cost		1,924,796	1,881,546	1,912,579	1,875,838
	• debt securities	5.4	301,842	345,343	301,842	345,343
	• loans and receivables to banks	5.5	23,439	46,178	23,439	46,178
	• loans and receivables to customers	5.6	1,594,066	1,485,608	1,581,891	1,479,561
	• other financial assets	5.7	5,449	4,417	5,407	4,756
5	Investments in subsidiaries	5.8	6,406	6,406	-	-
6	Tangible assets		45,768	53,548	67,641	69,033
	• property and equipment	5.9	10,820	9,165	29,062	21,810
	• investment property	5.10	34,948	44,383	38,579	47,223
7	Intangible assets	5.11	2,357	3,188	2,449	3,270
8	Tax assets	5.19	2,436	4,952	2,465	5,030
	• current income tax assets		-	78	-	132
	• deferred income tax assets		2,436	4,874	2,465	4,898
9	Other assets	5.12	2,262	5,147	2,991	5,393
10	Non-current assets classified as held for sale	5.13	4,107	111	6,536	293
11	**Total assets (from 1 to 10)**		**2,435,106**	**2,311,015**	**2,441,635**	**2,315,059**
12	Financial liabilities measured at amortised cost		2,137,985	2,029,901	2,139,933	2,030,667
	• due to banks	5.15	4,519	1,966	4,519	1,966
	• due to customers	5.14	1,948,781	1,919,943	1,947,819	1,918,449
	• borrowings from banks and central banks	5.15	92,348	96,149	92,348	96,149
	• debt securities	5.16	73,336	-	73,336	-
	• other financial liabilities	5.17	19,001	11,843	21,911	14,103
13	Provisions	5.18	5,111	4,502	5,289	4,624
14	Tax liabilities	5.19	2,485	-	2,540	-
	• current income tax liabilities		2,485	-	2,540	-
	• deferred income tax liabilities		-	-	-	-
15	Other liabilities	5.20	6,026	4,813	8,147	6,188
16	**Total liabilities (from 12 to 15)**		**2,151,607**	**2,039,216**	**2,155,909**	**2,041,479**
17	Paid-up capital		16,188	16,188	16,188	16,188
18	Share premium		20,023	20,023	20,023	20,023
19	Accumulated other comprehensive income		(883)	(2,171)	(883)	(2,171)
20	Reserves from profit		177,421	177,421	177,436	177,430
21	Treasury shares		(26,007)	(26,007)	(26,007)	(26,007)
22	Retained earnings (including income from the current year)		96,757	86,345	98,969	88,117
23	**Total equity (from 17 to 22)**	5.21	**283,499**	**271,799**	**285,726**	**273,580**
24	**Total liabilities and equity (16+23)**		**2,435,106**	**2,311,015**	**2,441,635**	**2,315,059**

The notes are an integral part of these financial statements.

Statement of Changes in Equity

in thousands of EUR

	Bank	Notes	Paid-up capital	Share premium	Accumulated other comprehensive income (financial assets at fair value)	Accumulated other comprehensive income (actuarial gains on pension schemes)	Reserves from profit	Retain earnings (including net profit for the financial year)	Treasury shares	Total equity
1	**1 January 2021**		**16,188**	**20,023**	**806**	**84**	**177,421**	**58,422**	**(26,007)**	**246,937**
2	**Total comprehensive income for the year 2022**		-	-	(3,092)	45	-	27,909	-	24,862
3	Actuarial gains		-	-	-	(14)	-	14	-	-
4	**31 December 2022**	5.21	**16,188**	**20,023**	**(2,286)**	**115**	**177,421**	**86,345**	**(26,007)**	**271,799**
5	**Profit for appropriation for the year ended 31 December 2022**		**-**	**-**	**-**	**-**	**-**	**86,345**	**-**	**86,345**
1	**1 January 2023**		**16,188**	**20,023**	**(2,286)**	**115**	**177,421**	**86,345**	**(26,007)**	**271,799**
2	**Total comprehensive income for the year 2023**		**-**	**-**	**1,196**	**110**	**-**	**50,395**	**-**	**51,701**
3	Payment (accounting) of dividends		-	-	-	-	-	(40,001)	-	(40,001)
4	Actuarial gains		-	-	-	(18)	-	18	-	-
5	**31 December 2023**	5.21	**16,188**	**20,023**	**(1,090)**	**207**	**177,421**	**96,757**	**(26,007)**	**283,499**
6	**Profit for appropriation for the year ending 31 December 2023**		**-**	**-**	**-**	**-**	**-**	**96,757**	**-**	**96,757**

The notes are an integral part of these financial statements.

Statement of Changes in Equity

in thousands of EUR

Group		Notes	**Paid-up capital**	**Share premium**	**Accumulated other comprehensive income** (financial assets at fair value)	**Accumulated other comprehensive income** (actuarial gains on pension schemes)	**Reserves from profit**	**Retain earnings** (including net profit for the financial year)	**Treasury shares**	**Total equity**
1	**1 January 2022**		**16,188**	**20,023**	**806**	**89**	**177,429**	**59,994**	**(26,007)**	**248,522**
2	Total comprehensive income for the year 2022		-	-	(3,092)	41	-	28,109	-	25,058
3	Actuarial gains		-	-	-	(14)	-	14	-	-
4	**31 December 2022**	5.21	**16,188**	**20,023**	**(2,286)**	**116**	**177,429**	**88,117**	**(26,007)**	**273,580**
1	**1 January 2023**		**16,188**	**20,023**	**(2,286)**	**116**	**177,429**	**88,117**	**(26,007)**	**273,580**
2	Total comprehensive income for the year 2023		-	-	1,196	110	-	50,841	-	52,147
3	Payment (accounting) of dividends		-	-	-	-	-	(40,001)	-	(40,001)
4	Allocation of net profit to profit reserves		-	-	-	-	6	(6)	-	-
5	Actuarial gains	-	-	-	(18)	-	18	-	-	-
6	**31 December 2023**	5.21	**16,188**	**20,023**	**(1,090)**	**208**	**177,435**	**98,969**	**(26,007)**	**285,726**

The notes are an integral part of these financial statements.

Cash Flow Statement

in thousands of EUR

			Bank		Group	
		Notes	**2023**	**2022**	**2023**	**2022**
A	**Operating activities**					
a)	Interest received		101,666	57,658	101,555	57,609
	Interest paid		(11,884)	(4,212)	(11,883)	(4,218)
	Dividend received	4.2	335	311	335	311
	Fee and commission receipts		17,599	16,789	17,651	16,898
	Fee and commission paid	4.3	(695)	(584)	(694)	(587)
	Realised gains on financial assets not measured at fair value through profit or loss	4.4	-	-	-	-
	Realised losses on financial assets not measured at fair value through profit or loss		(1)	(3)	(1)	(3)
	Net trading incomes		466	291	466	291
	Cash payments to employees and suppliers	4.11	(44,066)	(36,818)	(44,921)	(37,308)
	Other incomes		6,158	4,889	12,291	8,263
	Other expenses		(4,675)	(2,934)	(6,251)	(885)
	Cash flows from operating profits before changes in operating assets and liabilities (a)		64,904	35,387	68,548	40,372
b)	**(Increase)/decrease in operating assets**		(114,993)	(251,403)	(110,908)	(251,581)
	Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		3,574	(158)	3,574	(158)
	Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		(47,535)	(618)	(47,535)	(618)
	Net increase in loans and receivables measured at amortised cost		(73,849)	(254,563)	(67,331)	(254,856)
	Net (increase)/decrease in non-current assets held for sale		5	6,554	(2,243)	6,652
	Net decrease in other assets		2,811	(2,618)	2,626	(2,600)
c)	**Increase/(decrease) in operating liabilities**		109,151	14,761	111,079	14,481
	Increase in deposits and borrowed funds, measured at amortised cost		34,602	14,050	35,783	14,181
	Net decrease in debt securities issued measured at amortised cost		73,336	-	73,336	-
	Decrease in other liabilities		1,213	711	1,960	300
č)	**Cash flow from operating activities (a+b+c)**		59,061	(201,255)	68,719	(196,728)
d)	**Income tax refund**		(2,519)	(3,400)	(2,411)	(3,501)
e)	**Net cash flow from operating activities (č+d)**		56,542	(204,655)	66,308	(200,229)

in thousands of EUR

		Notes	Bank 2023	Bank 2022	Group 2023	Group 2022
B	**Investing activities**					
a)	**Cash receipts related to investing activities**		57,693	25,403	65,385	28,330
	Cash receipts from the sale of tangible assets		4,976	3,305	12,667	6,232
	Cash receipts from the disposal of investments in debt securities measured at amortised cost		52,718	22,098	52,718	22,098
b)	**Cash payments related to investing activities**		(12,853)	(59,696)	(30,566)	(67,272)
	Cash payments to acquire property and equipment		(1,587)	(1,693)	(19,225)	(9,235)
	Cash payments to acquire intangible assets		(555)	(583)	(630)	(617)
	Cash payments to acquire debt securities measured at amortised cost		(10,711)	(57,420)	(10,711)	(57,420)
c)	**Net cash flow from investing activities (a-b)**		44,840	(34,293)	34,819	(38,942)
C	**Financing activities**					
a)	**Cash proceeds related to financing activities**		-	-	-	-
b)	**Cash payments related to financing activities**		(40,217)	(322)	(40,046)	(108)
	Paid dividend		(40,001)	-	(40,001)	-
	Expenditure on leases		(216)	(322)	(45)	(108)
c)	**Net cash flow from financial activities (a-b)**		(40,217)	(322)	(40,046)	(108)
D	**Effect of exchange rate changes on cash and cash equivalents**		43	745	43	745
E	**Net increase / (decrease) in cash and cash equivalents (Ae+Bc+Cc)**		61,164	(239,271)	61,080	(239,280)
F	**Cash and cash equivalents at beginning of the year**		315,910	554,436	315,994	554,529
G	**Cash and cash equivalents at end of the year (D+E+F)**	6.2	377,117	315,910	377,117	315,994

Loans to banks with an original maturity of less than 90 days are considered as cash equivalents in the amount of EUR 19,281 thousand (2022: EUR 2,117 thousand) in the cash flow statement.

The notes are an integral part of these financial statements.

Notes on the Financial Statements

1 General Information

Gorenjska banka d.d., Kranj, (hereinafter: "Bank") is a Slovenian privately-owned public limited company that performs universal banking transactions. The Gorenjska banka Group (hereinafter: "Group") is composed of the Bank, the subsidiary Imobilia-GBK, d.o.o., the subsidiary GB Leasing, d.o.o., Ljubljana and the subsidiary Filira, poslovne storitve, d.o.o., Ljubljana.

The Bank is a privately-owned PLC and its shares are not traded on the organised capital market. The Bank's business address is: Gorenjska banka d.d., Kranj, Bleiweisova cesta 1, 4000 Kranj, Slovenia.

Imobilia-GB, d.o.o., Kranj, was registered in the register of companies in 1991, but only became active in 2012, It is wholly owned by the Bank. The company performs services (real estate management) that rank it among companies offering ancillary services.

In 2016, the Bank established the company GB Leasing d.o.o., Ljubljana. The company, which is fully owned by the Bank, has the role of a service company marketing and rendering financial leasing services on behalf of and for the account of the Bank. In 2017, it acquired a 100% shareholding in the company Hypo Alpe-Adria-Leasing, d.o.o., Ljubljana. In 2022, Hypo Alpe-Adria-Leasing, d.o.o., Ljubljana acquired 100% of Filira, poslovne storitve, d.o.o., Ljubljana. In 2023, the subsidiary Hypo Alpe Adria Leasing d.o.o. was merged with its subsidiary Filira d.o.o. Filira d.o.o. thus became a direct subsidiary of Gorenjska banka d.d.d, Kranj.

The Bank is committed to meeting the credit rating requirements on a consolidated basis as the parent bank in the Republic of Slovenia in accordance with Article 133, paragraph two of the ZBan-3, which, as of 31 July 2019, includes its own subsidiary, GB Leasing, d.o.o., Ljubljana, in the scope of credit rating consolidation, Gorenjska banka d.d., Kranj, which is included in the consolidated position of the EU parent financial holding Agri Europe Cyprus Limited, Limassol, together with its subsidiary company GB Leasing d.o.o., Ljubljana.

Pursuant to the provisions of the IFRS 10, Gorenjska banka d.d., Kranj, has a controlling company, i.e. Agri Europe Cyprus Limited, Limasso, which prepares the consolidated annual report for the group companies, which includes the Gorenjska banka Kranj Group. The consolidated annual report is publicly available.

Notes on the Financial Statements relating to the Bank and the Group.

The Financial Statements of Gorenjska banka d.d., Kranj, are confirmed by the Management Board on 29. February 2024.

2 Summary of significant accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below. The Bank applied the same accounting policies for the preparation of the financial statements for 2023 as for the compilation of financial statements for 2022, except for the accounting standards and other changes applicable as of and including 1 January 2023 that were confirmed by the EU.

2.1 Basis of Preparation

The Bank's financial statements for the year 2023 have been prepared in accordance with International Financial Reporting Standards adopted by the EU (IFRS) and under the assumption of a going concern. Additional information required by national regulations is included where appropriate.

If appropriate, additional information required by national regulations is considered.

The financial statements comprise the income statement and statement of other comprehensive income (showing as two statements), the statement of financial positions, the statement of changes in equity, the cash flow statement and the notes.

The financial statements are presented in euros, which is the Banks's functional and presentational currency. The figures shown in the financial statements are stated in thousands of euros.

Rounding may result in rounding differences.

Management of the risks the Bank is exposed in its business is presented in Note 7.

The preparation of the financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. These required financial statements have been compiled to comply with the legal requirements. According to the law, the Bank is obligated to have these financial statements audited by an independent auditor. The audit is limited to the required financial statements for general purposes, so that the legal requirement of auditing the required financial statements is met. The audit covers the required financial statements as a whole and gives no assurance as to individual line items, accounts or transactions. The audited financial statements are not intended to be used by any party for deciding on ownership, financing or any specific transactions referring to the Bank. As a result, the users of the required financial statements may not rely solely on the financial statements and are obligated to conduct other appropriate procedures before adopting decisions.

It also requires management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period when the assumptions changed. The Management believes that the underlying assumptions are appropriate, and that the Bank's financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.1.1 Initial Usage of the New Amendments to Existing Standards Applicable in 2023

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

- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2): In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements for accounting policies from 'significant accounting policies' to 'significant information about accounting policies'. The amendments provide guidance on when information about accounting policies is considered to be significant. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with early application permitted. As IFRS Practice Statements are not mandatory, the effective date of IFRS Practice Statement 2 is not specified.
- Definition of an accounting estimate (amendment to IAS 8): The amendment introduces a definition of an accounting estimate and other clarifications to distinguish between an accounting policy and an accounting estimate. The amendment clarifies that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it results from the correction of a prior period error.
- IFRS 17 Insurance Contracts (a new standard) and amendments to IFRS 17 Insurance Contracts, IFRS 17 supersedes IFRS 4 Insurance Contracts, IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, and to certain guarantees and financial instruments with discretionary participation features, with some exceptions. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers and covers all relevant accounting issues, IFRS 17 is based on the general model, supplemented by:
    - Special adjustment for contracts with direct participation features (variable fee approach); and
    - Simplified approach (premium allocation approach) mainly for short-term contracts.
- Deferred tax assets and deferred tax liabilities for a particular transaction (amendments to IAS 12 Income Taxes). The IASB issued amendments to IAS 12 in May 2021. The amended standard clarifies whether the initial recognition exception applies to certain transactions that are recognised as both an asset and a liability (e.g. such as a lease under IFRS 16 Leases). The amendment introduces an additional criterion for the initial application of the exception in IAS 12.15, whereby the exception is not applied to the initial recognition of an asset or liability that gives rise to the same taxable and deductible temporary difference at the time of recognition.
- International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12):

The amendments to IAS 12 have been introduced in response to the OECD Pillar 2 BEPS rules and include:

- Mandatory temporary exemption from recognition and disclosure of deferred taxes related to Pillar 2 model rules; and
- Disclosure requirements relating to Pillar 2 income tax exposure.

Adopting these new standards, amendments to existing standards and clarifications have not led to any significant changes to the company's/group's financial statements.

2.1.2 Standards and Changes to Existing Standards Issued by the IASB and Adopted by the EU, but that are Not Yet in Force

On the date of approval of these financial statements, the IASB issued the following amendments to the existing standards, which were adopted by the EU and which have not yet entered into force.

The following amendments are effective for the reporting period beginning on 1 January 2024:

- Amendments to IAS 1 Presentation of Financial Statements

a. Classification of liabilities as current or non-current. The amendment requires that an entity's right to defer settlement of a liability for at least 12 months after the reporting date shall have substance and shall exist at the end of the reporting period. The classification of the liability is not changed because it is probable that the entity will exercise its right to defer the liability for at least 12 months after the reporting date. The Standard has been subsequently amended again.

b. Non-current liabilities with commitments. If an entity's right to defer an obligation is conditional on the entity satisfying certain conditions, those conditions affect whether the right to defer existed at the end of the reporting period if the entity is required to satisfy the conditions at or before the end of the reporting period, rather than if the entity is required to satisfy the conditions after the end of the reporting period. The amendment also clarifies the term 'settlement' for the purpose of classifying liabilities as current or non-current.

- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback transaction. The amendment requires a vendor-lessee to designate 'lease payments' or 'modified lease payments' so that the vendor-lessee would not recognise a gain or loss in respect of a right of use retained by the vendor-lessee.

Adopting these new standards, amendments to existing standards and clarifications will not have any significant impact on the company's/group's financial statements.

2.1.3 New Standards and Amendments to Existing Standards Issued by the IASB and Not Yet Adopted by the EU

Currently, IFRS standards adopted by the EU do not differ materially from those issued by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards that are effective for annual periods beginning 1 January 2024 and 1 January 2025 respectively, but have not yet been adopted by the EU:

- Amendments to IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Disclosures (amendments). On 25 May 2023, the IASB issued Supplier Financing Arrangements, which amends IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures (Amendments). These amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) regarding the requirements for the presentation of liabilities and related cash flows arising from supply chain financing arrangements and the related disclosures. In December 2020, the Board issued a Work Programme Decision Supply Chain Financing Arrangements - Reverse Factoring, which addressed this submission based on the then-applicable requirements of IFRS accounting standards. During that process, stakeholder feedback highlighted the limitations of the then-applicable requirements to address the important information needs of users to understand the effects of financing arrangements with suppliers on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook to implement a narrow scope of standards, which resulted in amendments. The amendments require entities to provide certain specific disclosures (both qualitative and quantitative) in relation to supplier financing arrangements. The amendments also provide guidance on the characteristics of supplier financing arrangements.
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Convertibility.

The company/group expects that the introduction of these new standards and amendments to existing standards will have no major impact on the financial statements of the company/group in the period of initial application.

2.2 IFRS 9

In July 2014, the International Financial Reporting Interpretations Committee issued the **IFRS 9 Financial Instruments,** which replaced the IAS 39 Financial Instruments: Recognition and Measurement. The IFRS 9 introduced a new approach regarding the classification and measurement of financial instruments and a new model for expected losses, which is more forward-looking and changes the requirements for hedge accounting.

The Bank uses a simplified approach for trade receivables due from buyers and loan receivables. Lifetime expected credit losses are being assessed based on historical experiences.

In October 2017, an amendment to the IFRS 9 was issued: Prepayment Features with Negative Compensation, which becomes applicable on 1 January 2019. The amendment ensures that certain financial assets containing the possibility of early repayment for a reasonably negative compensation are measured at amortised cost or fair value through other comprehensive income if the prepayment amount represents solely the payment of an outstanding principal and interest and reasonable compensation. Reasonable compensation may be positive or negative. Prior to the amendment, financial assets with negative compensation for early repayment would not pass the criteria of solely the payment of principal and interest (SPPI test) and would have to be measured at fair value through profit or loss. The amendment did not have any impact on the financial statements of Gorenjska banka Group at the time of implementation, nor does it currently have any impact on the financial statements of Gorenjska banka Group.

2.2.1 Classification of Financial Assets Pursuant to the IFRS 9

The IFRS 9 defines three categories for classifying financial assets:

- at amortised cost,
- at fair value through other comprehensive income,
- at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the business model and contractual characteristics of cash flows. During classification, the Bank takes into account the rules described below.

At amortised cost

This category includes all loans to legal entities and natural persons, investments on the interbank market, investments in debt securities and other investments. A condition for classification in this category is a successfully passed cash flow test (as defined below).

At fair value through other comprehensive income

The Bank classifies debt securities in this category within the scope defined in the liquidity risk management policy and equities that constitute strategic investments.

At fair value through profit or loss

This category includes financial instruments that fail the cash flow test, non-strategic investments in equities, and instruments containing one or more integrated financial derivatives that may have an important impact on the cash flows of the basic host instrument.

Financial derivatives are always classified in the category of financial instruments at fair value through profit or loss.

The Group applies no hedge accounting.

The classification of individual debt securities is proposed by the Treasury Sector based on the above rules for classification. The classification is confirmed by the Bank's Credit Board with a resolution, except for the classification of equity instruments in subsidiaries, associates and jointly controlled companies, which is confirmed by the Bank's Management Board with a resolution.

2.2.2 Business Model

The business model is determined with respect to the way the company manages a group of financial assets in order to achieve its business goals. The basis for the determination of business models is the Bank's development and investment strategy along with its risk profile.

According to the IFRS 9, the Bank has defined the following business models:

Model 1 – held for cash flows

The basic goal of the investment: to obtain cash flows (principals and interest). Sale is not part of the business model, but is possible in the following cases:

- The reason for the sale includes factors that were not expected upon the conclusion of a transaction (stress conditions in liquidity, claims by third parties, etc.);
- The investment is nearing the maturity date (2 months before contract maturity for long-term assets);
- Sale due to increased credit risk (downgraded credit rating, EWS parameters indicate increased risks).

Main risks: the principal risk to which the Bank is exposed in such investments is credit risk, which is why it uses different techniques to reduce it (collateral, etc.).

Performance criterion: the attainment of the set cash flows, the adequate mitigation of credit risks.

Model 2 – held for cash flows and sale

The basic goal of the investment: to obtain cash flows and/or sale – regardless of the frequency, amount and reason. That segment in principle includes investments that the Bank pursues in order to ensure liquidity. To achieve the goal in liquidity, the Bank uses such cash flows deriving from principals and interest and the sale of investments. There are no limitations for the sale or fulfilment of conditions for classification in this portfolio. Furthermore, it is irrelevant whether the sale is subject to a decision made by the Bank's management or whether the sale is made at the request of a third party (regulator). The Bank also classifies strategic investments in equities in this category.

Main risks: the principal risk to which the Bank is exposed in such investments is credit risk, which is why it uses different techniques to reduce it (securities, etc.). While maintaining an investment, the Bank is also exposed to market risks (the risks of interest rate variability) and to the risk of price changes on the real estate market.

Performance criterion: the attainment of the set cash flows, the adequate mitigation of credit risks.

Model 3 – at fair value through profit or loss

Model 3 basically includes assets held for sale (trading book), non-strategic investments in equities and financial derivatives that are not intended for hedging positions. The Bank does not pursue securities trading transactions and IFI, which is why it does not apply model 3 in principle, although assets may be classified in this category, but only when investments fail to meet the conditions for classification into model 1 or 2 upon approval and are beyond the Bank's control (syndicated loans, umbrella restructuring agreements).

Based on the business model and strategic policies, business models 1 and 2 are key to the Bank's operations.

A business model is always assessed at the investment level upon its occurrence and the basic criteria are the Bank's motives for the approval of an investment.

2.2.3 Cash Flow Test

Pursuant to the IFRS 9, the condition for the classification of financial instruments in the categories "at amortised cost" and "at fair value through comprehensive income" is a successful cash flow test. A cash flow test is passed if date-specific cash flows that are solely payments of principal and interest on outstanding principle derive from the contractual provisions.

A cash flow test is conducted upon the occurrence of an investment. The procedures and rules for review are laid down in the Collection of instructions for approving and monitoring investments made by legal entities, sole traders and civil law entities.

Cases where investments still meet the criteria of model 1:

- variable interest rates with limits (caps and floors),
- the risk of interest rate variability is insured by derivatives;
- the client is in arrears with the payment of the agreed cash flows and the Bank has initiated recovery procedures or expects no further cash flows (assessment upon incurrence is vital),
- the possibility of early repayment if the right to repayment does not depend or is not conditional upon future events (free will or the debtor's decision),
- the Bank requests early repayment because the debtor fails to achieve certain indicators in case of indicators showing an increased credit risk (e.g. debt/EBITDA. TIE., etc.),
- in case of repayment, the Bank charges compensation.

2.2.4 Measurement and Recognition of Financial Assets

Financial assets classified at fair value through profit or loss are initially recognised at fair value, while transaction costs are recognised in the income statement. For other financial assets, costs are attributed to the initial value.

Purchases and sales of financial instruments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost are recognised as at the date of transaction. Loans and receivables due from clients are recognised when clients are provided with funds.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value. Gains and losses in financial assets measured at fair value through profit or loss are recognised in the income statement in the period in which they are incurred. In financial assets valued through other comprehensive income, gains and losses due to the revaluation at fair value are disclosed in other comprehensive income. Interest calculated using the effective interest rate method, foreign exchange gains and losses deriving from cash items and impairments of instruments classified in the group of financial assets valued through other comprehensive income are recognised directly in the income statement. Interest calculated according to the effective interest rate method and exchange rate differences arising from cash items are recognised directly in the income statement. Dividends arising from equities are recognised in the income statement when the Bank's right to the receipt of a disbursement is enforced. Impairments of debt securities classified through other comprehensive income are recognised in other comprehensive income.

Loans and receivables at amortised cost are measured at amortised cost using the effective interest rate method. If there are objective signs for impairment, loans and receivables are impaired. Detailed criteria and the classification of receivables and loans into categories are laid down in the "Rules on the classification of receivables and the creation of impairments".

Gains or losses upon initial recognition: the best evidence of fair value upon initial recognition is the transaction price, which represents the fair value of the given or received compensation, unless the fair value can be proven with other comparable market transactions or with a valuation technique that is based solely on market assumptions.

Reclassification of financial instruments between categories is only permitted in the event of a change of business model but not in any other case.

Financial derivatives are initially recognised in the statement of financial position at fair value through profit or loss. Financial derivatives are forward transactions (forward purchases and sales of foreign currencies or securities), options and swap transactions (currency and interest rate swaps) and other financial derivatives. Financial derivatives are measured at fair value, which is suitably determined on the basis of the published market price or under the cash flow discounting method. Fair values are disclosed in the statement of financial position under assets when their value is positive or under liabilities when their value is negative. Gains and losses deriving from changes in fair value are recognised in profit or loss. Nominal values of financial derivatives are recognised in off-balance-sheet records.

The Group applies no hedge accounting.

2.2.5 Impairment of Financial Instruments

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, in which case the asset is allocated to stage 3. In step 3, three criteria for increased credit risk are checked, 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.

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 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 purpose of calculating impairments in accordance with IFRS 9, the Bank has defined different macroeconomic scenarios, each with its own GDP/inflation forecast, and this year the Bank has again applied an additional 'model adjustment', reflected in additional impairments and provisions of EUR 134.34 thousand, to ensure that the Bank is cautious in setting impairments in light of unpredictable future macroeconomic conditions and the consequences that could be reflected in the Bank's portfolio. To this end, the probabilities of default for the entire portfolio were increased by 5%, resulting in additional impairments and provisions of EUR 933.12 thousand, which the Bank recognised for the first time at year-end.

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, individuals, banks, sovereigns and government institutions. The Bank also estimates the probability of default for entities belonging to the portfolio with a low default rate (banks, sovereigns, government institutions).

In calculating the loss rate, the Bank uses data on the proportion of losses from individual cases weighted by the amount of exposure of each obligor at the time of the transition to default. The recommended regulatory LGD is applied in segments for which the bank is unable to calculate a loss ratio for various reasons. For the following reason, the Bank applies the regulatory LGD in the central government and central bank and institutions segments.

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.

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.

2.3 Associates and Subsidiaries

The bank owned three subsidiaries at the end of 2023, the same as in 2022, with one subsidiary merging with its subsidiary in 2023 to become a direct subsidiary of the Bank.

Subsidiaries are Group companies in which the bank holds – either directly or indirectly – more than half of the voting rights. Associated companies are Group companies in which the bank holds a dominant influence, which generally means that it either directly or indirectly holds between 20% and 50% of the voting rights. In the separate financial statements, investments in subsidiaries and associates are accounted for using the cost method; that is, at cost less impairment. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting.

Subsidiaries are included in the consolidated financial statements using the full consolidation method. The accounting policies of subsidiaries are adjusted appropriately to the Bank's policies. Cumulative changes after the acquisition of an asset are reflected in the value of the asset. Mutual transactions, balances and unrealised gains and losses in intra-Group transactions are excluded.

Equity investments in subsidiaries are presented in Note 5.9.

2.4 Foreign Currency Conversion

2.4.1 Functional and Presentation Currency

Items of assets and liabilities denominated in foreign currencies are measured in individual and group financial statements in the currency of the primary economic environment in which the companies operate (functional currency). The effects of foreign currency conversion are shown in the income statement as a net result of foreign currency conversion.

The financial statements are presented in euros, which is the Bank's functional and presentation currency.

2.4.2 Transactions and Balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, classified as financial instruments at fair value through other comprehensive income are presented in the statement of other comprehensive income under the appropriate caption.

Income and costs denominated in foreign currency are converted into euros using the exchange rate as of the date of the transaction. Gains and losses arising from the purchase and sale of foreign currency are included in the income statement of the current year, in the net gains less losses on financial assets and liabilities held for trading.

2.5 Offsetting

Financial assets and liabilities are offset in the Statement of Financial Position when a legal right for this exists, as well as a purpose for the netting or the simultaneous realisation of assets and settling of liabilities.

2.6 Interest Income and Expenses

Interest income and expenses for all interest-bearing financial instruments in the Income statement are recognised under interest income or interest expenses at the contractual interest rate with the corresponding management fee, which replaces the usage of the effective interest rate method. Interest income includes interest on investments with a fixed rate of return and interest from securities at fair value through profit or loss and other comprehensive income, as well as the accounted discounts and premiums on bonds and other "discounted" financial instruments.

The effective interest method is a method of calculating the amortised cost of an asset or liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the discount rate that equalises all flows associated with an individual financial instrument. The effective interest rate calculation includes all contractual flows, including all fees, transaction costs, premiums and discounts, while future loan losses are not included.

Except for POCI instruments - which have the so-called CAEIR - the credit-adjusted effective interest rate is applied on initial recognition.

After an impairment of a financial asset or a group of similar financial assets, interest income is recognised by applying the interest rate that was applied for discounting future cash flows when estimating the required impairment. Interest income is no longer recognised when a financial asset meets certain conditions and repayment can no longer be expected.

2.7 Fee income and Expenses

Fees are, as a rule, recognised in the profit and loss account when the service has been rendered. Fee income mainly includes the fees received from the performance of payment transactions, card and ATM operations, customer transaction accounts and guarantees. Fees included in the effective interest rate calculation are disclosed among interest income or expenses. Fees for the undrawn part of approved loans that will probably be drawn are deferred (including direct costs), and are recognised as an adjustment of the effective interest rate on the loan.

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with the IFRS 15, and are recognised in proceeds from credit operations.

2.8 Dividend Income

Dividends are recognised in the income statement when the Bank's right to receive payment is established.

2.9 Intangible Assets

NIntangible assets mainly include software and licences for the use of the former, and are recognised in the Statement of Financial Position at cost less amortisation and impairments.

The amortisation of intangible assets is accounted using the straight-line depreciation method. The amortisation period for software is the same as its useful life, mostly five years but no longer than ten years. The amortisation of intangible assets begins when they are available for use. The amortisation period and method are verified for intangible long-term assets with a finite useful life at the end of each financial year.

2.10 Accounting for Leases

2.10.1 Where the Group is the Lessee

All leases where the Group acts as the lessee are business leases. In accordance with the IFRS 16, leases of properties and tangible fixed assets concluded for a period longer than one year and where the value of the asset surpasses EUR 5,000 must be recorded among the appropriate fixed assets as the right to use. The Group is not recording intangible fixed assets, short-term leases and leases with values less than EUR 5,000 under the IFRS 16, which are expensed as incurred.

The rights from leases are recorded as of 1 January 2019 under the discounted value of future rents, for which long-term liabilities are formed to the lessor based on the contract duration period and the interest rate amount. For contracts concluded for an indefinite period, the possibility of their termination and the business strategy of the Group are considered. Interest rates for loans from the credit calculator are used for calculations based on maturity. Interest is recorded among the financial expenses. The Group uses the purchase value model for assets that have the right to use; it measures them under the purchase value reduced by amortisation/depreciation. The Group re-assesses the lease liabilities in the event of changes if the rent or other rent conditions are changed, in accordance with the new contract or annex. Rent payments reduce the lease liabilities, whereas value-added tax increases other expenses for taxes.

Contracts on the basis of business leases that are not recognised among the fixed assets, as the right to use are proportionally included in the profit or loss statement based on the contract duration period and are shown in other operational costs. When a business lease is terminated prematurely, all the payments requested by the lessor are recognised as costs in the period of contract termination.

2.10.2 Where the Group is the Lessor

Payments under operating leases are recognised as income on a straight-line basis over the period of the lease. Assets leased under operating leases are presented in the statement of financial position as investment property or as property and equipment.

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. Income from finance lease transactions is amortised over the lifetime of the lease using the effective interest rate method. Finance lease receivables are recognised at an amount equal to the net investment in the lease, including the unguaranteed residual value.

2.11 Property and Equipment

Property and equipment are initially recognised under their purchase value. For property, their fair value is assessed on the basis of the appraisal of an independent appraiser. If the assessed fair value is lower than the book value, then the book value of the asset is impaired to the assessed value. In the event of a lower book value than the assessed fair value, the value of the fixed assets does not change.

Items of property and equipment are recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis at rates designed to write off the cost or valuation of buildings and equipment over their estimated useful lives, as follows:

Bank and Group	**2023**	**2022**
Buildings	33 years	33 years
Computers	5 years	5 years
Equipment	5 years	5 years
Motor vehicles	5 years	5 years
Investment in foreign real estate	10 years	10 years

Land is not depreciated. Assets in the course of transfer or construction are not depreciated until they are brought into use.

Gains and losses on the disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement during the financial period in which they are incurred.

2.12 Investment Property

Investment property is an item of property or equipment that the Bank does not use directly for the performance of its activities but holds for letting and, in case of investment property acquired for the realisation of collateral from lending operations, also for the purposes of completion or sale in order to increase the value of the investment property.

Investment property comprises leased apartments and business premises that have a surface area greater than 60% of the total area and which are leased under long-term agreements.

Investment properties are shown under their fair value on the basis of the annual assessment of an independent appraiser.

Profit and loss from valuation according to fair value are included in the Income statement.

2.13 Cash and Cash Equivalents

The following is disclosed in the cash flow statement as cash and cash equivalents: cash in hand and balances on accounts with the central bank, loans to banks and other highly liquid (readily convertible to cash) short-term investments with an original maturity of less than 90 days from the date of acquisition.

Cash and cash equivalents are impaired as required by the IFRS 9; however, the management did not recognise it, as it is deemed immaterial.

2.14 Provisions for Liabilities and Costs

Provisions for liabilities and costs are recognised if the Group has a current (legal or direct) obligation as a result of a past event, and it is probable that the settlement of the obligation will result in an outflow of resources embodying economic benefits and the said amount can be reliably estimated.

2.15 Employee Benefits

Employee benefits include long-service bonuses, severance pay on retirement and other long-term benefits. Provisions for employee benefits are calculated by an independent actuary (more under note 5.19).

The Group pays contributions for pension insurance in accordance with the law (8.85% of the gross wage). The Group has no other obligations in addition to the payment of contributions. Contributions represent costs in the period they relate to and are disclosed in the Income statement under labour cost.

2.16 Financial Guarantee Contracts

Financial guarantees are contracts that require their issuer (guarantor) to pay an agreed sum to the beneficiary for the coverage of loss suffered by the beneficiary in the event of a default on the part of the debtor. Financial guarantees are issued by the Group to other banks, financial institutions and other parties as security for loans, overdraft facilities and other banking services.

Financial guarantees are recognised in the off-balance-sheet books of account upon issue as potential liabilities. Commissions received are recognised in the income statement throughout the term of a contract using the straight-line depreciation method. Issued guarantees are disclosed in the balance sheet in the amount of the estimated expenses required to settle liabilities under the contract.

An increase in liabilities associated with financial guarantees is reflected in the Income statement under operating expenses.

In accordance with the IFRS 9, the loss allowance for financial guarantee contracts is recognised as a provision.

2.17 Taxes

Income tax for the current financial year is disclosed in accordance with Slovenian legislation. Tax expenses in the Income statement are composed of current taxes and deferred taxes.

Deferred taxes are accounted for all temporary differences between the value of assets and the tax liability and their carrying amount. Deferred taxes are accounted at the tax rate applicable in the year following the end of the financial year.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilised.

Deferred tax associated with the valuation of available-for-sale financial assets measured at fair value over other comprehensive income is disclosed directly in other comprehensive income, and later transferred to profit or loss together with the gains or losses from valuation.

In 2013, the tax on financial services was introduced in Slovenia, which is a levy on compensations paid for the prescribed financial services rendered. The tax rate is 8.5% and the tax is paid monthly. The financial services tax reduces fee and commission income (Note 4.3).

2.18 Share Capital

2.18.1 Share Issue Costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.18.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

2.18.3 Treasury Shares

Where the Group purchases the Bank's shares, the consideration paid is deducted from the total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold, any consideration received is included in the shareholders' equity.

2.19 Received Loans, Received Deposits and Issued Debt Securities

Raised loans and deposits and issued debt securities are initially recognised at fair value, which usually equals the historical cost less transaction costs. Upon subsequent measurement, they are measured at amortised cost, while the difference between the value upon initial recognition and amortised cost is recognised in profit or loss under interest expenses using the effective interest rate.

2.20 Transactions on Behalf and for the Account of Others

Gorenjska banka d.d., also offers asset management services to its customers. These assets are not included in the Group's Statement of Financial Position. A fee is charged to customers for the mentioned services, which is broken down by items referred to in Note 4.3.2. Details on transactions on behalf and for the account of others are presented in Note 6.9. In accordance with Slovenian legislation, Note 6.9 breaks down the data on the claims and liabilities of accounts on which the Group keeps the customers' financial assets from brokerage operations, whereby this data relates to services for customers involving the reception and brokering of orders, the execution of orders and the management and custody of financial instruments.

2.21 Data in the Financial Statements and Notes on the Financial Statements

Disclosures of data in the financial statements and notes on the financial statements are shown for the Bank and the Group separately. In cases when the data and information for the bank and the Group are identical, such data and information are shown only for the Group, or the wording "Bank and Group" is added. Comparative information is disclosed in the manner described in Note 2.23.

3 Critical Accounting Estimates and Judgments

In accordance with the IFRS, all of the policies and estimates used are the best estimates performed in accordance with the valid standards. Estimates and assumptions are based on the going concern principle, past experience and other factors, including expectations regarding future events.

3.1 Impairments of Loans and Claims

The Bank used the concept of expected losses, which provides impartial and weighted credit risk loss assessments by taking into account various macroeconomic scenarios. These scenarios and their probabilities are determined with the statistical analysis of the economic forecasts of various external agencies. That way, the Bank recognises losses that are expected to be incurred in future.

The allowance is based on expected credit losses arising from the classification of assets into specific groups. The grouping of the assets, for the purpose of determining the probability of default, is performed on the basis of both quantitative and qualitative criteria contained in the internal rating models. For the purpose of stage allocation, the bank uses various qualitative criteria, prescribed by the regulator, and quantitative criteria based on the change of the lifetime probability of default since the initial recognition.

All internal rating models are regularly validated. All other models, expert and management judgements used in the calculation of expected losses are subject to regular backtesting.

For all significant exposures on the client level, the Bank regularly assesses whether conditions are met for each individual impairment of resources and/or the scope of the necessary provisions for off-balance-sheet assumed obligations. The impairment of a financial asset is the difference between the carrying amount and the recoverable amount. The IFRS defines the recoverable amount as the current value (discounted value) of the expected future cash flows with the use of the original effective interest rate. When calculating the impairment of a financial asset or provision for the assumed obligations under off-balance-sheet items, the expected cash flows from the realisation of collateral (appropriate collateral with the pledge of movable or immovable property) are also taken into account, which are assessed by taking into account the time of realisation of an individual form of collateral and the expected costs of realisation.

3.2 Fair Value of Financial Instruments

The fair value of financial instruments that are traded on an active market is determined based on the quoted market price as at the reporting date, i.e. the price that represents the best bid for financial assets.

The fair value of financial assets that are traded on an active market is determined using valuation models. Valuation models for the determination of fair value are regularly reviewed by independent persons. All of the models used are verified to ensure that the results reflect market conditions. The models are based on market data as much as possible; however, estimates must nevertheless be used for the determination of market risk, volatility and correlation. Changes in the estimates of these factors can affect the reported fair value of financial instruments.

The financial instrument hierarchy in terms of the determination of fair value is disclosed in Note 7.4.3.

3.3 Impairments of Equity Investments in Subsidiaries

When assessing the impairments of equity investments in subsidiaries, the Group takes into account objective evidence and indications showing that an equity investment in a subsidiary might be impaired. If such evidence and indications exist, the Group calculates the amount of the impairment as the difference between the carrying amount of the investment and its recoverable amount. An investment's recoverable amount is the higher of the following two values: the fair value or current value of expected future cash flows, discounted according to the market rate of return of similar financial assets.

If one of these amounts exceeds the carrying amount of the investment, impairment is not necessary. If expected future cash flows cannot be assessed, the Group calculates the necessary impairments as the difference between the book value of a financial asset and the book value of the capital of the company in which the Group holds an investment, i.e. in a proportionate share with respect to equity participation.

3.4 Provisions for Off-Balance Sheet Risk

Provisions for off-balance-sheet risks were made for financial guarantees, securities, bad letters of credit and transactions with similar risks that may incur a liability for the Group. The Group takes into account the financial conditions, payment discipline and eventual collateral received when setting aside provisions for off-balance sheet risk.

3.5 Provisions for Legal Cases

Provisions for legal cases are formed on the basis of an assessment of the likely negative outcome of legal proceedings.

3.6 Provisions for Long-Term Employee Benefits

Employee benefits obligations are calculated by an independent actuary. The assumptions used in the actuarial calculation and the provisions for retirement indemnity bonuses and jubilee benefits that have been formed on the basis of the actuarial calculation are disclosed in Note 5.18.

4 Notes on the Income Statement

4.1 Net Interest Income

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Interest income				
Financial assets measured at amortised cost				
Debt securities	3,635	2,784	3,635	2,784
Loans and receivables	97,157	52,592	97,046	52,543
Loans mandatorily at FVTPL	-	-	-	-
Securities measured at FVTOCI	812	1,362	812	1,362
Financial liabilities – negative interest rate	-	96	-	96
Other assets	62	825	62	825
Total	**101,666**	**57,659**	**101,555**	**57,610**
Interest expenses				
Financial liabilities measured at amortised cost				
Due	6,440	1,577	6,440	1,577
Borrowings	4,688	1,597	4,688	1,601
Bonds issued	736	-	736	-
Other liabilities	9	6	8	8
Financial assets – negative interest rate	11	1,032	11	1,032
Total	**11,884**	**4,212**	**11,883**	**4,218**
Net interest income	**89,782**	**53,447**	**89,672**	**53,392**

In 2023, interest income on the credit-impaired assets at the Bank and in the Group totalled EUR 1,941 thousand (2022: EUR 1,051 thousand).

4.2 Dividend Income

in thousands of EUR

Bank and Group	**2023**	**2022**
Dividend income from financial assets measured at FVTOCII	-	-
Dividend income from financial assets mandatorily at FVTPL	335	311
Total	**335**	**311**

4.3 Net fee and commission income

4.3.1 Fee and commission income and expenses relating to activities of the Bank and the Group

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Fee and commission income				
Credit related fees and commissions	2,649	2,570	2,626	2,548
Guarantees related fees and commissions	1,111	806	1,111	806
Payment service related fees and commissions				
Keeping current accounts	4,807	4,928	4,807	4,928
Debit and credit payments	4,050	4,095	4,092	4,087
Cash withdrawals at ATMs	1,955	1,782	1,955	1,782
Card transactions	1,485	1,485	1,485	1,485
Other services relating to the payment	163	156	163	156
Other fees and commissions	1,386	967	1,419	1,106
Fee and commission income	**17,599**	**16,789**	**17,651**	**16,898**
Fee and commission expense				
Payment services related fees and commissions	452	391	452	391
Other fees and commissions	242	193	242	196
Total	**694**	**584**	**694**	**587**
Net fee and commission income	**16,905**	**16,205**	**16,957**	**16,311**

4.3.2 Fee and Commission Income and Expenses Relating to Fiduciary Activities

in thousands of EUR

Bank and Group	**2023**	**2022**
Fee and commission income related to fiduciary activities		
Receiving, processing and execution of orders	760	563
Total	**760**	**563**
Fee and commission expenses related to fiduciary activities		
Fee and commission expenses related to Central Securities Clearing Corporation and similar organisations	32	30
Total	**32**	**30**
Net fee and commission income relating to fiduciary activities	**728**	**533**

4.4 Gains Less Losses on Financial Assets and Liabilities not Measured at FVTPL

in thousands of EUR

Bank and Group	2023	2022
Gains from financial assets measured at amortised cost	-	-
Losses from financial assets measured at amortised cost	-	-
Losses from financial liabilities measured at amortised cost	(1)	(3)
Gains from financial assets measured at FVTOCI	-	-
Losses from financial assets measured at FVTOCI	-	-
Total	**(1)**	**(3)**

In 2023, the Bank made the bulk of its losses from customer chargebacks due to payment card misuse.

4.5 Gains Less Losses on Financial Assets and Liabilities Held for Trading

in thousands of EUR

Bank and Group	2023	2022
Net gains from dealing in foreign currencies	466	291
Net gains/(losses) from derivatives	-	-
Total	**466**	**291**

4.6 Gains Less Losses on Non-Trading Financial Assets Mandatorily at FVTPL

in thousands of EUR

Bank and Group	2023	2022
Gains less losses from the revaluation of equity securities (Note 5.2)	768	(717)
Gains less losses from disposals of equity securities	-	-
Gains less losses from the revaluation of loans (Note 5.2)	-	-
Total	**768**	**(717)**

4.7 Exchange differences

in thousands of EUR

Bank and Group	2023	2022
Gains on exchange differences	8,954	8,519
Losses on exchange differences	(8,996)	(8,278)
Total	**(42)**	**241**

4.8 Gains Less Losses on the Derecognition of Non-Financial Assets

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Gains on disposals of property and equipment	11	45	57	51
Gains on disposals of investment property	841	324	841	534
Losses on disposals of property and equipment	(2)	(4)	(1,623)	(827)
Losses on disposals of investment property	(6)	(90)	(6)	(90)
Total	**844**	**275**	**(731)**	**(332)**

4.9 Other Operating Gains Less Losses

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Rental income	3,604	3,641	9,283	6,902
Valuation of investment property to fair value	307	585	598	507
Other operating income	1,551	864	1,720	1,059
Other operating expense	(1,797)	(485)	(1,804)	(489)
Total	**3,665**	**4,605**	**9,797**	**7,978**

4.10 Administration Costs

in thousands of EUR

	Bank		Group	
Staff costs	**2023**	**2022**	**2023**	**2022**
Gross salaries	18,479	16,241	21,520	18,581
Social security costs	1,139	1,000	1,321	1,184
State pension contribution	1,480	1,299	1,884	1,705
Other costs related to gross salaries	90	79	623	487
Other employee costs	1,967	1,715	2,251	1,955
Total	**23,155**	**20,334**	**27,599**	**23,912**
Costs of materials and services				
Other professional services	8,605	5,804	9,344	6,364
Advisory services and other non-audit-related services	1,895	1,418	2,038	1,537
Repairs and maintenance expenses	578	544	678	639
Tax	236	57	236	57
Contributions	229	222	249	230
Membership fees and similar costs	104	89	125	107
Other costs of services	8,233	7,011	3,451	2,960
Costs of materials	1,031	1,339	1,200	1,500
Total	**20,911**	**16,484**	**17,322**	**13,396**
Administration costs	**44,066**	**36,818**	**44,921**	**37,308**

The auditing expenditure for the audit of the consolidated annual report for 2023 is EUR 85.9 thousand (2022: EUR 63.6 thousand) and for other auditing services EUR 26 thousand (2022: EUR 15.7 thousand). There were no costs for tax consulting and other non-audit services.

As at 31 December 2023, there were 417 employees at the Bank (2022: 414), while the Group employed 506 employees (2022: 497), with an average number of employees for the Group of 498 in 2023. Other costs of services of the Bank include costs for business travel, marketing, licences, insurance, legal costs and fees and costs for leasing services.

The Bank and the Group consider short-term and low-value leases as costs rather than as a lease liability.

In 2023, the Bank paid a total of EUR 539 thousand for all rents (2022: EUR 483 thousand) and the Group paid EUR 585 thousand rents (2022: EUR 574 thousand).

in thousands of EUR

	Bank		Group	
Costs relating to lease payments	**2023**	**2022**	**2023**	**2022**
Short term leases	-	1	-	19
Leases of low value assets	333	285	358	288
Variable lease payments	1	-	1	-
Total	**334**	**286**	**359**	**307**

4.11 Cash Contributions to Resolution Funds and Deposit Guarantee Schemes

in thousands of EUR

	Bank		Group	
Cash contributions to resolution funds and deposit guarantee schemes	**2023**	**2022**	**2023**	**2022**
Deposit guarantee	2,614	1,902	2,614	1,902
Resolution funds	257	454	257	454
Total	**2,871**	**2,356**	**2,871**	**2,356**

4.12 Depreciation

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Depreciation for property and equipment:				
Property and equipment that represent RUA (Note 5.9.1)	299	244	286	277
Property and equipment that do not represent RUA (Note 5.9.2)	1,123	1,151	4,162	3,170
Amortization for intangible assets (note 5.11)	1,389	1,305	1,454	1,386
Total	**2,811**	**2,700**	**5,902**	**4,833**

4.13 Modification Gains/(Losses)

in thousands of EUR

Bank and Group	**2023**	**2022**
Gains from financial assets measured at amortised cost	2	(23)
Losses from financial assets measured at amortised cost (note 7.1.4.4.)	(41)	14
Total	**(39)**	**(9)**

4.14 Provisions

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Provisions for guarantees and commitments (Note 5.18)	784	465	805	457
Provisions for retirement indemnity bonuses and jubilee benefits (Note 5.18)	119	21	154	41
Provisions for reorganisation (Note 5.18)	86	500	86	500
Provisions for legal issues (Note 5.18)	-	-	-	-
Total	**989**	**986**	**1,045**	**998**

4.15 Impairment

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Impairment/(reversal of impairment):				
Cash, balances at CB and other demand deposits at banks (Note 5.1.2)	(43)	7	(43)	7
Debt securities measured at FVTOCI (Note 5.3.3)	(65)	18	(65)	18
Debt securities measured at amortised cost (Note 5.4.3)	41	(31)	41	(31)
Loans and receivables to banks measured at amortised cost (Note 5.5.2)	(304)	228	(304)	228
Loans and receivables to customers measured at amortised cost (Note 5.6.3)	4,441	757	4,423	709
Other financial assets measured at amortised cost (Note 5.7.2)	51	(22)	60	3
Property and equipment (Note 5.9)	-	-	-	-
Other assets (Note 5.12)	(3)	7	(3)	7
Total	**4,118**	**964**	**4,109**	**941**

4.16 Tax

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Current tax	5,276	2,759	5,341	2,770
Deferred tax (Note 5.19.6)	2,157	155	2,152	148
Total	**7,433**	**2,914**	**7,493**	**2,918**

Income tax differs from the amount of tax determined applying the Slovenian statutory tax rate as follows:

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Profit before tax	57,828	30,823	58,334	31,027
Tax calculated at prescribed rate 19% (2022: 19%)	10,987	5,856	11,083	5,895
Tax for non-tax deductible expenses	217	123	222	128
Tax for exempt income - dividends	(63)	(56)	(63)	(56)
Tax - self-declaration	(83)	-	(83)	-
Tax for temporary differences – impairment of bonds	38	51	38	51
Tax for temporarily differences – reversal of bond impairments	33	(58)	33	(58)
Tax for temporary differences – increase/reversal of provisions	(34)	(5)	(29)	2
Tax loss coverage	(3,428)	(2,798)	(3,468)	(2,819)
Other tax effects	-	-	3	(11)
Tax relief	(234)	(200)	(243)	(215)
Total	**7,433**	**2,914**	**7,493**	**2,918**
Effective tax rate, in %	**12.9**	**9.5**	**12.8**	**9.4**

The Bank has not recognised deferred tax in full for impairments of securities not recognised for tax purposes, for tax losses from previous years and for other provisions. They are only recognised up to the amount that can be recovered in the future with respect to the planned taxable profits in the following years. The difference to the total amount of deferred tax that may be taken into account by the Bank in the following years amounts to EUR 19,963 thousand (2022: EUR 23,472 thousand).

The tax liability from the profit or loss in 2023 amounts to EUR 5,276 thousand for The bank (2022: EUR 2,759 thousand) and EUR 5,341 thousand for the Group (2022: EUR 2,770 thousand).

The effective tax rate in 2023 was 12.9% for the Bank and 12.8% for the Group (2022: Bank 9.5% and Group: 9.4%).

The deferred tax liability in 2023 amounts to EUR 2,157 thousand (2022: deferred tax assets EUR 155 thousand) and EUR 2,152 thousand for the Group (2022: deferred tax assets EUR 148 thousand).

5 Notes on the Statement of Financial Position

The movement of value adjustments by stage for all items in the statement of financial position is disclosed in Note 7.1.4.3.

5.1 Cash, Balances at Central Banks and Other Demand Deposits at Banks

5.1.1 Breakdown by Type of Financial Instruments

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Cash in hand	25,724	23,106	25,724	23,106
Balances at central banks	312,961	258,336	312,961	258,336
Demand deposits at banks	19,151	32,351	19,151	32,435
Cash and cash equivalents (Note 6.2)	**357,836**	**313,793**	**357,836**	**313,877**
Impairment	(17)	(60)	(17)	(60)
Total	**357,819**	**313,733**	**357,819**	**313,817**

5.1.2 Movements in Provisions for the Impairment of Balances at Central Banks and Other Demand Deposits at Banks

in thousands of EUR

Bank and Group	**2023**	**2022**
Balance at 1 January	60	53
Impairment of balances at central banks (Note 4.15)	(43)	7
Balance at 31 December	**17**	**60**

5.2 Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss

in thousands of EUR

Bank and Group	31/12/2023	31/12/2022
Equity instruments	6,650	9,457
Loans and receivables	-	-
Total	**6,650**	**9,457**

Assumptions used in the measurement of loans mandatorily at FVTPL are disclosed in Note 7.4.3.1.

Movements of non-trading financial assets mandatorily at fair value through profit or loss

in thousands of EUR

Bank and Group	2023	2022
Balance at 1 January	9,457	10,016
Revaluation of equity instruments (Note 4.6)	768	(717)
Revaluation of loans and receivables (Note 4.6)	-	-
Additions of equity instruments	1,380	703
Disposals of equity instruments	(4,955)	(545)
Repayment of loans and receivables	-	-
Balance at 31 December	**6,650**	**9,457**

5.3 Financial Assets Measured at FVTOCI

5.3.1 Breakdown by Type of Financial Instruments Measured at FVTOCI

		in thousands of EUR
Bank and Group	**31/12/2023**	**31/12/2022**
Equity instruments		
Bank Resolution Fund	6,438	6,738
SWIFT, La Hulpe, Belgium	12	12
Debt instruments		
Bonds issued by the government	21,684	23,152
Bonds issued by other issuers	4,922	5,423
Treasury bills	27,512	-
Gross amount	**82,569**	**33,056**
Impairment	(64)	(129)
Total	**82,505**	**32,927**

5.3.2 Movements of Financial Assets Measured at FVTOCI

		in thousands of EUR
Bank and Group	**2023**	**2022**
Balance at 1 January	32,928	35,214
Additions	47,534	13,126
Disposals	-	(12,507)
Interest accrual	10	(90)
Losses from changes in fair value	1,968	(2,797)
Impairment (Note 4.15)	65	(18)
Balance at 31 December	**82,505**	**32,928**

5.3.3 Movements in Provisions for the Impairment of Financial Assets Measured at FVTOCI

		in thousands of EUR
Bank and Group	**2023**	**2022**
Balance at 1 January	129	111
Impairment of debt securities (Note 4.15)	(65)	18
Balance at 31 December	**64**	**129**

5.3.4 Accumulated Other Comprehensive Income Related to Financial Assets Measured at FVTOCI

in thousands of EUR

Bank and Group	2023	2022
Balance at 1 January	(2,286)	806
Losses due to changes in fair value (debt instruments)	1,181	(3,518)
Losses due to changes in fair value (equity instruments)	296	(299)
Deferred tax	(281)	725
Balance at 31 December	**(1,090)**	**(2,286)**

5.4 Debt Securities Measured at Amortised Cost

5.4.1 Breakdown by Type of Debt Securities Measured at Amortised Cost

in thousands of EUR

Bank and Group	31/12/2023	31/12/2022
Bonds issued by the government	259,520	290,496
Bonds issued by banks	20,029	23,080
Bonds issued by other issuers	11,560	17,768
Treasury bills	10,986	14,211
Gross amount	**302,095**	**345,555**
Impairment	(253)	(212)
Total	**301,842**	**345,343**

5.4.2 Movements of Debt Securities Measured at Amortised Cost

in thousands of EUR

Bank and Group	2023	2022
Balance at 1 January	345,343	312,023
Additions	10,711	57,420
Disposals	(52,784)	(21,404)
Interest accrual	66	(694)
Exchange differences	-	-
Transfer of the discount to profit or loss	(1,453)	(2,033)
Impairment (Note 4.15)	(41)	31
Balance at 31 December	**301,842**	**345,343**

5.4.3 Movements in the Provisions for the Impairment of Debt Securities Measured at Amortised Cost

		in thousands of EUR
Bank and Group	**2023**	**2022**
Balance at 1 January	213	244
Impairment of debt securities measured at amortised cost (Note 4.15)	41	(31)
Balance at 1 January	**254**	**213**

5.5 Loans and Receivables to Banks Measured at Amortised Cost

5.5.1 Breakdown by Type of Loans and Receivables to Banks

		in thousands of EUR
Bank and Group	**31/12/2023**	**31/12/2022**
Time deposits	23,442	44,377
Purchased receivables	-	2,107
Gross amount	**23,442**	**46,484**
Impairment	(3)	(307)
Total	**23,439**	**46,178**

In the years 2023 and 2022, the Bank did not pledge any deposits. At the end of 2023, loans to banks included EUR 19,281 thousand (2022: EUR 2,117 thousand) in cash equivalents, i.e. loans with an original maturity of less than 90 days from the acquisition date.

5.5.2 Movements in the Provisions for the Impairment of Loans and Receivables to Banks Measured at Amortised Cost

		in thousands of EUR
Bank and Group	**2023**	**2022**
Balance at 1 January	307	79
Impairment of loans and receivables to banks (Note 4.15)	(304)	228
Balance at 31 December	**3**	**307**

5.6 Loans and Receivables to Customers Measured at Amortised Cost

5.6.1 Breakdown by Type of Loans and Receivables to Customers and by Types of Borrowers

in thousands of EUR

	Bank		Group	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Individual clients:				
• Overdrafts	15,464	15,152	15,464	15,152
• Housing loans	241,242	217,244	241,242	217,244
• Consumer and other loans	363,026	299,058	363,026	299,058
Corporates and sole proprietors:				
• Corporates	230,887	232,875	230,887	232,875
• Small and medium enterprises	728,984	735,899	716,719	729,780
• Government	39,938	5,672	39,938	5,672
Gross loans and receivables	**1,619,541**	**1,505,900**	**1,607,276**	**1,499,781**
Impairment	(25,475)	(20,292)	(25,385)	(20,220)
Total	**1,594,066**	**1,485,608**	**1,581,891**	**1,479,561**

5.6.2 Breakdown by Type of Loans and Receivables to Customers

in thousands of EUR

	Bank		Group	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Purchased receivables	142,304	119,843	142,304	119,843
Finance lease receivables	439,882	371,073	439,882	371,073
Loans	1,036,538	1,014,979	1,024,273	1,008,860
Called guarantees	817	5	817	5
Gross loans and receivables	**1,619,541**	**1,505,900**	**1,607,276**	**1,499,781**
Impairment	(25,475)	(20,292)	(25,385)	(20,220)
Total	**1,594,066**	**1,485,608**	**1,581,891**	**1,479,561**

5.6.3 Movements in the Provisions for the Impairment of Loans and Receivables to Customers Measured at Amortised Cost

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Balance at 1 January	20,292	20,838	20,220	20,814
Impairment (Note 4.15)	4,441	757	4,423	709
Write-off	(1,586)	(2,936)	(1,586)	(2,936)
Other	2,328	1,633	2,328	1,633
Balance at 31 December	**25,475**	**20,292**	**25,385**	**20,220**

5.7 Other Financial Assets Measured at Amortised Cost

5.7.1 Breakdown by Type of Other Financial Assets Measured at Amortised Cost

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Items in the course of collection	140	142	140	142
Commissions	468	387	468	387
Receivables	1,656	866	2,014	1,433
Receivables for received payments deriving from portfolio management	184	145	184	145
Other assets	3,127	2,952	2,977	2,964
Gross other financial assets	**5,575**	**4,492**	**5,783**	**5,071**
Impairment	(126)	(75)	(376)	(315)
Total	**5,449**	**4,417**	**5,407**	**4,756**

5.7.2 Movements in the Provisions for the Impairment of Other Financial Assets Measured at Amortised Cost

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Balance at 1 January	75	97	315	313
Reversal of impairment (Note 4.15)	51	(22)	61	2
Other	-	-	-	-
Balance at 31 December	**126**	**75**	**376**	**315**

5.8 Investments in Subsidiaries

5.8.1 Key Data of Investments in Subsidiaries

in thousands of EUR

	Assets	Liabilities	Equity	Loss/Profit	Revenue	interest held. %
2023						
Imobilia-GBK, d. o. o., Kranj	4,642	280	4,362	334	905	100
GB Leasing, d. o. o., Ljubljana	21,806	17,714	4,092	127	10,898	100
Filira, d. o. o., Ljubljana	276	184	92	(1)	-	100
2022						
Imobilia-GBK, d. o. o., Kranj	4,355	327	4,028	140	741	100
GB Leasing, d. o. o., Ljubljana	13,987	10,022	3,965	2	7,679	100
Hypo Alpe-Adria-Leasing, d. o. o., Ljubljana	162	70	92	(1)	79	100

5.8.2 Investments in Subsidiaries

As at the end of 2023, assets in the statement of financial position disclose EUR 6,405.6 thousand in investments in the equity of the subsidiaries, whereby the equity investment in Imobilia-GBK d.o.o., Kranj, was recorded at the value of EUR 2,521.3 thousand, the equity investment in GB Leasing d.o.o., Ljubljana, at the value of EUR 3,800 thousand and the equity investment in Filira d.o.o., Ljubljana at the value of EUR 84.3 thousand (2022: EUR 6,405.6 thousand, of which EUR 2,521.3 thousand for Imobilia-GBK d.o.o., Kranj, EUR 3,800 thousand for GB Leasing d.o.o., Ljubljana and EUR 84.3 thousand for Hypo Alpe-Adria-Leasing d.o.o., Ljubljana).

In 2022 and 2023, there were no movements of investments in subsidiaries.

5.9 Property and Equipment

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Property and equipment that represent RUA	606	689	356	597
Property and equipment that do not represent RUA	10,214	8,476	28,719	21,213
Total property and equipment	**10,820**	**9,165**	**29,075**	**21,810**

5.9.1 Property and Equipment that Represent Right-of-Use Assets (RUA)

in thousands of EUR

Bank	RUA – buildings	RUA – vehicles	Total
1 January 2022			
Cost	901	161	1,062
Accumulated depreciation	(353)	(99)	(452)
Net book amount	**548**	**62**	**610**
Year ending December 2022			
Opening net book value	548	62	610
Additions	108	214	322
Disposals	-	-	-
Depreciation charge	(174)	(70)	(244)
31 December 2022	**483**	**206**	**689**
31 December 2022			
Cost	980	295	1,275
Accumulated depreciation	(496)	(89)	(586)
Net book amount	**483**	**206**	**689**

in thousands of EUR

Bank	RUA – buildings	RUA – vehicles	Total
Year ending December 2023			
Opening net book value	483	206	689
Additions	32	184	216
Disposals	-	-	-
Depreciation charge	(190)	(109)	(299)
31 December 2023	**325**	**281**	**606**
31 December 2023			
Cost	1,012	479	1,491
Accumulated depreciation	(687)	(198)	(885)
Net book amount	**325**	**281**	**606**

5.9.1 Property and Equipment that Represent Right-of-Use Assets (RUA)

			in thousands of EUR
Group	**RUA – buildings**	**RUA – vehicles**	**Total**
1 January 2022			
Cost	1,353	52	1,405
Accumulated depreciation	(609)	(30)	(639)
Net book amount	**744**	**22**	**766**
Year ending December 2022			
Opening net book value	744	22	766
Additions	108	-	108
Disposals	-	-	-
Depreciation charge	(264)	(13)	(277)
31 December 2022	**588**	**9**	**597**
31 December 2022			
Cost	1,432	52	1,483
Accumulated depreciation	(843)	(43)	(886)
Net book amount	**588**	**9**	**597**

			in thousands of EUR
Group	**RUA – buildings**	**RUA – vehicles**	**Total**
Year ending December 2023			
Opening net book value	588	9	597
Additions	32	13	45
Disposals	-	-	-
Depreciation charge	(274)	(12)	(286)
31 December 2023	**346**	**10**	**356**
31 December 2023			
Cost	2,073	65	2,138
Accumulated depreciation	(1,727)	(55)	(1,782)
Net book amount	**346**	**10**	**356**

5.9.2 Property and Equipment that Do Not Represent Right-of-Use Assets (RUA)

in thousands of EUR

Bank	Land & buildings	Computers	Motor vehicles and other equipment	Assets under construction	Total
1 January 2022					
Cost	19,002	6,758	5,097	-	30,857
Accumulated depreciation	(12,880)	(5,121)	(4,423)	-	(22,424)
Net book amount	**6,122**	**1,637**	**674**	**-**	**8,433**
Year ending December 2022					
Opening net book value	6,122	1,637	674	-	8,433
Additions	-	-	-	1,260	1,260
Transfer between equipment types	-	1	(1)	-	-
Transfer to/from assets under construction	218	196	176	(590)	-
Disposals	(35)	(1)	(21)	-	(57)
Impairment	-	-	-	-	-
Disposals	(3)	(3)	(3)	-	(8)
Depreciation charge	(325)	(583)	(244)	-	(1,151)
31 December 2022	**5,977**	**1,247**	**582**	**670**	**8,476**
31 December 2022					
Cost	19,173	6,809	5,009	670	31,660
Accumulated depreciation	(13,196)	(5,561)	(4,427)	-	(23,185)
Net book amount	**5,977**	**1,247**	**582**	**670**	**8,476**
Year ending December 2023					
Opening net book value	5,977	1,247	582	670	8,476
Additions	-	-	-	1,146	1,146
Transfer to investment property	1,717	-	-	-	1,717
Transfer to/from assets under construction	513	902	360	(1,775)	-
Disposals	-	(8)	(2)	-	(10)
Impairment	-	-	-	-	-
Disposals	4	2	2	-	8
Depreciation charge	(342)	(542)	(239)	-	(1,123)
31 December 2023	**7,869**	**1,601**	**703**	**41**	**10,214**
31 December 2023					
Cost	21,406	7,664	5,273	41	34,384
Accumulated depreciation	(13,537)	(6,063)	(4,570)	-	(24,170)
Net book amount	**7,869**	**1,601**	**703**	**41**	**10,214**

None of the property and equipment has been pledged as at 31 December 2022 and as at 31 December 2023. The Bank finances purchases of property and equipment with its own funds.

5.9.2 Property and Equipment that Do Not Represent Right-of-Use Assets (RUA)

in thousands of EUR

Group	Land & buildings	Computers	Motor vehicles and other equipment	Assets under construction	Total
1 January 2022					
Cost	19,002	6,949	18,336	-	44,287
Accumulated depreciation	(12,880)	(5,251)	(7,766)	-	(25,897)
Net book amount	**6,122**	**1,698**	**10,570**	**-**	**18,390**
Year ending December 2022					
Opening net book value	6,122	1,698	10,570	-	18,390
Additions	-	8	7,533	1,260	8,801
Transfer between equipment types	-	1	(1)	-	
Transfer to/from assets under construction	218	196	176	(590)	-
Disposals	(35)	(1)	(107)	-	(143)
Impairment	-	-	-	-	-
Disposals	(3)	(3)	(2,659)	-	(2,665)
Depreciation charge	(325)	(608)	(2,237)	-	(3,170)
31 December 2022	**5,977**	**1,291**	**13,275**	**670**	**21,213**
31 December 2022					
Cost	19,173	7,008	21,337	670	48,188
Accumulated depreciation	(13,196)	(5,717)	(8,062)	-	(26,975)
Net book amount	**5,977**	**1,291**	**13,275**	**670**	**21,213**
Year ending December 2023					
Opening net book value	5,977	1,291	13,275	670	21,213
Additions	-	26	13,907	1,146	15,079
Transfer to investment property	1,717	-	-	-	1,717
Transfer to/from assets under construction	513	902	360	(1,775)	-
Disposals	-	(11)	(6,733)	-	(6,744)
Impairment	-	-	-	-	-
Disposals	4	5	1,608	-	1,616
Depreciation charge	(342)	(561)	(3,260)	-	(4,162)
31 December 2023	**7,869**	**1,652**	**19,157**	**41**	**28,719**
31 December 2023					
Cost	21,406	7,908	28,757	41	58,112
Accumulated depreciation	(13,537)	(6,256)	(9,600)	-	(29,393)
Net book amount	**7,869**	**1,652**	**19,157**	**41**	**28,719**

5.10 Investment Property

in thousands of EUR

Bank	Apartments	Buildings	Land	Assets under construction	Total
Year ending December 2022					
Opening value	89	31,023	4,986	8,485	44,584
Purchases	-	-	-	434	434
Transfer from/to property and equipment	-	8,919	-	(8,919)	-
Transfer to/from assets under construction (Note 5.13)	-	2,028	-	-	2,028
Revaluation to fair value (Note 4.9)	31	470	84	-	585
Disposals	-	(2,564)	(685)	-	(3,248)
31 December 2022	**120**	**39,877**	**4,385**	**-**	**44,383**
Year ending December 2023					
Opening value	120	39,877	4,385	-	44,383
Purchases	-	-	-	441	441
Transfer to/from property plant and equipment	-	(1,717)	-	-	(1,717)
Transfer from/to property and equipment	-	441	-	(441)	-
Transfer to/from assets under construction (Note 5.13)	-	-	(3,500)	-	(3,500)
Revaluation to fair value (Note 4.9)	-	307	-	-	307
Disposals	-	(4,953)	(13)	-	(4,966)
31 December 2023	**120**	**33,955**	**873**	**-**	**34,948**

Investment properties are valued under fair value, which is determined on the basis of appraisal reports prepared by independent appraisers who perform the appraisals in accordance with the International Valuation Standards (level 2) and the assessments of the management (level 3).

in thousands of EUR

	Level 1	Level 2	Level 3	Total
31 December 2023	-	34,948	-	**34,948**
31 December 2022	-	44,383	-	**44,383**

In 2023, rental income of EUR 3,537 thousand was generated (2022: EUR 3,515 thousand). In 2022, investment property maintenance and management costs amounted to EUR 406 thousand (2022: EUR 941 thousand).

in thousands of EUR

Rental income from investment property leased	**31/12/2023**
Receivables in arrears	-
Expected flows in 2024	2,229
Expected flows in 2025	1,049
Expected flows in 2026	630
Expected flows in 2027	478
Expected flows in 2028	478
Expected flows in 2029	478
Total	**5,342**

At the beginning of 2023, the Bank owned 24 investment properties, of which 8 were land plots and 16 were buildings. At the end of 2023, it owned 35 investment properties of which 13 were land plots and 22 were buildings.

5.10 Investment Property

in thousands of EUR

Group	**Apartments**	**Buildings**	**Land**	**Assets under constructioni**	**Total**
Year ending December 2022					
Opening value	89	36,049	5,719	8,486	50,343
Purchases	-	-	-	434	434
Transfer from/to property and equipment	-	8,919	-	(8,919)	-
Transfer to/from assets under construction (Note 5.13)	-	2,028	-	-	2,028
Revaluation to fair value (Note 4.9)	31	392	84	-	507
Disposals	-	(5,405)	(685)	-	(6,089)
31 December 2022	**120**	**41,984**	**5,118**	**-**	**47,223**
Year ending December 2023					
Opening value	120	41,984	5,118	-	47,223
Purchases	-	499	-	441	940
Transfer to/from property plant and equipment	-	(1,717)	-	-	(1,717)
Transfer from/to property and equipment	-	441	-	(441)	-
Transfer to/from assets under construction (Note 5.13)	-	-	(3,500)	-	(3,500)
Revaluation to fair value (Note 4.9)	-	598	-	-	598
Disposals	-	(4,953)	(13)	-	(4,966)
31 December 2023	**120**	**36,853**	**1,606**	**-**	**38,578**

5.11 Intangible Assets

In 2022 and 2023, the Bank financed the purchases of intangible assets from its own resources and not by borrowing.

in thousands of EUR

Bank	Software licences and property rightse	Assets under construction	Total
1 January 2022			
Cost	12,057	557	12,613
Accumulated amortization	(8,577)	-	(8,577)
Net book amount	**3,480**	**557**	**4,036**
Year ending December 2022			
Opening net book value	3,480	557	4,036
Additions	-	583	583
Transfer	1,140	(1,140)	-
Disposals	(127)	-	(127)
Amortization charge	(1,305)	-	(1,305)
31 December 2022	**3,188**	**-**	**3,188**
31 December 2022			
Cost	12,713	-	12,713
Accumulated amortization	(9,526)	-	(9,526)
Net book amount	**3,188**	**-**	**3,188**
Year ending December 2023			
Opening net book value	3,188	-	3,188
Additions	-	555	555
Transfer	542	(542)	-
Disposals	3	-	3
Amortization charge	(1,389)	-	(1,389)
31 December 2023	**2,344**	**13**	**2,357**
31 December 2023			
Cost	13,247	13	13,260
Accumulated amortization	(10,903)	-	(10,903)
Net book amount	**2,344**	**13**	**2,357**

in thousands of EUR

Group	Software licences and property rightse	Assets under construction	Total
1 January 2022			
Cost	12,649	557	13,205
Accumulated amortization	(9,040)	-	(9,040)
Net book amount	**3,609**	**557**	**4,165**
Year ending December 2022			
Opening net book value	3,609	557	4,165
Additions	34	583	617
Transfer	1,140	(1,140)	-
Disposals	(127)	-	(127)
Amortization charge	(1,386)	-	(1,386)
31 December 2022	**3,270**	**-**	**3,270**
31 December 2022			
Cost	13,340	-	13,340
Accumulated amortization	(10,070)	-	(10,070)
Net book amount	**3,270**	**-**	**3,270**
Year ending December 2023			
Opening net book value	3,270	-	3,270
Additions	75	555	630
Transfer	542	(542)	-
Disposals	3	-	3
Amortization charge	(1,454)	-	(1,454)
31 December 2023	**2,436**	**13**	**2,449**
31 December 2023			
Cost	13,851	13	13,864
Accumulated amortization	(11,415)	-	(11,415)
Net book amount	**2,436**	**13**	**2,449**

5.12 Other Assets

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Prepaid and deferred expenses or costs	653	584	733	676
Stock	644	203	644	235
Prepayments	423	4,074	692	4,074
Claim for taxes	549	295	929	418
Gross other assets	**2,269**	**5,157**	**2,998**	**5,403**
Impairment	(7)	(10)	(7)	(10)
Total	**2,262**	**5,147**	**2,991**	**5,393**

Movements in provisions for impairment

in thousands of EUR

Bank and Group	**2023**	2022
Balance at 1 January	10	4
Impairment (Note 4.15)	(3)	6
Balance at 31 December	**7**	**10**

5.13 Non-current assets held for sale

in thousands of EUR

	Bank		Group	
	2023	**2022**	**2023**	**2022**
Balance at 1 January	111	8,693	293	8,973
Transfer from property and equipment (Note 5.10)	4,000	-	4,000	-
Transfer to property and equipment	-	(2,028)	-	(2,028)
Additions	-	-	3,205	500
Disposals	(4)	(6,554)	(962)	(7,152)
Balance at 31 December	**4,107**	**111**	**6,536**	**293**

Non-current assets held for sale are measured at fair value, and therefore no material additional gains or losses are expected to arise from these transactions. The major part of the non-current assets held for sale (EUR 4,000 thousand) relates to a purchase agreement that has already been concluded and is expected to be completed in the first quarter of 2024. Part of the assets relate to a property, which is expected to be completed within 12 years.

5.14 Due to Customers

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Corporates and other entities				
• Current/settlement accounts	425,453	441,299	424,491	439,805
• Term deposits	136,340	108,252	136,340	108,252
Individual clients				
• Current/demand accounts	1,104,628	1,193,503	1,104,628	1,193,503
• Term deposits	282,360	176,889	282,360	176,889
Total	**1,948,781**	**1,919,943**	**1,947,819**	**1,918,449**

5.15 Borrowings from Banks and Central Banks

in thousands of EUR

Bank and Group	**31/12/2023**	**31/12/2022**
Due to banks	4,519	1,966
Borrowings from banks	92,348	96,149
• of which subordinated debt	50,030	50,020
Total	**96,867**	**98,115**

5.16 Debt securities

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Debt securities issued				
• MREL bonds	73,336	-	73,336	-
Total	**73,336**	**-**	**73,336**	**-**

5.17 Other Financial Liabilities

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Due to suppliers	5,469	3,824	6,098	5,347
Obligations under card operations	5,881	4,699	5,881	4,699
Accrued expenses	2,005	1,188	2,125	1,296
Unexecuted obligations for payment	530	957	530	957
Lease liabilities				
Current lease liabilities	286	278	169	298
Non-current lease liabilities	318	422	178	313
Other financial liabilities	4,512	475	6,930	1,194
Total	**19,001**	**11,843**	**21,911**	**14,103**

The table below shows the maturity of undiscounted contractual lease payments.

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Less than one year	278	278	186	295
One to five years	156	658	156	313
More than five years	-	-	-	-
Total	**434**	**936**	**342**	**608**

5.18 Provisions

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Provisions for retirement indemnity bonuses	988	1,059	1,144	1,186
Provisions for jubilee benefits	144	123	167	140
Provisions for guarantees and commitments (Note 6.1.1)	2,669	1,884	2,668	1,862
Provisions for deferred variable remuneration	710	500	710	500
Provisions for reorganisation	600	936	600	936
Provisions for legal issues	-	-	-	-
Total	**5,111**	**4,502**	**5,289**	**4,624**

At the time of retirement, a retiring employee who has fulfilled certain conditions is entitled to a lump sum. After every ten-year period that an employee has worked for the Bank, the employee is entitled to an award. Provisions for severance and jubilee benefits were established on the basis of an actuarial calculation using the following assumptions:

- nominal long-term interest rate of 3.6% (2022: 3.65%);
- expected long-term growth in the amount of jubilee benefits and non-taxable amounts in the calculation is estimated at 3.5% (2022: 1%);
- the expected mortality of employees according to the 2007 Slovenian mortality tables has been considered;
- provisions are calculated only for full-time employees;
- it is assumed that the employees will exercise the right to retirement when reaching retirement age;
- it is assumed that the Bank will continue its operations in the foreseeable future.

Sensitivity analysis in euros:

Parameters	Provisions for retirement indemnity bonuses	Provisions for jubilee benefits
Decrease of the discount interest rate by 0,5%	52,735,82 €	5,262,69 €
Increase of the discount interest rate by 0,5%	(48,430,93 €)	(4,923,92 €)
Increase wage growth by 0.5 % yearly	52,717,83 €	0,00 €
Decrease wage growth by 0.5 % yearly	(47,155,39 €)	0,00 €

Movement in the provision for jubilee and retirement benefits

in thousands of EUR

	Provisions for retirement gratuities	Provisions for jubilee gratuities	Total
Stanje 31. 12. 2022	**1,059**	**123**	**1,182**
Interest expense (P&L)	37	4	41
Past service cost (P&L)	(59)	-	(59)
Current service cost (P&L)	111	17	128
Benefit payments (-)	(50)	(8)	(58)
Actuarial profits/losses (P&L)	-	8	8
Actuarial profits/losses	(110)	-	(110)
Balance 31/12/2023	**988**	**144**	**1,132**

Movement of provisions:

in thousands of EUR

Bank	Provisions for retirement indemnity bonuses and jubilee benefits	Provisions for guarantees and commitments	Provisions for deferred variable remuneration	Provisions for reorganisation	Provisions for legal issues	Total
Balance at 1 January 2022	1,237	1,419	350	964	-	3,970
Utilised during the year (payments)	(30)	-	(504)	(528)	-	(1,062)
Decrease in provision through OCI	(45)	-	-	-	-	(45)
Additional provisions - staff costs	-	-	654	-	-	654
Additional provisions (Note 4.14)	42	4,401		500	-	4,943
Provisions realised (Note 4.14)	(22)	(3,936)	-	-	-	(3,958)
Balance at 31 December 2022	**1,182**	**1,884**	**500**	**936**	**-**	**4,502**
Balance at 1 January 2023	1,182	1,884	500	936	-	4,502
Utilised during the year (payments)	(59)	-	(543)	(422)	-	(1,024)
Decrease in provision through OCI	(110)	-	-	-	-	(110)
Additional provisions - staff costs	-	-	753	-	-	753
Additional provisions (Note 4.14)	178	4,959		86	-	5,223
Provisions realised (Note 4.14)	(59)	(4,174)	-	-	-	(4,233)
Balance at 31 December 2023	**1,132**	**2,669**	**710**	**600**	**-**	**5,111**

in thousands of EUR

Group	Provisions for retirement indemnity bonuses and jubilee benefits	Provisions for guarantees and commitments	Provisions for deferred variable remuneration	Provisions for reorganisation	Provisions for legal issues	Total
Balance at 1 January 2022	1,355	1,405	350	964	-	4,074
Utilised during the year (payments)	(30)	-	(504)	(528)	-	(1,062)
Decrease in provision through OCI	(40)	-	-	-	-	(40)
Additional provisions - staff costs	-	-	654	-	-	654
Additional provisions (Note 4.14)	63	4,360	-	500	-	4,923
Provisions realised (Note 4.14)	(22)	(3,903)	-	-	-	(3,925)
Balance at 31 December 2022	**1,326**	**1,862**	**500**	**936**	**-**	**4,624**
Balance at 1 January 2023	1,326	1,862	500	936	-	4,624
Utilised during the year (payments)	(59)	-	(543)	(422)	-	(1,024)
Decrease in provision through OCI	(100)	-	-	-	-	(100)
Additional provisions - staff costs	-	-	753	-	-	753
Additional provisions (Note 4.14)	203	4,915	-	86	-	5,204
Provisions realised (Note 4.14)	(59)	(4,109)	-	-	-	(4,168)
Balance at 31 December 2023	**1,311**	**2,668**	**710**	**600**	**-**	**5,289**

5.19 Income taxes

5.19.1 Current Income Tax Assets

in thousands of EUR				
	Bank		Group	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Current income tax assets	-	78	-	132
Total	**-**	**78**	**-**	**132**

5.19.2 Current Income Tax Liabilities

in thousands of EUR				
	Bank		Group	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Current income tax liabilities	2,485	-	2,540	-
Total	**2,485**	**-**	**2,540**	**-**

5.19.3 Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying values using the tax rate that has been enacted.

The Bank has an uncovered tax loss from previous years in the amount of EUR 113,375 thousand (2022: EUR 142,589 thousand). No deferred tax assets were formed in the amount of EUR 102,658 thousand. Deferred tax for a tax loss and for unrecognised impairments on equity investments are not recognised in full, but only in the estimated amount with respect to the possibility of coverage by planned profits in future years. The Bank will enforce a tax base reduction in the coming years for the total amount of tax loss and unrecognised impairments, but only up to half of the annual tax base in each year.

5.19.4 Movement in Deferred Income Taxes

in thousands of EUR				
	Bank		Group	
	2023	2022	2023	2022
Balance at 1 January	4,874	4,304	4,898	4,321
Financial assets measured at FVTOCI	(357)	729	(357)	729
Employee benefit provisions	(22)	(9)	(19)	(7)
Unrecognized impairment of assets measured at amortized cost	-	-	2	5
Tax loss	(2,059)	(150)	(2,059)	(150)
Balance at 31 December	**2,436**	**4,874**	**2,465**	**4,898**

5.19.5 Analysis by Type of Deferred Income Taxes

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Deferred income tax liabilities				
Financial assets measured at FVTOCI	-	-	-	-
Coverage of losses of subsidiaries	-	-	-	-
Total	**-**	**-**	**-**	**-**
Deferred income tax assets				
Employee benefit provisions	90	112	90	126
Financial assets measured at FVTOCI	268	561	268	561
Unrecognised impairment of assets measured at FVTPL	-	64	-	64
Unrecognised impairment of assets measured at amortised cost	-	-	-	10
Tax loss	2,078	4,137	2,107	4,137
Total	**2,436**	**4,874**	**2,465**	**4,898**
Net deferred income tax assets	**2,436**	**4,874**	**2,465**	**4,898**

In 2022, the Bank started to net deferred taxes and, as a result, the Bank no longer recognises a liability for deferred taxes

5.19.6 Deferred Tax Assets/Liabilities Included in the Income Statement (Note 4.16.)

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Employee benefit provisions	30	9	25	7
Financial assets measured at FVTOCI	68	(4)	68	(4)
Unrecognized impairment of assets measured at amortized cost	-	-	-	(5)
Tax loss	2,059	150	2,059	150
Total	**2,157**	**155**	**2,152**	**148**

5.20 Other Liabilities

in thousands of EUR

	Bank		Group	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Prepaid and deferred income	759	778	2,555	1,724
Liabilities for taxes. Contributions and other benefits	1,127	624	1,179	834
Salaries and other due to employee	2,563	1,906	2,837	2,124
Liabilities for advances	1,577	1,505	1,577	1,505
Total	**6,026**	**4,813**	**8,148**	**6,188**

5.21 Equity

5.21.1 Paid-Up Capital. Share Premium and Treasury Shares

in thousands of EUR

Bank and Group	**31/12/2023**	**31/12/2022**
Paid-up capital	16,188	16,188
Share premium	20,023	20,023
Treasury shares	(26,007)	(26,007)
Total	**10,204**	**10,204**

All shares are of the same class (ordinary) and have no restrictions in management.

On 31 December 2023 387,938 non-par shares have been authorised (2022: 387,938 shares).

In 2022 and 2023, the number of own shares did not change. On 31 December 2023, the Bank had 32,215 treasury shares (2022: 32,215 treasury shares). The acquisition of treasury shares is consistent with Article 247 of the Companies Act. The total number of treasury shares held by the Bank shall not exceed 10% of the share capital.

The nominal share value or an amount belonging to a non-par share in registered capital amounted to EUR 41.73.

5.21.2 Reserves and Retained Earnings

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Statutory reserves	86,061	86,061	86,061	86,061
Reserves for treasury shares	26,007	26,007	26,007	26,007
Legal reserves	64,872	64,872	64,887	64,880
Other reserves	481	481	481	481
Retained earnings (including income from the current year)	96,757	86,345	98,969	88,117
Total	**274,178**	**263,765**	**276,405**	**265,546**

Legal reserves can be used only under circumstances and only for purposes stated in the Company Act.

Statutory reserves can be used for reserves for treasury shares, for covering loss, for an increase in the share capital, for legal reserves and for covering other risks.

Other reserves can be used for reserves for treasury shares, for covering of loss, for an increase in the share capital, for earnings payout to shareholders, employees, management board and/or Supervisory board, as insurance for other risks, for legal and/or statutory reserves and for other purposes in line with the policy of the Bank.

5.21.2 Reserves and Retained Earnings

in thousands of EUR

	Bank		Group	
Movements in reserves:	**2023**	**2022**	**2023**	**2022**
Statutory reserves				
Balance at 1 January	86,061	86,061	86,061	86,061
Allocation of net profit	-	-	-	-
Balance at 31 December	**86,061**	**86,061**	**86,061**	**86,061**
Legal reserves				
Balance at 1 January	64,872	64,872	64,880	64,873
Allocation of net profit	-	-	-	-
Balance at 31 December	**64,872**	**64,872**	**64,880**	**64,880**
Other reserves				
Balance at 1 January	481	481	481	481
Balance at 31 December	**481**	**481**	**481**	**481**
Retained earnings (including income from the current year)				
Balance at 1 January	86,345	58,422	88,111	59,994
Net profit for the year	50,395	27,909	50,841	28,109
Transfer to legal reserves	-	-	-	-
Profit from sale of investments in equity instruments measured at FVTOCI	-	-	-	-
Transfer of actuarial losses to retained earnings	18	14	18	14
Appropriation of dividends	(40,001)	-	(40,001)	-
Balance at 31 December	**96,757**	**86,345**	**98,969**	**88,117**

5.21.3 Accumulated Other Comprehensive Income

The accumulated other comprehensive income, which is an integral part of the capital, amounted to EUR -883 thousand as at 31 December 2023 (2022: EUR -2,171 thousand). Within its accumulated other comprehensive income, the Bank discloses the revaluation of financial assets measured at FVTOCI and actuarial gains from severance pay.

Changes in the balance of accumulated other comprehensive income is evident from the Statement of Comprehensive Income.

6 Other Notes on the Financial Statements

6.1 Off-Balance Sheet Business

6.1.1 Contingent Liabilities and Commitments

The following table indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers.

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Guarantees	186,427	139,515	186,427	139,515
Commitments to extend credit	353,528	309,938	351,777	308,060
Letters of credit and other transactions	3,400	2,900	3,400	2,900
Spot transactions	1,117	2,272	1,117	2,272
Total	**544,472**	**454,625**	**542,721**	**452,747**
Provisions for guarantees and commitments (Note 5.18)	(2,668)	(1,884)	(2,667)	(1,862)
Total	**541,804**	**452,741**	**540,054**	**450,885**

6.1.2 Court Proceedings

In 2022 and 2023, the Bank was involved in some legal proceedings in which it did not expect to lose money.

Among the legal proceedings in which the Bank was involved as a defendant in 2022 and 2023, it is worth noting, in view of the substance and value of the litigation, that a collective action brought against several Slovenian banks by the Kolektiv 99 Institute on behalf of consumers who had concluded a variable-rate consumer or housing loan agreement with the Bank, seeking reimbursement of the alleged disadvantage suffered by the borrowers as a result of the Bank's failure to take account of the negative value of the Euribor in the calculation of the interest rate. By the present action, the applicant seeks a declaration that the so-called Floor practice (disregard of negative Euribor values without any basis in the loan agreement) and the so-called Floor clause (invalidity of the provision in the loan agreement according to which, in the event of a negative Euribor value, the Euribor value is deemed to be zero, or the invalidity of a comparable provision to the same effect) are null and void. The Bank did not carry out the Floor practice. As regards the alleged nullity of the Floor clause, the Bank will argue and prove in the litigation that such a clause is not null and void as it does not constitute an unfair contractual term, but rather a valid agreement between the parties on the price of the money lent. The Bank's position is supported by the legal opinion of leading civil law experts.

The Bank received the complaint in May 2022 and replied to it within the prescribed time limit. The collective action procedure is a two-stage procedure. First, the court decides on the admissibility of the action and the representativeness of the claimant (eligibility to represent consumers), and if the action is admissible, then on the merits of the claim. At the time of writing the Annual Report, the hearing on the admissibility of the action had not yet been convened.

In view of all the arguments put forward, the Bank does not expect any negative financial effects.

The Bank did not make any provision for pending legal proceedings in 2023.

6.2 Cash and Cash Equivalents

in thousands of EUR

	Bank		Group	
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**
Cash and balances a central banks (Note 5.1)	338,685	281,441	338,685	281,441
Demand deposits at banks (Note 5.1)	19,151	32,352	19,151	32,436
Loans and receivables to banks (Note 5.5)	19,281	2,117	19,281	2,117
Total	**377,117**	**315,910**	**377,117**	**315,994**

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity. The amount of the obligatory reserves is available daily for the Bank's liquidity needs, and is therefore considered a cash equivalent.

6.3 Related Party Transactions

Related parties are persons who are related in such a way that one person has an interest in the management, control or capital of another person.

The Group's related parties include key management personnel (the Bank's Management Board, members of the Bank's Supervisory Board, members of the Management boards of subsidiaries, close family members of the aforementioned, employees under individual contracts, individual companies over which all of them have a strong influence, members of the management bodies of the banking group related to the parent company), companies with a significant influence over the Bank (shareholders with more than 20% of the Bank's shares and their subsidiaries) and in addition to the aforementioned, the Bank's subsidiaries.

The Bank has three subsidiaries. Contracts are concluded on the same terms as with third parties.

The parent company and its related parties have no outstanding liabilities to the Bank.

The Bank issued MREL bonds in 2023, and one of the Group's related parties has a receivable from the Bank of EUR 1,010 thousand as at 31 December 2023, in respect of the bonds issued.

The members of the Board of Directors and the Supervisory Board and their close family members have only deposit agreements in accordance with the market conditions prevailing at the time of conclusion. In 2023, deposit agreements were concluded with interest rates between 0.0397% and 3% (2022: 1.4%).

Credit and deposit agreements with individual employees are based on market conditions at the time of conclusion. In 2023, new long-term deposits were contracted at interest rates ranging from 0.01% to 2.6% (2022: 0.001%). In 2023, the Bank granted long-term loans to employees under individual contracts at interest rates ranging from 3.6 to 5.25 percent (2022: 1.45 to 3.5 percent).

None of the transactions involve special conditions. Guarantees issued in respect of other related parties amount to EUR 2,260 thousand (EUR 1,536 thousand in 2022). Obligations are usually settled by transfers from transaction or personal accounts.

in thousands of EUR

	Key management personnel		Parent company		Other related companies		Subsidiaries	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Loans and deposits given								
Balance at 1 January	1,345	916	-	99,990	66,295	28,029	6,119	7,318
Loans/deposits issued	126	746	-	40,007	594	-	6,146	6,119
Changes in the membership	58	8	-	(40,007)	-	40,105	-	-
Loan repayments	(148)	(325)	-	(99,990)	(64,388)	(1,839)	-	(7,318)
Balance at 31 December	**1,381**	**1,345**	**-**	**-**	**2,501**	**66,295**	**12,265**	**6,119**
Impairment	2	-	-	-	-	304	90	72
Interest income earned	26	18	-	-	2,052	1,466	111	62
Deposits and loans received								
Balance at 1 January	3,677	2,170	-	60,010	66,569	10,851	1,494	685
Deposits received	1,297	1,189	-	-	8	3,690	-	734
Changes in the membership	(139)	318	-	(51,985)	(1,134)	52,028	-	75
Deposits repaid	(1,135)	-	-	(8,025)	(3,826)	-	(532)	-
Balance at 31 December	**3,700**	**3,677**	**-**	**-**	**61,618**	**66,569**	**962**	**1,494**
Interest expense on deposits	19	9	-	-	3,700	1,131	5	1
Other revenue – fee income	3	2	-	-	72	85	38	25
Other revenue – fee expense	-	-	-	-	-	-	12	-
Other operating income	-	-	1,219	484	53	95	137	137
Other operating loss	-	-	-	-	125	-	-	5
Costs of services	-	-	704	-	34	503	5,334	4,498

6.4 Management, Supervisor, Committee and Key Management Personnel Gross Remuneration

in thousands of EUR

In the year ending on 31 December 2023	Fixed income	Variable income	Cost reimbursements	Insurance premiums	Other benefits	Total
Management:						
Mario Henjak	284,0	45,4	2,6	3,2	55,3	390,5
Marko Filipčič	194,1	41,2	2,7	9,4	5,3	252,7
Mojca Osolnik Videmšek	197,4	41,7	2,8	3,2	9,9	254,9
Supervisors and Committees members:						
Jelena Galić	28,3	-	1,1	-	0,3	29,7
Jurij Bajec	22,6	-	-	-	0,3	22,9
Tim Umberger	22,3	-	-	-	0,3	22,6
Vladimir Sekulić	12,8	-	-	-	0,3	13,1
Bojan Pavlović	9,9	-	0,4	-	-	10,4
Aleksandra Babić	22,6	-	0,3	-	0,3	23,3
Ana Živanović	22,6	-	-	-	0,3	22,9
Aleksander Milostnik	22,2	-	0,5	-	0,3	23,1
Key management personnel (29 beneficiaries)	2,682,1	450,5	116,7	82,1	129,2	3,460,7
Total	**3,521,0**	**578,8**	**127,1**	**97,9**	**202,1**	**4,526,9**

in thousands of EUR

In the year ending on 31 December 2022	Fixed income	Variable income	Cost reimbursements	Insurance premiums	Other benefits	Total
Management:						
Mario Henjak	277,3	45,3	1,8	3,1	41,1	368,6
Marko Filipčič	193,8	41,0	1,4	9,4	6,5	252,1
Mojca Osolnik Videmšek	156,2	1,0	1,1	2,4	5,4	166,2
Supervisors and Committees members:						
Jelena Galić	28,3	-	-	-	-	28,3
Jurij Bajec	22,6	-	-	-	-	22,6
Tim Umberger	22,6	-	-	-	-	22,6
Vladimir Sekulić	22,0	-	-	-	-	22,0
Peter Grašek	12,1	-	0,5	-	-	12,6
Aleksandra Babić	22,6	-	-	-	-	22,6
Ana Živanović	22,6	-	-	-	-	22,6
Aleksander Milostnik	10,0	-	0,2	-	-	10,2
Key management personnel (28 beneficiaries)	2,628,2	437,6	117,0	69,6	127,4	3,379,7
Total	**3,418,4**	**524,9**	**122,0**	**84,5**	**180,4**	**4,330,2**

Key management personnel are employees whose professional activities significantly influence the risk profile of the Bank, and involve executive directors and directors of sectors and departments.

Variable remuneration refers to variable remuneration paid in 2023, related to the Bank's performance in 2022.

In addition, variable remuneration includes severance pay and compensation under the termination agreement.

The gross remuneration of the Bank's Management Board members and employees employed under individual contracts is included in labour costs (note 4.10).

6.5 Significant Events After the Date of the Statement of Financial Position

There were no significant events after the balance sheet date.

6.6 Changes in Equity

Changes in items of equity in 2023 are a consequence of:

a) profit for the current year in the amount of EUR 50,395 thousand;

b) profit from the sale of investments in equity instruments measured at FVTOCI in the amount of EUR 1,196 thousand;

c) increase in the revaluation reserve for actuarial gains in the amount of EUR 110 thousand;

d) decrease due to dividend payments of EUR 40,001 thousand.

Changes in the items of consolidated equity, in addition to the above changes, include EUR 446 thousand of profit in the current year, due to the consolidation and the fair value reserves from actuarial profits increased by EUR 1 thousand.

6.7 Profit/Loss for Appropriation

According to the Companies Act, profit or loss for appropriation is the sum of profit or loss brought forward and net profit decreased by further reserves from profit or net loss.

	in thousands of EUR
a) Retained earnings	86,345
b) Profit for the year 2023	50,395
c) Dividend	(40,001)
d) Transfer of actuarial losses to retained earnings	18
e) Profit for appropriation for the year 2023 (a + b + c + d)	**96,757**

The Bank's profit for appropriation for 2023 amounts to EUR 96,757 thousand. This includes EUR 50,395 thousand of net profit for the year and EUR 86,345 thousand of retained earnings after payment of a dividend of EUR 40,001 thousand.

6.8 The Classification of Securities According to the Listing

in thousands of EUR

As at 31 December 2023; Bank and Group	Listed		Unlisted	Total
	Ljubljana Stock Exchange	Other stock exchange		
Equity securities measured mandatorily at FVTPL	206	60	6,384	6,650
Equity securities measured at FVTOCI	-	-	6,747	6,747
Debt securities measured at FVTOCI	-	75,758	-	75,758
Debt securities measured amortised cost	5,971	292,497	3,374	301,842
Total	**6,177**	**368,315**	**16,505**	**390,997**

in thousands of EUR

As at 31 December 2022; Bank and Group	Listed		Unlisted	Total
	Ljubljana Stock Exchange	Other stock exchange		
Equity securities measured mandatorily at FVTPL	205	4,363	4,890	9,457
Equity securities measured at FVTOCI	-	-	6,450	6,450
Debt securities measured at FVTOCI	-	26,477	-	26,477
Debt securities measured amortised cost	12,365	315,746	17,232	345,343
Total	**12,569**	**346,586**	**28,572**	**387,727**

6.9 Funds Managed on Behalf of Third Parties

In 2022 and 2023, the Bank did not operate on behalf of or for the account of any other entity.

7 Risk Management

In risk management, the Bank's goal is to establish a balance in managing the relationship between risk and profitability, with the aim of ensuring long-term sustainable growth and achieving an adequate return on capital. The purpose of risk management is to assume only risks that arise in the context of business strategy, which are therefore identified at an early stage and properly managed. The Bank achieves this by integrating the risk management function in daily business activities and strategic planning, and by consistently implementing its business strategy within a defined risk appetite.

Disclosures regarding risk management are prepared in detail at the level of the Bank, since the difference between the assets of the Bank and the Group is mostly found in the investment property of subsidiaries, the financing sources for which are fully provided by the Bank, making the difference in risks at the level of the Bank and consolidated level insignificant.

In its operations, the Bank assumes various risks, the amount of which on the one hand depends on its strategic definitions regarding the willingness to assume risk and on the other hand, on the limits presented by the available capital within the scope of which the Bank is able to assume risks. According to the business model of a universal commercial bank, the risks to which the Bank is exposed are primarily traditional bank risks. The Bank is in line with the Group's Risk Management Strategy, with the Group's Risk Appetite Statement (RAS), as well as the annual strategic planning process, to ensure that the objectives of risk management, capital, liquidity and profitability are properly aligned. Risk management sets long-term goals and the Bank's attitude towards the risks to which it is exposed, or may be exposed, by taking into account the risks from the macroeconomic environment in which the Bank operates and by regularly reporting on risk management. In order to ensure the proper harmonisation of objectives in terms of risk, capital, liquidity and profitability, the Bank has the following business vision in the process of annual strategic planning:

Business vision

In the Risk Management Strategy and the Statement of Risk Appetite, the Bank defined the types of significant risks and tolerance to individual types of risks that the Bank is willing and able to take to achieve the set goals and represent incentives and limitations in the business decision. The most important is credit risk, followed by liquidity risk, while the other types of risk are lower.

A key part of the business activities is therefore reflected in the Bank's loan portfolio. The Bank manages credit risk both at the level of the individual customer or individual transaction and at the level of the portfolio as a whole, as effective and comprehensive credit risk management is a key element of a comprehensive approach to managing banking risks and ensuring the long-term success of the Bank's business. In a high interest rate environment, the Bank continued to pay particular attention to monitoring and controlling interest rate risk in 2023, preparing interest rate shock scenarios to measure the impact of stress scenarios on net interest income and the impact of stress scenarios on the economic value of capital. Foreign exchange risk is kept at a low level and any exposure deriving from regular operations is promptly managed by the Bank.

The Bank supports its focus on active and prudent risk management with an appropriate organisational structure that ensures a safe and impartial approach to risk management. The Bank is organised in such a way that the process of performing its business functions ensures the efficient use of all types of assets and resources and the provision of reliable, timely, complete and up-to-date information to support the Bank's decision-making, execution and information functions, and consequently, risk-taking. The organisation of the Bank also provides the basis for the establishment of a system of internal controls, which the Bank's Management Board continuously monitors and upgrades and adapts to changes in the Bank's business, so as to ensure that risks are adequately managed. The basis for the organisation of risk management is the delineation of responsibilities, which minimises errors, misappropriations and irregularities, and eliminates conflicts of interest. In all its activities, the Bank shall ensure the separation of the commercial function or the units that transact business and take risks (front office), from the back office, which monitors and manages business (back office) and the monitoring and risk management function.

7.1 Credit Risk

The strategy, business model and current risk profile arising from mostly traditional banking operations shows that the most important risk for the Bank is the credit risk, and therefore the one to which the Bank pays the most attention. Credit risk is the risk or probability that the client will not settle its obligations in full and within the agreed period for any reason.

The Bank is exposed to credit risk deriving from the Bank's credit portfolio, including balance sheet receivables (loans, investments in securities, capital investments, etc.) and off-balance sheet liabilities (guarantees, letters of credit, framework loans, etc.) to companies, banks, public sector, sole proprietors, citizens and other clients.

The Bank manages credit risk at the level of individual clients or a group of related parties, at the level of individual transactions and at the level of the entire portfolio, since effective and comprehensive credit risk management is the key element for a comprehensive approach to the management of banking risks and the provision of the long-term performance of the Bank. For the purposes of credit risk management, the Bank has established a system corresponding to its size and internal organisation, as well as to the nature, volume and complexity of the business model, activities and portfolios of the Bank. In order to ensure the timely identification of increased credit risk, the Bank takes into account forward-looking information, including macroeconomic factors.

To achieve the strategic goals defined in the Bank's Business Strategy and umbrella documents concerning risk management, the Risk Management Strategy and the Risk Appetite Statement, the Bank also defines the objectives and limits regarding the quality of investments and the structure of the credit portfolio. Limits regulate the concentration and structure of the credit portfolio and the quality of investments.

The Bank has established a credit process that includes processes for credit approval, monitoring, the early detection of increased credit risk, the classification of debtors and/or exposures and a process to assess the losses incurred through credit risks.

The Bank has provided a clear delineation of competencies and tasks between divisions in the key account, SME and retail segments, the Factoring Division, the Financial Leasing Division, International and Project Finance Division and the Treasury Division on one side and the Financial Controlling and Accounting Division, the Credit Risk Management Division, the Division for Strategic Risk Management, the Division for the Resolution of Problematic Investments and the Division for Support for Banking Transactions on the other side, whereby the commercial function has been separated from the transaction monitoring and risk management function.

The Bank manages credit risk at the level of an individual client or group of related parties, at the level of an individual transaction and at the level of the entire portfolio. In credit risk management, the Bank takes into account several aspects, such as:

- the quality of investments (client's credit rating, classification of receivables, impairments);
- concentration (large exposure to a particular client and groups of related parties, to an industry sector, region, the state);
- currency (foreign exchange risks, portfolio classification by currency and monitoring compliance with sources);
- method of remuneration (type and period for resetting interest rates);
- maturity date (portfolio classification by maturity and monitoring compliance with sources);
- security (ensuring, evaluating and monitoring the adequacy of the collateral amount and quality);
- type of product (framework loans, short-term loans, long-term loans, factoring, financial lease, project financing).

The existing and potential credit risk is monitored throughout the period of the business relationship with the client, which is from the receipt of an application and other documentation for loan approval to approval and final loan repayment.

The Bank has organised its credit function into marketing units within the corporate and retail segments, including factoring and leasing products, while it is also exposed to credit risk in certain transactions that fall within the competence of the Treasury Division. The Bank has also organised the Division for the Resolution of Problematic Investments; its competencies include the recovery and restructuring of distressed investments. Such organisational units are responsible and competent for concluding transactions based on the preparation of credit proposals pursuant to the authorisations and internal acts detailing the relevant area.

The Financial Controlling and Accounting Division and the Back Office Support Division are responsible for managing transactions, accounting and other tasks that fall within the competence of the support function. The Credit Risk Management Division performs credit risk assessments and credit ratings of clients and individual investments, while the Division for Strategic Risk Management monitors the Bank's exposure to credit risk at the portfolio level, proposes credit risk appetite criteria and restrictions in the form of the limit system and defines the risk parameters for the calculation of the necessary impairments in case of consolidated exposure assessment. The Division for Strategic Risk Management provides various reviews and reports on credit risk exposure and management to the Bank’s management and authorised persons.

7.1.1 Credit Risk Measurement System

The Bank has established a credit approval system within the scope of which it assesses and analyses all the relevant factors affecting the risk assessment of the debtor or a group of related parties and/or exposure prior to the approval of a loan. The Bank has defined criteria for credit approval separately for loans to legal entities and sole proprietors, and separately for retail loans and the approval of financial leasing transactions. Furthermore, the Bank assumes credit risk in investments in debt securities. For credit risk assessment, the Bank has established a classification system for debtors and/or exposures to credit grades and classification categories.

The process of classification into credit grades is based on quantitative and qualitative criteria and takes into account the essential characteristics of a particular debtor and/or exposure.

The criteria for classifying companies, cooperatives and associations provides a clear classification of the risks into suitable credit grades and/or groups, based on the operations and financial stability of a client and the resulting probability of default. A client's credit score comprises the financial and non-financial credit score.

The financial indicators used by the Bank in a credit rating assessment with regard to a client classified as a company, cooperative or association are:

- investment indicators,
- financing structure indicators (capital strength, indebtedness),
- liquidity and solvency indicators,
- asset management and economy efficiency indicators,
- other indicators.

To determine the clients' credit rating, an important part of the total score includes financial indicators and non-financial factors (product quality, a company's power and market share, dependency on suppliers and customers, the future of the industry, risks related to the environment and technological development, the long-term strategy of a company, the organisation and quality of management and the company's relations with the Bank), which are important particularly in the assessment of the company's development capacity and its future performance.

At the beginning of 2023, the Bank implemented the Group Rating Master Scale, a project that affected various areas of the Bank's business. One of the aspects where the implementation of the Group Rating Master Scale has had a significant impact is the calculation of impairments and risk provisions (IFRS 9). As part of this change, the Bank also recalibrated the SICR model, as the SICR model used by Gorenjska Banka was developed in 2021 and calibrated to the previously used 9 rating scale classes, the use of which is no longer appropriate for the new 25-grade rating scale. The result of the analysis was the basis for the decision to lower the absolute threshold for the corporate segment from 7.5 percentage points to 2.5 percentage points. The effect of the threshold change resulted in additional impairments and provisions of EUR 796.62 thousand. The total effect of the implementation of the new single rating scale at Group level, including the effect of the change in the absolute threshold in the SICR model, was therefore EUR 3,373.51 thousand.

In the segment of companies, cooperatives and associations, the Bank uses 26 credit rating grades, 25 of which are performing and one non-performing, as shown below,

R1-R10	Very Low Risk
R11-R13	Low Risk
R14	Moderate Risk
R15-R16	Acceptable Risk
R17	Manageable Risk
R18	Higher Risk
R19-R20	High Risk
R21-R25	Very High Risk
R26	Unacceptable Risk

The criteria for classifying sole proprietors provide a clear classification of the risks into suitable credit grades and/or groups, based on the operations and financial stability of a client and the resulting probability of default. The client rating consists of a financial rating; however, if the value of the calculated financial credit points is within two percent of the value of the individual grade margin, non-financial credit points should also be calculated. The non-financial rating of a sole proprietor is calculated in the same way as for companies, co-operatives and associations. The rating scale for sole proprietors is the same as for companies, cooperatives and associations.

In the previous year, the Bank introduced a new definition of project finance, i.e. "Specialised Lending", and started using a rating model developed for this segment. The impact of the implementation of the rating model on impairments and provisions was reflected in a decrease of EUR 120 thousand in impairments and provisions.

To identify the credit rating of banks and savings banks at home and abroad, the Bank primarily uses the credit ratings of ECAIs (external credit assessment institutions for the Eurosystem): Fitch, Moody's and S&P. For credit rating purposes, in cases where the credit ratings from External Credit Assessment Institutions (ECAIs) differ. Moody's credit rating is utilised. Through a translation matrix, the bank converts the credit rating into the bank's internal credit rating. When the external credit rating is not available, the Bank takes into account the financial and non-financial operational parameters of the respective bank/savings bank within the framework of the Internal Credit Rating Model. The Bank has developed no statistical credit rating model for receivables due from public law entities, private law entities, insurance companies and other public law bodies, which is why experts make credit assessments for such clients.

When determining the rating for clients from other countries, the risk posed by the client's country is also taken into account. This risk is assessed according to the difference between the rating of Slovenia and the country of the client and is considered when determining the final rating of the client.

Receivables due from citizens are classified with respect to operations and other significant criteria that show credit quality.

The indicators used by the Bank in the assessment of an investment's credit rating are:

- indebtedness indicators,
- payment discipline indicators,
- income indicators,
- demographic characteristics,
- other indicators.

In the segment of natural persons, the Bank uses 26 credit rating grades, 25 of which are performing and one non-performing, as shown below,

R1-R3	Very Low Risk
R4-R6	Low Risk
R7-R8	Moderate Risk
R9-R11	Acceptable Risk
R12-R15	Manageable Risk
R16-R18	Higher Risk
R19-R20	High Risk
R21-R23	Very High Risk
R24-R25	Extremely High Risk
R26	Unacceptable Risk

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, in which case the asset is allocated to stage 3. In step 3, three criteria for increased credit risk are checked, whereby the fulfilment of any of them implies the classification of the asset as stage 2. In step 4, it is checked whether an asset belongs to a low credit risk category and meets the conditions for classification as 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 classification of the asset as 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 criteria include an absolute threshold of 2.5 percentage points per segment. In addition to the absolute threshold, a relative threshold of 200% is also taken into account, but only if the minimum absolute threshold of between 1 and 1.5 percentage points per segment is exceeded.

When assessing group impairments, the Bank also uses the available forward-looking information. By applying the Z-shift method, the Bank includes the relationship between the 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 (future values of selected macroeconomic indicators) and their probability of realisation by applying the error distribution method.

The Bank applies the following probabilities of individual scenarios:

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

The scenarios for future values of real GDP growth in Slovenia are used for the portfolio of companies, banks, governments and state institutions, as well as for the portfolio of sole proprietors and are based on the autumn UMAR forecast for 2023. For the portfolio of natural persons, the scenario for future values uses the value of the annual inflation rate. The values provided in the year > 2028 apply to all subsequent years:

GDP	2023	2024	2025	2026	2027	> 2028
Realistic scenario	1.90	1.98	1.68	1.68	1.68	1.68
Optimistic scenario	3.74	6.55	6.90	4.29	2.99	1.68
Pessimistic scenario	1.15	0.10	(0.45)	0.61	1.15	1.68

Inflation	2023	2024	2025	2026	2027	> 2028
Realistic scenario	7.44	4.09	2.07	2.07	2.07	2.07
Optimistic scenario	6.82	1.47	(0.95)	0.56	1.31	2.07
Pessimistic scenario	7.69	5.16	3.30	2.69	2.38	2.07

For scenarios of more than three years and less than six years (i.e. 2027 and 2028), the forecast is taken as the average between the 15-year average (2008-2022) and the previous year's forecast. For 2028 and all subsequent years, the average of the last 15-year forecast (2008-2022) is used. For 2028 and all subsequent years, the average of the last 16 years of projections (2007-2022) is used.

The Bank also assesses the probability of default for entities that fall within the low default share portfolio (banks, countries, government institutions).

In general, the LGD shows what share (percentage) of exposure in default (EAD) will be lost, whereas the recovery rate shows what share (percentage) will be from the recovered exposure. For assessment purposes, the recovery rate may be defined as the ratio between the (discounted) cash flows received after the date of default based on the exposure at default (EAD), whereas a loss (LGD) is simply the difference between 1 and the recovery rate. The calculation is made on an individual, cohort and portfolio level.

The uninsured LGD parameter is only calculated from the recovery rate curve for investments with the default status, and represents the share (percentage) of loss based on the uninsured EAD.

An individual LGD depends on the date of default, and especially on the time period of the recovery following the default. Thus, the division of the portfolio into groups is used on the basis of the date of default and the number of months after the occurrence of the default. It is further presumed that loans that defaulted in a certain time period could be treated similarly due to the similar reason/conditions, and therefore belong in the same group (the so-called cohort; a group of loans/investments that were transferred to default in the same month). The uninsured LGD is then calculated for each cohort separately.

The calculation of a balanced LGD on cohorts in a certain portfolio is calculated as a portfolio LGD. With the balanced LGD, the approximation with the function of logistical growth is performed in each period separately for each cohort. The entire uninsured LGD curve is calculated as an uninsured EAD, which is a balanced average of the cohort LGD curves.

In order to consider information directed at the future in determining future cash flows from insurance, the Bank is using the link between the value of the insurance and the macroeconomic indicators. Due to the specific properties of certain insurance types, the Bank has restricted the analysis to the link between macroeconomic indicators and the value of residential properties. Based on past data and using linear regression, the Bank determines which macroeconomic variables are most related to the real estate price index.

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 calculating the expected cash flows, the Bank is also considering certain types of insurance, which it weighs, 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. 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 after the period of one year, where cash flow is deemed to be total repayment upon this new due date.

The EAD takes into account off-balance-sheet exposure multiplied by CCF values. The Bank is calculating the actual conversion factor if it has a sufficient number of drawdowns under the off-balance-sheet exposures and representative data for individual types of off-balance-sheet items. Based on the sufficiently large sample in limits of natural persons, the Bank started using its own CCF for the transaction accounts of natural persons and the payment cards of natural persons, whereas it is still using the CCF in accordance with Annex 1 of Regulation 575/2013 for the remaining transactions due to the sample being too small.

Within the scope of the early warning system for increased credit risk, the Bank draws up a report, the so-called "watch list". The early warning system for increased credit risk is the central part of the monitoring process at the Bank that is intended for the efficient detection of increased credit risk indicators and consequently, early action and the prevention of the transfer of performing clients to the segment of non-performing clients. The entire early warning system is supported by IT and implemented on a monthly basis through steps covering the preparation of a "watch list", the acquisition of additional information, an analysis of proposals and measures, the preparation of reports and decision-making by the Committee for Investment Monitoring.

The adequacy of the operations of implemented classification and early warning systems is regularly checked by the Bank in cooperation with external associates or own resources, and the findings and recommendations upon system upgrades are taken into account in system upgrades.

Pursuant to the classification rules for receivables and impairments, the entire credit portfolio is checked on a monthly basis using logical controls or validations and any necessary changes in impairments and/or provisions are put forth.

The protection of loans and guarantees is checked throughout the repayment period or validity of the guarantee, and the Bank also upgraded the technological support for monitoring all types of collateral in 2019. The Bank regularly checks the quality of collateral and assesses whether it is adequate. In case of inadequate collateral, measures to arrange additional collateral and/or eliminate deficiencies related to the fulfilment of adequacy conditions are put forth.

The Division for Strategic Risk Management, in cooperation with the Credit Risk Management Division and market units, monitors the credit portfolio as a whole and performs analyses of the credit portfolio. Furthermore, it regularly checks the concentration of the credit portfolio. For the appropriate management and monitoring of concentration risks, the Bank actively manages the credit portfolio of the Bank, primarily by changing and adapting the credit policy and defining internal limits deriving from the Risk Appetite Statement and laid down in the Credit Risk Management Policy.

The Bank applies different methods and policies to reduce credit risks. The most common is the use of collateral. The Bank has developed a policy on collateral acceptance, under which the most common collateral includes:

- the pledge of residential and commercial real estate;
- the pledge of business assets, such as equipment, inventories and receivables;
- collateral at an insurance company;
- sureties and guarantees.

Collateral assessments are based on available data and adequate bases for valuation, i.e. independent appraisals for real estate, and other adequate bases for other types of collateral, pursuant to the Resolution on credit risk management at banks and savings banks. The Bank monitors the market values of collateral and liquidation values for the purposes of risk management. The latter are applied primarily in the assessment of non-performing loan restructuring and management. Changes in economic conditions, specific conditions of individual clients and collateral may have an impact on the future values of collateral.

The Bank requests additional collateral from borrowers in the event of their deteriorated financial position. The type of collateral depends on the type of business and activities of the borrower. The Bank as a rule receives no collateral for transactions other than loans and guarantees. Such transactions include bonds, treasury bills and similar.

Pursuant to the collateral collection and recovery policy, the Bank immediately accedes to restructuring in case of default (if necessary), or to the recovery and collection of collateral, whereby it takes into account several scenarios for the possibility of repayment in its decisions.

7.1.2 Maximum Exposure to Credit Risk

The table below shows the maximum exposure to credit risk with the observed revaluation and without taking account of eventual collateralisation with the property held by the Bank or of other improvements of credit quality.

		in thousands of EUR
	31/12/2023	**31/12/2022**
Credit risk exposures relating to on-balance sheet assets:		
Cash, balances at CB and other demand deposits at banks	332,095	290,627
Financial assets mandatorily at FVTPL	-	-
Financial assets measured at FVTOCI	75,758	26,477
Debt securities measured at amortised cost	301,842	345,343
Loans and receivables to banks measured at amortised cost	23,439	46,178
Loans and receivables to customers measured at amortised cost		
Loans and receivables to corporates and sole proprietors measured at amortised cost		
Corporates	226,746	225,565
Small and medium enterprises (SME)	539,836	580,558
Government	38,405	4,085
Loans to individual clients measured at amortised cost		
Overdrafts	15,273	15,070
Housing loans	240,752	217,115
Consumer and other loans	103,280	77,461
Receivables of leasing	429,774	365,754
Other financial assets measured at amortised cost	5,449	4,417
	2,332,649	**2,198,651**
Credit risk exposures relating to off-balance sheet items are as follows:		
Guarantees	185,562	139,046
Commitments to extend credit	351,746	308,536
Letters of credit	3,379	2,887
	540,687	**450,469**
Total exposure	**2,873,336**	**2,649,120**

		in thousands of EUR
	31/12/2023	**31/12/2022**
Lease receivables are allocated based on expected cash flows		
Leasing receivables		
Receivables in arrears	9,852	7,559
Expected flows in 2023	-	111,388
Expected flows in 2024	127,258	89,927
Expected flows in 2025	104,363	75,937
Expected flows in 2026	89,941	58,616
Expected flows in 2027	71,355	40,213
Expected flows in 2028	51,963	22,939
Expected flows in 2029	57,534	17,143
Total	**512,266**	**423,722**

As evident from the table above, 55.7% of the exposure of risk-bearing assets as at 31 December 2023 derived from loans to non-bank clients (31 December 2022: 56.2%), 10.5% derived from debt securities measured at amortised cost (31 December 2022: 13%) and 2.6% derived from financial assets measured at fair value through other comprehensive income (31 December 2022: 1%).

The classification of companies by size takes into account the definition laid down in the Companies Act. Small and medium enterprises include sole proprietors.

Through the active management of non-performing receivables and the responsible implementation of investment policy and successful credit risk management in 2023, the Bank achieved the following:

- the share of loan impairments for non-bank clients amounted to 1.6% with respect to the volume of loans in 2023 (31 December 2022: 1.4%);
- 1% of loans to non-bank clients have as a result been impaired (31 December 2022: 1.2%);
- the share of overdue loans in loans to non-bank clients has decreased to 5.8% (31 December 2022: 4.4%).

7.1.3 Fair Value of the Collateral Received

The types of collateral accepted by the Bank upon fulfilled adequacy conditions as adequate for credit risk management are:

- immovable property that is valued at market or some other value estimated by an independent appraiser pursuant to the International Valuation Standards;
- movable property that is valued at market or some other value estimated by an independent appraiser pursuant to the International Valuation Standards, or at cost if there is a demonstrably active market for such movable property;
- collateral at insurance companies with an adequate credit rating amounting to the nominal value of the insured sum;
- bank deposits and financial assets;
- securities valued at market value pursuant to the published market values or suitable market value assessment;
- assignment of receivables amounting to the nominal value of assigned receivables;
- sureties, bank guarantees and accretion to the obligation of an adequate credit rating of the guarantor or acquirer.

In the credit process and for the purposes of risk management, the Bank uses weighted values pursuant to the internal methodology of the Bank.

The table below shows the fair value of received collateral. It takes into account appropriate forms of collateral that the Bank 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.

in thousands of EUR

	31/12/2023	31/12/2022
Real estate	1,332,162	1,370,248
Movable property	485,867	413,503
Deposits	20,219	39,169
Securities and business share	-	-
Insurance companies	153,071	146,605
Assigned receivables	35,775	58,412
Sovereign guarantees	40,640	50,396
Other collateral	16,565	15,014
Total	**2,084,299**	**2,093,347**

The amount of received collateral for the credit portfolio compared to the gross value of loans is shown in the table below. Other financial assets and assumed liabilities are not included.

in thousands of EUR

	Fully/over collateralised loans		Under-collateralised loans	
As at 31 December 2023	**Gross value of loans**	**Fair value of the collateral**	**Gross value of loans**	**Fair value of the collateral**
Loans to corporates	62,528	248,827	167,680	53,504
Loans to small and medium enterprises	332,757	776,398	214,793	69,903
Loans to government	-	50	38,573	-
Loans to individuals				
Overdrafts	-	-	15,464	-
Housing loans	196,701	371,769	44,542	15,240
Consumer loans	29,590	36,175	77,032	627
Leasing	230,734	329,151	209,148	169,215
Total	**852,309**	**1,762,371**	**767,232**	**308,488**

in thousands of EUR

As at 31 December 2022	Fully/over collateralised loans		Under-collateralised loans	
	Gross value of loans	Fair value of the collateral	Gross value of loans	Fair value of the collateral
Loans to corporates	64,156	282,137	167,796	57,219
Loans to small and medium enterprises	346,123	776,601	242,023	104,350
Loans to government	-	50	4,102	-
Loans to individuals				
Overdrafts	1,683	-	13,469	-
Housing loans	194,870	367,645	22,375	11,676
Consumer loans	38,010	39,378	40,220	594
Leasing	219,591	316,294	151,483	120,460
Total	**864,433**	**1,782,105**	**641,467**	**294,299**

The table below shows the relationship between loans and collateral value for the credit portfolio, broken down into the gross value of loans and assumed liabilities.

in thousands of EUR

LTV – loans	31/12/2023		31/12/2022	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
<50%	269,756	(337)	336,049	(5,237)
51-70%	233,880	(554)	173,242	(783)
71-100%	337,782	(2,628)	341,577	(2,876)
101-150%	291,401	(8,236)	286,852	(4,087)
>150%	132,011	(4,746)	107,984	(2,537)
Other	689,997	(8,993)	565,944	(5,126)
Total	**1,954,827**	**(25,492)**	**1,811,648**	**(20,646)**

in thousands of EUR

LTV – commitments	31/12/2023		31/12/2022	
	Nominal amount	Provisions	Nominal amount	Provisions
<50 %	11,408	(6)	10,734	(4)
51-70%	1,873	(1)	4,371	(133)
71-100%	14,986	(6)	17,652	(229)
101-150%	37,040	(42)	28,625	(55)
>150%	66,857	(299)	48,178	(539)
Other	411,191	(2,316)	342,793	(925)
Total	**543,355**	**(2,669)**	**452,353**	**(1,884)**

Fair value of collateral equals:

- The market or assessed value (the model) of financial assets held as collateral;
- The value of outstanding loans for accretion to obligations held as collateral (only if the criteria are met);
- 100% of the value of the insurance company guarantees, bank guarantees, state and municipal guarantees;
- the values of residential property and the values of commercial estates equal market values based on:
    - the value obtained based on an assessment made by an independent external appraiser conducting the appraisal under IVS;
    - the value obtained based on an assessment made by an independent internal appraiser who performs the appraisal under IVS;
    - the contract value of the sale and purchase contract;
    - the evaluation made by the Surveying and Mapping Authority of the Republic of Slovenia based on a generalised market value;
    - the value obtained on the basis of an assessment made by an independent external appraiser;
    - the value based on the table of internal prices of Gorenjska banka, which are indexed either on the basis of growth indices or up to EUR 500 thousand in residential property based on deductions by cadastral municipality as calculated by an independent external appraiser holding a licence by the Slovenian Institute of Auditors based on the sales effected.

From the total of EUR 42,775 thousand (2022: EUR 47,437 thousand; 2021: EUR 46,472 thousand; 2020: EUR 44,570 thousand) of collateral for retail receivables, the Bank drew EUR 344 thousand from Zavarovalnica Triglav d.d., Ljubljana, in 2023 (2022: EUR 379 thousand; 2021: EUR 263 thousand; 2020: EUR 426 thousand).

In 2023, the Bank drew EUR 2,686 thousand of collateral (2022: EUR 4,430 thousand) for outstanding loans to non-bank clients. Collateral involving the pledge of real estate was drawn in the amount of EUR 1,977 thousand (2022: EUR 3,833 thousand), the assignment of claims in the amount of EUR 1 thousand (2022: EUR 33 thousand), guarantees and subrogation in the amount of EUR 103 thousand (2022: EUR 287 thousand), Zavarovalnica Triglav in the amount of EUR 151 thousand (2022: EUR 74 thousand) and other collateral in the amount of EUR 453 thousand (2022: EUR 203 thousand).

7.1.4 Loans

In notes 7.1.4.1. 7.1.4.2 and 7.1.4.3., individual sets of exposures and allowances are classified in individual stages:

- stage 1 – financial assets without an increased credit risk since initial recognition; impairments are calculated by taking into account possible losses that are expected in the period of 12 months;
- stage 2 – financial assets with an increased credit risk since initial recognition, but no downgraded credit quality; impairments are calculated by taking into account all possible losses that are expected throughout the life span of a financial asset;
- stage 3 – financial assets with downgraded credit quality; impairments are calculated by taking into account all possible losses that are expected throughout the life span of a financial asset.

In 2022 and 2023, the Bank had no purchased or originated credit-impaired financial assets (POCI).

7.1.4.1 Credit Rating Structure

The table below shows the credit rating structure of the Bank, grouped by stages, as at 31 December 2023.

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total 31/12/2023
Debt securities measured as FVTOCI				
Group A	70,838	-	-	70,838
Group B	4,984	-	-	4,984
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**75,822**	**-**	**-**	**75,822**
Impairment	(64)	-	-	(64)
Total	**75,759**	**-**	**-**	**75,759**
Debt securities measured as amortised cost				
Group A	299,563	-	-	299,563
Group B	-	2,532	-	2,532
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**299,563**	**2,532**	**-**	**302,095**
Impairment	(87)	(166)	-	(253)
Total	**299,476**	**2,365**	**-**	**301,842**
Loans to banks measured as amortised cost				
Group A	23,442	-	-	23,442
Group B	-	-	-	-
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**23,442**	**-**	**-**	**23,442**
Impairment	(3)	-	-	(3)
Total	**23,439**	**-**	**-**	**23,439**

				in thousands of EUR
	Stage 1	**Stage 2**	**Stage 3**	**Total 31/12/2023**
Loans to customers and other financial assets measured at amortised cost				
Group A	475,411	30,943	-	506,354
Group B	636,181	121,181	-	757,362
Group C	146,765	181,226	-	327,991
Group D	-	-	30,461	30,461
Group E	-	-	2,949	2,949
Gross amount	**1,258,357**	**333,350**	**33,410**	**1,625,117**
Impairment	(5,585)	(9,159)	(10,857)	(25,601)
Total	**1,252,771**	**324,192**	**22,552**	**1,599,515**
Credit risk exposures relating to off-balance sheet items				
Group A	248,904	19,410	-	268,314
Group B	237,867	10,965	-	248,832
Group C	21,576	2,100	-	23,676
Group D	-	-	2,528	2,528
Group E	-	-	6	6
Nominal amount	**508,346**	**32,475**	**2,534**	**543,355**
Provisions	(1,282)	(199)	(1,188)	(2,669)
Total	**507,064**	**32,277**	**1,346**	**540,687**

7.1.4.1 Credit Rating Structure

The table below shows the credit rating structure of the Bank, grouped by stages, as at 31 December 2022.

				in thousands of EUR
	Stage 1	**Stage 2**	**Stage 3**	**Total 31/12/2022**
Debt securities measured as FVTOCI				
Group A	21,684	-	-	21,684
Group B	-	4,922	-	4,922
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**21,684**	**4,922**	**-**	**26,606**
Impairment	(11)	(118)	-	(129)
Total	**21,673**	**4,804**	**-**	**26,477**

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total 31/12/2022
Debt securities measured as amortised cost				
Group A	340,352	-	-	340,352
Group B	5,203	-	-	5,203
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**345,555**	**-**	**-**	**345,555**
Impairment	(212)	-	-	(212)
Total	**345,343**	**-**	**-**	**345,343**
Loans to banks measured as amortised cost				
Group A	4,628	-	-	4,628
Group B	41,856	-	-	41,856
Group C	-	-	-	-
Group D	-	-	-	-
Group E	-	-	-	-
Gross amount	**46,484**	**-**	**-**	**46,484**
Impairment	(307)	-	-	(307)
Total	**46,178**	**-**	**-**	**46,178**
Loans to customers and other financial assets measured at amortised cost				
Group A	424,606	11,003	-	435,609
Group B	582,999	50,555	-	633,554
Group C	262,784	147,247	-	410,032
Group D	-	-	29,036	29,036
Group E	-	-	2,162	2,162
Gross amount	**1,270,388**	**208,806**	**31,198**	**1,510,393**
Impairment	(5,806)	(4,316)	(10,245)	(20,368)
Total	**1,264,582**	**204,489**	**20,953**	**1,490,025**
Credit risk exposures relating to off-balance sheet items				
Group A	216,812	2,255	-	219,067
Group B	211,598	4,740	-	216,338
Group C	10,170	6,144	-	16,314
Group D	-	-	633	633
Group E	-	-	2	2
Nominal amount	**438,580**	**13,139**	**635**	**452,353**
Provisions	(1,401)	(100)	(383)	(1,884)
Total	**437,178**	**13,039**	**252**	**450,469**

7.1.4.2 Movement of the Gross Carrying Amount

The table below shows the movement of the gross carrying amount of the Bank in the year 2023.

				in thousands of EUR
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt securities measured as FVTOCI				
Gross carrying amount as at 31/12/2022	21,684	4,922	-	26,606
Changes in the gross carrying amount				
Transfer to stage 1	4,922	(4,922)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	54,138	-	-	54,138
Financial assets that have been derecognised	(4,922)	-	-	(4,922)
Gross carrying amount as at 31/12/2023	75,822	-	-	75,822
Loss allowance as at 31/12/2023	64	-	-	64
Debt securities measured as amortised cost				
Gross carrying amount as at 31/12/2022	345,555	-	-	345,555
Changes in the gross carrying amount				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(2,532)	2,532	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	11,529	-	-	11,529
Financial assets that have been derecognised	(54,989)	-	-	(54,989)
Gross carrying amount as at 31/12/2023	299,563	2,532	-	302,095
Loss allowance as at 31/12/2023	86	166	0	252
Loans to banks measured as amortised cost				
Gross carrying amount as at 31/12/2022	46,484	-	-	46,484
Changes in the gross carrying amount				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	19,401	-	-	19,401
Financial assets that have been derecognised	(42,443)	-	-	(42,443)
Gross carrying amount as at 31/12/2023	23,442	-	-	23,442
Loss allowance as at 31/12/2023	3	-	-	3

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Loans to customers and other financial assets measured at amortised cost				
Gross carrying amount as at 31/12/2022	1,270,390	208,807	31,197	1,510,393
Changes in the gross carrying amount				
Transfer to stage 1	49,664	(48,737)	(927)	-
Transfer to stage 2	(195,828)	204,448	(8,620)	-
Transfer to stage 3	(9,124)	(19,146)	28,270	-
Change due to modification	-	-	-	-
New financial assets	572,474	71,340	3,484	647,298
Financial assets that have been derecognised	(429,093)	(83,323)	(18,676)	(531,092)
Write-offs	(125)	(37)	(1,319)	(1,481)
Rounding				
Gross carrying amount as at 31/12/2023	1,258,357	333,351	33,410	1,625,117
Loss allowance as at 31/12/2023	5,585	9,159	10,857	25,601

Credit risk exposures relating to off-balance sheet items				
Nominal amount as at 31/12/2022	438,580	13,139	635	452,354
Changes in the nominal amount				
Transfer to stage 1	2,866	(2,866)		-
Transfer to stage 2	(19,402)	19,710	(308)	-
Transfer to stage 3	(737)	(748)	1,485	-
Change due to modification	-	-	-	-
New off-balance sheet items	279,732	29,660	2,465	311,857
Reduction of off-balance sheet items	(192,693)	(26,418)	(1,744)	(220,855)
Rounding	-	-	-	-
Nominal amount as at 31/12/2023	508,346	32,477	2,533	543,356
Provisions as at 31/12/2023	1,282	199	1,188	2,669

7.1.4.2 Movement of the Gross Carrying Amount

The table below shows the movement of the gross carrying amount of the Bank in the year 2022.

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Debt securities measured as FVTOCI				
Gross carrying amount as at 31/12/2021	28,575	-	-	28,575
Changes in the gross carrying amount				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(5,423)	5,423	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	12,720	-	-	12,720
Financial assets that have been derecognised	(14,188)	(501)	-	(14,689)
Gross carrying amount as at 31/12/2022	21,684	4,922	-	26,606
Loss allowance as at 31/12/2022	11	118	-	129
Debt securities measured as amortised cost				
Gross carrying amount as at 31/12/2021	312,266	-	-	312,266
Changes in the gross carrying amount				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	57,273	-	-	57,273
Financial assets that have been derecognised	(23,984)	-	-	(23,984)
Gross carrying amount as at 31/12/2022	345,555	-	-	345,555
Loss allowance as at 31/12/2022	212	-	-	212
Loans to banks measured as amortised cost				
Gross carrying amount as at 31/12/2021	105,819	-	-	105,819
Changes in the gross carrying amount				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change due to modification	-	-	-	-
New financial assets	46,219	-	-	46,219
Financial assets that have been derecognised	(105,554)	-	-	(105,554)
Gross carrying amount as at 31/12/2022	46,484	-	-	46,484
Loss allowance as at 31/12/2022	307	-	-	307

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Loans to customers and other financial assets measured at amortised cost				
Gross carrying amount as at 31/12/2021	1,062,415	208,519	29,220	1,300,153
Changes in the gross carrying amount				
Transfer to stage 1	35,826	(35,274)	(551)	-
Transfer to stage 2	(71,266)	72,616	(1,349)	-
Transfer to stage 3	(3,968)	(13,047)	17,015	-
Change due to modification	-	-	-	-
New financial assets	618,344	40,421	2,432	661,197
Financial assets that have been derecognised	(370,556)	(64,403)	(13,238)	(448,197)
Write-offs	(404)	(26)	(2,331)	(2,761)
Rounding	(1)	1	(1)	(1)
Gross carrying amount as at 31/12/2022	1,270,390	208,807	31,197	1,510,393
Loss allowance as at 31/12/2022	5,806	4,316	10,245	20,368

Credit risk exposures relating to off-balance sheet items				
Nominal amount as at 31/12/2021	368,146	6,274	570	374,990
Changes in the nominal amount				
Transfer to stage 1	444	(442)	(1)	-
Transfer to stage 2	(11,057)	11,058	(1)	-
Transfer to stage 3	(117)	-	117	-
Change due to modification	-	-	-	-
New off-balance sheet items	257,316	10,226	115	267,657
Reduction of off-balance sheet items	(176,153)	(13,976)	(165)	(190,294)
Rounding	-	-	-	-
Nominal amount as at 31/12/2022	438,580	13,139	635	452,354
Provisions as at 31/12/2022	1,401	100	383	1,884

7.1.4.3 Movement of Loss Allowance

The table below shows the movement of the loss allowance for the Bank in the year 2023.

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Debt securities measured as FVTOCI				
Loss allowance as at 31/12/2022	11	118	-	129
Changes in the loss allowance				
Transfer to stage 1	118	(118)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Decrease due to change in credit risk	(5)	-	-	(5)
Change in methodology	-	-	-	-
New financial assets	9	-	-	9
Financial assets that have been derecognised	(69)	-	-	(69)
Loss allowance as at 31/12/2023	64	-	-	64
Debt securities measured as amortised cost				
Loss allowance as at 31/12/2022	211	-	-	211
Changes in the loss allowance				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(27)	27	-	-
Transfer to stage 3	-	-	-	-
Increase due to change in credit risk	1	-	-	1
Decrease due to change in credit risk	(55)	-	-	(55)
Change in methodology	-	-	-	-
New financial assets	-	139	-	139
Financial assets that have been derecognised	(44)	-	-	(44)
Loss allowance as at 31/12/2023	86	166	0	252
Loans to banks measured as amortised cost				
Loss allowance as at 31/12/2022	307	-	-	307
Changes in the loss allowance				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Decrease due to change in credit risk	(2)	-	-	(2)
Change in methodology	-	-	-	-
New financial assets	2	-	-	2
Financial assets that have been derecognised	(304)	-	-	(304)
Loss allowance as at 31/12/2023	3	-	-	3

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Loans to customers and other financial assets measured at amortised cost				
Loss allowance as at 31/12/2022	5,806	4,316	10,245	20,367
Changes in the loss allowance				
Transfer to stage 1	564	(345)	(219)	-
Transfer to stage 2	(1,016)	5,882	(4,866)	-
Transfer to stage 3	(108)	(1,193)	1,301	-
Increase due to change in credit risk	405	1,153	6,468	8,026
Decrease due to change in credit risk	(2,154)	(5,569)	(833)	(8,556)
Write-offs	(125)	(37)	(1,319)	(1,481)
Change in methodology	476	3,111	217	3,804
New financial assets	2,966	2,840	1,049	6,855
Financial assets that have been derecognised	(1,230)	(998)	(1,186)	(3,414)
Rounding	1	(1)	-	-
Loss allowance as at 31/12/2023	5,585	9,159	10,857	25,601
Credit risk exposures relating to off-balance sheet items				
Provisions as at 31/12/2022	1,401	100	383	1,884
Changes in the provisions				
Transfer to stage 1	15	(15)	-	-
Transfer to stage 2	(47)	261	(214)	-
Transfer to stage 3	(1)	(34)	35	-
Increase due to change in credit risk	162	(270)	392	284
Decrease due to change in credit risk	(882)	(264)	(54)	(1,200)
Change in methodology	47	354	26	427
New off-balance sheet items	775	111	766	1,652
Reduction of off-balance sheet items	(188)	(45)	(146)	(379)
Rounding	-	1	-	1
Provisions as at 31/12/2023	1,282	199	1,188	2,669

7.1.4.3 Movement of Loss Allowance

The table below shows the movement of the loss allowance for the Bank in the year 2022.

in thousands of EUR

	Stage 1	Stage 2	Stage 3	Total
Debt securities measured as FVTOCI				
Loss allowance as at 31/12/2021	111	-	-	111
Changes in the loss allowance				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(98)	98	-	-
Transfer to stage 3	-	-	-	-
Decrease due to change in credit risk	(3)	-	-	(3)
Change in methodology	1	-	-	1
New financial assets	5	20	-	25
Financial assets that have been derecognised	(4)	-	-	(4)
Loss allowance as at 31/12/2022	11	118	-	129
Debt securities measured as amortised cost				
Loss allowance as at 31/12/2021	244	-	-	244
Changes in the loss allowance				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Increase due to change in credit risk	16	-	-	16
Decrease due to change in credit risk	(109)	-	-	(109)
Change in methodology	12	-	-	12
New financial assets	53	-	-	53
Financial assets that have been derecognised	(4)	-	-	(4)
Loss allowance as at 31/12/2022	211	-	-	211
Loans to banks measured as amortised cost				
Loss allowance as at 31/12/2021	79	-	-	79
Changes in the loss allowance				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Decrease due to change in credit risk	-	-	-	-
Change in methodology	19	-	-	19
New financial assets	287	-	-	287
Financial assets that have been derecognised	(79)	-	-	(79)
Loss allowance as at 31/12/2022	306	-	-	306

				in thousands of EUR
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers and other financial assets measured at amortised cost				
Loss allowance as at 31/12/2021	5,220	6,393	9,322	20,935
Changes in the loss allowance				
Transfer to stage 1	901	(814)	(87)	-
Transfer to stage 2	(445)	688	(234)	-
Transfer to stage 3	(38)	(152)	189	(1)
Increase due to change in credit risk	1,142	639	5,517	7,298
Decrease due to change in credit risk	(3,069)	(3,061)	(416)	(6,546)
Write-offs	(404)	(26)	(2,331)	(2,761)
Change in methodology	612	371	41	1,024
New financial assets	2,956	684	716	4,356
Financial assets that have been derecognised	(1,070)	(406)	(2,463)	(3,939)
Rounding	-	-	(1)	(1)
Loss allowance as at 31/12/2022	5,805	4,316	10,244	20,365
Credit risk exposures relating to off-balance sheet items				
Provisions as at 31/12/2021	1,154	152	114	1,419
Changes in the provisions				
Transfer to stage 1	3	(3)	-	-
Transfer to stage 2	(24)	24	-	-
Transfer to stage 3	-	-	-	-
Increase due to change in credit risk	82	12	261	355
Decrease due to change in credit risk	(635)	(89)	-	(724)
Change in methodology	95	12	-	107
New off-balance sheet items	1,004	6	9	1,019
Reduction of off-balance sheet items	(277)	(13)	-	(290)
Rounding	-	-	-	-
Provisions as at 31/12/2022	1,401	100	384	1,885

7.1.4.4 Modification of Contractual Cash Flows from Financial Assets that did Not Result in Derecognition

Financial assets (with loss allowance based on the lifetime expected credit losses) modified during the year

		in thousands of EUR
	2023	**2022**
Gross carrying amount before modification	10,837	3,202
Loss allowance before modification	(2,395)	(1,209)
Net amortised cost before modification	**8,442**	1,993
Net modification loss (Note 4.13)	(41)	(23)
Net amortised cost after modification	**8,401**	1,970

In 2023, losses of EUR 41 thousand were recognised for the change in contractual cash flows (modification).

Modification loss was recognised in cases of changed cash flows due in case of the insolvency of customers.

The effect is not material and is not disclosed.

7.1.4.5 Financial Assets Measured at Amortised Cost According to Delay and Due Amounts

The table below shows exposures deriving from loans to non-bank clients and other financial assets measured at amortised cost, by individual pockets of delay.

						in thousands of EUR
	Gross value			**Impairment**		
As at 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0-29 days	1,258,355	312,551	19,137	(5,585)	(8,080)	(7,043)
30-59 days	1	15,299	2,259	-	(659)	(655)
60-89 days	-	5,384	1,139	-	(418)	(347)
90-180 days	-	116	5,621	-	(2)	(449)
More than 181 days	-	-	5,253	-	-	(2,364)
Total	**1,258,357**	**333,350**	**33,410**	**(5,585)**	**(9,159)**	**(10,857)**

						in thousands of EUR
	Gross value			**Impairment**		
As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0-29 days	1,270,387	199,435	22,081	(5,806)	(4,089)	(7,249)
30-59 days	2	7,127	915	-	(116)	(316)
60-89 days	-	2,184	562	-	(107)	(133)
90-180 days	-	58	4,130	-	(4)	(823)
More than 181 days	-	2	3,510	-	-	(1,725)
Total	**1,270,388**	**208,806**	**31,198**	**(5,806)**	**(4,316)**	**(10,245)**

The table below shows past-due loans to non-bank clients and other financial assets measured at amortised cost, by individual pockets of delay.

in thousands of EUR

	31/12/2023		31/12/2022	
	Gross value	**Impairment**	**Gross value**	**Impairment**
0-29 days	58,396	(2,828)	47,782	(1,720)
30-59 days	17,559	(1,314)	8,044	(432)
60-89 days	6,524	(765)	2,746	(240)
90-180 days	5,737	(451)	4,188	(827)
More than 181 days	5,253	(2,364)	3,511	(1,725)
Total	**93,469**	**(7,722)**	**66,272**	**(4,943)**

The amount of due receivables reached EUR 93,469 thousand as at 31 December 2023 (31 December 2022: EUR 66,272 thousand). Among the due amounts, the gross amount of everything that is overdue for a significant period of time is taken into account.

7.1.4.6 Loans and Receivables Individually Impaired

in thousands of EUR

	Loans to corporates and sole proprietors		Other financial assets	Total
As at 31 December 2023	**Loans to corporates**	**Loans to SME**		
Gross	7,904	8,354	7	16,265
Less: allowance for impairment	(2,287)	(3,065)	(5)	(5,358)
Net	5,617	5,289	2	10,908
Fair value of the collateral	**4,574**	**13,671**	**-**	**18,245**

in thousands of EUR

	Loans to corporates and sole proprietors		Other financial assets	Total
As at 31 December 2022	**Loans to corporates**	**Loans to SME**		
Gross	12,041	6,184	8	18,232
Less: allowance for impairment	(4,635)	(1,924)	(5)	(6,564)
Net	7,406	4,260	2	11,668
Fair value of the collateral	**16,954**	**81,274**	**-**	**98,228**

On 31 December 2023, the share of individually impaired loans to non-bank clients amounted to 1% (31 December 2022: 1.2%), the coverage thereof with corrections amounted to 32.9% (31 December 2022: 36%). All individually impaired loans are in stage 3.

7.1.5 Concentration of Risks of Financial Assets with Credit Risk Exposure

7.1.5.1 Geographical Structure

The following table breaks down the credit exposure, as categorised by geographical region. For this table, the Bank has allocated exposures to regions based on the country of domicile of our counterparties.

in thousands of EUR

	Slovenia	Other EU countries	Other countries	Total
Financial assets measured at FVTOCI	29,968	45,791	-	75,759
Financial assets measured at amortised cost				
Debt securities	196,940	97,110	7,791	301,842
Loans and receivables to banks	9,336	10,077	4,026	23,439
Loans and receivables to corporates and sole proprietors				
Corporates	178,363	39,210	9,173	226,746
Small and medium enterprises (SME)	387,550	57,077	95,209	539,836
Government	38,405	-	-	38,405
Loans and receivables to individual clients				
Overdrafts	14,879	26	368	15,273
Housing loans	238,981	1,631	141	240,753
Consumer and other loans	103,240	7	33	103,280
Leasing	415,066	1,043	13,666	429,774
Other financial assets	2,808	185	2,455	5,449
As at 31 December 2023	**1,615,536**	**252,157**	**132,862**	**2,000,554**
As at 31 December 2022	**1,456,371**	**267,209**	**184,443**	**1,908,023**

The Bank conducts most of its business with clients in the area of the Republic of Slovenia. Transactions with clients from other countries come predominantly from investments in securities and deposits with banks.

7.1.5.2 Industry Sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

in thousands of EUR

	Public administration. Defence. Social security	Financial inter-mediation	Manufacturing	Real estate. Renting	Wholesale Retail	Other sectors	Individuals	Total
Financial assets measured at FVTOCI	70,823	-	-	-	-	4,936	-	75,758
Financial assets measured at amortised cost								
Debt securities	270,437	20,011	-	-	-	11,393	-	301,842
Loans and receivables to banks	-	23,439	-	-	-	-	-	23,439
Loans and receivables to corporates and sole proprietors								
Corporates	-	-	128,469	11,514	28,649	58,114	-	226,746
Small and medium enterprises (SME)	232	25,079	86,417	133,588	59,131	235,389	-	539,836
Government	35,990	-	-	,	-	2,415	-	38,405
Loans and receivables to individual clients								
Overdrafts	-	-	-	-	-	-	15,273	15,273
Housing loans	-	-	-	-	-	-	240,752	240,752
Consumer and other loans	-	-	-	-	-	-	103,280	103,280
Leasing	102	992	25,408	1,251	36,766	114,979	250,276	429,774
Other financial assets	239	2,784	112	28	270	830	1,186	5,449
As at 31 December 2023	**377,823**	**72,305**	**240,406**	**146,380**	**124,816**	**428,056**	**610,767**	**2,000,554**
As at 31 December 2022	**330,984**	**94,324**	**272,417**	**173,928**	**116,613**	**391,292**	**528,464**	**1,908,023**

7.1.6 Debt Securities

The table below presents an analysis of debt securities by rating agency rating, based on Fitch Ratings, Standard & Poor's and Moody's Investor Service. In the case of two or three credit ratings, the second-best rating is selected.

in thousands of EUR

As at 31 December 2023	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total
AAA to AA+	20,665	16,035	36,701
AA to AA-	37,815	211,683	249,498
A+ to A-	4,961	45,908	50,869
Lower than A-	7,381	25,850	33,231
Unrated	4,936	2,365	7,301
Total	**75,759**	**301,841**	**377,600**

in thousands of EUR

As at 31 December 2022	Financial assets measured at FVTOCI	Financial assets measured at amortised cost	Total
AAA to AA+	12,716	16,001	28,717
AA to AA-	-	243,885	243,885
A+ to A-	4,566	44,413	48,979
Lower than A-	4,391	35,874	40,265
Unrated	4,804	5,170	9,974
Total	**26,477**	**345,343**	**371,820**

7.2 Market Risk

In its operations, the Bank takes on market risks, which are the risks of changes in the fair value of financial instruments due to market price variability. Market risks are the result of open positions of interest rate, currency and equity instruments that are fully exposed to general and specific market changes, such as changes in interest rates, exchange rates and the prices of financial instruments. The Bank has formed a methodology for assessing the exposure to market risks and expected potential losses based on the various assumptions and scenarios.

The Bank monitors its exposure to foreign exchange risk on a daily basis. In 2023, the exposure to foreign currencies was small and in line with the limits set. The Bank manages foreign currency risk in accordance with the Market Risk Management Policy. The Bank does not identify exposure to position risk in debt and equity securities on the basis of the value of positions in the trading book, which are normally monitored on a daily basis (changes in their current market prices – "mark -to-market" or in accordance with appropriate "mark-to-model" valuation models). The Bank is not exposed to market risk stemming from the trading book because it had no trade positions in 2023.

The Bank manages interest rate risk in accordance with the Interest Rate Risk Management Policy, the IRRBB Data Structures Module and the Behavioural Options Module, which are based on the Basel standards for the management of interest rate risk in the banking book (IRRBB) and the EBA guidelines on the management of interest rate risk arising from non-trading activities. The Bank's business focuses on hedging net interest income and the impact on the economic value of capital. From September 2022 onwards, the Bank has also taken into account behavioural options in its interest rate risk management, by monitoring or measuring the possibility of early repayment of loans and possible early termination of customers' time deposits.

The Treasury Division is responsible for the operational management of market risks in the Bank, and the Division for Strategic Risk Management is responsible for the preparation of reports and analyses discussed by the Balance Sheet Management Committee.

7.2.1 Currency Risk

The table below summarises the Bank's exposure to currency risk at 31 December. Included in the table are the Bank's financial instruments at carrying value, categorised by currency.

in thousands of EUR

	USD	Other	EUR	Total
31 December 2023				
Assets				
Cash, balances at central banks and other demand deposits at banks	9,712	7,371	340,736	357,819
Financial assets mandatorily at FVTPL	-	60	6,590	6,650
Financial assets measured at FVTOCI	-	-	82,505	82,505
Debt securities measured at amortised cost	-	-	301,842	301,842
Loans and receivables to banks	4,539	9,724	9,176	23,439
Loans and receivables to customers	-	-	1,594,066	1,594,066
Other financial assets	-	-	5,449	5,449
Other assets	-	-	2,262	2,262
Total assets	**14,251**	**17,155**	**2,342,626**	**2,374,032**
Liabilities				
Due to banks	-	-	4,519	4,519
Due to customers	14,428	16,562	1,917,791	1,948,781
Borrowings from banks	-	-	92,349	92,349
Other financial liabilities	11	4	18,986	19,001
Debt securities (issued)	-	-	73,336	73,336
Other liabilities	-	-	6,026	6,026
Total liabilities	**14,439**	**16,566**	**2,113,007**	**2,144,012**
Net on-balance sheet financial position	**(188)**	**589**	**229,619**	**230,020**
Credit commitments	**1,371**	**-**	**539,316**	**540,687**
31 December 2022				
Total assets	11,483	17,008	2,214,319	2,242,810
Total liabilities	11,746	16,785	2,006,183	2,034,714
Net on-balance sheet financial position	**(263)**	**223**	**208,136**	**208,096**
Credit commitments	**985**	**4,620**	**444,864**	**450,469**

The financial position and cash flows of the Bank are exposed to the impact of exchange rate volatility. The Bank's foreign exchange risk is monitored and managed on a daily basis. The Bank pursues a conservative foreign exchange risk management policy, as it minimises foreign exchange risk by closing the open currency position on a daily basis. The limits of allowable exposure by currency are monitored daily.

The Bank has set an absolute limit for exposure to foreign exchange risk with a limit for the common foreign currency position, where the absolute values of open positions are added together in individual currencies. Long or short positions include balance sheet items in gross amounts decreased by impairments that are expected to be a loss for the Bank, and off-balance sheet items of potential liabilities that will need to be paid by the Bank, including items from financial derivatives (mostly futures contracts).

Regarding foreign currency exposures, the Bank is only exposed for EUR. Other currencies are materially insignificant, since the open foreign exchange position amounts to only 0.24% of capital (as at 31 December 2022: 0.13%); consequently, the bank does not calculate the capital requirement for currency risk.

7.2.2 Interest Rate Risk

Interest rate risk is shown at the Bank as the risk of interest rate variability affecting the Bank's net interest income, and as the risk of interest rate variability affecting the fair value of financial instruments. Changes in interest rates also affect the economic value of the Bank's capital, since the present value of future cash flows from Bank's assets, liabilities and off-balance sheet positions changes.

Interest rate risk arises from interest rate sensitive assets with different maturities and dynamics of changes in variable interest rates as liabilities. The Bank monitors and manages exposure to interest rate risks based on the methodology of interest rate spreads and extreme situation tests for various scenarios involving interest rate movements.

The Bank has established a system for monitoring interest rate risks to ensure an adequate level of net interest income and an adequate level of the Bank's capital in changing interest rate conditions. The Bank's policy is to regularly monitor and control the Bank's exposure to interest rate risk, develop scenarios for interest rate development and prepare measures for cases of interest rate changes that could have a serious negative impact on the Bank's net interest income and capital. The goal of interest rate risk management is to minimise fluctuations in net interest income and values of the Bank's capital due to interest rate volatility on the market.

The Bank monitors and analyses interest rate sensitivity by time pockets that include interest-rate-sensitive balance sheet and off-balance sheet items by individual type of interest rates and time zones with respect to their maturity or date of resetting the interest rates. This monitoring also includes behavioural options, such as the model for early loan repayments and premature termination of fixed-term deposits, based on their remaining maturity or interest rate reset date.

To test the effects of shock scenarios in interest rates on the net interest income, the Bank uses the criterion of the impact of interest rate curve changes by 100 basis points, while taking into account the least favourable curve shift (steep curve) from 9 stress scenarios, when assessing the effect on the Bank's capital.

The effects of different scenarios are shown in the table below.

in thousands of EUR

	31/12/2023		31/12/2022	
	Impact on net interest income	**Impact on the economic value of capital**	**Impact on net interest income**	**Impact on the economic value of capital**
+200 basis points	11,896	(7,290)	7,742	(3,893)
-200 basis points	(11,896)	3,157	(7,742)	1,486
+100 basis points	5,948	(3,663)	3,871	(1,976)
-100 basis points	(5,948)	1,569	(3,871)	728
shock with a steeper curve	(5,947)	(15,864)	(3,869)	12,360

The Assets and Liabilities Committee (hereinafter "ALCO") is responsible for monitoring the realisation of the interest rate risk management policies. In addition to decision-making, the tasks of ALCO related to interest rate risk are:

- to consider reports and approve interest rate risk measures,
- to consider the balances and forecasts of interest rate movements,
- to consider interest rate risk at the Bank (the risk of interest rate variability),
- to propose guidelines for setting interest rate limits,
- to develop guidelines for preparing proposals for measures to reduce the exposure to risks,
- to develop proposals for interest rate and market policies.

The Assets and Liabilities Committee (ALCO) and the Risk Committee (RECO) are responsible for monitoring decisions and dealing with interest rate risk management. In addition to decision-making, the tasks of RECO are:

- decision-making with regard to risk profile,
- regulatory framework consideration,
- consideration of internal acts with regard to risk management at the level of the parent bank/group,
- consideration of the Bank's internal framework in risk management,
- discussion and adoption of key strategic documents in risk management.

The management of interest rate risks is based on a limit system for exposure to interest rate risk. The Bank has already determined the limit of exposure to interest rate risks at the highest level in its Risk Appetite Statement, where it set the impact of interest rate variability on the Bank's capital as one of the key indicators, setting the limit value of the indicator showing the impact of a parallel increase/decrease in market interest rate levels by 200 basis points to 15% of the capital.

As a stress scenario, in assessing the impact on the bank's capital, it considers the most adverse shift in the curve (steep curve) among the nine stress scenarios, reflecting the impact of a rise/fall in market interest rates, with a set threshold at 14% of capital (TIER1).

The Treasury Division is responsible for the operative implementation of measures for managing interest rate risk in the scope of the set limits, as proposed by the Division for Strategic Risk Management and the realisation of ALCO decisions based on the Interest Rate Risk Management Policy.

The Division for Strategic Risk Management prepares a monthly report on exposure to interest rate risk, and submits it to the ALCO for consideration (quarterly to Risk Committee – RECO).

The table below shows the Bank's exposure to interest rate risk. Financial instruments have been included, taking into account their book values, and considering only items that are interest-sensitive and categorised, and have been classified into time zones according to the date of the next change in the interest rate or maturity. Behavioural options, as well as allocated sight deposits to stable and unstable parts using the VaR method (calculated using the Monte Carlo model), are also taken into account.

The actual maturity dates do not differ from the contractual dates, other than in the event of the maturity of a liability of up to one month, some two-thirds of which are demand deposits amounting to EUR 1,533,984 thousand (2022: EUR 1,436,290 thousand) and are considered by the Bank as stable deposits.

in thousands of EUR

	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2023							
Assets							
Cash, balances at central banks and other demand deposits at banks	318,398	-	-	-	-	39,421	357,819
Financial assets mandatorily at FVTPL	-	-	-	-	-	6,650	6,650
Financial assets measured at FVTOCI	-	-	45,277	25,528	4,966	6,734	82,505
Debt securities measured at amortised cost	15,219	2,996	19,449	126,019	135,666	2,493	301,842
Loans and receivables to banks	19,265	-	-	-	-	4,174	23,439
Loans and receivables to customers	671,694	269,331	333,358	209,898	118,558	(8,773)	1,594,066
Other financial assets	-	-	-	-	-	5,449	5,449
Other assets	-	-	-	-	-	2,262	2,262
Total assets	**1,024,576**	**272,327**	**398,084**	**361,445**	**259,190**	**58,410**	**2,374,032**
Liabilities							
Due to banks	4,519	-	-	-	-	-	4,519
Due to customers	555,989	65,135	397,600	926,146	648	3,263	1,948,781
Borrowings from banks and central banks	-	-	11,380	9,867	70,408	693	92,348
Debt securities issued	-	-	-	72,600	-	736	73,336
Other financial liabilities	-	-	31	282	-	18,689	19,002
Other liabilities	-	-	-	-	-	6,026	6,026
Total liabilities	**560,508**	**65,135**	**409,011**	**1,008,895**	**71,056**	**29,407**	**2,144,012**
Interest sensitivity gap	**464,068**	**207,192**	**(10,927)**	**(647,450)**	**188,134**		
31 December 2022							
Total assets	629,656	274,949	655,266	333,142	290,101	59,696	2,242,810
Total liabilities	625,668	87,130	280,272	952,088	72,666	16,890	2,034,714
Interest sensitivity gap	**3,988**	**187,819**	**374,994**	**(618,946)**	**217,435**		

The Bank allocates sight deposits in line with the applicable methodology and the IRRBB Guidelines. The sight deposit allocation methodology separates stable from non-stable deposits and core from non-core deposits. The Bank also adjusted its system for monitoring and measuring interest risk. In monitoring interest rate risk, the Bank included off-balance sheet items in the measurement – in addition to on-balance sheet items (limits, revolving loans, etc.), which is set in the Interest Rate Risk Policy itself and the IRRBB Data Structure Module. In addition to incorporating off-balance sheet items in measuring interest rate risk, the Bank also considers behavioural options (based on the model for early loan repayments and premature termination of fixed-term deposits using historical data). In 2023, it updated the Behavioural Options Module for a new consideration of the part in the inclusion of early loan repayments and fixed-term deposit prepayments.

After the inclusion of the off-balance sheet items, the horizontal curve shift by 100 basis points, by time pockets at the end of 2023, amounted to EUR 5.9 million on net interest income for the one-year period (2022: EUR 3.9 million). Moreover, the Bank assesses the impact of interest rate variability on the economic value of capital upon including off-balance sheet items. The economic value of the capital after the most unfavourable curve shift at the end of 2023 amounted to EUR 15.9 million, which represents 7% of the Bank's capital (2022: EUR 12.4 million or 5.7% of the capital). The impact on net interest income and the economic capital value is within limits.

7.2.3 Market Risk from Trading Equity Instruments

Risk deriving from trading in the equities of the trading portfolio is shown at the Bank as the risk of changes in the market rates of equities in the trading portfolio affecting the Bank's operating results. In 2022 and 2023, the Bank was not exposed to risk deriving from trading in the equity securities of the trading portfolio.

7.3 Liquidity Risk

Within the scope of liquidity risk management, The Bank is primarily concerned with the consistency of cash flows arising from the operations of the Bank and its customers, an adequate volume, structure and stability of financing sources, and an adequate volume and quality of liquidity reserves. Sound management with assets and their sources, is the basis of the Bank's prudence; therefore, the Bank pursues the objectives of meeting its due obligations, minimising liquidity maintenance costs, foreseeing liquidity emergencies and the timely implementation of measures to re-establish the appropriate liquidity position of the Bank.

The ability of the Bank to regularly settle its current obligations in due time has been ensured. The Bank also has no problems reconciling any mismatches between inflows and outflows, by using liquidity reserves and Central Bank instruments.

The Bank measures and monitors liquidity risk using numerous regulatory and internally defined indicators of structural and operative liquidity, and restricts the assumption of liquidity risk with limits arising from the Risk Appetite Statement and Liquidity Risk Management Policy.

In 2022, alongside the challenges posed by the COVID-19 crisis, a crisis stemming from the Russo-Ukrainian war emerged, exerting a substantial impact on industries both domestically and globally. This led to a significant upsurge in inflation, starting in 2022 and persisting into 2023, with additional pressures stemming from the energy sector. In response, a range of measures were implemented at the national ECB and European Commission levels to address the economic downturn, providing support to both the economy and the populace. These measures were aimed at providing liquidity to facilitate the economic recovery and alleviating inflationary pressures by adjusting key interest rates.

The short-term maturity mismatch of the Bank's assets and liabilities is within acceptable limits; moreover, the slight decline in deposits from the non-bank sector continued in 2023. The Bank has carefully monitored the changes in the structure of the balance sheet and has regularly carried out liquidity stress tests, which include scenarios under five severity levels or escalation of situations. The stress scenarios provide for all types of stress to affect the volume of cash flows in terms of outflows and inflows and, at the same time, to reduce liquidity reserves. The methodology also includes criteria for assessing the minimum or optimal level of liquidity reserves, according to which the Bank must have at least a level of liquidity reserves that covers stress level 3 for a period of one month, and optimally covers stress level 3 for a period of three months.

The Bank defines its liquidity risk profile in accordance with the ICAAP Management Framework and the ILAAP Management Framework. In October 2023, the Bank participated in a weekly daily liquidity exercise, focusing on liquidity monitoring and data provision at the bank group level, as well as at the overall group level. The Bank has been conducting the weekly liquidity exercise regularly since 2022. In addition to the weekly liquidity exercise, starting from September 2023, the Bank also monitors and reports liquidity, mandated by the group on a weekly basis. In September 2023, the Bank conducted a dry run for the Liquidity contingency plan (LCP) as part of the breached zone for the early warning situation, and conducted a dry run for the Recovery Plan in early December 2023.

Liquidity management and the liquidity management programme are integrated into the Bank's annual business plan. The annual business plan outlines the basic guidelines for liquidity management, which are incorporated into the activities of the monthly liquidity planning and the daily operational implementation of liquidity management. The plan also details the techniques and procedures for monitoring and controlling the Bank's liquidity. Any significant changes in the planned inflows and outflows of funds and investments are updated by the Bank in a new version of the liquidity plan for the current month and the remaining months until the end of the year.

Pursuant to internal rules, the Treasury Sector monitors cash flows on a daily basis, and these are subject to consideration by the Liquidity Committee, which makes decisions on the proposed projection and prepares possible scenarios in relation to the probability of foreseen events.

To ensure the necessary liquidity, the Bank monitors in detail and on a regular basis:

- the time schedule of current and nearing cash flows in assets and liabilities;
- the coverage of potential cash outflows by cash inflows in a certain period involving due or highly liquid assets;
- the volume of potential cash outflows that can be covered by borrowing on the interbank market;
- access to other asset sources based on secondary liquidity reserve;
- the scope and maintenance of the necessary liquidity as laid down by regulations.

The operations of the Liquidity Committee are defined in a special internal regulation.

In the Risk Appetite Statement, the bank incorporates several liquidity risk indicators, namely LCR and NSFR as key metrics, along with the loan-to-deposit ratio (gross LTD) and survival period as supporting metrics. The Strategic Risk Management sector, based on Risk Appetite statement, proposes additional constraints and internal limits for structural and operational liquidity, monitors their compliance, and prepares analyses of the bank's liquidity position and guidelines for liquidity risk management decision-making. On a monthly basis, the bank conducts stress testing in accordance with a methodology enabling the calculation of the minimum and optimal levels of the bank's liquidity reserves or the survival period, considering three levels of stress scenarios and their impacts on the bank's cash flows and the value of liquidity reserves. In addition to monthly measurement and monitoring, the bank group also tracks the LCR, NSFR, interbank exposure, foreign exchange risk exposure, and monitors and measures the daily liquidity position, for which the bank has defined a minimum daily amount (limit).

The Bank provides and regulates its liquidity:

- by hiring the missing liquidity reserves on the interbank money market – the interbank money market in the Republic of Slovenia and from foreign banks in the Eurosystem – in the form of unsecured interbank loans;
- with credit lines at other banks;
- by hiring the missing funds from the ECB through the Eurosystem monetary policy operations (TLTRO, long-term and short-term tenders);
- by drawing a credit line and a marginal lending facility at the Bank of Slovenia;
- by accelerating the collection of fixed-term deposits made by legal entities under more favourable terms for the client.
- by selling the debt securities available to the Bank in its portfolio.

The Bank has a fund of eligible financial assets (maximum lien on securities that are on the single list of eligible financial assets of ECB at the Central Securities Clearing Corporation and foreign national central banks registered to the benefit of the Bank of Slovenia) as the basis for using ECB instruments (drawing ECB funds under ECB monetary policy operations and using the credit line and marginal lending facility). The Bank additionally has a sufficient volume of securities, which are also fit for using ECB instruments, and can be additionally included in the eligible assets fund, thus increasing the possibilities for access to liquid assets in the event of severe liquidity conditions. With the permission of the Bank of Slovenia, the Bank may also include appropriate bank loans in the fund of eligible assets.

7.3.1 Non-Derivative Financial Liabilities and Assets Held for Managing Liquidity Risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by the remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed differ from the amount included in the statement of financial position because they are based on discounted cash flows.

in thousands of EUR

	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Total
31 December 2023						
Liabilities						
Due to banks	4,519	-	-	-	-	4,519
Due to customers	556,483	65,298	402,839	932,773	674	1,958,067
Borrowings from banks and central banks	347	-	7,765	33,050	83,840	125,002
Borrowings from customers	-	-	-	-	-	
Debt securities	-	-	6,752	92,747	-	99,499
Lease liabilities	24	48	246	286	-	604
Other liabilities	15,842	550	2,005	-	-	18,397
Total liabilities (expected maturity dates)	**577,215**	**65,896**	**419,607**	**1,058,856**	**84,514**	**2,206,088**
Assets held for managing liquidity risk (expected maturity dates)	**515,553**	**132,666**	**351,041**	**1,013,206**	**618,166**	**2,630,632**
Liquidity gap	**61,662**	**(66,770)**	**68,566**	**45,650**	**(533,652)**	-
31 December 2022						
Liabilities						
Due to banks	1,966	-	-	-	-	1,966
Due to customers	581,755	88,612	272,531	978,953	1,018	1,922,869
Borrowings from banks and central banks	164	161	6,928	34,707	91,057	133,017
Lease liabilities	23	47	208	422	-	700
Other liabilities	10,125	39	979	-	-	11,143
Total liabilities (expected maturity dates)	**594,033**	**88,859**	**280,646**	**1,014,082**	**92,075**	**2,069,695**
Assets held for managing liquidity risk (expected maturity dates)	**411,872**	**121,505**	**334,792**	**951,937**	**605,690**	**2,425,796**
Liquidity gap	**182,161**	**(32,646)**	**(54,146)**	**62,145**	**(513,615)**	-

The Bank has a diversified portfolio of quality highly-rated and liquid securities eligible for providing assets to settle liabilities and contingent liabilities. The Bank's liquidity reserves intended for liquidity risk management include cash and account balances with the Central Bank, government bonds and other securities suitable for repurchase contracts with the Central Bank and other secondary liquidity sources in the form of highly liquid securities in the Bank's portfolio.

In liquidity risk management, the Bank also takes into account other financial assets that are expected to generate cash flows in order to settle the foreseen cash outflows for financial liabilities.

7.3.2 Commitments and Contingencies

The bank manages the liquidity risk associated with loan commitments and financial guarantees on the basis of expected cash outflows. These outflows, disclosed in the time bands when the Bank expects the loan commitments to be drawn, are summarised in the table below. Guarantees and commercial letters of credit are also included in the table below, based on the earliest contractual maturity date.

in thousands of EUR

	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Total
31 December 2023						
Commitments to extend credit	155,109	35,304	127,284	34,049	-	351,746
Guarantees	188,940	-	-	-	-	188,940
Total	**344,049**	**35,304**	**127,284**	**34,049**	**-**	**540,686**
31 December 2022						
Commitments to extend credit	118,902	15,045	157,808	16,781	-	308,536
Guarantees	141,933	-	-	-	-	141,933
Total	**260,835**	**15,045**	**157,808**	**16,781**	**-**	**450,469**

7.4 Estimated Fair Value of Financial Assets and Liabilities

7.4.1 Financial Instruments Not Measured at Fair Value

The following table summarises the carrying amounts and the fair values of the financial assets and liabilities not presented in the Bank's statement of financial position at their fair value:

in thousands of EUR

	Carrying value		Fair value	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Financial assets				
Cash, balances at central banks and other demand deposits at banks	357,819	313,733	357,819	313,733
Financial assets measured at amortised cost				
Debt securities measured at amortised cost	301,842	345,343	275,555	308,516
Loans and receivables to banks	23,439	46,178	23,036	45,839
Loans and receivables to customers	1,594,066	1,485,608	1,592,523	1,494,953
Other financial assets	5,449	4,417	5,449	4,417
Total financial assets	**2,282,615**	**2,195,278**	**2,254,382**	**2,167,459**
Financial liabilities				
Due to banks	4,519	1,966	4,475	1,955
Due to customers	1,948,781	1,919,943	1,950,038	1,921,139
Borrowings from banks and from other customers	92,349	96,149	88,506	88,787
Other financial liabilities	19,001	11,843	19,001	11,843
Debt securities	73,336	-	73,336	-
Total financial liabilities	**2,137,985**	**2,029,901**	**2,135,356**	**2,023,724**

The following table summarises the fair value hierarchy:

				in thousands of EUR
	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2023				
Financial assets				
Cash, balances at central banks and other demand deposits at banks	357,819	-	-	357,819
Financial assets measured at amortised cost				
Debt securities	6,028	265,985	3,542	275,555
Loans and receivables to banks	-	23,036	-	23,036
Loans and receivables to customers	-	-	1,592,523	1,592,523
Other financial assets	-	5,449	-	5,449
Total financial assets	**363,847**	**294,470**	**1,596,065**	**2,254,382**
Financial liabilities				
Due to banks	-	4,475	-	4,475
Due to customers	-	1,950,038	-	1,950,038
Borrowings from banks and from other customers	-	88,506	-	88,506
Other financial liabilities	-	19,001	-	19,001
Debt securities	-	73,336	-	73,336
Total financial liabilities	**-**	**2,135,356**	**-**	**2,135,356**
31 December 2022				
Total financial assets	**330,140**	**327,715**	**1,509,604**	**2,167,459**
Total financial liabilities	**-**	**2,023,724**	**-**	**2,023,724**

Level 1 comprises financial assets, for which the fair value was measured by the direct observation of the price on the markets for the same financial assets; level 2 comprises financial assets and financial liabilities, for which the fair value was measured by the direct observation of prices on markets for similar financial assets; level 3 comprises financial assets, for which the fair value was measured using non-observational input data that included assumptions and forecasts.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

7.4.1.1 Loans and Advances

The fair value of loans and advances is calculated based on discounted expected future principal and interest cash flows. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when the interest rates were at levels similar to the current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis. The estimated fair values of loans reflect changes in credit status since the loans were made, and changes in interest rates in the case of fixed-rate loans. As the Bank has a very limited portfolio of loans and advances with a fixed rate, the fair value of loans and advances is not significantly different from their carrying value.

7.4.1.2 Bank and Customer Deposits

For demand deposits and deposits with no defined maturities, the fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of other deposits is based on discounted cash flows using interest rates for new deposits with similar remaining maturity. The value of long-term relationships with depositors is not taken into account in estimating fair values. As most of the Bank's deposits are either short-term with rates being almost equal to market rate or have a variable rate, being the market rate, there is no significant difference between the fair value of these deposits and their carrying value.

7.4.1.3 Borrowings

Most of the Bank's long-term debt has no quoted market prices, and the fair value is estimated as the present value of future cash flows, discounted at interest rates available on the reporting date to the Bank for new debts of a similar type and remaining maturity. Again, as the majority of the Bank's long-term debt is with variable interest rates, there is no significant difference between their carrying and fair value.

7.4.2 Financial Instruments Measured at Fair Value

Financial instruments held for trading, financial instruments measured at fair value through profit or loss, and financial instruments measured at fair value through other comprehensive income, are measured at fair value. Their measurement and recognition is disclosed in note 2.2.4.

7.4.3 Fair Value Hierarchy

The IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs include market data obtained from independent sources; unobservable inputs include the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchange-traded derivatives like futures.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the majority of the OTC derivative contracts, traded loans, issued structured debt and equity investments. The sources of input parameters like the LIBOR or the EURIBOR yield curve or counterparty credit risk are Bloomberg and Reuters. Fair value is also determined on the basis of information obtained on the last available transaction.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments, debt instruments and loans, the value of which can be determined using theoretical inputs.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

7.4.3.1 Assets and Liabilities Measured at Fair Value

in thousands of EUR

	Level 1	Level 2	Level 3	Total
31 December 2023				
Financial assets measured at FVTOCI				
• bonds	-	75,759	-	75,759
• equity	-		6,747	6,747
Financial assets mandatorily at FVTPL				
• equity	266	-	6,384	6,650
Total	**266**	**75,759**	**13,131**	**89,156**
Financial liabilities designated at FVTPL	-	-	-	-
Total liabilities	-	-	-	-

in thousands of EUR

	Level 1	Level 2	Level 3	Total
31 December 2022				
Financial assets measured at FVTOCI				
• bonds	-	26,477	-	26,477
• equity	-		6,450	6,450
Financial assets mandatorily at FVTPL				
• equity	265	4,302	4,890	9,457
Total	**265**	**30,780**	**11,340**	**42,385**
Financial liabilities designated at FVTPL	-	-	-	-
Total liabilities	-	-	-	-

At the end of 2023, the Bank owned a 2.73% share of the company, Sava Turizem, d.d. equity capital. The company is a closed company and is not listed on a stock market. The market value of the company's equity capital was determined for 2023 using the method of the current value of expected discounted cash flows (DCF).

To measure the fair value of the share in Sava Turizem d.d.'s equity capital, the Bank used the price of EUR 2.17 per share as at 31 December 2023 (2022: EUR 2.14), which falls in the range of EUR 2.03 to EUR 2.32 per share (2022: EUR 1.99 to EUR 2.31). The book value of the investment amounted to EUR 3,343 thousand at the price of EUR 2.17 per share (2022: EUR 3,297 thousand at the price of EUR 2.14 per share).

The basis for the method of the current value of discounted cash flows for 2023:

- The assessed value for the equity share in Sava Turizem d.d. has been prepared by a minority owner,
- The method of the current value of expected discounted cash flows is based on the assumption of an active company, i.e. a company that is focused on maximising value and which will continue to operate in the foreseeable future,
- The company value has been assessed based on a value assessment focused on yield,
- The discounted rate has been defined as WACC (Weighted Average Costs of Capital) and has been assessed in the period of 2023-2028 in the amount of 12.4% (2022: 10.5%) and the long-term WACC in the amount of 11% (2022: 10.3%).

There were no transfers between levels in the aforementioned assets during the year.

Movements in financial assets at FV level 3

in thousands of EUR

	Equity measured at FVTOCI	Equity mandatorily at FVTPL	Loans mandatorily at FVTPL	Total
Balance at 1 January 2023	6,450	4,890	-	11,340
Gains, recognized in the income statement	-	115	-	115
Gains, recognized in OCI	296	-	-	296
Additions	-	1,380	-	1,380
Disposals	-	-	-	-
Balance at 31 December 2023	**6,747**	**6,384**	**-**	**13,131**

7.5 Capital Management

Capital management is a continuous process involving the determination and maintenance of a sufficient scope and quality of capital. As part of the capital management policy, the Bank must ensure that it always has at its disposal adequate capital with respect to the volume and type of services that it performs, as well as the risk it is exposed to when performing such services (capital adequacy).

The Bank must operate in such a way that the risk it is exposed to in respect of individual or all types of transactions it performs never exceeds the restrictions.

The table below summarises the capital components, capital requirements and capital ratios.

		in thousands of EUR
	31/12/2023	**31/12/2022**
Paid up capital instruments	16,188	16,188
Share premium	20,023	20,023
Own CET1 instruments	(26,007)	(26,007)
Previous years retained earnings	46,362	38,108
Accumulated other comprehensive income	(1,090)	(2,286)
Other reserves	177,421	177,421
Adjustments to CET1 due to prudential filters	(94)	(42)
Intangible assets	(2,357)	(3,188)
Deferred tax assets	(2,078)	(4,137)
Other CET1 capital deductions	-	790
Other adaptations	(705)	(252)
Common equity Tier 1 capital	**227,663**	**216,618**
Tier 1 capital	**227,663**	**216,618**
Subordinated loans	-	-
Tier 2 capital	**50,000**	**50,000**
Total capital (own funds)	**277,663**	**266,618**
Capital requirement for credit risk and counterparty credit risk	114,076	110,963
Of which capital requirements by exposure classes:		
• Central governments or central banks	772	819
• Regional governments or local authorities	399	84
• Public sector entities	590	96
• Institutions	824	3,863
• Corporates	34,294	35,574
• Retail	38,740	32,923
• Secured by mortgages on immovable property	8,982	8,315
• Exposures in default	1,905	1,811
• Items associated with a particularly high risk	20,768	20,140
• Collective investments undertakings (CIU)	409	375
• Equity	2,299	2,607
• Other items	4,094	4,356
Capital requirement for market risk	-	-
Capital requirement for operational risk	12,518	9,848
Total capital requirement	**126,594**	**120,812**
CET 1 capital ratio	14.39%	14.34%
T1 capital ratio	14.39%	14.34%
Total capital ratio	17.55%	17.66%

The Bank's capital structure also consists of subordinated debt issued separately under two agreements for EUR 20 million and EUR 30 million, representing additional capital of the Bank. The terms and conditions of the two agreements are set out in the table below.

in thousands of EUR

Amount (EUR thousand)	Contract date	Borrowing date	Maturity date	Interest rate
20,000	12/02/2020	28/02/2020	28/02/2030	5.00%
30,000	5/12/2022	14/12/2022	14/12/2032	9.00%

The Bank has no unsettled transactions in the trading and non-trading book, and therefore does not calculate the capital requirement for the risk of settlement. It has no goods in its portfolio, and therefore does not calculate the capital requirement for commodities risk. Since the total net position in foreign currency does not exceed 2% of the Bank's capital, the Bank is not required to calculate the capital requirement for currency risk. Furthermore, the Bank has no capital requirements for large exposures exceeding the limitations laid down in Articles 395 to 401 of the CRR Regulation.

Gorenjska Banka

Gorenjska banka d.d., Kranj
Bleiweisova cesta 1, p. p. 147
4000 Kranj, Slovenija

Telephone: +386 4 / 208 40 00
E-mail: info@gbkr.si
Website: https://www.gbkr.si

Production:
Gorenjska banka d.d., Kranj
Portrait of President of the Management Board: Ivan Bliznetsov
Design: Design To Win, Tanja Detečnik s.p.


All, that counts.
Gorenjska banka

Gorenjska Banka