



Disclosures for SKB Group for 2021

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Disclosures for SKB Group for 2021

In accordance with the Directive, SKB banka d.d. Ljubljana is a subsidiary bank, but is classified as another systematically important institution (O-SII) by Bank of Slovenia. It therefore qualifies as a large subsidiary.

According to Article 13 of CRR2 and the fact that SKB is not listed on a stock exchange, it is only obliged to disclose the required information once a year according to Article 433a(2).

1. Disclosures of key matrix

1.1 Capital requirements

(Article 438(a)(b)(c)(d)(f)(g) CRR)

The Group measures its credit, market and operational risks under Basel II Pillar I rules. Capital requirements for credit risk, counterparty credit risk and operational risk are calculated using the standardized approach.

Capital adequacy

The Group monitors the adequacy of its capital using ratios defined by the requirements of the Bank of Slovenia. These ratios measure capital adequacy by comparing the Group's capital with risk-weighted assets.

While the minimum amount of capital required is 8 % of risk weighted assets under pillar I requirement and the total capital requirement is set to 13.75 % on a consolidated basis, the Group sets its internal limit for capital adequacy to 14.25 % of total capital. This internal limit serves also as an alert level for capital adequacy management with the regulation of the level of regulatory capital and/or optimization of capital usage. The Group defines the limit within Risk Appetite Framework and Risk Appetite Statement and is monitored on a quarterly basis on the Board of Directors committee.

Overall in 2021 the capital adequacy of the Group increased and remains strong and safely above the alert threshold. The slight differences in capital adequacy ratio can be attributed to gradual portfolio growth and increase of regulatory capital in June 2021.

Table 1 Template EU OV1 – Overview of total risk exposure amounts

EUR 000		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2021	2020	2021
1	Credit risk (excluding CCR)	2,387,961	2,196,989	191,037
2	• Of which the standardised approach	2,387,961	2,196,989	191,037
3	• Of which the Foundation IRB (F-IRB) approach	0	0	0
4	• Of which slotting approach	0	0	0
EU 4a	• Of which equities under the simple risk weighted approach	0	0	0
5	• Of which the Advanced IRB (A-IRB) approach		0	0
6	Counterparty credit risk - CCR	24,145	13,246	1,932
7	• Of which the standardised approach	24,145	13,246	1,932
8	• Of which internal model method (IMM)	0	0	0
EU 8a	• Of which exposures to a CCP		0	0
EU 8b	• Of which credit valuation adjustment - CVA	1,175	569	94
9	• Of which other CCR	0	0	0
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
17	• Of which SEC-IRBA approach	0	0	0
18	• Of which SEC-ERBA (including IAA)	0	0	0
19	• Of which SEC-SA approach	0	0	0
EU 19a	• Of which 1250 % / deduction	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	0	0	0
21	• Of which the standardised approach	0	0	0
22	• Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	194,696	195,608	15,576
EU 23a	• Of which basic indicator approach	0	0	0
EU 23b	• Of which standardised approach	194,696	195,608	15,576
EU 23c	• Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	2,606,802	2,405,843	208,544

Table 2 Template EU KM1 – Key metrics template

EUR 000		a	b	c	d	e
		12. 2021	09. 2021	06. 2021	03. 2021	12. 2020
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	391,807,016	395,870,515	397,056,838	363,912,620	364,739,054
2	Tier 1 capital	391,807,016	395,870,515	397,056,838	363,912,620	364,739,054
3	Total capital	391,807,016	395,870,515	397,056,838	363,912,620	364,739,054
Risk-weighted exposure amounts						
4	Total risk exposure amount	2,606,802	2,611,321	2,599,890	2,439,335	2,405,843
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.03 %	15.16 %	15.27 %	14.92 %	15.16 %
6	Tier 1 ratio (%)	15.03 %	15.16 %	15.27 %	14.92 %	15.16 %
7	Total capital ratio (%)	15.03 %	15.16 %	15.27 %	14.92 %	15.16 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2 %	2 %	2 %	2 %	2 %
EU 7b	• of which: to be made up of CET1 capital (percentage points)	1.13	1.13	1.13	1.13	1.13
EU 7c	• of which: to be made up of Tier 1 capital (percentage points)	1.50	1.50	1.50	1.50	1.50
EU 7d	Total SREP own funds requirements (%)	10 %	10 %	10 %	10 %	10 %
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0	0	0	0	0
9	Institution specific countercyclical capital buffer (%)	0	0	0	0	0
EU 9a	Systemic risk buffer (%)	0	0	0	0	0
10	Global Systemically Important Institution buffer (%)	0	0	0	0	0
EU 10a	Other Systemically Important Institution buffer (%)	0.25 %	0.25 %	0.25 %	0.25 %	0.25 %
11	Combined buffer requirement (%)	2.75 %	2.75 %	2.75 %	2.75 %	2.75 %
EU 11a	Overall capital requirements (%)	12.75 %	12.75 %	12.75 %	12.75 %	12.75 %
12	CET1 available after meeting the total SREP own funds requirements (%)	5.03 %	5.16 %	5.27 %	4.92 %	5.16 %
Leverage ratio						
13	Total exposure measure	4,246,038	4,199,451	4,212,180	4,053,341	3,995,327
14	Leverage ratio (%)	9.23 %	9.43 %	9.43 %	8.98 %	9.13 %

EUR 000		a	b	c	d	e
		12. 2021	09. 2021	06. 2021	03. 2021	12. 2020
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0	0	0	0	0
EU 14b	• of which: to be made up of CET1 capital (percentage points)	0	0	0	0	0
EU 14c	Total SREP leverage ratio requirements (%)	3 %	3 %	3 %	3 %	3 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0	0	0	0	0
EU 14e	Overall leverage ratio requirement (%)	0	0	0	0	0
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,042,691	1,003,773	982,392	1,041,367	1,033,295
EU 16a	Cash outflows - Total weighted value	571,697	776,853	604,815	553,581	503,146
EU 16b	Cash inflows - Total weighted value	93,250	348,233	191,819	145,906	109,190
16	Total net cash outflows (adjusted value)	478,447	428,620	412,996	407,676	393,956
17	Liquidity coverage ratio (%)	218 %	234 %	238 %	255 %	262 %
Net Stable Funding Ratio						
18	Total available stable funding	3,222,122	3,160,394	3,188,037	3,126,269	3,103,568
19	Total required stable funding	2,110,294	2,090,717	2,087,279	2,019,380	2,012,836
20	NSFR ratio (%)	153 %	151 %	153 %	155 %	154 %

Table 3 Table EU OVC – ICAAP information

Legal basis	Row number	Free format
Article 438(a) CRR	(a)	Approach to assessing the adequacy of the internal capital
Article 438(c) CRR	(b)	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process

(a) Article 438(a) CRR: Approach to assessing the adequacy of the internal capital

The SKB Group implemented Internal Capital Adequacy Assessment Process (ICAAP) to be able to assess capital needs in accordance with risk profile and risk strategy.

The process consists of a qualitative and quantitative assessment. The qualitative part represent the assessment of Group's risk exposure and assessment of its control system, which is performed on an annual basis. The quantitative calculation of the internal estimate of capital needs is performed at SKB Group level on a quarterly basis and reported to the SKB Group's General Management through the ALCO Committee. Internal estimates of capital needs are calculated for all important risks from normative¹ and economic² perspective. The sum of all internal capital needs represents the internal estimate of capital needs for the SKB Group. The internal estimate of capital needs shows whether the level of the capital is sufficient to absorb all types of risks the SKB Group is exposed.

¹ The normative perspective is a multi-year assessment of the institution's ability to fulfil all of its capital-related quantitative regulatory and supervisory requirements and demands, and to cope with other external financial constraints.

² Economic internal perspective is perspective under which the institution manages its economic capital adequacy by ensuring that its economic risks are sufficiently covered by available internal capital.

The ICAAP process is intertwined with the ILAAP process (Internal Liquidity Adequacy Assessment process) by which the Group analysing liquidity position from qualitative and quantitative perspective, including liquidity metrics which are not specifically defined within liquidity risk section of ICAAP report.

The ICAAP and ILAAP process are intertwined with the Group's main strategic processes, such as Risk Appetite Framework, Risk Appetite Statement and Recovery and resolution plan.

(b) Article 438(c) CRR: Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process

SKB GROUP	Economic perspective	Normative perspective - base scenario			Normative perspective - adverse scenario		
		31.12.21	31.12.22	31.12.23	30.12.24	31.12.22	31.12.23
CAPITAL ADEQUACY (in %)							
Total capital ratio (in %)	15.03 %	15.90 %	16.60 %	17.44 %	16.14 %	16.86 %	17.05 %
Capital in MEUR							
Tier 1 capital of which	391.8	440.1	483.7	529.7	420.8	438.8	460.2
• Common equity tier 1 capital	391.8	440.1	483.7	529.7	420.8	438.8	460.2
• Additional tier 1 capital	391.8	440.1	483.7	529.7	420.8	438.8	460.2
Tier 2 capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tier 1 capital of which	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal estimate of capital needs in MEUR							
Material risks	246.7	237.7	251.3	264.5	232.7	233.3	244.0
Credit risk	193.0	205.7	216.6	225.8	193.3	192.9	200.6
Operational risk	15.7	15.2	15.1	15.1	15.1	14.7	14.4
Concentration risk	7.7	8.2	8.7	9.0	15.5	15.4	16.1
Counterparty risk	3.1	3.2	3.4	3.6	3.1	3.1	3.1
Interest rate risk	26.5	3.5	5.8	9.2	3.2	4.6	7.3
Strategic risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model risk	0.8	1.7	1.7	1.7	2.5	2.5	2.5
Stress tests	43.8	63.7	94.8	112.6	56.9	75.8	77.7
Overall capital requirements / internal estimate of capital needs	290.5	301.4	346.1	377	289.6	309.1	321.7
Capital buffer	101.3	138.8	137.5	152.7	131.2	129.7	138.5

Table 4 Template EU INS1 – Insurance participation

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

The template is for the SKB Group non-applicable, as the Group does not hold own funds instruments in insurance or re-insurance undertakings or insurance holding company as of 31.12.2021.

Table 5 Template EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio

		a
1	Supplementary own fund requirements of the financial conglomerate (amount)	
2	Capital adequacy ratio of the financial conglomerate (%)	

The template is for the SKB Group non-applicable, as the Group does not hold own funds in financial conglomerates as of 31.12.2021.

2 Capital management

2.1 Regulatory own funds

(Article 437(a)(d)(e)(f) CRR)

Table 6 Template EU CC1 – Composition of regulatory own funds

		EUR 000	a	b
			Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts		156,846	(h)
	• of which: Instrument type 1		156,846	26(3), EBA list
	• of which: Instrument type 2			
	• of which: Instrument type 3			
2	Retained earnings		195,316	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)		44,271	26(1)
EU-3a	Funds for general banking risk			
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1			
5	Minority interests (amount allowed in consolidated CET1)			
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments		396,433	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)		(487)	
8	Intangible assets (net of related tax liability) (negative amount)		(4,139)	36(1)(b), 37, 472(4)
9	Not applicable			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)			
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value			
12	Negative amounts resulting from the calculation of expected loss amounts			
13	Any increase in equity that results from securitised assets (negative amount)			
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			
15	Defined-benefit pension fund assets (negative amount)			
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)			
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			

EUR 000		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative		
EU-20b	• of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	• of which: securitisation positions (negative amount)		
EU-20d	• of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17,65 % threshold (negative amount)		
23	• of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Not applicable		
25	• of which: deferred tax assets arising from temporary differences		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(4,626)	
29	Common Equity Tier 1 (CET1) capital	391,807	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		(i)
31	• of which: classified as equity under applicable accounting standards		
32	• of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33a	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		

EUR 000		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	• of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital		
45	Tier 1 capital (T1 = CET1 + AT1)		
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts		
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	• of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	Tier 2 (T2) capital before regulatory adjustments		

		EUR 000	a	b
			Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)			
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)			
54a	Not applicable			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			
56	Not applicable			
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)			
EU-56b	Other regulatory adjustments to T2 capital			
57	Total regulatory adjustments to Tier 2 (T2) capital			
58	Tier 2 (T2) capital			
59	Total capital (TC = T1 + T2)		391,807	
60	Total Risk exposure amount		2,606,802	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital		15.03	92(2)(a), 465
62	Tier 1 capital		15.03	92(2)(b), 465
63	Total capital		15.03	92(2)(c)
64	Institution CET1 overall capital requirements			
65	• of which: capital conservation buffer requirement			
66	• of which: countercyclical capital buffer requirement			
67	• of which: systemic risk buffer requirement			
EU-67a	• of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement			
EU-67b	• of which: additional own funds requirements to address the risks other than the risk of excessive leverage			
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements			
National minima (if different from Basel III)				
69	Not applicable			
70	Not applicable			
71	Not applicable			

		EUR 000	a	b
			Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)		7,973	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65 % thresholds and net of eligible short positions)			
74	Not applicable			
75	Deferred tax assets arising from temporary differences (amount below 17,65 % threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)			
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

Table 7 Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

Stanje 31.12.2020		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
EUR 000		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash, cash balances at central banks and other demand deposits at banks	448,435	0	
2	Financial assets held for trading	5,707	0	
3	Non-trading financial assets mandatorily at fair value through profit or loss	20,890	0	
4	Financial assets designated at fair value through profit or loss	0	0	
5	Financial assets at fair value through other comprehensive income	464,796	(487)	
6	Financial assets at amortised cost	2,827,044	0	
7	Derivatives - hedge accounting	0	0	
8	Non-current assets and disposal groups classified as held for sale	4	0	
9	Property, plant and equipment	37,577	0	
10	Investment property	1,071	0	
11	Intangible assets	12,465	(4,139)	36(1)(b), 37, 472(4)
12	• goodwill	1,290	(1,290)	36(1)(b), 37, 472(4)
13	• other intangible assets	11,175	(2,849)	36(1)(b), 37, 472(4)
14	Investments in subsidiaries, associates and joint ventures	0	0	
15	Tax assets	626	0	
16	• current tax assets	626	0	
17	• deferred tax assets	0	0	
18	Other assets	19,325	0	
19	Total assets	3,837,940	(4,626)	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Financial liabilities held for trading	5,677	0	
2	Financial liabilities designated at fair value through profit or loss	0	0	
3	Financial liabilities measured at amortised cost	3,359,093	0	
4	Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,165	0	
5	Provisions	15,616	0	
6	Tax liabilities	4,782	0	
7	• current tax liabilities	4,088	0	
8	• deferred tax liabilities	694	0	
9	Other liabilities	9,021	0	
10	Total liabilities	3,395,354	0	
Shareholders' Equity				
1	Capital	52,784	52,784	26(1), 27, 28, 29, 26(3), EBA list
2	Share premium	104,061	104,061	26(1), 27, 28, 29, 26(3), EBA list
3	Accumulated other comprehensive income	15,165	15,165	26(1)
4	Reserves from profit	29,106	29,106	26(1)
5	Retained earnings (including income from current year)	241,470	195,316	26(1)(c)
6	Total shareholders' equity	442,586	396,433	

2.2 Main features of regulatory own funds instruments and eligible liabilities instruments

(Article 437(b)(c) CRR)

Table 8 Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a
		Qualitative or quantitative information - Free format
1	Issuer	SKB BANKA D.D. LJUBLJANA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SKBB, ISIN SI0021103013
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	Act on dematerialised securities
3a	Banking act	N/A
	Companies act	N/A
4	Contractual recognition of write down and conversion powers of resolution authorities	N/A
5	Regulatory treatment	N/A
6	Current treatment taking into account, where applicable, transitional CRR rules	N/A
7	Post-transitional CRR rules	N/A
8	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	N/A
9	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
EU-9a	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	N/A
EU-9b	Redemption price	N/A
10	Accounting classification	N/A
11	Original date of issuance	June 30, 1997
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	Variable dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A

		a
		Qualitative or quantitative information - Free format
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A
(1) Insert 'N/A' if the question is not applicable		

3 Capital buffers

(Article 440(a)(b) CRR)

Table 9 Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

	a		b		c		d		e		f		g			h		i		j		k		l		m	
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures		Total exposure value		Relevant credit risk exposures - Credit risk		Relevant credit exposures – Market risk		Relevant credit exposures – Securitisation positions in the non-trading book		Total		Risk-weighted exposure amounts		Own fund requirements weights		Counter-cyclical buffer rate (%)						
EUR 000	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book	Exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights	Counter-cyclical buffer rate (%)														
010	Breakdown by country:																										
Austria	204	0	0	0	0	204	16	0	0	16	204	0.01 %	0.00 %														
Australia	165	0	0	0	0	165	7	0	0	7	83	0.00 %	0.00 %														
Bosnia and Herzegovina	2	0	0	0	0	2	0	0	0	0	2	0.00 %	0.00 %														
Belgium	377	0	0	0	0	377	30	0	0	30	377	0.02 %	0.00 %														
Benin	1	0	0	0	0	1	0	0	0	0	0	0.00 %	0.00 %														
Brazil	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Belarus	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Canada	1,309	0	0	0	0	1,309	52	0	0	52	654	0.03 %	0.00 %														
Switzerland	5,513	0	0	0	0	5,513	221	0	0	221	2,756	0.11 %	0.00 %														
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Czech Republic	154	0	0	0	0	154	7	0	0	7	85	0.00 %	0.50 %														
Germany	6,213	0	0	0	0	6,213	349	0	0	349	4,363	0.18 %	0.00 %														
Denmark	30	0	0	0	0	30	1	0	0	1	15	0.00 %	0.00 %														
Spain	2	0	0	0	0	2	0	0	0	0	2	0.00 %	0.00 %														
France	144,354	0	0	0	0	144,354	332	0	0	332	4,149	0.17 %	0.00 %														
United Kingdom	2,972	0	0	0	0	2,972	204	0	0	204	2,551	0.11 %	0.00 %														
Greece	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Croatia	32,163	0	0	0	0	32,163	166	0	0	166	2,075	0.09 %	0.00 %														
Hungary	98,699	0	0	0	0	98,699	356	0	0	356	4,444	0.18 %	0.00 %														
Ireland	112	0	0	0	0	112	9	0	0	9	112	0.00 %	0.00 %														
Israel	12	0	0	0	0	12	1	0	0	1	12	0.00 %	0.00 %														
India	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Italy	1,342	0	0	0	0	1,342	54	0	0	54	672	0.03 %	0.00 %														
Japan	759	0	0	0	0	759	30	0	0	30	379	0.02 %	0.00 %														
Korea	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Luxemburg	1,724	0	0	0	0	1,724	70	0	0	70	876	0.04 %	0.50 %														
Moldova	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Republic of North Macedonia	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
Netherlands	134	0	0	0	0	134	11	0	0	11	133	0.01 %	0.00 %														
Norway	162	0	0	0	0	162	6	0	0	6	81	0.00 %	1.00 %														
Poland	196	0	0	0	0	196	8	0	0	8	98	0.00 %	0.00 %														
Romania	52,937	0	0	0	0	52,937	4	0	0	4	52	0.00 %	0.00 %														
Serbia	30,944	0	0	0	0	30,944	2,471	0	0	2,471	30,893	1.28 %	0.00 %														
Russia	402	0	0	0	0	402	16	0	0	16	201	0.01 %	0.00 %														
Sweden	613	0	0	0	0	613	25	0	0	25	306	0.01 %	0.00 %														
Slovenia	3,846,066	0	0	0	0	3,846,066	188,199	0	0	188,199	2,352,492	97.58 %	0.00 %														
Slovakia	0	0	0	0	0	0	0	0	0	0	0	0.00 %	1.00 %														
Turkey	1,058	0	0	0	0	1,058	42	0	0	42	529	0.02 %	0.00 %														
Ukraine	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
United States of America	4,541	0	0	0	0	4,541	187	0	0	187	2,332	0.10 %	0.00 %														
Kosovo	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
South Africa	0	0	0	0	0	0	0	0	0	0	0	0.00 %	0.00 %														
020	Total	4,233,160	0	0	0	4,233,160	192,874	0	0	192,874	2,410,931	100 %															

As per end of 2021 almost 98 % of own fund requirement weight is allocated on Slovenia. The distribution is the same as per 2020.

Table 10 Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

EUR 000		a
1	Total risk exposure amount	2,410,931
2	Institution specific countercyclical capital buffer rate	0
3	Institution specific countercyclical capital buffer requirement	5.61

4 Leverage ratio

4.1 Leverage ratio

(Article 451(1)(a)(b)(c) CRR)

Table 11 Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

EUR 000		a
		Applicable amount
1	Total assets as per published financial statements	4,666,579
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	0
9	Adjustment for securities financing transactions (SFTs)	0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(415,915)
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a (1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a (1) CRR)	0
12	Other adjustments	(4,625)
13	Total exposure measure	4,246,038

Table 12 Template EU LR2 - LRCom: Leverage ratio common disclosure

EUR 000		CRR leverage ratio exposures	
		a	b
		2021	2020
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3,836,324	3,651,633
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	(4,625)	(7,322)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	3,831,698	3,644,311
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	0	15,207
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	0	0
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	30,847	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	Total derivatives exposures	30,847	15,207
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	0	0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	Total securities financing transaction exposures	0	0

EUR 000		CRR leverage ratio exposures	
		a	b
		2021	2020
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	799,408	734,595
20	(Adjustments for conversion to credit equivalent amounts)	(415,915)	(403,839)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	Off-balance sheet exposures	383,493	330,756
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)		
Capital and total exposure measure			
23	Tier 1 capital	391,807	361,585
24	Total exposure measure	4,246,038	3,990,274
Leverage ratio			
25	Leverage ratio (%)	9.23 %	9.06 %
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)		
26	Regulatory minimum leverage ratio requirement (%)	3.00 %	
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU-26b	• of which: to be made up of CET1 capital		
27	Leverage ratio buffer requirement (%)		
EU-27a	Overall leverage ratio requirement (%)		
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		

EUR 000		CRR leverage ratio exposures	
		a	b
		2021	2020
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

Table 13 Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		EUR 000	a
		CRR leverage ratio exposures	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:		3,836,324
EU-2	Trading book exposures		0
EU-3	Banking book exposures, of which:		3,836,324
EU-4	Covered bonds		0
EU-5	Exposures treated as sovereigns		1,127,449
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns		58,494
EU-7	Institutions		15,006
EU-8	Secured by mortgages of immovable properties		0
EU-9	Retail exposures		1,613,542
EU-10	Corporates		910,226
EU-11	Exposures in default		16,290
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)		95,316

Table 14 Table EU LRA: Disclosure of LR qualitative information

a		
(a)	Description of the processes used to manage the risk of excessive leverage	<p>The risk of leverage ratio is managed in the bank on regular bases. It is based on the evolution of the solvency capital and the balance sheet, which might trigger the risk of excessive leverage ratio. The Group makes the assessment on a quarterly basis if the risk to leverage ratio has significantly increased so that corrective measures can be taken.</p> <p>Risk is responsible for assessing the stress tests impacts on the leverage ratio in the framework of annual stress test process for ICAAP. In the case the leverage ratio under stress scenario falls under 3%, additional capital needs under Pillar II is reported.</p>
(b)	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	<p>The bank defines as prudential threshold for leverage ratio not lower than 3.5%.</p> <p>In 2021 there were no special events which would have a significant influence on the leverage ratio. The increase in the leverage ratio corresponds to gradual portfolio growth and increase of Tier 1 capital in June 2021.</p>

5 liquidity

5.1 Liquidity risk management

(Article 451(a)(4) CRR)

Table 15 Table EU LIQA - Liquidity risk management

Row number	Qualitative information - Free format	
(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding.	<p>SKB Bank monitors and manages liquidity risk on the SKB Group level, consisting of SKB Bank, SKB Leasing and SKB Leasing Select. For the purpose of liquidity risk management, SKB Group continuously monitors future cash flows as well as calculates and analyses short, medium- and long-term liquidity gaps arising from balance and off-balance sheet items.</p> <p>Management of liquidity risk is also integrated in Internal Liquidity Adequacy Assessment Process (ILAAP), Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite Statement (RAS) and Recovery and Resolution plan.</p>
(b)	Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).	Assets and liabilities management department (ALM) within Finance Division is responsible for overall liquidity of the Group and the Group's structural and regulatory liquidity. ALM cooperates with Global market department (GLM) within Corporate Banking and Financial markets Division, by giving
(c)	A description of the degree of centralisation of liquidity management and interaction between the group's units	guidelines and instructions for Group's daily and short-term liquidity, while for long term liquidity ALM is responsible for raising and execution of funding. SKB Bank monitors and manages liquidity risk on the SKB Group level, consisting of SKB Bank, SKB Leasing and SKB Leasing Select.
(d)	Scope and nature of liquidity risk reporting and measurement systems.	ALM department is providing ALCO reports regarding the short, medium and long term liquidity gaps, regulatory liquidity ratios such as LCR, NSFR, ALMM, Primary and operative liquidity report, evolution of internally set liquidity indicators, evolution on financial markets and in macroeconomic environment as well as providing periodical analyses on stress test scenarios, updating types of scenarios and reporting the results of analyses.
(e)	Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	Liquidity management procedures, responsibilities and reporting are defined in the Memorandum on liquidity management, containing also the general principles on liquidity management in the Group, liquidity risk limit system, primary and secondary liquidity sources, stress tests scenarios and contingency funding plan. In year 2021 there were no material changes in the liquidity risk management process.

Row number	Qualitative information - Free format	
(f)	An outline of the bank's contingency funding plans.	The SKB Group has contingency funding plan evaluating liquidity sources which can be obtained under stress scenarios. Bank regularly monitors assumptions of stress scenarios, which are based on different liquidity indicators, which indicated various types of crisis scenarios. Contingency funding plan provides a detailed overview of available funding sources that can be gathered in times of stress. Liquidity transactions summarize potential interbank, money market and commercial funding sources which can be used in a contingency liquidity scenario.
(g)	An explanation of how stress testing is used.	The SKB Group ensures sufficient liquidity in case of extraordinary liquidity circumstances based on measured effects of liquidity risk, which are based on assumptions of different stress scenarios: idiosyncratic stress scenario, market-based scenario and combined scenario. The scenarios are analysed on a regular basis through different time periods: a short acute phase of stress (up to one week) followed by a longer period of less acute, but more persistent stress (up to one month, up to three months and up to twelve months). The liquidity stress tests are interconnected with a contingency funding plan evaluating liquidity sources which can be obtained.
(h)	A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.	
(i)	<ul style="list-style-type: none"> • describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. <p>These ratios may include:</p> <ul style="list-style-type: none"> • Concentration limits on collateral pools and sources of funding (both products and counterparties) • Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank • Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity • Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps 	

(h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

SKB banka d.d. Ljubljana
Ajdovščina 4
SI-1000 Ljubljana

A declaration on the adequacy of risk management arrangements of SKB banka d.d. Ljubljana providing assurance that the risk management systems put in place are adequate with regards to SKB banka d.d. Ljubljana risk profile and strategy on the Group level.

By signing this statement, we, the undersigned members of the General Management and Board of Directors of the bank, hereby confirm, that SKB banka d.d. Ljubljana has in place a sound risk management system in line with its risk tolerance and limits set within the Risk Appetite Framework, Risk Appetite Statement and in accordance to its business strategy on the Group level and are adequate with regards to the bank's risk profile and business strategy based on the Article 435(1.e) of the Regulation (EU) No.575/2013 on prudential requirements for credit institutions and investment firms. General Management and Board of Directors of the bank acknowledged the path to fulfil the Group's goal for sustainable risk appetite. Risk management in SKB banka d.d. Ljubljana is independent as a function and as such can properly assess and allocate economic capital among the relevant risks. Another part of risk management monitoring system are stress tests, which help risk management function to plan and optimize capital, liquidity and regulatory requirements. Furthermore, the way the Bank monitors its prudential ratios is stated in the Risk Appetite Statement by which SKB banka d.d. Ljubljana monitors and assesses performance in business lines. In relation to macroeconomic and financial environment and by keeping in mind Group's strategic and financial objectives, the prepared Risk Appetite Framework controls and exercises risk appetite according to the determined limits.

The following documentation has been submitted by the SKB Bank to the Bank of Slovenia:

- qualitative and quantitative ICAAP analysis with all appendixes,
- qualitative and quantitative ILAAP analysis with all appendixes.

Members of the Board of Directors

Signature

Imre Bertalan



Anna Mitkova Florova



Draga Cukjati



Miklós Németh



Attila Kovács



Anita Stojčevska



Vojka Ravbar



Place and date: Ljubljana, 31.3.2022



Anita Stojčevska
Chief Executive Officer

(i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy.

SKB banka d.d. Ljubljana
 Ajdovščina 4
 SI-1000 Ljubljana

SKB banka d.d. Ljubljana risk management statement

Management of all material risks of SKB Group (SKB Bank and its subsidiaries SKB Leasing and SKB Leasing Select) is integrated in the overall risk and business strategy and is a part of Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS), Recovery plan and Internal Liquidity Adequacy Assessment Process (ILAAP) for liquidity risk position and management.

Risk profile of SKB Group incorporates and identifies all important risks to which the Group is exposed and it is presented in the SKB Group risk catalogue. The SKB Group risk catalogue is used as a primary source to define all risks in SKB Group and to have the same approach in ICAAP, RAS, Recovery plan and ILAAP.

ICAAP process includes quantitative and qualitative elements of risk management process. The ICAAP process identifies the risks, that have a great impact on the Group's risk exposure. The qualitative part represents the assessment of Group's risk exposure and assessment of its control system, which is performed on an yearly basis.

The purpose of the risk assessment is to assess the residual risk among the relevant risks:

- credit risk including concentration risk, counterparty risk, country risk and residual value risk,
- operational risk including reputation risk, non-compliance risk, model risk, fraud risk, tax risk, legal risk, physical security risk, conduct risk, risk of new products and services, risk related to outsourcing, risk related to remuneration policy, risk of assessment of suitability of the Board of Directors members, risk of assessment of suitability of key function holders, ICT and security risk, risks related to data protection, AMLFT related risk, FATCA and CRS related risk and HR risk,
- strategic risk including profitability risk,
- interest rate risk including Credit spread risk from the banking book (CSRBB),
- liquidity risk and
- market risk.

As all the relevant risks were identified and assessed, the Group is able to predict and establish additional controls to minimize the negative impact from above mentioned risks.

The total residual risk evaluation for SKB Group increased from 1,582 in 2020 to 1,583 in 2021. Average assessment of residual risk for interest rate risk and strategic risk increased, while assessment of credit risk and operational risk slightly decreased. Average assessment of residual risk for liquidity risk and market risk remained on the same level as in 2020.

SKB GROUP'S RESIDUAL RISK ASSESSMENT in year 2021	80.1 %	6.5 %	1.0 %	10.4 %	1.0 %	1.0 %
RISK AREA	CREDIT RISK	OPERATIONAL RISK	STRATEGIC RISK	INTEREST RATE RISK	LIQUIDITY RISK	MARKET RISK
BUSINESS ACTIVITY						
Retail business (RETAIL)	1.39	2.93	0.00	0.00	0.00	0.00
Corporate business - facilities and treasury (CORP)	1.79	2.76	0.00	0.00	0.00	1.00
Joint functions -finance (FIN)	0.00	2.63	0.00	1.78	1.45	0.00
Joint functions -central back offices and payment system (CBS)	0.00	2.69	0.00	0.00	0.00	0.00
Joint functions- management structure (general management and Board of Directors)	0.00	0.00	2.56	0.00	0.00	0.00
Joint functions - risks and bad debts (RISK)	1.20	1.17	0.00	0.00	0.00	0.00
Joint functions - informatics, technology, organization (GMS)	0.00	2.99	0.00	0.00	0.00	0.00
Subsidiaries - SKB Leasing	1.80	1.86	0.00	0.00	0.00	0.00
Subsidiaries - SKB Leasing Select	1.80	1.88	0.00	0.00	0.00	0.00
Average assessment by type of risk	1.50	2.36	2.56	1.78	1.45	1.00

Total weighted assessment by the type of risk	1,583	Calculated residual risk for 2021 (acceptable)
	1,582	Calculated residual risk for 2020 (acceptable)

The quantitative calculation of the internal estimate of capital needs is performed at SKB Group level on a quarterly basis and reported to the Group's General Management through the ALCO Committee. The ICAAP is reported to the Board of Directors on a yearly basis. Internal estimates of capital needs are calculated for all relevant risks (credit risk, operational risk, concentration risk, counterparty risk, interest rate risk, strategic risk and model risk) from economic¹ and normative² perspective with 3 year horizon, taking into account base budget and stress budget scenarios. The sum of all internal capital needs represents the internal estimate of capital needs for the SKB Group. The internal estimate of capital needs shows whether the level of the regulatory capital is sufficient to absorb all types of risks the Group is exposed to, including stress test scenarios.

The table below shows the internal assessment of capital needs for all important risks from the economic and normative perspective and the capital buffer, which shows that the level of regulatory capital is sufficient to absorb all types of risks to which the Group is exposed, including stress test scenarios.

SKB GROUP	Economic perspective	Normative perspective - base scenario			Normative perspective - adverse scenario		
CAPITAL ADEQUACY (in %)	31.12.21	31.12.22	31.12.23	30.12.24	31.12.22	31.12.23	30.12.24
Total capital ratio (in %)	15.03 %	15.90 %	16.60 %	17.44 %	16.14 %	16.86 %	17.05 %
Capital in MEUR	31.12.21	31.12.22	31.12.23	30.12.24	31.12.22	31.12.23	30.12.24
Tier 1 capital of which	391.8	440.1	483.7	529.7	420.8	438.8	460.2
• Common equity tier 1 capital	391.8	440.1	483.7	529.7	420.8	438.8	460.2
• Additional tier 1 capital	391.8	440.1	483.7	529.7	420.8	438.8	460.2
Tier 2 capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tier 1 capital of which	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal estimate of capital needs in MEUR	31.12.21	31.12.22	31.12.23	30.12.24	31.12.22	31.12.23	30.12.24
Material risks	246.7	237.7	251.3	264.5	232.7	233.3	244.0
Credit risk	193.0	205.7	216.6	225.8	193.3	192.9	200.6
Operational risk	15.7	15.2	15.1	15.1	15.1	14.7	14.4
Concentration risk	7.7	8.2	8.7	9.0	15.5	15.4	16.1
Counterparty risk	3.1	3.2	3.4	3.6	3.1	3.1	3.1
Interest rate risk		3.5	5.8	9.2	3.2	4.6	7.3
Strategic risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model risk	0.8	1.7	1.7	1.7	2.5	2.5	2.5
Stress tests	43.8	63.7	94.8	112.6	56.9	75.8	77.7
Overall capital requirements / internal estimate of capital needs	290.5	301.4	346.1	377.0	289.6	309.1	321.7
Capital buffer	101.3	138.8	137.5	152.7	131.2	129.7	138.5

The ICAAP process is intertwined with the ILAAP process (Internal Liquidity Adequacy Assessment process) by which the Group analyses liquidity position from qualitative and quantitative perspective, taking into account the overall liquidity risk management and measurement. ILAAP outcomes were presented within the Self-assessment documentation and evaluated in line with the bank's overall liquidity risk management framework considering liquidity risk tolerance limits in accordance to the Risk Appetite Framework and Risk Appetite Statement.

As seen from the table below, the Liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR) were and will be in line with the regulatory required limits under economic and normative perspective:

LIQUIDITY RATIOS for SKB Bank standalone	Economic perspective	Normative perspective - base scenario			Normative perspective - adverse scenario		
(in %)	31.12.21	31.12.22	31.12.23	30.12.24	31.12.22	31.12.23	30.12.24
LCR	218 %	232 %	228 %	226 %	218 %	225 %	223 %
NSFR	153 %	147 %	146 %	146 %	145 %	146 %	145 %

¹ Economic internal perspective is perspective under which the institution manages its economic capital adequacy by ensuring that its economic risks are sufficiently covered by available internal capital.

² The normative perspective is a multi-year assessment of the institution's ability to fulfil all of its capital-related quantitative regulatory and supervisory requirements and demands, and to cope with other external financial constraints.

By signing this statement, we, the undersigned members of the General Management and Board of Directors of the bank, hereby confirm, that SKB banka d.d. Ljubljana has in place a sound risk management system in line with its risk tolerance and limits set within the Risk Appetite Framework, Risk Appetite Statement and in accordance to its business strategy on the Group level.

Members of the Board of Directors

Signature

Imre Bertalan



Anna Mitkova Florova



Draga Cukjati



Miklós Németh



Attila Kovács



Anita Stojčevska



Vojka Ravbar



Place and date: Ljubljana, 31.3.2022



Anita Stojčevska
Chief Executive Officer

- Liquidity indicators by products

SKB Group - liquidity indicators in %		
	As of 31 December 2021	As of 31 December 2020
Customer loans - Customer deposits	80 %	79 %
Liquid assets - Total assets	27 %	29 %
Sight deposits - Total deposits	66 %	58 %
Short term deposits - Total deposits	33 %	40 %
Long term - Total deposits	1 %	2 %

- Assets and liabilities at carrying amounts, categorized by contractual maturity dates.

SKB Group - As of 31 December 2021							
EUR 000	Demand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
ASSETS							
Cash, cash balances at central banks and other demand deposits at banks	39,833	408,602	-	-	-	-	448,435
Financial assets held for trading	-	5,707	-	-	-	-	5,707
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	796	16,114	3,980	20,890
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	25,762	30,092	-	188,135	220,807	464,796
Financial assets at amortised cost	43,138	52,070	83,817	447,394	1,329,569	871,056	2,827,044
Derivatives - hedge accounting	-	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-
Other assets	-	19,325	-	-	-	-	19,325
Total financial assets	82,971	511,466	113,909	448,190	1,533,818	1,095,843	3,786,197
LIABILITIES							
Financial liabilities held for trading	-	5,677	-	-	-	-	5,677
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,318,658	318,335	68,668	170,235	329,843	153,354	3,359,093
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	1,165	-	-	-	-	1,165
Other liabilities	-	9,021	-	-	-	-	9,021
Total financial liabilities	2,318,658	334,198	68,668	170,235	329,843	153,354	3,374,956
Net balance sheet position	(2,235,687)	177,268	45,241	277,955	1,203,975	942,489	411,241

SKB Group - As of 31 December 2020

EUR 000	Demand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
ASSETS							
Cash, cash balances at central banks and other demand deposits at banks	38,309	479,902	-	-	-	-	518,211
Financial assets held for trading	-	8,942	-	-	-	-	8,942
Non-trading financial assets mandatorily at fair value through profit or loss	-	187	386	2,539	20,451	4,318	27,881
Financial assets designated at fair value through profit or loss	-	(19)	6,139	-	-	-	6,120
Financial assets at fair value through other comprehensive income	-	46,715	-	-	88,554	231,038	366,307
Financial assets at amortised cost	42,020	65,976	86,994	411,000	1,175,652	882,306	2,663,948
Derivatives - hedge accounting	-	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-
Other assets	-	13,910	-	-	-	-	13,910
Total financial assets	80,329	615,613	93,519	413,539	1,284,657	1,117,662	3,605,319
LIABILITIES							
Financial liabilities held for trading	-	9,160	-	-	-	-	9,160
Financial liabilities designated at fair value through profit or loss	-	(19)	6,139	-	-	-	6,120
Financial liabilities measured at amortised cost	1,814,115	422,450	132,558	249,400	436,203	151,737	3,206,463
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	1,732	-	-	-	-	1,732
Other liabilities	-	8,853	-	-	-	-	8,853
Total financial liabilities	1,814,115	442,176	138,697	249,400	436,203	151,737	3,232,328
Net balance sheet position	(1,733,786)	173,437	(45,178)	164,139	848,454	965,925	372,991

- Assets' and liabilities' expected cash flows as of the end of the year (taking into account the client's behavioural options and bank's funding assumptions)

SKB Group - As of 31 December 2021				
	EUR 000	Within 12 months	After 12 months	Total
ASSETS				
Cash, cash balances at central banks and other demand deposits at banks		448,435	-	448,435
Financial assets held for trading		5,707	-	5,707
Non-trading financial assets mandatorily at fair value through profit or loss		796	20,094	20,890
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets at fair value through other comprehensive income		55,854	408,942	464,796
Financial assets at amortised cost		666,446	2,160,598	2,827,044
Derivatives - hedge accounting		-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	-	-
Investments in subsidiaries, associates and joint ventures		-	-	-
Tangible assets		1,466	37,182	38,648
Intangible assets		129	12,336	12,465
Tax assets		313	313	626
Other assets		19,325	-	19,325
Non-current assets and disposal groups classified as held for sale		4	-	4
Total financial assets		1,198,475	2,639,465	3,837,940
LIABILITIES				
Financial liabilities held for trading		5,677	-	5,677
Financial liabilities designated at fair value through profit or loss		-	-	-
Financial liabilities measured at amortised cost		183,982	3,175,111	3,359,093
Derivatives - hedge accounting		-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,165	-	1,165
Provisions		5,960	9,656	15,616
Tax liabilities		4,782	-	4,782
Other liabilities		9,021	-	9,021
Total financial liabilities		210,587	3,184,767	3,395,354
Net balance sheet position		987,888	(545,302)	442,586

SKB Group - As of 31 December 2020				
	EUR 000	Within 12 months	After 12 months	Total
ASSETS				
Cash, cash balances at central banks and other demand deposits at banks		518,211	-	518,211
Financial assets held for trading		8,942	-	8,942
Non-trading financial assets mandatorily at fair value through profit or loss		3,113	24,768	27,881
Financial assets designated at fair value through profit or loss		6,120	-	6,120
Financial assets at fair value through other comprehensive income		46,715	319,592	366,307
Financial assets at amortised cost		641,176	2,022,772	2,663,948
Derivatives - hedge accounting		-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	-	-
Investments in subsidiaries, associates and joint ventures		-	-	-
Tangible assets		1,542	35,014	36,556
Intangible assets		129	10,551	10,680
Tax assets		3,557	-	3,557
Other assets		13,910	-	13,910
Non-current assets and disposal groups classified as held for sale		63	-	63
Total financial assets		1,243,478	2,412,697	3,656,175
LIABILITIES				
Financial liabilities held for trading		9,160	-	9,160
Financial liabilities designated at fair value through profit or loss		6,120	-	6,120
Financial liabilities measured at amortised cost		654,291	2,552,172	3,206,463
Derivatives - hedge accounting		-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,732	-	1,732
Provisions		5,445	9,109	14,554
Tax liabilities		3,311	-	3,311
Other liabilities		8,853	-	8,853
Total financial liabilities		688,912	2,561,281	3,250,193
Net balance sheet position		554,566	(148,584)	405,982

- Contractual expiry by maturity of the Group's contingent financial liabilities and commitments

SKB Group - 2021							
	EUR 000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingent financial liabilities and commitments		551,329	27,492	80,797	108,590	31,290	799,498

SKB Group - 2020							
	EUR 000	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingent financial liabilities and commitments		506,904	35,408	74,349	84,048	33,982	734,691

5.2 Quantitative information of LCR

(Article 451a(2) CRR)

SKB Bank fully implemented Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) reporting and analysis in line with the Capital Requirements Regulation (CRR) and the new Delegated Act No. 2015-61.

Table 16 Template EU LIQ1 - Quantitative information of LCR

Scope of consolidation: (solo in MEUR)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YY)	31. 3. 21	30. 6. 21	30. 9. 21	31. 12. 21	31. 3. 21	30. 6. 21	30. 9. 21	31. 12. 21
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					922	939	933	907
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,508	2,569	2,615	2,644	172	176	177	178
3	Stable deposits	1,783	1,848	1,915	1,974	89	92	96	99
4	Less stable deposits	725	721	700	670	83	84	81	79
5	Unsecured wholesale funding	488	498	514	523	223	229	237	233
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	488	498	514	523	223	229	237	233
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding						-	-	-
10	Additional requirements	554	577	596	607	86	103	118	123
11	Outflows related to derivative exposures and other collateral requirements	46	62	77	81	46	62	77	81
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	508	515	519	526	40	41	41	42
14	Other contractual funding obligations	11	11	12	14	-	-	-	-
15	Other contingent funding obligations	219	225	233	242	13	11	12	12
16	TOTAL CASH OUTFLOWS					494	519	544	546
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	110	126	161	167	86	100	135	141
19	Other cash inflows	240	184	128	86	46	63	76	80
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	350	310	289	253	132	163	211	221
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
TOTAL CASH INFLOWS									
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	350	310	289	253	132	163	211	221
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					922	939	933	907
22	TOTAL NET CASH OUTFLOWS					362	356	333	325
23	LIQUIDITY COVERAGE RATIO					265 %	285 %	308 %	306 %

Scope of consolidation: (solo in MEUR)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD MM YY)	31. 3. 20	30. 6. 20	30. 9. 20	31. 12. 20	31. 3. 20	30. 6. 20	30. 9. 20	31. 12. 20
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					707	726	769	849
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,126	2,206	2,297	2,402	148	152	158	166
3	Stable deposits	1,585	1,628	1,671	1,719	80	81	84	86
4	Less stable deposits	541	578	626	683	68	71	74	80
5	Unsecured wholesale funding	376	400	418	462	162	172	182	211
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	376	400	418	462	162	172	182	211
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	425	442	475	512	33	34	47	69
11	Outflows related to derivative exposures and other collateral requirements	-	-	11	32	-	-	11	32
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	425	442	464	480	33	34	36	37
14	Other contractual funding obligations	3	5	8	11	-	-	-	-
15	Other contingent funding obligations	210	212	214	218	14	15	14	13
16	TOTAL CASH OUTFLOWS					494	519	544	546
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	119	122	109	103	94	98	85	78
19	Other cash inflows	286	287	297	294	-	-	11	32
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	405	409	406	397	94	98	96	110
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	405	409	406	397	94	98	96	110
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					707	726	769	849
22	TOTAL NET CASH OUTFLOWS					263	275	305	349
23	LIQUIDITY COVERAGE RATIO					271 %	265 %	255 %	245 %

Table 17 Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1

Row number	Qualitative information - Free format	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	
(b)	Explanations on the changes in the LCR over time	
(c)	Explanations on the actual concentration of funding sources	
(d)	High-level description of the composition of the institution's liquidity buffer	
(e)	Derivative exposures and potential collateral calls	
(f)	Currency mismatch in the LCR	
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	

a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

SKB Bank regularly reports and monitors LCR, which requires that the bank maintains an adequate level of unencumbered, high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. LCR is calculated daily and monthly as high-quality liquid assets compared to total net cash outflows within the next 30 days under a financial stress scenario. From 1st of January 2019 LCR ratio must be above 100 %, while the internal threshold for LCR ratio is set above 120 %. As at 31.12.2021 SKB Bank's liquidity buffer amounted to EUR 1,043 million, while the net cash outflows amounted to EUR 478 million resulting in LCR of 218 %.

b) Explanations on the changes in the LCR over time

The largest impact on the decrease in the LCR ratio in 2021 was the increase in net liquidity outflows, especially the increase in customer deposits, while liquid assets remained at approximately the same levels.

c) Explanations on the actual concentration of funding sources

SKB Group's funding is comprised of a mix of customer deposits, wholesale funding and ECB funding. SKB Group manages this within risk appetite settings to ensure suitable funding of its asset base and to adapt and respond to changing market conditions and regulatory requirements. SKB Group's funding amounted to EUR 3,330 million as at 31 December 2021, which represents 87 % of the Group's total liabilities, consisting mainly of customer deposits. The Group has EUR 6 million funding taken from the Council of Europe Development Bank (CEB) as at 31 December 2021.

d) High-level description of the composition of the institution's liquidity buffer.

The SKB Group reports as high-quality liquid assets the amount of available money, exposures to central banks and the unencumbered part of government bonds. As at 31 December 2021, the value of liquid assets amounted to EUR 1,043 million, of which the exposure to the central bank amounted to EUR 400 million.

SKB Bank maintained a high level of liquid assets suitable for pledging Eurosystem claims in the amount of EUR 636 million as at 31 December 2021. SKB Bank uses marketable financial assets (securities) and non-marketable financial assets as collateral for the lease of central bank financing sources (loans to the state, state-owned enterprises, state-guaranteed loans and loans that meet the Bank of Slovenia's ICAS criteria).

e) Derivative exposures and potential collateral calls

SKB Bank does not have an exposure for its own portfolio from derivatives and no potential to realize collateral from them.

f) Currency mismatch in the LCR

As requested by the regulator, the bank provides their liquidity reporting in a single currency, regardless of the actual denomination of the items reported. If aggregate liabilities in a currency would exceed 5 % of total liabilities then the bank would have to report LCR separately also in this currency. As balance sheet in foreign currencies represent minor part of total balance sheet, SKB reports LCR in total and euro currency only.

g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

SKB Bank presented all important items for the calculation of LCR.

5.3 Net Stable Funding Ratio (NSFR)

(Člen 451a(3) CRR)

Table 18 Template EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
Solo in MEUR		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Postavke razpoložljivega stabilnega financiranja (ASF)						
1	Capital items and instruments	376	-	-	-	376
2	Own funds	376	-	-	-	376
3	Other capital instruments		-	-	-	-
4	Retail deposits		2,705	8	7	2,553
5	Stable deposits		2,059	7	7	1,970
6	Less stable deposits		646	1	-	583
7	Wholesale funding:		612	11	-	293
8	Operational deposits		-	-	-	-
9	Other wholesale funding		612	11	-	293
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	102	-	-	-
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		102	-	-	-
14	Required stable funding (RSF) Items					3,222
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					1,073
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool				-	2
16	Deposits held at other financial institutions for operational purposes				-	-
17	Performing loans and securities:				2,023	2,045
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut				-	15
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions				-	-
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:				1,023	1,044
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				152	114
22	Performing residential mortgages, of which:				660	585
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products				340	401
25	Interdependent assets				-	-
26	Other assets:				-	43
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-			
29	NSFR derivative assets		-			
30	NSFR derivative liabilities before deduction of variation margin posted		-			
31	All other assets not included in the above categories		78	-	-	43
32	Off-balance sheet items		475	40	140	20
33	Total RSF					2,110
34	Net Stable Funding Ratio (%)					153 %

6 Credit risk adjustment

(Article 442 CRR)

6.1 Additional disclosure related to the credit quality of assets

(Article 442(a)(b) CRR)

Table 19 Table EU CRB: Additional disclosure related to the credit quality of assets

Qualitative disclosures	
(a)	The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.
(b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
(c)	Description of methods used for determining general and specific credit risk adjustments.
(d)	The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forbore exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

Definitions of "past-due" and "impaired" for accounting purposes

The SKB Group follows the overdue exposures from the due date when the client fails to fulfil his payment obligation specified in the contract. Any amount of principal, interest or fee that has not been paid is considered as a past due obligation.

Default rules

The SKB Group is applying the regulatory default definition and is performing the monitoring of the default marking process. In line with EBA requirements defaulted exposures are classified as non-performing assets and are all either individually impaired or impaired by using statistical methods.

Contrary to the regular follow-up of overdue exposures, the starting date of the calculation of the delay for default identification is the date on which the client's past due credit obligation is considered significant, namely the overdue credit obligation arising from the credit contract has exceeded the materiality threshold for 90 consecutive days.

Forborne classification

In case of financial difficulties of the debtor and subject to still viable underlying business of such debtor, the SKB Group primarily seeks to implement restructuring of the financial obligations instead of insolvency procedures. In accordance with Group standards, which encompass EBA – regulatory rules and IFRS 9 standards, such assets – as a rule – trigger the classification in default. As such they are treated as non-performing loans. The decision to maintain the counterparty as performing is taken only with consideration of a non-material NPV loss after restructuring.

Following internal rules the SKB Group keeps forbore assets / obligors in non-performing classification at least one year.

The performing forbore assets / obligors can exit forbearance classification in case of becoming performing assets / obligors. That can take place under two conditions:

- successfully passing the probation period of two years, starting from the date of upgrade from non-performing (defaulted) assets / obligors or two years after applying a performing forbore status,
- all required credit quality conditions for facility / debtor are fulfilled.

Description of the approaches and methods adopted for determining specific and general credit risk adjustments

Retail

The SKB Group performs regular monitoring of credit risk quality for individual client. The net cost of risk is monitored monthly for each product, which enables the Group to quickly react on risk profile changes, product by product, if necessary. Specific risk indicators have been introduced to follow up the quality of the portfolio and evolution of overdue facilities. These indicators enable us to measure the quality of monthly production, the effectiveness of soft collection techniques and the management of doubtful loans.

Collective and individual provisioning

The SKB Group regularly monitors its credit portfolio to assess the quality of its assets and impairs its assets in accordance with IFRS 9 rules.

Non-retail assets with significant exposure are impaired based on individual assessment of present value of estimated future cash flows to the Group after considering all available information on the expected recovery duration and estimated value of the collateral.

For the remaining non-performing non-significant assets, the recovery assumptions are based on homogeneous groups. Each homogeneous group represents group assets with similar risk profiles. The level of impairment is set-up by using statistical models and depends on client segmentation, product type and progressively increases in dependence of time in default.

The approach for the calculation of collective impairments on sound portfolio is described under item Impairment of financial instruments.

6.2 An ageing analysis of accounting past due exposures

(Article 442(d) CRR)

Table 20 Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
EUR 000		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 day	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
005	Cash balances at central banks and other demand deposits	423,641	423,641										
010	Loans and advances	2,640,376	2,640,376	7,844	64,370	29,035	2,652	1,829	4,460	7,598	5,507	13,290	64,370
020	Central banks												
030	General governments	129,423	129,423										
040	Credit institutions	3,331	3,331										
050	Other financial corporations	4,693	4,693		3					3			3
060	Non-financial corporations	961,264	960,439	825	26,412	12,360	1,201	837	2,301	3,045	2,353	4,315	26,412
070	• Of which SMEs	506,866	506,051	815	25,557	12,360	1,201	836	1,618	3,045	2,353	4,145	25,557
080	Households	1,541,665	1,534,646	7,019	37,955	16,675	1,451	991	2,159	4,550	3,154	8,974	37,955
090	Debt securities	661,185	661,185										
100	Central banks												
110	General governments	661,185	661,185										
120	Credit institutions												
130	Other financial corporations												
140	Non-financial corporations												
150	Off-balance-sheet exposures	795,356			4,165								4,165
160	Central banks												
170	General governments	3,825											
180	Credit institutions	24,316											
190	Other financial corporations	1,948											
200	Non-financial corporations	652,079			4,108								4,108
210	Households	113,187			56								56
220	Total	4,520,557	3,717,357	7,844	68,535	29,035	2,652	1,829	4,460	7,598	5,507	13,290	68,535

An ageing analyses of past due exposures as per end of 2021 shows the same picture as in 2020. More than 82 % of total performing portfolio demonstrates 0 past dues, or past dues less than 30 days.

6.3 The breakdown of loans and debt securities by residual maturity

(Article 442(g) CRR)

Table 21 Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	
		Net exposure value					
EUR 000		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	43,138	579,496	1,137,902	871,069	-	2,631,605
2	Debt securities	-	-	191,731	-	3,708	195,439
3	Total	43,138	579,496	1,329,633	871,069	3,708	2,827,044

Presented in the table above is the maturity of exposures of particular items of the balance sheet of the Group. The maturity of exposures considered in this report is as defined for liquidity purposes.

At the end of 2021 the exposures that mature from one to five years represented 47 % of total exposure, whereas the exposures with maturity over 5 years represented 31 % of total exposure of the Group. Maturity wise, the structure of the portfolio remained very similar when compared to previous year. Minor increase of exposure with maturity shorter than 1 year was observed.

6.4 Any changes in the gross amount of defaulted on- and off-balance sheet exposures

(Article 442(f) CRR)

Table 22 Template EU CR2: Changes in the stock of non-performing loans and advances

EUR 000		a
		Gross carrying amount
010	Initial stock of non-performing loans and advances	74,613
020	Inflows to non-performing portfolios	30,727
030	Outflows from non-performing portfolios	(40,970)
040	Outflows due to write-offs	(7,769)
050	Outflow due to other situations	(33,201)
060	Final stock of non-performing loans and advances	64,370

At the end of 2021 the SKB Group the stock of non-performing loans and advances was 13 % lower in comparison to the year before. The majority of outflows result from successful recovery process and repayments.

6.5 Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures

(Article 442(c) CRR)

Table 23 Template EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
EUR 000		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures			Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted					
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	7,995	19,671	19,671	19,671	(1,348)	(16,039)	5,879	1,281
020	Central banks								
030	General governments								
040	Credit institutions								
050	Other financial corporations								
060	Non-financial corporations	4,659	9,852	9,852	9,852	(609)	(7,576)	3,616	1,257
070	Households	3,336	9,819	9,819	9,819	(739)	(8,463)	2,263	23
080	Debt Securities								
090	Loan commitments given		15	15	15		15		
100	Total	7,995	19,686	19,686	19,686	(1,348)	(16,024)	5,879	1,281

Comparing to 2020 the exposure on accounts with forbearance measures has increased on performing and decreased on non-performing portfolio. Increase on performing side is a result of regulation concerning COVID-19 moratoria loans. The decrease of non-performing side results from improved macroeconomic conditions and repayments.

Table 24 Template EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)		
020	Other than PP&E		
030	Residential immovable property		
040	Commercial Immovable property		
050	Movable property (auto, shipping, etc.)		
060	Equity and debt instruments		
070	Other collateral		
080	Total		

The template is for the SKB Group non-applicable, as the Group did not obtain any collateral by taking possession and execution process in 2021.

6.6 Credit quality of portfolio exposures

(Article 442(c)(e) CRR)

Table 25 Template EU CR1: Performing and non-performing exposures and related provisions.

EUR 000		a	b	c	d	e	f	g	h	i	j	k	l	m	n		o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received		
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures	
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3						
005	Cash balances at central banks and other demand deposits	423,641	423,641					(93)	(93)								
010	Loans and advances	2,640,376	2,300,355	340,021	64,370		64,370	(24,353)	(7,395)	(16,9599)	(48,787)		(48,787)	(47,369)	1,282,080	2,520	
020	Central banks																
030	General governments	129,423	129,029	394				(105)	(91)	(14)				(174)	31,076		
040	Credit institutions	3,331	3,331					(26)	(26)								
050	Other financial corporations	4,693	4,624	69	3		3	(229)	(20)	(2)	(1)		(1)	(391)	0		
060	Non-financial corporations	961,264	834,915	126,349	26,412		26,412	(10,571)	(4,874)	(5,696)	(18,483)		(18,483)	(43,749)	319,549	2,468	
070	• Of which SMEs	506,866	405,646	101,220	25,557		25,557	(7,053)	(2,468)	(4,585)	(17,664)		(17,664)	0	179,753	2,468	
080	Households	1,541,665	1,328,456	213,208	37,955		37,955	(13,630)	(2,384)	(11,246)	(30,303)		(30,303)	(3,055)	931,456	52	
090	Debt securities	661,185	661,185					(951)	(951)								
100	Central banks																
110	General governments	661,185	661,185					(951)	(951)								
120	Credit institutions																
130	Other financial corporations																
140	Non-financial corporations																
150	Off-balance-sheet exposures	795,356	710,392	84,964	4,165		4,165	6,461	3,322	3,139	3,349		3,349		158,096	110	
160	Central banks																
170	General governments	3,825	3,825					2	2								
180	Credit institutions	24,316	24,316					82	82						23,912		
190	Other financial corporations	1,948	1,939	10				8	8						6		
200	Non-financial corporations	652,079	574,563	77,515	4,108		4,108	5,697	2,879	2,818	3,342		3,342		127,804	101	
210	Households	113,187	105,748	7,439	56		56	671	351	320	8		8		6,373	9	
220	Total	4,520,557	4,095,573	424,985	68,535		68,535	(18,937)	(5,117)	(13,820)	(45,437)		(45,437)	(47,369)	1,440,176	2,629	

Note. The table shows exposures by categories and by stage and include loans at amortized cost, loans mandatorily at fair value through profit or loss, debt securities at amortized cost, debt securities at fair value through other comprehensive income, debt securities designated at fair value through profit or loss and off-balance sheet exposure.

Improved macroeconomic situation in 2021 reflected in partial decrease of Stage 2 portfolio in comparison with 2020. Overall, the share of Stage 2 portfolio decreased from 13 % in 2020 to 9 % in 2021, the level, which is still much higher than in the pre-COVID times and reflects the continuing uncertainties in the macro environment with high inflation and on-going virus threat. The decrease of non-performing exposure derives from low default rates and effective recovery process.

6.7 Geographic view of exposures

(Article 442(c)(e)(f) CRR)

Table 26 Template EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which subject to impairment				
			Of which defaulted					
010	On-balance-sheet exposures							
020	Country 1							
030	Country 2							
040	Country 3							
050	Country 4							
060	Country N							
070	Other countries							
080	Off-balance-sheet exposures							
090	Country 1							
100	Country 2							
110	Country 3							
120	Country 4							
	Country N							
	Other countries							
	Total							

The template is for the SKB Group non-applicable as the original exposure in all foreign countries in all categories as per 31.12.2021 does not exceed the 10 % threshold of combined (domestic and foreign) exposure as defined in the regulation.

6.8 Credit quality of exposures by industry

(Article 442(c)(e) CRR)

Table 27 Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
EUR 000			Of which non-performing	Of which loans and advances subject to impairment			
				Of which defaulted			
010	Agriculture, forestry and fishing	5,125	166	166	5,125	(116)	
020	Mining and quarrying	4,861	671	671	4,861	(405)	
030	Manufacturing	284,058	5,662	5,662	284,058	(7,701)	
040	Electricity, gas, steam and air conditioning supply	60,337	0	0	60,337	(349)	
050	Water supply	12,607	49	49	12,607	(347)	
060	Construction	46,337	5,409	5,409	46,337	(5,034)	
070	Wholesale and retail trade	212,991	3,460	3,460	212,991	(4,764)	
080	Transport and storage	169,163	4,889	4,889	169,163	(3,621)	
090	Accommodation and food service activities	19,578	1,476	1,476	19,578	(1,777)	
100	Information and communication	61,467	558	558	61,467	(910)	
110	Financial and insurance activities	4,200	104	104	4,200	(88)	
120	Real estate activities	32,738	336	336	32,738	(595)	
130	Professional, scientific and technical activities	39,402	1,818	1,818	39,402	(1,735)	
140	Administrative and support service activities	15,202	1,590	1,590	15,202	(1,268)	
150	Public administration and defence, compulsory social security	10	0	0	10	0	
160	Education	484	11	11	484	(14)	
170	Human health services and social work activities	17,236	0	0	17,236	(130)	
180	Arts, entertainment and recreation	715	160	160	715	(149)	
190	Other services	1,164	53	53	1,164	(52)	
200	Total	987,677	26,412	26,412	987,677	(29,054)	

Note: counterparties have been allocated to the groups according to Standard industry classification. Presented exposures are gross values of balance and off-balance credit risk exposure. Specific credit risk adjustment are the ones that are individually impaired. General credit risk adjustments are the ones, calculated based on statistical model. Credit risk adjustments also include balance and off-balance part.

The highest share of defaulted exposures at the end of 2021 was observed in the manufacturing industry (11%). Traffic, warehousing and communication industry along with construction industry shared the second place with almost 10% share of defaulted exposures. Comparing to 2020 the situation is much improved in the commerce industry with 5% share of defaulted exposures (15% in 2020).

Defaulted exposures on individuals' portfolio represent a 52 % share of total defaulted portfolio, comparing to 43 % share in 2020.

Comparison of defaulted exposure of 2021 with 2020 shows a reduction of defaulted exposure in the majority of industries, with the highest decrease observed in the aforementioned commerce industry (73 %). The increase was observed in the hotel & trading industry which was highly impacted with Covid-19 pandemic.

At the end of 2021 manufacturing and construction industries also had the highest share of specific credit risk adjustments (just below 20 %).

7 Use of credit risk mitigation techniques

7.1 Qualitative disclosure requirements related to CRM techniques

(Article 453(a)(b)(c)(d)(e) CRR)

Table 28 Table EU CRC – Qualitative disclosure requirements related to CRM techniques

Legal basis	Row number	Free format
Article 453 (a) CRR	(a)	A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting.
Article 453 (b) CRR	(b)	The core features of policies and processes for eligible collateral evaluation and management.
Article 453 (c) CRR	(c)	A description of the main types of collateral taken by the institution to mitigate credit risk.
Article 453 (d) CRR	(d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.
Article 453 (e) CRR	(e)	Information about market or credit risk concentrations within the credit mitigation taken.

The SKB Group uses collaterals and other credit enhancements to optimize the risk on credit assets. In accordance with the collateral policy, the main types of collaterals are:

- cash collateral which are used in full amount or with potential maturity mismatch adjustment for capital adequacy purposes,
- state guarantees; which are used in full amount for capital adequacy purposes,
- real estate.

Real estate is the main type of collateral for housing loans portfolio. The evaluations are done either by internal or external evaluators or taken from official real estate data-base. Starting January 2019, the initial evaluation has always been performed by the internal or external evaluators, which are accordingly licensed and in case of the external ones, their valuation reports are regularly monitored by the internal ones. All values are re-evaluated on yearly basis in case of significant price variation on the market. Real estate collaterals are not taken into account for capital adequacy purposes.

The SKB Group does not use the close-out netting agreements on derivatives for reporting purposes. The SKB Group does not use any credit derivatives for credit risk mitigation purposes.

The SKB Group doesn't have any significant increase of concentration risk due to CRM techniques. An increase is primarily seen on sovereign exposures (Republic of Slovenia) and some insurance companies for individual loan portfolio. Unfunded credit protection includes received guarantees and sureties securing bank's exposures towards clients.

The main providers of unfunded credit protection are:

- central government or other regional or local authorities of the state;
- public sector entities;
- banks and other institutions;
- insurance companies;
- natural persons and legal entities

Important providers of unfunded credit protections for credit risk mitigation are the central government, authorities of regional and local levels of the state, subjects of the public sector, banks and other institutions.

The creditworthiness of the provider of unfunded credit protection is determined in the same way as for the principal debtor and should normally be better than the creditworthiness of the main debtor.

SKB Bank treats collaterals as a secondary source of repayment of the debtor's liabilities.

A market or credit risk concentration involves a significant concentration of individual customers or groups of customers, sectors or types of collateral, regions and countries.

SKB Bank manages various concentration risks in the form of setting internal limits and regular monitoring of various concentrations. More than half of the received collaterals is the pledge of residential and commercial real estate. The other most important types of collateral include received guarantees and sureties, the value of which represents almost a quarter of the value of the collateral portfolio. The structure of collateral portfolio is stable over time, in 2021 is a noticeable increase in the share of credit insurance by Insurance Company and received guarantees and sureties, mainly due to sureties by legal entities, sureties by natural persons and bank guarantees.

7.2 The total exposure value covered by eligible collaterals

(Article 453(f) CRR)

Table 29 Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			
EUR 000				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	3,323,541	175,686	4,851	170,835	0
2	Debt securities	661,185	0	-	-	
3	Total	3,675,180	175,686	4,851	170,835	0
4	• Of which non-performing exposures	68,415	34	629	456	0
EU-5	• Of which defaulted	68,415	34			

The table represents only collaterals eligible for regulatory reporting purposes. Share of secured exposure in total exposure was at the end of 2021 4.5 % and has slightly increased in comparison to 2020.

When presenting information on collateralized portfolio, the data is the same for SKB Bank and SKB Group.

8 Standardised approach

(Article 453(g)(h)(i) CRR)

Table 30 Template EU CR4 – standardised approach – Credit risk exposure and CRM effects

		a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
EUR 000		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	1,126,409	3,202	1,179,683	2,303	22,735	2 %
2	Regional government or local authorities	30,917	33	30,917	33	6,190	20 %
3	Public sector entities	27,577	24,179	42,306	9,472	10,356	20 %
4	Multilateral development banks						
5	International organisations						
6	Institutions	15,006	37,557	35,006	54,648	43,643	49 %
7	Corporates	910,226	604,968	824,246	309,137	1,052,037	93 %
8	Retail	1,613,542	149,611	1,611,674	21,938	1,196,815	73 %
9	Secured by mortgages on immovable property						
10	Exposures in default	16,290	828	15,834	536	17,230	105 %
11	Exposures associated with particularly high risk	3,261	330	3,084	288	5,058	150 %
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings	12,917		12,917		1,635	13 %
15	Equity	7,973		7,973		7,973	100 %
16	Other items	71,166		71,166		47,260	66 %
17	TOTAL	3,835,283	820,709	3,834,806	398,355	2,410,931	57 %

Comment:

CCF – credit conversion factor

CRM – credit risk mitigation

At the end of 2021 the credit risk mitigation effect amounted to 171 million euros in total. The mentioned effect resulted in the increase of exposure in the amount of 53 million euros on central governments and central bank category, 85 million euros in institutions category and 14.7 million on public sector entities.

The major part of this increase arrives from corporate segment, where total credit risk mitigation effect amounted to 144 million euros.

Credit conversion factors had the biggest effect on the off-balance exposure on Corporates and Retail categories.

The risk weighted assets have increased by almost 5 % in comparison to previous year. The majority of RWA is attributed to retail and corporates exposures.

The highest RWA density (average risk weight) was observed on the following categories: exposures in default, exposures associated with particularly high risk and equity.

9 Specialised lending and equity exposure

(Article 438(e) CRR)

Table 31 Template EU CR10 – Specialised lending and equity exposures under the simple risk-weighted approach

Template EU CR10.1

		a	b	c	d	e	f
Specialised lending: Project finance (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years			50 %			
	Equal to or more than 2.5 years			70 %			
Category 2	Less than 2.5 years			70 %			
	Equal to or more than 2.5 years			90 %			
Category 3	Less than 2.5 years			115 %			
	Equal to or more than 2.5 years			115 %			
Category 4	Less than 2.5 years			250 %			
	Equal to or more than 2.5 years			250 %			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						

The template is for the SKB Group non-applicable, as the Group does not hold such products as per 31.12.2021.

Template EU CR10.2

		a	b	c	d	e	f
Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years			50 %			
	Equal to or more than 2.5 years			70 %			
Category 2	Less than 2.5 years			70 %			
	Equal to or more than 2.5 years			90 %			
Category 3	Less than 2.5 years			115 %			
	Equal to or more than 2.5 years			115 %			
Category 4	Less than 2.5 years			250 %			
	Equal to or more than 2.5 years			250 %			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						

The template is for the SKB Group non-applicable, as the Group does not hold such products as per 31.12.2021.

Template EU CR10.3

		a	b	c	d	e	f
Specialised lending: Object finance (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years			50 %			
	Equal to or more than 2.5 years			70 %			
Category 2	Less than 2.5 years			70 %			
	Equal to or more than 2.5 years			90 %			
Category 3	Less than 2.5 years			115 %			
	Equal to or more than 2.5 years			115 %			
Category 4	Less than 2.5 years			250 %			
	Equal to or more than 2.5 years			250 %			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						

The template is for the SKB Group non-applicable, as the Group does not hold such products as per 31.12.2021.

Template EU CR10.4

		a	b	c	d	e	f
Specialised lending: Commodities finance (Slotting approach)							
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years			50 %			
	Equal to or more than 2.5 years			70 %			
Category 2	Less than 2.5 years			70 %			
	Equal to or more than 2.5 years			90 %			
Category 3	Less than 2.5 years			115 %			
	Equal to or more than 2.5 years			115 %			
Category 4	Less than 2.5 years			250 %			
	Equal to or more than 2.5 years			250 %			
Category 5	Less than 2.5 years			-			
	Equal to or more than 2.5 years			-			
Total	Less than 2.5 years						
	Equal to or more than 2.5 years						

The template is for the SKB Group non-applicable, as the Group does not hold such products as per 31.12.2021.

Template EU CR10.5

		a	b	c	d	e	f
Equity exposures under the simple risk-weighted approach							
Categories		On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures				190 %			
Exchange-traded equity exposures				290 %			
Other equity exposures				370 %			
Total							

The template is for the SKB Group non-applicable, as the Group does not hold such products as per 31.12.2021.

10 Exposure to counterparty credit risk

(Article 438(h) CRR)

Table 32 Template EU CCR7 – RWEA flow statements of CCR exposures under the IMM

		a
		RWEA
1	RWEA as at the end of the previous reporting period	
2	Asset size	
3	Credit quality of counterparties	
4	Model updates (IMM only)	
5	Methodology and policy (IMM only)	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
9	RWEA as at the end of the current reporting period	

Template EU CCR7 is not relevant for the SKB Group because we do not have IMM.

11 Operational risk

(Article 438(d) CRR)

Table 33 Table EU ORA - Qualitative information on operational risk

Legal basis (a), (b), (c) and(d) of Article 435(1) CRR

Disclosure of operational risk management objectives and policies

Strategies and processes

For the purpose of prudent operational risks management SKB Group adopted Risk strategy, Risk Appetite Framework and Statement and Operational risk management framework as umbrella documents for all types of operational risk.

Operational risk management framework defines regular processes such as rules for collection of operational losses and incidents, follow up of key risk indicators, scenario analysis, risk and control self-assessment (RCSA), accounting reconciliation, model inventory, controls testing, new products assessment, outsourced services assessment, follow up if risk appetite indicators, procedure for external and internal fraud reporting, fraud prevention, internal fraud prevention, follow up of corrective measures and action plans to reduce the risk, business continuity management and crisis management procedures.

Structure and organization of the operational risk management function

Operational risk management framework defines roles and responsibilities of all stakeholders in management of operational risk, purpose, goals, methods for identification, measurement, assessment, monitoring and reporting.

Within operational risks management SKB Group addresses and manages also several sub-types of operational risk such as ICT security risk, model risk, legal risk, conduct risk, physical security risk, compliance risk, internal and external fraud risk, reputational risk, outsourced services risk and business continuity risk.

Structure of ORM function consists of Operational risk and Compliance committee that is a main body responsible for overseeing the operational risk framework implementation at the Group level, General management of the bank, Operational Risk manager, Operational Risk Correspondents, Internal Audit and External Audit.

Risk measurement and risk control

SKB Group also defined its risk appetite for operational risks that is followed by specific risk indicators and formalize it in Risk Appetite Statement. The risks to which SKB Group is exposed are identified and covered by Risk Appetite targets, limits and thresholds described in Risk appetite Statement.

SKB Group implemented Policy of internal Governance that also defines the structure of control system for mitigation of operational risks exposure. It consists of day to day controls of correct application of the rules and procedures by all employees and Managerial supervision performed by heads of departments in order to ensure correct application of the rules of day to day controls.

Policies to decrease operational risk

SKB Group has adopted various policies and related internal acts and procedures for protection and mitigation operational risks such as Operational risk Framework, Information security policy, Policy for management of outsourced services, assessment of risks related to new products, security policy, etc.

The operational risk management function is totally independent from any other functions in the bank and leasing subsidiaries organized within Risk Division. In addition to Operational Risk Manager function it includes Head of Permanent Control function, BCM function (business continuity management function), Outsourced services correspondent function, CSR correspondent and New Product correspondent function.

Operational risk reporting

Reporting on operational risk is performed quarterly on Operational Risk and Compliance Committee, Security Committee and Audit Committee of the Board of directors. An efficient reporting system on all operational risk issues enables the Bank's management and the Board of Directors to control and effectively manage these risks.

Table 34 Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
EUR 000		2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	Subject to TSA:	120,482,353	113,938,703	114,472,887		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA					

12 REMUNERATION POLICY IN SKB GROUP

12.1 Disclosure of remuneration policy

(Article 450(1)(a)(b)(c)(d)(e)(f)(j)(k) CRR)

Table 35 Table EU REMA - Remuneration policy

Qualitative disclosures	
(a)	Information relating to the bodies that oversee remuneration. Disclosures shall include: <ul style="list-style-type: none"> Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year. External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework. A description of the scope of the institution's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries. A description of the staff or categories of staff whose professional activities have a material impact on institutions' risk profile.
(b)	Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include: <ul style="list-style-type: none"> An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders. Information on the criteria used for performance measurement and ex ante and ex post risk adjustment. Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration. Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee. Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.
(d)	The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.
(e)	Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include: <ul style="list-style-type: none"> An overview of main performance criteria and metrics for institution, business lines and individuals. An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance. Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments. Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.
(f)	Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include: <ul style="list-style-type: none"> An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff. Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law). Where applicable, shareholding requirements that may be imposed on identified staff.
(g)	The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include: <ul style="list-style-type: none"> Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.
(h)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.
(i)	Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR. <ul style="list-style-type: none"> For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.
(j)	Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.

The Remuneration Policy is an integral part of the corporate governance system of SKB Bank and applicable throughout the entire SKB Group. The purpose of the Remuneration Policy is, remaining within the SKB Group's risk-tolerance capacity, to recognize the performance of employees of SKB Bank and SKB Group with special attention on those employees who have a material impact on the risk profile (identified staff members), in contributing to results at the bank and at group level, and to provide an incentive for performance, in such manner as to be consistent with:

- effective and successful risk management, and not to encourage the assumption of risks that exceed the risk-assumption limits of the SKB Group,
- and with the business strategy, objectives, values and long-term interests of the SKB Group and to promote the achievement of these, while ensuring with appropriate measures the avoidance of possible conflicts of interest.

a) Information relating to the bodies that oversee remuneration

The remuneration policy is adopted by Board of Directors on a proposal from the Remuneration Committee. Consistency in remuneration policy and its practice is subject to annual internal audit oversight.

The Remuneration Committee is an advisory body of the Board of Directors which performs the following tasks:

- performs professional and independent evaluations of remuneration policies and practices and forms, on their basis, the initiatives and measures for improvement of the bank's risk management, capital and liquidity,
- prepares the proposals for decisions of the governing body regarding the remunerations, including those having an impact on risk and risk management of the bank,
- supervises the remunerations of senior management which performs the risk management function and compliance function.

When preparing the above-mentioned decisions, the Remuneration Committee takes into consideration the long-term interests of shareholders, investors and other interested parties.

The Remuneration Committee has three (3) members and met four (4) times in 2021. The quorum was met at all sessions. The presence of individual members is evident from the minutes of the Committee sessions. In addition, several direct interviews were held between the members of the Committee and the Bank's General Management.

At its sessions in 2021, the Remuneration Committee discussed above all:

- a report on the work of the Remuneration Committee in 2020,
- work plan of the Remuneration Committee for 2021,
- reports on the balance of loans and the total exposure of employees in SKB Group,
- SKB Group's Remuneration policy,
- credit exposures of Executive directors,
- distribution and deferred payments of the variable part of the remuneration (annual performance bonus) for 2020,
- the internal audit report on the review of the adequacy and application of the rules of the Remuneration System for 2020,
- changes in FURS practice regarding social security contributions,
- confirmation of the personal scope for 2021,
- change in the remuneration of identified staff,
- approval of the KPI library for 2021,
- Rules of Performance Measurement and assessment system.

In its professional work, the Remuneration Committee focused mainly on implementation of all legal obligations of the bank in the field of employment and remuneration of employees. A special attention was paid to management of costs and suitable remuneration of employees, number of employees, ratio between the fixed and variable part of remuneration of the employees, performance of the employees, care for adequate qualifications and trainings for employees as well as their development within SKB Group. All this has a positive impact on stable and secure operations of the bank and SKB Group. We did not include external consultants in the formulation and regular reviews of the remuneration policy in 2021.

The institutional scope of the SKB Group's Remuneration Policy applies to SKB Bank and its subsidiaries SKB Leasing and SKB Leasing Select. The determination of personal scope (employees whose professional activities significantly affect the bank's risk profile - identified employees) of Remuneration policy is mainly based on Commission Delegated Regulation (EU) 604/2014 (RTS). The provisions also apply the principle of proportionality in determining the personal scope.

The determination of the personal scope of the SKB Group Remuneration Policy falls within the competence of the SKB Board of Directors on the basis of a prior opinion of the SKB Bank Remuneration Committee and the OTP Bank Remuneration Committee.

Members of Board of Directors of SKB Bank, including the executive directors of SKB Bank (Chief Executive Officer, Deputy Chief Executive Officer) are classified as identified employees.

The identified employees are classified in the Personal Scope of the Remuneration Policy which is determined on three levels according to the OTP Group:

- consolidated-level (OTP Group-level) personal scope includes those (identified employees at consolidated level) whose professional activity has a material impact on the risk profile of the entire OTP Group;
- sub-consolidated-level personal scope includes those (staff members identified at sub-consolidated level) whose professional activity has a material impact on the risk profile of the Group consisting of the institution owned directly by OTP Bank Plc (credit institution or investment firm) and its subsidiaries;
- local (individual)-level personal scope includes those (staff members identified at local level) whose professional activity has a material impact only on the risk profile of SKB Group.

In 2021 the SKB Group identified 22 persons whose professional activities have a significant impact on the Group's risk profile. The function these employees occupy are:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Director of Retail & Marketing division
- Director of Corporate Banking and Financial Markets division
- Director of SKB Leasing in Leasing Select
- Chief Operational Officer
- Director of Finance division
- Director of Secretariat General division
- Director of Risk division
- Director of Debt Management department
- Director of Internal Audit department
- Director of Human Resources department
- Director of Security department
- CISO
- Chief AMLFT officer
- CCO
- Director of Legal department
- Director of Credit Risk Assessment department
- Director of Risk portfolio Management
- Director of Retail Risk department
- Director of General Risk department
- Director of Information System Infrastructure
- Director of Information Solutions

b) Information relating to the design and structure of the remuneration system for identified staff

Remuneration policy is designed in a way that it does not encourage employees to take irresponsible disproportionately high risks. The bank assures the appropriate ratio between fixed and variable part of remuneration for all categories of employees. The Remuneration policy contains also the criteria for assessing the impact of identified staff members in line with SKB Group's risk appetite framework, taking into account the OTP Group's (as a parent bank) Remuneration policy, valid legislation as well as more detailed definition in this policy.

The Remuneration Policy does not allow any benefits originating from the pre-agreed variable remuneration, other than the ones defined in applicable legislation.

The most important basic principle of this Remuneration Policy is that it makes the level of performance-based remuneration – subject to the ex-ante and ex-post assessment of the risks with respect to identified staff members– dependent on the extent to which SKB Bank and SKB Group's and individual targets are achieved, with the proviso that the proportion of performance-based remuneration shall not exceed 100 percent of the basic remuneration in the case of any identified staff member.

A fundamental principle of the performance measurement and assessment system is that the extent of remuneration based on the performance assessment – accompanied by an ex ante and ex post assessment of the risks – is linked, in a two-tier performance measurement system namely:

- the level of fulfilment of institutional goals SKB Group / subsidiary,
- the level of fulfilment of individual objectives (numerical indicators, individual targets and competences).

By emphasizing the institutional objectives, the two-tier system contributes to the clear designation and monitoring of priorities, and also improves the ability to monitor individual performance, thereby improving the flexibility of the performance assessment system. The employer determines the institutional and individual objectives, at annual level, reserving the right to change them mid-year in response to changes in market circumstances, and in line with the employer's attendant business interests. The institutional indicators include the key high-level objectives of SKB Bank and SKB Group.

The provisions of the Remuneration Policy, as well as the regulations related to its implementation, and compliance with these, are reviewed at least once a year, by the Internal Audit of the SKB Bank which makes a report on this to the Compensation Committee of SKB Bank and to Supervisory Board and Board of Directors of OTP Bank Plc via the internal auditing unit of OTP Bank Plc. In 2021 the Internal Audit performed regular review of the Remuneration Policy according to the timeline.

In SKB Group in 2021 there were no guaranteed variable remuneration and severance pay.

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

In respect of employees under the scope of the Remuneration Policy of SKB Group, eligibility for the individual level deferred instalments is determined on the basis of the assessment of the individual risks relating to the activities of the individuals concerned, as detailed below:

- fulfilment of obligations stemming from the employment relationship, compliance with the laws applicable to work, regulatory documents, executive and management instructions and the professional requirements applicable to the position,
- compliance with the employer's expectations towards the Employee's managerial behaviour,
- review of the operation of the persons and functional areas concerned.

The criteria of prudent operation for the SKB Group:

- In the case of credit institutions, fulfilment of the regulatory capital adequacy requirement, disregarding capital raises carried out to supplement capital in the years after the year serving as the basis for payment and the accumulated risk cost, relative to the target, in the years after the year serving as the basis for payment,
- In the case of leasing companies, the Stage 3 rate applicable to the entire portfolio.

The performance serving as a benchmark for performance-based remuneration is determined as the weighted arithmetic average of the institutional and individual targets, with the weight of the indicators at the institutional level decreasing as the management levels decrease. In the case of employees performing the internal control function (internal control, compliance, risk management), this principle applies with the difference that the institutional level indicators are considered with a lower weight - one lower than the given organizational level.

Foreign Bank + Leasing DCEO		Foreign (business and support) * Bank + Leasing DCEO		Foreign additional level managers (business, support**)	
Indicators	Weight	Indicators	Weight	Indicators	Weight
Total Group level (entity) indicators:	100 %	Total Group level (entity) indicators:	100 %	Total Group level (entity) indicators:	100 %
Indicators	Weight	Indicators	Weight	Indicators	Weight
Numerical indicators	90 %	Numerical indicators	80 %	Numerical indicators	80 %
Group MS		Group MS		Group MS	
Individual targets		Individual targets		Individual targets	
competence	10 %	competence	20 %	competence	20 %
Total individual level indicators:	100 %	Total individual level indicators:	100 %	Total individual level indicators:	100 %
Performance evaluation		Performance evaluation		Performance evaluation	
Group level targets	50 %	Group level targets	40 %	Group level targets	25 %
Individual targets	50 %	Individual targets	60 %	Individual targets	75 %

* Except for Risk Division managers, in which case the weight of group (entity) level targets are 25 % and the weight of individual level targets are 75 %.

** Except for managers of Compliance, Internal Audit and Risk in which case the weight of group (entity) level targets are 2 % and the weight of individual level targets are 80 %.

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

The most important basic principle of this Remuneration Policy is that it makes the level of performance-based remuneration – subject to the ex-ante and ex-post assessment of the risks with respect to identified staff members – dependent on the extent to which SKB Bank and SKB Group's and individual targets are achieved, with the proviso that the proportion of performance-based remuneration shall not exceed 100 percent of the basic remuneration in the case of any identified staff member.

Variable remuneration is not contractually determined and can therefore be reduced or not granted in the event of a significant financial loss of the bank, insufficient capital adequacy of the bank, collective or individual poor performance; the employee's excessive risks taking or employee's violations, by taking into account the malus system or the return of funds.

The application of the deferral and share-based payment rules can be omitted in case of employees identified on sub-consolidated or local level identified positions, where the established performance-based remuneration on a yearly basis does not exceed EUR 50,000, provided that the ratio of performance-based remuneration to total remuneration does not exceed 33.33 %.

The SKB Group requests from identified employees not to use any personal insurance/hedging, against risks with a purpose to weaken or nullify the effects of adjustments of the variable part of remuneration to risks.

g) Description of other non-cash benefit

Non-cash benefits to employees whose professional activities significantly affect the bank's risk profile are defined the employment contract and by managerial level and are as follows; use of a company car for private purposes, payment of rent and costs related to the use of housing for expatriated employees, school fees for school-age children of the expatriated employee and membership fees.

h) Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body

Remuneration of members of the management body is disclosed in the 2021 Annual Report.

i) Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR

The SKB Group does not benefit from derogation.

j) The quantitative information on the remuneration of management body, differentiating between executive and non-executive members

The remuneration policy of the SKB Group regulates the payment of remuneration of executive directors, while the remuneration policy of the OTP Group regulates the payment of remuneration of non-executive directors.

12.2 Remunerations awarded for the financial year 2021

(Article 450(1)(h)(i)(ii) CRR)

Table 36 Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
EUR		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	6	3	5	12.62
2		Total fixed remuneration	83,018.31	629,654.52	1,048,630.42	992,289.57
3		• Of which: cash-based	83,018.31	629,654.52	1,048,630.42	992,289.57
4		(Not applicable in the EU)				
EU-4a		• Of which: shares or equivalent ownership interests	0.00	0.00	0.00	0.00
5		• Of which: share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00
EU-5x		• Of which: other instruments	0.00	0.00	0.00	0.00
6		(Not applicable in the EU)				
7		• Of which: other forms	0.00	0.00	0.00	0.00
8	(Not applicable in the EU)					
9	Variable remuneration	Number of identified staff	0.00	3.00	5.00	10.87
10		Total variable remuneration	0.00	200,917.44	237,444.63	111,993.00
11		• Of which: cash-based	0.00	118,023.00	156,153.00	111,993.00
12		• Of which: deferred	0.00	49,530.00	35,232.00	0.00
EU-13a		• Of which: shares or equivalent ownership interests	0.00	82,894.44	15,749.63	0.00
EU-14a		• Of which: deferred	0.00	77,867.60	12,398.40	0.00
EU-13b		• Of which: share-linked instruments or equivalent non-cash instruments	0.00	0.00	65,542.00	0.00
EU-14b		• Of which: deferred	0.00	0.00	52,290.00	0.00
EU-14x		• Of which: other instruments	0.00	0.00	0.00	0.00
EU-14y		• Of which: deferred	0.00	0.00	0.00	0.00
15	• Of which: other forms	0.00	0.00	0.00	0.00	
16	• Of which: deferred	0.00	0.00	0.00	0.00	
17	Total remuneration (2 + 10)		83,018.31	830,571.96	1,286,075.05	1,104,282.57

12.3 Special payments to staff whose professional activities have a material impact on institutions' risk profile

(Article 450(1)(h)(v)(vi)(vii) CRR)

Table 37 Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards -Total amount	0	0	0	0
3	• Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	0	0	0	0
7	Severance payments awarded during the financial year - Total amount	0	0	0	0
8	• Of which paid during the financial year	0	0	0	0
9	• Of which deferred	0	0	0	0
10	• Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
11	• Of which highest payment that has been awarded to a single person	0	0	0	0

12.4 Deferred remunerations

(Article 450(1)(h)(iii)(iv) CRR)

Table 38 Template EU REM3 - Deferred remuneration

EUR	a	b	c	d	e	f	EU-g	EU-h
	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Cash-based	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	MB Management function	200,572.00	73,174.00	127,398.00	345.00	0.00	(5,222.54)	22,045.85
8	Cash-based	118,023.00	68,493.00	49,530.00	0.00	0.00	0.00	0.00
9	Shares or equivalent ownership interests	82,549.00	4,681.00	77,868.00	345.00	0.00	(5,222.54)	22,045.85
10	Share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Other senior management	236,482.00	136,561.60	99,920.40	963.00	0.00	(4,128.44)	24,569.17
14	Cash-based	156,153.00	120,921.00	35,232.00	0.00	0.00	0.00	0.00
15	Shares or equivalent ownership interests	15,498.00	3,099.60	12,398.40	252.00	0.00	(711.44)	0.00
16	Share-linked instruments or equivalent non-cash instruments	64,831.00	12,541.00	52,290.00	711.00	0.00	(3,417.00)	24,569.17
17	Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Other identified staff	111,993.00	111,993.00	0.00	0.00	0.00	0.00	0.00
20	Cash-based	111,993.00	111,993.00	0.00	0.00	0.00	0.00	0.00
21	Shares or equivalent ownership interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00
22	Share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23	Other instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24	Other forms	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25	Total amount	549,047.00	321,728.60	227,318.40	1,308.00	0.00	(9,350.98)	46,615.02

12.5 Aggregate quantitative information on remunerations, broken down by business area

(Article 450(1)(g) CRR)

Table 39 Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	0
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0

Table 40 Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
EUR		MB Su- pervisory function	MB Manage- ment function	Total MB	Investment banking	Retail bank- ing	Asset man- agement	Corporate func- tions	Independent internal control func- tions	All other	Total
1	Total number of identified staff										26.62
2	• Of which: members of the MB	6	3	9							
3	• Of which: other senior management					2		2	1		
4	• Of which: other identified staff							2.91	9.71		
5	Total remuneration of identified staff	83,018.31	830,571.96	913,590.27	0.00	313,596.06	0.00	807,784.39	1,268,977.17	0.00	
6	• Of which: variable remuneration	0.00	200,917.44	200,917.44		73,764.63		97,671.00	178,002.00		
7	• Of which: fixed remuneration	83,018.31	629,654.52	712,672.83		239,831.43		710,113.39	1,090,975.17		

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