

# **Annual report 2022**

## **SKB Group and SKB Bank d.d.**

**Enabling opportunities &  
supporting sustainability**

April 2023

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# I. General information for the SKB Group



Number of employees **925**



Number of customers **233.165**

- SKB Bank **197.642**
- SKB Leasing Group **35.523**



Number of outlets **48**

## Evolution of SKB Group's main balance sheet items

in million EUR	2022	2021	Change (%)
Balance sheet total	4,437	3,838	15.6
Loans to customers*	2,975	2,627	13.3
Customer deposits	3,664	3,287	11.4
Equity	449	443	1.5
Loans to deposits ratio**	68.43 %	65.96 %	+247 bt
Capital adequacy ratio	16.92 %	15.03 %	+189 bt

\* Includes loans to customers measured at amortized cost and measured at fair value, includes financial leasing

\*\* Includes loans to customers measured at amortized cost and measured at fair value, excludes financial leasing

Balance sheet total exceeded **4,4 million EUR**

## Key results and indicators of SKB Group's performance

	EUR 000	2022	2021	Change (%)
Net banking income		131,379	121,991	7.7
Overhead expenses		(71,702)	(66,365)	8
Operating profit		59,677	55,626	7.3
Provisions and impairments		15,873	1,134	1,299.7
Net profit		61,058	46,008	32.7
ROE		13.99 %	10.87 %	+312 bt
Cost/Income ratio		54.58 %	54.40 %	+18 bt

SKB Bank ranks among the most cost-effective banks in Slovenia

## Key result drivers

Individual clients* – activity indicators	Change (%)	dec.22
Number of accounts	0.4	175,438
Number of accounts with regular payment	1.5	163,472
Number of E-banking users	6.6	150,713
Number of Moj@SKB users	10.1	117,847
Number of cards	0.5	221,858
Volume of loans	8.8	1,345.8 M EUR
Housing loans	9.4	1,079.1 M EUR
Volume of leasing	(4.6)	223.6 M EUR
Volume of deposits	9.5	2,161.3 M EUR

\* Includes individuals conducting business activities

Corporate clients – activity indicators	Change (%)	dec.22
Corporate clients – activity indicators	2.0	18,477
Number of accounts	2.7	17,718
Number of E-banking users	20.7	13,535
Number of Moj@SKB users	6.0	15,548,339
Number of domestic payment transactions*	11.6	1,442,072
Number of international payment transactions	24.7	1,161.3 M EUR
Volume of loans	29.8	1,041 M EUR
Loans without state	9.1	244 M EUR
Volume of leasing	14.5	1,502.3 M EUR
Volume of deposits	14.5	1,502.3 M EUR

\* Paid transactions

**Higher  
market share  
of loans and  
deposits**

## Significant business event

At SKB Bank, we support Slovenian economy with efficient operations and by providing appropriate solutions for individuals and companies. We do this with a clear strategy of development projects, following the realization of a vision, which is to remain the first choice for customers and to offer them the best user experience in all the segments we control, while constantly ensuring care for the environment and sustainability of operations.

At SKB Bank, we are aware that we live in very dynamic times, with constant changes in the market and in the global economy, which is why we constantly adapt our business policy. We do our best to simplify and automate our channels and operations. With the constant influence of the market and the economy in the field of crediting, we are constantly adjusting the offer, while trying to ensure a high level of consideration of all risks, while at the same time making the offer as accessible as possible to customers. The first half of 2022 was focused on the ambitious sale of loans and adapting the offer to competition and customer needs. In the second half of the year, the rise of interest rate by the European Central Bank and the general geopolitical and economic conditions influenced the behavior of the consumers, who now treat their needs more rationally. In the corporate segment, such financing is more focused on ensuring liquidity, while the demand for financing development projects has decreased. The client portfolio of SKB Bank still remains stable. As a result, with the slowdown in economic growth and additional adjustments to the macroprudential measures of the central bank in the second half of 2022, the volume of lending also decreased. Price pressures also contributed to this, as SKB Bank adjusted provisions for our services and interest rates to market conditions. As a result, the availability of financing of customers who are in need of a loan business, decreased but on the other hand, we compensated for the rise in prices by abolishing depository fees, charged to depositories. Despite a careful risk management policy, we are further expanding and improving our services, thus providing our customers with an appropriately tailored offer.

In parallel, we are always enriching and optimizing the offer. With a new insurance partner in Slovenia, the French insurance company Groupama, we prepared a refreshed life insurance offer for the market in 2022. It is an offer of life insurance that the insurance company Groupama offers to those customers of SKB Bank who decide on consumer or housing loans. By concluding a partnership with the Groupama insurance company, we adjusted and simplified our loan approval process for individuals, by automatically transferring customer and loan data to the insurance application for cross-selling loans with life insurance. With this, we shortened the time of data entry into the insurance application, prevented possible incorrect data entries and increased the sale of insurance products.



**Groupama**  
Zavarovalnica

In 2022, at SKB Bank, we changed the method of charging loan related costs, which are now charged monthly. This brings lower costs for the customer when taking out a loan. When it comes to crediting the agriculture segment, we have enriched our offer with the possibility of flexible early financing of subsidies and grants for farmers. We have provided customers with many advantages in card transactions, and at the same time adjusted the way of doing business with cards and Flik instant payments, which gives customers greater flexibility in daily banking. We are continuing with paying special attention to the segments of the young, wealthy customers, micro and small businesses.





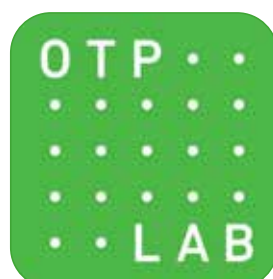
Our range of investment products continues to be represented by investment funds, which are an excellent alternative form of savings. We are proud providers of Amundi funds, which were awarded several times in 2022 by Moje finance magazine and recognized as the Best mutual funds in 2022 in four categories. In addition, we offer the option of savings with one-time or monthly payments into Moorea funds.



Development activities in 2022 could be summarized in four main areas - channel development, offers, processes and other special campaigns that we have undertaken. From the channels development point of view, we are continuing the project of comprehensive digital banking makeover, we have introduced a special SKB trader solution intended for companies that trade in foreign currencies, we have digitized many customer statements of MULTI SKB NET, functionally and user-friendly upgraded trade portal SKB trader and offered new services within Flik instant payment application. We have also adapted the way of communication to the customers, as we have redirected many messages to e-mail based on their preference. We introduced the most changes in transversal processes, we adapted to the new KYC (Know your client) process requirements, we introduced standardized approval for part of mid-size and large companies and automated the monitoring of overdraft facilities, we improved the customer management approach by introducing a 360-degree review of corporate customers and robotized part of the marketing customer relations management.



We also undertook long-term and technologically more demanding projects and participated in the OTP Booster Startup program as part of the OTP Innovation Lab, in which we collaborated with two startups on a pilot basis and built the K€šologia financial literacy program and the SKB Bonus loyalty program. We plan to upgrade both and introduce them to the permanent offer as an enrichment of the regular offer for all customers. We also engage in special challenges and as a result we introduced agile teams with special development projects into regular operation.



SKB Leasing Group also ended the year successfully despite problems with deliveries and a significant increase in the new vehicles prices. The past year was also marked by higher living costs and higher financing interest rates, which affected financing in the automotive sector. Regardless of the difficult year, the Group managed to maintain its position with more than 20-percent market share and to achieve growth in the segment of trucks, agricultural machinery and equipment.

In the past year, SKB Leasing Group concluded new and strengthened existing business partnerships with providers of passenger vehicles of the majority of the most successful brands on the Slovenian market. The Group also managed to optimize some processes and it will continue to strive for the efficiency of processes from the point of view of sustainable development and digitization.



Compared to the average in Slovenia, SKB Bank's customers are above average satisfied with the user experience and offer of SKB Bank, and the value of SKB brand is growing. SKB Bank has been measuring customer satisfaction and loyalty every year since 2016 and it has regularly ranked among the banks in Slovenia with the highest rating (according to the Customer Experience Measurement survey). In addition, SKB Bank measures customer satisfaction during the visit (On the Spot / Service Quality Measurement), when customers visit a banker in a branch or call the SKB contact center. In 2022, the average customer satisfaction when visiting a branch (on a scale of 0-10) was rated 9.5, and a call to the SKB Contact Center was rated 9.0.



After two years of not being able to hold live events for employees and customers, we were able to organize them again in 2022. We invited customers to performances at SNG Opera and Ballet Ljubljana and to the Manager's charity concert, where outstanding young musical talents performed. By sponsoring these projects, we supported the cultural and creative arena again last year. We also organized two events for employees, one in the spring and the other one at the end of the year.



In the past year, SKB Bank also participated in a number of professional and business events and thus demonstrated its support for the economy, expanded knowledge and shared experience, while at the same time taking advantage of opportunities to make new acquaintances. We are aware of the key role that banks play in uncertain times that we as a society have been facing in recent years. Therefore, we firmly believe that it is important to share our vision, experience and knowledge with the Bank's management and colleagues, experts from various areas of the Bank, who are often present as speakers and participants at key economic events (Financial Conference, Business Conference and Business Forum organized by the Finance Academy and events of the Association of Banks of Slovenia and the Chamber of Commerce of Slovenia).



In 2022, SKB Bank received numerous recognitions and awards from the professional public: SKB was the recipient of the prestigious "Best Bank 2022 in Slovenia" award in the Central and Eastern Europe category, by Global Finance. We were once again recognized as the "Bank of the Year 2022 in Slovenia" according to the selection by the professional magazine The Banker. In September, we attended the Superbrands Slovenia 2022 awards ceremony, where SKB Bank was recognized for the third year in a row as a trusted brand and one of the 18 proud recipients of the Superbrands Slovenia 2022 title. For the first time - as pioneers in the project - we also received a WAC award (Workplace active certificate) of the European Federation for Company Sport.



Employees and their development are one of our main strategic pillars. We launched several HR initiatives, such as employer recommendation and mentoring, and we also strengthened educational programs in various fields. In accordance with the brand strategy, we introduced new internal values to strengthen the internal culture, which is also reflected externally in terms of stability, professionalism, continuous development, sustainability and connection. We also implemented some good practices of internal communication from previous years, such as regular internal newsletters, online and live events, internal ambassador program, etc. We have published ten monthly internal e-magazines SKB Utrip and three major reviews of events in the Bank as part of the SKB IN internal magazine. We organized seven internal SKB Fokus online events; one of them took place live at the Ljubljana Castle.





We also continued to follow the internal project "With nature in the city" and celebrated the World Bee Day on 20 May 2022. In cooperation with the City of Ljubljana, we dedicated the day to public awareness of the importance of bee preservation and presentation of SKB Bank's many years of activity in the field of urban beekeeping. Before that, we also organized an internal and external campaign to plant honeydew plants and in the summer months we held an internal event and, together with an urban beekeeper, distributed honey, which our hardworking bees produced in as much as 72 kilograms. We also strengthen the sustainable orientation of our employees through various other internal initiatives. Our book exchange, which takes place in the lobby of our office building in Ljubljana, has come to life nicely and it encourages a circular exchange and a reading culture. With so-called classified ads, we also introduced an internal exchange of used items.



We continued to strengthen the visibility of SKB Bank as a sponsor and donor, as we are aware of the importance of investing in and supporting the environment in which we are actively involved. As the main sponsor of the Olympic Committee of Slovenia and the Slovenian Olympic team, six months after the end of Summer Games, we actively joined the Winter Olympic Games, which took place at the beginning of 2022. With our Olympians winning as many as seven medals in Beijing, these were the second most successful Olympic Games in the history of Slovenia. With seven medals, which means 3.37 medals per million inhabitants, Slovenian athletes have thus become the second most successful national team in the world. After the successful communication and all the activities carried out during the Winter Olympics, we were not afraid to engage in another major sporting event, which we also used to promote Slovenia and SKB Bank in the international environment. We supported the European Championship in women's handball, and the Chief Executive Officer of SKB Bank, Anita Stojčevska, was also the ambassador of the championship. The goal of the championship was to empower female athletes and give women's sports even more importance. In 2022, for the seventh year in a row, we also established a personal sponsorship with top Slovenian athlete Maruša Mišmaš Zrimšek.



GLAVNI SPONZOR



In the coming years, SKB Bank sets itself ambitious goals in the field of relations, especially with customers, who have always been the focus of our attention, but also with the entire environment and employees. Thus, one of the pillars of our business strategy in the future is the strengthening of social responsibility and sustainable development through digitization and optimization of processes and banking operations. With customized products, our own behavior, and the promotion of financing environmentally and socially sustainable projects, we will achieve a positive response from the environment with a high degree of awareness of the importance of long-term sustainability in transforming business models and ensuring a beautiful "tomorrow" as well as a wonderful, but environmentally and socially conscious "today".

# Presentation of the SKB Group

## SKB Group

The SKB Group consists of SKB Bank and the SKB Leasing Group, which includes SKB Leasing and SKB Leasing Select.

SKB Bank is a development-oriented universal bank that provides a comprehensive and diverse range of high-quality products via various sales channels including 48 branches throughout Slovenia, digital banking channels – SKB NET online and MOJ@SKB mobile banking, as well as a network of 81 ATMs, payment and credit cards and other banking products and services. SKB Bank deals with retail as well as small, medium-sized and large companies, offering them a wide range of financial services. SKB Bank's business network is complemented by a central customer support department. At the beginning of 2022, we also successfully completed the mobile loan specialist pilot project. Inflation and rising interest rates caused a slowdown in the Slovenian real estate market, which encouraged us to add a new banking service. The task of the specialized loan team working within Sales Promotion is to successfully work with new customers through partnership with real estate agencies. First, they will operate in Ljubljana area and its wider surroundings, and later they will expand their activity throughout Slovenia.

SKB Leasing and SKB Leasing Select upgrade banking services with the leasing products. They offer all leasing products except real estate leasing to individuals and companies via their network of bank branches located in all major regional centers throughout Slovenia and with the help of their sales representatives, except for real estate leasing. SKB Leasing, SKB Leasing Select and SKB Bank all work in synergy.

Since 13 December 2019, SKB Bank has been part of the OTP Group, which is one of the largest, most stable, and reliable independent providers of financial services in Central and Eastern Europe and the largest commercial bank in Hungary. OTP Bank is present in 11 countries of Central and Eastern Europe. OTP Bank signed an agreement on the purchase of a 100-percent share in the Slovenian Nova KBM, d.d., which is owned by funds managed by Apollo Global Management, Inc. (80 %) and EBRD (20 %). The acquisition of Nova KBM, d.d. is the most important acquisition in the history of the OTP Group, which will thus become the leading bank on the Slovenian market.

**Figure 1:** Business network



## OTP Group

The OTP Group ranks among the largest financial service providers in Central and Eastern Europe offering a comprehensive range of banking services for individuals and legal entities. With more than 33,000 employees, it offers services to almost 16 million clients and has a network of almost 1,400 branches (data from December 2022).

The OTP Group comprises several subsidiaries that provide services in the areas of insurance, real estate, factoring, leasing, asset management as well as investment and pension funds. It currently operates via subsidiaries in 11 countries in the region, namely Hungary (OTP Bank), Albania (OTP Bank Albania), Bulgaria (DSK Bank), Croatia (OTP banka d.d.), Romania (OTP Bank Romania), Serbia (OTP Bank of Serbia), Ukraine (CJSC OTP Bank), Russia (OAO OTP Bank), Moldova (Mobiasbanca), Montenegro (Crnogorska komercijalna banka) and Slovenia (SKB Bank).



## II. Statement by Chief Executive Officer



At the SKB Group, the year 2022 will certainly be remembered as a very dynamic year with many influential impacts on the environment. In recent years, we have learned to navigate successfully, resourcefully and at the same time prudently in complex situations that required us to make quick and correct decisions. Encouraging economic activity in the first half of 2022 had a positive impact on the volume of financing in the Retail and Corporate segments. On the other hand, geopolitical and macroeconomic events had a negative impact on investors' optimism in investing. Therefore, the strategic focus on growth shifted to ensuring adequate profitability. Despite the challenging factors, we have operated successfully, with steadiness and focus on the goals. In that way, we achieved exceptional financial results, numerous awards and recognitions from the expert public and, what ultimately counts the most for us, ended the year with satisfied customers, long-term business partners and committed colleagues.

SKB is a development-oriented bank whose business model is based on development and stability. We are aware that we live in very dynamic times, with constant changes in the market and in the global economy: This is why we also constantly adjust our business policy. We simplify and automate internal processes. With the support of the parent group OTP, we are improving the offer and developing, all with the aim of offering customers the best user experience. In doing so, we lead a balanced risk policy and cost efficiency, which enables us to achieve exceptional business results and growth.

Automation and optimization of processes and continuous digitization are the key strategic goals. The OTP Group thus entrusted us with the development of one of the largest technological projects - the development of digital channels that considers the needs of customers, while meeting all regulatory and legal requirements and a high level of security. The project, with which we want to become the bank with the best digital solution on the Slovenian market, has already entered the internal pilot phase this year. With this project, we will offer the best solutions to the Slovenian user, and at the same time, innovative digital solutions are also the foundation for potential implementation at the OTP Group level.

In 2022, we also continued the sustainable development project, through which we will contribute to the sustainable transformation of the Slovenian economy. Our parent group OTP strives for this as well. Their goal is to become a regional leader in financing a fair and gradual transition to a low-carbon economy, thereby building a sustainable future by offering balanced financial products.

In addition to investing in the environment with which we are connected, we have also paid attention to the education and acquisition of professional skills of employees, as well as to general well-being and health in the workplace, as we want to further strengthen the reputation of SKB Bank as one of the most well-known and desirable employers in the future.

With projects focused in sports, culture, nature, and the implementation of internal values and building foundations of employee commitment, we also strengthen mutual connection and connection to the environment in which we successfully operate. We are proud to appear on the market as a reputable brand with values that our customers and employees identify with. For us, all the awards and recognitions received by the public are a good indicator that we are already working in the right direction, as well as a commitment and motivation to continue to strive to be even better, more advanced and indispensable.

The period of merging with Nova KBM is ahead of us. During this period, together we will build a new leading bank in Slovenia. In the period since SKB Bank has joined the OTP Group, our parent company has already proven its strategic role and development direction. The integration of SKB Bank into the OTP Group has been successful and we will be happy to share our knowledge and experience with future colleagues. Even during the integration period, SKB Bank will remain a strong and reliable financial partner focused on customer needs. As employer, our bank will continue to enable employees to further develop their potential, while at the same time encouraging team spirit. We will strive to combine the best of both banks to create a successful story. I believe that the merger of SKB Bank and Nova KBM will be an opportunity for employees as well as customers.

A handwritten signature in blue ink that reads "Stojčevska". The signature is fluid and cursive, written in a professional style.

Anita Stojčevska  
Chief Executive Officer





# Constant development

We are development-oriented and we follow our ambitions.

With innovation, we effectively adapt our operations and strive for progress.



# III. Report of the Board of Directors and Committees

## Report of the Board of Directors

SKB d.d. has one tier system of corporate governance.

The corporate governance system within SKB d.d. is established in such a way to enable operational and professional management of the bank and its current business, while also enabling quality and in-depth supervision of operations and implementation of defined tasks and strategic directives of the bank's owners.

Four Committees are functioning within the Board of Directors: the Audit Committee, the Risks Committee, the Remuneration Committee and the Nomination Committee. All four Committees are dealing with the issues under their competences. The Presidents of these Committees regularly report on their work to the Board of Directors. The report of the work of the Board of Directors in 2022 is presented hereinafter.

The Board of Directors performs its functions in accordance with competences set out in the Companies Act, Banking Act, Guidelines of the European Central Bank and European Banking Federation, Decisions of the Bank of Slovenia, Statute of SKB d.d., Rules on work of the Board of Directors of SKB d.d., Code of Ethics of SKB d.d. and guidelines of the Parent company.

In exercising its powers, the Board of Directors particularly:

- examines the Annual Report and other financial reports of the bank and adopts the Annual Report and the annual report of the Internal Audit Department;
- examines proposal for resolution on the use of balance sheet profit;
- supervises the adequacy of procedures and effectiveness of the Internal Audit Department performance,
- explains to the General Meeting of Shareholders its opinions on the annual report of the Internal Audit Department and opinion on the annual report of the General Management;
- adopts and supervises execution of the general principles of remuneration policies;
- forms the Audit Committee, Risks Committee, Nomination Committee, Remuneration Committee and other committees;
- discuss the findings of the Bank of Slovenia or the European Central Bank (when in accordance with the EU regulation 1024/2013 European Central Bank performs the authorizations and tasks of supervision over the bank), the findings of other bodies when the said findings refer to the bank, findings of the tax inspection and other regulatory bodies when performing supervision of the bank;
- takes note of the compliance report,
- may review the books and documentation of the Bank, its cash transactions, deposited securities and other matters,
- performs other tasks and decides on other matters in accordance with the applicable law.

The Board of Directors gives prior consent to the following business operations and matters of the Bank:

- the conclusion of a transaction that in consideration of the overall exposure of the Bank, including indirect credit exposure, would result in the Bank's exposure to a single party or a group of linked parties which reach or exceed 10 % (ten per cent) of the acceptable capital of the bank from point 71 (b) of the first paragraph of the Article 4 of the EU Regulation 575/2013;
- the conclusion of a transaction which causes that the overall exposure of the Bank including indirect credit exposure of the Bank to a single party or a group of linked parties, would increase for each next 5 % (five per cent) of the acceptable capital of the Bank,
- the cancellation of the contract on audit inspection, concluded between the audit company and the Bank, before the termination of the term, agreed in the contract,;
- the dismissal of the Head of Risk management department;
- to the appointment, dismissal and remuneration of the Head of Internal Audit Department;
- plan of activities for Risk management in accordance with the strategies and policies of Risk appetite and managing;
- the conclusion of the transaction with a person in a special relationship with the bank if due to this transaction or common value of all transactions the overall exposure of the bank to a single party including the indirect exposure reach or exceed 100,000 EUR, and for each further transaction whereby the overall exposure of the bank against a single party from all transactions increase for the subsequent 100,000 EUR and the conclusion of a legal transaction with a person in a special relationship with the Bank under conditions that are more favorable than usual provided that objectively justified reasons are given for the conclusion of such a transaction; particularly in the event of the restructuring of a debtor who is a person in a special relationship with the Bank;
- to legal transactions of the Bank with related parties, with members of the Board of Directors or their family members in accordance with the applicable legislation, except for transactions performed in the ordinary course of business and under normal market conditions.

The Board of Directors gives consent to the General Management of the bank regarding formulation of:

- business policy of the Bank,
- financial plan of the Bank,
- organization of internal controls system,
- draft annual Audit plan for Internal Audit Department.

The Board of Directors may give ex-post consent to a decision taken by the Executive Directors, provided such decision is compliant with the parent company corporate rules.

In the period from 1st January 2022 till 12th December 2022, the Board of Directors had seven (7) members, of which four (4) were women and three (3) were men. On 12th December 2022 one member of the Board of Directors resigned, reducing the number of the Board of Directors members to six (6), of which four (4) were women and two (2) were men.

The Board of Directors has always consisted of members of different ages, different profiles of education and work experience, which enables and ensures a constructive and critical assessment of the Bank's General Management decisions and effective supervision over it. Representation of both genders has also been adequate till 12th December 2022.

## **Self-assessment of the work of the Board of Directors and its Committees**

Within 2022, the work of the Board of Directors was duly organized and performed in compliance with the Rules of procedure of the work of the Board of Directors of SKB banka d.d. Ljubljana. The members of the Board of Directors were provided with professionally prepared material on time, enabling an in-depth discussion and professional decision-making.

The contents of the work of the Board of Directors are indicated hereinafter.

We believe that the Board of Directors was provided with adequate regular reporting and other information, as well as with additional explanations at the meetings and had sufficient number of meetings with the General Management of the bank, in order to be able to responsibly monitor the bank's operations, risks management, activities of Internal Audit as well as the compliance with the rules of operations. The Board of Directors actively participated in the formation and implementation of the Bank's business policy with focus on management and monitoring of various risks, ensured compliance of operations with the legal regulations in force and supervised the work of the General Management of the bank.

The President of the Board of Directors, performed the tasks in line with the Rules of procedure of the work of the Board of Directors of SKB Banka d.d. Ljubljana and cooperated regularly and professionally with the General Management of the bank. The President chaired the sessions of the Board of Directors in the way to enable the members of the Board of Directors to perform accountable and professional decision-making.

The communication and cooperation between the Board of Directors and the General Management of the bank were professional, regular and correct. In their discussions on pending issues, the members of the Board of Directors were at all times led by the due care for prudent and safe operations and by the search for potential improvements in all segments and areas of operations and supervision in the bank, also based on past experiences.

In order to even better supervise and manage the bank, the Board of Directors was also actively involved in the bank's operations through its four (4) Committees and it thus contributed to a better safety and rationalization of the bank's operations. The Board of Directors regularly monitored the work of its Committees, as the Presidents of these Committees were reporting on their work to other members of the Board of Directors. The members of the Board of Directors were always invited to the sessions of the Audit Committee and Risks Committees even if they were not members and they attended those sessions as often as possible. All members of the Board of Directors were actively involved in discussions and contributed constructive proposals.

The submitted descriptive self-assessment of the work of the Board of Directors and its Committees in 2022 shows that the members of the Board of Directors regularly attended the meetings and actively and professionally participated in the discussions and decision-making of the Board of Directors or its Committees and were thus successfully orienting and supervising the operations of the bank in 2022.

In accordance with the provisions of the Banking Act the Board of Directors was regularly informed about the assessment of the suitability of its members that has always been prepared in compliance with the technical standards and EBA guidelines.

On this basis, annual assessments of the functioning and suitability of individual members of the Board of Directors, separately executive members and separately non-executive members, as well as assessments of the suitability and functioning of the Board of Directors as a whole have been prepared.

All the activities were led in a harmonized way and with a full trust and mutual respect of the members of the Board of Directors, which contributed to the successful operations in 2022 of the SKB Group as a whole. This is evident from the report on operations of the bank and SKB Group in 2022, as the bank and SKB Group achieved very good business results in the year 2022.

During the whole year, the Board of Directors acted in compliance with the rules related to the prevention of Conflicts of interest and important business contacts in accordance with the Regulation on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings banks, issued by the Bank of Slovenia. According to the Board of Directors, no conflict of interest in the work has been noted, as general measures against conflict of interest were regularly carried out. In the event of a potential conflict of interest, a member of the Board of Directors withdrew from the discussion and vote on a specific issue.

In 2022, nine (9) regular sessions of the Board of Directors were held. The quorum was met at all sessions, which is also noted in the minutes. Some of the sessions were live, some correspondent.

The list of attendees is indicated in the minutes of the sessions of the Board of Directors.

At its sessions held in 2022, the Board of Directors:

- discussed Report of the work of the Board of Directors and its Committees in 2021, and Work plan of the Board of Directors for 2022;
- discussed Report on relations with members of OTP Group for the financial year 2021;
- discussed, reviewed and, based on the positive opinion of the independent external auditor Ernst & Young Svetovanje d.o.o., passed the Annual Report on SKB Group's operations for 2021 and the Internal Audit Report for 2021;
- discussed MREL requirements & projections for SKB Group;
- convoked the General Meeting of Shareholders where non-distribution of profit and discharge of the members of the Board of Directors were proposed;
- discussed periodical reports on operations and on implementation of business policy in 2022, whereby a special attention was paid to the achievement of the planned commercial objectives, development of the bank and of SKB Group, risk exposure and management of all kinds of risks, management of costs, as well as to strengthening of the position of SKB Bank and SKB Group in Slovene banking sector;
- was regularly informed of the work and decisions of the Audit Committee, Risks Committee, Remuneration Committee and Nomination Committee;
- was regularly informed on information regarding risks linked with Russia-Ukraine war and international sanctions,
- contributed to the preparation of the material for the above stated Committees in order to achieve a better transparency and easier understanding of more complex topics;
- discussed periodical reports on large exposures, paid special attention to the large exposures of the bank towards certain companies or groups of companies and towards individual sectors and agreed with the bank's strategy towards these companies;
- discussed the report on ICAAP and ILAAP of SKB Group in 2021 and agreed with the risk assessment with regard to the bank's strategy which provides that the risk policy is adequate in terms of the bank's profile and strategy;
- passed the strategy of SKB Group regarding the risk appetite and regularly monitored its implementation, paid a special attention to the reports on the review of provisions and impairments;
- discussed and passed the annual report on prevention of money laundering and financing of terrorism in 2021;
- discussed the report on compliance of operations for 2021 and annual action plan for 2022;
- regularly discussed all letters, decisions, orders and recommendations of supervisory institutions or regulators;
- discussed and passed SKB Group's operational plan and financial budget for 2022 and guidelines for the period 2023 – 2024;
- discussed the regular periodical reports of the Internal Audit Department;
- was informed about the activities of preparation of the Audit Plan for the year 2022, in line with the OTP IAD group timeline, taking into consideration that the Audit Plan 2023 shall be discussed and confirmed at the first session of the Audit Committee in 2023;
- was regularly informed about the implementation of the action plan within the framework of the "BOSITR" project related to the inspection of the Bank of Slovenia in the area of information and communication technology risks;
- was regularly informed about the implementation of the action plan within the "AMLBOS" project related to the inspection of the Bank of Slovenia in the area of prevention of money laundering and financing of terrorism by the Bank of Slovenia;
- approved the proposal to apply for a permission to include interim profits in Common Equity Tier 1 capital;
- approved the proposal to apply for a permission to include subordinated debt to Tier 2 capital;
- approved the amendment of the contract of the Chief Executive Officer;
- proposed to the SKB Annual shareholders general meeting to nominate the new / present member of the Board of Directors as her mandate expires and approved the new contract for Deputy Chief Executive officer starting a new mandate;
- discussed reports on regular and extraordinary audits of individual units of the Bank and took note of key findings and recommendations from the performed audits;
- was informed about and approved the annual assessment of the Nomination Committee that each member of the Board of Directors individually, executive directors combined and non-executive directors combined, as well as the members of the Board of Directors as a whole met the adopted criteria and attained the set objectives;
- confirmed credit limits for SKB d.d. towards subsidiaries SKB Leasing in SKB Leasing Select;
- confirmed credit limits for SKB d.d. towards other OTP Group members;
- accepted the changes and additions to the Rules of procedure regulating the work of the Executive Directors (General Management) of SKB banka d.d. Ljubljana;

- adopted a training plan for the members of the Board of Directors for 2022;
- noted and adopted various reports in accordance with the regulations;
- was acquainted with SKB Group recovery plan;
- was acquainted with ESG strategic guidelines of SKB Group and regularly followed the progress in this area;
- was acquainted with the Rules for the performance measurement and assessment system for the SKB Group;
- was acquainted with the personal scope for 2021 (in accordance with the Remuneration Policy of the SKB Group, the term personal scope refers to persons / employees whose professional activities significantly affect the risk profile of institution);
- was acquainted with the updated remuneration policy of SKB Group;
- approved the Key performance indicators (KPI) library for 2022;
- was informed about the ongoing process of OTP regarding NKBM bank acquisition;
- got acquainted with all other information as submitted, and
- was also informed that SKB Bank had received The Banker magazine's award for the Best bank of the year in Slovenia in 2022 for the eleventh time.

The business environment in 2022 changed significantly compared to the previous years. Due to the continuation of supply chain issues and other challenges related to Russia-Ukraine war, energy crisis, inflation, increasing of Euribor, lack of professional staff at the market, strong competition etc., work in the SKB Group and in the country as a whole has changed. SKB constantly adapted and complied with all the measures taken.

Consistent implementation of all preventive measures enabled SKB Group to ensure continuous operation of all key activities, including smooth performance of all client services during these times.

The policy of timely and prudent measures with regard to the changing conditions on the market, in the banking sector and in the economy as a whole, orientation towards clients, diligent control over operating costs and risks enabled SKB Group to attain a very good business result in 2022.

During this period, the General Management of the bank was regularly, timely and comprehensively informing the Board of Directors and the competent Committees of the Board of Directors, with written and oral reports, on operations of the bank, its business strategy and policy, development plans, risk profile, economic situation in Slovenia and in the banking environment, as well as of realization of the set guidelines.

Before convening the General Meeting of Shareholders of the bank, the Board of Directors discussed all the materials and gave its consent for all the proposed resolutions that had been submitted to the shareholders for deciding at the 37th and 38th General Meeting of Shareholders of SKB Banka d.d. Ljubljana, held on 31st March 2022 and 4th July 2022.

The members of the Board of Directors have the possibility to inspect, at any time, the books of accounts of the bank, to require reports on operations in each single segment as well as on individual clients. They regularly meet with the Internal Audit department as well as with appointed external auditors.

SKB Group pays a lot of attention to stability, expertise, constant development, sustainability, connectedness, as well as to the business ethics. These are the key values that are implemented in practice in our everyday work. In this respect, all the members of the Board of Directors of SKB d.d. also have adequate education and experience in various areas of operations, in finance or in banking operations in particular, as well as the know-how related to operations in companies and they perform their work conscientiously and professionally, in compliance with the highest ethical standards.

The Board of Directors estimates that cooperation with the General Management of the bank was carried out on a highly professional level and was constantly oriented towards a common goal - successful and secure operations of the bank and SKB Group in the strained economic conditions, what is reflected in very good business results of the bank and SKB Group as a whole. The Board of Directors congratulates the General Management of the bank and all its employees for the achieved results in 2022.

The members of the Board of Directors express their sincerest acknowledgements to all employees of the SKB Group for their dedicated work and professionalism, which significantly contributed to its reputation.

The Board of Directors also thanks the clients of SKB Group for their loyalty, and the shareholder for its strategic orientation and support.



Imre Bertalan  
President of the Board of Directors

## Report of the Audit Committee

The responsibilities of the Audit Committee are above all:

- monitoring the financial reporting process;
- monitoring the efficiency of internal controls system in the bank, internal auditing and risk management systems;
- monitoring the obligatory audit of the annual and consolidated financial statements;
- reviewing and monitoring the independence of the auditor of the bank's annual report, particularly in providing additional non-audit services;
- proposing to the Board of Directors the appointment of the candidate for auditing the Annual Report of the bank,
- supervision of the integrity of financial information issued by the bank;
- assessing the composition of the Annual Report including the formation of the proposal for the Board of Directors;
- cooperation in defining the important segments to be audited;
- cooperation in preparation of the agreement between the auditor and the bank;
- cooperation with the auditor in auditing the bank's Annual Report particularly by mutual information on major issues concerning the audit;
- ensuring that all functions monitored by the Audit Committee comply with changes in the legal and regulatory environment;
- other tasks defined by the Statute or by resolutions adopted by the Board of Directors.

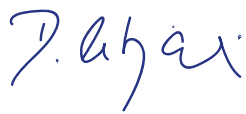
The Audit Committee functioned within the frame of the Board of Directors and assembled in 2022 at five (5) regular sessions.

Quorum was met at all sessions of the Committee as evidenced in the minutes of the sessions of the Committee. In case of an absent member the latter authorized another member of the Board of Directors to represent and vote on his/her behalf at the session of the Committee. At some sessions also, other members of the Board of Directors were present, which contributed to even better acknowledgment of the work and responsibilities performed by the Audit Committee.

At its sessions in 2022 the Audit Committee above all:

- discussed the report on SKB Group's operations in 2021 with enclosures and conducted an in-depth discussion in this respect with representatives of the external auditor Ernst & Young d.o.o.;
- discussed the report of the external auditor to the General Management and to the Board of Directors together with the letter addressed to the General Management of the bank by the auditor as well as the Statement on the internal governance arrangements in the bank;
- discussed draft report on the work of the Audit Committee in the year 2021, and draft work plan for the year 2022;
- discussed draft report on the work of the Internal Audit in the year 2021;
- approved the regular annual Audit plan for 2022;
- reviewed the report on relations with members of OTP Group for the financial year 2021;
- reviewed the proposal to apply for a permission to include interim profits in Common Equity Tier 1 capital for 2022 and proposal to apply for a permission to include subordinated debt to Tier 2 capital;
- reviewed the contract with Ernst & Young d.o.o. to review the interim profit, and the eligibility of subordinated debt;
- reviewed the services provided by external auditor Ernst & Young d.o.o. – Agreed-upon procedures in accordance with the Single Resolution Board's (SRB) Decision for years 2019-2021;
- regularly discussed periodic reports of the Internal Audit regarding their work, including reports on follow up of Internal Audit department recommendations;
- discussed the reports on implementation of Internal Controls that include, above all, the following segments of the bank's operations: operational risk management (including the presentation and analysis of operational losses and corrective measures, monitoring key risk indicators (KRI), IT security, security mechanisms for persons and equipment of the bank, bank's Business Continuity Management (BCM) and crisis management;
- regularly discussed and gave a special attention to compliance and prevention of money laundering and terrorist financing;
- regularly discussed reports on performing different type of controls;
- regularly discussed tax risks and also major legal risks, introduction of new products, operations with critical outsourced services (COS), risks related to human resources and other topics;
- regularly discussed in details the implementation of regulatory recommendations within the projects addressing Bank of Slovenia findings from the inspection of Anti money laundering area (AMLBOS project) and Information and communication technology risks (BOSITR project);
- was regularly informed about the management of risks associated with Russia-Ukraine war;
- reviewed regular reports on the exposure of employees of SKB Group;
- took note of the audit plan for the financial statements for 2022 and the audit strategy for the review of the financial year 2022 by the external auditor Ernst & Young d.o.o.;
- took note of various reporting in accordance with the regulation;
- performed other tasks in accordance with the Statute of the bank and resolutions passed by the Board of Directors.

With its in-depth work in monitoring the exposure of the bank to various risks, with its activities in monitoring the management of these risks and with regular monitoring of implementation of recommendations of the Internal Audit of the bank, the Audit Committee significantly contributed to the efficient work of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'D. Cukjati', written in a cursive style.

Draga Cukjati  
President of the Audit Committee

# Report of the Risk Committee

The Risks Committee is an advisory body to the Board of Directors and performs the following tasks:

- advises on general, current and future tendency of the bank for risk appetite and risk management strategy;
- assists in performing supervision over the senior management regarding the execution of risk management strategy;
- examines, without intervening in the Remuneration Committee's tasks, whether the initiatives, provided by the remuneration system, consider the risk, capital, liquidity, as well as the likelihood and time schedule of the bank's incomes, with the purpose of forming prudent remuneration policies and practices;
- examines whether the prices of the bank's products are fully consistent with the business model and risk management strategy of the bank and, in case of identified inconsistencies, makes a proposal for measures in order to remedy the inconsistencies and submits the proposal to the General Management and Board of Directors;
- as to the counterparty risks, the Risk Committee examines:
  - contents and changes of the credit portfolio per type of facility and per debtor;
  - key indicators (cost of risk, NPL, default ratios, recovery performance, etc ...);
  - changes of the quality of commitments: sensitive, irregular, non-performing loans;
  - compliance with the conditional authorizations issued by the OTP Group;
  - adequacy of the level of provisions for risks exposure;
  - efficiency of bad debt recovery;
  - changes in credit policy;
  - review of collateral management.

The Risk Committee, which has three members, met on five (5) regular sessions in 2022.

The quorum was met at all sessions, as indicated in the minutes of the sessions. In case of an absent member the latter authorized another member of the Board of Directors to represent and vote on his behalf at the session of the Committee. On some sessions also, other members of the Board of Directors were present, which contributed to even better acknowledgment of the implementation of the risk policy in SKB.

At its sessions the Risks Committee discussed above all:

- report on the work of the Risks Committee in 2021;
- work plan of the Risks Committee in 2022;
- periodic reports on credit risk, with emphasis on the macroeconomic situation and the Bank's exposure to various risks and risk management;
- reports on large exposure of the bank towards individual clients, groups of clients or sectors, and proposals of the bank's General Management for further activities to resolve these issues;
- periodic reports on credit portfolio for legal entities and retail banking;
- periodic reports on nonperforming loans and nonperforming exposures;
- report on Risk Control Function;
- risks & financial impact associated with the Act on limitation and distribution of currency risk between creditors and borrowers of loans in Swiss francs;
- risks linked with Ukraine – Russia Crisis and international sanctions;
- activities in the bank related to risk management, including the volume of formed provisions and impairments, periodic reports on large exposure of the bank towards persons being in a special relationship with the bank;
- preparation and follow-up on Risk Appetite Framework and Risk Appetite Statement in SKB Group;
- review of structural risks;
- changes in the credit policy;
- limits proposals within the Group;
- other matters in accordance with the Statute of the bank and resolutions passed by the Board of Directors.

With its work and regular reports to the Board of Directors, the Risks Committee significantly contributed to the efficient work of the Board of Directors.



Atilla Kovacs  
President of the Risks Committee

# Report of the Compensation Committee

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

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 Board of Directors 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 2022. 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 2022, the Remuneration Committee discussed above all:

- a report on the work of the Remuneration Committee in 2021;
- work plan of the Remuneration Committee for 2022;
- SKB Group's Remuneration policy;
- information on completed Internal Audit mission on the Remuneration System Rules;
- confirmation of personal scope for 2021;
- confirmation of personal scope for 2022;
- change in the remuneration of identified staff;
- employment contract for the deputy Chief Executive Officer;
- approval of the KPI library for 2022;
- remuneration for the Chief Operating Officer, Chief Executive Officer, new Head of Security Department and Termination Contract Package for present Head of Security Department;
- settlement of variable part of the remuneration 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 area 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.



Anna Florova Mitkova  
President of the Remuneration Committee



## Report of the Nomination Committee

The Nomination Committee is an advisory body of the Board of Directors and performs the following:

- defines and recommends candidates for the members of the Board of Directors, including Executive Directors, by considering the Policy for assessment and selection of suitable candidates for appointment of members of the Board of Directors of SKB Banka d.d. Ljubljana and Rules of SKB Banka d.d. Ljubljana on assessment of suitability of members of the Board of Directors in accordance with the Banking Act;
- defines the tasks and required conditions for an appointment, including the assessment of time which is likely to be required for performing the function;
- defines the objective of gender representation and prepares a corresponding policy on how to increase the number of representatives of the underrepresented gender in the Board of Directors in order to achieve this objective;
- assesses, at least once a year, the structure, scope, composition and performance of the activities of the Board of Directors and prepares reports related to eventual modifications;
- assesses, at least once a year, the know-how, skills and experience of each member of the Board of Directors and of the Board of Directors as a whole and reports to the Board of Directors and to the General Management accordingly;
- regularly examines the policy of the General Management regarding the selection and appointment of suitable candidates for the members of the bank's senior management and prepares recommendations for eventual modifications;
- actively contributes to the fulfilment of the bank's responsibility to adopt corresponding policies for evaluation of suitability of the governing body members;
- when performing its tasks, considers to the greatest extent, that upon decision making within the General Management and Board of Directors, no individual or a narrower group of individuals prevails in the way that might be detrimental to the interests of the bank.

In 2022 the Nomination Committee, with three (3) members, had two (2) sessions where all the Committee members were present and at which they discussed:

- the report on work of the Nomination Committee in 2021;
- work plan of the Nomination Committee in 2022;
- the annual assessment of the members of the Board of Directors in accordance with the Policy for assessment and selection of suitable candidates for appointment of members of the Board of Directors of SKB Banka d.d. Ljubljana and Rules of SKB Banka d.d. Ljubljana on assessment of suitability of members of the Board of Directors;
- the expiration of the term of office for the member of the Board of Directors, reassessment of this Board of Directors member and proposal for a new appointment of the same member of the Board of Directors for a new mandate;
- reassessment of the Board of Directors member according to the new circumstances;
- training plan for the year 2022 for the members of the Board of Directors.

The members of the Committee also had several interviews with the Bank's General Management, which also made a positive contribution to the work of both the Committee and the Board of Directors.

The Board of Directors, which until 12. 12. 2022 had seven (7) members, four (4) women and three (3) men, and from 12. 12. 2022 to 31. 12. 2022 six (6) members, four (4) women and two (2) men, consists of members of different ages, different profiles of education and work experience, which enables and ensures constructive and critical assessment of the Bank's General Management decisions and effective supervision.

In assessing the suitability of the members of the Board of Directors, the Nomination Committee respected the adopted criteria and re-assessed the suitability of each member of the Board of Directors separately. In addition, the assessment was made separately for the Executive members of the Board of Directors, separately for the non-executive members of the Board of Directors and for the Board of Directors as a whole. The Committee found that the structure of the members of the Board of Directors, in terms of education, age, gender, experience, professionalism and ability to work in areas within the competence of the Board of Directors, is appropriate and ensures successful work and fulfilment of set objectives, which are above all, the safe, stable and successful operations of the bank and maintaining its reputation in the environment in which it operates.

The composition of the Board of Directors has to provide a quality and responsible discussion on all significant documents of the bank, strategy of the bank in all segments and its implementation as well as on all facts and circumstances which might affect the operations of the bank.

All of the above was reported to the Board of Directors by the President of the Nomination Committee.

By performing its tasks, the Nomination Committee contributed to the bank's solid corporate governance system with a clearly defined organization, responsibilities and objectives in all segments of its operations.

With its work, the Nomination Committee contributed also to the efficient work of the Board of Directors.



Anna Mitkova Florova  
President of the Nomination Committee

## View of the Board of Directors on the Report on SKB Group Operations

The Board of Directors received in January 2023 draft report on the work of the Board of Directors and its Committees in 2022. At the same time, the Annual Report of the Internal Audit was submitted as well.

The Board of Directors discussed the report on its work and on work of its Committees at its 27th session, held on 31st January 2023 and approved them.

On 22. 3. 2023 the General Management of SKB d.d. submitted to the Board of Directors, for preliminary consideration, the Annual Report on operations of SKB Bank and SKB Group in 2022.

The report on operations in 2022 shows that both SKB Group and SKB Bank performed well, as SKB Group registered a net profit of 61,059,144.03 EUR and SKB Bank a net profit of 63.592.263,27 EUR, whereby the distributable net profit of SKB Bank amounts to 288,705,672.59 EUR.

The report on operations of SKB Bank and SKB Group in 2022 with financial statements and attachments was examined by the auditing company Ernst & Young d.o.o., which performed the audit in accordance with international accounting and audit standards. The auditor issued a positive opinion on financial statements and on the Annual Report.

On 28. 3. 2023, the General Management of SKB Bank submitted proposal to the members of the Board of Directors to adopt the audited Annual Report of SKB Group for 2022.

During the time, following the submission of the Annual Report until the discussion of the audited Annual Report of SKB Bank and SKB Group, the members of the Board of Directors had the possibility to have additional insights in the operations of the bank and to acquire information necessary for verification of the Annual Report. The Board of Directors hereby establishes that its members have obtained all requested information regarding the operations of SKB Bank, as well as of its subsidiaries, SKB Leasing d.o.o. and SKB Leasing Select d.o.o. The composition of the Annual Report was also checked by the Audit Committee, which evaluated the composition and the Annual Report positively.

At its 29th regular session held on 29. 3. 2023, the Board of Directors discussed the audited Annual Report which was audited by the auditing company Ernst & Young d.o.o. The Board of Directors has established that the Annual Report of SKB Group shows comprehensive contents of operations of SKB Bank and SKB Group in 2022 and thus completes all previous information already submitted to the Board of Directors during the business year and had no remarks. The Board of Directors believes that the General Management of the bank and the Board of Directors met all the legal requirements in the Annual Report for 2022 and has adopted Annual Report of SKB Group for 2022.

The Board of Directors also examined the proposal of the General Management of SKB Bank for distribution of distributable net profit for which the final decision will be made by the shareholders at 40th session of the General Meeting of Shareholders that will be held on 31st March 2023. Distributable net profit for the year 2022 is in the total amount 288,705,672.59 EUR, with a net profit for the year 2022 in amount 63,592,263.27 EUR. Distributable net profit will not be distributed to shareholders and remains till further notice unallocated. With the date of shareholders meeting net profit is transferred from net profit of business year 2022 into retained earnings. The Board of Directors fully agrees with the proposal of the General Management and proposes to the General Meeting of Shareholders, not to distribute the net profit of SKB Bank generated in 2022.

The Board of Directors establishes that in 2022 the economic situation was strained and complex due to quick changes in business conditions - supply chain issues, energetic supply and prices, impacts of Russia-Ukraine war. Sanctions were introduced and frequently updated what caused additional work and several controls in the banks. The liquidity in the bank, as well as in the entire banking system, was still high. Inflation was growing, Euribor started to increase, interest rates were increasing, consumption and investments became more limited, unemployment rate was very low and it was difficult to find and employ people with adequate knowledge, especially for some deficient profiles. The global economic situation and environment became more unpredictable. Strong competition among the banks continued.

In the bank we started with several activities linked with expected integration with bank Nova KBM.

In 2022, the SKB Group has therefore intensified its activities even more, leading to restructuring and optimization of operational processes, digitalization, reduction of costs and at the same time the activities for the growth of the volume of operations, increase of income and reduction of all types of risks in the bank.

The quick response to the mentioned conditions in the economy and on the market and management of operational costs of the bank in 2022 have led to a good business result, whereby the main contribution consisted above all in a successful commercial activity, consistent implementation of risk management policy and adequate formation of provisions and impairments, operating costs management and endeavor of the employees to achieve the set goals.

It has to be pointed out that SKB Group operated successfully and proved that its business model was adequate also for stable operation in the most tough economic circumstances in the last few years. Such working method and the achieved results prove that the bank is on the right way in its development, that it is capable to ensure safe banking operations and is capable of facing the challenges lying ahead.

The Board of Directors estimates that the cooperation with the General Management of the bank was performed on a high professional level and permanently focused on the common goal – successful and secure operations of the bank what was reflected in the good results of operations of SKB Group.

The Board of Directors expresses its thanks to the General Management and to all the employees of SKB Bank and SKB Group for the achieved results.

Thanks also to all of SKB's clients for their loyal business cooperation as well as to the shareholder for their adequate strategic orientation and support.



Imre Bertalan  
President of the Board of Directors

# Who we are

**SKB Bank is strong and reliable financial partner, supporting personal and business finances.**

## Vision

Become always present, but invisible financial partner who addresses client's needs and enable best user experience on the market.



## Mission

Customer first, digital first.

We are determined to provide simple, convenient and accessible finances with the best advice and multichannel support.



## Brand values

- Team spirit
- Innovation
- Responsibility
- Commitment
- Sustainability



## Brand personality

Caring and stable partner.



# IV. SKB Group strategy

## Our strategy

Strategy of SKB Group is focused on a goal of the well-being of everything and everyone that is affected by our actions. We are committed to creating value for all stakeholders, through responsible business management, with committed teams and their talent, that exceeds customer's expectations, generating long-term value for our shareholder and support our communities in which we operate. By acting with purpose and focus on achieving the goals, challenges and opportunities, we are empowering each employee in SKB Group, to achieve even more.

Our strategy has three strategic pillars: customer focus and experience, operational excellence and allocation, and sustainability. These are our guiding principles in acting on our purpose.



## 1. Customer focus & experience

**Customers are the center of our world and we are available to them anytime and anywhere in an easy and fast digital way.**

### Our aspiration and focus

Our aspiration is to provide the best customer experience in every situation, with personalized solutions. Our segment-based value proposition and service as well as customer-focused process and service development, enable us to support our clients in every important financial moment.

Our focus is to provide fast and stable services across all channels and development with digitalization of core operational processes. We accelerate profitable growth by increasingly digital banking daily experience.

## **Following development dynamics, trends and changes in banking**

For several years banking has been accompanied by constant changes, the dynamics of development and growing, diverse client's needs. We are aware of the importance that we, as a banking group have, to be always and anywhere available for our clients and in an easy and fast way. Our strategy of following development is thus focused on accepting new challenges and ensuring that we offer our clients newest solutions and follow trends, but at the same time ensure a high level of security.

## **Digitalization as a response to the bank of future**

At SKB Group, we continue to develop and upgrade digital channels. We carry out the development in accordance with laws, regulations and directives, and we also place great emphasis on the security aspect of digital business. We provide our clients with a high level of security and discretion in the management of personal and corporate finances, as well as the constant availability of all bank's channels, whenever and wherever the client needs us. We thus pursue our goal – to remain or become the first choice of every client.

## **Balanced business model and goal orientation**

SKB Group's balanced business model means finding and operating synergies between SKB Bank, SKB Leasing and SKB Leasing Select, as well as selected insurance companies and other business partners. With products and services located in a wide range of banking, leasing and insurance products of the SKB Group, we can meet all the financing and investment needs of our clients. For each segment of our clients, we have customized sales approaches and sales staff, and we are also strengthening our range of various development and commercial projects, which further expand our offer to more and more diverse segments.

## **Profitable growth**

A client-centric approach, puts clients at the heart of our world. We want to bring our solutions and opportunities closer to the clients and for many different financial situations - from everyday banking needs to investment advisory services. The development of digital technologies that will enable the growth of clients and our revenues, will continue to significantly strengthen our capital position and sustainable capital creation in the coming years. We will continue to succeed in achieving long-term return on capital, by generating adequate revenues and by strictly controlling general administrative and other operating costs and by continuing prudent risk management. Our ambition is to offer clients the best digital solutions on the market and to be a role model as a banking group, with high quality and innovative products and services, which in addition to its operation and strengthening its profits also cares about the environment in which it operates.

## **Quality of service comes first**

Clients recognize us as a stable and trustworthy brand, which is largely influenced by our diverse range of products and services, based on providing quality to our clients. At the same time, we are aware of the high importance of professionalism and advising to clients, provided by our employees. Despite always available digital channels and growing volume of remote operations, our clients can also meet highly qualified, professional and responsive employees in SKB branches throughout Slovenia, who always try to find the best financial solution and opportunity for each client.

## 2. Operational excellence & allocation

**We provide comprehensive and diverse banking and leasing services and constantly digitally improve our business processes.**

Our goal is to operate cost-efficiently, with optimized processes and channel usage, allocating resources where they are needed.

### Operational Excellence

Operational excellence ensures effective and efficient processes, that improve productivity and enable us to deliver high-quality services. Operational excellence leads not only to a better customer experience, but also improves productivity and drives cost basis ratio below industry average.

SKB Group is a development-oriented universal group that provides comprehensive and diverse banking and leasing services, through various sales channels – online and mobile banking, a network of the most advanced ATMs in the country, payment and credit cards. Group's further development is based on the accelerated and complete digitalization and optimization of most business processes.

In a world of constantly increasing client expectations regarding the digitalization of traditional banking, SKB Group has responded to the rapidly changing banking environment and the growing needs of clients by improving its digital and other products and services. SKB has improved its operational efficiency by gradually transforming and digitizing processes by implementing the BPM (Business Process Management) tool, together with the Document Management System (DMS):

- establish a business relationship with a client and open accounts for individuals;
- implement KYC knowledge and regular client reviews;
- introduce procedure for granting retail loans and loans to micro and small enterprises.

SKB Group is working on development projects according to an agile methodology, which will enable efficient and quick implementation. For SKB Group, the technological development represents a new opportunity to respond to changes regarding the use of banking services and building banking group of the future. We will thus offer modern services to clients looking for simple, fast and high-quality products.

### Allocation

Integral part of our strategy is to allocate capital, investments, talent and management attention only where it really matters. Allocation decisions should always line-up with our vision. We are determined to go after any business opportunity, always having an eye on the downside, understanding of the risk/reward trade-offs, recognizing our important role in the financial stability.

Strategic management of resources

- Capital: Capital is allocated to businesses in a way that optimizes the long-term value of the group, while serving the group's strategic objectives. In the capital allocation process, both risk-based and nonrisk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the group meets its return targets, while maintaining a moderate risk profile in line with its risk appetite.
- Capital expenditures: we seek for any new business opportunities which will enable us to improve our product offering, customer experience and efficiency.
- Talent: we define the talent requirements for the most important value-creating roles. We ensure dynamic match of roles with people with the right skills.
- Management's attention: we keep our focus where it really matters, not only for us, but also for all of our stakeholders.

## 3. Sustainability

**We are a responsible provider of financial solutions, which is why we are committed to reducing environmental risks and creating a diverse workforce to create a fair society.**

### Sustainability is our main focus

Our focus is to contribute in mitigation climate change, accelerate circular business practices and create positive social impact.

We recognize our responsibility towards society to define new ways of doing business that align economic growth with positive environmental and social impact. We create an inspiring and likeable workplace and community based on our values and we bring in new talents, aiming at creating more inclusive working environment and ensuring gender diversity.

### We act responsibly

As a responsible provider of financial services, we are introducing green solutions aiming to foster green transition of our clients and thus also the economy. We offer products and services that facilitate the transition to increase investments in a sustainable economy. We adopt active ESG risk management practices in our activities.

As a responsible employer, we adopt active ESG management practices in our governance model and activities and have taken the commitment to strengthen employee's well-being and development, inclusion, diversity and employee engagement.

As a responsible social actor, we set ambitious environmental goals in terms of our own operations, including the reduction of our own emissions. We take active steps to remain and improve our position as responsible actor in the society through product and services we responsibly offer to our clients, supports in any kind of finances we deliver to the society, being a sponsor or donator or any other kind of supporter.

### Our ESG governance

We have introduced our ESG governance and when situations require, we will adapt to the needs of efficient business decisions, risk management and credit approval processes, and other management and monitoring activities. We are working towards fully integrating sustainability mindset both - in our daily operation and at business decision making, backed by strong executive commitment.

We are committed to reduce environmental risks wherever we are involved, help our clients in their transition of the business models into long term sustainable ones and contribute to the financial and social improvement of our local communities through socially and environmentally responsible operations, fostering social inclusion, and financial education.

### Gender and cultural diversity

We are committed to creating a diverse workforce. We strongly believe that diversity enables as better decision-making processes and brings us closer to our clients. We work to improve diversity and inclusion within SKB Group ensuring that our people feel confident and are proud on their employer.





# Stability

Due to tradition and capital adequacy, we achieve excellent business results.

We lead a balanced business policy and prudently manage risks.

# V. Business report

## 1. Economic trends in the year 2022<sup>1</sup>

After a strong recovery and accelerated **gross domestic product (GDP)** growth in the second half of 2021, favorable economic activity in the first half of 2022 was sustained by the effects of the post-pandemic opening of the economy, accumulated savings and favorable financing conditions. With the gradual waning of these effects and the persistence of inflationary pressures and uncertainty, economic growth moderated in the second half of 2022. The most notable was the slowdown in the year-on-year growth of private consumption, with high production costs and weaker outlook for demand, the year-on-year growth of investments in equipment and machinery also slowed down. The slowdown was also influenced by the deteriorating macroeconomic outlook in the international environment, which was accompanied by a gradual increase in central bank interest rates and less favorable financing conditions.

The slowdown in growth in the **export** part of the economy was associated with uncertainties in the international environment due to the war in Ukraine, the slowdown in the growth of economic activity in our main trading partners, the escalation of the energy crisis and continued disruptions in supply chains. Import growth was higher than export growth in 2022, which is related to domestic consumption growth.

After record growth in 2021, **private consumption** in 2022 was kept at high levels by employment growth, a high volume of savings and the post-pandemic reopening effects. Throughout the year, the high level of consumption was accompanied by a decline in consumer confidence, with the index in the third quarter reaching its lowest level since April 2020 at the outbreak of the pandemic. With continued pressure on real household incomes and the waning impact of the reopening of the economy, there was a more visible slowdown in current consumption growth at the end of 2022. High growth of private consumption (9.1%) originates mainly from the carry-over effect of growth from 2021.

The growth of **government consumption** was moderate (0.9%) in 2022 due to the reduction in expenditure for the control of the covid-19 epidemic and the increased growth in the prices of goods and services.

Despite the high levels in 2021, the year-on-year growth of **investments** decreased, with uncertainty, weaker demand prospects and increased production costs having an inhibitory effect on investments in equipment and machinery. The cooling has not yet been detected in the construction industry, where year-on-year growth in added value accelerated in the third quarter amid strong state investment. With the low growth of private consumption and the decline of private investments, state investment made a significant contribution to maintaining economic activity in 2022, as they contributed almost half to the total growth of gross investments. State investments are linked to the use of domestic and European funds.

The surveyed unemployment rate in 2022 was the lowest so far. The discrepancies between supply and demand on the labor market are therefore large, reflecting a record shortage of workers, a high vacancy rate and a strong predominance of foreign employment. The number of registered unemployed is expected to be 57.1 thousand at the end of 2022, which is 23.1% less than at the end of the previous year. **The estimated real unemployment rate according to the ILO** is 4.3%.

The **real average gross** salary decreased in 2022 due to high inflation and especially the high base in 2021 in the public sector. In the private sector, with a labor shortage, an increase in the minimum wage and a strengthening of the tendency to maintain income growth in an environment of high inflation, the average gross wage will rise in nominal terms, but fall in real terms. In the public sector, it declined in nominal and real terms. This affected the low estimated nominal growth of the average gross wage (2.2%) or a relatively large decrease in real wages (-6.2%) in 2022.

In 2022, consumer prices rose by 10.3% annually (in 2021 by 4.9%), while the average annual price growth was 8.8%. On average, goods prices went up by 11.5% and service prices by 7.7%. As regards goods, non-durable goods prices went up by 14.5%, durable goods prices by 8.2% and semi-durable goods prices by 3.8%.

The largest upward impact on annual inflation, 3.1 percentage points, came from 18.6% higher prices of food and non-alcoholic beverages, followed by 18% more expensive electricity, gas and other fuels with a contribution of 1.4 p.p. The prices of furnishings, household equipment and routine household maintenance rose by 12.9% and pushed inflation up by 1 p.p.

According to the estimation of the Bank of Slovenia, the **government deficit** in the year 2022 **will amount to** -1,680 million EUR or -2.9% GDP and the **consolidated government debt** to 41,124 million EUR or 71% GDP.

<sup>1</sup>VSOURCE: IMAD (Autumn forecast of economic trends 2022, September 2022), BoS (Review of macroeconomic developments with projections, December 2022), SORS (Consumer price indices, Slovenia, December 2022; Gross domestic product, 4th quarter 2022, February 2023)

## Important macroeconomic indicators for Slovenia in the period from 2020 – 2022

Real growth rates in %, unless otherwise indicated	2022	2021	2020
GDP	5.4	8.2	(4.3)
GDP per capita in EUR*	27,432	24,770	22,361
Inflation (end of year)	10.3	4.9	(1.1)
Final consumption	9.1	9.5	(6.9)
Investments	7.8	13.7	(7.9)
Unemployment rate (ILO)*	4.3	4.7	5.0
Export	6.5	14.5	(8.6)
Import	9.8	17.6	(9.6)
Gross wage per employee*	(6.2)	4.1	5.9
Government deficit (% GDP)*	(2.9)	(4.7)	(7.7)
<b>Government debt (% GDP)*</b>	<b>71.0</b>	<b>74.5</b>	<b>79.6</b>

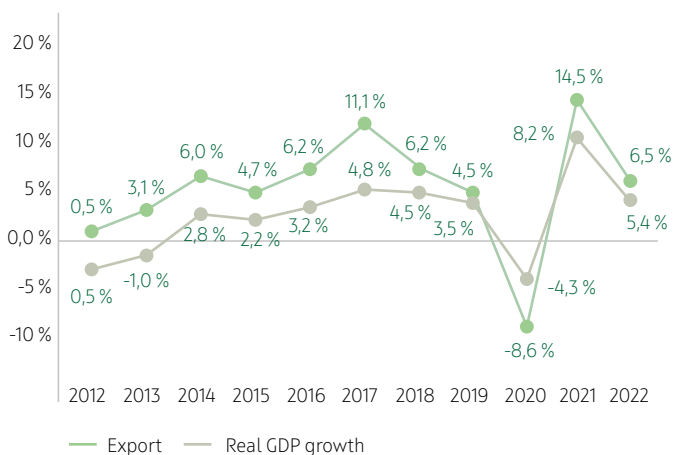
\* Estimated data

Source: IMAD, BoS, SORS

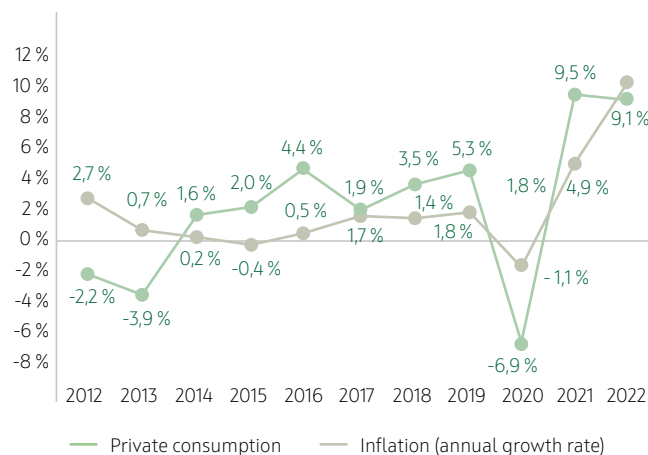
At the end of December 2022, the **total assets of the entire banking system in Slovenia** based on preliminary data amounted to **50.6 billion EUR<sup>2</sup>** (87.4 % GDP), being 2.4 billion EUR (4.9 %) higher than at the end of December 2021. On the assets side, the balance of loans to the non-banking sector increased the most. With the revival of the economy, lending to companies increased, and with high inflation and high prices of energy products, companies also secured liquidity with loans. On the household side, investments in housing loans increased, especially in the first half of the year, when financing was still favorable. In the second half of the year, consumer loans began to grow. Loans to the state decreased. On the liabilities side, deposits of non-banking sector and debt securities increased significantly, while liabilities toward ECB decreased. Loan to deposit ratio in 2022 increased to 69.3 % from 67.4 % at the end of 2021.

The formulation of the business results of Slovenian banks in 2022 was negatively affected by making impairments and provisions due to the uncertain market conditions, the increase in energy prices and unrest in the international environment. Operating profit increased in 2022 due to higher growth in revenues than operating expenses. On the income side, interest income increased significantly in 2022 due to the growth of reference interest rates in the second half of the year, while the growth of non-interest income was moderate. For the second year in a row, banks realized lower net income from financial instruments. The operational costs of the banking system increased in 2022 mainly due to higher administrative costs, labor costs and the costs of payments to the single resolution fund and the deposit guarantee scheme. In 2022, based on preliminary data, the banking system recorded a net profit of EUR **499.2 million EUR**, which is EUR 26.1 million less than in 2021.

### A decline in economic activity and export in 2022



### A slowdown in private consumption growth due to high inflation in 2022

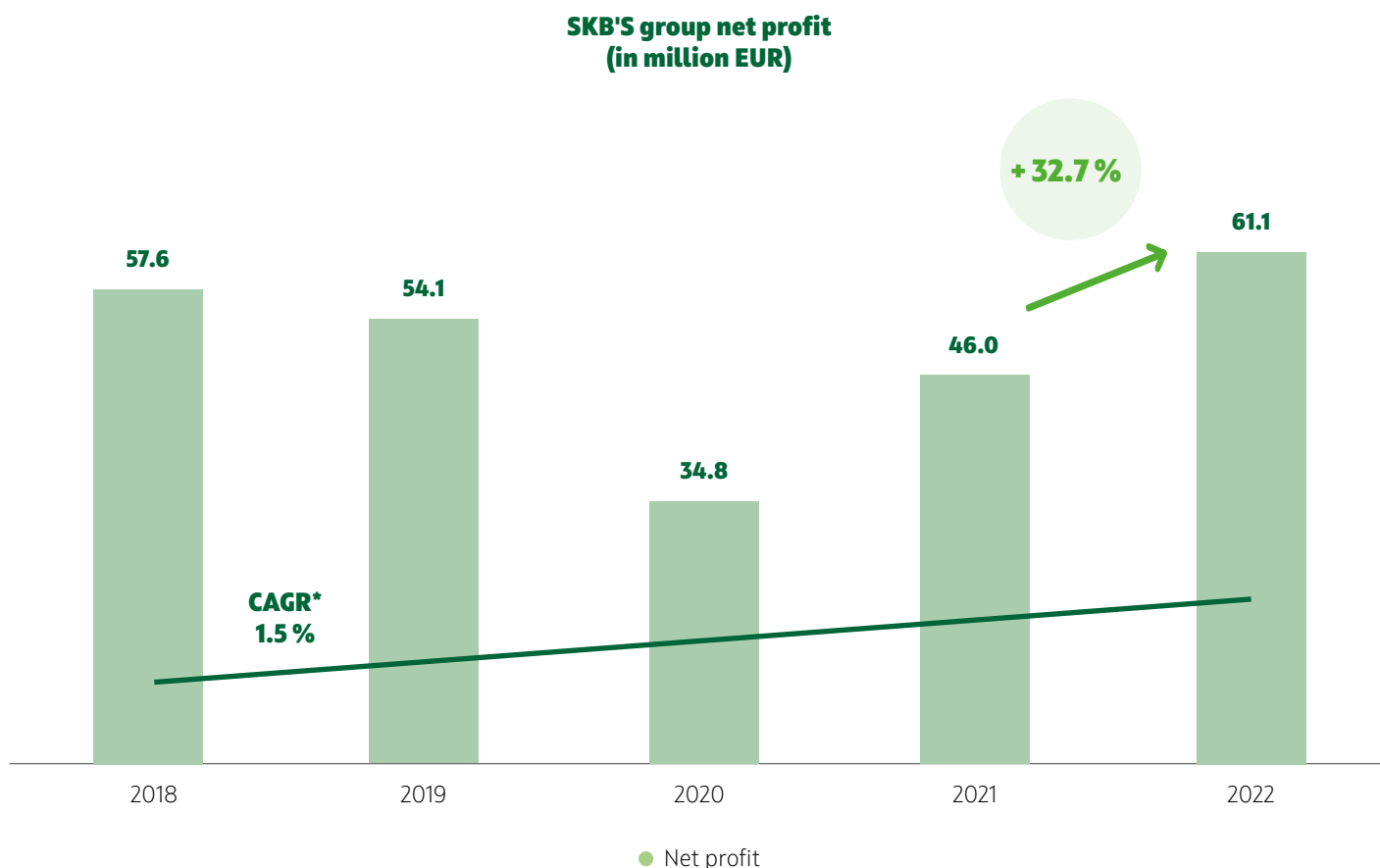


<sup>2</sup> Unaudited financial results

## 2. Financial review of the SKB Group

### 2.1. SKB Group's financial results in 2021 affected by the macroeconomic developments (interest rate increases, inflation, energy price increases)

SKB Group, composed of SKB Bank, SKB Leasing and SKB Leasing Select, successfully concluded the financial year 2022 with a net profit of EUR 61.1 million, by EUR 15.1 million higher than in the year before.

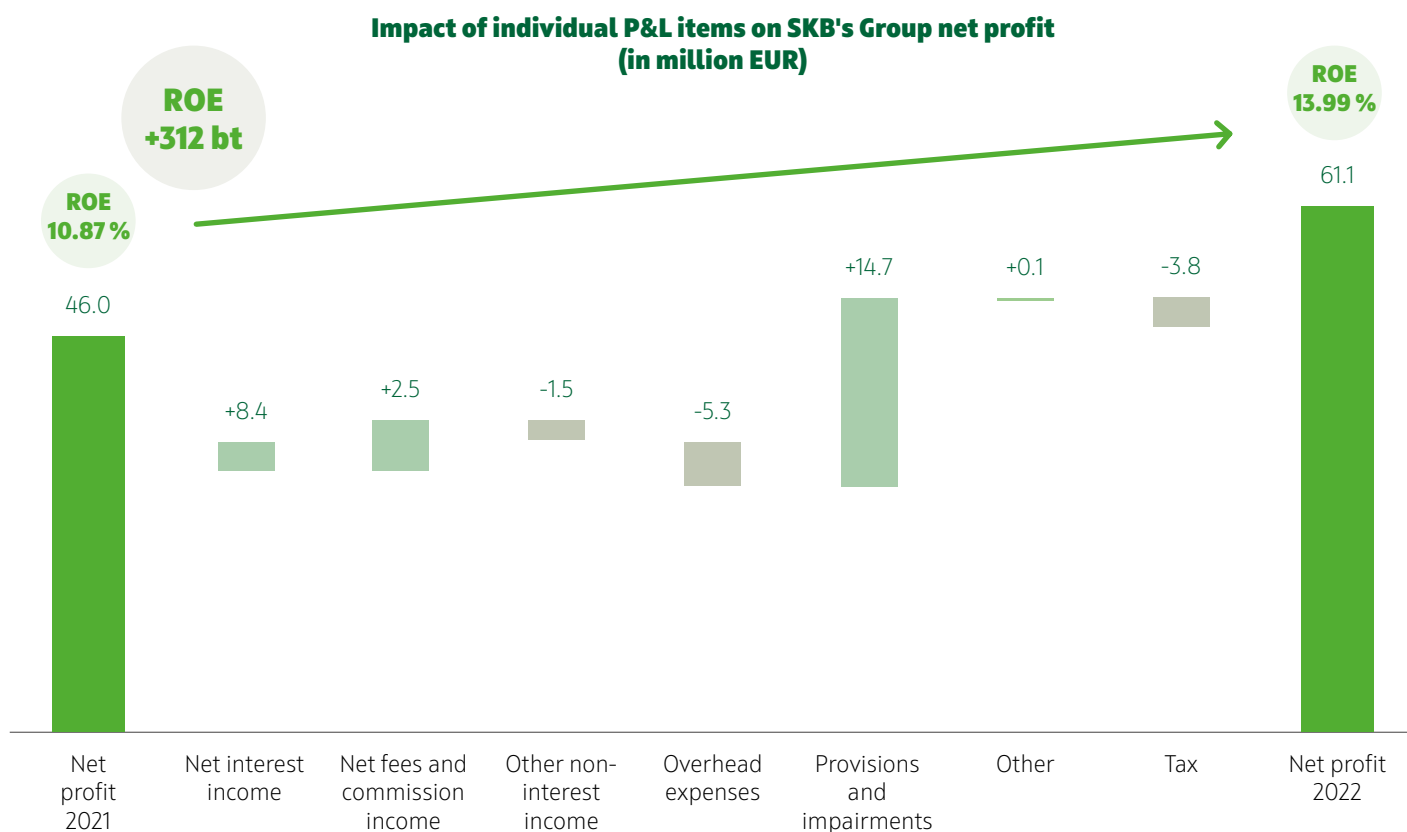


\*CAGR: Compound Annual Growth Rate

The generated net profit provides a 13.99 % return on equity, presenting 312 basis points more compared to 2021. The achieved return on equity places SKB Group among the most profitable in the banking sector in Slovenia. The formation of business results was largely affected by the release of impairments and provisions, while the realization of the operating profit was affected by developments on the financial markets and macroeconomic developments, both positive and negative, in Slovenia and in the world.

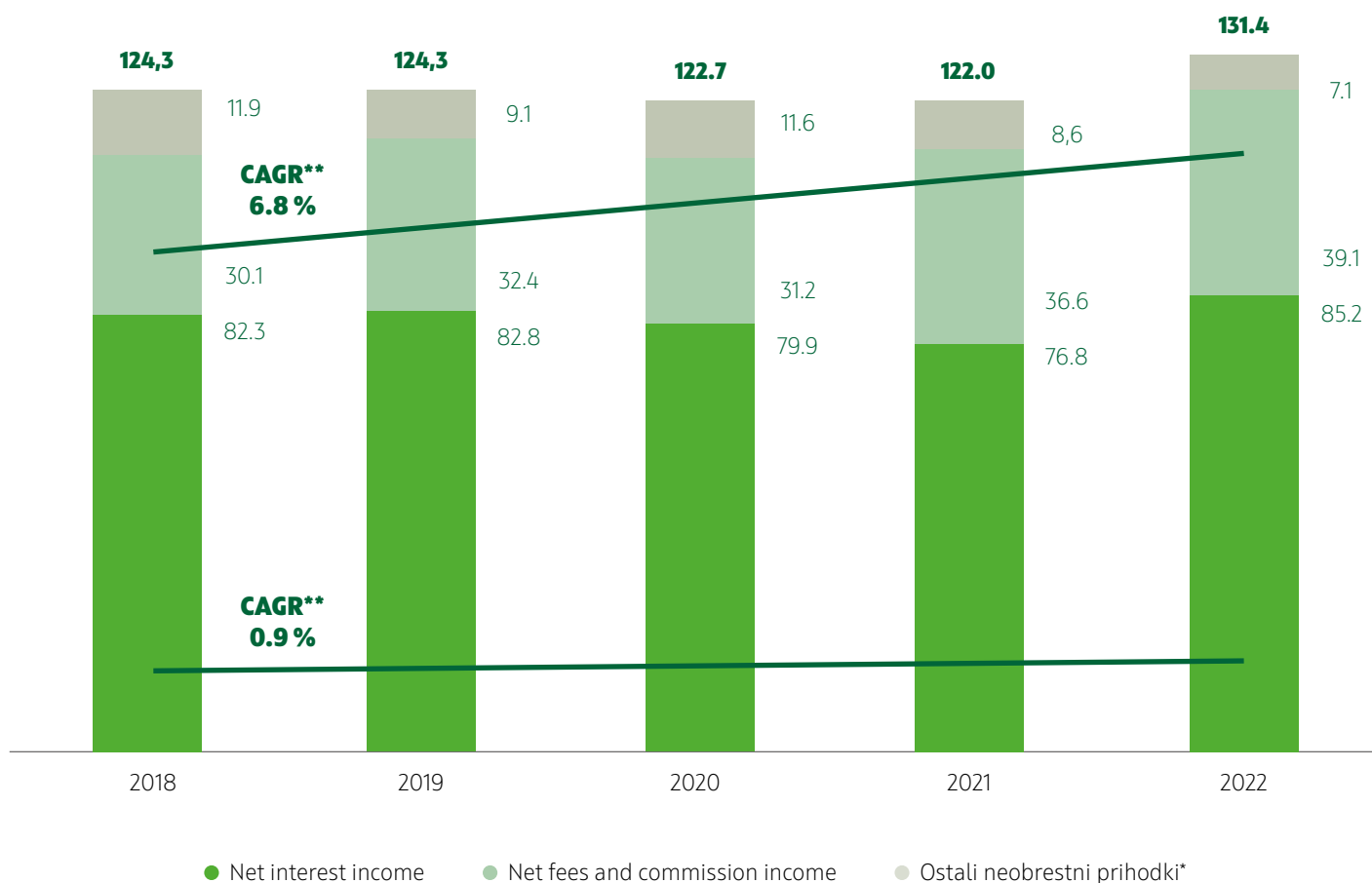
	EUR 000	2022	2021 Reclassified	Change	Change (%)
Net interest income		85,161	76,768	8,393	10.9
Net non-interest income		46,218	45,223	995	2.2
<b>Net banking income</b>		<b>131,379</b>	<b>121,991</b>	<b>9,388</b>	<b>7.7</b>
Overhead expenses		(71,702)	(66,365)	(5,337)	8.0
<b>Operating profit</b>		<b>59,677</b>	<b>55,626</b>	<b>4,051</b>	<b>7.3</b>
Provisions and impairments		15,873	1,134	14,739	1,299.7
Other		55	(41)	96	(234.1)
<b>Profit before tax</b>		<b>75,605</b>	<b>56,719</b>	<b>18,886</b>	<b>33.3</b>
Tax		(14,547)	(10,711)	(3,836)	35.8
<b>Net profit</b>		<b>61,058</b>	<b>46,008</b>	<b>15,050</b>	<b>32.7</b>

The Slovenian banking sector continues to remain highly liquid, with the interest rate for excess liquidity on the interbank market gradually increasing. EURIBOR, after more than seven years of negative values, is rapidly strengthening and influencing the increase in interest rates. Financing of the companies and the individuals was still fairly active in 2022, but began to slow down in the second half of the year. The volume of other banking services in 2022 remained at a high level. On the one hand, SKB Group generated higher interest and non-interest income, but on the other hand, it faced an increase in operating expenses as a result of high inflation.



SKB Group generated EUR 131.4 million of net banking income in 2022, by EUR 9.4 million more than in the previous year (7.7%). The growth was mainly due to the net interest income, which increased by EUR 8.4 million (10.9%).

### Elements of SKB Group's net banking income (in million EUR)

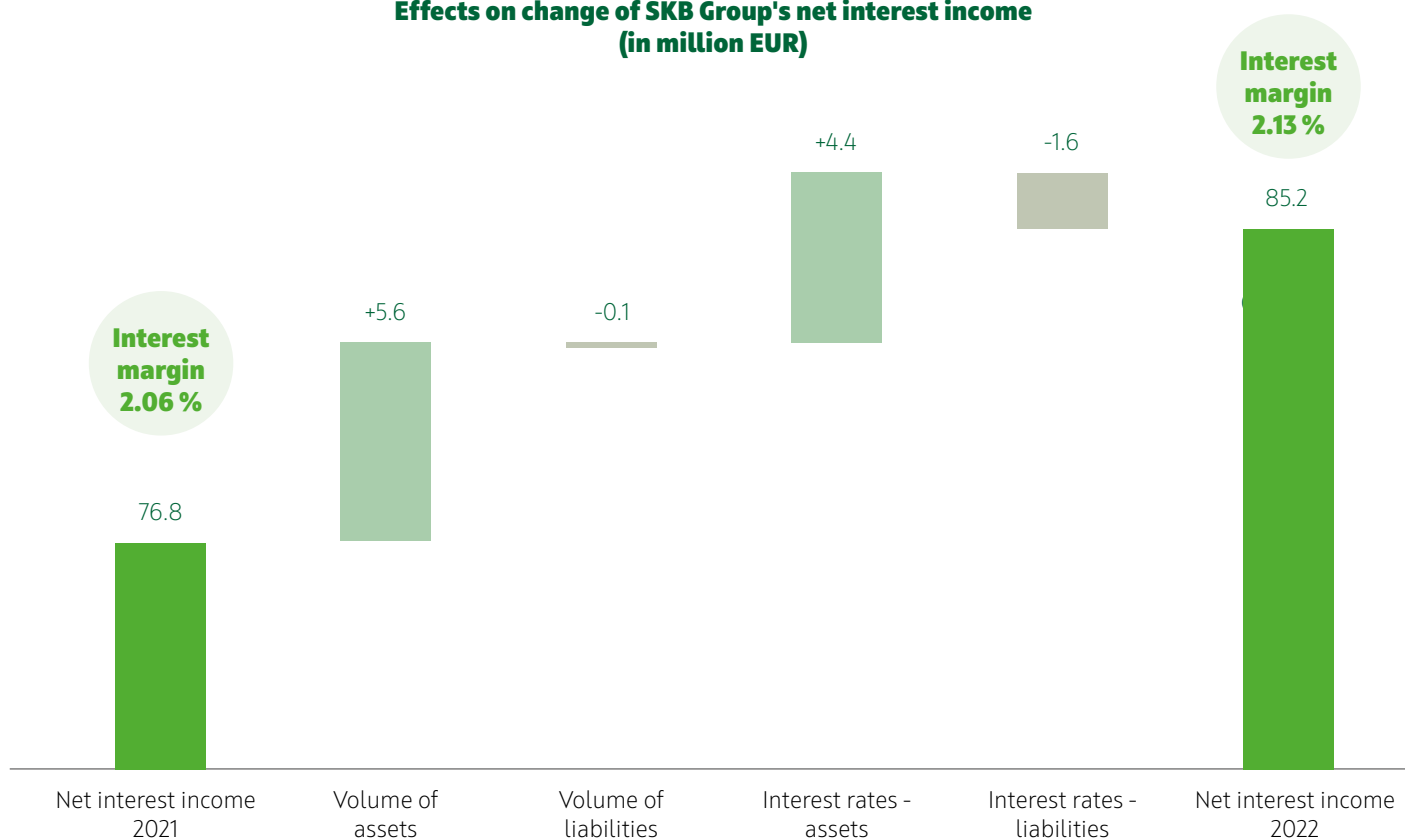


\*Including extraordinary income from the sale of equity investments and loans measured at fair value.

\*\*CAGR: Compound Annual Growth Rate

Net interest income, representing 65 % of net banking income (63 % in 2021), amounted to EUR 85.2 million in 2022. Loan growth, particularly corporate and housing loans, is a key element of net interest growth. The positive Euribor and its growth from the end of the first half of 2022 reversed the downward trend of credit interest rates in all segments. Interest rates on loans with variable and with fixed interest rates began to gradually increase. Growth of EURIBOR has also made financing sources more expensive, especially interbank financing, needed by SKB Group to meet the MREL<sup>3</sup> regulations. In 2022, collected customer deposits represented a stable basis for lending. At the same time, SKB Group optimized its assets and sources of funding by redirecting a large part of excess liquidity to short-term placements with the parent OTP Group. The interest margin of SKB Group increased by 7 basis points in 2022 due to before-mentioned facts and amounted to 2.13 %. Compared to the Slovenian banking sector, the achieved interest margin of SKB Bank in 2022 is still above the average of the banking sector.

### Effects on change of SKB Group's net interest income (in million EUR)

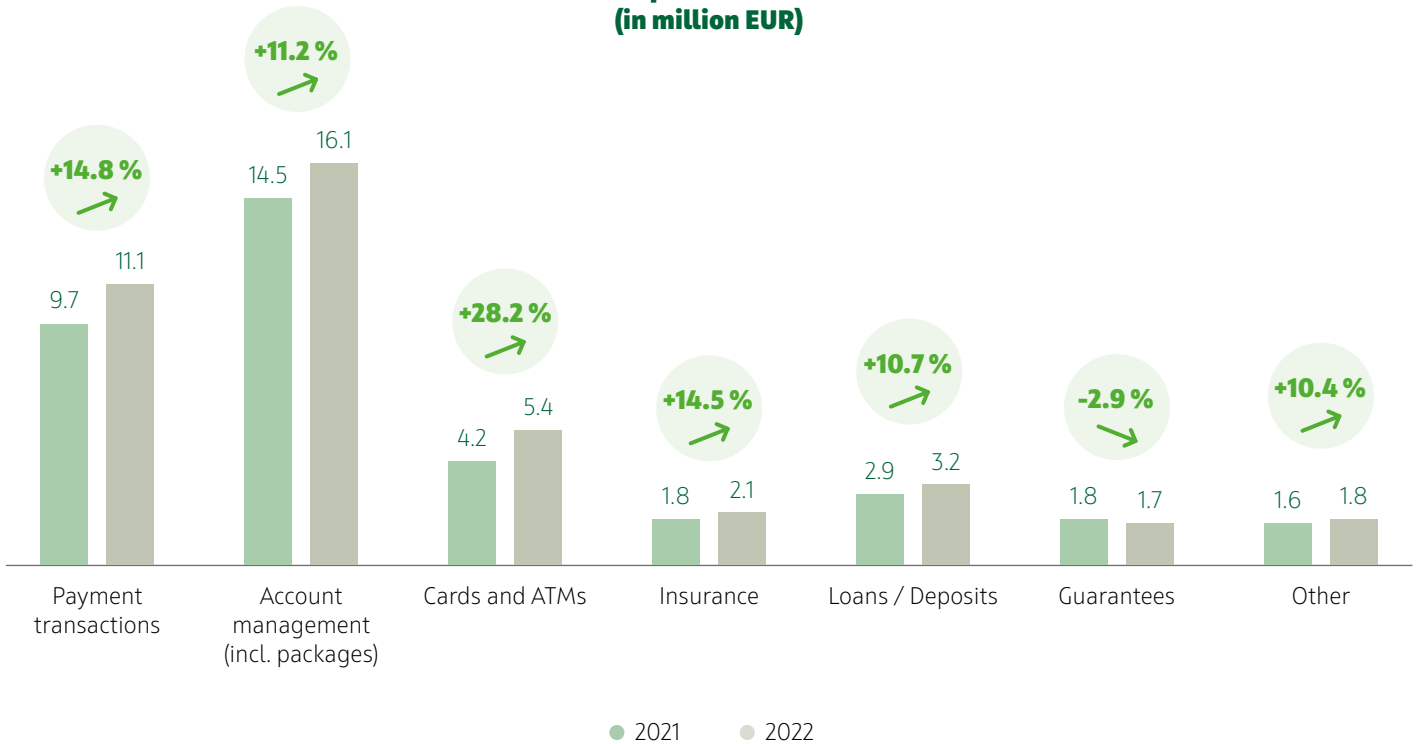


<sup>3</sup> Minimum Requirement for Own Funds and Eligible Liabilities

With the aim of even greater customer satisfaction and easier access to banking services SKB Group upgraded some of its existing products and sales channels with new functionalities and expanded its offer in 2022. The Group placed great emphasis on increasing the security of digital banking.

The upgrade of the Flik banking service, which provides payment at the point of sale, with a new functionality (account sharing) attracted new customers. SKB Group supplemented its insurance offer with the life insurance of the French insurance company Groupama for customers who decide for housing or consumer loans. The Group improved its specialized offer for customers of the AGRO segment with AGRO insurance through the Sava insurance company. On a pilot basis, the Group introduced a new approach to the sale of housing loans through a field loan specialist. With a favorable offer, SKB Group redirected the increased savings of customers, especially households, to alternative investments in Amundi and Moorea funds and structured products. Safekeeping fees for deposits were abolished in August 2022.

### Elements of SKB Group's net fees commission income (in million EUR)



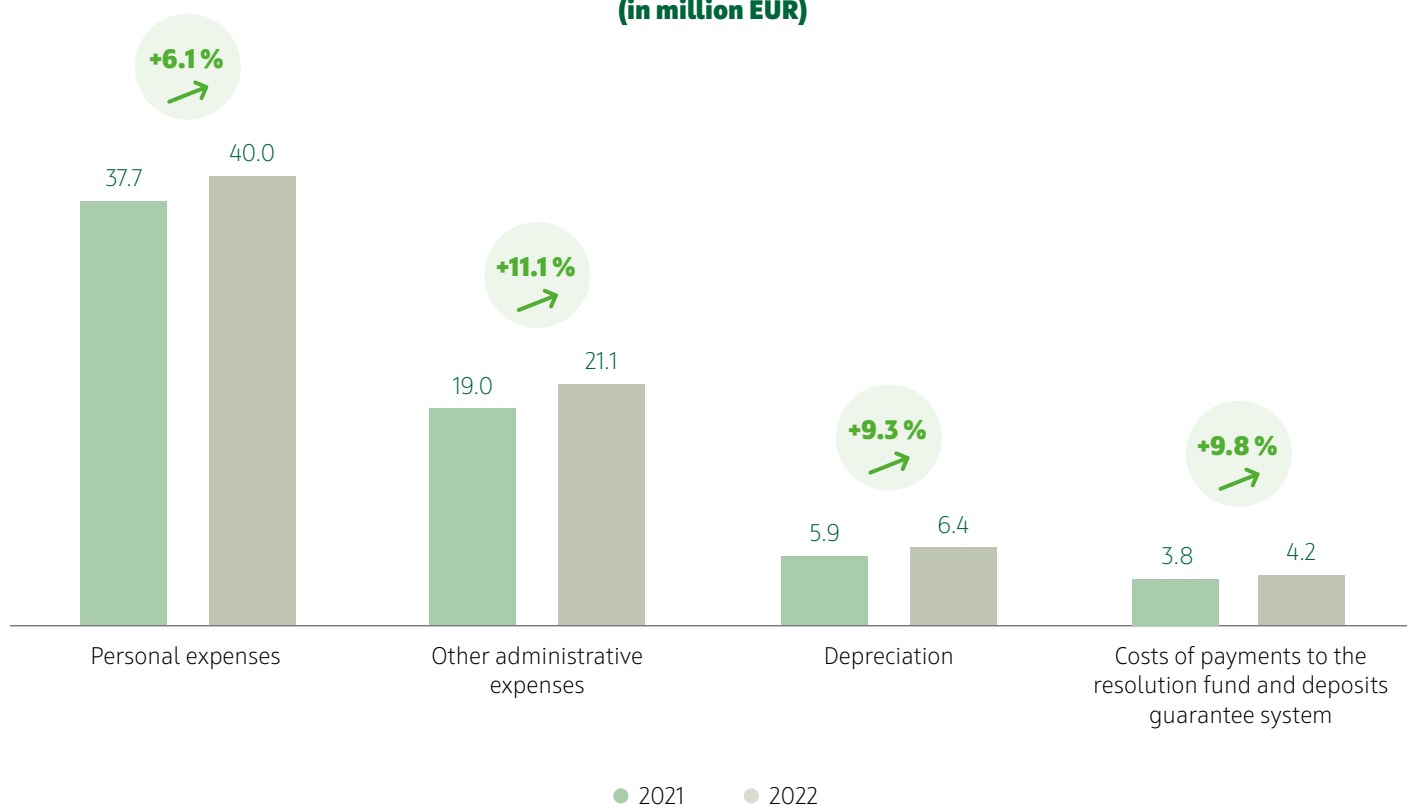
On this basis, SKB Group's net fees and commissions increased by EUR 2.5 million (6.9 %) in 2022 to EUR 39.1 million. Account management and payment transactions remain the largest generators of net fees and commissions, generating together 66 % of net fees and commissions income. SKB Group's gradual transition to package account management, which in addition to account management, includes also other banking services under one price, has a positive effect on the growth of revenues from accounts, but in reality, this is only a redistribution of revenues between products. The increased volume of banking transactions, especially payment transactions and card transactions, had a favorable effect on the growth of fees and commissions. Lending activity and related services also increased significantly. Due to low interest rates, there were early repayments of old loans as well, which generated additional net fees and commissions income.

Other net non-interest income from financial and non-financial assets and liabilities and other activities has been very volatile in the past few years. It is significantly affected by valuations of equity investments and loans measured at fair value held for sale and other extraordinary income. Therefore, SKB Group realized EUR 1.9 million less income in 2022 than in the previous year from other non-interest income.

Overhead expenses of SKB Group increased by EUR 5.3 million (8 %) in 2022 to EUR 71.7 million.

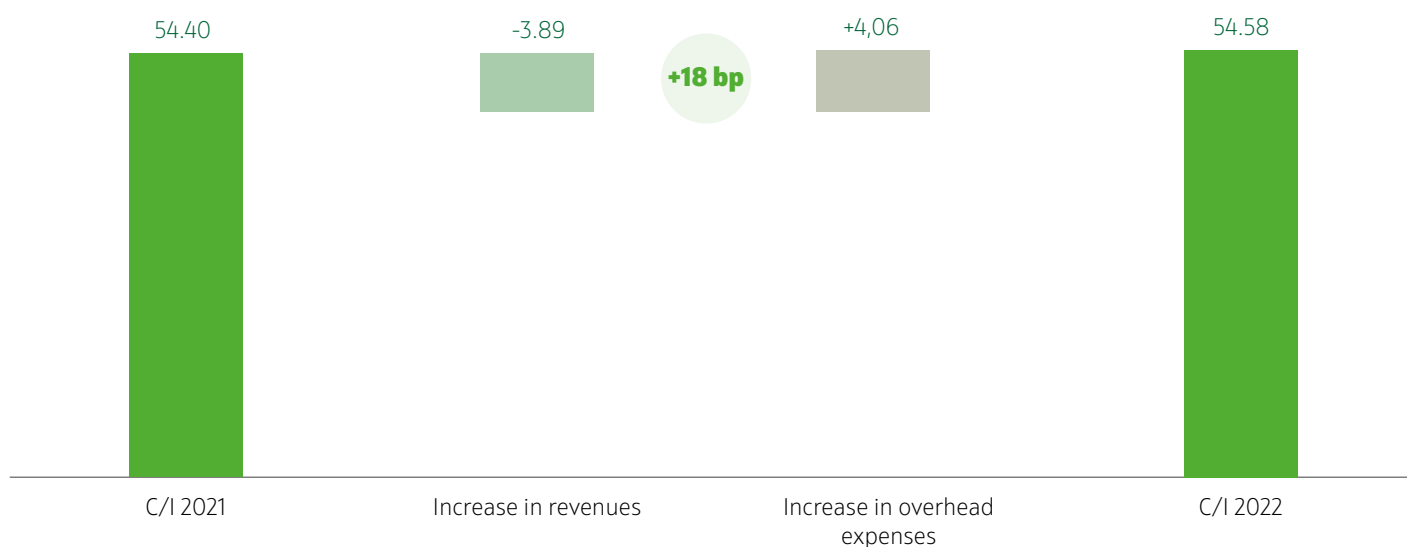


### Elements of SKB Group's overhead expenses (in million EUR)



Higher personnel expenses (EUR 2.3 million) contributed the most to higher overhead expenses, as SKB Group adjusted salaries in accordance with the collective agreement due to rising inflation, and additionally allocated a one-time costliness supplement to the employees. Other administrative expenses increased by EUR 2.1 million mainly due to higher energy costs, information technology costs and legal costs related to the increased lending. Depreciation costs are also higher, mainly due to increased investment in equipment for employees to work from home. Each year operating expenses are additionally burdened by significantly higher costs of regulators (increase by EUR 0.4 million).

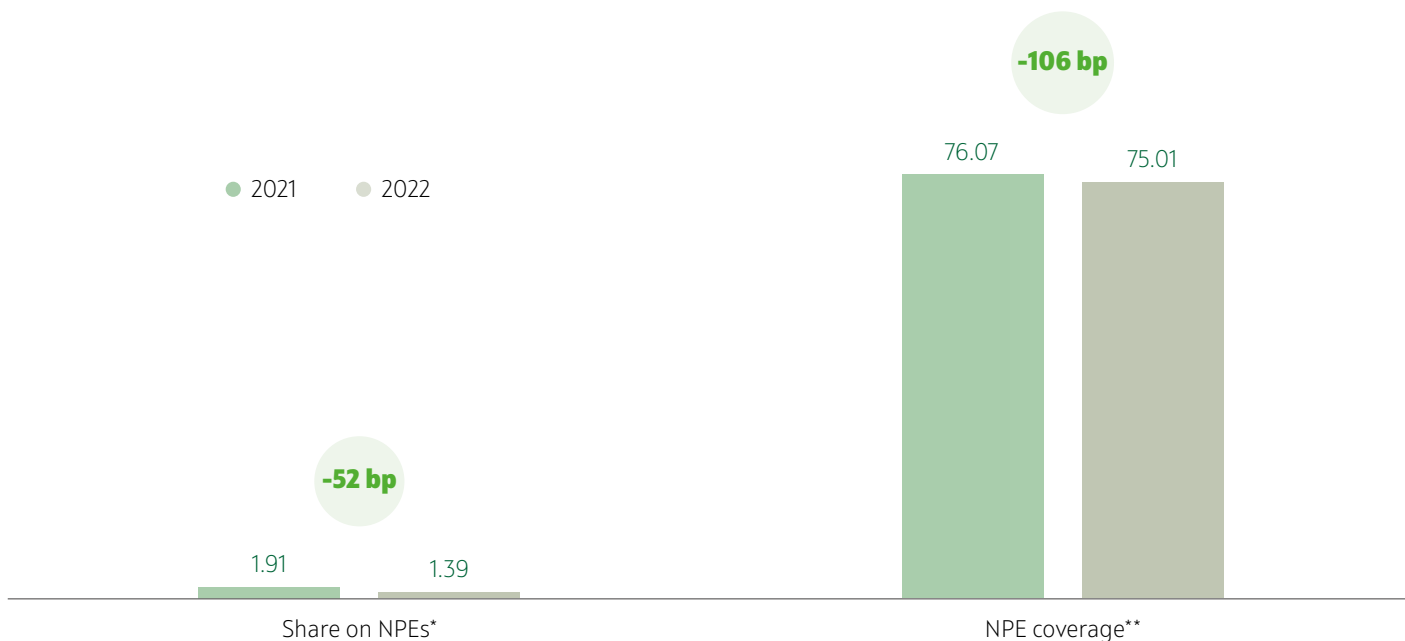
### Impact of changes in revenues and overhead expenses on C/I ratio of SKB Group (in %)



Cost efficiency of SKB Group slightly deteriorated in 2022, since the cost to income ratio increased from 54.40 % to 54.58 % in 2022. Nevertheless, compared to the average of Slovenian banks in 2022, SKB Bank remains more cost efficient.

In 2022, the volume of impairments and provisions had a significant impact on the result of SKB Group. Favorable economic developments and a change of methodology for calculating expected credit losses in connection with the IFRS 9 standard influenced the release of impairments and provisions. SKB Group's share of non-performing exposures was 1.39 % in 2022 and decreased by 52 basis points. In 2022, SKB Group decreased the provision coverage of non-performing exposures by 106 basis points (from 76.07 % in 2021 to 75.01 % in 2022), however, this still represents a very high level. The quality of SKB Group's portfolio remains good.

### Quality of SKB Group's portfolio and NPE coverage (in %)



\*Non-performing (balance sheet) exposure / all balance sheet exposure (without cash balances at central banks and other demand deposits)

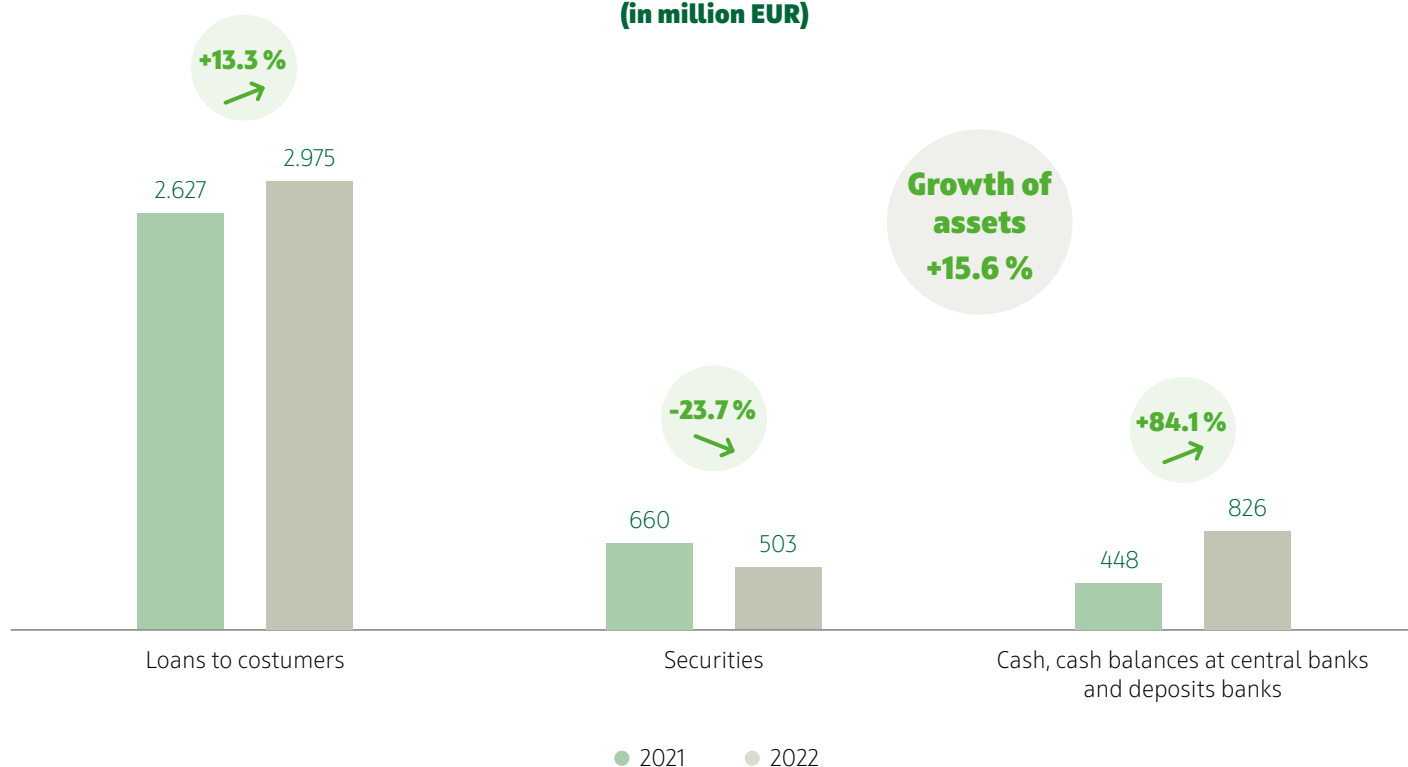
\*\*All impairment and provisions / non-performing impairment and provisions (without cash balances at central banks and other demand deposits)

## 2.2. SKB Group's financial position

SKB Group (in millions of EUR)	2022	2021	Change	Change (%)
Cash, cash balances at central banks and other demand deposits at banks	826	448	377	84.1
Financial assets - securities	503	660	(157)	(23.7)
Financial assets at amortized cost - excluding securities and banks	2,983	2,632	352	13.4
• Loans to customers	2,975	2,627	348	13.3
• Other financial assets	8	5	3	67.4
Other assets	125	98	27	27.6
<b>TOTAL ASSETS</b>	<b>4,437</b>	<b>3,838</b>	<b>599</b>	<b>15.6</b>
Financial liabilities measured at amortized cost	3,953	3,357	596	17.8
• Banks and central banks' deposits and loans	251	43	208	483.3
• Customer deposits	3,664	3,287	376	11.4
• Other financial liabilities	39	26	12	46.1
Other liabilities	35	39	(4)	(10.2)
<b>TOTAL LIABILITIES</b>	<b>3,988</b>	<b>3,395</b>	<b>592</b>	<b>17.4</b>
<b>TOTAL EQUITY</b>	<b>449</b>	<b>443</b>	<b>7</b>	<b>1.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,437</b>	<b>3,838</b>	<b>599</b>	<b>15.6</b>

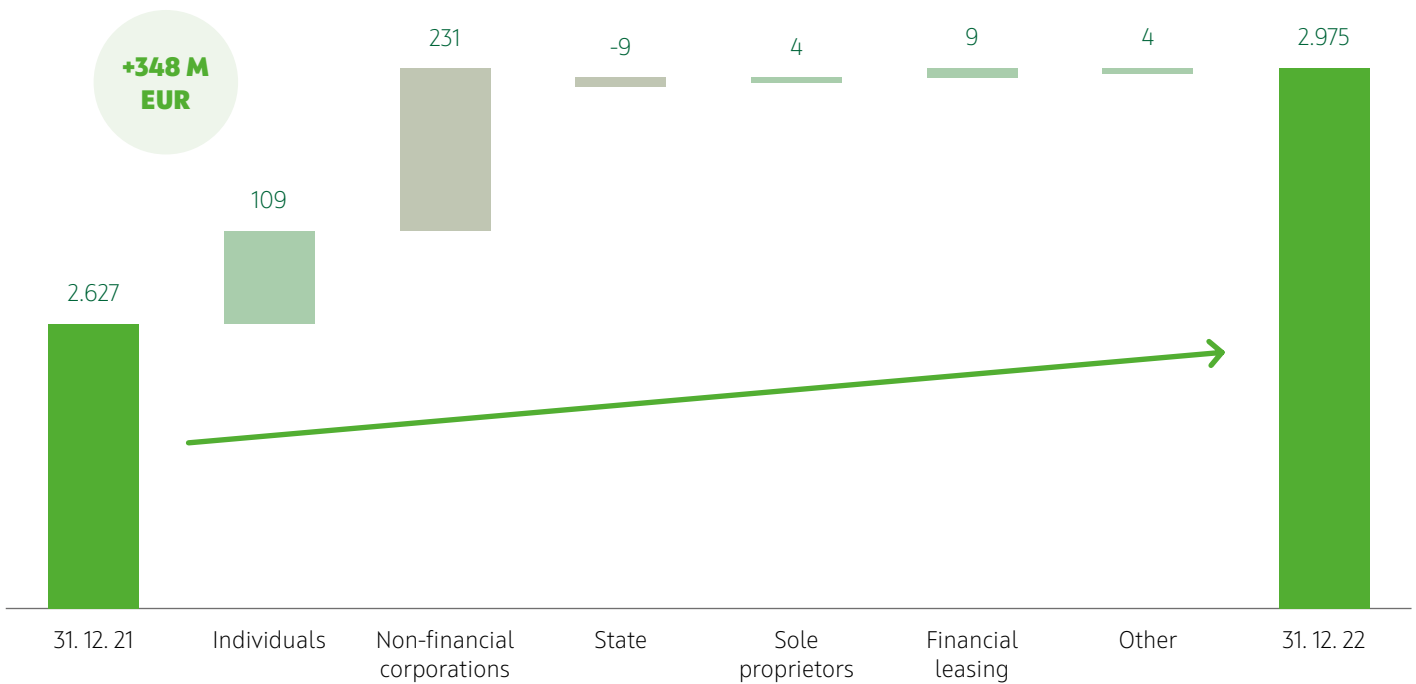
In 2022 SKB Group achieved total assets in the amount of EUR 4,437 million, by 15.6 % higher than at the end of the year before.

### Movement of key elements of the SKB Group's assets (in million EUR)



Loans to customers represent 67 % in SKB Group's assets structure. At the end of 2022, loans to customers amounted to EUR 2,975 million, by 13.3 % or EUR 348 million more than the year before.

### Evolution of customer loans (in million EUR)

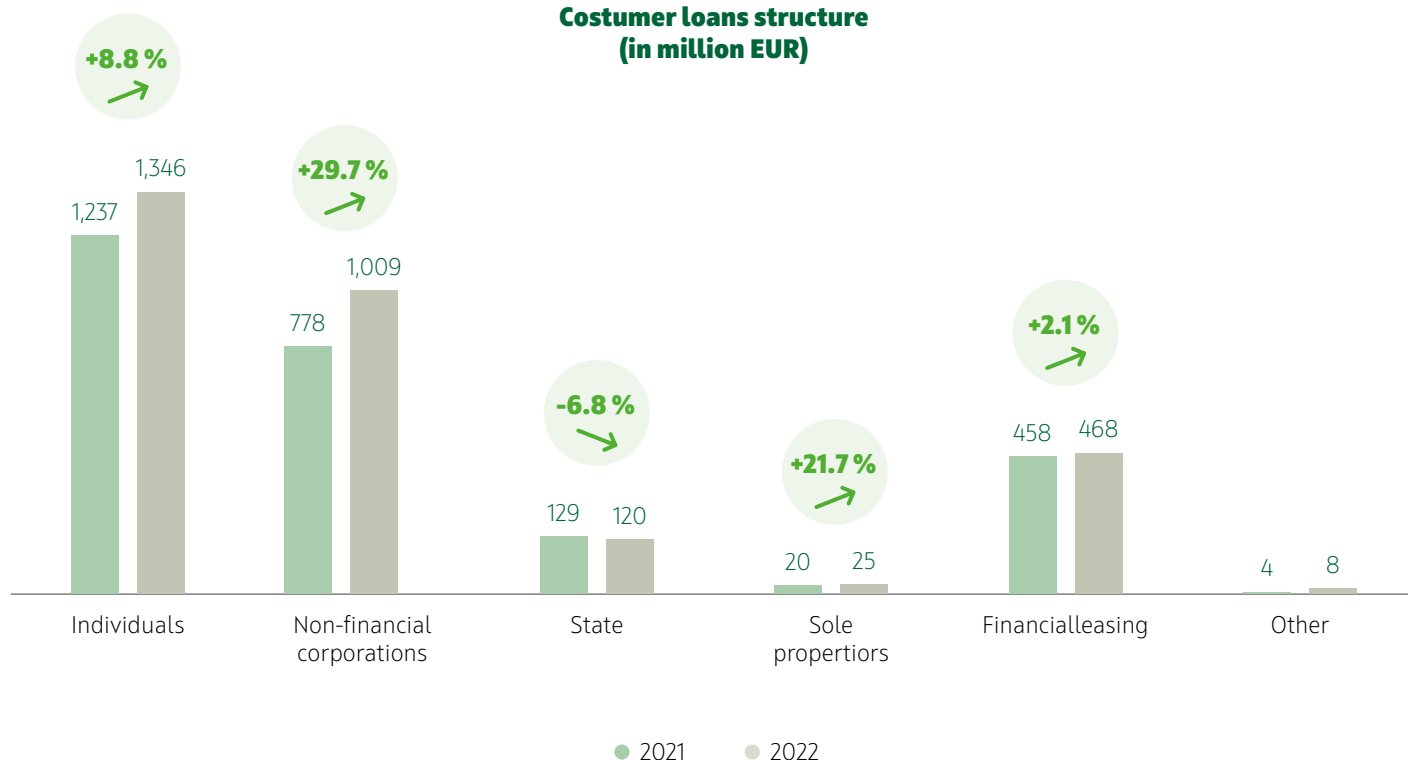


The growth of economic activity in the first half of the year and the corporate's growing need for short-term liquid assets, as a reflection of the increase in inventories due to disruptions in trade exchange, the increase in energy prices and inflationary pressures on the prices of materials and products, were the main driving elements of high credit activity in 2022. The size of SKB Group's loan portfolio<sup>4</sup> was influenced the most by loans to non-financial corporations, which increased by 29.7 % (EUR 231 million), the most revolving loans. Increased demand of individuals for housing loans also made a significant contribution to the growth of loans to customers. Intensive housing lending was particularly noticeable in the first half of 2022, due to record low interest rates on housing loans and high household savings during the epidemic. At the same time, there were early repayments of old housing loans, approved at a higher interest rate and their replacement with loans from the current offer. In 2022 loans to individuals<sup>5</sup> increased by 8.8 % (EUR 109 million), mostly due to higher housing loans (9.4 % or EUR 93 million), while the volume of consumer loans remained unchanged. There was also an increase in consumption financed by customers with delayed card payments. Due to the ongoing crisis in supply chains and rising interest rates, which is reflected in the segment of new vehicles financing, in 2022 the financial leasing portfolio increased minimally (higher by 2.1 % or EUR 9 million).

<sup>4</sup>Includes financial leasing.

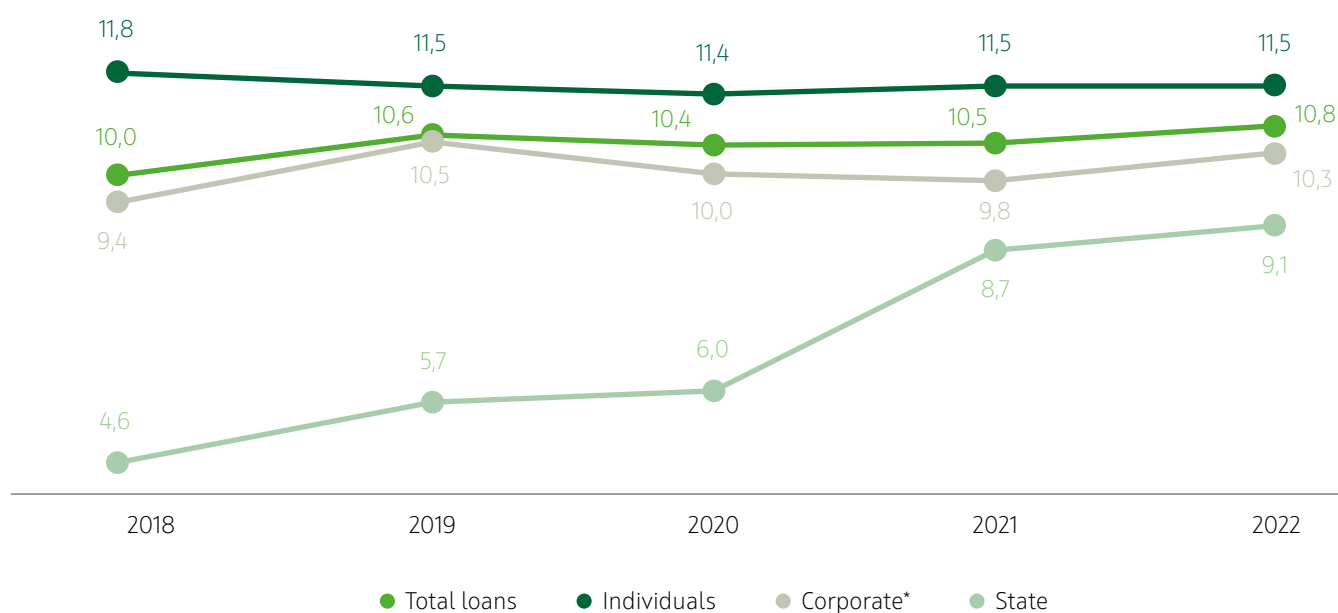
<sup>5</sup>Includes loans to individuals conducting business activities

### Customer loans structure (in million EUR)



Loans to customers increased more in SKB Bank than the average in banking sector. Namely, SKB Bank increased its market share measured by loans to customers by 30 basis points to 10.77 % at the end of 2022. At the same time, SKB Bank's market share measured by corporate loans increased by 53 basis points (10.35 % at the end of 2022), the market share measured by loans to the state increased by 41 basis points (9.12 % at the end of 2022), while the market share measured by loans to individuals remained at the same level as the year before (11.49 %).

### Customer loans market shares (%)

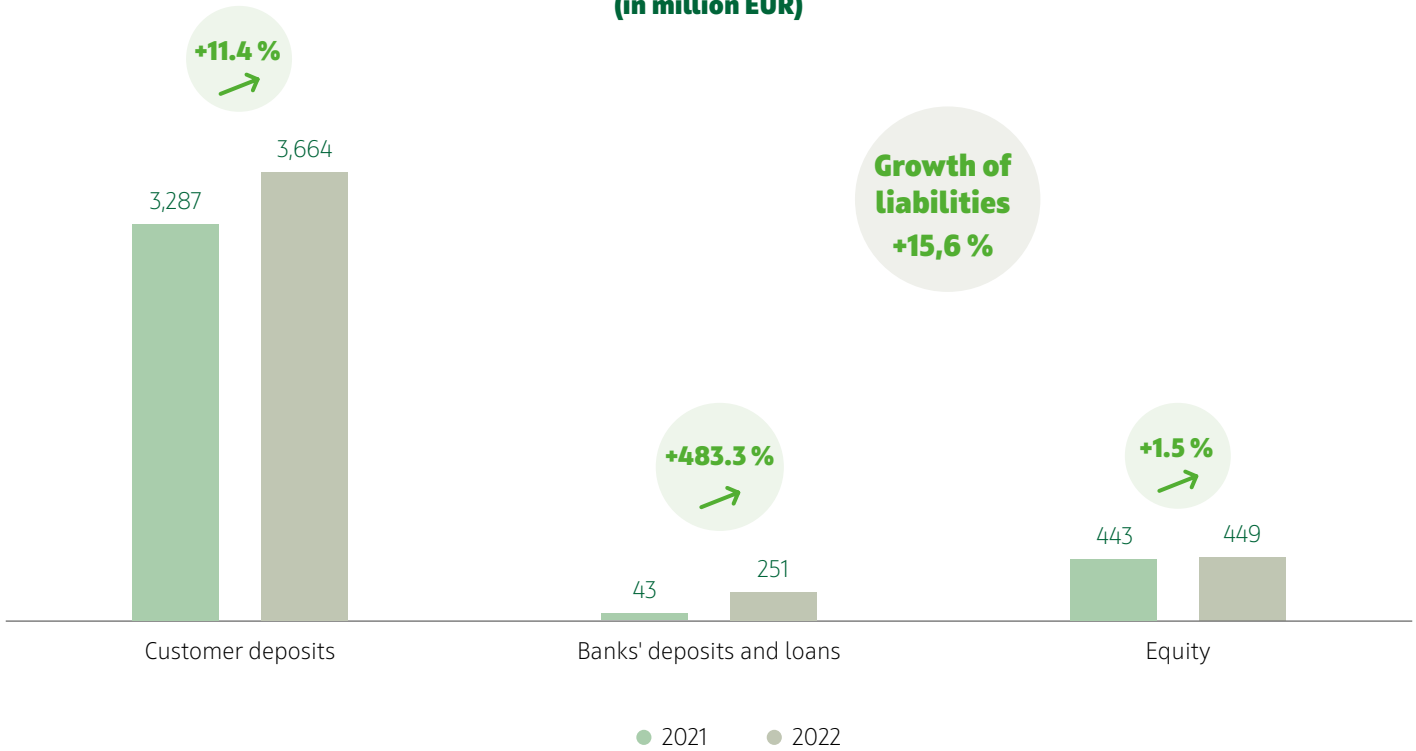


\* Corporate includes non-financial corporations and sole proprietors.

The securities portfolio represents 11 % of SKB Group's assets. It consists of bonds of the Republic of Slovenia, France, Hungary, Croatia, Romania and Serbia. At the end of 2022, it amounted to EUR 503 million, by 23.7% less than the year before. The main reasons for the decrease were the sale of part of the portfolio of French government bonds (EUR 51 million), the maturity of Slovenian government bonds (EUR 30 million) and the negative valuation of the portfolio in the amount of EUR 69 million. The average remaining maturity of the portfolio at the end of 2022 was 4.5 years.

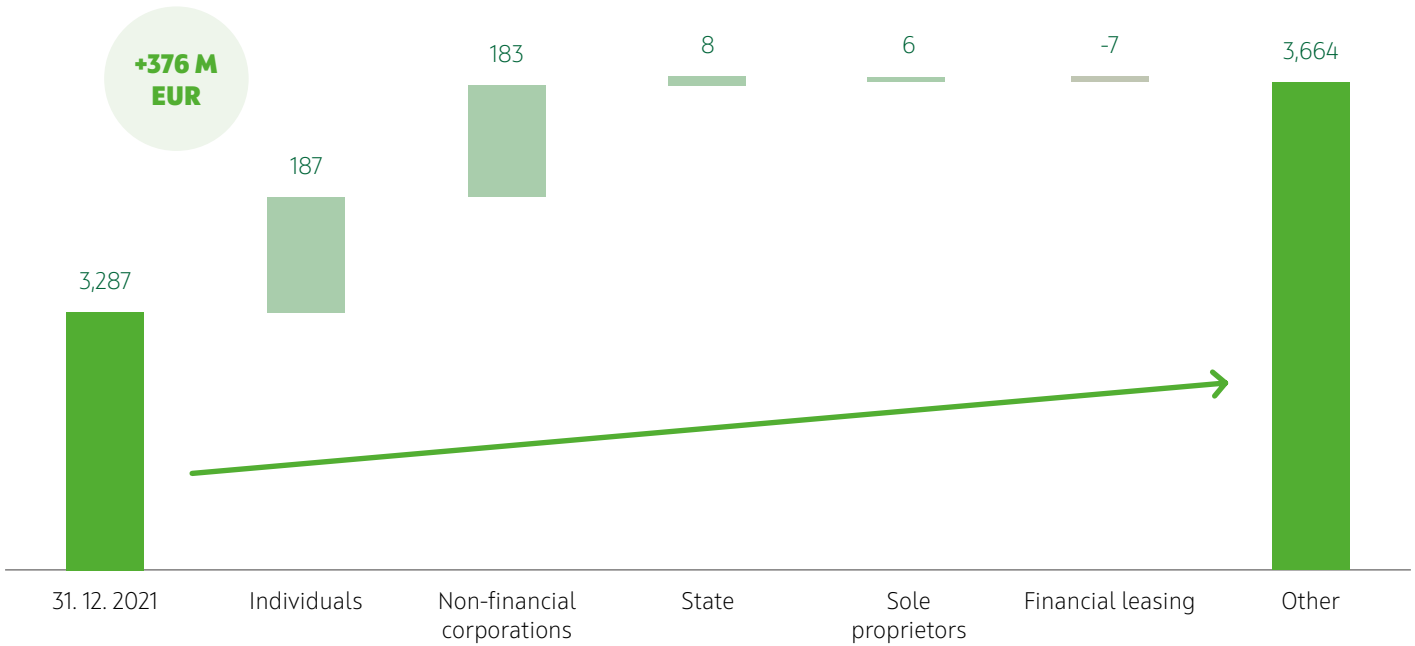
In 2022, SKB Group placed its surplus liquidity in the form of deposits with OTP bank and Bank of Slovenia. At the end of 2022, deposits at Bank of Slovenia amounted to EUR 519 million and at OTP bank EUR 275 million.

### Movement of key elements of the SKB Group's liabilities (in million EUR)



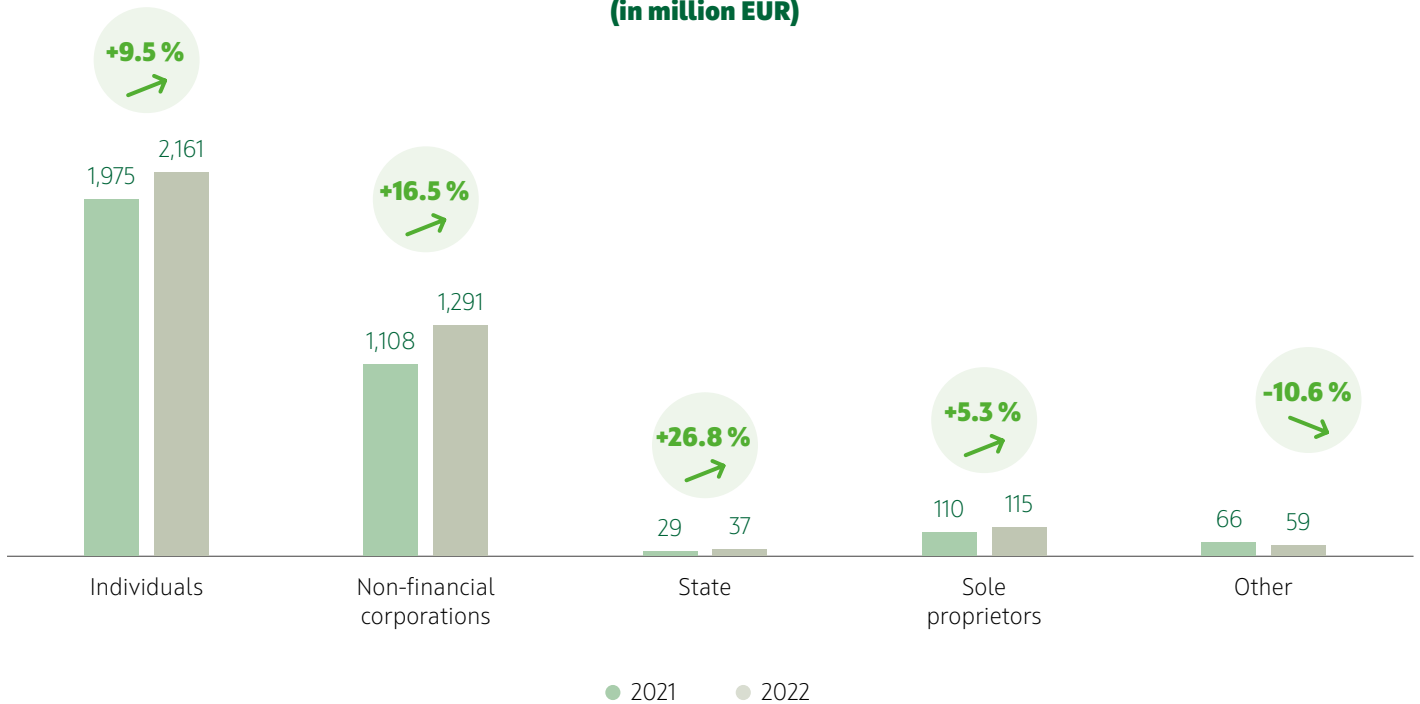
The structure of SKB Group's liabilities is dominated by customer deposits, representing 83% of all liabilities. Customer deposits increased by 11.4% (EUR 376 million) in 2022 and amounted to EUR 3,664 million at the end of the year, providing an adequate basis for the active credit activity of SKB Group in 2022.

### Evolution of customer deposits (in million EUR)



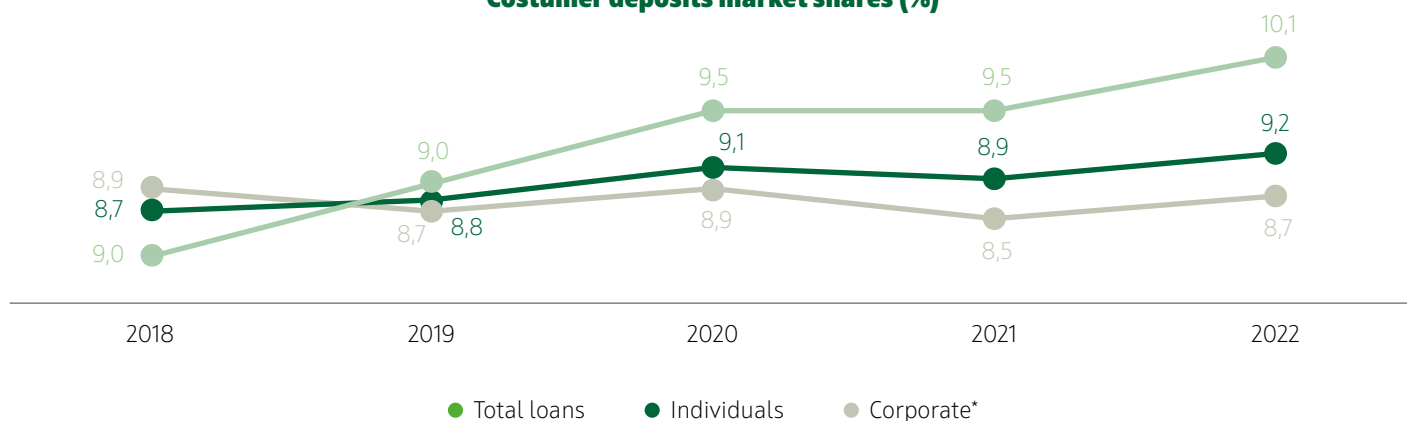
In 2022, the growth of customer deposits was significantly affected by uncertainty in the market due to high energy prices, which was reflected in lower consumption by households and lower investments by companies. Individuals and non-financial corporations represent the key segments of savings in SKB Group. Higher deposits from individuals (EUR 187 million) and higher deposits from non-financial corporations (EUR 183 million) contributed most to the increase in deposits. Due to low interest rates, mostly sight deposits were increasing by EUR 289 million (13.3 %) compared to 2021.

### Customer deposits structure (in million EUR)



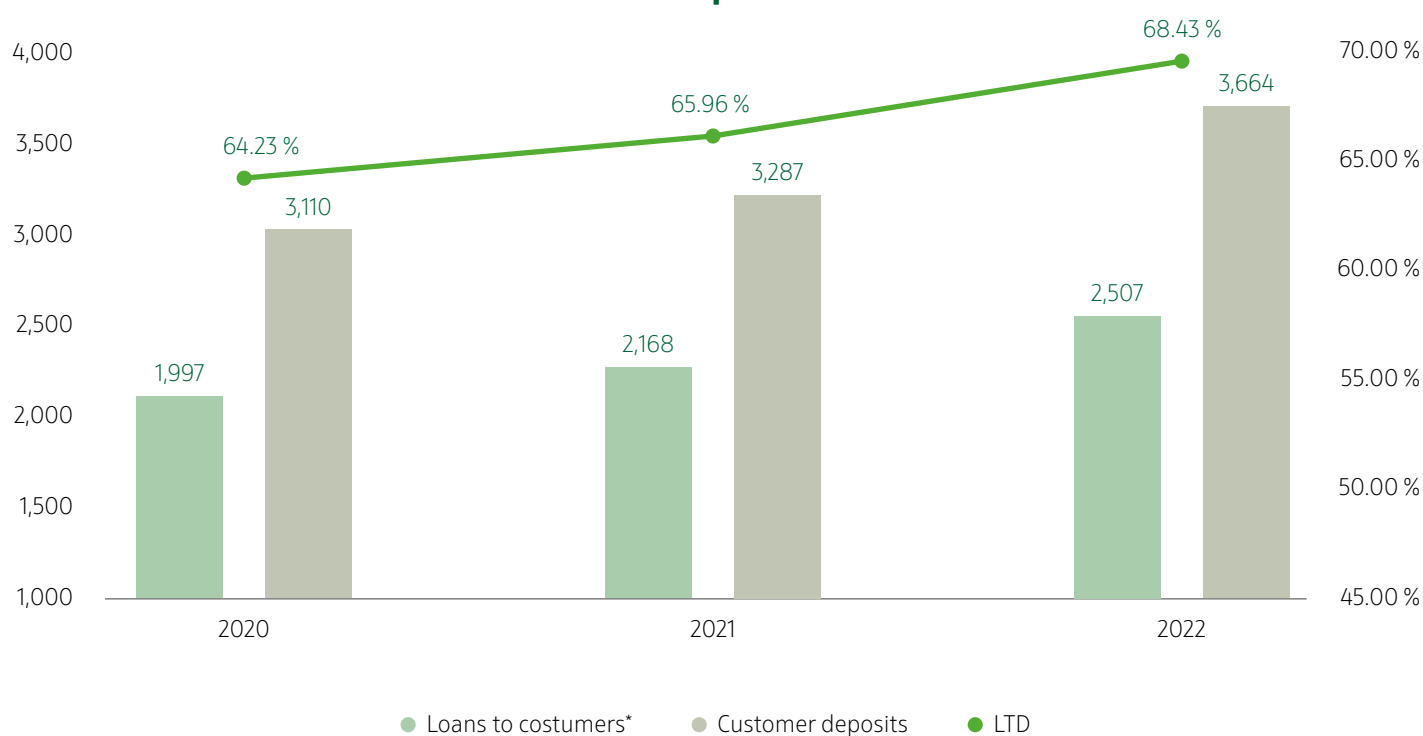
Customer deposits in SKB Bank increased more than the average in the banking sector. Namely, SKB Bank increased its market share measured by customer deposits by 36 basis points to 9.24 % at the end of 2022. At the same time, SKB Bank's market share measured by corporate deposits increased by 68 basis points (10,13 % at the end of 2022), and the market share measured by household deposits increased by 16 basis points (8.68 % at the end of 2022).

### Customer deposits market shares (%)



\*Corporate includes non-financial corporations, sole proprietors and state.

### Loans to deposits ratio



\*Financial leasing excluded.

Loans to deposits ratio<sup>6</sup> (LTD) has been gradually increasing in recent years. At the end of 2022, it was 68.43 % (247 basis points higher than at the end of 2021) and increased due to a larger share of loan growth than customer deposits.

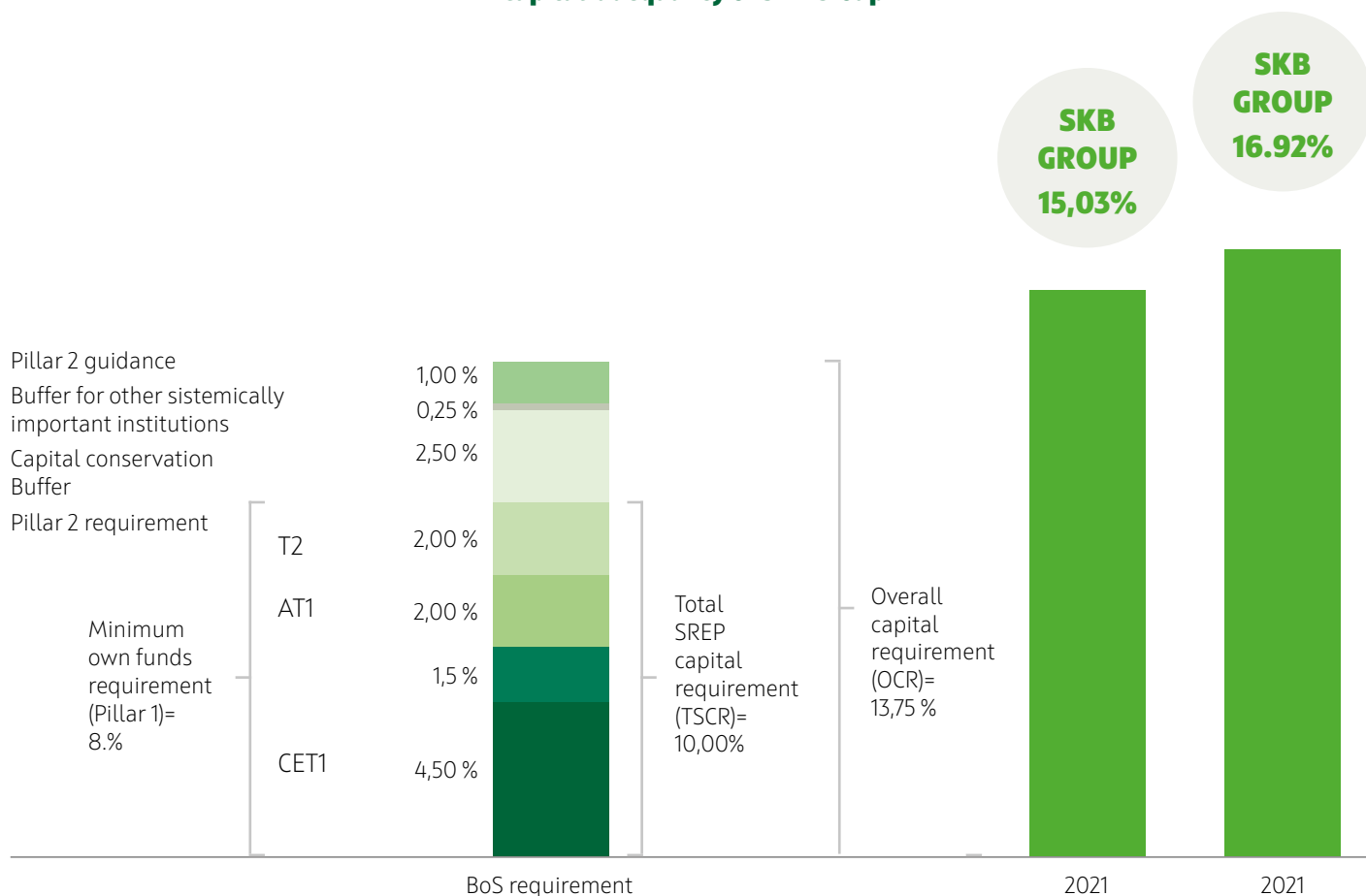
SKB Group's indebtedness to banks at the end of 2022 amounted to EUR 251 million. SKB Group raised EUR 80 million of subordinated debt to ensure appropriate capital adequacy and EUR 170 million of MREL suitable loan from the parent bank OTP.

The accounting equity of SKB Group increased from EUR 443 million in 2021 to EUR 449 million in 2022. The inclusion of interannual profit in the amount of EUR 25 million contributed to the equity increase. The minimum capital requirement for SKB Group in 2022 was 13.75 % and MREL minimum requirement for own funds and eligible liabilities (Minimum Requirement for Own Funds and Eligible Liabilities) was 14.26 %.

<sup>6</sup>Financial leasing excluded



## Capital adequacy of SKB Group



SKB Group's equity met all current and also announced regulatory requirements. The capital adequacy ratio in 2022 was 16,92 %. The MREL ratio in 2022 was 22.81 %.

## 2.3. Significant Events After the End of a Financial Year

In January 2023, longtime colleague Bojana Novak, resigned from the position of Director of Corporate Banking and Financial Markets Division. Director of Key Account Coverage sector Maja Šetina, took over a new position.

By obtaining the consent of the Agency for the Protection of Competition, on February 1st, OTP Group fulfilled the last condition for concluding the transaction of the takeover of Nova KBM. The purchase agreement for the takeover of the second largest Slovenian bank was signed on May 31st, 2021. The transaction was completed on February 6th, 2023, when Nova KBM officially joined the OTP group. With this, OTP Group successfully completed the takeover of Nova KBM in Slovenia. It is the most complex and largest takeover process in the history of OTP Group, which enables it to become the market leader in the fifth country, and at the same time further strengthens its market position in Central and Eastern Europe.



# Connectedness

We promote team spirit, respect, understanding and trust.

We care about the sincere connection of all of us, clients, partners, and the environment.

### 3. Human resources

#### 3.1. Human Resources Policy

Human resources policy followed the SKB Group values and business guidelines based on stability, Connectedness, Expertise, sustainability and Constant development. New recruitments were carefully planned and conducted in accordance with the business policy of the Group, which is based on standardization and optimization of work processes.

The gaps created by the new needs of the work process were filled by hiring new employees as well as mobility of employees within the bank, which enabled to become acquainted with work processes in other areas of work and so contribute to sustainable growth of bank operations. As the situation on the labor market was not favorable, we decided to cooperate with employment agencies and purchase a LinkedIn recruitment license when searching for new employees.

In addition, we created an internal recommendation program, where our employees are rewarded for recommending new employee. This way, employees are actively involved in recruiting process and they can contribute to further cultural growth by recommending employees by their choice.

#### The 2022 Human Resources Structure

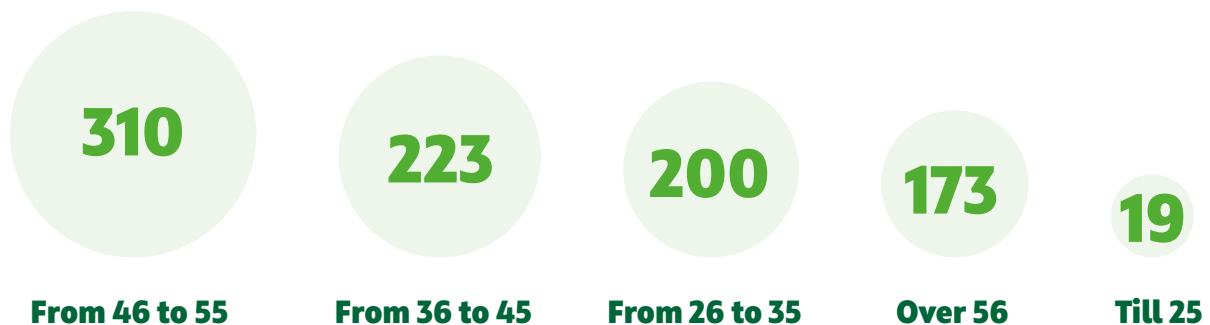
At the end of 2022 the SKB Group employed 925 people, of which 837 are bank employees (2021: 823), remaining 88 employees are employed in SKB Leasing and SKB Leasing Select (2021: 85). During the year 2022 we hired 111 new employees, their average age was 35 years, whereas 90 employees left the Group. Compared to the previous year the number of employees increased by 1.88%.



**In SKB Group the number of employees increased by 1.88%.**

Employees SKB Group	2020	2021	2022
All (31. 12.)	932	908	925
FTE (31. 12.)	893	867	876

#### Age structure in SKB Group



In 2022, the average age of employees was 44.95 years, which is slightly higher than in 2021 (44.76 years).

## Education structure in SKB Group



The share of employees with post-secondary or third-level education increased by 3.2 %. Thus, the Bank employed as many as 593 employees with post-secondary or third level education at the end of the year.

## Employee training

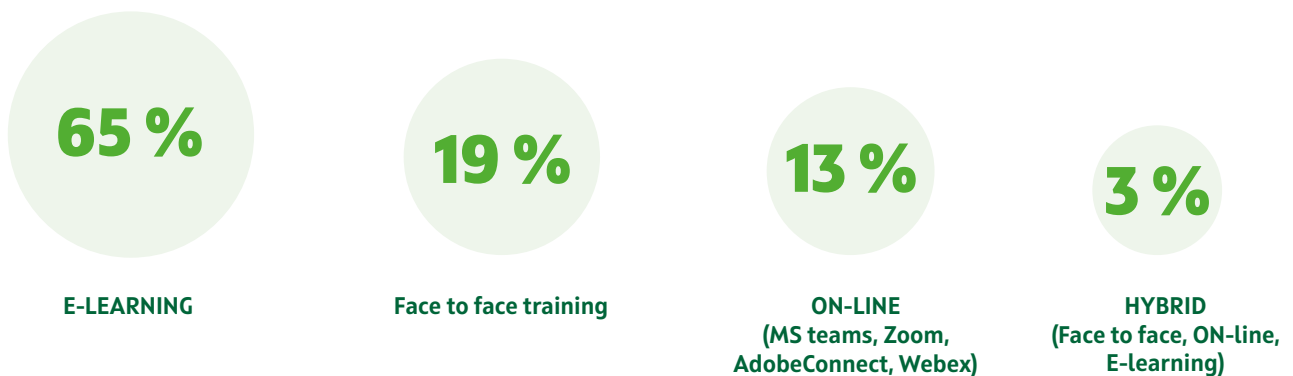
Investments in learning, training and continuous development of employees are great investments for the successful future of the bank.

The needs for learning, training and development of employees come from individual needs related to the professional and personal development of employees, and from business needs related to the business strategy of the bank. Efficient, motivated and committed employees are the key to achieving the bank's strategic and business goals.

Constant changes in the (financial) market, new banking system regulations, adapting the offer to customers and developing new applications and products require continuous learning and training of bank employees. Through learning and training, the SKB Bank wants to enable employees to acquire the knowledge and competencies needed for effective work.

In 2022, the consequences of COVID-19 pandemic left its mark in company's employee learning and training process. Employees were trained in live, on-line, via e-learning, and also new method was introduced. Employees could choose the way of participation: live or on-line participation, a lot of trainings were organized in hybrid form. In 2022 we managed to realize over 30 thousand training hours. We are very proud that in 2022 we successfully conducted the employee trainings and therefore increase and also overcome the number of training hours compared to time before the pandemic.

## Employee training methods in 2022



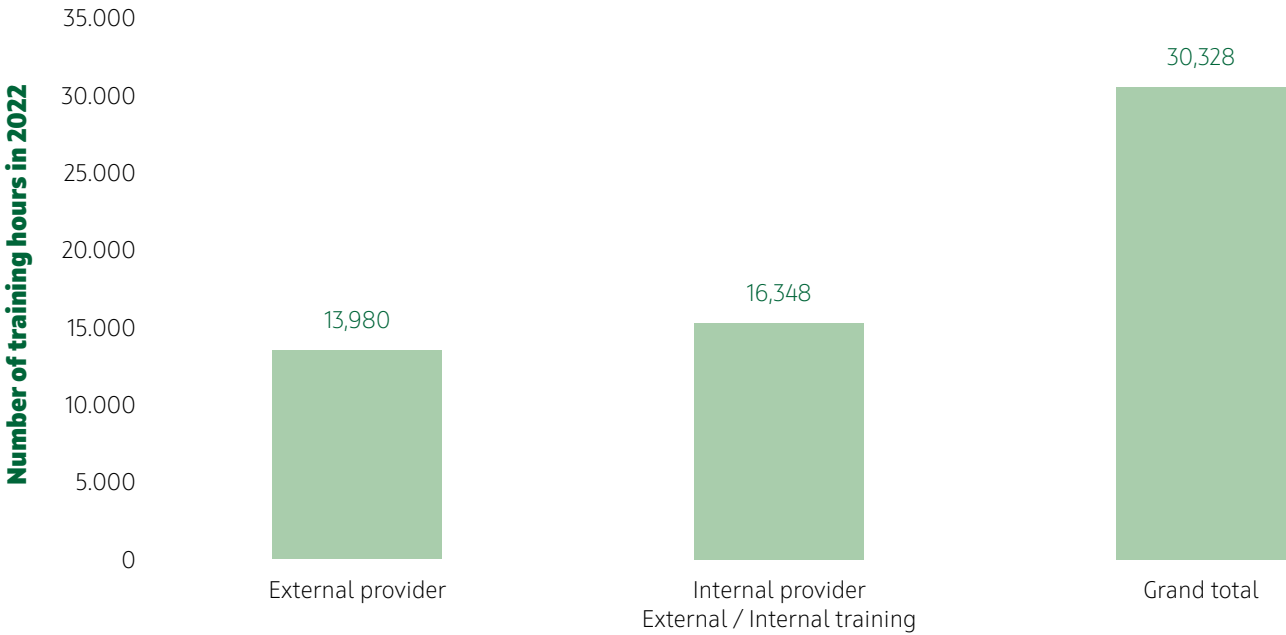
In 2022, we continued to use our online application eCampus, designed to implement e-learnings and online learning. It is a modern, rational and efficient way of providing and acquiring relevant banking and insurance training content, learning of compliance themes and other regulatory banking content. The materials for e-learning were mostly prepared by employees, which cover this contents.

In addition to mandatory themes, the employees had the opportunity to also strengthen their computer skills (MS Teams). In 2022, the employees were able to participate and train in over than 27 e-classrooms on eCampus.

eCampus platform is very well accepted by the employees. This is reflected in the high share of completed e-learnings. Mandatory e-learning themes were by the end of 2022 completed in almost 92 % and it is even higher than at the end of 2021 (in 2021, completion rate for mandatory e-learning was 90 %).

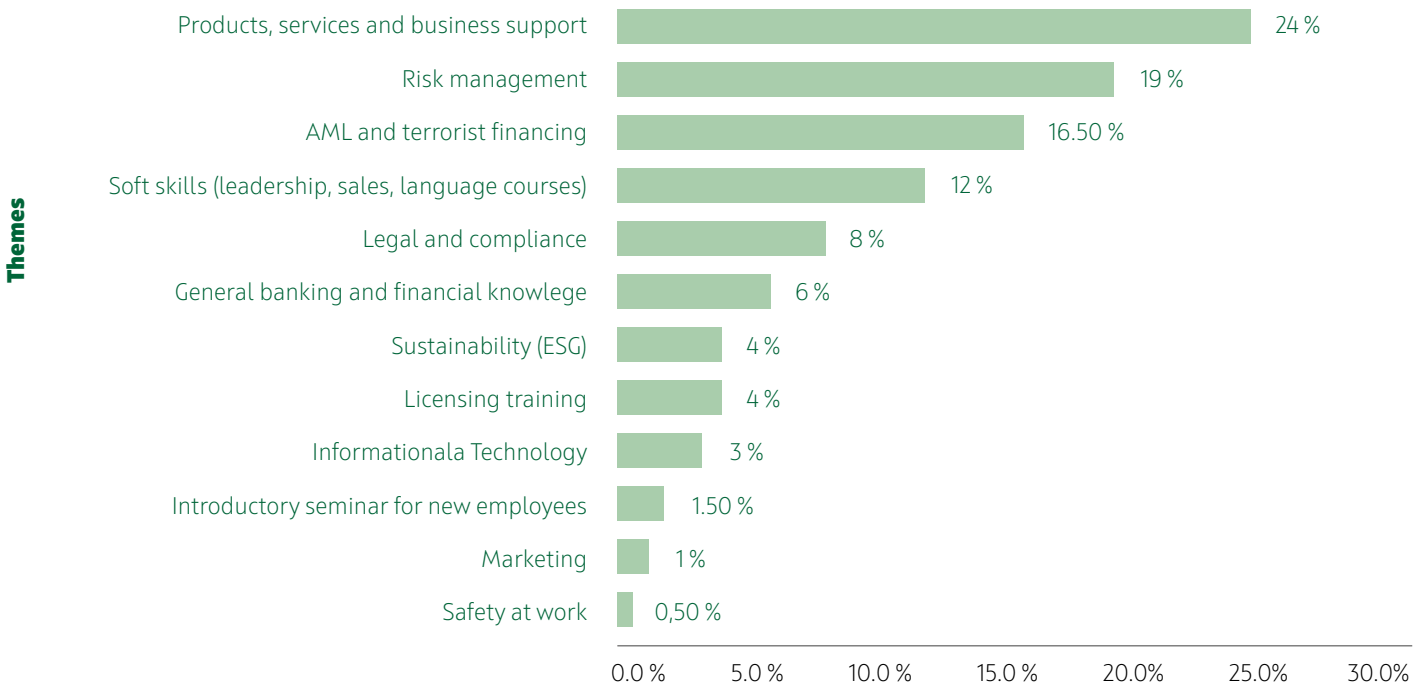
Learning and training to which our employees were referred were provided by both, internal educators, as part of internal trainings, as well as external training providers. The share of in-house trainings, taking into account self-developed e-trainings, was as much as 54 % in 2022 (same as in 2021).

### Number of training hours in 2022 according to the internal / external provider



In 2022, employees completed 30,328 hours of training. In comparison to the previous year, the quantity of training hours increased by almost a quarter. As a result, the average number of hours of training per employee in 2022 increased by 36.23 hours per employee (28 hours per employee in 2021).

### Employee trainings in 2022 by content



Almost the quarter of all training hours is represented by the themes about **banking and insurance products, services and business support** (24.5 % of all training hours). This themes are followed by **risk management** themes, that represent 19 % of all training hours in 2022. In 2022, 16 % of all training hours were conducted regarding the **AML and terrorist financing** themes, especially due to new legislation that was adopted in November 2022. That represents quite huge enhancement (almost for half) of AML themes in comparison to the year 2021.

These topics are followed by trainings in the field of soft skills – leadership, sales, language courses (12 %), legal and compliance themes (8 %), general banking and financial themes (6 %), trainings for acquiring licences and sustainability themes (both 4 %), IT themes for our employees from IT departments (3 %), and other themes such are introductory seminar for new employees (1.5 %), marketing themes (1 percent) and safety at work themes (0.5 %).

In 2022, our colleagues were intensively trained to acquire skills and competences for effective management, both in classical programmes and in the light of upcoming changes – leadership in times of change – change management. Soft skills training was also aimed at strengthening personal efficiency and encouraging teamwork.

In the year 2022, 9 employees obtained a license for insurance distribution (as insurance agent) and 10 employees a license for marketing of investment fund units.

In 2022, employees from all organizational units of the bank were trained.

In the future, SKB Bank will continue to provide training and take care of development of its employees. This is the way to provide conditions in order to achieve desired strategic and business bank's objectives.



**30.328 hour**  
of training



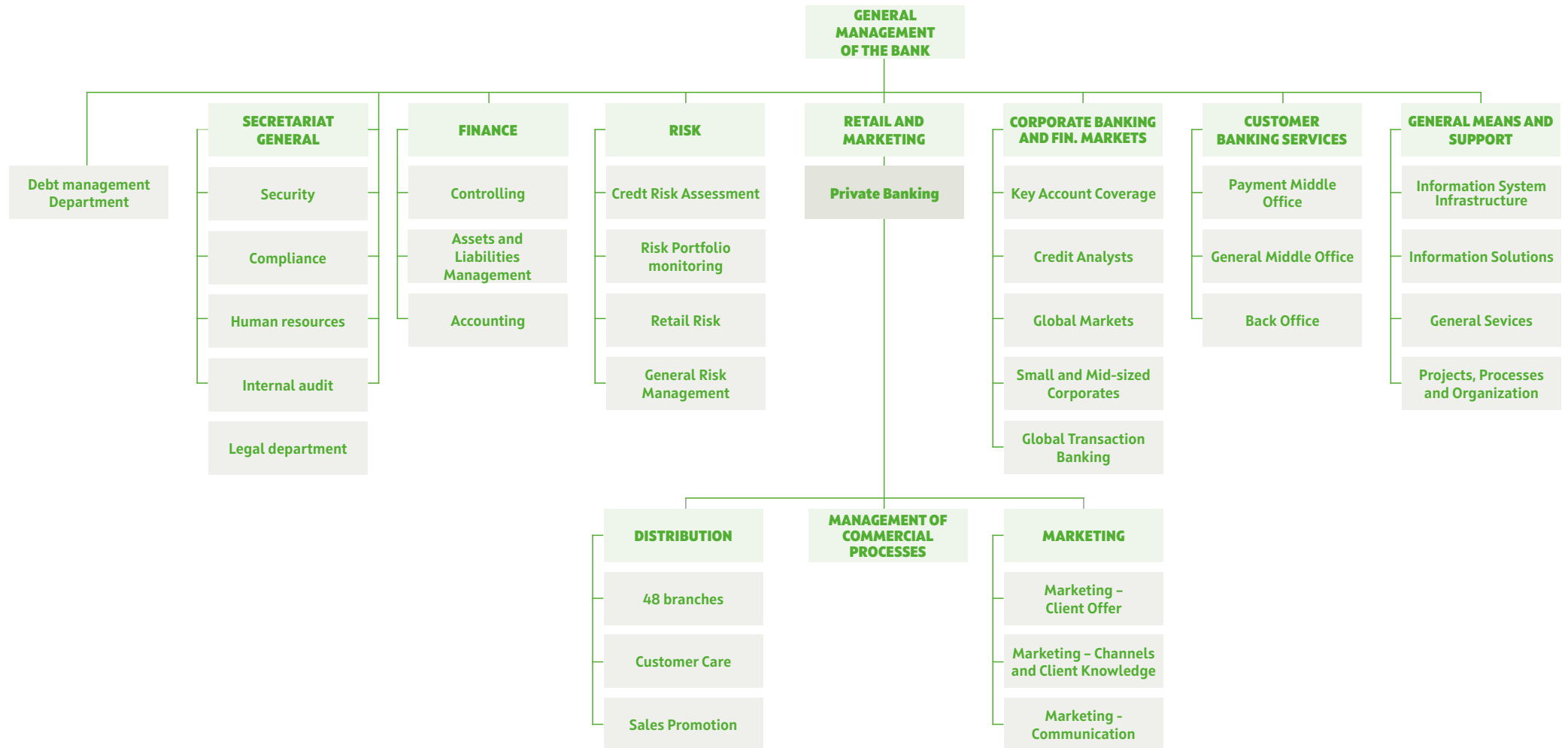
**36 hours**  
per employee



**54 %**  
internal training



### 3.2. Organization chart of SKB Bank (on 31. 12. 2022)





# Sustainability

We are socially and environmentally responsible.

We support a sustainable approach and a fair and ethical society.

## 4. Statement about non-finance operations

### 4.1. Organizational Governance

For many years, the SKB Group has been committed to being socially responsible and supporting sustainable development, recognizing that inclusion and commitment to the environment are key to its success. We show our support and commitment to the environment in which we operate through various forms of support, sponsorships, donations and other forms. As SKB Group operates in Slovenia, which is an EU member state, it is distinguished by a high level of respect for human rights. The commitment to high standards of respect for human rights also stems from SKB's affiliation with the OTP International Banking Group. As a responsible employer, the HR policy of the SKB Group seeks to properly understand and anticipate the challenges and upcoming changes, both in the broader industry and in the banking sector. Appropriate training and skills development help employees to carry out their work on a day-to-day basis, as well as to implement changes resulting from amended legislation or business processes. Because SKB Group is aware of its responsibility to the environment, we are pursuing the goals of environmental policy in the Republic of Slovenia and beyond. SKB Bank's goal is to provide clients with affordable and efficient banking products tailored to their customers needs.

### 4.2. Environmental and Social Policy (ESG)



ESG view (E-environmental, S-social and G-governance) on banking business every year gains in importance and consequently affects the bank's strategy, policies, organization, procedures, investment approval criteria in fact, in all areas of banking business. Especially E, the environmental part of the ESG field is the most dynamic, it is affected by growing legislative requirements, expectations of the market and customers, of owners and, last but not least, employees. Under the influence of clearly expressed environmental and climate changes on our environment and living conditions, it is necessary to raise awareness and the scope of activities to achieve environmentally sustainable initiatives and goals of preserving life on our planet. The role of banks as the main financiers and thus promoting the sustainable transformation of economic activities and population investments is crucial.

#### 4.2.1. ESG in SKB Group

At SKB Bank, we are strongly aware of our responsibilities, and we started organizing activities and disseminating information with the aim of raising awareness among every employee as early as April 2021. The "S" and "G" elements of ESG have already been decently developed over the past years, and we continue to build on them with ongoing activities on a well-laid foundation. Activities and results from these two areas are described in more detail in specific chapters of this annual report.

In terms of development, due to rapid and influential environmental and climate changes, we devote most of our time to "E" environmentally oriented part of ESG work. Already in 2021, we organized a presentation and workshop for senior and middle managers, and we prepared digital learning content with a knowledge test for all employees of the bank and leasing companies. Since the beginning of the campaign of e-learning in later 2021 till the end of 2022, 92.5 % of all employees successfully passed the test of introductory education on the impacts and consequences on the environment, the goals of climate conferences, the European Union and Slovenia, and numerous regulatory requirements. In addition to the initial e-learning program, individual employees of the bank also took part in other mostly external trainings related to ESG topics. In the year 2022, 1216 educational hours were held in the field of ESG (of which 302 hours were ESG e-learning).

**Table: The main achievements of SKB Group's ESG education in 2022**

	<b>92.5 %</b>	<b>of all employees have passed an introductory training on environmental impacts and consequences, in line with the objectives of the climate conferences, the European Union and Slovenia, and on a number of regulatory requirements.</b>
	<b>2,700</b>	<b>units of ESG material in the ESG library with all relevant documents</b>

In order to speed up the flow of information on innovations, regulatory requirements and OTP guidelines in the field of ESG, we formed an ESG coordination group with representatives of almost all organizational units of the SKB Group. We also organized a digital ESG library with all relevant documents, its scope already exceeds 2700 documents.

At the end of 2021, we started the ESG project to carry out operational tasks, primarily focused on the E-environmental part of ESG. As part of the project, we created an ESG strategy at the beginning of 2022, specifically focused on building the bank's green investment portfolio and reducing its own greenhouse gas emissions.

By 2025, we are planning green investments in housing loans to Slovene households in the amount of 10 million euros, and we are planning to grant green loans to corporates in the area of renewable energy sources projects in the amount of 70 million euros, in the area of electric mobility in the amount of 30 million euros, and additionally to leasing electric vehicles at 18 million euros. In addition to the aforementioned development of priority green products, we plan to develop products for all customer segments, which already indicate a demand for such bank products. In order for all green products to truly meet the conditions of the European Taxonomy, together with the parent bank OTP we are developing a tool for technical compliance verification.

**Table: Goals on green finances until 2025**



With the adopted initiatives, we will speed up the activities for our own reduction of the CO2 footprint as an example of transformation into an environmentally sustainable attitude. We are introducing transparent emission measurement based on a preliminary selected methodology. By the end of 2025, we also plan to measure the scope 3 of our own emissions, whereby we have already started collecting data on employees' commuting to work.

Within the formed working group at the Slovene Banking Association, on the basis of the GHG protocol and PCAF standards, we are preparing guidelines for measuring emissions from bank investments (which, given the bank's financing activity, represents the majority of emissions). The measurement of these emissions will be the basis for the gradual redirection of bank investments into sustainable financing.

We have already started adapting the risk management policy to the new environmental requirements and strategy of the parent bank. We carried out the first analysis of the materiality of environmental and climate impacts on important banking risks, which will become a permanent annual practice within the framework of the stated criteria for risk-taking.

By introducing ESG aspects, we will gradually adapt to the requirements of regulators expressed by directives, adopted legislation, guidelines and the European Taxonomy, including transparent reporting and disclosures.

At the bank, we have joined to some memberships of environmentally oriented associations, which we expect to expand further. We have established a permanent communication channel with the parent bank OTP, we have meetings to check progress and exchange information. OTP helps us with guidelines and the dissemination of best practices through a special organizational unit of the ESG Directorate with employees who are assigned individual ESG tasks.

We report quarterly on the implementation and planned activities to the bank's Board of Directors. Chief Executive Officer, Mrs. Anita Stojčevska was appointed as the responsible member of the bank's Board of Directors for the field of ESG.

The table below shows the disclosures of the SKB Group as per 31. 12. 2021 and as per 31. 12. 2022 in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation) - Disclosure under Article 8.

Article 8 of the Taxonomy Regulation requires undertakings that are subject to the Non-Financial Reporting Directive (NFRD) to disclose information on how and to what extent their activities are EU taxonomy eligible, therefore associated with economic activities that may qualify as environmentally sustainable under the Taxonomy Regulation. In order to ensure comparability in reporting between Taxonomy-eligibility in the year 2021 and 2022 and alignment reporting due for year 2023 SKB voluntarily discloses the below KPIs.

The main KPI is the green asset ratio (GAR), which is defined as the proportion of a bank's assets invested in environmentally sustainable economic activities of large companies under NFRD as a share of total relevant assets (GAR covered assets). The GAR is calculated based on the on-balance-sheet exposures (assets) based on SKB Group consolidated figures.

In million EUR	2022	2021
NFRD assets Total	395	317
Taxonomy eligible assets (only eligible)	148	120
Taxonomy non-eligible assets	2,871	2,571
Exposures to central governments, central banks and supranational issuers *	1,051	1,107
Exposures to Non-financial corporations (non-NFRD & non-EU)	12	8
Financial assets held for trading (debt securities and equity holdings)	11	6
On-demand inter-bank loans	20	15
Derivatives	11	6
GAR (covered) assets	3,375	2,725
Total assets	4,437	3,838
Eligible proportion /GAR (covered) assets	4.39 %	4.40 %
Non-eligible proportion /GAR (covered) assets	85.07 %	94.35 %
Proportion of on-demand inter-bank loans /GAR (covered) assets	0.59 %	0.55 %
Proportion of derivatives /GAR (covered) assets	0.33 %	0.22 %
Proportion of non-NFRD undertakings /GAR (covered) assets	0.36 %	0.29 %
Proportion of trading portfolio /Total asset	0.25 %	0.16 %
Proportion to central gov., etc. /Total asset	23.69 %	28.84 %
Proportion of cash + cash related + other assets / Total asset	9.96 %	3.54 %

\* Corrected item - in year 2021 calculation we also included derivatives

#### Disclosure on green asset ratio (GAR) in corporate lending:

In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the Delegated act. Exposures to taxonomy-eligible activities were examined among non-financial corporations, companies covered by the NFRD (listed companies with more than 500 employees). Out of them only those with NACE codes listed on Taxonomy Compass as contribution or mitigation to sustainability objectives are taken as eligible.

Relatively low GAR ratio (Eligible proportion/GAR (covered) assets) is explained by the fact that SKB Group as a retail bank is focused to SMEs (small and medium size enterprises) and individuals' loans which according to NFRD represent Taxonomy non-eligible assets.

According to the EU taxonomy, companies bound by the NFRD are required to include data related to net revenues and fixed asset investments, namely:

- (1) the proportion of income from activities European Taxonomy eligible, and
- (2) share of investments in fixed assets in activities European Taxonomy eligible, all based on Annex II to Commission Delegated Regulation (EU) 2021/2178.

In accordance with the aforementioned regulations, banks as lenders are obliged to publish the share of income from credit assets and other financial assets acceptable for the European Taxonomy and the share of their borrowers' investments in their fixed assets eligible according to European Taxonomy.

In the framework of those liable for NFRD, we obtained data on 4 companies from the invited 32 companies, which represents 24 % exposures to all invited companies and only 7 % of those that are according to NACE code listed on Taxonomy Compass.



## 4.2.2. Prevention of Pollution



SKB Group actively manage waste produced by our business operations. All activities are performed in line with the valid legislation and with intention to preserve our environment for the future generations.

After completed process of shredding, our paper documentation is delivered for recycling to our contracted partners. Electronic waste equipment from our branches is centrally collected at headquarter and delivered to licensed collecting company, which arranges further recycling of still usable materials and proper destroying of non-usable materials.

SKB Group implemented sorted communal waste collection in 2011. We regularly remind our employees to achieve the proper awareness on importance of sorting waste and on decreasing production of waste in general. Consequently, percentage of properly sorted waste in bank is increasing year after year.

## 4.2.3. Sustainable Use of Resource, Climate Change Mitigation and Adaption



SKB Group carefully manages its energy consumption and other resources used by our operations (IT & other equipment, paper, ...). Due to careful energy and other goods usage we constantly decrease our greenhouse gases footprint and other environmentally harmful substances.

Energy consumption (specially electricity) was significantly reduced in the last 10 years. Despite some peaks in the recent years long term trend of energy consumption is decreasing.

We bought for the first time, in 2022, electricity from renewable sources. Thus, the share of electricity produced from renewable sources ("green" electricity) in our energy mix represented approx. 35 % of all SKB electricity consumption for own operations. In 2023 and following years we intend to increase this share to approx. 70 % and to decrease our CO2 emissions even further.

**Table: Achievements and goals in electricity consumption**

<b>2022 achievement</b>	<b>35 %</b> share of electricity from renewable sources
<b>2023 goal</b>	<b>70 %</b> share of electricity from renewable sources

We are increasing alternative ways of business communication (tele conferences, videoconferences, e-learning, ...) with the goal to reduce number of business trips and consequently also CO2 emissions from transport.

More and more client communication is digitalized including document management aiming to decrease paper usage and postal costs.

Important contribution to sustainable resource use represents also awareness of our employees for implementation of environmentally friendly behavior on company and individual level. Employees are regularly informed on different activities contributing to sustainability awareness.

## 4.2.4. Environmental Protection



We plan to reduce our own emissions by 45 % versus base year 2021 at 5-7 % annual decrease. Our goal is to reach carbon neutrality of Scope 1 and 2 emissions in 2023 by decreasing emissions and by using various available emissions instruments and activities.

**Table: Key environmental objectives of SKB Group till 2030\***

<b>Reduction in emissions 1+2</b>	<b>By 45 %</b> versus 2021
<b>2023 goal and further</b>	<b>Carbon neutrality of own operations (Scope 1 and 2) using compensation mechanisms</b>

Additionally, we wish to achieve the following:

- reduction of paper, waste, water, commuting to work and business travel related emissions (Scope 3),
- ongoing communication of the environmental goals and transparent disclosures,
- training of all employees regarding environmental issues.

## Greenhouse gas emissions

In term of methodology, the SKB Group follows the guidelines of the GHG protocol (Greenhouse Gas Protocol), which categorize emissions into three scopes, Scope 1, 2 and 3 (Scope 1, 2, 3). In the calculation of the carbon footprint of the SKB Group, we have included the following categories.

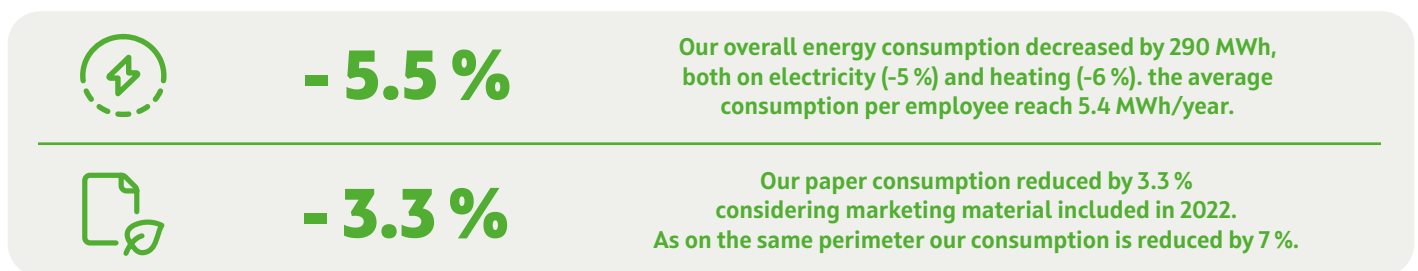
- Scope 1: direct emissions of greenhouse gases (GHG) arising from sources owned or controlled by the organization, these are emissions related to the combustion of fuel in boilers and vehicles, as well as fugitive emissions).
- Scope 2: indirect emissions of greenhouse gases (GHG) resulting from purchased energy (district heating or electricity).
- Scope 3: other indirect greenhouse gas (GHG) emissions resulting from business trips made by plane, train, bus and cars not owned or leased by the company, emissions from purchases of IT equipment, certain services such as cloud computing and data services, delivery of packages, produced waste, employees commuting to work, consumption of paper and water, indirect emissions of financed activities.

The inventory includes SKB Bank and SKB Leasing entities. SKB Group CO<sub>2</sub>e Scope 1+2 emissions for 2022 amounted to 2,175 tCO<sub>2</sub>e (market-based), corresponding to a reduction of 574 tCO<sub>2</sub>e compared with 2021 (base year). Of this figure, 194 tCO<sub>2</sub>e was allocated to Scope 1, 1,981 tCO<sub>2</sub>e to Scope 2 (market-based).

For the first time, SKB group also decided to includes significant Upstream Scope 3 emissions. In this first year, SKB Group did includes paper, waste (partially), commuting to work, IT Electronic equipment acquired in 2022 and business travel related emissions, as well as certain purchased services such as cloud computing and parcel delivery (partially). SKB Group will continue its efforts to capture a larger specter of Scope 3 emissions included the most problematic for financial institutions, the downstream Scope 3 associated to Investment (also referred as Financed emissions).

Year 2021 is the base year for calculations in SKB. Despite SKB group measure its scope 1 & 2 emissions from 2014, the data collection method was improved at the time SKB joined the OTP group in late 2019, additionally the 2020 year, due to pandemic, may not be considered as representative. SKB used GHG protocol, activity data are collected from bills, vendor reports, vendors or employees survey. When a data is not exact or calculated, SKB used estimated data. SKB endeavors efforts in improving the quality of data. For conversion factors, SKB group used supplier specific data or those issued by the United Kingdom department of environment, foods and rural affairs (DEFRA).

### Table: Main accomplishment in 2022



## Energy used in business premises of SKB Group

In 2022, SKB launched an internal campaign with the aim of raising employee awareness. The campaign has already shown results, as the total energy consumption for the needs of SKB facilities in 2022 was 5.5 % lower than in 2021 (4,973 MWh or 5.4 MWh/user). Electricity consumption was 3,113 MWh or 3.4 MWh/user and energy consumption for heating amounted to 1,860 MWh or 2.0 MWh/user.

In the second half of 2022, we purchased electricity from renewable sources for the objects under our direct supervision. This means approx. 50 % of directly purchased electricity by SKB or approx. 36 % of the consumed electricity (including electricity indirectly purchased) was sourced in the form of electricity from renewable sources with guarantee of origin (without CO<sub>2</sub> emissions). With this, we significantly reduced the average emission factor for consumed electricity in 2022 and the total accounted CO<sub>2</sub> emissions from purchased electricity, which amounted to 1,441 tCO<sub>2</sub>e in 2022 (-26 %).

The total CO<sub>2</sub> emissions for the energy used (electricity and heating) in 2022 amounted to 2,084 t CO<sub>2</sub> (or 2.25 tCO<sub>2</sub>/user)



In 2023, we plan to further reduce energy consumption in buildings (mainly electricity). In the premises of the SKB Group headquarters, we plan to replace the existing outdated lighting with LED lighting, which we estimate will reduce electricity consumption on an annual basis by 8 % (by 270 MWh). Given that the completion of the investment is expected by June 2023, the savings in 2023 will amount to approximately half of the above estimate.

At the same time, in 2023 we plan to purchase the entire amount of directly purchased electricity in the form of electricity from renewable sources. As a result, we will also significantly reduce accounted CO2 emissions.

## Mobility

In the SKB Group, the usage of company vehicles and business travels in 2022 amounted to approximately 254 thousand km, corresponding to an average per employee of 275 km/per year. This was 43 % more than in the previous year. We interpret this growth as the consequences of 2 years with limited movement due to the coronavirus pandemic.

In 2022, the SKB Group included the employees' commuting to work for the first time. We have estimated that our mobility needs levelled at 4.5 million km, representing 2 times around the earth per week.

Mobility generates 724 tCO<sub>2</sub>e, which represents approximately 25 % of measured GHG emissions. Mobility is thus the second largest source of GHG emissions of the SKB Group. It appears both in scope 1 (company vehicle) and in scope 3 (business travel, commuting to work.)

In 2023, SKB Group will strive to reduce the need for mobility or at least improve the carbon intensity of its business travel. In addition, we analyze the possibilities of supporting employees in their transition to a more sustainable commuting to work, by reducing the need for transport, car-pooling, switching to other form of mobility (public transport, bicycles, etc.).

	2022	2021	Change (%)
<b>Material</b>			
Paper in t	56	58	(3.0)
Paper consumption in sheets/employee	6,036	6,349	(5.0)
<b>Energy</b>			
Total energy** consumption in MWh	4,973	5,263	(5.5)
Share of renewal electricity	36%	0%	N/A
Total energy consumption in kWh/employee	5.38	5.79	(7.1)
<b>Waste</b>			
Total hazardous waste in t	0.39	0.11	248
Total non-hazardous waste in t	50	70	(29)
Old electronic devices for recycling in t	3,180	2,076	53
<b>Business Travel</b>			
Passenger km total	254.297	178.214	43
Business Travel in pkm/employee	275	196	40
<b>CO2 emissions</b>			
Scope 1 emissions in t	194	214	(10.0)
Scope 2 emissions location-based in t	1,706	1,267***	35
Scope 2 emissions market-based in t	1,981	2,534****	(22)
Significant Scope 3 emissions***** in t	876	N/A	N/A
Scope 1+2 emissions market-based in t	2,175	2,749	(21)
Scope 1-3 emissions market-based in t	3,051	N/A	N/A
Scope 1+2 emissions in t/employee	2.35	3.02	(22)

\* 2021 is SKB Group base year

\*\* Electricity, Natural Gas, Heating (exclude Gasoline)

\*\*\* Restatement (from 1.182 to 1.266 tCO<sub>2</sub>e on location based due to error in collection of activity data)

\*\*\*\* Restatement (from 2.370 to 2.534 tCO<sub>2</sub>e on market based due to error in collection of activity data)

\*\*\*\*\* SKB Group endeavor to calculate Scope 3 emissions. In 2022, we included part of Category 1 - Purchase of Goods and Services (Paper, Cloud Services), Category 2 - Capital Goods (electronic equipment IT), Category 5 - Waste from Operation (WEEE and paper only), Category 6 - Business Travel, Category 7 Commuting to work. Scope 3 emissions are partially computed mostly due to data availability. The focus in coming years will be to compute and disclose Category 15 - Investment, the crucial category for Financial institutions.

Lower volumes of non-hazardous waste in 2022 are result of lower volumes of expired documentation placed for destruction. Higher volumes of old electronic devices for recycling in 2022 are result of more IT equipment replacements.

### 4.3. Customer Relation



#### Fair marketing, factual and unbiased information, and fair contracts

When working with clients, we follow the corporate values of stability, connection, professionalism, sustainability, and development. Due to tradition and capital adequacy, we achieve excellent business results, we conduct a balanced business policy and prudently manage risks. We promote team spirit, respect, understanding and trust, and we take care of the honest connection of all of us, customers, partners, and the environment. We develop our potential and educate ourselves. We have appropriate expertise, which is reflected in a caring and honest attitude towards customers and the environment. We are socially and environmentally responsible and support a sustainable approach and a fair and ethical society. We are development oriented and follow our ambitions. With innovation, we effectively adapt our operations and strive for constant progress.

#### Customer Services, Support and Resolution of Complaints and Disputes

Knowing that customers are always at the center of our attention, we also facilitate and manage the complaints management system. Taking these into account helps us to build good customer relations and ensure a good user experience for our clients. We perform quarterly reviews of the Client Complaints Report, in which the Client Experience Committee participates in the presence of the Bank's Management. By preparing short weekly reports, we also regularly monitor clients satisfaction. The client's experience is regularly monitored and measured by a survey after the contact with the SKB Bank in the outlet or through Contact Center.

#### Customer Data Protection and Privacy

The SKB Group is aware that strict protection of customer's confidential information is one of the most important requirements for a confidential relationship between the customer and the service provider, therefore we treat customer data carefully and in accordance with the regulations governing the protection of personal data. The SKB Group regularly monitors novelties and changes in the protection of personal data and is responsible for ensuring compliance in this area. Internal rules for personal data proceeding are established and employees are obliged to handle with data by employment contract and additional declaration on the protection of personal data. In accordance with the General Data Protection Regulation, a Data Protection Officer has been appointed in 2018 and customers can turn to DPO in the event of any questions concerning the processing of their personal data and in the event of the exercise of their rights under the regulations.

### 4.4. Human Resources Policy



The SKB Group's human resource policy purpose was to adequately understand and anticipate challenges and upcoming changes both in the wider business aspect as well as in the banking environment.

With appropriate training and skills development, SKB Group helped employees in their day-to-day work, as well as in the implementation of changes that resulted from changes in legislation or business processes.

The banking environment is changing. The expectations of our customers, the technology that goes in the direction of digitalization of business, and the legal framework are also changing. All this affects the operations of the SKB Group and the skills of the employees, which are necessary for successful operations.

Constant changes in the (financial) market, new banking system regulations, adapting the offer to customers and developing new applications and products require continuous learning and training of bank employees. Through learning and training, the SKB Bank wants to enable employees to acquire the knowledge and competencies needed for effective work.



## Developing a banking culture based on common values

The corporate culture of SKB Group is based on common values, behaviors and skills that place our clients and their needs in the center.

We have integrated our values of stability, connection, professionalism and sustainability into our management model, and we encourage employees to develop the desired behaviors, skills and knowledge that enable them to focus on the customer in order to identify their needs.

The Leadership model plays a key role in all human resources processes:

- In the recruitment process, it enables identification of characteristics of the candidates and select the most suitable ones among them.
- In the process of annual appraisal interviews, the leadership model serves as a guide to determine operational objectives and personal development objectives of employees, and consequently enables the evaluation of not only the achieved objectives, but also the way how these objectives were achieved.
- Leadership model is a framework for preparation of succession plan and detection of prospective employees.



**Stability**



**Connectedness**



**Expertise**



**Sustainability**



**Constant  
development**

## Care for of employees' commitment

Special attention is paid to the commitment of our employees, which is crucial for the success of the SKB Group. Recognizing the contribution of every individual, ensuring a safe working environment and the diversity of our teams are the key to maintaining the commitment of our employees and, consequently, our effectiveness.

SKB Group continued to follow guidelines established in the past for the remuneration of employees. The guidelines are based on employees' achievement and the promotion of individual progress. Since we wish to reward our best employees for their successfully performed work and motivate them for the future we continued to allocate a significant amount of funds for these kinds of incentives.

SKB Group also helps those in need. In cases where individual employees come into difficulties for various reasons, SKB Group offered and provided them with professional and financial assistance; namely assistance in cases of natural disasters, workplace challenges or family situations.

## Work from home

In the SKB Group, we enable employees work from home whose tasks and nature of work allow it. Employees can work from home up to three days a week. With this approach, we want to make it easier for employees to coordinate their work and private lives.

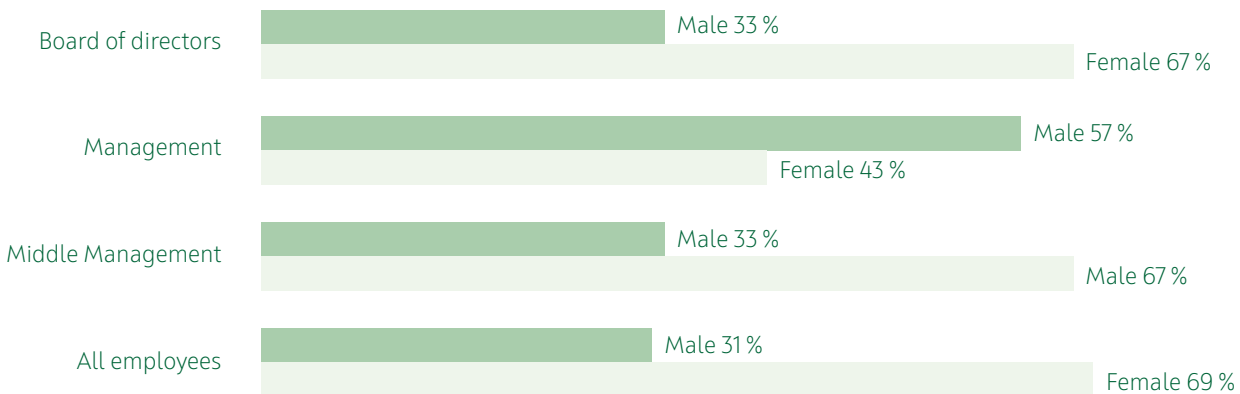
## Gender representation

Concern for gender diversity reflects in the ability of our SKB Group to choose a candidate or existing employees who have the capabilities best suited to the type of job or function without any bias. This approach is considered at all hierarchical levels in the SKB Group.

SKB Group strives to balance the representation of both genders at all levels as well as the diversity in knowledge, competencies and experiences.

At the end of 2022, there were four women out of seven members in the SKB Board of Directors, two women in the Bank's Management Board, 67 % in middle management, and approximately 69 % among all employees.

### Gender structure on 31. 12. 2022



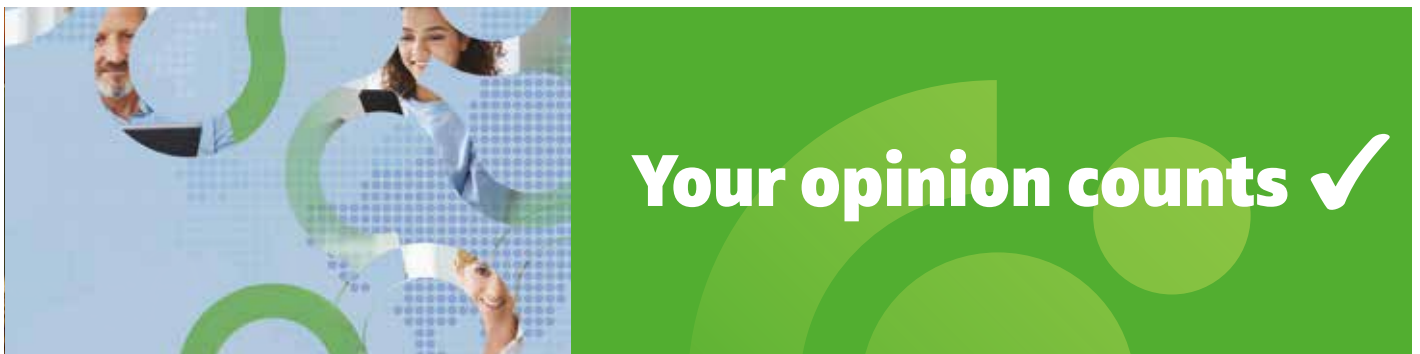
## Employee engagement

Each year, we conduct an employee engagement survey, with which we want to check the well-being of employees in our banking group. The areas we focus on through the survey are: areas related to customers, organizational culture, the potential employees possess and the ability to use this potential. In addition, as part of the survey, we also measure employee engagement and the ESG index.

ESG index is composed of questions related to:

- the opportunities we offer employees for learning and development;
- employees' feelings, to what extent they feel appreciated;
- degree of willingness of employees to recommend the bank as an employer to job seekers;
- to what extent the employer encourages employees to take a responsible attitude towards the environment;
- employees' opinion, to what extent SKB Group, as a financial institution, responsibly influences the social environment through its charity work and financial literacy.

Based on the results of the survey, we prepare an action plan, the activities are focused on the areas that we recognize as the ones where improvements are possible and have the greatest impact on engagement.



## 4.5. Respect for Human Rights



The SKB Group ensures and promotes respect for human rights arising from the Universal Declaration of Human Rights. During its activities, it also operates in accordance with the UN Guiding Principles on Business and Human Rights, which are also binding on all SKB employees and its partners. The SKB Group aims to create a working and business environment in which individual differences are accepted and appreciated. All forms of negative discrimination based on a person's true or presumed characteristics, including but not limited to race, gender, nationality, religious or ideological beliefs, gender identity, ethnicity, disability, sexual orientation, political or other views, marital status, etc. are prohibited.

## 4.6. Ensuring Ethical Business Conduct, Strengthening Integrity and Preventing Corruption



The SKB Group has adopted the Code of Ethics, which sets out clear and unambiguous guidelines and requirements relating to the ethical business and strengthening of integrity, both for the SKB Group and for everyone associated with it. In accordance with the Code of Ethics, the SKB Group is committed to ensure compliance, zero tolerance to corruption, the prevention of conflicts of interest and respect for human rights. Internal rules, established by the SKB Group on the prevention of corruption, prevention of conflicts of interest and the provision of business ethics are based on the strict anti-corruption principles of the OTP Banking Group.

Compliance with the rules of ethical conduct within the Bank is supervised by the Ethics Committee in accordance with the principles and expected forms of conduct set out in the Code of Ethics, while the topic is also included in the work of the Committee on Operational Risks and Compliance, which meets quarterly.

The SKB Bank has introduced special internal training on the content of anti-corruption, the prevention of conflicts of interest, the Code of Ethics and the protection of whistleblowers. These trainings are mandatory for all employees, and additional targeted and in-depth trainings are provided for management and more risk prone positions in the SKB Group.

The SKB Group has, accordance with applicable legislation and good practices, an established whistleblowing system, which protects the identity of the whistleblowers and prevents from possible retaliation against them. SKB Group regularly educates and raises awareness of its employees, strengthening the culture of zero tolerance for corruption and retaliation against whistleblowers, thus nurturing the speak up culture.

## 4.7. Inclusion and Development of society

### Integration into society

At SKB Bank, we believe that even with a small incentive, we can make dreams come true and we can help achieve the set goals of those individuals and groups who strive and persevere. SKB Bank is therefore actively involved in society in a variety of ways. We regularly show our support in the form of long-term sponsorships, donations, and other forms of involvement in cultural, sports, educational, humanitarian and philanthropic organizations and their projects. At the end of 2022, more than 200 employees responded to the internal charity challenge campaign, in which many good deeds were completed: we distributed gifts to children and the elderly, donated to various associations, took care of puppies and kittens without families, donated and helped to the homeless, we carried out a cleaning campaign in nature, participated in blood donation drives and helped the elderly.



**Povezani z  
dobrimi dejanji**

## Education and culture

At SKB Bank, we place great emphasis on the continuous personal and career development of our employees and education. We know that an investment in the knowledge of employees is an investment in our business and in the future success of the Bank. We also support Slovenian culture and will continue our sponsorship of the SNG Opera and Ballet Ljubljana in the 2022/2023 season. We also encourage the employees of the SKB Group to attend performances and participate in culture, for which we have provided them with a discount on regular ticket prices for performances in the 2022/2023 season. With the success of the cultural environment in Slovenia in mind, we also supported the 29th Manager's Concert for talented musicians in 2022, which once again impressed with young musical talents, a repertoire of selected works of art and inspiring performances.



## Job creation and skills development

At SKB Bank, we follow developments in the technical and professional fields. This manifests itself primarily as the need to transform existing positions and establish new ones. We made a big move in this direction as part of the Renovation of Digital Channels project, where we created a new position related to the professional competencies of user experience design, and we also employed software developers. We have also announced a scholarship for the developer profile, whereby, in addition to a monthly monetary award, we also offer practical training and summer job with the commitment to employ the scholarship recipient after successful completion of education.

In 2022, we organized several group trainings/workshops on change management for mid-level management, while for existing managers as well as for employees with leadership potential, we continued the implementation of the two-year Leader Development program, which started last year. We also developed interorganizational, so-called peer coaching for colleagues.

The year 2022 was also marked by an employee engagement survey for SKB Bank, which was held for the second time within the OTP Group. The project was successfully implemented, and the survey results serve us as in 2021 as an excellent guide for improving the internal atmosphere and employee satisfaction.

## Development and accessibility of technology

At SKB Bank, we strive to constantly follow technological trends and enable customers to work with the Bank quickly, easily, and smoothly – in person or remotely. For us, this means a great emphasis on development, digitization, and automation projects. We are aware of how important it is to have professionally trained colleagues in the Bank, as we strive to develop many technological solutions in-house. A good example of such a solution, which was introduced recently, is SKB Trader, a free online application for legal entities, customers of SKB Bank, which enables the purchase and sale of foreign currencies and the monitoring of their exchange rate in real time.

We are also continuing one of our biggest technology projects ever, Digital Channels (DC3). With the DC3 project, we want to offer customers new, modern, flexible digital channels for all segments. In three years of the project's duration, we want to become the most desirable digital bank on the Slovenian market. Our development strategy is focused on accepting new challenges and ensuring that we offer our customers the best and most efficient solutions, while at the same time ensuring a high level of business security. We develop digital channels in accordance with customer needs, laws, regulations, and directives, and we also place great emphasis on the security aspect of digital operations and environmentally friendly processes. Our development projects follow an agile methodology, since we believe that this is the most effective response to the rapidly changing banking and digital environment. The ultimate goal of our development projects is to completely replace the existing digital solutions for all segments, while at the same time becoming the bank with the best digital solution on the Slovenian market. With the DC3 project, we will thus pilot innovative digital solutions with the possibility of implementing renewed solutions at the level of the entire OTP Group.

In 2022, we also implemented several environmental, security and improved business methods, such as digital print-outs/statements, 3DS push notifications and card security settings. We also offered mobile payment at POS-terminals with the Flik instant payments mobile application. The internal development of robots has simplified, automated, and reduced our operational risk of some internal processes in the back-office operations, campaign management and data management. In 2022, we established one of the major optimizations, which brought more up-to-date data to the network for corporate operations and improvements in the work process. We prepared Corporate clients database and updated Client 360 view by using MicroStrategy tools. The customer list is thus updated daily. We also continue to use data in digital advertising and lead generation with online loan sales funnels based on predictive targeting and targeted messaging. An important aspect is the smart use of data and customer grouping, with the goal to identify customer needs and opportunities for the Bank. We also develop our own artificial intelligence solutions to optimize internal processes in the analytics and direct campaigns management.



## Wealth and income generation

Through partnerships, we expand our footprint, especially in the youth segment, and we work with local partners who focus on acquiring quality customers and who increase our acquisition capabilities. The SKB Group strives to cooperate and include local suppliers in the projects and challenges we face. With this, we want to participate in supporting the development and growth of Slovenian experts and companies. With a desire to cooperate and integrate into the environment, we monitor and support local projects and initiatives of local communities. We constantly ask ourselves what more banks can and should do, as we are aware of our important role in the economy. As institutions whose main activity is the financing of the economy, we have an extremely important influence on the structure of economic activities and, consequently, on their impact on the environment.

## Health

At SKB Bank, we are aware that only healthy and satisfied employees can also be successful individuals who together form a goal-oriented and stimulating work environment. Therefore, we encourage employees to engage in physical activity, which has positive effects on both health and general well-being, as well as on strengthening our connection and commitment.

To strengthen and raise awareness of the importance of health and an active workplace, the ambassadors of our multi-year motivational movement #Ipersist are also of great help to us. Among them is the top Slovenian athlete Maruša Mišmaš Zrimšek, with whom we have been successfully working for several years. Maruša is always happy to join us in internal initiatives, where together with us she urges employees to exercise and lead a healthy lifestyle. Last year, on the European sports day, she joined us at an internal event with more than a hundred participants and made sure that we had a good exercise before the event.



#VZTRAJAM

In 2022, we went one step further in encouraging movement and decorated the walls of the office building at Ajdovščina 4 in Ljubljana with cute signs that in a witty and pleasant way draw attention to sports activity, encourage the use of stairs instead of elevators and to general health care at every step.

**Porabi kalorije,  
ne elektrike**

**Naša četica koraka  
strumno in veselo,  
drug za drugim v ravni  
vrsti zdaj gremo na delo**

**Brezplačna vadba je  
le nekaj korakov  
naprej**

**Premakni sebe,  
ne dvigala**



Last year, as a pioneering company, we obtained the first European certificate in the field of employee sports activities, i.e. the Workplace Active Certification (WAC). We also have an active SKB Bank's Sports Club, which regularly informs employees about the importance of exercise, it enables co-financing of sports activities and organizes various sports and competitive events. An example of this is the Summer Sports Banking Games, where we won an excellent second place overall in 2022, and the SKB basketball team took second place at the Employees Sports Games 2022.



## Social investments

SKB Bank operates prudently and with long-term perspective in the context of social investments. We have thus been the main sponsor of the Olympic Committee of Slovenia since its establishment, which will conclude 30 years of successful cooperation in 2023. The commitment to Slovenian sports with the main sponsorship of Slovenian Olympians always leads us to encourage employees to exercise, especially with the support of the Sports for All project. At the same time, we are aware that by sponsoring Slovenian athletes and Slovenian sports we are encouraging them to achieve their goals.



GLAVNI SPONZOR

At the end of 2022, the employees of SKB Bank came together and connected with good deeds. We prepared a charity challenge in which employees with good deeds donated their time. More than 200 employees responded to the call of gratitude and responsibility towards society and the environment, joining more than 30 groups or working as individuals and performing many good deeds. Representatives of SKB Bank's management also joined in doing good and baked more than 50 bags of holiday cookies, which they donated to the Maternity Home in Ljubljana. SKB Bank donated 10 EUR for every good deed to the organization Luna Vila. SKB Bank chose Luna Vila as a donation recipient, which is a private and non-profit organization in Slovenia whose mission is to treat and prevent trauma in children due to abuse, neglect, sexual abuse, death of a loved one, long-term illness and migration.





# Expertise

We develop our potential and educate ourselves.

We have the appropriate expertise, which is reflected in our caring attitude towards clients and the environment.

## 5. Corporate governance

### 5.1. Organization of Internal Controls System

Within the stable internal governance arrangement, the SKB Bank must also establish appropriate mechanisms of internal controls, which also includes adequate administrative, technical and accounting procedures. The General Management must establish the organization of a system of internal controls to which the Board of Directors gives its approval.

The internal lines of defense of SKB Group is comprised of internal governance and internal control functions. Internal governance is achieved by SKB Group by formulating and operating an appropriate structure, organization, bodies and committees, and by exercising the management and supervision functions. Management functions are exercised by fulfilling administrative and representative duties, whereas supervisory functions are exercised by way of monitoring, control and supervision tasks.

Mechanisms of internal controls include internal controls and functions of internal controls: risk management function, compliance function, internal audit, risk control and ICT security function. The SKB Bank set up an effective structure of internal controls as a basis for performance of internal control's activities which must be performed on all the levels of organizational structure of the bank and on the level of each financial service and within the framework of daily business activities of the bank, including monitoring of activity of information systems and bank's employees' activity. The SKB Bank must ensure operation of established internal controls. Main findings of internal control's activities together with resolutions belonging to them must be duly documented. Internal controls shall include at least: reporting, operational procedures including IT systems, segregation of responsibilities, risk exposure limits, logical and physical controls.

The system of internal controls enables the General Management to control business activities and risks connected with them with the objective to increase the efficiency and efficacy of operation as well as to assure diligent and safe operation of the SKB Bank. Internal controls in place, their performance and monitoring ensure - beside other policies and procedures - the General Management and other holders

of internal control to become aware in time of internal and external environment risks and to initiate all necessary measures. System of internal controls is/must be independent from business areas, which it monitors and supervises.

The system of internal controls includes, among others:

- management review and control culture;
- recognition and evaluation of risks;
- control activities and distribution of competences;
- information and communication and
- supervision activities and elimination of deficiencies.

System of internal controls in SKB Bank is divided into two groups:

- permanent controls (i.e. permanent supervision, first level of controls);
- periodic controls (i.e. internal audit).

System of internal controls in SKB Bank. is further divided into the following levels (model of three lines of defense):

- daily controls & Managerial supervision as permanent form of control - first level;
- risk management, Compliance, Risk Control and IT security function - second level;
- internal audit as periodical form of control - third level.

As the part of the permanent supervision in functional terms, the SKB Bank also has in place continuous supervision of the following risks or conditions of the SKB Bank's operation as a second level of permanent control: credit risks, market risks, operational risks, interest rate risks, liquidity risks and strategic risks, profitability risks, risks with respect to the introduction of new products or services, risks with respect to outsourcing, and risks related to the assessment of the Board of Directors and the holders of key function.

Responsible persons for individual risk or for individual demand/condition of banking operation, are each for his/her own area, directly responsible to the General Management and shall report to the General Management and also directly to the Board of Directors and relevant committees of the Board of Directors.

### 5.1.1. Permanent control

Permanent supervision as task of the management of the SKB Bank is a first level of verification which consists of the following:

- day to day security of daily tasks and activities provided by all employees by correct and consistent application of the rules and internal operational procedures and processes which regulate concrete tasks of individual organizational units as well as the day to day accounts controls they are in charge of. Moreover, it includes the day to day supervision of their work by their hierarchical senior, including simultaneously elimination of irregularities. Day to day controls, included in a business process, which are for example: physical controls, verification of compliance with defined limits, established system of approvals and authorizations, system of verification and reconciliation, reporting system, may be a part of informational supported system of the SKB Bank or a part of operational processes;
- formalized managerial supervision by the heads of the bank's organizational units or other persons independent of the business process, in the form of periodic verification of the correct use and implementation of work procedures and control of sensitive accounts in accordance with control guidelines. Periodic inspections are reported hierarchically.

### 5.1.2. Periodical forms of controls

Internal audit (third level control) is an independent organizational unit of the SKB Bank, directly subordinated to the General Management, which is responsible for internal audit of the bank and its subsidiary.

Tasks of Internal audit are mainly as follows:

- monitoring and evaluation of efficiency of internal governance arrangements, including review of adequacy and efficiency of operation internal control system assessment of process of the bank's appropriate own funds estimation in terms of its risk evaluation;
- assessment of reliability of the information system, including the electronic information system and electronic banking services;
- assessment of accuracy and reliability of bookkeeping records and financial reports;
- verification of completeness, reliability and promptness of reporting in compliance with regulations;
- verification of conformity of the bank's conduct with regulations, internal rules and measures adopted on their basis;
- conducting special investigations at the request of the General management.

Purpose, tasks, powers and scope of work of Internal audit as well as internal audit procedures, including planning and reporting, are defined in detail by valid Internal Audit Charter (adopted by the General Management and confirmed by the Board of Directors) and in internal audit procedures.

Internal audit may, together with Internal Audit Directorate from the OTP Group conducts audit and advisory missions, investigations and verifications related to all aspects of business and to the management of the entities within SKB Group. In line with international rules and standards and Slovene regulation on internal governance SKB Group has implemented and detailed internal control mechanisms.

## 5.2. Internal Audit Report

The Internal Audit Department of SKB d.d. acts in compliance with the provisions of the Slovenian Banking Act and other relevant legislation, acts in line with the International Standards for the Professional Practice of Internal Auditing, follows the Code of Ethics of Internal Auditors and the Code of Internal Auditing Principles. The Department reports directly to the bank management, Board of Directors and its Audit Committee. Such set up has also been defined in the Internal Audit Charter and supplemented by Internal Audit Procedure, both aligned within the OTP IAD group organization. The independent set up and efficient governance have been successfully kept unchanged also within the year 2022.

The Department is independent and objective, oriented towards a systematic and professional approach at monitoring the decision-making process on all bank's areas, also at risk management, control environment and corporate governance assessment. It gives assurance if risks related to the key areas of the bank have been adequately managed. Criteria in assessing the system of internal controls and efficient risk management are valid legislation and connected guidelines, best practices and guidelines of the mother banking group. Additionally, with issued recommendations, the Department strives for improved overall effectiveness of the bank. The Department verifies the adequacy of risk management and control system, recommends improvements and best practices, gives advice to the bank management and to other areas of the bank, as well as takes care for increasing risks awareness, fraud prevention and effective internal controls awareness at all organizational levels. Moreover, the Department regularly reviews the remuneration policy of the bank and reports the findings to the Compensation Committee of the Board of Directors. In line with the OTP Group approach, the Department also performs group coordinated audit missions according to the defined OTP IAD audit program, common for all subsidiaries.

The Department is in charge of carrying out all types of audit engagements of all units, functions and processes, by covering primarily all the major risks and the most important operations, including the fulfilment of all regulatory requested missions. In addition, it also provides coverage for both bank daughter leasing companies (SKB Leasing d.o.o. and SKB Leasing Select d.o.o.).

The Department's engagements are driven by the Annual Internal Audit Plan, prepared mainly on the basis of own internal risk assessment of the bank's risks and business areas priorities. The Annual Plan is also aligned with the Strategic Audit Plan, both are approved by the bank management and confirmed by the Board of Directors, on the proposal of the Audit Committee. Nevertheless, the Department also keeps flexibility and assures agile approach with on time respond to immediate needs of the bank as well, by performing special and unplanned audit missions (upon special demand of the bank management or when internal frauds are suspected; when major irregularities are discovered or when higher risks arise).

During the year 2022, the Audit Plan was successfully completed by performing 44 planned engagements. At the end of December 2022, 3 reports were in status "draft report issued" and were finalized within the month of January 2023. One mission, outsourced to external audit company, related to the review of external provider, shall be completed within the first quarter of the year. Four audit missions, foreseen in the confirmed Annual Audit Plan, were cancelled with the consent of the Board of Directors, due to objective reasons. The scope of all missions was included in the Audit plan for the year 2023 or in the strategic plan respectively. There were also few special investigations performed due to fraud suspicions, or based on specific management request or deriving from changed risk profile. Internal Auditors were also involved in one audit engagement led by audit team of the mother banking group. In addition, Internal Auditors devoted significant time to assure strict and regular follow up of open recommendations, including recommendations issued by the Bank of Slovenia, gave advice, while constantly assuring enriched expertise within the team of 9, resulting in fulfilling also the mandatory requirements of appropriate knowledge, experiences and licenses.

On a regular basis, the Department prepared exhaustive reports for the Audit Committee and Board of Directors, highlighting the main findings and recommendations issued. During 2022 internal auditing, the Department did not encounter any critical risks or importantly deficient control environment that would endanger the stability of the bank. Based on audit missions' conclusions, the Department can confirm adequate management of the most important risks, adequate control environment and corporate governance, with some additional activities needed and already foreseen in some areas, as also confirmed by the regulator's inspections. Moreover, within its review of remuneration policy set up and implementation, the Department also assessed these activities as adequate. Following up on the realization of issued recommendations, the Department ascertains that the recommendations have been in major part implemented in line with the initially set deadlines, with very few exceptions related to important bank projects activities, where new action plans have been proposed and agreed.

The Department is continuously striving to improve its expertise, relaying also on the best practices shared within the mother banking group and by sharing the knowledge with other Slovene banks' internal audit teams.



Manica Novak  
Internal Audit Department director

## 5.3. Risk Management

### 5.3.1. Introduction

At SKB Group, the Risk Management business area, which includes several professional areas, is responsible for formulating and reviewing the Group's policies in the field of risk management, setting limits and regularly monitoring risk exposure. The Group places great emphasis on the culture of risk management and awareness of it throughout the Group. The Group's risk management framework is future-oriented, adapted to its business model and the correspondingly defined risk profile. The main principles and limitations are set out in the Group's risk acceptance and risk management strategy, which is designed in accordance with the business strategy.

Risk management and control is carried out through a clear organizational structure with defined roles and responsibilities. The organization and delimitation of responsibilities are designed to prevent conflicts of interest and to ensure a transparent and documented decision-making process with an appropriate flow of information up and down.

Risk management is focused on risk management and mitigation in accordance with the definition of Risk Appetite and the Group's Risk management strategy, which form the basis of the Group's risk management framework. In this context, the Group monitors various risk indicators to ensure that the Group's risk profile is consistent with its willingness to take risks. In addition, the Group is constantly upgrading its risk management system, with the key being the integration of ICAAP and ILAAP processes and other internal stress testing into the risk management system.

Particular emphasis is placed on including risk analysis in the decision-making process at strategic and operational levels, diversification to avoid large concentrations, optimal use and allocation of capital, appropriate pricing policy that includes assumed risks, and ensuring overall compliance with internal acts and regulations.

The uniform framework for stress testing, which includes internally developed models, stress scenarios and sensitivity analyses, has been further upgraded. Such a stress testing framework is subject to a regular cycle of internal validation and related procedures. The group also established an integrated framework for model management and validation. Namely, the Group supports a robust process of validation and verification of the selected approaches and internal models for risk assessment used.

The business and operational environment relevant to the Group's operations is changing along with trends such as changes in customer behavior, the development of new technologies and competitors, and an increasing range of regulatory requirements. Accordingly, the risk management system is constantly being adjusted and upgraded, primarily with the aim of detecting and managing new potential risks.

### 5.3.2. Proactive risk management (ICAAP process)

One of the key objectives of risk management is to maintain the SKB Group's adequate capital position. The SKB Group monitors capital adequacy at the SKB Group level in accordance with the readiness to take risks, and includes the normative and economic aspects as part of the established ICAAP process. As at 31. 12. 2022, the SKB Group had a very solid capital position, which reflects the total capital ratio of 16.9 %.

### 5.3.3. Credit risk

#### Business with companies

The credit limit approval process and individual decision-making powers are delegated to the Credit Risk Assessment department, which operates within the Risk Division and is independent of the commercial sectors. The procedure is based on the approval of proposals for a credit limit to a company submitted by commercial sectors. Any credit risk approval must be based on a good knowledge of the client and an in-depth understanding of the nature and nature of its business, the structure and purpose of the transaction, as well as the sources of repayment.

Sensitive customers are included in the customer list for regular and systematic monitoring (watch list). In 2022, SKB Bank supplemented the monitoring of customers in the detection of early warning signs (EWI) with additional questionnaires related to the perception of customer sensitivity regarding the Russian-Ukrainian crisis, the energy crisis and the effects of input material price inflation on customer operations.

#### Retail Banking

For the retail segment, the credit policy is implemented in the approval tool (application) itself, which enables the precise setting of the appropriate level of risk in accordance with the bank's risk strategy. The approval decision-making process, which includes credit scoring and customer's credit rating, is based on good customer knowledge, which is also regularly monitored.

In the Retail MSE segment (sole proprietors, associations and micro-enterprises), similarly to the corporate credit risk assessment process, the final customer risk profile is defined by credit rating, which is the basis for the credit decision-making process. In the beginning of 2022 we successfully implemented OTP Retail rating, which resulted in automatization of the rating process and assuring higher quality, better predictability and promptness.



Both segments are monitored with automated algorithms through regular monthly reports of portfolio monitoring, which consists of various portfolio quality measurements, such as vintages (LR, MR and HR curves), unpaid instalments, demographic data and others. On the basis of wide range client's data, we perform various additional analyses for the purpose of detecting important changes in the portfolio and changing patterns of customer behavior.

#### **5.3.4. Market risks**

The SKB Group and the companies in the SKB Group are exposed to foreign exchange and interest rate risk. The SKB Group has established an independent market risk management function that monitors market risks in accordance with legal requirements and methodologies that reflect their activities and scope of operations.

Currency risk represents the potential loss resulting from foreign exchange mismatches and changes in foreign exchange rates. It shows the change in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates. The SKB Group monitored currency risk in accordance with the requirements of the OTP Group. The main objective of the Group is to reduce the exposure of foreign exchange positions by individual currencies by observing internal limits.

The daily foreign exchange position is regulated by the Global Markets department. The Market risk management department monitors the daily and daily foreign exchange position. The monitoring process is supported by the OTP Group's market risk information system, which enables constant monitoring of the compliance of positions with limits. The limit system includes position limits by currency, global limit, maximum allowable loss (P&L) limits and risk value limits (VaR). The SKB Bank's structural foreign exchange position is monitored by the ALM department on a monthly basis, which is regulated within the prescribed limits.

Structural interest rate risk arises from interest rate mismatches of on-balance sheet and off-balance sheet items of the SKB Group and instability of market interest rates, which consequently affect net interest income and the economic value of the SKB Group's capital. The main purpose of structural interest rate risk management is to keep interest rate risk within limits and to limit the volatility of the SKB Group's financial results in the long run.

For the purpose of appropriate structural interest rate risk management, the SKB Group follows the procedures, responsibilities and methods of controlling, measuring, analyzing and reporting interest rate risk, which are defined in the Interest Rate Risk Management Policy. The management of structural interest rate risk in the banking book is in the domain of the ALM department within the Finance Division. Interest rate risk management activities are performed on a monthly or quarterly basis at the Group level, which includes SKB Bank, SKB Leasing and SKB leasing Select and are regularly reported to the ALCO Committee.

#### **5.3.5. Operational risks**

The SKB Group accepts operational risk as an integral part of prudent operations and has set the framework for operational risk management in order to ensure consistent and comprehensive identification, assessment and control and management of operational risk. Our framework defines the management model, monitoring and control system and reporting of information related to operational risk.

Operational risk management has a major impact on the SKB Bank's costs, its competitiveness, business compliance and its reputation. Therefore, the SKB Group works preventively and identifies and manages risks before losses occur, thus improving our results and reducing the possibility of errors and losses. We place great emphasis on collecting and monitoring operational losses related to credit risk, monitoring the implementation of action plans to reduce operational risk and identifying and preventing fraud.

In the SKB Group, we are aware that good operational risk management, greater awareness and better understanding of operational risks are important and we are aware of the potential impact of the concrete manifestation of these risks. Therefore, we pay a lot of attention to improving and strengthening the internal control system, educating SKB Group employees on operational risk and on the preventive measures needed to reduce this risk.

#### **5.3.6. ESG - environmental, social and management aspects of risks**

Banking sector is called and required to lead the European economy to sustainable transition following the Paris Agreement on Climate Change and the European Green Agreement, which set the goal of making Europe the first climate-neutral continent by 2050. Banks with its financing role substantially impact to support the change of its clients' business models and thus contribute to the transition to low-carbon and more circular economy.

For the economy and financial institutions, this transition brings both risks and opportunities. According to banking regulators, climate and environmental risks are so important that banks need to address them strategically, holistically and forward-looking.



Since 2021 and especially in 2022, SKB Bank actively approached the treatment of ESG risks with special emphasis on the E-environmental aspect, as we believe that the sustainability aspect in the S-social aspect and the G-governance aspect is already well established:

- In the list of all types of risks, we consider the attribute of climate and environmental impacts (on credit risk, liquidity risk, operational risk, reputation risk, etc.). Namely, ESG risk is not considered as an independent risk, but one that changes existing risk exposures.
- Together with the management of the bank and representatives of OTP we have formulated strategic goals for targeted green loan portfolio by 2025, development of green products, measurement and activities to decrease our own greenhouse emissions as well as the emissions caused by our investments. To be able to set up key strategic indicators we started to form a unified database for monitoring and analyzing ESG. In order to raise awareness of the importance of the accelerated transition to a low-carbon economy, we organized initial training for all employees, many of them attend webinars and other available trainings and workshops while all employees are additionally informed in the internal newsletters about innovations and progress in the bank. Our management is regularly informed about the activities in progress and their statuses and in addition seminars are organized for them to update them with novelties and challenges from the environment.
- The professional exchange of information is conducted within the coordination group, which includes representatives of relevant organizational units of the SKB Group.
- Within Slovene banking association and its working groups, we actively participate raising initiatives and proposed activities, unified approaches and exchange of views.
- Special attention is given to supervisory expectations and regulatory requirements.
- For the operational implementation of important tasks (formulation of strategic documents and policies, preparation of green products and green portfolio in accordance with the Taxonomy, risk policy formulation and investment portfolio control related to environmental and climate risk exposure, provision of necessary data for monitoring, reporting and preparation of disclosures and own assessment and reduction of the carbon footprint) we have organized a project work with which we will gradually contribute to the sustainable growth of our economy together with the parent OTP Bank.

Our goal is to redirect financial flows into sustainable investments, consolidate the role of sustainable approaches in risk management, improve transparency and strengthen long-term thinking about importance of needed changes.

## 5.4. Corporate Governance Statement of the SKB d.d.

In order to achieve a high level of transparency in the management, SKB d.d. issues management declaration as a part of the business part of the Annual Report. SKB d.d. implements internal governance arrangements in accordance with the legislation and regulations in force in the Republic of Slovenia, while respecting internal acts and the guidelines of parent company. SKB d.d. fully considers the acts referred to in the second paragraph of Article 9 of the Banking Act<sup>7</sup>.

In order to strengthen the internal governance arrangements in our operations, we consider, in particular:

- 1) The provisions of the applicable Banking Act, which define the internal governance arrangements, in particular the provisions of Chapter 3.4 (Bank Management System), and Chapter 6 (Internal management arrangements and adequacy of internal capital), in the part of the requirements applicable to a bank / savings bank or to members of the management body.
- 2) Regulation on Internal Governance Arrangements, the management body and the Internal Capital Adequacy Assessment Process for banks and savings banks<sup>8</sup> and
- 3) EBA guidelines regulating internal governance, assessment of suitability of members of the management body and holders of key functions, and remuneration policies and practices, on the basis of relevant decisions of the Bank of Slovenia on implementation of these guidelines<sup>9</sup>.

At the same time, we strive to consider, to the greatest extent possible, the non-binding recommendations of the Bank of Slovenia.

By signing this declaration, we also commit ourselves to further proactive actions in order to strengthen and promote the appropriate arrangement of internal governance and corporate integrity to the wider professional, financial, economic and other public.

### Description of the main features of internal controls and risk management in relation to the financial reporting process

Internal controls provide adequate risk management, accounting, internal and external financial accounting reporting, and legal and business ethical performance of the Bank. Internal controls are established in processes and organizational units at all organizational levels of operations of the Bank and the Group.

SKB d.d. respects the provisions of the Companies Act and the Banking Act, which stipulate, inter alia, that the bank is obliged to establish an effective system of internal controls and risk management on all levels of the organizational structure of the bank. Regional regulations in this area are also issued by the Bank of Slovenia as a supervisory body of the banks. SKB d.d. follows the published legal regulations and takes them into account. Risk assessment and management have a significant impact on the formulation of the business and strategic plan of the SKB Bank and the Group, on the decision-making process that relates to commercial transactions, individual contracts, investments and other activities.

<sup>7</sup> Banking act (ZBan-3), Official Gazette of RS, nb 92/21;

<sup>8</sup> Regulation on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings banks, Official Gazette of RS, nb 115/21;

<sup>9</sup> <https://www.bsi.si/en/financial-stability/regulation>

The SKB Bank has an effective risk management system in the field of prevention of money laundering and terrorist financing<sup>10</sup> in line with the law which includes the function of prevention of money laundering and terrorist financing.

The SKB Bank ensures that its business objectives, strategies and policies are adequately aligned with the strategy and policies for identifying, measuring or assessing, managing and monitoring the risks that they are or might be exposed to in their operations. The business is organized in such a way that it regularly and systematically manages the books of accounts, business documentation and other administrative records so that it can, at any time, be verified whether it operates in accordance with the rules on risk management.

The compliance of the internal control and risk management system with banking rules in the SKB Bank is assessed annually by an external audit that reviews the Bank's annual report.

The SKB Group has established and maintains a multi-level system of internal controls, consisting of daily / operational controls and periodic controls, which include permanent and managerial control. Additionally, the SKB Group has set up monitoring and reporting of significant deviations in financial reporting on a quarterly basis. With the established controls, the SKB Group reduces the risks of inadequate or misleading financial reporting that it regularly evaluates, and it also regularly reviews the control mechanisms. More information on the established risk management systems and on the internal control system is given in the chapter Internal Control System.

#### **Data and explanations from points 3, 4, 6, 8 and 9 of the sixth paragraph of Article 70 of the Companies Act (ZGD-1)**

#### **Significant direct and indirect ownership of the company's securities, in terms of achieving a qualifying holding, as defined by the law regulating acquisitions (point 3 of the sixth paragraph of Article 70 of the Companies Act)**

### **Shareholders Equity and SKB Shares**

The share capital of the SKB Bank as per 31. 12. 2022 amounts to EUR 52,784,176.26, and is divided into 12,649,200 no-par-value shares. Each no-par-value share has an equal share and belonging amount in the share capital. The share of individual no-par-value shares in the whole share capital is determined with regard to the number of all no-par-value shares issued. The shares are indivisible, registered shares that are issued in dematerialized form. Shareholders are entitled to participate in the management of the company as well as in profit distribution and to receive an adequate share of remaining assets in the event of a cessation of the company. Shares are recorded in the share register in line with regulations. The central records are kept with the KDD - Central Clearing and Depository Company d.d., in Ljubljana, which carries out all procedures of share transfer in line with the law.

The share capital of the SKB Bank and the number of shares remained unchanged in 2022. The OTP Bank Nyrt is the only shareholder with a 100 % stake in the Bank.

Shareholders' Equity structure	SKB GROUP		SKB BANK		SKB LEASING		
	amounts in K EUR	2022	2021	2022	2021	2022	2021
Capital		52,784	52,784	52,784	52,784	21,809	21,809
Share premium		104,061	104,061	104,061	104,061	259	259
Accumulated other comprehensive income		(39,330)	15,165	(39,242)	15,315	(88)	(149)
Reserves from profit		29,106	29,106	29,106	29,106	2,181	2,181
Retained earnings		241,429	195,462	229,679	178,987	2,021	2,021
Income from current year		61,058	46,008	63,592	50,733	8,923	9,305
<b>Total Shareholders' Equity</b>		<b>449,108</b>	<b>442,588</b>	<b>439,980</b>	<b>430,987</b>	<b>35,105</b>	<b>35,425</b>

SKB Share - in EUR	2022	2021
Net assets per share as at 31. 12. on a consolidated basis	35.50	34.99
Earnings per share on a consolidated basis	4.83	3.64
Net assets per share as at 31. 12. - the Bank	34.78	34.07
Earnings per share - the Bank	2.17	4.01

<sup>10</sup> Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-2), Official Gazette of RS, nb 48/22, 145/22

## Shareholder's Structure

As of 24. 6. 2020 OTP Bank Nyrt is the only shareholder with a 100 % stake in the SKB Bank.

As at 31. 12. 2022, the SKB Bank had no treasury stock.

## Restrictions on voting rights (point 6 of the sixth paragraph of Article 70 of the Companies act)

Each share provides one vote at the General Meeting of Shareholders. A quorum of the General Meeting of Shareholders is attained when twenty (20) percent of the share capital represented with a voting right is present at the session. The General Meeting of Shareholders of the SKB Bank acts by a simple majority of the votes cast by the present shareholders if the law does not specify a higher majority or if other requirements are not set.

## The SKB Bank's rules on the appointment and replacement of members of the management or supervisory bodies and changes to the Articles of Association (point 8 of the sixth paragraph of Article 70 of the Companies Act)

The bank has a Board of Directors which consists of at least five (5) members. The number of members of the Board of directors is determined by the General Meeting of Shareholders with a resolution on appointment. The term of office of a particular member of the Board of Directors lasts four years. The members of the Board of Directors may be re-elected. In case of resignation of a member or termination of a member's membership, the term of office of a new member is lasts four years. Candidates for the members of the Management Board are proposed by the adequate foundation within the controlling company and/or invited to their candidature by the Nomination Committee.

The Board of Directors elects its Chairman and his/her Deputy among its members.

Executive Directors nominated by the Board of Directors among its members manage the operations of the bank and represent it.

The General Meeting of Shareholders amends and supplements the Bank's Articles of Association by a three-quarter majority of the share capital represented.

The Board of Directors is authorized to amend the Articles of Association only to the extent concerning the alignment of its wording with the valid decisions made by the General Meeting of Shareholders.

## Powers of management body members for issuing or purchase of treasury shares (Item 9 of the sixth paragraph of Article 70 of the Companies.

Members of the management body of SKB d.d. do not have the power to issue or purchase treasury shares.

## Information on functioning of the Bank's General Meeting of Shareholders and its key competencies and description of the rights of shareholders and their enforcement

The General Meeting of SKB d.d. consists of shareholders.

The General Meeting shall decide on:

- use of balance sheet profit,
- appointment and dismissal of the members of the Board of Directors,
- granting discharge to the members of the Board of Directors,
- amendments to the Statute,
- measures to increase or reduce the share capital,
- dissolution of the Bank and status-related changes,
- appointment of an auditor,
- adoption of Rules governing its functioning,
- other matters according to the applicable law.

A shareholder participates in the share capital of the bank with regard to the shareholder's stake represented by his/her shares in proportion to the share capital of the bank. Any person who legitimately holds a share has the status of a shareholder of the bank. In relation to the SKB Bank, any shareholder entered in the Share Register is deemed to be a shareholder. Other rights are also guaranteed to shareholders in accordance with the provisions of the Companies Act (ZGD-1) and the SKB Bank's Statute - the right to participate in the management of the SKB Bank, to a portion of the profit and to the relevant part of the remaining assets after the bank's cessation.

In accordance with the Articles of Association of SKB d.d. and the Companies Act, the General Meeting has to be convened at least once per calendar year. In 2022 two General Meetings of Shareholders were convened.

At its 37th session the General Meeting, held on 31. 3. 2022, the General Meeting adopted six resolutions, by which the General Meeting:

- became familiar with the audited Annual report of Ernst&Young d.o.o., the report of the Board of Directors on the Annual report of the SKB Group for 2021, the resolution of the Board of Directors on the adoption of the Annual report of the SKB Group and the resolution of the Board of Directors on the adoption of the Report on Internal Auditing in 2021;
- established that distributable net profit for the year 2021 amounted to 226,817,750.24EUR, with a net profit for the year 2021 representing 50,733,282.74 EUR and decided that distributable net profit will not be distributed and remains till further notice unallocated and that net profit is transferred from net profit of business year 2021 to retained earnings;
- granted discharge to the members of the Board of Directors of the bank for their work in the business year 2021;
- acknowledged that the four-year term of the member of the Board of Directors, Vojka Ravbar, expires on 29. 5. 2022;
- established that the Board of Directors consist of seven members, without prejudice to the right of workers to elect workers' representatives for the members of the Board of Directors in accordance with the regulations on workers' participation in management;
- appointed Vojka Ravbar as a member of the Board of Directors on 30. 5. 2022, with the aim of a continuous mandate,, whose mandate lasts four years from the day of nomination and established that the newly appointed member of the Board of Directors has been appointed in compliance with the applicable Banking Act and the Companies Act and regulation of the Bank of Slovenia on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings banks;
- agreed to the contract for the performance of the position of Deputy Chief Executive Officer, which is concluded with Vojka Ravbar;
- adopted the changes and amendments to the Articles 47, 55, 61 to 64, 77, 78 and 92 of the Statute of SKB Banka d.d. Ljubljana of 4. 5. 2021;

At its 38th session the General Meeting, held on 4. 7. 2022, the General Meeting adopted one resolution, by which the General Meeting

- agreed to the annex to the contract on the performance of the position of Chief Executive Officer, which is concluded with Anita Stojčevska and will be in use from 1. 5. 2022 onwards.

## **Information on the composition of the management or supervisory bodies and their committees**

The Board of Directors is composed of Executive and Non-executive Directors. Non-executive Directors are either independent members of the Board of Directors or representatives of the company's shareholders and, in line with the Banking Act, assume, *mutatis mutandis*, the function of the Supervisory Board in the two-tier governance system, while the Executive Directors assume the function of the Management Board.

The Board of Directors therefore defines the strategic roadmap of the company and validates or analyses the most significant topics of its business: financial statements, risks management, governance scheme, internal control mechanisms, strategic investments plan, compensations, main guidelines in terms of Human Resources, organization and corporate social responsibility, while the Executive Directors manage the current business. The Executive Directors, who are members of the Board of Directors, are also representatives of the company by law.

Within the Board of Directors a closer link between the representatives of the capital and the General Management, as executor of their guidelines, can be established, while on the other hand it is also very important to maintain a clear distinction of responsibilities between Non-executive and Executive Directors, i.e. between the supervisors and the executors of management tasks. Efficiency, professionalism, responsibility and independence among members of the Board of Directors, which are particularly important values driving the relationships among Executive and Non-executive Directors, and among them and the shareholders, are defined in the adopted Internal Acts of the SKB Bank.

## Board of Directors of SKB d.d.

**In the period 1. 1. 2022 – 12. 12. 2022, the Board of Directors was composed of seven (7) members, namely:**

- Imre Bertalan, President
- Anna Mitkova Florova, Deputy President
- Draga Cukjati, member
- Attila Kovács, member
- Dr. Miklós Németh, member
- Anita Stojčevska, member, Chief Executive Officer
- Vojka Ravbar, member, Deputy Chief Executive Officer

**In the period 12. 12. 2022 – 31. 12. 2022, the Board of Directors was composed of six (6) members, namely:**

- Imre Bertalan, President
- Anna Mitkova Florova, Deputy President
- Draga Cukjati, member
- Attila Kovács, member
- Anita Stojčevska, member, Chief Executive Officer
- Vojka Ravbar, member, Deputy Chief Executive Officer

**In the period 1. 1. 2022 – 12. 12. 2022 the members of the Committees of the Board of Directors were:**

### **Audit Committee:**

- Draga Cukjati, President
- Anna Mitkova Florova, member
- Imre Bertalan, member

### **Risks Committee:**

- Attila Kovács, President
- Draga Cukjati, member
- Dr. Miklós Németh, member

### **Remuneration Committee:**

- Dr. Miklós Németh, President
- Imre Bertalan, member
- Anna Mitkova Florova, member

### **Nomination Committee:**

- Anna Mitkova Florova, President
- Draga Cukjati, member
- Imre Bertalan, member

**In the period 12. 12. 2022 – 31. 12. 2022 the members of the Committees of the Board of Directors were:**

### **Audit Committee:**

- Draga Cukjati, President
- Anna Mitkova Florova, member
- Imre Bertalan, member

### **Risks Committee:**

- Attila Kovács, President
- Draga Cukjati, member

### **Remuneration Committee:**

- Imre Bertalan, member
- Anna Mitkova Florova, member

**Nomination Committee:**

- Anna Mitkova Florova, President
- Draga Cukjati, member
- Imre Bertalan, member

**Information on participation of the members of the Board of Directors in the function of members of the governing body as at 31. 12. 2022:**

Imre Bertalan is

- non-executive member, President of the Board of Directors of SKB banka d.d. Ljubljana

Draga Cukjati is

- non-executive member of the Board of Directors of SKB banka d.d. Ljubljana
- President of the Audit Committee, BTC d.d. Ameriška ulica 2, Ljubljana

Attila Kovács is

- non-executive member of the Board of Directors of SKB banka d.d. Ljubljana
- non-executive member of the Board of Directors of OTP Jelzalobank Zrt
- non-executive member of the Board of Directors of OTP Lakastakarek Zrt

Anna Mitkova Florova is

- non-executive member of the Board of Directors of SKB banka d.d. Ljubljana
- non-executive member of the Board of Directors of OTP Building Society
- non-executive member of the Board of Directors of OTP Mortgage Bank Ltd.
- non-executive member, Chairperson of the Board of Directors of OTP Penzugyi Pont Ltd.
- non-executive member, Chairperson of the Supervisory Board of OTP Ingatlanpont Ltd.

Anita Stojčevska is

- executive member of the Board of Directors of SKB d.d. only

Vojka Ravbar is

- executive member of the Board of Directors of SKB d.d. only

**General Management of SKB d.d. in the period 1. 1. 2022 – 31. 12. 2022**

- Anita Stojčevska, Chief Executive Officer
- Vojka Ravbar, Deputy Chief Executive Officer

**Description of diversity policy implemented with regard to the representation in the governing and supervisory bodies of the company**

The Nomination Committee which works in line with Rules of SKB banka d.d. Ljubljana on assessment of suitability of members of the Board of Directors is actively involved in the selection and assessment of members of the Board of Directors (BoD).

These rules apply to the proposed and appointed members of the Board of Directors (non-executive and executive directors).

In case of the procedure for appointment of a new member of the Board of Directors of SKB d.d., the candidate(s) is (are) proposed by the relevant function within major shareholder as parent bank and/or the Nomination Committee. In SKB d.d., the assessment of the candidate or reassessment of the members of the Board of Directors is prepared and carried out by the Nomination Committee. Members of the Board of Directors, being under assessment, are excluded from the assessment procedure and from decision-making procedure.

The Nomination Committee prepares all necessary activities for assessment/reassessment of suitability for each member of the Board of Directors.

The Rules on assessment of suitability of members of the Board of Directors in the bank define, in particular, the activities to be carried out with regard to the assessment of suitability of each member of the Board of Directors (acquisition of corresponding documentation according to EBA questionnaire and questionnaire of the Bank of Slovenia) as well as the assessment criteria, like for example reputation criteria (eventual criminal proceedings, judicial proceedings, proceedings with regulatory bodies, connotations in media, etc.), experience criteria (professional career, education level, working experience, trainings, etc.) and management criteria, including time availability (eventual conflict of interests and expectations, available time for performing this function, membership in governing bodies of other companies and organizations, etc.).

Should there be a doubt about any of the assessment criteria, an assessment of how this will or might affect the suitability of the person concerned, shall be made by the Nomination Committee. All matters that are relevant to, and available for the assessment, should be taken into account, irrespective of where and when they occurred.

The implementation of assessment of suitability of members of the Board of Directors and of the Board of Directors as a whole, contributes to the fact that with an appropriate composition, the Board of Directors will ensure that SKB d.d. shall have a solid corporate system with clearly defined organization and responsibilities, efficient detection, management and monitoring of procedures and risks the bank is or could be exposed to, adequate internal control system, clear administrative and accounting procedures, lawful and consistent operations and the compensation policies and practices that shall allow and encourage responsible and efficient risk management.

Reassessment of suitability of members of the Board of Directors is made:

- on annual basis;
- in case of eventual reappointment on the same function or position;
- in case of events that make a reassessment of suitability necessary (e.g. major changes in bank's operations or acquisition of data or documents, which might have an impact on the existing assessment of suitability or if a member of the Board of Directors takes up another field of governance or supervision within the existing term of office).

With regard to the previous assessment of suitability, the reassessment of suitability is limited only to major changes or additional information.

Assessment of suitability of a non-executive member of the Board of Directors includes suitability of this particular individual as well as the suitability of all non-executive members of the Board of Directors as a whole, i.e. supervisory function.

Assessment of suitability of an executive member of the Board of Directors includes suitability of this particular individual as well as the suitability of all executive members of the Board of Directors as a whole, i.e. management function.

Assessment of suitability of the Board of Directors as a whole includes an assessment of suitability of executive and non-executive directors as a whole by taking into account an adequately extensive range of know-how, skills and experience of all members, necessary for a thorough understanding of the bank's activities and the risks it is exposed to, and that the Board of Directors as a whole achieves an adequate diversification, including an appropriate gender and age structure.

When assessing the suitability of the members of the Board of Directors, the Nomination Committee respected the adopted criteria and re-assessed, also in 2021 the suitability of each member of the Board of Directors, by taking into account also the changes with regard to the situation upon their nomination. The Nomination Committee applied the same criteria also in the assessment of the proposed new members of the Board of Directors. In addition, a separate assessment was made for the Executive Directors of the Board of Directors, non-executive members of the Board of Directors and for the Board of Directors as a whole. The Commission re-established that the structure of the members of the Board of Directors in terms of education, age, gender, experience, expertise and capacity for work in the fields falling under the competence of the Board of Directors was adequate and ensuring a successful work and fulfilment of the set objectives, i.e., above all safe, stable and successful operations of the bank and maintaining its reputation in the environment in which it operates.

The data on experience of the members of the Board of Directors are publicly published on the bank's website (Board of Directors). As at 31. 12. 2022, the Board of Directors is composed of six (6) members – four (4) women and two (2) men, of various age, various education profiles and experience, which enables them to ensure a constructive and critical judgement of decisions made by the General Management as well as an efficient control over the latter.

Ljubljana, 28. 3. 2023



**Vojka Ravbar**  
Deputy Chief Executive Officer



**Anita Stojčevska**  
Chief Executive Officer



## General management's responsibility statement and scope of impact

### SKB banka d.d. Ljubljana

All legal transactions between the controlling undertaking and the related undertakings were conducted in a way that there was no disadvantage in circumstances, which were known to SKB d.d. at the time when the legal transaction was carried out.

Also SKB d.d. has not committed or abandoned any act on the initiative or in the interests of the controlling undertaking or its related undertakings. In the year 2022 there was no disadvantage for SKB d.d., which would have to be replaced.

Ljubljana, 28. 3. 2023



**Vojka Ravbar**  
Deputy Chief Executive Officer



**Anita Stojčevska**  
Chief Executive Officer

### SKB Leasing d.o.o.

All legal transactions between the controlling undertaking and the related undertakings were conducted in a way that there was no disadvantage in circumstances, which were known to SKB Leasing d.o.o. at the time when the legal transaction was carried out.

Also, SKB Leasing d.o.o. has not committed or abandoned any act on the initiative or in the interests of the controlling undertaking or its related undertakings. In the year 2022 there was no disadvantage for SKB Leasing d.o.o., which would have to be replaced.

Ljubljana, 28. 3. 2023



**Don Schoeffmann**  
Chief Executive Officer, SKB Leasing d.o.o.

### SKB Leasing Select d.o.o.

All legal transactions between the controlling undertaking and the related undertakings were conducted in a way that there was no disadvantage in circumstances, which were known to SKB Leasing Select d.o.o. at the time when the legal transaction was carried out.

Also, SKB Leasing Select d.o.o. has not committed or abandoned any act on the initiative or in the interests of the controlling undertaking or its related undertakings. In the year 2022 there was no disadvantage for SKB Leasing Select d.o.o., which would have to be replaced.

Ljubljana, 28. 3. 2023



**Don Schoeffmann**  
Chief Executive Officer, SKB Leasing Select d.o.o.

**Directors of Divisions on high-level managerial positions, but not being members of the Board of Directors as at 31. 12. 2022:**

**Finance:**

- **Spyridon Ntallas, Director of Finance Division**

**Risk:**

- Csaba Csikos, Director of Risk Division

**Retail and Marketing:**

- Miroslav Vidaković, Director of Retail and Marketing Division

**Corporate Banking and Financial Markets**

- Bojana Novak, Director of Corporate Banking and Financial Markets Division

**Customers Banking Services:**

- Miro Cepec, Chief Operating Officer and Director of Customers Banking Services Division

**General Means and Support:**

- Miro Cepec, Chief Operating Officer and Director of General Means and Support Division

## 6. Important data and business performance indicators – SKB Group

### 6.1. Important Information and Indicators Related to the SKB Group Business Operations

SKB Group	12. 2022		12. 2021		12. 2020	
	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index
<b>I. STATEMENT OF FINANCIAL POSITION</b>						
1. Balance sheet total	4,436,792	116	3,837,940	105	3,656,175	108
2. Deposits from non-bank clients	3,663,630	111	3,287,246	106	3,109,643	114
a) from legal and other persons	1,503,016	114	1,313,024	112	1,173,462	116
b) from citizens	2,160,614	109	1,974,222	102	1,936,181	113
3. Loans to non-bank clients	2,974,743	113	2,626,570	107	2,453,075	98
a) to legal and other persons	1,420,431	122	1,159,580	110	1,055,788	97
b) to citizens	1,554,312	106	1,466,990	105	1,397,288	99
4. Overall equity capital	449,108	101	442,586	109	405,982	111
5. Provisions and impairments	62,611	75	83,994	86	97,456	142
6. The volume of off-balance sheet business	1,541,349	99	1,553,524	114	1,361,517	98
<b>II. PROFIT AND LOSS ACCOUNT</b>						
1. Net interest	85,161	111	76,768	96	79,895	96
2. Net non-interest income	46,273	102	45,181	106	42,771	103
3. Costs of labour, materials and services	65,259	108	60,469	108	56,115	100
4. Depreciation/amortization	6,443	109	5,896	97	6,101	95
5. Net cost of risk and provisions	(15,873)	1,400	(1,134)	(6)	18,509	(915)
6. Profit or loss before taxation	75,605	133	56,719	135	41,940	63
7. Tax on profit	(14,547)	136	(10,711)	151	(7,090)	57
Other comprehensive income before tax	(67,477)		(11,795)		7,014	
Income tax relating to components of other comprehensive income	12,981		2,242		(1,344)	
Number of outlets	48		48		51	
<b>III. EMPLOYEES</b>						
Number of employees	925		908		932	
<b>IV. SHARES</b>						
1. Number of shareholders	1		1		1	
2. Number of shares	12,649,200		12,649,200		12,649,200	
3. Belonging amount in the share capital per nominal par-value share (in EUR)	4.1729		4.1729		4.1729	
4. Book value per share (in EUR)	35.50		34.99		32.10	

SKB Group	12. 2022		12. 2021		12. 2020	
	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index
<b>V. SELECTED RATIOS</b>						
<b>a) Equity capital</b>						
1. CET1 capital ratio	14.14		15.03		15.16	
2. T1 capital ratio	14.14		15.03		15.16	
3. Total capital ratio	16.92		15.03		15.16	
<b>b) Quality of assets</b>						
1. Non-performing (balance and off-balance sheet) exposure / all balance and off-balance sheet exposure	1.11		1.49		2.05	
2.a Non-performing (balance sheet) exposure / all balance sheet exposure (without cash balances at central banks and other demand deposits)	1.39		1.91		2.67	
2.b Non-performing (balance sheet) exposure / all balance sheet exposure (with cash balances at central banks and other demand deposits)	1.22		1.70		2.31	
3.a All impairment and provisions / non-performing impairment and provisions (without cash balances at central banks and other demand deposits)	75.01		76.07		71.48	
3.b All impairment and provisions / non-performing impairment and provisions (with cash balances at central banks and other demand deposits)	75.01		76.07		71.48	
4. received collaterals / non-performing exposure	11.91		3.84		4.37	
<b>c) Profitability</b>						
1. Interest margin	2.13		2.06		2.25	
2. Financial margin	3.29		3.27		3.45	
3. Return on assets before taxation	1.89		1.52		1.18	
4. Return on assets	1.53		1.23		0.98	
5. Return on equity before taxation	17.32		13.41		10.91	
6. Return on equity after taxation	13.99		10.87		9.07	
<b>d) Operating costs</b>						
1. Operating costs / assets	1.79		1.78		1.75	
<b>e) Liquidity</b>						
1.- Liquidity coverage ratio	219		306		245	
2.- Net stable funding Ratio	150		153		154	
3.- Leverage Ratio	8.27		9.23		9.13	

## 6.2. Important Information and Indicators Related to the SKB Bank Business Operations

SKB Bank	12. 2022		12. 2021		12. 2020	
	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index
<b>I. STATEMENT OF FINANCIAL POSITION</b>						
1. Balance sheet total	4,419,908	115	3,828,111	105	3,645,440	108
2. Deposits from non-bank clients	3,672,384	111	3,301,210	106	3,124,672	114
a) from legal and other persons	1,511,770	114	1,326,988	112	1,188,491	116
b) from citizens	2,160,614	109	1,974,222	102	1,936,181	113
3. Loans to non-bank clients	2,965,354	113	2,621,892	107	2,441,920	98
a) to legal and other persons	1,638,494	118	1,391,572	108	1,283,224	97
b) to citizens	1,326,860	108	1,230,320	106	1,158,696	100
4. Overall equity capital	439,980	102	430,986	111	389,667	112
5. Provisions and impairments	53,859	71	75,820	84	90,421	154
6. The volume of off-balance sheet business	1,541,371	99	1,553,547	114	1,361,540	98
<b>II. PROFIT AND LOSS ACCOUNT</b>						
1. Net interest	71,413	116	62,078	98	63,298	102
2. Net non-interest income	53,447	99	53,577	99	54,018	105
3. Costs of labour, materials and services	59,341	108	55,006	107	51,280	100
4. Depreciation/amortization	5,274	112	4,694	99	4,721	98
5. Net cost of risk and provisions	(14,877)	503	(2,960)	(14)	21,769	(2,766)
6. Profit or loss before taxation	75,123	128	58,917	149	39,545	65
7. Tax on profit	(11,531)	141	(8,184)	196	(4,166)	47
Other comprehensive income before tax	(67,538)		(11,802)		7,017	
Income tax relating to components of other comprehensive income	12,981		2,242		(1,343)	
Number of outlets	48		48		51	
<b>III. EMPLOYEES</b>						
Number of employees	837		823		848	
<b>IV. SHARES</b>						
1. Number of shareholders	1		1		1	
2. Number of shares	12,649,200		12,649,200		12,649,200	
3. Belonging amount in the share capital per nominal par-value share (in EUR)	4.1729		4.1729		4.1729	
4. Book value per share (in EUR)	34.78		34.07		30.81	

SKB Bank	12. 2022		12. 2021		12. 2020	
	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index	amount in EUR 000 / ratios in %	index
<b>V. SELECTED RATIOS</b>						
<b>a) Equity capital</b>						
1. CET1 capital ratio	13.30		13.71		13.75	
2. T1 capital ratio	13.30		13.71		13.75	
3. Total capital ratio	15.96		13.71		13.75	
<b>b) Quality of assets</b>						
1. Non-performing (balance and off-balance sheet) exposure / all balance and off-balance sheet exposure	0.90		1.17		1.79	
2.a Non-performing (balance sheet) exposure / all balance sheet exposure (without cash balances at central banks and other demand deposits)	1.10		1.48		2.32	
2.b Non-performing (balance sheet) exposure / all balance sheet exposure (with cash balances at central banks and other demand deposits)	0.96		1.31		2.00	
3.a All impairment and provisions / non-performing impairment and provisions (without cash balances at central banks and other demand deposits)	77.62		81.32		72.76	
3.b All impairment and provisions / non-performing impairment and provisions (with cash balances at central banks and other demand deposits)	77.62		81.32		72.76	
4. received collaterals / non-performing exposure	14.75		4.89		5.01	
<b>c) Profitability</b>						
1. Interest margin	1.79		1.67		1.78	
2. Financial margin	3.13		3.11		3.31	
3. Return on assets before taxation	1.89		1.59		1.11	
4. Return on assets	1.60		1.37		1.00	
5. Return on equity before taxation	17.56		14.52		10.61	
6. Return on equity after taxation	14.87		12.50		9.49	
<b>d) Operating costs</b>						
1. Operating costs / assets	1.62		1.61		1.58	
<b>e) Liquidity</b>						
1.- Liquidity coverage ratio	219		306		245	
2.- Net stable funding Ratio	150		153		154	
3.- Leverage Ratio	8.15		8.87		8.74	

# VI. Financial report for SKB Group and SKB Bank

## Statement of general management's responsibilities

The General Management of the bank has approved the financial statements of SKB Group and SKB Bank for the year ended 31 December 2022, the applied accounting policies, and the notes to the financial statements.

The General Management is responsible for preparing the Annual Report, which gives a true and fair representation of the financial position of the Group and the Bank as at 31 December 2022, and the results of their operations for the year then ended.

The General Management confirms that accepted accounting policies have been used on a consistent basis, and that the accounting estimates have been made in compliance with the principles of prudence and good management. The Management Board also confirms that the financial statements with the accompanying notes have been prepared on the assumption of a going concern for the SKB Group and the SKB Bank and in compliance with the relevant legislation and International Financial Reporting Standards adopted by the EU.

The General Management is also responsible for the proper management of accounting, taking appropriate measures to protect the assets, as well as for preventing and discovering fraud and other irregularities or illegal acts.

Ljubljana, 28. 3. 2023



**Vojka Ravbar**  
Deputy Chief Executive Officer



**Anita Stojčevska**  
Chief Executive Officer



# Independent auditor's report – draft version



This is a translation of the original report in Slovene language

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SKB Banka, d.d.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

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

In our opinion, the accompanying separate financial statements and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2022 and its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

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

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

#### Credit risk and impairment of loans and advances to customers including impact of uncertain macroeconomic environment

The carrying amount of loans and advances to customers at amortized cost amounts to EUR 2,965 million (or 67% of total assets) at the Bank and EUR 2,975 million (or 67% of total assets) at the Group as of 31 December 2022. As of 31 December 2022, total impairments of the Bank amounted to EUR 46 million and of the Group to EUR 54 million. Impairment allowances on Loans and advances to customers represent Executive directors' best estimate

We understood and evaluated the impairment assessment processes for loans as well as the processes for identifying default events within the loan portfolios, including design and operating effectiveness of controls relevant to our audit.

In addition to analytical procedures, we tested a sample of performing loans with characteristics that might imply a default event had occurred to assess whether default event had been identified by Executive



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of the expected credit losses within the loan portfolios at the reporting date.

For defaulted loans that are considered to be individually significant the impairment assessment is based on the knowledge of each individual debtor, taking into consideration the fair value of the related collateral as well as expected recovery based on going concern principle. Related impairment allowances are determined on an individual basis by means of a discounted cash flows forecasts based on scenarios and their likelihood of happening. Scenarios are based on 'going' and 'gone' assumption of debt repayment containing high level of complexity and subjectivity.

The Bank's Stage 3 gross balance of loans and advances to customers was EUR 42 million as of 31 December 2022 (Group: EUR 53 million) and total impairments EUR 34 million (Group: EUR 42 million).

Impairments for loans and advances to customers in Stage 1 and Stage 2 are determined based on complex models and parameters used in those models (i.e. life time probability of default ("PD") and loss given default ("LGD")), identification of significant changes in credit risk, inclusion of forward-looking elements and segmentation of exposures, which all involve significant Executive directors assumptions and estimates. The Bank's Stage 1 and Stage 2 combined gross balance of loans and advances to customers was EUR 2,970 million (Group: EUR 2,976 million) as of 31 December 2022 and total impairments EUR 12 million (Group: EUR 12 million).

Due to remaining current uncertainties in the macroeconomic environment and geopolitical situation, as a result of the conflict in Ukraine, which internal models cannot capture, apart from regular SICR criteria, additional expert assessment for staging allocation was used in 2022. Based on expert decision, significant increase in credit risk was assessed for companies, significantly impacted by energy crisis.

As impairments for loans and advances to customers are significant to understanding the financial statements as a whole and bear significant judgements, we conclude this to be a significant item for our audit and a key auditing matter. For further information, refer to Note 7.3. Credit risk of the separate and consolidated financial statements.

directors and therefore whether there was a requirement to calculate an impairment allowance using Stage 3 methodology.

For a selected sample of non-performing loans where impairment allowance is assessed on individual basis, we assessed the models, assumptions related to debt repayment based on going or gone principle and data underlying the impairment identification and quantification. We understood the latest developments at the borrower and considered whether key judgments were appropriate given the borrowers' circumstances. We also re-performed Executive directors' impairment calculation for mathematical accuracy. In addition, we tested key inputs to the impairment calculation including the expected future cash flows and valuation of collateral held and discussed with Executive directors as to whether valuations were up to date, consistent with the strategy being followed in respect of the particular borrower and appropriate for the purpose. We engaged EY internal specialists to review a sample of valuations of underlying collateral.

In respect of statistical models that are used for the estimation of credit risk related impairment losses of Stage 1 and Stage 2 exposures, we involved EY internal credit risk specialists in evaluation of the model documentation and other related evidence such as models' governance, segmentation policy, expected credit loss estimation process and assessment of their compliance with IFRS 9. We also reviewed changes in risk models implemented in the current period. We evaluated the application of the models through the recalculation for mathematical accuracy of credit risk related impairment losses, allowances and provisions defined by IFRS 9. We tested the days past due counter and consistent application of staging criteria in relation to the effect on the staging classification of the exposures.

In connection with the Group's post model adjustments overlay approach we evaluated the Bank's and the Group's argumentation behind the specific additional criteria for staging and assessed specific disclosure included in the separate and consolidated financial statements.

Furthermore, we assessed how the Bank and Group incorporated uncertainties related to the macroeconomic environment (rising energy prices, inflation, interest rates and supply chain disruptions) and conflict in Ukraine, on parameters used for the calculation of collective impairments. Credit risk specialists reviewed forward looking information ("FLI") and input parameters used and assess if uncertainties in the macroeconomic environment was adequately reflected on the PD.

We have assessed the adequacy of the Bank's and the Group's disclosures included in Note 7.3. Credit risk, 2.3.4.5. Impairment of financial instruments, 2.4.25. Financial assets measured at amortised cost and 2.4.17. Impairment of the separate and consolidated financial statements.





#### **Other information**

Other information comprises the information included in the Annual Report other than the separate and consolidated financial statements and auditor's report thereon. Executive directors are responsible for the other information.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Bank and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

#### **Responsibilities of the Executive directors and those in charge with governance for the separate and consolidated financial statements**

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

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

Those in charge with governance are responsible for overseeing the Bank's and the Group's financial reporting process and to approve the annual report.

#### **Auditor's responsibilities for the audit of the separate and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive directors;
- conclude on the appropriateness of Executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council**

#### *Appointment and Approval of Auditor*

We were appointed as auditors of the Bank and the Group at the general meeting of shareholders on 4 May 2021, the president of the Board of directors has signed the audit agreement on 4 October 2021. The agreement was signed for the period of 3 years.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for two years. Janez Uranič and Nena Cvetkovska are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o.

#### *Consistence with Additional Report to Audit Committee*

Our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on the same date as the issue date of this report.

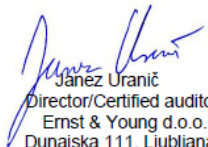
#### *Non-audit Services*


No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and its controlled undertakings and we remain independent from the Bank and its controlled undertakings in conducting the audit.



In addition to statutory audit services and services disclosed in the Annual Report and in the separate and consolidated financial statements, there are no other services which were provided by us to the Bank and its controlled undertakings.

Ljubljana, 28 March 2023

  
Janez Uranič  
Director/Certified auditor  
Ernst & Young d.o.o.  
Dunajska 111, Ljubljana

  
Nena Cvetkovska  
Certified auditor

**ERNST & YOUNG**  
Revizija, poslovno  
svetovanje d.o.o., Ljubljana 1

# 1. Financial statements of SKB Bank and SKB Group

## 1.1. Income statement

	EUR 000	Notes	SKB Group		SKB Bank	
			2022	2021 Reclassified	2022	2021 Reclassified
Interest income and similar to interest income			107,566	96,836	93,817	82,146
Interest income calculated using the effective interest method			87,125	77,749	73,376	63,059
Income similar to interest income			20,441	19,087	20,441	19,087
Interest expenses and similar to interest expense			(22,405)	(20,068)	(22,404)	(20,068)
Interest expenses calculated using the effective interest method			(2,691)	(1,682)	(2,690)	(1,682)
Expense similar to interest expense			(19,714)	(18,386)	(19,714)	(18,386)
<b>Net interest income</b>		<b>2.4.1.</b>	<b>85,161</b>	<b>76,768</b>	<b>71,413</b>	<b>62,078</b>
Dividend income		2.4.2.	264	163	7,714	9,413
Fee and commission income			50,184	46,061	49,726	45,577
Fee and commission expenses			(11,057)	(9,476)	(10,386)	(8,727)
<b>Net fee and commission income</b>		<b>2.4.3.</b>	<b>39,127</b>	<b>36,585</b>	<b>39,340</b>	<b>36,850</b>
Gains and losses on financial assets and liabilities not measured at fair value through profit or loss		2.4.4.	(369)	(84)	206	(17)
Gains and losses on financial assets and liabilities held for trading		2.4.5.	1,912	1,757	1,912	1,757
Gains and losses on non-trading financial assets mandatorily at fair value through profit or loss		2.4.6.	(603)	2,228	(603)	2,228
Gains and losses from hedge accounting		2.4.8.	558	567	558	567
Exchange differences		2.4.9.	(25)	27	(25)	24
Gains and losses on derecognition of non-financial assets		2.4.10.	148	32	32	(1)
Other operating income		2.4.11.	5,206	3,948	4,259	2,799
<b>Financial and operating income and expenses</b>			<b>131,379</b>	<b>121,991</b>	<b>124,806</b>	<b>115,698</b>
Administrative expenses		2.4.12.	(61,073)	(56,658)	(55,155)	(51,195)
• staff expenses			(39,987)	(37,683)	(36,176)	(34,219)
• other administrative expenses			(21,086)	(18,975)	(18,979)	(16,976)
Cash contributions to resolution funds and deposit guarantee schemes		2.4.13.	(4,186)	(3,811)	(4,186)	(3,811)
Amortisation / depreciation		2.4.14.	(6,443)	(5,896)	(5,274)	(4,694)
Modification gains or losses		2.4.15.	49	(39)	49	(39)
Provisions		2.4.16.	5,471	(1,156)	5,482	(735)
Impairment		2.4.17.	10,402	2,290	9,395	3,695
Profit or loss from non-current assets and disposal groups classified as held for sale		2.4.18.	6	(2)	6	(2)
<b>TOTAL PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>			<b>75,605</b>	<b>56,719</b>	<b>75,123</b>	<b>58,917</b>
Tax expense or income related to profit or loss from continuing operations		2.4.19.	(14,547)	(10,711)	(11,531)	(8,184)
<b>TOTAL PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>			<b>61,058</b>	<b>46,008</b>	<b>63,592</b>	<b>50,733</b>
Net profit for the financial year			61,058	46,008	63,592	50,733
Profit or loss attributable to owners of the parent			61,058	46,008	63,592	50,733

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the SKB Bank's Financial Statements) form an integral part of financial statements.

## 1.2. STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAX</b>	<b>61,058</b>	<b>46,008</b>	<b>63,592</b>	<b>50,733</b>
<b>OTHER COMPREHENSIVE INCOME AFTER TAX</b>	<b>(54,496)</b>	<b>(9,554)</b>	<b>(54,557)</b>	<b>(9,560)</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>843</b>	<b>6</b>	<b>782</b>	<b>0</b>
Actuarial gains or losses on defined benefit pension plans	843	6	782	0
Income tax relating to items that will not be reclassified to profit or loss	0	0	0	0
<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(55,339)</b>	<b>(9,560)</b>	<b>(55,339)</b>	<b>(9,560)</b>
Debt instruments at fair value through other comprehensive income	(68,320)	(11,802)	(68,320)	(11,802)
• Valuation gains or losses taken to equity	(68,631)	(12,333)	(68,631)	(12,333)
• Transferred to profit or loss	311	531*	311	531*
Income tax relating to items that may be reclassified to profit or loss	12,981	2,242	12,981	2,242
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX</b>	<b>6,562</b>	<b>36,454</b>	<b>9,035</b>	<b>41,173</b>
Attributable to owners of the parent	6,562	36,454	9,035	41,173

\* In the Annual report for 2021, this item was shown as part of the item Valuation gains / losses from taken to equity.

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the SKB Bank's Financial Statements) form an integral part of financial statements.



## 1.3. STATEMENT OF FINANCIAL POSITION

	EUR 000	Notes	SKB Group		SKB Bank	
			31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>ASSETS</b>						
Cash, cash balances at central banks and other demand deposits at banks		2.4.20.	553,930	448,435	553,930	448,435
Financial assets held for trading		2.4.21.	11,203	5,707	11,203	5,707
Non-trading financial assets mandatorily at fair value through profit or loss		2.4.22.	20,287	20,890	20,287	20,890
Financial assets at fair value through other comprehensive income		2.4.24.	361,715	464,796	361,715	464,796
Financial assets at amortised cost		2.4.25.	3,396,479	2,827,044	3,386,488	2,821,964
• debt securities			141,755	195,439	141,755	195,439
• loans to banks			271,655	60	271,655	60
• loans to non-bank customers			2,974,743	2,626,570	2,965,354	2,621,892
• other financial assets			8,326	4,975	7,724	4,573
Investments in subsidiaries, associates and joint ventures		2.4.27.	0	0	20,454	20,454
Tangible assets			39,696	38,648	30,914	30,962
• property, plant and equipment		2.4.28.a)	38,513	37,577	28,552	28,669
• investment property		2.4.28.b)	1,183	1,071	2,362	2,293
Intangible assets		2.4.29.	14,714	12,465	13,036	10,645
Tax assets		2.4.19.	11,829	626	10,144	0
• current tax assets			0	626	0	0
• deferred tax assets			11,829	0	10,144	0
Other assets		2.4.30.	26,939	19,325	11,737	4,254
Non-current assets and disposal groups classified as held for sale		2.4.31.	0	4	0	4
<b>Total assets</b>			<b>4,436,792</b>	<b>3,837,940</b>	<b>4,419,908</b>	<b>3,828,111</b>
<b>LIABILITIES</b>						
Financial liabilities held for trading		2.4.21.	11,118	5,677	11,118	5,677
Financial liabilities measured at amortised cost		2.4.32.	3,952,976	3,356,691	3,951,287	3,364,146
• deposits from banks and central banks			588	36,970	588	36,970
• deposits from non-bank customers			3,663,630	3,287,246	3,672,384	3,301,210
• loans from banks and central banks			250,074	6,003	250,074	6,003
• other financial liabilities			38,684	26,472	28,241	19,963
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2.4.26.	607	1,165	607	1,165
Provisions		2.4.33.	9,044	15,616	8,403	14,918
Tax liabilities		2.4.19.	3,512	4,782	3,210	6,770
• current tax liabilities			3,512	4,088	3,210	4,088
• deferred tax liabilities			0	694	0	2,682
Other liabilities		2.4.34.	10,427	11,423	5,303	4,449
<b>Total liabilities</b>			<b>3,987,684</b>	<b>3,395,354</b>	<b>3,979,928</b>	<b>3,397,125</b>
<b>SHAREHOLDERS' EQUITY</b>						
Capital		2.4.35.	52,784	52,784	52,784	52,784
Share premium		2.4.35.	104,061	104,061	104,061	104,061
Accumulated other comprehensive income		2.4.35.	(39,330)	15,165	(39,242)	15,315
Reserves from profit		2.4.35.	29,106	29,106	29,106	29,106
Retained earnings		2.4.35.	241,429	195,462	229,679	178,987
Income from current year		2.4.35.	61,058	46,008	63,592	50,733
<b>Total shareholders' equity</b>			<b>449,108</b>	<b>442,586</b>	<b>439,980</b>	<b>430,986</b>
Shareholder's equity attributable to owners of the parent			449,108	442,586	439,980	430,986
<b>Total equity and liabilities</b>			<b>4,436,792</b>	<b>3,837,940</b>	<b>4,419,908</b>	<b>3,828,111</b>

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the Bank's Financial Statements) form an integral part of financial statements

## 1.4. BANK STATEMENT OF CHANGES IN EQUITY

### Consolidated statement of changes in equity

EUR 000	Capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including income from current year)	Total equity
<b>Balance at 1 January 2022</b>	<b>52,784</b>	<b>104,061</b>	<b>15,165</b>	<b>29,106</b>	<b>241,470</b>	<b>442,586</b>
Comprehensive income for the financial year after tax	0	0	(54,495)	0	61,058	6,563
Other	0	0	0	0	(41)	(41)
<b>Balance at 31 December 2022</b>	<b>52,784</b>	<b>104,061</b>	<b>(39,330)</b>	<b>29,106</b>	<b>302,487</b>	<b>449,108</b>
<b>Balance at 1 January 2021</b>	<b>52,784</b>	<b>104,061</b>	<b>24,719</b>	<b>29,106</b>	<b>195,312</b>	<b>405,982</b>
Comprehensive income for the financial year after tax	0	0	(9,554)	0	46,008	36,454
Other	0	0	0	0	150	150
<b>Balance at 31 December 2021</b>	<b>52,784</b>	<b>104,061</b>	<b>15,165</b>	<b>29,106</b>	<b>241,470</b>	<b>442,586</b>

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the SKB Bank's Financial Statements) form an integral part of financial statements.

### Bank statement of changes in equity

EUR 000	Capital	Share premium	Accumulated other comprehensive income	Reserves from profit	Retained earnings (including income from current year)	Total equity
<b>Balance at 1 January 2022</b>	<b>52,784</b>	<b>104,061</b>	<b>15,315</b>	<b>29,106</b>	<b>229,720</b>	<b>430,986</b>
Comprehensive income for the financial year after tax	0	0	(54,557)	0	63,592	9,035
Other	0	0	0	0	(41)	(41)
<b>Balance at 31 December 2022</b>	<b>52,784</b>	<b>104,061</b>	<b>(39,242)</b>	<b>29,106</b>	<b>293,271</b>	<b>439,980</b>
<b>Balance at 1 January 2021</b>	<b>52,784</b>	<b>104,061</b>	<b>24,875</b>	<b>29,106</b>	<b>178,841</b>	<b>389,667</b>
Comprehensive income for the financial year after tax	0	0	(9,560)	0	50,733	41,173
Other	0	0	0	0	146	146
<b>Balance at 31 December 2021</b>	<b>52,784</b>	<b>104,061</b>	<b>15,315</b>	<b>29,106</b>	<b>229,720</b>	<b>430,986</b>

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the SKB Bank's Financial Statements) form an integral part of financial statements.

## 1.5. CASH FLOW STATEMENT

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Total profit or loss before tax	75,605	56,719	75,123	58,917
Depreciation	6,443	5,896	5,274	4,694
Impairments / (reversal of impairments) of investments in debt financial instruments at fair value through other comprehensive income	311	531	311	531
Impairments / (reversal of impairments) of loans and other financial assets at amortised costs	(15,401)	(1,910)	(14,404)	(3,736)
Impairments of tangible assets (including investment property), intangible assets and other assets	(784)	0	(784)	0
Net (gains) / losses from exchange differences	(23)	(28)	(23)	(25)
Net (gains) / losses from sale of tangible assets	(32)	(1)	(32)	(1)
Other adjustments to total profit or loss before tax	(1,768)	172	(1,700)	185
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>64,351</b>	<b>61,379</b>	<b>63,764</b>	<b>60,565</b>
<b>(Increases) / decreases in operating assets</b>	<b>(348,224)</b>	<b>(153,878)</b>	<b>(344,553)</b>	<b>(170,314)</b>
Net (increase) / decrease in financial assets held for trading	(5,575)	3,242	(5,575)	3,242
Net (increase) / decrease in non-trading financial assets mandatorily at fair value through profit or loss	603	6,992	603	6,992
Net (increase) / decrease in financial assets designated at fair value through profit or loss	0	6,120	0	6,120
Net (increase) / decrease in financial assets at fair value through other comprehensive income	3,638	2,316	3,273	2,198
Net (increase) / decrease in loans and other financial assets at amortised cost	(337,236)	(180,409)	(333,333)	(185,540)
Net (increase) / decrease in other assets	(9,654)	7,861	(9,521)	(3,326)
<b>Increases / (decreases) in operating liabilities</b>	<b>522,903</b>	<b>147,374</b>	<b>515,907</b>	<b>143,690</b>
Net increase / (decrease) in financial liabilities held for trading	5,213	(3,898)	5,213	(3,898)
Net increase / (decrease) in financial liabilities designated at fair value through profit or loss	0	(6,120)	0	(6,120)
Net increase / (decrease) in deposits, loans and other financial liabilities measured at amortised cost	517,337	157,775	508,193	153,703
Net increase / (decrease) in derivative financial liabilities intended for hedging	(558)	(567)	(558)	(567)
Net increase / (decrease) in other liabilities	911	184	3,059	572
<b>Cash flow from operating activities</b>	<b>239,030</b>	<b>54,875</b>	<b>235,118</b>	<b>33,941</b>
<b>Income taxes (paid) / refunded</b>	<b>(14,045)</b>	<b>(4,067)</b>	<b>(12,254)</b>	<b>(521)</b>
<b>Net cash flow from operating activities</b>	<b>224,985</b>	<b>50,808</b>	<b>222,864</b>	<b>33,420</b>

	EUR 000	Notes	SKB Group		SKB Bank	
			2022	2021	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts from investing activities</b>			<b>103,338</b>	<b>21,619</b>	<b>84,607</b>	<b>29,259</b>
Receipts from the sale of tangible assets			18,923	(7,298)	192	342
Receipts from the sale of investments in debt securities measured at amortized cost			51,972	19,013	51,972	19,013
Receipts from non-current assets held for sale and liabilities associated therewith			32,443	9,904	32,443	9,904
<b>Cash payments on investing activities</b>			<b>(25,803)</b>	<b>(138,445)</b>	<b>(4,952)</b>	<b>(128,696)</b>
(Cash payments to acquire tangible assets)			(22,163)	(12,630)	(1,339)	(3,121)
(Cash payments to acquire intangible assets)			(3,640)	(2,839)	(3,613)	(2,599)
(Cash payments to acquire non-current assets held for sale and liabilities associated therewith)			0	(122,976)	0	(122,976)
<b>Net cash flow from investing activities</b>			<b>77,535</b>	<b>(116,826)</b>	<b>79,655</b>	<b>(99,437)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Cash receipts from financing activities			80,000	0	80,000	0
Issuance of subordinated debt			80,000	0	80,000	0
<b>Cash payments on financing activities</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cash flow from financing activities</b>			<b>80,000</b>	<b>0</b>	<b>80,000</b>	<b>0</b>
Effects of change in exchange rates on cash and cash equivalents			(2,854)	(3,755)	(2,854)	(3,755)
<b>Net increase / (decrease) in cash and cash equivalents</b>			<b>382,520</b>	<b>(66,018)</b>	<b>382,520</b>	<b>(66,018)</b>
<b>Opening balance of cash and cash equivalents</b>	<b>1.4.39.</b>		<b>448,438</b>	<b>518,211</b>	<b>448,438</b>	<b>518,211</b>
<b>Closing balance of cash and cash equivalents</b>	<b>1.4.39.</b>		<b>828,104</b>	<b>448,438</b>	<b>828,104</b>	<b>448,438</b>

The cash flow statement is prepared using the indirect method.

The accompanying notes 2.4. (Notes to the Consolidated Financial Statements and the Bank's Financial Statements) form an integral part of financial statements.

	EUR 000	SKB Group		SKB Bank	
		2022	2021	2022	2021
<b>Cash flows from interest and dividends</b>					
Interest paid		83,588	80,403	70,097	65,957
Interest received		(22,650)	(1,330)	(22,649)	(1,317)
Dividend paid		106,238	81,733	92,746	67,274
Dividend received		0	0	0	0
Dividend received		264	163	7,714	9,413
<b>Cash flows from lease liabilities paid</b>		<b>(1,304)</b>	<b>(1,130)</b>	<b>(1,053)</b>	<b>(1,063)</b>

## 2. Notes to the consolidated financial statements and the SKB Bank's financial statements

### 2.1. General information

Official seat, legal form, activities

SKB banka d.d. Ljubljana has been established as a joint stock company on 29 December 1989 and registered in District court of Ljubljana under the registration number O61/10148300.

Important information from District court of Ljubljana register on 31 December 2022:

Name of the company: SKB banka d.d. Ljubljana

Abbreviated name of the company: SKB d.d.

Official seat of the company: Ljubljana

Business address: Ajdovščina 4, 1000 Ljubljana

Organization: Joint stock company

Amount of capital stock: 52,784,176.26 EUR

According to valid statute of SKB Bank, last amended on 31 March 2022 and in line with the issued license from Bank of Slovenia and according to the Banking law, SKB Bank may perform:

- reception of deposits from public,
- granting of loans for own account.

SKB Bank may provide other mutually recognised financial services, in particular:

- reception of deposits;
- payment transaction services according to the law governing payment services, except management of payment system;
- financial leasing;
- issuing of guarantees and other commitments;
- lending, including consumer loans, mortgage-backed loans, factoring with and without recourse and financing of commercial transactions;
- collection, analysis and provision of information on the credit-worthiness of legal entities;
- issuing and managing other payment instruments (e.g., debit and credit cards, travellers' cheques);
- renting safe deposit boxes;
- investment and activities ancillary services and transactions;
- trading for own account or for account of customers;
  - with money market instruments,
  - with foreign means of payments, including foreign exchange transactions,
  - with standardized futures and options,
  - with exchange and interest rate financial instruments,
  - with transferable securities,
- participation in the issue of securities and services related to such issues;
- advice to undertakings on capital structure, business strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings;
- money broking on inter-banking markets;
- portfolio management and advice;
- safekeeping and administration of securities.

SKB Bank provides additional financial services, in particular:

- mediation in sales of insurance policies, in accordance with the law governing the insurance sector;
- services of managing payment systems in accordance with the law, regulating payment services;
- pension fund management in accordance with the law governing pension and disability insurance;
- custodial services, for which other law defines that they are provided by the bank and services in connection with custodial securities;
- credit agency by consumer and other credits;
- other services and transactions that has similar characteristic regarding performance and risk to which the bank is exposed as mutually recognized financial services or services from 1.to 5.item of this section.

The SKB Bank provides the above banking and financial services on the assumption that it has obtained the appropriate license or permit for the provision of services by the competent authority for each service. SKB Bank has obtained a license or permit from the Bank of Slovenia for all the above service that are actually provided by the SKB Bank. For services such as issuing of electronic money, advising to undertakings on capital structure, business strategy and related questions, portfolio management and advice services, services related to the managing of means of payments, services of managing of pension funds according to the Law of pension and health insurance and performing of custody and related services, SKB Bank has not applied for license.

## Definition of the group

The consolidated financial statements comprise the financial statements of SKB Bank, entity SKB Leasing, d. o. o., Ajdovščina 4, Ljubljana and entity SKB Leasing Select, d. o. o., Ajdovščina 4, Ljubljana. SKB Bank, SKB Leasing and SKB Leasing Select are collectively referred to as "SKB Group".

In the consolidated financial statements the same guidelines have been used as for unconsolidated statements.

The accounting assumptions are taken into account (a single company assumption, assumption of disclosing true property and financial statement and income statement, assumption of completeness of the content of financial statements and united inclusion, assumption of united evaluation, assumption of the same date, assumption of consistent perseverance of consolidation methods, assumption of clarity and transparency, assumption of economy, assumption of importance, assumption of a going concern).

Consolidated financial statements include:

1. SKB Bank,
2. SKB Leasing, which is 100 % owned by SKB Bank. The principal activity of SKB Leasing is the leasing of vehicles, industrial equipment, land and buildings,
3. SKB Leasing Select, which is 100 % owned by SKB Leasing. The principal activity of SKB Leasing Select is ensuring financing to Peugeot and Citroen viacle intermediaries.

As at 31 December 2022 SKB Leasing Group have consolidated total assets in the amount of EUR 546,001 thousand (2021: EUR 524,660 thousand), consolidated equity in the amount of EUR 27,660 thousand (2021: EUR 27,980 thousand) and consolidated profit for the year in the amount of EUR 7,068 thousand (2021: EUR 6,229 thousand).

SKB Bank is part of OTP Group. The ultimate parent is OTP Bank, Nádor Street 16., Budapest, Hungary. SKB Bank is from 31 December 2019 consolidated into OTP Group. Consolidated Annual Report of OTP Group is located at the web address: <https://www.otpbank.hu/portal/en/IR/Reports/Annual>.

At the end of 2022, a total of 925 (2021: 908) staff were employed in SKB Group; of which by SKB Bank 837 (2021: 823) at the head office in Ljubljana at Ajdovščina 4, and in the 48 outlets (2021: 48) spread across Slovenia, and 88 staff were employed by SKB Leasing and SKB Leasing Select (2021: 85). The average number of employees in year 2022 was in SKB Bank 823.8 (2021: 841.3) and in SKB Group 910.8 (2021: 924.1).

## 2.2. Basis for preparation of financial statements

### 2.2.1. Basis of accounting

The consolidated financial statements and the separate financial statements at 31 December 2022 were authorized for issue by the General Management of SKB Bank on 27 March 2023.

The consolidated financial statements and the separate financial statements have been prepared on the assumption that the SKB Bank will remain in business for the foreseeable future.

The consolidated financial statements and the separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU and in accordance with the regulations of the Bank of Slovenia and the Securities Market Agency.

The financial statements are prepared on a historical cost basis, except for financial assets and liabilities held for trading including derivative financial instruments, non-trading financial assets mandatorily measured at fair value through profit or loss, financial assets and liabilities designated at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value.

SKB Group's and SKB Bank's functional currency in 2022 is the Euro ("EUR"). The consolidated financial statements and separate financial statements are prepared in EUR and all values are rounded to the nearest thousand (EUR 000) except when otherwise indicated.

## 2.2.2. Changes in accounting policies

### 2.2.2.1. Initial application of new amendments to the existing standards effective for the current reporting period

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the SKB Group as of 1 January 2022:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
- **IFRS 16 Leases-COVID 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**  
The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendments to the existing standards had not lead to any material changes in the SKB Group's and SKB Bank's financial statements.

### 2.2.2.2. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB):

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts.

The SKB Group and SKB Bank does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the company's/group's financial performance, financial position or cash flows.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.



- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The adoption of amendments to the existing standards will not lead to any material changes in the SKB Group's and SKB Bank's financial statements.

### **2.2.2.3. New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards (the effective dates stated below is for IFRS as issued by IASB):

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

SKB Group and SKB Bank anticipate that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of SKB Group and SKB Bank in the period of initial application.

### **2.2.3. Comparative data**

In 2021, the effects of the valuation of interest derivative financial instruments were shown in the item Gains and losses on financial assets and liabilities held for trading. In 2022, we aligned the presentation of effects with presentation in OTP Group. In 2022 effect are under Income similar to interest income and Expense similar to interest expense position.

The change was taken into account in the chapters of the annual report below:

V BUSINESS REPORT:

2.1. SKB Group's financial results in 2021 affected by the macroeconomic developments (interest rate increases, inflation, energy price increases)

6.1. Important Information and Indicators Related to the Group Business Operations

6.2. Important Information and Indicators Related to the Bank Business Operations

VI FINANCIAL REPORT FOR SKB GROUP AND SKB BANK.

2.4.1. Net interest income

2.4.5. Gains and losses on financial assets and liabilities held for trading

Except as described above these Consolidate Financial Statements are prepared in accordance with the same accounting policies as the Consolidated Financial Statements for the year ended 31. 12. 2021.

EUR 000	SKB Group			
	2022	2021 Reclassified	Reclassification	2021 As previously presented
Interest income and similar to interest income	107,566	96,836	18,682	78,154
Interest expenses and similar to interest expense	(22,405)	(20,068)	(18,330)	(1,738)
<b>Net interest income</b>	<b>85,161</b>	<b>76,768</b>	<b>352</b>	<b>76,416</b>
Gains and losses on financial assets and liabilities held for trading	1,912	1,757	(352)	2,109

EUR 000	SKB Bank			
	2022	2021 Reclassified	Reclassification	2021 As previously presented
Interest income and similar to interest income	93,817	82,146	18,682	63,464
Interest expenses and similar to interest expense	(22,404)	(20,068)	(18,330)	(1,738)
<b>Net interest income</b>	<b>71,413</b>	<b>62,078</b>	<b>352</b>	<b>61,726</b>
Gains and losses on financial assets and liabilities held for trading	1,912	1,757	(352)	2,109

## 2.2.4. Significant accounting judgments and estimates

### Accounting judgments

In the process of applying SKB Group's and SKB Bank's accounting policies, management has made judgments, apart from those involving estimations, that significantly affect the amounts recognised in the financial statements.

The most significant judgements relate to classifications of financial instruments into appropriate business model, as well as to assessing whether the contractual cash flows of the financial asset represent an exclusive payment of principal and interest.

### Estimates and assumptions

The preparation of the financial statements required management to make certain estimates and assumptions which impact the carrying values of SKB Group's and SKB Bank's assets and liabilities and the disclosure of contingent items at the balance sheet date and reported incomes and expenses for the period then ended.

Estimates are used for, but are not limited to: impairment losses on financial assets, impairment losses on tangible and intangible assets, impairment of goodwill, depreciable lives of tangible and intangible assets, tax contingencies, provisions for off-balance sheet risks, provisions for employee benefits and legal claims.

These estimates are subject to adjustment in the future as a result of:

- changes in economic conditions;
- changes in macroeconomic forecasts;
- changes in customers' repayment capabilities;
- change in collateral values.

The financial statements of SKB Bank and the SKB Group have been prepared on the assumption of a going concern. The management of SKB Bank and the SKB Group estimates that there are no material uncertainties that could cause significant doubt on the ability of SKB Bank and the SKB Group to operate in the future.

## Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The input for these models is taken from observable markets where possible. However where this is not feasible, a degree of judgment is required in establishing fair values. The valuation of financial assets and financial liabilities carried at fair value is described in more detail in Notes 2.3.6. to 2.3.8..

Based on credit risk management strategy, the SKB Group is adjusting to changed circumstances on the markets, with option to sell certain financial instruments with an increased credit mark-up. In case of higher sale of financial instruments, the bank must analyse whether there has been change in the business model of financial asset management and clarify what initiate the sale and what is the purpose of obtaining contractual cash flows. Credit risk management activities, aimed at minimizing potential credit losses due to deterioration in credit quality, are included into financial asset management business model. Namely, the credit risk, of a financial asset, is important for assessing the ability to obtain contractual cash flows.

In year 2022 SKB Group and SKB Bank made no changes in financial asset management business model. The fair value of financial assets is disclosed in Chapter 4 of the accounting part of the Annual report.

## Impairment of loans

The SKB Group and SKB Bank regularly review their loans and receivables in order to assess impairment. We perform individual impairments of all loans for which there is individual and objective evidence of impairment due to events that have affected the estimated future cash flows. When estimating the amount of impairment loss in cases where the borrower is in financial difficulties and when little historical data is available for similar cases of borrowers, we use estimates based on their experience, which include estimates of expected cash flows from collateral and other sources.

Similarly, we estimate changes in future cash flows based on significant data indicating that there have been adverse changes in the financial discipline of a particular segment of borrowers or changes in national or local circumstances related to default in that segment.

To calculate impairments on a healthy portfolio, a twelve-month or lifetime expected credit loss is calculated using future cash flows of financial assets and the application of appropriate risk parameters such as default probability and default loss. The group uses statistical models to calculate both parameters.

Future events and their effects cannot be detected with certainty. Therefore, the preparation of financial estimates requires judgment and estimates that are used in the preparation of the financial statements and change as new events arise, in order to gain new experience and additional information.

The SKB Group and SKB Bank check the adequacy of the loss parameter in the event of default and the default rate once a year.

The SKB Group and SKB Bank also closely monitor the potential effects of macroeconomic developments, on the Group's portfolio. The key elements of IFRS monitoring are:

- analysis of additional criteria for classifying customers in terms of a significant increase in credit risk for pocket allocation 2;
- adjustment of PD and LGD curves with macroeconomic expectations;
- changes in the selection and weights of scenarios in line with the expected situation in the macroeconomic environment.

## **Impairment of tangible and intangible assets**

Each year SKB Group and SKB Bank check the indicators for impairment. If there are indicators of impairment SKB Group and SKB Bank prepare the calculation of impairment losses. This requires an estimation of the 'value-in-use' of the cash-generating unit to which the assets are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## **Impairment of Goodwill**

At least on an annual basis SKB Group and SKB Bank determine whether the goodwill need to be impaired. This requires an estimation of the 'value in use' of the cash-generating unit to which the goodwill is allocated.

## **Useful lives of tangible and intangible assets**

The useful lives of tangible and intangible assets are determined from the expected usage of the asset, expected physical wear and by technical or commercial obsolescence.

SKB Group still has in use intangible assets at a purchase value of EUR 11,885 thousand, which are 100 % depreciated.

SKB Bank still has in use intangible assets at a purchase value of EUR 10,907 thousand, which are 100 % depreciated.

## **Taxes and tax contingencies**

SKB Group and SKB Bank recorded deferred tax assets, calculated on the basis of temporary differences, in the amount that it expected to be eliminated in the foreseeable future, taking into account estimates of future profits.

The various interpretations of the tax regulations applicable to SKB Group's and SKB Bank's operations may lead to potential tax items that cannot be objectively evaluated. However, SKB Group and SKB Bank consider that the tax liability which might arise in connection with this are nor material or significant.

## **Provisions for off-balance sheet risks**

Provisions for off-balance sheet are made for financial guarantees, letter of credits and credit lines in accordance with IFRS 9. SKB Group and SKB Bank make provisions for off-balance sheet items taking into account the financial condition, payment discipline and collateral if any. Exposure at Default (EAD) for off-balance sheet items is set out in the "Exposure to default" section.

## **Provisions for liabilities to employees**

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation involves assumptions about discount rates, expected rates of return on assets, future salary increases and similar factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

## **Provisions for legal disputes**

Provisions for legal claims represent the best estimate of the amounts that SKB Group and SKB Bank would rationally pay to settle the present obligation at the balance sheet date. The estimates of the outcome and financial effect are determined by the judgment of SKB General Management, supplemented by the experience of similar transactions and also from reports from independent experts. In the case that the effect of the time value of money is material, the amount of provisions is the present value of the expenditure expected.

## 2.3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, except for changes in accounting policies resulting from the application of new standards or changes to standards.

### 2.3.1. Consolidation

The consolidated financial statements consist of the financial statements of the parent bank and its subsidiaries.

Subsidiary undertakings, which SKB Bank controls according to IFRS requirements, have been fully consolidated. Undertaking is recognized when company:

- has power over the subsidiary;
- is exposed or has rights to variable returns from its involvement with subsidiary;
- has the ability to use its power to affect its returns.

The method of full consolidation is applied to all subsidiaries from the day when SKB Bank controls the subsidiary.

SKB Bank regularly checks the situation and if there is a change that at least one of the above conditions is no longer met, then SKB Bank would no longer have a controlling position. Subsidiaries are excluded from the consolidated financial statements when the controlling influence of the parent company ceases.

In the SKB Group, all assets, liabilities, capital, revenues, expenses and cash flows, as well as unrealized gains and losses related to mutual operations, are eliminated in the framework of consolidation, which was carried out in full.

Where necessary, the accounting policy of the subsidiary after takeover of the control, has been amended to ensure consistency with the policy and accounting policies adopted by SKB Bank.

### 2.3.2. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the ECB reference rates for the EUR as of 31 December 2022 and 31 December 2021, respectively.

Transactions denominated in foreign currencies are recorded at the ECB reference rate on the date of the transaction. Monetary items in foreign currency are translated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses from foreign currency (FX) translations are included in the income statement of the respective year in "Gains/Losses from Exchange differences". Fees from exchange services are included in the profit and loss account in "Fee and commission income and fee and commission expenses".

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using reference rate as at the dates of the initial transactions.

Translation differences on non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equity instruments classified as financial assets measured at fair value through other comprehensive income are included in other comprehensive income, together with the fair value measurement effect.

### 2.3.3. Cash equivalents

Cash and balances with the central bank include cash in hand, clearing accounts with the central bank and other demand deposits with banks.

#### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days from original maturity, including:

- cash and balances with central banks;
- loans to banks;
- Investments in debt securities measured at amortised cost, and investments in debt securities measured at fair value through other comprehensive income, with the original maturity of up to three months, eligible as collateral at the ECB.

Obligatory reserve is also considered as cash equivalent because these assets are available for day-to-day operations.

Those cash equivalents are short-term investments that can be converted immediately into cash. They also have a negligible risk of changes in value

## **2.3.4. Financial instruments**

### **2.3.4.1. Initial recognition and derecognition of financial instruments**

#### **2.3.4.1.1. Initial recognition**

SKB Group and SKB Bank recognise a financial asset or a financial liability in the statement of financial position when they become party to the contractual provisions of the financial instrument.

Financial assets in the scope of IFRS 9 are classified as:

- financial assets or liabilities held for trading;
- non-trading financial assets mandatorily at fair value through profit or loss;
- financial assets or liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- financial assets or liabilities at amortised cost.

When SKB Group and SKB Bank first recognise a financial instrument, they shall classify it in accordance with the business model and the business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Derivatives are recognised on a trade date basis.

#### **2.3.4.1.2. Modification of financial instruments and derecognition**

A contractual modification of the initial cash flows may be due to:

- a renegotiation of the loan conditions as part of a purely commercial agreement with the customer, this agreement not being linked to an increase in the borrower's credit risk;
- a restructuring considered necessary due to the counterparty's worsened financial situation.

In the event where the cash flows of a modified financial asset measured at amortised cost are not significantly different, such a modification does not result in derecognition. In such a case, gross book value of this financial asset is recalculated by discounting the modified cash flows using the effective interest rate. A difference that occurs is recognised in profit or loss as net profit or loss resulting from a change in the conditions of financial asset repayment.

A contractual modification of the initial cash flows due to restructuring should not result in the derecognition of the loan unless the contractual modification is such as to call into question its classification as SPPI. If the modified loan still passes SPPI, then it must be maintained in the statement of financial position. The newly recognised loan must then undergo fresh SPPI testing.

SKB Group and SKB Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or they transfer the financial asset and the transfer fulfils the conditions for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an asset is sold, derecognition of the asset, recognition of any gain or losses on disposal and the recognition of a receivable from the buyer for payment on the settlement date has to be made. A change in the fair value of the asset between the trade date and settlement date is not recorded in the financial statements.

The SKB Group writes off a financial asset (in part or in full), measured at amortized cost, when it finds in the recovery process and in the realization of collateral that there is no realistic possibility of repaying the receivable. In terms of content, a write-off represents the derecognition of a financial asset. Write-offs of funds still under recovery and legal proceedings do not affect rights in enforcement proceedings.

The SKB Group is still striving to fully recover all amounts to which it is legally entitled. A write-down reduces the gross carrying amount of a financial asset and impairment losses. Subsequent recoveries are recorded as a reduction in credit losses. The residual value of financial assets that are fully written-off amounts 39,406 thousand EUR as at 31 December 2022 (31 December 2021: 47,530 thousand EUR).

## 2.3.4.2. Classification and measurement

SKB Group and SKB Bank according to IFRS 9 classify financial instruments on the basis of:

- the business model for managing the financial instrument and
- the characteristics of contractual cash flows.

### 2.3.4.2.1. Business models of SKB Group and SKB Bank

SKB Group and SKB Bank classify the group of financial assets or liabilities in a particular business model taking into account how groups of financial assets or liabilities are managed together to achieve a particular business objective.

The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or liabilities or both. This assessment is performed on the basis of expected scenarios. When assessing the business model, SKB Group and SKB Bank use the judgement and consider all relevant evidence that is available.

In defining the business model, the SKB Group and SKB Bank take into account the following information:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and the way in which those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected) and
- frequency and volume of sales, reasons for sales, timing of sales.

#### Business model "Financial assets held for sale"

Financial assets are held within a business model whose objective is trading. In this category SKB Group and SKB Bank hold derivatives.

They are measured at fair value, which is equal to unrealized gains or losses from valuation at market prices or at contractual forward value.

#### Business model "Collecting contractual cash flows"

Financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Financial assets are measured at amortised cost. Cash flows are solely payments of principal and interests to the outstanding principal amount. Sales are possible, but should remain marginal. Sales related to increased credit risk, sales close to maturity and sales to ensure liquidity needs are also permitted.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. They are disclosed in the amount of outstanding principal, increased by unpaid interest and fees and reduced by the amount of impairment.

#### Business model "Collecting contractual cash flows and sale"

Financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and to sale financial assets. Financial assets are measured at fair value through other comprehensive income. Cash flows are solely payments of principal and interests to the outstanding principal amount. Sales may be frequent and significant (higher values).

Gains and losses, other than expected credit losses and exchange rate differences, are recognized in other comprehensive income until derecognition is recognized. Upon derecognition, the cumulative gain or loss recognized in other comprehensive income is reclassified to the income statement.

#### Business model "Financial assets at fair value through profit or loss"

All financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Financial assets are held within a business model whose objective is neither to hold financial assets in order to collect contractual cash flows nor to hold financial assets in order to collect contractual cash flows and to sale financial assets.

Financial assets measured at fair value through profit or loss are initially measured at fair value, and transaction costs are recognized in the income statement at the time of purchase.



### 2.3.4.2.2. Cash flow characteristics

According to IFRS 9 requirements SKB Group and SKB Bank determined the characteristics of cash flows and introduced SPPI test (solely payment of principal and interest on the principal amount outstanding). When financial instrument is classified in business model "Collecting contractual cash flows" or in business model "Collecting contractual cash flows and sale" it is necessary to assess if the contractual cash flows are SPPI.

Contractual cash flows are SPPI if:

- principal is the fair value of the financial asset at initial recognition, reduced for later changes (payments) and
- interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e. g. liquidity risk) and costs (e. g. administrative costs), as well as a profit margin.

When contractual cash flows are not consistent with SPPI test, financial instrument has to be recognised at fair value through profit or loss.

SKB Group and SKB Bank have introduced a procedure for SPPI test in the framework of the regular investment process. When assessing if contractual cash flows are solely payments of principal and interest SKB Group and SKB Bank are reviewing contractual characteristics of financial instrument (contractual terms that can change the time and amount of contractual cash flows). Responsibilities for monitoring the implementation of this test are also defined.

### 2.3.4.2.3. Classification of financial instruments

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

### 2.3.4.2.4. Measurement of financial instruments

At initial recognition, a financial asset or financial liability shall be measured at its fair value plus or minus. In the case that financial instrument is not measured at fair value through profit or loss, the cost of acquisition directly attributable to that financial instrument is added to its value.

After initial recognition, a financial asset or financial liability shall be measured at:

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

### 2.3.4.3. Reclassification of financial instruments

When SKB Group and SKB Bank change business model for managing financial assets they shall reclassify all affected financial assets. SKB Group and SKB Bank shall not reclassify financial liability.

If SKB Group and SKB Bank reclassify financial assets, they shall apply the reclassification prospectively from the reclassification date. SKB Group and SKB Bank shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

There were no reclassifications of financial assets in 2022.

#### 2.3.4.4. Recognition of gains and losses

Gains and losses of financial instruments measured at fair value through profit and loss are recognised in the income statement except for gains and losses from own credit risk that is recognised in other comprehensive income without subsequent reclassification in income statement. In this way, the IFRS 9 eliminates the instability of the income statement due to changes in credit risk arising from liabilities that are measured at fair value.

Gains and losses of financial instruments measured at fair value through other comprehensive income are recognised in the income statement upon realization of the sale, maturity of the financial asset or derecognition of the financial instrument (interest income, expected credit losses, exchange differences and result on derecognition that is reclassified from other comprehensive income) except for result of revaluation that is recognised in other comprehensive income. SKB Group and SKB Bank can irrevocably decide that equity financial instrument is measured at fair value through other comprehensive income without subsequent reclassification of profit or loss in the income statement.

Gains and losses of financial instruments measured at amortised cost are recognised in the income statement.

Net gains and losses on held-to-trading financial assets include realized and unrealized gains and losses, including derivatives, as well as net gains on the purchase and sale of foreign currencies, and are measured at fair value through profit or loss.

Net gains and losses on financial assets measured at fair value through profit or loss that are not held for trading (equity investments, loans at fair value, sale of non-performing loans) include realized and unrealized effects on equity securities, loans and other financial assets that do not meet the conditions for measurement at amortized cost.

#### 2.3.4.5. Impairment of financial instruments

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and issued financial guarantee contracts, are systematically subject to impairment or a provision for expected credit losses since their initial recognition.

Thus, the financial assets in question are allocated to three categories according to the gradual deterioration of their credit risk since their initial recognition, and impairment is booked to each of these categories as follows:

##### Stage 1

- All financial assets are initially recognised in this category except assets credit impaired at initial recognition.
- A loss allowance is recorded at an amount equal to 12-month expected credit losses.

##### Stage 2

- If the credit risk on a financial asset has significantly increased since its initial recognition, the asset is transferred to this category.
- The loss allowance for the financial asset is then increased to the level of its lifetime expected credit losses.

##### Stage 3

- Financial assets identified as being credit-impaired is transferred to this category.
- The loss allowance for credit risk continues to be measured at an amount equal to the lifetime expected credit losses and is adjusted, if necessary, to take into account any additional deterioration in credit risk.

Interest income on financial assets, with the exception of non-performing financial assets, is calculated using the effective interest rate on the gross carrying amount of the financial asset (ie excluding expected credit losses) and is recognised in the income statement.

SKB Group and SKB Bank disclose interest on non-performing financial assets at amortized cost and interest on non-performing financial assets measured at fair value through profit or loss according to the gross system. Upon payment or reclassification of the exposure to a better group due to improved credit quality, this interest is not recognized as interest income, but provisions for credit losses or fair value adjustments due to credit risk are released for the amount of this interest and income from reversal of impairments or gains from non-trading financial assets mandatorily at fair value through profit or loss is recognized. Interest income is recognized using the effective interest rate on the net carrying amount of the financial asset (ie taking into account provisions due to expected credit losses).

SKB Group and SKB Bank have to take into account all available past due and forward-looking information they could gather without undue cost or effort, as well as the potential consequences of a change in macro-economic factors at a portfolio level, so that any significant increase in the credit risk on a financial asset may be assessed as early as possible.

SKB Group and SKB Bank consider a significant increase of credit risk when:

- a financial asset is in delay for more than 30 days in a particular time frame;
- the monitoring classification of Non retail exposure is Watch-list 2;
- it is classified as performing forborne;
- its currency suffered a significant "shock" since the disbursement of the loan;
- default on another loan of the retail client, if no cross-default exists;
- in the case household mortgage loans, the loan-to-value ratio (LTV) exceeds a predefined rate depending on macroeconomic conditions;
- in case of invalid rating 10+DPD in the last 6 months;
- in case there is significant change in macroeconomic environment and it results in significant increase in the lifetime credit risk;
- the risk classification of the industry in combination with the rating of the client exceeds a predefined value;
- relative increase in the lifetime PD of a transaction at origination is compared against the point-in-time PD at reporting date.

When a concession is granted by SKB Group and SKB Bank to the obligor, experiencing or about to experience financial difficulties, which correspond to the definition of forbearance, SKB Group and SKB Bank classify such exposures as a rule as defaulted, and calculates lifetime expected credit loss. The decision to allocate the investment to the healthy part of the portfolio is made only in the case of an immaterial difference in the net present value of the restructured investment compared to the original investment. In accordance with the EBA guidelines for deferred loans, the SKB Group also allocated individual deferred loans concluded due to the COVID-19 pandemic to a healthy part of the portfolio.

SKB Group and SKB Bank changed the definition of default in 2020 in line with regulatory requirement. A counterparty is deemed in default when a credit obligation of the client is in delay more than 90 consecutive days with an amount which exceeds the materiality threshold or any other criteria from regulatory definition of default is met.

## Calculation of expected credit loss

For the calculation of expected credit loss (ECL in continuation) SKB Group and SKB Bank multiply the exposure at default (EAD) at the end of each month during the lifetime of the asset with the corresponding probability of default (PD) and loss given default (LGD). The result is discounted to the present value. If the asset is allocated in stage 1, only the expected loss in initial 12 months is taken into account. For the assets, allocated in stage 2, the lifetime expected credit loss is considered. Additionally ECL calculation handles multiple scenarios separately and finally determines the weighted average of expected credit losses.

The key risk parameters for the calculation of ECL, notably PD, and LGD were defined based on SKB Group's and SKB Bank's historical data.

## EAD (Exposure at Default)

Exposure means the total of the on-balance sheet and off-balance sheet portfolios. Since expected losses have to be estimated on a year-by-year basis, the exposure at default is also determined for the remaining years of the exposures' expected lifetime. The exposure is in every point additionally adjusted with model based prepayment ratio. If the number of years to maturity differs from the expected lifetime of the financial asset, the calculation are performed based on the expected lifetime instead of the number of years to maturity. In the case of collective valuation, the expected lifetime may differ from the tenor typically due to the nature of the product. In this case, the expected lifetime is determined on the basis of expert estimates or internal statistical models. During the EAD calculation all types of off-balance sheet exposures (e.g. undrawn facilities, guarantees, other off-balance sheet items) are taken into consideration adjusted by the CCF ratio. For the estimation of CCF parameter internal statistical models are used based on product use characteristics.

## Probability of default (PD)

PD is estimated for the full lifetime of the financial asset, with the provision that the lifetime is divided into incremental, one-year, PDs. The PD estimate reflects the current and future relevant information. If it is possible, the incremental PD shows a natural decreasing trend as the financial asset approaches its maturity.

PD is defined based on migration matrices and is calculated based on segment, product and rating. PD parameter is consistent with the cure conditions and cure rates.

## Loss Given Default (LGD)

The SKB Group uses two different methods for assessment of LGD:

- portfolio significantly secured by mortgage: the primary source of the data is the collateral itself, but additionally adjusted with observed historical recoveries of defaulted exposures;
- unsecured exposures: LGD parameter is estimated through a discounted recovery curves directly from observed historical recoveries of defaulted exposures

## Forward looking information

The expected loss calculation is forward looking, therefore including the forecasts of future economic conditions. This is achieved by applying 2-5 different macroeconomic scenarios, which are integrated in the PD and LGD parameters. The weights between them are calculated by statistical model and adjusted by expert judgment.

## Methodological changes in ECL calculation in 2022

Methodological changes, introduced in 2022, that had an important impact on the ECL, were the following:

- The Group has introduced a new calculation for the estimation of CCF
- A new mode has been developed for the estimation the expected maturity replaced previous expertly defined values.
- A new model has been developed for the estimation of the prepayments and included it in EAD calculation.
- The Group has improved the SICR detection system for estimating the relative increase in the lifetime PD at origination against the point-in-time PD at reporting date and their ratio is then compared to a defined threshold
- New PD model has been developed that enables the Group to more accurately assess the probability of default of an individual account. The new model is also used as the grounds for point-in-time SICR PD estimation.
- The Group has introduced a new staging allocation parameter based on macro developments

## Management overlays

Apart from regular SICR criteria, additional expert assessment for staging allocation was used in 2022. Based on expert decision, significant increase in credit risk was assessed for companies, significantly impacted by energy crisis. Significant increase was no longer assessed for companies, impacted by COVID-19.

Assumptions about macroeconomic indicators and sensitivity analyses

The sensitivity contains the impact of different scenarios as at 31 December 2022 assuming each with a weight of 100 %.

Scenario	Scenario weights	2023	2024	2025	ECL sensitivity (100% weight)
<b>GDP growth</b>					
Optimistic scenario	0.2	3.47 %	3.725 %	3.725 %	11,652
Forecast scenario	0.6	1.37 %	3.175 %	3.75 %	16,439
Stress scenario	0.2	-2.3 %	-1.025 %	2.675 %	32,523
Total	1.0				16,945

## 2.3.5. Financial assets held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future and are presented in the statement of financial position at fair value. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the income statement as "Gains and losses on financial assets and liabilities held for trading".

### 2.3.5.1. Derivatives

SKB Group and SKB Bank are offering their clients possibility to deal with financial derivatives. Precondition for concluded deal is signed contract. Deals with clients are done on the basis of back to back business. SKB Group and SKB Bank protect their open positions that arise as a result of performing transactions with customers by counter-transactions. SKB Group and SKB Bank do not trade in derivatives in their own name and for their own account in the treasury department. Occasionally and in insignificant size open position is a result of rounding and date.

The SKB Group and SKB Bank enter into transactions with derivative financial instruments on the foreign exchange and interest markets. Derivatives are carried at fair value. The fair value of derivatives held for trading is equal to unrealized gain or loss on valuation at market prices or is determined using internal valuation models. Derivatives with a positive market value (unrealized gains) are presented in the statement of financial position under assets, while derivatives with a negative market value (unrealized losses) are presented under liabilities in the statement of financial position.

For derivatives held for trading, any gains or losses arising from changes in fair value are taken directly to income statement in item "Gains and losses on financial assets and liabilities held for trading". Interests earned are reported as interest income.

## **2.3.5.2. Derivatives – hedge accounting**

### **Portfolio hedging against interest rate risks and cash flow changes**

For the purposes of hedge accounting, the SKB Group and SKB Bank may hedge fair value when it comes to hedging exposure to changes in the fair value of a recognized asset, liability or variable cash flow.

At inception of the hedge relationship, SKB Group and SKB Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, General Management objectives and the strategy for undertaking the hedge.

In relation to cash flow hedges, which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, is recognised directly in equity as 'Accumulated other comprehensive income' and the ineffective portion is recognised in net profit or loss in item "Gains and losses from hedge accounting".

In relation to fair value hedges, which meet the conditions for special hedge accounting, the gain or loss on the hedging instrument is recognised in net profit or loss in item "Gains and losses from hedge accounting". Gain or loss on the hedged item is also recognised in income statement in the same item as changes in fair value on the hedging instrument.

Hedge accounting is discontinued when the hedging instrument or hedge item expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year. In 2022, we did not have such derivatives.

## **2.3.5.3. Debt Instruments**

Debt instruments, classified in this category, are securities SKB Group and SKB Bank hold with the intention of recognising short-term profits. They are carried at fair market value based on quoted bid prices. All gains and losses realized and unrealized from trading are reported in "Gains and losses on financial assets and liabilities held for trading" in the period in which they arise. Interests earned are reported as interest income.

## **2.3.6. Non-trading financial assets mandatorily measured at fair value through profit or loss**

In this category SKB Group and SKB Bank classify equity instruments and loans that do not pass SPPI test.

All realised and unrealised gains and losses from equity instruments and loans, mandatorily at fair value through profit and loss are in income statement presented in "Gains and losses on non-trading financial assets mandatorily at fair value through profit or loss". However, interests on these instruments are shown under 'net interest'.

## **2.3.7. Financial assets designated for measurement at fair value through profit and loss**

In this category SKB Group and SKB Bank classify debt instruments, which contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

All realised and unrealised gains and losses from debt instruments designated at fair value through profit and loss are reported in "Gains and losses on financial assets and liabilities designated at fair value through profit or loss". Interests earned are reported as interest income. However, interest on these instruments are shown under 'net interest'. Transaction costs are recognized in the income statement at the time of purchase.

## **2.3.8. Financial assets measured at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are financial asset held for acquiring contractual cash flows and sale. In this category SKB Group and SKB Bank classify debt instruments.

Gains and losses on financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income, except for impairment losses and exchange rate differences until the financial asset is derecognised. In this case, the cumulative gain or loss in other comprehensive income is recognised in the income statement. Interests calculated using the effective interest rate method are recognized directly in the income statement and are presented as "Net interests".

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

## **2.3.9. Financial assets measured at amortised cost**

Financial assets at amortised cost are financial assets held for acquiring contractual cash flows that represent principal and interest repayments on the outstanding principal amount. In this category SKB Group and SKB Bank classify debt instruments, loans and other financial assets. Gains and losses from financial assets at amortised cost are shown in "Gains and losses on financial assets and liabilities not measured at fair value through profit or loss". Interests earned are reported as interest income.

Loans originated by SKB Group and SKB Bank by providing money directly to the borrower are categorized as loans and are carried at amortised cost, which is determined as the principal amount outstanding, increased by the amount of interest and other claims due from customers, less any amounts written off and less any provisions for loan impairment. Loans are recognised when cash is advanced to borrowers. Loans are carried at amortised cost. Amortised cost is calculated by taking into account the discount or premium on acquisition and fees that are an integral part of the effective interest rate. The effects of EIR use are included in "Interest income" in the income statement. The losses arising from impairment of such loans are recognised as "Impairment" in the income statement.

### **Restructured and refinanced loans**

SKB Group's and SKB Bank's decision regarding the method of resolving bad investments is based on the review of the causes for debtor's difficulties, that it can no longer repay the debt under the originally agreed terms. Sometimes the realisation of insurance is more rational decision than debt's restructuring. In case of restructuring the most common methods are: extending the payment deadlines, new loan conditions and in some cases the conversion of part of debt to equity.

If the SKB Group or SKB Bank converts debt into equity, the financial asset is derecognised and the acquired asset is recognized in the statement of financial position at fair value. The difference between the carrying amount of the derecognised financial asset and the fair value of the asset acquired is recognized in the income statement.

According to EBA and Bank of Slovenia rules, the investments for which the forbore instruments have been used, remain classified in a category non-performing loans. SKB Group and SKB Bank are reviewing the fulfilment of new conditions of restructuring loans and monitor the possibility of future payments.

## 2.3.10. Tangible assets

### 2.3.10.1. Property, plant and equipment

All property and equipment is stated at cost, less accumulated depreciation and impairment losses.

Depreciation is based on the straight-line depreciation method to write off the cost of each asset to its residual value over the estimated useful life. The annual depreciation rates are as follows

in %	2022	2021
Buildings and their significant parts	1.8 - 10.0	1.8 - 10.0
Furniture and fittings	6.7 - 15.0	6.7 - 15.0
Computers	11.11 - 50.0	11.11 - 50.0
Equipment	6.7 - 33.3	6.7 - 33.3

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

Property, plant and equipment are depreciated when they are available for use.

Significant parts of buildings whose useful life differs from that of the whole building, and whose costs are significant, are separately depreciated.

Maintenance and repairs are charged to the income statement when incurred. Expenditure that enhances and extends the benefits of property or equipment beyond the original specifications and lives are recognised as capital improvements and added to the original cost.

The amortisation expense on property, plant and equipment is recognised in the income statement in the "Depreciation" category. The amortisation period and the amortisation method for property, plant and equipment are reviewed at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of property, plant and equipment are recognised in income statement in item "Gains and losses on derecognition of non-financial assets".

SKB Group and SKB Bank checks the market value of real estate every 3 years or at the occurrence of an event that could affect the reduction of the market value. The appraisal is performed by certified real estate appraisers. An impairment review to determine whether there are any indications of impairment is performed at each balance sheet date. If there are indicators of impairment SKB Group and SKB Bank prepare the calculation of impairment losses. The carrying amounts are periodically reviewed on the basis of independent valuations to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, and an impairment loss is recognised in income statement.

### 2.3.10.2. Investment property

SKB Group and SKB Bank hold properties as investments to earn rental income. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less depreciation. SKB Group and SKB Bank use the same depreciation method and the same depreciation rates, including depreciation by significant parts, for investment properties and for fixed assets (including amortization of important parts).

The carrying amounts of investment properties are periodically reviewed on the basis of independent valuations.

The depreciation arising from investment properties is included in the income statement under "Depreciation", while the income from the rental of investment properties is included in "Other operating income".

## 2.3.11. Intangible assets

Intangible assets include computer software and goodwill.

An intangible asset is depreciated when it is available for use. Depreciation is calculated using the straight-line method.



### 2.3.11.1. Computer software

Software recognised as an asset is amortised using the straight-line method over its estimated useful life as follows:

	in %	2022	2021
Computer software		14.3 – 20.0	14.3 – 20.0

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by SKB Group and SKB Bank and are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Expenditure which increases the value of software programs beyond its original specifications is added to the original cost of the software. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the "Depreciation" category. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year-end.

Gains or losses arising from derecognition of an intangible asset are recognised in the income statement in category "Gains and losses on derecognition of non-financial assets".

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

### 2.3.11.2. Goodwill

If the costs of acquisition exceed the fair value of the net identifiable assets of the business acquired, goodwill is accounted for by SKB Group.

SKB Group review the goodwill for impairment annually. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

## 2.3.12. Tax assets and liabilities

### 2.3.12.1. Current tax assets and liabilities

Current taxes are calculated in accordance with the provisions of the relevant legislation of the Republic of Slovenia, the Corporate Income Tax Act, at a rate 19 % of taxable profits.

### 2.3.12.2. Deferred tax assets and liabilities

Deferred taxation is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the assets or liabilities will be settled, and it is based on tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax relating to items recognised in equity in "Accumulated other comprehensive income " is also recognised in that position.

## 2.3.13. Non-current assets held for sale and discontinued operations

Non-current assets held for sale are assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Classification of assets in this group is possible under the following conditions: assets must be available for immediate sale in their present condition, the sale must be highly probable and assets must be sold, not abandoned.

They are measured at the lower of their carrying amounts and fair values less costs of sale. Depreciation is stopped as soon as an asset is classified as being held for sale.

Effects due to sales and valuation are shown in the income statement in the item net gains / losses from non-current assets held for sale.

Temporary property and equipment acquired for debt repayments in the restructuring process are not classified among property and equipment but among stock. These assets are carried at their estimated net realizable value.

## 2.3.14. Leases

The contract contains leasing, if it ensures the right to control or supervision over the use of an asset for agreed period of time in exchange for payment. Control is ensured when client has right to economic benefit and right-of-use of asset.

### 2.3.14.1. SKB Group and SKB Bank as lessor

A finance lease is a lease which transfers substantially all the risks and rewards of ownership to the lessee. Otherwise the lease is classified as an operating lease.

In case of operating lease the carrying amount of leased asset is increased by any initial direct cost arising from mediation at operating lease and is recognized in period of lease on same basis as income from lease. Rents are recognised as revenue in the period in which they are earned.

For an asset leased out under a finance lease, the present value of the future lease payments is recognised as a finance lease receivable. Finance lease receivables are stated at the amount of the net investment in the finance lease, including the unguaranteed residual value. The difference between the gross value and the present value of the receivable is recognised in income statement using the effective interest rate method over the entire lease term.

### 2.3.14.2. SKB Group and SKB Bank as lessee

Lessee on initial start date of lease recognize the asset which represents the right-of-use and liability from lease. This applies to all leases except for short-term leases not exceeding one year and for small leases with a value less than or equal to EUR 5,000.

Value of right-of-use asset covers: amount of initial measurement of liability from lease, rent payments, which were carried out at the beginning of lease or before, reduced for received lease initiatives, initial direct costs, which incurred at lessor, and an estimate of the costs that will be incurred by the lessee in restoring, returning or removing the leased asset. Value of right-of-use is evenly time depreciated in accordance with period of lease. Lease liability is measured as present value of rents, paid in period time of lease and are discounted at interest rate as stated above.

The SKB Group and SKB Bank also recognize interest on lease liabilities.

SKB Group and SKB Bank do not have assets acquired by finance lease.

## Lease duration

The duration of the lease is considered a period, specified in the lease contract, in which the lease cannot be terminated and in which the lessee has the right to use the leased asset, together with the periods for which the possibility of extending the lease applies (if it is quite certain that the lessee will use this option). In the case where contracts are concluded for indefinite period or the duration of the lease is not specified, the duration of the lease is defined as 5 years and is extended on every year period.

## Interest rate – discount rate

Interest rate for lease is an interest rate which the lessor should pay and with that for similar period of time and with similar guarantee in similar economic environment would obtain asset, in similar value as asset which ensures right-of-use.

The discount rate applied to calculate the present value is the incremental borrowing rate determined by the Asset-Liability Management department of the OTP Bank on a monthly basis per country, currency and for year terms based on government securities zero coupon yield curves increased by the spread reflecting the risk of the SKB Group.

## Leases that do not qualify for recognition

Leases do not qualify for recognition in case of:

- short-time lease (period of lease is shorter than 12 months and contract does not include buying option);
- lease, at which the asset as subject to lease is with low value (assets with value less than EUR 5.000).

### **2.3.15. Financial liabilities held for trading**

In category "Financial liabilities held for trading" SKB Group and SKB Bank hold derivatives unless they are intended for hedging against risk. Financial instruments held for trading are shown in the statement of financial position at fair value. Gains or losses on investments held for trading are recognised in the income statement as "Gains and losses on financial assets and liabilities held for trading".

### **2.3.16. Financial liabilities designated for measurement at fair value through profit or loss**

In category "Financial liabilities designated at fair value through profit or loss" SKB Group and SKB Bank hold structured deposit. All realised and unrealised gains and losses from financial liabilities designated at fair value through profit and loss are shown in "Gains and losses on financial assets and liabilities designated at fair value through profit or loss". Interest earned is reported as interest income.

### **2.3.17. Financial liabilities measured at amortised cost**

Among financial liabilities measured at amortized cost, SKB Group and SKB Bank disclose: liabilities for deposits, liabilities for loans to banks and non-bank customers, debts for issued debt securities and other financing liabilities.

Financial liabilities measured at amortised cost are recognised initially at 'cost' net of transaction costs incurred. Subsequently, financial liabilities measured at amortised cost are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

### **2.3.18. Provisions**

In the normal course of business, SKB Group and SKB Bank enter into financial instrument contracts with off-balance sheet risk. Such contracts include the issuance of guarantees and letters of credit, granted but not-yet-drawn loans, and credit lines. These financial instruments involve, to varying degrees, elements of credit, interest rate and currency risk. Provisions are made for estimated losses on such items based on similar assessments as set out for loans and advances.

When the SKB Group and SKB Bank have a current statutory or otherwise justified liability arising from past events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, they recognize provisions. A reliable estimate of the amount of the liability is required to form provisions.

In addition to off-balance sheet liabilities, the SKB Group also forms provisions for severance pay upon retirement and jubilee awards, for unresolved lawsuits, for reorganization and similar other liabilities.

### **2.3.19. Financial guarantees**

SKB Group and SKB Bank issue financial guarantees consisting of letters of credit, letter of guarantees, and acceptances. Financial guarantees are contracts that require the issuer to make certain payments to reimburse the holder for a loss incurred because a particular debtor has not made a payment within the term of the debt instrument. They are issued to customers and banks as a form of insurance.

Financial guarantees are initially recognised in the financial statements at fair value at issue date. Subsequent to initial recognition, they are measured at the higher of the initially recognised fair value, from which accumulated depreciation, calculated for recognition of the fee, is deducted. In the income statement the fee is reported under item "Fee and commission net income" over the term of the guarantee.

### **2.3.20. Equity**

The share capital of SKB Bank is divided into no-par value shares. They are registered and issued in dematerialized form. Each no-par value share has the same share and the corresponding amount of the bank's share capital. The share of an individual no-par value share is determined according to the number of all issued no-par value shares. Shareholders have the right to participate in the management of the bank, part of the profit and the corresponding part of the remaining assets after the termination of the bank's operations. The shares are entered in the share register in accordance with the regulations. The Central Register of Shares is kept by KDD - Centralna klirinško-depotna družba, d.d., in Ljubljana, which carries out all share transfer procedures in accordance with the law. All shares were fully paid up. Dividends are reduced by the capital when their payment is approved by the General Meeting of Shareholders of SKB Bank.

Legal reserves are formed in the amount of 10 % of the bank's share capital.

Other comprehensive income records accumulated gains / losses from changes in the fair value of equity and debt financial instruments measured at fair value through other comprehensive income, as well as actuarial gains / losses, reduced / increased by deferred tax and impairments of debt instruments measured at fair value through other comprehensive income.

In accordance with IFRS 2, the calculated amount for shares that will be granted later is recognized as an expense in the income statement and booked to equity - retained earnings. The liability must be measured at fair value.

### **2.3.21. Interest income and expenses**

Interest income and expense are recognized in the income statement on accrual basis using the effective interest rate method, in the amount, terms and in the manner specified in the interest rate decision and in the contracts between the SKB Group and the client.

Interest income includes regular, default and accrued interest, compensation of appropriations and costs. Interest expenses include interest on liabilities for received deposits, issued securities, received loans and other financial liabilities.

Interest income and expense include the amortization of discount or premium on securities. Interest income also includes transaction fees, which depend on the calculation of the effective interest rate and are amortized over the life of the loan.

Interest income is calculated on the basis of gross carrying amount (amortized cost before adjusting for any loss allowance or before taking into account expected credit losses), unless the loan is purchased or originated credit impaired or subsequently became credit impaired. In these cases, interest income is calculated using the effective interest rate based on the net amortized cost (taking into account impairments or expected credit losses).

Other interest similar income and expenses from derivative financial instruments is calculated without using the effective interest method. Positive or the negative fair value adjustment is included in other interest similar income and expense.

### **2.3.22. Dividend income**

Dividend income is recognised in the income statement on the date that the dividend is declared.

### **2.3.23. Fee and commission income**

Fees charged by SKB Group and the Bank to customers for the provision of financial services are recognized in the income statement if the entity fulfills its contractual obligation in accordance with the rules of IFRS 15 Revenue from Contracts with Customers.

If the obligation is fulfilled at a certain point in time, the related revenues are recognized in the income statement when the service is provided. This applies to commissions from payment transactions, ATM operations, credit cards and the brokerage of insurance products.

If the obligation is fulfilled over a certain period of time, the related revenues are recognized in the income statement in accordance with the fulfillment of obligation. This applies to management and advisory fees, guarantee fees, asset management fees and custody fees, as well as for loans that are not part of the effective interest rate of the financial instrument.

### **2.3.24. Gains and losses on financial assets and liabilities not measured at fair value through profit and loss**

Gains and losses on financial assets and liabilities not measured at fair value through profit and loss include realized gains and losses arising from purchases and disposals of financial assets and liabilities not measured at fair value through profit and loss (financial assets measured at fair value through other comprehensive income and financial assets and liabilities at amortised cost, including finance leases).

In the income statement, they are recognized upon realization of the sale, upon maturity of the financial asset or other derecognition of the financial asset.

### **2.3.25. Gains and losses on financial assets and liabilities held for trading**

Net trading gains and losses include realized and unrealized gains and losses on financial assets held for trading, including derivatives, and also include net gains on the purchase and sale of foreign currencies.

### **2.3.26. Gains and losses on non-trading financial assets mandatorily at fair value through profit and loss**

This item includes realized and unrealized effects related to equity securities and realized effects related to loans and other financial assets that do not meet the conditions for measurement at amortized cost.

### **2.3.27. Gains and losses on financial assets and liabilities designated for measurement at fair value through profit and loss**

They include measurement effects and realized effects related to financial instruments that meet the conditions for measurement at amortized cost, but were initially irrevocably designated as measured at fair value through profit or loss.

### **2.3.28. Gains and losses from hedge accounting**

In relation to cash flow hedges, which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, is recognised directly in equity under in other comprehensive income and the ineffective portion is recognised in net profit or loss, in item "Gains and losses from hedge accounting". The gains or losses that are recognised in equity are transferred from other comprehensive income to the income statement in the same period in which the hedged item affects the net profit and loss.

In relation to fair value hedges, which meet the conditions for special hedge accounting, the gain or loss on the hedging instrument is recognised in net profit or loss in item "Gains and losses from hedge accounting". Gain or loss on the hedged instrument is also recognised in income statement in the same item as changes in fair value on the hedging instrument.

### **2.3.29. Gains and losses on exchange differences**

Exchange differences are recognized when assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency at the date of the transaction.

### **2.3.30. Gains and losses on derecognition of non-financial assets**

Gains and losses on derecognition of non-financial assets arise from the purchases and disposals of tangible and intangible assets.

### **2.3.31. Staff expenses**

SKB Group and SKB Bank contribute to private pension funds for employees. Contributions to the state pension fund, social insurance, medical insurance, and unemployment funds for employees are considered as operating expenses as incurred.

SKB Group and SKB Bank create accruals for employee holiday, benefits for the present value of defined employee retirement plans and seniority awards based on actuarial calculations.

#### **Retirement Severance Pay:**

Retirement severance pay is required by the Slovenian employment act in the amount of 3 average employee's monthly salaries or 3 months of the average Slovenian salary. The highest amount must be taken into account.

**Seniority awards:**

On the basis of collective agreement employee is entitled to a jubilee award (seniority awards) for uninterrupted service at the last employee in the following amounts:

- 10 years of employment: 460 EUR
- 20 years of employment: 689 EUR
- 30 years of employment: 919 EUR
- 40 years of employment: 919 EUR

**Termination benefits:**

According to the Slovenian employment act and Banking branch collective agreement, dismissed employees (employed under Collective Agreement) are entitled to termination benefits (depending to the length of service) up to 33 % of their gross salary for each year of service.

**Management bonus scheme:**

Management's salary consists of salaries, remuneration and other short-term benefits. The amount of salaries and rewards to the management, as well as the principles and structure of determining remuneration are the responsibility of the Board of Directors.

## 2.3.32. Gains and losses on non-current assets held for sale and related liabilities

Profit or loss from non-current assets and disposal groups classified as held for sale arise from disposals of these assets.

## 2.3.33. Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of SKB Group and SKB Bank. Accordingly, they are not included in their financial statements.

## 2.3.34. Offsetting

Financial assets and financial liabilities are offset and their net value is disclosed in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the SKB Group and SKB Bank intend to either offset on a net basis or sell assets and settle liabilities simultaneously.

## 2.3.35. Operations for the account of third parties

SKB Bank also provides its clients with asset management services on their behalf, especially the services of accepting, forwarding and executing orders, for which it charges a commission after the service has been provided. These assets are not included in the statement of financial position of SKB Bank and the SKB Group, but are presented in the off-balance sheet records.

## 2.4. Notes to the financial statements of SKB Group and SKB Bank

### 2.4.1. Net interest income

EUR 000	SKB Group		SKB Bank	
	2022	2021 Reclassified	2022	2021 Reclassified
<b>Interest income and similar to interest income</b>	<b>107,566</b>	<b>96,836</b>	<b>93,817</b>	<b>82,146</b>
<b>Interest income calculated using the effective interest method</b>	<b>87,125</b>	<b>77,749</b>	<b>73,376</b>	<b>63,059</b>
Financial assets at fair value through other comprehensive income	5,701	5,430	5,701	5,430
Financial assets at amortised cost	81,264	71,677	67,518	57,104
Interest income on impaired financial assets accrued - loans and receivables to customers	160	451	157	334
Financial liabilities arising from negative interest rate	0	191	0	191
<b>Income similar to interest income</b>	<b>20,441</b>	<b>19,087</b>	<b>20,441</b>	<b>19,087</b>
Non-trading financial assets mandatorily at fair value through profit or loss	0	349	0	349
Financial assets designated at fair value through profit of loss	0	56	0	56
Income from Financial assets and liabilities held for trading	20,441	18,682	20,441	18,682
<b>Interest expenses and similar to interest expense</b>	<b>(22,405)</b>	<b>(20,068)</b>	<b>(22,404)</b>	<b>(20,068)</b>
<b>Interest expenses calculated using the effective interest method</b>	<b>(2,691)</b>	<b>(1,682)</b>	<b>(2,690)</b>	<b>(1,682)</b>
Financial liabilities measured at amortised cost	(2,312)	(893)	(2,311)	(893)
Financial assets arising from negative interest rate	(342)	(769)	(342)	(769)
Other	(37)	(20)	(37)	(20)
<b>Expense similar to interest expense</b>	<b>(19,714)</b>	<b>(18,386)</b>	<b>(19,714)</b>	<b>(18,386)</b>
Financial liabilities designated at fair value through profit or loss	0	(56)	0	(56)
Expense from Financial assets and liabilities held for trading	(19,714)	(18,330)	(19,714)	(18,330)
<b>Net interest income</b>	<b>85,161</b>	<b>76,768</b>	<b>71,413</b>	<b>62,078</b>

In 2022, we show the interest income for overnight deposits with the Bank of Slovenia in local currency among the Interest income from financial assets, measured at amortized cost (EUR 186 thousand). In 2021 they were among the Interest income from demand deposits with banks.

Reclassified amounts are explained in chapter 2.2.3..



Interest income and expense by sector are summarised in the table below:

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>Interest income from financial assets at amortised cost</b>				
• corporates	15,715	12,084	15,065	11,728
• government	4,618	4,618	4,618	4,618
• financial organisations	2,949	(141)	10,100	5,363
• individuals and sole proprietors	38,093	35,839	37,892	35,729
• long term financial leases	20,049	19,728	0	0
	<b>81,424</b>	<b>72,128</b>	<b>67,675</b>	<b>57,438</b>
<b>Interest expense from financial liabilities measured at amortised cost</b>				
• corporates	(405)	(153)	(403)	(152)
• government	(6)	(6)	(6)	(6)
• financial organisations	(1,210)	(28)	(1,211)	(30)
• individuals and sole proprietors	(691)	(706)	(691)	(705)
	<b>(2,312)</b>	<b>(893)</b>	<b>(2,311)</b>	<b>(893)</b>

## 2.4.2. Dividend income

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Dividend income from non-trading financial assets mandatorily at fair value through profit or loss	264	163	264	163
Dividend income from investments in subsidiaries, associates and joint ventures (accounted for using the cost method)	0	0	7,450	9,250
<b>Total</b>	<b>264</b>	<b>163</b>	<b>7,714</b>	<b>9,413</b>

Dividend income from investments in subsidiaries, associates and joint ventures (accounted for using the cost method) refers to capital investment in subsidiary SKB Leasing that is 100 % owned by SKB Bank.

## 2.4.3. Net fee and commission income

SKB Group	2022			2021			
	EUR 000	Households	Legal entity	Total	Households	Legal entity	Total
<b>Fee and commission income related to banking activities</b>							
Credit cards and ATMs		4,210	8,118	12,328	4,525	3,816	8,341
Customer transactions accounts		12,166	3,972	16,138	9,902	1,310	11,212
Payments		3,991	7,290	11,281	4,085	9,125	13,210
Guarantees		43	2,459	2,502	48	2,348	2,396
Loans transactions		2,369	972	3,341	2,964	3,724	6,688
Agency of insurance products		0	1,916	1,916	0	1,802	1,802
Other services		255	480	735	217	507	724
<b>Total</b>		<b>23,034</b>	<b>25,207</b>	<b>48,241</b>	<b>21,741</b>	<b>22,632</b>	<b>44,373</b>
<b>Fee and commission expenses related to banking activities</b>							
Credit cards and ATMs		0	(7,275)	(7,275)	0	(6,260)	(6,260)
Customer transaction accounts		0	0	0	0	0	0
Payments		0	(1,458)	(1,458)	0	(1,330)	(1,330)
Guarantees		0	(1,047)	(1,047)	0	(645)	(645)
Loans transactions		0	(386)	(386)	0	(456)	(456)
Agency of insurance products		0	0	0	0	0	0
Other services		0	(51)	(51)	0	(48)	(48)
<b>Total</b>		<b>0</b>	<b>(10,217)</b>	<b>(10,217)</b>	<b>0</b>	<b>(8,739)</b>	<b>(8,739)</b>
<b>Net fee and commission income related to banking activities</b>		<b>23,034</b>	<b>14,990</b>	<b>38,024</b>	<b>21,741</b>	<b>13,893</b>	<b>35,634</b>
<b>Fee and commission income related to customer activities</b>							
Fees from KDD and related organizations		0	0	0	0	0	0
Fees from securities stock market and related organizations		0	0	0	0	0	0
Custody and other related services		0	0	0	0	12	12
Receiving, transmission and executions of orders		249	770	1,019	124	759	883
Account management of customer's book-entry securities		192	732	924	175	618	793
<b>Total</b>		<b>441</b>	<b>1,502</b>	<b>1,943</b>	<b>299</b>	<b>1,389</b>	<b>1,688</b>
<b>Fee and commission expenses related to customer activities</b>							
Fees from KDD and related organizations		0	(466)	(466)	0	(361)	(361)
Fees from securities stock market and related organizations		0	(298)	(298)	0	(303)	(303)
Custody and other related services		0	(76)	(76)	0	(73)	(73)
Receiving, transmission and executions of orders		0	0	0	0	0	0
Account management of customer's book-entry securities		0	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>(840)</b>	<b>(840)</b>	<b>0</b>	<b>(737)</b>	<b>(737)</b>
<b>Net fee and commission income related to customer activities</b>		<b>441</b>	<b>662</b>	<b>1,103</b>	<b>299</b>	<b>652</b>	<b>951</b>
<b>Fee and commission income</b>		<b>23,475</b>	<b>26,709</b>	<b>50,184</b>	<b>22,040</b>	<b>24,021</b>	<b>46,061</b>
<b>Fee and commission expenses</b>		<b>0</b>	<b>(11,057)</b>	<b>(11,057)</b>	<b>0</b>	<b>(9,476)</b>	<b>(9,476)</b>
<b>Net fee and commission income</b>		<b>23,475</b>	<b>15,652</b>	<b>39,127</b>	<b>22,040</b>	<b>14,545</b>	<b>36,585</b>

SKB Bank	2022			2021		
	EUR 000	Households	Legal entity	Total	Households	Legal entity
<b>Fee and commission income related to banking activities</b>						
Credit cards and ATMs	4,424	4,995	9,419	4,525	3,817	8,342
Customer transactions accounts	11,454	1,524	12,978	9,901	1,310	11,211
Payments	3,777	10,248	14,025	4,085	8,948	13,033
Guarantees	43	2,459	2,502	48	2,348	2,396
Loans transactions	3,081	3,420	6,501	2,964	3,724	6,688
Agency of insurance products	0	1,893	1,893	0	1,802	1,802
Other services	255	210	465	217	200	417
<b>Total</b>	<b>23,034</b>	<b>24,749</b>	<b>47,783</b>	<b>21,740</b>	<b>22,149</b>	<b>43,889</b>
<b>Fee and commission expenses related to banking activities</b>						
Credit cards and ATMs	0	(7,276)	(7,276)	0	(6,259)	(6,259)
Customer transaction accounts	0	0	0	0	0	0
Payments	0	(1,456)	(1,456)	0	(1,329)	(1,329)
Guarantees	0	(1,047)	(1,047)	0	(645)	(645)
Loans transactions	0	0	0	0	0	0
Agency of insurance products	0	0	0	0	0	0
Other services	0	(51)	(51)	0	(48)	(48)
<b>Total</b>	<b>0</b>	<b>(9,830)</b>	<b>(9,830)</b>	<b>0</b>	<b>(8,281)</b>	<b>(8,281)</b>
<b>Net fee and commission income related to banking activities</b>	<b>23,034</b>	<b>14,919</b>	<b>37,953</b>	<b>21,740</b>	<b>13,868</b>	<b>35,608</b>
<b>Fee and commission income related to customer activities</b>						
Fees from KDD and related organizations	0	0	0	0	0	
Fees from securities stock market and related organizations	0	0	0	0	0	
Custody and other related services	0	0	0	0	12	12
Receiving, transmission and executions of orders	249	770	1,019	124	759	883
Account management of customer's book-entry securities	192	732	924	175	618	793
<b>Total</b>	<b>441</b>	<b>1,502</b>	<b>1,943</b>	<b>299</b>	<b>1,389</b>	<b>1,688</b>
<b>Fee and commission expenses related to customer activities</b>						
Fees from KDD and related organizations	0	(466)	(466)	0	(361)	(361)
Fees from securities stock market and related organizations	0	(14)	(14)	0	(12)	(12)
Custody and other related services	0	(76)	(76)	0	(73)	(73)
Receiving, transmission and executions of orders	0	0	0	0	0	0
Account management of customer's book-entry securities	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>(556)</b>	<b>(556)</b>	<b>0</b>	<b>(446)</b>	<b>(446)</b>
<b>Net fee and commission income related to customer activities</b>	<b>441</b>	<b>946</b>	<b>1,387</b>	<b>299</b>	<b>943</b>	<b>1,242</b>
<b>Fee and commission income</b>	<b>23,475</b>	<b>26,251</b>	<b>49,726</b>	<b>22,039</b>	<b>23,538</b>	<b>45,577</b>
<b>Fee and commission expenses</b>	<b>0</b>	<b>(10,386)</b>	<b>(10,386)</b>	<b>0</b>	<b>(8,727)</b>	<b>(8,727)</b>
<b>Net fee and commission income</b>	<b>23,475</b>	<b>15,865</b>	<b>39,340</b>	<b>22,039</b>	<b>14,811</b>	<b>36,850</b>

Tax on financial services decreased revenues from fees in 2022 in the amount of EUR 4,735 thousand (2021: EUR 4,333 thousand).

## 2.4.4. Gains and losses on financial assets and liabilities not measured at fair value through profit and loss

EUR 000	SKB Bank		Bank	
	2022	2021	2022	2021
<b>Gains</b>				
Financial assets at amortised cost	443	342	0	0
Financial liabilities measured at amortized cost	206	9	206	9
	<b>649</b>	<b>351</b>	<b>206</b>	<b>9</b>
<b>Losses</b>				
Financial assets at amortised cost	(1,018)	(435)	0	(26)
Financial liabilities measured at amortized cost	0	0	0	0
	<b>(1,018)</b>	<b>(435)</b>	<b>0</b>	<b>(26)</b>
<b>Gains and losses on financial assets and liabilities not measured at fair value through profit and loss</b>	<b>(369)</b>	<b>(84)</b>	<b>206</b>	<b>(17)</b>

## 2.4.5. Gains and losses on financial assets and liabilities held for trading

EUR 000	SKB Group		SKB Bank	
	2022	2021 Reclassified	2022	2021 Reclassified
Net gains or losses from derivatives	728	376	728	376
Net gains or losses from trading in debt securities	(113)	-	(113)	-
Net gains or losses from dealing in loans and other financial assets	1,773	1,381	1,773	1,381
	<b>1,912</b>	<b>1,757</b>	<b>1,912</b>	<b>1,757</b>

Fee and commission income and expense relating to foreign exchange transactions are according to new scheme of Income statement included in Gains and losses on financial assets and liabilities held for trading.

Reclassified amounts are explained in chapter 2.2.3..

## 2.4.6. Gains and losses on non-trading financial assets mandatorily measured at fair value through profit and loss

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Gains	93	4,551	93	4,551
Losses	(696)	(2,323)	(696)	(2,323)
	<b>(603)</b>	<b>2,228</b>	<b>(603)</b>	<b>2,228</b>

Losses from investments in equity in the amount of EUR 603 thousand (2021: EUR 48 thousand). In 2021 the amount of EUR 2,275 thousand were included in gains from loans and other financial assets.

## 2.4.7. Gains and losses on financial assets and liabilities designated for measurement at fair value through profit and loss

Gains and losses on financial assets and liabilities designated at fair value through profit and loss referred to valuation of investment deposit and EMTN bonds at fair value. Investment deposits were fully covered with investment in EMTN bonds issued by Société Générale, therefore SKB Group and SKB Bank were not exposed to market risk.

## 2.4.8. Gains and losses from hedge accounting

	SKB Group		SKB Bank	
	2022	2021	2022	2021
	<b>EUR 000</b>			
Net gains or losses from derivatives - fair value hedge	-	-	-	-
Net gains or losses from hedged items related to hedged risk - fair value hedge	558	567	558	567
Net gains or losses from ineffective cash flow hedge	-	-	-	-
	<b>558</b>	<b>567</b>	<b>558</b>	<b>567</b>

SKB Bank has terminated hedge accounting by selling financial instrument (interest rate swap) and transfers the fair value of the hedged item in income statement till maturity.

## 2.4.9. Exchange differences

	SKB Group		SKB Bank	
	2022	2021	2022	2021
	<b>EUR 000</b>			
Exchange differences	(25)	27	(25)	24
	<b>(25)</b>	<b>27</b>	<b>(25)</b>	<b>24</b>

## 2.4.10. Gains and losses on derecognition of non-financial assets

	SKB Group		SKB Bank	
	2022	2021	2022	2021
	<b>EUR 000</b>			
Gains	259	84	32	5
Losses	(111)	(52)	-	(6)
	<b>148</b>	<b>32</b>	<b>32</b>	<b>(1)</b>

Profit from sale of property, plant and equipment of SKB Group in 2022 amounted to EUR 259 thousand (2021: EUR 84 thousand) and losses from sale of property, plant and equipment amounted to EUR 111 thousand (2021: EUR 52 thousand). In 2022, the SKB Group did not incur any losses from intangible fixed assets (same in 2021).

Profit from sale of property, plant and equipment of SKB Bank in 2022 amounted to EUR 32 thousand (2021: EUR 5 thousand) and no losses from sale of property, plant and equipment (2021: EUR 6 thousand). In 2022, the SKB Bank did not incur any losses from intangible fixed assets (same in 2021).

## 2.4.11. Other operating income

	SKB Group		SKB Bank		
	EUR 000	2022	2021	2022	2021
<b>Income</b>					
Rental income - investment property		70	86	225	242
Rental income - POS terminals		383	347	383	347
Rental income - other property, plant and equipment		29	31	74	76
Sale of services - operational leases		747	951	0	0
Sale of services - other		491	544	0	0
Other operating income		3,630	2,047	3,678	2,156
		<b>5,350</b>	<b>4,006</b>	<b>4,360</b>	<b>2,821</b>
<b>Expenses</b>					
Taxes		(33)	(33)	0	0
Contributions		0	0	0	0
Rental expense - other property, plant and equipment		(9)	(4)	(9)	(4)
Other operating expenses		(102)	(21)	(92)	(18)
		<b>(144)</b>	<b>(58)</b>	<b>(101)</b>	<b>(22)</b>
<b>Other operating income and expenses</b>		<b>5,206</b>	<b>3,948</b>	<b>4,259</b>	<b>2,799</b>

Other operating income include revenues from charged rents with related costs in the amount of EUR 686 thousand (2021: EUR 653 thousand), various incentives in the amount of EUR 563 thousand (2021: EUR 724 thousand) and internal work on projects in the amount of EUR 964 thousand (2021: EUR 1.010 thousand). In 2022, our other operating income increased compared to 2021, mainly due to the income from the use of intangible long-term assets, the aid received to the economy to mitigate the consequences of the rise in energy prices and aid received for the purchase of rapid antigen tests for self-testing for the SARS-CoV-2 virus, as well as due to increase in income from bonus/malus in insurance transactions and the elimination of too many calculated bonuses.

Future minimum income of SKB Group and SKB Bank from operating lease are presented in the table below:

	SKB Group		SKB Bank		
	EUR 000	2022	2021	2022	2021
<b>Future minimum income from operating lease - cars and other equipment</b>					
Less than one year		1,179	1,152	383	347
One to five years		2,384	2,183	1,531	1,387
		<b>3,563</b>	<b>3,335</b>	<b>1,914</b>	<b>1,734</b>
<b>Future minimum income from operating lease - real estate</b>					
Less than one year		118	101	314	288
One to five years		73	68	365	452
		<b>192</b>	<b>169</b>	<b>679</b>	<b>740</b>

Among the future minimum income, this year we also took into account the income from rents of POS-terminals.

## 2.4.12. Administrative expenses

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>Payroll and other staff costs</b>				
Salaries Gross	(32,967)	(30,755)	(29,778)	(27,871)
Social security costs	(4,463)	(4,198)	(4,448)	(4,188)
Other employee costs	(2,557)	(2,730)	(1,950)	(2,160)
	<b>(39,987)</b>	<b>(37,683)</b>	<b>(36,176)</b>	<b>(34,219)</b>
<b>Administration costs</b>				
Material costs	(524)	(686)	(466)	(641)
Advertising and marketing	(1,760)	(1,787)	(1,416)	(1,490)
Professional services	(2,302)	(2,027)	(1,851)	(1,549)
IT costs	(4,609)	(3,977)	(4,058)	(3,472)
Operating lease rentals	(848)	(532)	(780)	(476)
Business trips	(123)	(82)	(105)	(63)
Maintenance, managing, protection and insurance of premises	(3,729)	(2,993)	(3,555)	(2,866)
Education, training and scholarships	(342)	(248)	(332)	(241)
Postal and telephone charges	(2,301)	(2,550)	(2,008)	(2,273)
Supervision	(930)	(1,072)	(930)	(1,072)
Other costs	(3,618)	(3,021)	(3,478)	(2,833)
	<b>(21,086)</b>	<b>(18,975)</b>	<b>(18,979)</b>	<b>(16,976)</b>
<b>Administrative expenses</b>	<b>(61,073)</b>	<b>(56,658)</b>	<b>(55,155)</b>	<b>(51,195)</b>

Other costs of SKB Group include costs of card and electronic operations and maintenance of ATM's in the amount of EUR 930 thousand (2021: EUR 498 thousand), printing costs in the amount of EUR 220 thousand (2021: EUR 221 thousand) and costs of other services.

### Auditor's fee:

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Audit of annual report by contract	(237)	(237)	(172)	(172)
Other services for assurances	(88)	(89)	(84)	(60)
<b>Other services</b>	-	-	-	-
	<b>(325)</b>	<b>(326)</b>	<b>(256)</b>	<b>(232)</b>

## 2.4.13. Cash contributions to resolution funds and deposit guarantee schemes

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Cash contributions to deposit guarantee schemes	(2,790)	(2,280)	(2,790)	(2,280)
Cash contributions to resolution funds	(1,396)	(1,531)	(1,396)	(1,531)
	<b>(4,186)</b>	<b>(3,811)</b>	<b>(4,186)</b>	<b>(3,811)</b>



## 2.4.14. Depreciation / Amortization

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Tangible fixed assets	(4,072)	(3,788)	(3,028)	(2,685)
Intangible fixed assets	(2,333)	(2,068)	(2,165)	(1,926)
Investment property	(38)	(40)	(81)	(83)
	<b>(6,443)</b>	<b>(5,896)</b>	<b>(5,274)</b>	<b>(4,694)</b>

## 2.4.15. Modification gains or losses

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Gains / Losses on repayment modifications	49	(39)	49	(39)
	<b>49</b>	<b>(39)</b>	<b>49</b>	<b>(39)</b>

In accordance with the COVID-19 epidemic mitigation law the SKB Group and SKB Bank enabled customers to extend the repayment of loan agreements (moratorium), which resulted in changes in cash flows and recalculation of the gross book value of financial assets by discounting the changed cash flows with effective interest rate.

## 2.4.16. Provisions

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Pending legal issues	0	0	0	0
Pensions and similar liabilities	(325)	(154)	(316)	(132)
Commitments and contingencies	5,753	96	5,753	96
Other	43	(1,098)	45	(699)
	<b>5,471</b>	<b>(1,156)</b>	<b>5,482</b>	<b>(735)</b>

Expenses for provisions created and income from provisions reversed relate mainly to off-balance sheet provisions, provisions for retirement severance pay and provisions for senior awards, which are created in accordance with the actuarial calculation and paid in accordance with the collective banking agreement.

Details of movement in provisions are presented in Note 2.4.33..

## 2.4.17. Impairment

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>Financial assets not measured at fair value through profit or loss</b>				
Financial assets at fair value through other comprehensive income	(311)	(531)	(311)	(531)
Financial assets at amortised cost	9,930	2,821	8,923	4,226
	<b>9,619</b>	<b>2,290</b>	<b>8,612</b>	<b>3,695</b>
<b>Other non-financial assets</b>				
Property, plant and equipment	682	0	682	0
Investment property	117	0	117	0
Goodwill	0	0	0	0
Other assets	(16)	0	(16)	0
	<b>783</b>	<b>0</b>	<b>783</b>	<b>0</b>
<b>Impairment</b>	<b>10,402</b>	<b>2,290</b>	<b>9,395</b>	<b>3,695</b>

## 2.4.18. Profit or loss from non-current assets and disposal groups classified as held for sale

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Profit or loss from non-current assets held for sale	6	(2)	6	(2)
	<b>6</b>	<b>(2)</b>	<b>6</b>	<b>(2)</b>

## 2.4.19. Tax expense or income related to profit or loss from continuing operations

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
<b>Income statement</b>				
Income tax payable in the year	(14,096)	(10,583)	(11,376)	(8,166)
Deferred tax	(451)	(128)	(155)	(18)
<b>Total</b>	<b>(14,547)</b>	<b>(10,711)</b>	<b>(11,531)</b>	<b>(8,184)</b>
<b>Reconciliation of effective tax rate</b>				
Profit before tax	75,605	56,719	75,123	58,917
Income tax calculated using the statutory tax rate	(14,365)	(13,442)	(14,273)	11,194
19% from items increasing tax base	2,920	6,335	2,884	3,015
19% from items decreasing tax base	(3,377)	(4,258)	(673)	(725)
Tax reliefs	726	(782)	686	(738)
<b>Income tax payable in the year</b>	<b>(14,096)</b>	<b>10,583</b>	<b>(11,376)</b>	<b>8,166</b>

The statutory tax rate is 19 %. The Bank's effective tax rate for 2022 was 15 %, the effective tax rate of the SKB Group for 2022 was 19 %.

**Tax assets and tax liabilities:**

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Tax assets</b>					
Current tax assets		0	626	0	0
Deferred tax assets		11,829	0	10,144	0
		<b>11,829</b>	<b>626</b>	<b>10,144</b>	<b>0</b>
<b>Tax liabilities</b>					
Current tax liabilities		3,512	4,088	3,210	4,088
Deferred tax liabilities		0	694	0	2,682
		<b>3,512</b>	<b>4,782</b>	<b>3,210</b>	<b>6,770</b>

**Net deferred tax assets and liabilities:**

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Deferred tax liabilities</b>		215	3,814	215	3,814
Mark to market valuation of securities at fair value through other comprehensive income - bonds		0	3,658	0	3,658
Impairment of securities at fair value through other comprehensive income - bonds		215	156	215	156
<b>Deferred tax assets</b>		<b>12,044</b>	<b>3,120</b>	<b>10,359</b>	<b>1,132</b>
<b>Long term provisions</b>		<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
Provisions for retirement indemnities		187	254	163	250
Provisions for retirement indemnities - actuarial losses through other comprehensive income		83	126	89	89
Provisions for jubilee benefits		28	28	26	40
Mark to market valuation of securities at fair value through other comprehensive income - bonds		9,382	0	9,382	0
Securities at fair value through other comprehensive income		215	156	215	156
Securities at amortised cost		20	25	20	25
Impairment of loans measured at amortized cost		1,570	1,876	0	0
Tangible assets		514	479	419	396
Goodwill		36	167	36	167
<b>Net deferred taxes</b>		<b>11,829</b>	<b>(694)</b>	<b>10,144</b>	<b>(2,682)</b>

**The deferred tax charge in the income statement comprises the following temporary differences:**

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Long term provisions	0	0	0	0
Provisions for retirement indemnities and seniority awards	(101)	1	(101)	(1)
Securities, measured at fair value through other comprehensive income - bonds	59	101	59	101
Securities, measured at amortized cost	(5)	11	(5)	11
Depreciation over maximum tax-allowable rates	23	1	23	2
Impairment of financial assets at amortized cost - loans	0	(111)	0	0
Impairment of goodwill	(131)	(131)	(131)	(131)
<b>Net income / (loss) from deferred tax</b>	<b>(155)</b>	<b>(128)</b>	<b>(155)</b>	<b>(18)</b>

**The deferred tax charge in equity comprises the following temporary differences:**

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Deferred tax liabilities</b>	<b>215</b>	<b>3,814</b>	<b>215</b>	<b>3,814</b>
Mark to market valuation of securities at fair value through other comprehensive income - bonds	215	3,814	215	3,814
<b>Deferred tax assets</b>	<b>9,471</b>	<b>126</b>	<b>9,471</b>	<b>89</b>
Mark to market valuation of securities at fair value through other comprehensive income - bonds	9,382	0	9,382	0
Provisions for retirement indemnities - actuarial losses through other comprehensive income	89	126	89	89
<b>Net deferred tax assets/(liabilities)</b>	<b>9,256</b>	<b>(3,688)</b>	<b>9,256</b>	<b>(3,725)</b>

## Tax payable and matured unpaid taxes

SKB Group and SKB Bank have no tax liabilities from matured, unpaid taxes.

### Movement of deferred taxes

SKB Group											
EUR 000	Balance 31.12.2021	Additional provisions for liabilities and charges	Valuation of financial instruments and capital investments	Depreciation and valuation of non- financial assets	Impairment of financial assets	Tax incentives	Adjustments to the fair value of financial assets measured at amortized cost	Other	Valuation of financial instruments and capital investments	Additional provisions	Balance 31.12.2022
<b>Deferred tax liabilities</b>	3,814	0	0	0	0	0	0	0	(3,599)	0	215
Mark to market valuation of securities at fair value through other comprehensive income - bonds	3,658	0	0	0	0	0	0	0	(3,658)	0	0
Impairment of securities measured at fair value through other comprehensive income - bonds	156	0	0	0	0	0	0	0	59	0	215
<b>Deferred tax assets</b>	<b>3,120</b>	<b>(307)</b>	<b>0</b>	<b>(96)</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>(109)</b>	<b>9,382</b>	<b>0</b>	<b>12,044</b>
Long term provisions	9	0	0	0	0	0	0	0	0	0	9
Provisions for retirement indemnities	254	0	0	0	0	0	0	(99)	0	0	155
Provisions for retirement severance payments - actuarial losses through other comprehensive income"	126	0	0	0	0	0	0	6	0	0	132
Provisions for jubilee benefits	28	0	0	0	0	0	0	(16)	0	0	12
Securities at fair value through other comprehensive income	156	0	0	0	59	0	0	0	0	0	215
Mark to market valuation of securities at fair value through other comprehensive income - bonds	0	0	0	0	0	0	0	0	9,382	0	9,382
Securities at amortised cost	25	0	0	0	(5)	0	0	0	0	0	20
Tangible assets	479	0	0	35	0	0	0	0	0	0	514
Impairment of loans measured at amortized cost	1,876	(307)	0	0	0	0	0	0	0	0	1,569
Goodwill	167	0	0	(131)	0	0	0	0	0	0	36
<b>Net deferred tax assets/(liabilities)</b>	<b>(694)</b>	<b>(307)</b>	<b>0</b>	<b>(96)</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>(109)</b>	<b>12,981</b>	<b>0</b>	<b>11,829</b>

SKB Group											
EUR 000	Balance 31.12.2020	Additional provisions for liabilities and charges	Valuation of financial instruments and capital investments	Depreciation and valuation of non- financial assets	Impairment of financial assets	Tax incentives	Adjustments to the fair value of financial assets measured at amortized cost	Other	Valuation of financial instruments and capital investments	Additional provisions	Balance 31.12.2021
<b>Deferred tax liabilities</b>											
Mark to market valuation of securities at fair value through other comprehensive income - bonds	6,002	0	0	0	0	0	0	0	(2,344)	0	3,658
Impairment of securities measured at fair value through other comprehensive income - bonds	55	0	0	0	0	0	0	0	101	0	156
	<b>6,057</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,243)</b>	<b>0</b>	<b>3,814</b>
<b>Deferred tax assets</b>											
Long term provisions	9	0	0	0	0	0	0	0	0	0	9
Provisions for retirement indemnities	253	18	0	0	0	0	0	(17)	0	0	254
Provisions for retirement severance payments - actuarial losses through other comprehensive income"	125	0	0	0	0	0	0	1	0	0	126
Provisions for jubilee benefits	30	4	0	0	0	0	0	(6)	0	0	28
Securities at fair value through other comprehensive income	55	0	0	0	101	0	0	0	0	0	156
Securities at amortised cost	14	0	0	0	11	0	0	0	0	0	25
Tangible assets	477	0	0	2	0	0	0	0	0	0	479
Impairment of loans measured at amortized cost	1,988	2,557	0	0	0	0	0	(2,669)	0	0	1,876
Goodwill	299	0	0	(132)	0	0	0	0	0	0	167
	<b>3,250</b>	<b>2,579</b>	<b>0</b>	<b>(130)</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>(2,691)</b>	<b>0</b>	<b>0</b>	<b>3,120</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(2,807)</b>	<b>2,579</b>	<b>0</b>	<b>(130)</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>(2,691)</b>	<b>2,243</b>	<b>0</b>	<b>(694)</b>

SKB Bank											
EUR 000	Balance 31.12.2021	Additional provisions for liabilities and charges	Valuation of financial instruments and capital investments	Depreciation and valuation of non- financial assets	Impairment of financial assets	Tax incentives	Adjustments to the fair value of financial assets measured at amortized cost	Other	Valuation of financial instruments and capital investments	Additional provisions	Balance 31.12.2022
<b>Deferred tax liabilities</b>	3,814	0	0	0	0	0	0	0	(3,599)	0	215
Mark to market valuation of securities at fair value through other comprehensive income - bonds	3,658	0	0	0	0	0	0	0	(3,658)	0	0
Impairment of securities measured at fair value through other comprehensive income - bonds	156	0	0	0	0	0	0	0	59	0	215
<b>Deferred tax assets</b>	<b>1,132</b>	<b>0</b>	<b>0</b>	<b>(108)</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>(101)</b>	<b>9,382</b>	<b>0</b>	<b>10,359</b>
Long term provisions	9	0	0	0	0	0	0	0	0	0	9
Provisions for retirement indemnities	250	0	0	0	0	0	0	(87)	0	0	163
Provisions for retirement severance payments - actuarial losses through other comprehensive income"	89	0	0	0	0	0	0	0	0	0	89
Provisions for jubilee benefits	40	0	0	0	0	0	0	(14)	0	0	26
Securities at fair value through other comprehensive income	156	0	0	0	59	0	0	0	0	0	215
Mark to market valuation of securities at fair value through other comprehensive income - bonds	0	0	0	0	0	0	0	0	9,382	0	9,382
Securities at amortised cost	25	0	0	0	(5)	0	0	0	0	0	20
Tangible assets	396	0	0	23	0	0	0	0	0	0	419
Impairment of loans measured at amortized cost	0	0	0	0	0	0	0	0	0	0	0
Goodwill	167	0	0	(131)	0	0	0	0	0	0	36
<b>Net deferred tax assets/(liabilities)</b>	<b>(2,682)</b>	<b>0</b>	<b>0</b>	<b>(108)</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>(101)</b>	<b>12,981</b>	<b>0</b>	<b>10,144</b>



SKB Bank											
EUR 000	Balance 31.12.2020	Additional provisions for liabilities and charges	Valuation of financial instruments and capital investments	Depreciation and valuation of non- financial assets	Impairment of financial assets	Tax incentives	Adjustments to the fair value of financial assets measured at amortized cost	Other	Valuation of financial instruments and capital investments	Additional provisions	Balance 31.12.2021
<b>Deferred tax liabilities</b>											
Mark to market valuation of securities at fair value through other comprehensive income - bonds	6,002	0	0	0	0	0	0	0	(2,344)	0	3,658
Impairment of securities measured at fair value through other comprehensive income - bonds	55	0	0	0	0	0	0	0	101	0	156
	<b>6,057</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,243)</b>	<b>0</b>	<b>3,814</b>
<b>Deferred tax assets</b>											
Long term provisions	9	0	0	0	0	0	0	0	0	0	9
Provisions for retirement indemnities	249	16	0	0	0	0	0	(15)	0	0	250
Provisions for retirement severance payments - actuarial losses through other comprehensive income"	89	0	0	0	0	0	0	0	0	0	89
Provisions for jubilee benefits	43	4	0	0	0	0	0	(7)	0	0	40
Securities at fair value through other comprehensive income	55	0	0	0	101	0	0	0	0	0	156
Securities at amortised cost	14	0	0	0	11	0	0	0	0	0	25
Tangible assets	392	0	0	4	0	0	0	0	0	0	396
Impairment of loans measured at amortized cost	0	0	0	0	0	0	0	0	0	0	0
Goodwill	299	0	0	(132)	0	0	0	0	0	0	167
	<b>1,150</b>	<b>20</b>	<b>0</b>	<b>(128)</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>(22)</b>	<b>0</b>	<b>0</b>	<b>1,132</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(4,907)</b>	<b>20</b>	<b>0</b>	<b>(128)</b>	<b>112</b>	<b>0</b>	<b>0</b>	<b>(22)</b>	<b>2,243</b>	<b>0</b>	<b>(2,682)</b>

## 2.4.20. Cash, cash balances at central banks and other demand deposits at banks

SKB Group and SKB Bank			
	EUR 000	31. 12. 2022	31. 12. 2021
Cash in hand		25,947	24,887
Balances with central banks and other demand deposits at banks		528,087	423,641
<b>Gross exposure</b>		<b>554,034</b>	<b>448,528</b>
Provisions		(104)	(93)
<b>Net exposure</b>		<b>553,930</b>	<b>448,435</b>

Cash on hand (domestic and foreign) includes cash in branches and ATMs and in the vault, where we keep domestic and foreign cash.

The money in the settlement account with the Bank of Slovenia is the liquid assets we need to provide daily liquidity and perform payment transactions. Other deposits with the central bank represent segregated funds for the SEPA payment settlement guarantee scheme. Slovenian banks are obliged to have mandatory reserve in Bank of Slovenia, The amount of reserve depends on the volume and structure of deposits received.

Sight deposits with banks represent the balance on the LORO account with another commercial bank, opened for the purpose of performing international payment transactions for clients.

## 2.4.21. Financial assets and liabilities held for trading

SKB Group and SKB Bank						
EUR 000	31. 12. 2022			31. 12. 2021		
	Nominal value	Fair value assets	Fair value liabilities	Nominal value	Fair value assets	Fair value liabilities
<b>Derivative financial instruments</b>						
Currency forwards	170,122	1,673	1,661	149,180	772	704
Currency swaps	518	25	3	83,458	521	542
Interest rate swaps	376,243	8,324	8,269	444,282	4,287	4,231
Interest rate options (call option)	30,543	1,172	1,172	11,929	127	0
Interest rate options (put option)	0	0	0	11,929	0	127
Currency options	0	0	0	0	0	0
Spot	46,999	9	13	53,248	0	73
	<b>624,425</b>	<b>11,203</b>	<b>11,118</b>	<b>754,026</b>	<b>5,707</b>	<b>5,677</b>
<b>Net fair value</b>		<b>85</b>			<b>30</b>	

SKB Group and SKB Bank trade with derivatives only on behalf and for the account of third parties; currency swaps use for regulation of liquidity in particular currency.

## 2.4.22. Non-trading financial assets mandatorily measured at fair value through profit or loss

EUR 000	SKB Group		SKB Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Equity instruments	20,287	20,890	20,287	20,890
Loans and other financial assets	0	0	0	0
	<b>20,287</b>	<b>20,890</b>	<b>20,287</b>	<b>20,890</b>

## 2.4.23. Financial assets and liabilities designated for measurement at fair value through profit or loss

On 4. 3. 2021 matured the issued deposits, which took the form of a deposit for which the interest rate is indexed on a basic instrument (underlying). Such deposits were fully backed with an investment in European Medium Term Notes (EMTN) issued by Société Générale. On 31. 12. 2022 and on 31. 12. 2021 we didn't have that kind of financial instruments.

## 2.4.24. Financial assets measured at fair value through other comprehensive income

EUR 000	SKB Group		SKB Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<b>Financial assets - listed</b>				
Government bonds of Republic Slovenia	183,452	250,689	183,452	250,689
Government bonds of Republic France	16,921	21,271	16,921	21,271
Government bonds of Hungary	70,637	88,513	70,637	88,513
Government bonds of Croatia	25,478	28,348	25,478	28,348
Government bonds of Serbia	18,539	22,845	18,539	22,845
Government bonds of Romania	46,688	53,130	46,688	53,130
	<b>361,715</b>	<b>464,796</b>	<b>361,715</b>	<b>464,796</b>

In 2022, there were no sales of financial assets measured at fair value through other comprehensive income. Therefore, in 2022 SKB Group and SKB Bank did not have any profit or loss from the sale of financial assets measured at fair value through other comprehensive income.

Movement of financial assets measured at fair value through other comprehensive income for the SKB Group and SKB Bank is presented in the table below

EUR 000	SKB Group		SKB Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<b>Balance at 1. 1.</b>	<b>464,796</b>	<b>366,307</b>	<b>464,796</b>	<b>366,307</b>
Exchange differences on opening balances of subsidiaries	0	0	0	0
Additions	0	122,976	0	122,976
Maturity (disposal)	(32,443)	(9,904)	(32,443)	(9,904)
Interest	(2,007)	(2,249)	(2,007)	(2,249)
Exchange differences	0	0	0	0
Change in fair value	(68,631)	(12,334)	(68,631)	(12,334)
<b>Balance at 31. 12.</b>	<b>361,715</b>	<b>464,796</b>	<b>361,715</b>	<b>464,796</b>

The accumulated other comprehensive income of financial assets, measured at fair value through other comprehensive income, is shown in the table below.

	SKB Group		SKB Bank		
	EUR 000	2022	2021	2022	2021
<b>Balance at 1. 1.</b>		<b>16,260</b>	<b>25,820</b>	<b>16,260</b>	<b>25,820</b>
Net gains / losses on fair value changes		(68,630)	(12,333)	(68,630)	(12,333)
Impairment		311	531	311	531
Deferred tax		12,981	2,242	12,981	2,242
<b>Balance at 31. 12.</b>		<b>(39,078)</b>	<b>16,260</b>	<b>(39,078)</b>	<b>16,260</b>

## 2.4.25. Financial assets measured at amortised cost

The table below presents the distribution of financial assets measured at amortized cost by individual types of financial assets.

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Debt securities</b>					
Debt securities - listed		141,860	195,570	141,860	195,570
<b>Gross exposure</b>		<b>141,860</b>	<b>195,570</b>	<b>141,860</b>	<b>195,570</b>
Provision for impairment		(105)	(131)	(105)	(131)
		<b>141,755</b>	<b>195,439</b>	<b>141,755</b>	<b>195,439</b>
<b>Loans to banks</b>					
Deposits		274,070	61	274,070	61
<b>Gross exposure</b>		<b>274,070</b>	<b>61</b>	<b>274,070</b>	<b>61</b>
Provision for impairment		(2,415)	(1)	(2,415)	(1)
		<b>271,655</b>	<b>60</b>	<b>271,655</b>	<b>60</b>
<b>Loans to non-bank customers</b>					
• corporates		1,030,586	802,534	991,983	779,150
• government		120,366	129,175	120,366	129,175
• financial organisations		6,759	3,509	508,074	485,305
• individuals		1,368,841	1,273,681	1,364,731	1,271,319
• other		772	306	772	306
• sole proprietors		25,466	21,567	25,466	21,566
Long term financial leases		476,085	468,896	0	0
<b>Gross exposure</b>		<b>3,028,875</b>	<b>2,699,668</b>	<b>3,011,392</b>	<b>2,686,821</b>
Provision for impairment		(54,132)	(73,098)	(46,038)	(64,929)
		<b>2,974,743</b>	<b>2,626,570</b>	<b>2,965,354</b>	<b>2,621,892</b>
<b>Other financial assets</b>					
<b>Gross exposure</b>		<b>8,339</b>	<b>5,016</b>	<b>7,732</b>	<b>4,608</b>
Provision for impairment		(13)	(41)	(8)	(35)
		<b>8,326</b>	<b>4,975</b>	<b>7,724</b>	<b>4,573</b>
<b>Financial assets measured at amortised cost</b>		<b>3,396,479</b>	<b>2,827,044</b>	<b>3,386,488</b>	<b>2,821,964</b>

Due from other banks refers to liquidity reserve of SKB Group and SKB Bank mostly.

SKB Group received as collateral for loans and advances to customers the real estate at an estimated fair value of EUR 2,060,994 thousand (2021: EUR 1,815,295 thousand), state securities and guarantees at a fair value of EUR 94,200 thousand (2021: EUR 72,070 thousand) and demand deposits at a fair value of EUR 11,607 thousand (2021: EUR 6,484 thousand).

Under large loans are by SKB Group and SKB Bank considered financial assets measured at amortised cost of ten biggest debtors.

As at 31 December 2022, SKB Group had large loans in amount of EUR 681,700 thousand or 22.51 % of the gross loan portfolio. Provisions in the amount of EUR 233 thousand were made against these loans in 2022.

As at 31 December 2021, SKB Group had large loans in amount of EUR 371,245 thousand or 13.75 % of the gross loan portfolio. Provisions in the amount of EUR 1,507 thousand were made against these loans in 2021.

SKB Group and SKB Bank consider a client defaulted, when a serious financial and business deterioration has occurred that has an impact on client's creditworthiness, when there is a high probability of loss of part of financial asset or payment of commitment and when claims were individually impaired, A counterparty is also deemed in default when client's credit obligation is in delay more than 90 consecutive days with an amount which exceeds the absolute ad relative materiality threshold.

As at 31 December 2022, SKB Group had gross non-performing loans in the amount of EUR 58,502 thousand (2021: EUR 64,284 thousand), net in the amount of EUR 14,620 thousand (2021: EUR 15,506 thousand).

As at 31 December 2022, SKB Bank gross had non-performing loans in the amount of EUR 47,122 thousand (2021: EUR 49,590 thousand), net in the amount of EUR 10,548 thousand (2021: EUR 9,222 thousand).

Other financial assets by individual type are presented in the table below:

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Receivables from card business		2,489	1,524	2,489	1,524
Fee and commission receivables		3,546	1,573	3,313	1,548
Receivables from securities		53	144	53	144
Receivables for financial advances		1,407	1,409	1,013	1,016
Other financial assets		844	366	864	376
<b>Gross exposure</b>		<b>8,339</b>	<b>5,016</b>	<b>7,732</b>	<b>4,608</b>
Provision for impairment		(13)	(41)	(8)	(35)
<b>Other financial assets</b>		<b>8,326</b>	<b>4,975</b>	<b>7,724</b>	<b>4,573</b>

### Provisions for impairment of loans

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Debt securities</b>					
• government		(105)	(131)	(105)	(131)
		<b>(105)</b>	<b>(131)</b>	<b>(105)</b>	<b>(131)</b>
<b>Banks</b>					
<b>Non-bank customers</b>					
• corporates		(21,640)	(24,399)	(21,516)	(24,214)
• government		(48)	(105)	(48)	(105)
• financial organisations		(12)	(20)	(634)	(2,793)
• individuals		(23,009)	(36,456)	(22,891)	(36,381)
• other		(7)	(17)	(7)	(17)
• sole proprietors		(942)	(1,419)	(942)	(1,419)
Long term financial leases		(8,474)	(10,682)	0	0
		<b>(54,132)</b>	<b>(73,098)</b>	<b>(46,038)</b>	<b>(64,929)</b>
<b>Other financial assets</b>		<b>(13)</b>	<b>(41)</b>	<b>(8)</b>	<b>(35)</b>
<b>Total provisions</b>		<b>(54,250)</b>	<b>(73,270)</b>	<b>(46,151)</b>	<b>(65,095)</b>

Details of movement of gross value and provisions for impairment of loans are presented in Chapter 7.3.2. General quantitative information on credit risk.

## Financial leases:

	SKB Group		SKB Bank	
	EUR 000	31.12.2022	31.12.2021	31.12.2021
<b>Gross exposure from financial leases</b>				
Less than one year		15,071	10,815	-
One to five years		165,190	160,811	-
More than five years		295,824	297,270	-
		<b>476,085</b>	<b>468,896</b>	-
<b>Provisions</b>				
Less than one year		(423)	(432)	-
One to five years		(2,659)	(3,862)	-
More than five years		(5,392)	(6,388)	-
		<b>(8,474)</b>	<b>(10,682)</b>	-
<b>Net exposure</b>		<b>467,611</b>	<b>458,214</b>	-
<b>Unrecognized future income from financial leases</b>		<b>53,456</b>	<b>43,912</b>	-

## 2.4.26. Hedging derivatives and Fair value changes of the hedged items in portfolio hedge of interest rate risk

SKB Group and SKB Bank			
	EUR 000	31.12.2022	31.12.2021
Derivatives - fair value hedge - macro hedging (assets)		0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk (liabilities)		607	1,165

SKB Bank closes individual open positions in the time pocket with derivative financial instruments such as interest rate swaps (IRS). In doing so, it uses macro fair value hedging. Macro hedging protects the interest rate of a hedged item from fixed to variable.

Fair value hedging is performed on the liabilities side. The SKB Bank regularly conducts security effectiveness tests. Hedging inefficiencies can only occur in the event of differences in the principal of the hedged item or in the case of incorrect discount interest rates used to value the collateral.

The change in fair value is in hedge accounting recognized in the income statement and is presented in Note 2.4.8.

SKB Bank has terminated hedge accounting by selling financial instrument (interest rate swap) and transfers the fair value of the hedged item in income statement till maturity,

#### Accumulated change in fair value from further hedges:

SKB Group and SKB Bank	31. 12. 2022		31. 12. 2021		
	EUR 000	Book value of the hedged item	Accumulated change in the fair value of the hedged item	Book value of the hedged item	Accumulated change in the fair value of the hedged item
<b>Micro fair value protection</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Loans to companies with a fixed interest rate measured at amortized cost		0	0	0	0
Fixed rate bonds measured at amortized cost		0	0	0	0
Fixed rate bonds measured at fair value through other comprehensive income		0	0	0	0
<b>Macro fair value protection</b>		<b>0</b>	<b>607</b>	<b>0</b>	<b>1,165</b>
Deposits on demand		0	607	0	1,165

## 2.4.27. Investments in subsidiaries, associates and joint ventures

	EUR 000	SKB Group		SKB Bank	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other financial institutions		-	-	20,454	20,454
		-	-	<b>20,454</b>	<b>20,454</b>

#### Bank's investments in subsidiaries

	EUR 000	SKB Bank		% of participation in equity	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
SKB Leasing		20,454	20,454	100	100
<b>Investments in financial institutions</b>		<b>20,454</b>	<b>20,454</b>		

SKB Bank's capital investments in the amount of EUR 20,454 thousand represent an investment in the subsidiary SKB Leasing d.o.o.. SKB Bank holds a 100 % ownership share in its subsidiary SKB Leasing.

The equity investment is measured at cost. As part of the medium-term business strategy for the period of the next three years, which was performed in 2022, SKB Leasing's future performance was assessed, The subsidiary's performance is expected to remain stable with stable future cash flows, therefore the value of the equity investment remained unchanged in 2022.

<b>Consolidated subsidiary:</b>	
Name of the company:	SKB Leasing d.o.o.
Address:	Ajdovščina 4, 1000 Ljubljana
Director:	Don Schoeffmann
Business activity:	finance and operating leasing
Basic equity capital:	16,809 EUR thousand
Shareholder's equity:	25,612 EUR thousand
% of share in capital	100 %
Equity investment as of 31 December 2022	20,454 EUR thousand
Profit for the year ended 31 December 2022	6,877 EUR thousand



## 2.4.28. a) Property, plant and equipment

Movement of property, plant and equipment for SKB Group in 2022 and 2021 is summarised in the tables below

SKB Group											
EUR 000	Land	Buildings	Computer equipment	Furniture & fittings	Other equipment	Assets in course of construction	Leasehold improvements	Assets leased through operating leases	IFRS 16 - Right of use - real estate	IFRS 16 - Right of use - equipment	Total
<b>Cost</b>											
<b>At 1 January 2022</b>	2,326	48,878	9,441	12,180	51	23	6,096	8,861	5,341	376	93,573
Additions	0	16	880	379	0	525	20	12,767	1,048	100	15,735
Disposals	(30)	(606)	(451)	(635)	(24)	(428)	0	(11,923)	0	(13)	(14,110)
<b>At 31 December 2022</b>	<b>2,296</b>	<b>48,288</b>	<b>9,870</b>	<b>11,924</b>	<b>27</b>	<b>120</b>	<b>6,116</b>	<b>9,705</b>	<b>6,389</b>	<b>463</b>	<b>95,198</b>
<b>Depreciation</b>											
<b>At 1 January 2022</b>	-	(25,918)	(5,891)	(10,766)	(51)	0	(5,646)	(1,496)	(2,602)	(159)	(52,529)
Depreciation charge for the year	0	(784)	(855)	(198)	0	0	(100)	(911)	(1,077)	(106)	(4,031)
Eliminations and disposals	0	283	445	627	24	0	0	1,069	0	13	2,461
<b>At 31 December 2022</b>	<b>-</b>	<b>(26,419)</b>	<b>(6,301)</b>	<b>(10,337)</b>	<b>(27)</b>	<b>-</b>	<b>(5,746)</b>	<b>(1,338)</b>	<b>(3,679)</b>	<b>(252)</b>	<b>(54,099)</b>
<b>Impairment</b>											
<b>At 1 January 2022</b>	(489)	(2,978)	0	0	0	0	0	0	0	0	(3,467)
Increase	(6)	0	0	0	0	0	0	0	0	0	(6)
Decrease	0	887	0	0	0	0	0	0			887
<b>At 31 December 2022</b>	<b>(495)</b>	<b>(2,091)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>(2,586)</b>
<b>Net Book Value at 1 January 2022</b>	<b>1,837</b>	<b>19,982</b>	<b>3,550</b>	<b>1,414</b>	<b>0</b>	<b>23</b>	<b>450</b>	<b>7,365</b>	<b>2,739</b>	<b>217</b>	<b>37,577</b>
<b>Net Book Value 31 December 2022</b>	<b>1,801</b>	<b>19,778</b>	<b>3,569</b>	<b>1,587</b>	<b>0</b>	<b>120</b>	<b>370</b>	<b>8,367</b>	<b>2,710</b>	<b>211</b>	<b>38,513</b>

SKB Group											
EUR 000	Land	Buildings	Computer equipment	Furniture & fittings	Other equipment	Assets in course of construction	Leasehold improvements	Assets leased through operating leases	IFRS 16 - Right of use - real estate	IFRS 16 - Right of use - equipment	Total
<b>Cost</b>											
<b>At 1 January 2021</b>	<b>2,326</b>	<b>48,878</b>	<b>9,168</b>	<b>12,219</b>	<b>71</b>	<b>7</b>	<b>6,413</b>	<b>7,572</b>	<b>5,335</b>	<b>312</b>	<b>92,301</b>
Additions	0	0	2,815	327	0	16	0	9,410	290	90	12,948
Disposals	0	0	(2,542)	(366)	(20)	0	(317)	(8,121)	(284)	(26)	(11,676)
<b>At 31 December 2021</b>	<b>2,326</b>	<b>48,878</b>	<b>9,441</b>	<b>12,180</b>	<b>51</b>	<b>23</b>	<b>6,096</b>	<b>8,861</b>	<b>5,341</b>	<b>376</b>	<b>93,573</b>
<b>Depreciation</b>											
<b>At 1 January 2021</b>	<b>0</b>	<b>(25,082)</b>	<b>(7,789)</b>	<b>(10,974)</b>	<b>(69)</b>	<b>0</b>	<b>(5,856)</b>	<b>(1,887)</b>	<b>(1,908)</b>	<b>(93)</b>	<b>(53,658)</b>
Depreciation charge for the year	0	(836)	(643)	(156)	(2)	0	(107)	(980)	(978)	(88)	(3,790)
Eliminations and disposals	0	0	2,541	364	20	0	317	1,371	284	22	4,919
<b>At 31 December 2021</b>	<b>-</b>	<b>(25,918)</b>	<b>(5,891)</b>	<b>(10,766)</b>	<b>(51)</b>	<b>-</b>	<b>(5,646)</b>	<b>(1,496)</b>	<b>(2,602)</b>	<b>(159)</b>	<b>(52,529)</b>
<b>Impairment</b>											
<b>At 1 January 2021</b>	<b>(489)</b>	<b>(2,978)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,467)</b>
<b>Increase</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Decrease</b>											
<b>At 31 December 2021</b>	<b>(489)</b>	<b>(2,978)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,467)</b>
<b>Net Book Value at 1 January 2021</b>	<b>1,837</b>	<b>20,818</b>	<b>1,379</b>	<b>1,245</b>	<b>2</b>	<b>7</b>	<b>557</b>	<b>5,685</b>	<b>3,427</b>	<b>219</b>	<b>35,176</b>
<b>Net Book Value 31 December 2021</b>	<b>1,837</b>	<b>19,982</b>	<b>3,550</b>	<b>1,414</b>	<b>0</b>	<b>23</b>	<b>450</b>	<b>7,365</b>	<b>2,739</b>	<b>217</b>	<b>37,577</b>

\*In consolidated financial statements bank's business premises, which are rented by the bank's subsidiary, are transferred from Investment property to Property, plant and equipment.

As at 31. 12. 2022, the SKB Group recognized the right to use real estate in the amount of EUR 2,710 thousand (2021: EUR 2,739 thousand) and the right to use equipment in the amount of EUR 211 thousand (2021: EUR 217 thousand) among property, plant and equipment. funds.

SKB Bank leases vehicles and business premises. SKB Leasing Group leases vehicles and business premises. Leases of vehicles are usually concluded for a period of four or five years, and leases of business premises for a longer period. The terms of the lease are agreed for each lease separately.

In 2022, the SKB Group examined whether there were any indications that fixed assets should be impaired. An appraisal was made by an authorized real estate appraiser. Appraisal showed differences between the recoverable amount and the carrying amount, which is why the SKB Group eliminated already created impairments of land and buildings from 2019 in the amount of EUR 964 thousand and created additional impairments in the amount of EUR 154 thousand.

Valuations were made on the basis of real estate market analysis and other findings and taking into account the purpose of valuation and characteristics of the assessed property, so the valuation method used market comparisons and yield-based method (to assess value in use).

Tangible fixed assets are not pledged as security for liabilities. As at 31 December 2022, the SKB Group did not show any advances for property, plant and equipment. The fair value of property, plant and equipment is not significantly different from the carrying amount.

As of December 31, 2022, the SKB Leasing Group has no tangible fixed assets that would be fully depreciated in 2022. In 2022, the SKB Leasing Group leased two new vehicles. From this title, the right to use in tangible fixed assets increased by EUR 61 thousand. The SKB Leasing Group also completed the business lease for two vehicles, as a result of which the right to use was reduced by EUR 2 thousand.

Movement of property, plant and equipment of the SKB Bank in 2021 and 2020 is summarised in the tables below,

SKB Bank									
EUR 000	Land	Build-ings	Computer equipment	Furniture & fittings	Assets in course of construc-tion	Leasehold improve-ments	IFRS 16 - Right of use - real estate	IFRS 16 - Right of use - equipment	Total
<b>Cost</b>									
At 1 January 2022	2,183	46,154	9,285	11,891	23	5,750	5,341	212	80,839
Additions	0	16	854	379	465	20	1,048	39	2,821
Disposals	(30)	(606)	(421)	(621)	(428)	0	0	(11)	(2,117)
At 31 December 2022	2,153	45,564	9,718	11,649	60	5,770	6,389	240	81,543
<b>Depreciation</b>									
At 1 January 2022	0	(24,349)	(5,805)	(10,543)	0	(5,360)	(2,602)	(103)	(48,762)
Depreciation charge for the year	0	(784)	(834)	(190)	0	(90)	(1,077)	(53)	(3,028)
Eliminations and disposals	0	283	417	615	0	0	0	11	1,326
At 31 December 2022	-	(24,850)	(6,222)	(10,118)	-	(5,450)	(3,679)	(145)	(50,464)
<b>Impairment</b>									
At 1 January 2022	(489)	(2,919)	0	0	0	0	0	0	(3,408)
Increase	(6)	0	0	0	0	0	0	0	(6)
Decrease	0	887	0	0	0	0	0	0	887
At 31 December 2022	(495)	(2,032)	-	-	-	-	-	-	(2,527)
<b>Net Book Value at 1 January 2022</b>	<b>1,694</b>	<b>18,886</b>	<b>3,480</b>	<b>1,348</b>	<b>23</b>	<b>390</b>	<b>2,739</b>	<b>109</b>	<b>28,669</b>
<b>Net Book Value 31 December 2022</b>	<b>1,658</b>	<b>18,682</b>	<b>3,496</b>	<b>1,531</b>	<b>60</b>	<b>320</b>	<b>2,710</b>	<b>95</b>	<b>28,552</b>

SKB Bank									
EUR 000	Land	Build-ings	Computer equipment	Furniture & fittings	Assets in course of construc-tion	Leasehold improve-ments	IFRS 16 - Right of use - real estate	IFRS 16 - Right of use - equipment	Total
<b>Cost</b>									
At 1 January 2022	2,183	46,154	9,004	11,929	7	6,067	5,335	195	80,874
Additions	0	0	2,778	327	16	0	290	28	3,439
Disposals	0	0	(2,497)	(365)	0	(317)	(284)	(11)	(3,474)
At 31 December 2022	2,183	46,154	9,285	11,891	23	5,750	5,341	212	80,839
<b>Depreciation</b>									
At 1 January 2022	0	(23,560)	(7,675)	(10,759)	0	(5,580)	(1,908)	(64)	(49,546)
Depreciation charge for the year	0	(789)	(626)	(144)	0	(97)	(978)	(50)	(2,684)
Eliminations and disposals	0	0	2,496	360	0	317	284	11	3,468
At 31 December 2022	-	(24,349)	(5,805)	(10,543)	-	(5,360)	(2,602)	(103)	(48,762)
<b>Impairment</b>									
At 1 January 2022	(489)	(2,919)	0	0	0	0	0	0	(3,408)
Increase	0	0	0	0	0	0	0	0	0
Decrease									
At 31 December 2022	(489)	(2,919)	-	-	-	-	-	-	(3,408)
	<b>1,694</b>	<b>19,675</b>	<b>1,329</b>	<b>1,170</b>	<b>7</b>	<b>487</b>	<b>3,427</b>	<b>131</b>	<b>27,920</b>
<b>Net Book Value at 1 January 2022</b>	<b>1,694</b>	<b>18,886</b>	<b>3,480</b>	<b>1,348</b>	<b>23</b>	<b>390</b>	<b>2,739</b>	<b>109</b>	<b>28,669</b>
<b>Net Book Value 31 December 2022</b>	<b>1,658</b>	<b>18,682</b>	<b>3,496</b>	<b>1,531</b>	<b>60</b>	<b>320</b>	<b>2,710</b>	<b>95</b>	<b>28,552</b>

As at 31. 12. 2022, the SKB Bank recognized the right to use real estate in the amount of EUR 2,710 thousand (2021: EUR 2,739 thousand) and the right to use equipment in the amount of EUR 95 thousand (2021: EUR 109 thousand) among property, plant and equipment funds.

In 2022, we eliminated one leased vehicle, which was fully depreciated. There were no other fully depreciated tangible fixed assets in use. We leased two new vehicles and extended/shortened the lease for the lease of four vehicles and six business premises in locations that we lease for an indefinite period, and took into account the indexation of rents for future cash flows. From the above, the right of use in tangible fixed assets increased by EUR 1,087 thousand (2021: EUR 318 thousand), but due to depreciation it decreased by EUR 1,130 thousand (2021: EUR 1,028 thousand).

In 2022, the SKB Bank examined whether there were any indications that fixed assets should be impaired. An appraisal was made by an authorized real estate appraiser. Appraisal showed differences between the recoverable amount and the carrying amount, which is why the SKB Bank eliminated already created impairments of land and buildings from 2019 in the amount of EUR 964 thousand and created additional impairments in the amount of EUR 154 thousand. Valuations were made on the basis of real estate market analysis and other findings and taking into account the purpose of valuation and characteristics of the assessed property, so the valuation method used market comparisons and yield-based method (to assess value in use).

Tangible fixed assets are not pledged as security for liabilities. As at 31. 12. 2022, SKB Bank does not disclose advances for property, plant and equipment.

### Property, plant and equipment

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Property, plant and equipment owned	35,591	34,622	25,747	25,821
Right of use - real estate	2,710	2,739	2,710	2,739
Right of use - equipment (vehicles)	212	216	95	109
	<b>38,513</b>	<b>37,577</b>	<b>28,552</b>	<b>28,669</b>

### Lease liabilities

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Current lease liabilities	1,009	1,020	959	979
Non-current lease liabilities	2,060	1,974	1,991	1,905
	<b>3,069</b>	<b>2,994</b>	<b>2,950</b>	<b>2,884</b>

### Rental maturity analysis - contractual undiscounted cash flows

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Less than one year	1,034	1,053	983	1,002
One to five years	3,028	1,962	2,958	1,878
More than five years	0	54	0	54
	<b>4,062</b>	<b>3,069</b>	<b>3,941</b>	<b>2,934</b>

EUR 000	SKB Group			SKB Bank		
	up to 5 years	more than 5 years	Total	up to 5 years	more than 5 years	Total
<b>At 31 December 2022</b>						
Extension / suspension options that we expect to use	1,007	1,067	2,074	1,007	1,067	2,074
Extension / suspension options that we expect not to use	0	0	0	0	0	0
	<b>1,007</b>	<b>1,067</b>	<b>2,074</b>	<b>1,007</b>	<b>1,067</b>	<b>2,074</b>
<b>At 31 December 2021</b>						
Extension / suspension options that we expect to use	2,127	2,295	4,422	2,127	2,295	4,422
Extension / suspension options that we expect not to use	0	0	0	0	0	0
	<b>2,127</b>	<b>2,295</b>	<b>4,422</b>	<b>2,127</b>	<b>2,295</b>	<b>4,422</b>

#### Rental expenses recognized in the income statement

EUR 000	SKB Group		SKB Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Depreciation	(1,182)	(1,067)	(1,130)	(1,028)
Interest on lease liability	(31)	(34)	(29)	(32)
Expenses relating to short-term leases	(6)	(9)	(4)	(8)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	(437)	(398)	(437)	(398)
	<b>(1,656)</b>	<b>(1,508)</b>	<b>(1,600)</b>	<b>(1,466)</b>

## 2.4.28. b) Investment properties

As at 31 December 2022, the SKB Group had recognized investment property in the amount of EUR 1,183 thousand (as at 31 December 2021: EUR 1,071 thousand). As at 31 December 2022, SKB Bank had recognized investment property in the amount of EUR 2,362 thousand (as at 31 December 2021: EUR 2,293 thousand).

In 2022, the SKB Group had revenues from EUR 70 thousand (2021: EUR 90 thousand) from operating leases of investment property. The SKB Bank had revenues from operating leases of investment property of EUR 225 thousand (2021: EUR 242 thousand).

In 2022, the SKB Bank did not sell any investment properties. At the end of 2022, we carried out a valuation of investment properties and eliminated an impairment in the amount of EUR 117 thousand for investment properties in Ljubljana.

Investment property is not pledged as security for liabilities. As at 31 December 2022, the SKB Group did not show any advances for investment property.

The development of investment property of SKB Bank and the SKB Group in 2022 and 2021 is shown in the table below:

EUR 000	SKB Group			SKB Bank		
	Land	Buildings	Total	Land	Buildings	Total
<b>Cost</b>						
At 1 January 2022	116	2,533	2,649	236	5,215	5,451
Additions	0	33	33	0	33	33
Disposals	0	0	0	0	0	0
Transfer*	0	0	0	0	0	0
At 31 December 2022	116	2,566	2,682	236	5,248	5,484
<b>Depreciation</b>						
At 1 January 2022	0	(1,520)	(1,520)	0	(3,041)	(3,041)
Depreciation charge for year	0	(38)	(38)	0	(81)	(81)
Eliminations and disposals	0	0	-	0	0	0
Transfer*	0	0	0	0	0	0
At 31 December 2022	-	(1,558)	(1,558)	-	(3,122)	(3,122)
<b>Impairment</b>						
At 1 January 2022	0	(58)	(58)	0	(117)	(117)
Increase				0	0	0
Decrease	0	117	117	0	117	117
At 31 December 2022	0	59	59	0	0	0
<b>Net Book Value at 1 January 2022</b>	<b>116</b>	<b>955</b>	<b>1,071</b>	<b>236</b>	<b>2,057</b>	<b>2,293</b>
<b>Net Book Value 31 December 2022</b>	<b>116</b>	<b>1,067</b>	<b>1,183</b>	<b>236</b>	<b>2,126</b>	<b>2,362</b>

EUR 000	SKB Group			SKB Bank		
	Land	Buildings	Total	Land	Buildings	Total
<b>Cost</b>						
At 1 January 2021	156	3,057	3,213	276	5,781	6,057
Additions	0	0	0	0	0	0
Disposals	(40)	(524)	(564)	(40)	(566)	(606)
Transfer*	0	0	0	0	0	0
At 31 December 2021	116	2,533	2,649	236	5,215	5,451
<b>Depreciation</b>						
At 1 January 2021	0	(1,677)	(1,677)	0	(3,198)	(3,198)
Depreciation charge for year	0	(83)	(83)	0	(83)	(83)
Eliminations and disposals	0	240	240	0	240	240
Transfer*	0	0	0	0	0	0
At 31 December 2021	-	(1,520)	(1,520)	-	(3,041)	(3,041)
<b>Impairment</b>						
At 1 January 2021	(25)	(131)	(156)	(25)	(190)	(215)
Increase	0	0	0	0	0	0
Decrease	25	73	98	25	73	98
At 31 December 2021	0	(58)	(58)	0	(117)	(117)
<b>Net Book Value at 1 January 2021</b>	<b>131</b>	<b>1,249</b>	<b>1,380</b>	<b>251</b>	<b>2,393</b>	<b>2,644</b>
<b>Net Book Value 31 December 2021</b>	<b>116</b>	<b>955</b>	<b>1,071</b>	<b>236</b>	<b>2,057</b>	<b>2,293</b>

In the financial statements of the SKB Group, the business premises leased by SKB Bank to a subsidiary are transferred from investment property to limited fixed assets.

The Lessee pays SKB Bank current and operating costs for the investment property itself, so SKB Bank does not incur any costs in this regard. The SKB Bank bears only the costs of investment maintenance for the investment property. In 2022, we had EUR 33 thousand costs for investment properties from the title of investment maintenance. In 2022 and 2021, there were no payments and costs from investment maintenance, except for payments and spending from the reserve fund.

In 2022, EUR 3 thousand was paid into the investment fund related to investment properties (2021: EUR 4 thousand). Nothing was used (2021: EUR 1 thousand).

The fair value of investment property for SKB Bank as at 31 December 2022 amounted to EUR 2,362 thousand (as at 31 December 2021: EUR 2,293 thousand). The fair value of investment property for the SKB Group as at 31 December 2022 amounted to EUR 1,183 thousand (as at 31 December 2021: EUR 1,071 thousand).

## 2.4.29. Intangible assets

Movements of Intangible assets of the SKB Group in 2022 and 2021 is displayed in the tables below.

EUR 000	SKB Group					SKB Bank		
	Goodwill	Software	Assets in course of construction	Other	Total	Software	Assets in course of construction	Total
<b>Cost</b>								
At 1 January 2022	1,290	25,868	2,950	0	30,108	24,103	2,903	27,006
Additions	0	2,871	4,587	0	7,458	2,868	4,560	7,428
Disposals	0	(1,362)	(2,860)	0	(4,222)	(1,362)	(2,856)	(4,218)
At 31 December 2022	1,290	27,377	4,677	0	33,344	25,609	4,607	30,216
<b>Depreciation</b>								
At 1 January 2022	0	(17,643)	0	0	(17,643)	(16,361)	0	(16,361)
Charge for the year	0	(2,333)	0	0	(2,333)	(2,165)	0	(2,165)
Eliminations and disposals	0	1,346	0	0	1,346	1,346	0	1,346
At 31 December 2022	-	(18,630)	-	0	(18,630)	(17,180)	-	(17,180)
<b>Net Book Value at 1 January 2022</b>	<b>1,290</b>	<b>8,225</b>	<b>2,950</b>	<b>-</b>	<b>12,465</b>	<b>7,742</b>	<b>2,903</b>	<b>10,645</b>
<b>Net Book Value 31 December 2022</b>	<b>1,290</b>	<b>8,747</b>	<b>4,677</b>	<b>-</b>	<b>14,714</b>	<b>8,429</b>	<b>4,607</b>	<b>13,036</b>



EUR 000	SKB Group					SKB Bank		
	Goodwill	Software	Assets in course of construction	Other	Total	Software	Assets in course of construction	Total
<b>Cost</b>								
At 1 January 2021	1,290	22,887	2,083	5	26,265	21,362	2,036	23,398
Additions	0	3,246	3,262	0	6,508	2,746	3,262	6,008
Disposals	0	(265)	(2,395)	(5)	(2,665)	(5)	(2,395)	(2,400)
At 31 December 2021	1,290	25,868	2,950	0	30,108	24,103	2,903	27,006
<b>Depreciation</b>								
At 1 January 2021	0	(15,580)	0	(5)	(15,585)	(14,440)	0	(14,440)
Charge for the year	0	(2,068)	0	0	(2,068)	(1,926)	0	(1,926)
Eliminations and disposals	0	5	0	5	10	5	0	5
At 31 December 2021	-	(17,643)	-	0	(17,643)	(16,361)	-	(16,361)
<b>Net Book Value at 1 January 2021</b>	<b>1,290</b>	<b>7,307</b>	<b>2,083</b>	<b>0</b>	<b>10,680</b>	<b>6,922</b>	<b>2,036</b>	<b>8,958</b>
<b>Net Book Value 31 December 2021</b>	<b>1,290</b>	<b>8,225</b>	<b>2,950</b>	<b>-</b>	<b>12,465</b>	<b>7,742</b>	<b>2,903</b>	<b>10,645</b>

Intangible assets are represented in the main software purchased or developed by the SKB Bank and the SKB Group.

Intangible assets are not pledged as security for liabilities.

The SKB Group annually assesses whether goodwill impairment is required.

Impairment test of goodwill is performed on an annual basis at the end of year.

As at 31 December 2022, the Bank and the SKB Group did not disclose advances for intangible assets.

In 2022, SKB Bank invested EUR 1,877 thousand in internal development. Compared to 2021, investments decreased by EUR 308 thousand (2021: EUR 2,185 thousand). SKB Leasing had no investments in internal development in 2022.

## 2.4.30. Other assets

	SKB Group		SKB Bank		
	EUR 000	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Receivables for taxes and contributions paid		208	262	27	96
Costs and expenses deferred and paid in advance		13,858	15,164	3,738	4,054
Insurance premium paid in advance		15	80	15	80
Other inventories		39	35	0	0
Advances paid		13,472	3,784	7,957	25
<b>Gross exposure</b>		<b>27,592</b>	<b>19,325</b>	<b>11,737</b>	<b>4,254</b>
Provisions		(653)	0	0	0
<b>Net exposure</b>		<b>26,939</b>	<b>19,325</b>	<b>11,737</b>	<b>4,254</b>

The SKB Group and SKB Bank have among other assets mainly advances, receivables for paid taxes, contributions and other duties, as well as prepaid and deferred expenses or income.

Those assets are also not collateralised.

## 2.4.31. Non-current assets classified as held for sale

	SKB Group		SKB Bank		
	EUR 000	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Non-current assets held for sale		0	4	0	4
		<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>

## 2.4.32. Financial liabilities measured at amortised cost

The table below presents the distribution of financial liabilities measured at amortized cost by individual types of financial liabilities:

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Demand deposits</b>				
Banks	588	36,970	588	36,970
Corporates	1,016,072	906,481	1,016,072	906,481
Government	34,169	25,078	34,169	25,078
Financial organisations	14,443	19,429	23,197	33,393
Individuals	1,254,408	1,084,235	1,254,408	1,084,235
Other	35,977	36,589	35,977	36,589
Sole proprietors	114,639	108,587	114,639	108,587
	<b>2,470,296</b>	<b>2,217,369</b>	<b>2,479,050</b>	<b>2,231,333</b>
<b>Time deposits</b>				
Banks	0	0	0	0
Corporates	274,718	201,298	274,718	201,298
Government	3,071	4,291	3,071	4,291
Financial organisations	1,594	4,793	1,594	4,793
Individuals	906,897	890,388	906,897	890,388
Other	6,851	5,025	6,851	5,025
Sole proprietors	791	1,052	791	1,052
	<b>1,193,922</b>	<b>1,106,847</b>	<b>1,193,922</b>	<b>1,106,847</b>
Long term loans from banks and corporates	250,074	6,003	250,074	6,003
Other financial liabilities	38,684	26,472	28,241	19,963
	<b>3,952,976</b>	<b>3,356,691</b>	<b>3,951,287</b>	<b>3,364,146</b>

Deposits from customers do not contain deposits held as collateral for irrevocable commitments under import letters of credit.

Demand deposits include restricted deposits in the amount of EUR 3,243 thousand (2021: EUR 2,509 thousand).

From June 2022 onwards, we have subordinated debt that is also suitable for MREL (minimum requirements regarding capital and qualified liabilities - Article 49 and the following ZRPPB-1 for the implementation of Article 45.f of the BRRD). The purpose of the instrument is to finance general financing needs, to support the regulation of the capital structure bank as a borrower and to meet the minimum requirements regarding own funds and qualified liabilities (MREL) imposed on bank as a borrower, and therefore qualifies as a Tier 2 Instrument in the form of a loan. Subordinated debt is one of the additional capital instruments (Article 63 of the CRR). For subordinated debt, the bank pays interest. In the event of bankruptcy, other creditors of the bank are paid first, and only at the end is the creditor who gave the bank a subordinated debt. The balance of subordinated debt as of 31/12/2022 amounts to EUR 80,012 thousand.

## 2.4.33. Provisions

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Pensions and other post retirement benefit obligations	3,001	3,789	2,793	3,530
Other long-term employee benefits	845	831	815	792
Pending legal issues	0	0	0	0
Off-balance sheet commitments	4,057	9,810	4,057	9,810
Other	1,141	1,186	738	786
	<b>9,044</b>	<b>15,616</b>	<b>8,403</b>	<b>14,918</b>

## Movement in provisions

SKB Group								
	Pensions and other post retirement benefit obligations	Other long-term employee benefit	Pending legal issues	Off-balance sheet commitments			Other	Total
EUR 000				S1	S2	S3		
<b>Balance at 1 January 2022</b>	<b>3,789</b>	<b>831</b>	<b>0</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>1,186</b>	<b>15,616</b>
Provisions created during the year	198	297	0	3,914	4,655	1,938	3	11,005
Reversed	(136)	(127)	0	(6,675)	(6,405)	(3,180)	(45)	(16,568)
Utilised (paid)	0	(156)	0	0	0	0	(3)	(159)
Transfer	0	0	0	0	0	0	0	-
Exchange gains and losses on foreign denominated items	0	0	0	0	0	0	0	0
Actuarial profits, recognized in other comprehensive income	(850)	0	0	0	0	0	0	(850)
<b>Balance at 31 December 2022</b>	<b>3,001</b>	<b>845</b>	<b>-</b>	<b>561</b>	<b>1,389</b>	<b>2,107</b>	<b>1,141</b>	<b>9,044</b>
<b>Balance at 1 January 2021</b>	<b>3,767</b>	<b>815</b>	<b>0</b>	<b>4,234</b>	<b>1,508</b>	<b>4,142</b>	<b>88</b>	<b>14,554</b>
Provisions created during the year	187	180	0	5,881	5,549	1,763	1,098	14,658
Reversed	0	0	0	(6,794)	(3,918)	(2,577)	0	(13,289)
Utilised (paid)	(165)	(164)	0	0	0	0	0	(329)
Transfer	0	0	0	0	0	0	0	0
Exchange gains and losses on foreign denominated items	0	0	0	1	0	21	0	22
Actuarial profits, recognized in other comprehensive income	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2021</b>	<b>3,789</b>	<b>831</b>	<b>-</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>1,186</b>	<b>15,616</b>

## Movement in provisions

SKB Bank								
	Pensions and other post retirement benefit obligations	Other long-term employee benefit	Pending legal issues	Off-balance sheet commitments			Other	Total
EUR 000				S1	S2	S3		
<b>Balance at 1 January 2022</b>	<b>3,530</b>	<b>792</b>	<b>0</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>786</b>	<b>14,918</b>
Provisions created during the year	181	290	0	3,914	4,655	1,938	0	10,978
Reversed	(136)	(112)	0	(6,675)	(6,405)	(3,180)	(45)	(16,553)
Utilised (paid)	0	(155)	0	0	0	0	(3)	(158)
Transfer	0	0	0	0	0	0	0	0
Exchange gains and losses on foreign denominated items	0	0	0	0	0	0	0	0
Actuarial profits, recognized in other comprehensive income	(782)	0	0	0	0	0	0	(782)
<b>Balance at 31 December 2022</b>	<b>2,793</b>	<b>815</b>	<b>-</b>	<b>561</b>	<b>1,389</b>	<b>2,107</b>	<b>738</b>	<b>8,403</b>
<b>Balance at 1 January 2021</b>	<b>3,518</b>	<b>774</b>	<b>0</b>	<b>4,234</b>	<b>1,508</b>	<b>4,142</b>	<b>88</b>	<b>14,264</b>
Provisions created during the year	170	175	0	5,881	5,549	1,763	698	14,236
Reversed	0	0	0	(6,794)	(3,918)	(2,577)	0	(13,289)
Utilised (paid)	(158)	(157)	0	0	0	0	0	(315)
Transfer	0	0	0	1	0	21	0	22
Exchange gains and losses on foreign denominated items	0	0	0	0	0	0	0	0
Actuarial profits, recognized in other comprehensive income	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2021</b>	<b>3,530</b>	<b>792</b>	<b>-</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>786</b>	<b>14,918</b>

## Pensions and similar liabilities to employees

Provisions for retirement severance pay and seniority awards are calculated by independent actuary. By calculation of provisions for retirement severance pay and seniority awards in SKB Bank and SKB Group the following assumptions have been taken into account:

- discount factor 4.57 % per year;
- increase of salaries 1.5 % per year,
- wage growth in the Republic of Slovenia 2.5 % per year;
- number of employees;
- fluctuation of employees, depending on their age;
- probability of mortality.

SKB Bank					
Assumption	Change	Description	Total	Retirement Benefits	Jubilee Benefits
Central scenario	0,00%	Value	<b>3,108,328.64</b>	<b>2,792,889.83</b>	<b>315,438.81</b>
Discount rate	-0,50%	Value	3,236,509.16	2,910,957.12	325,552.04
		(Diff)	(128,180.52)	(118,067.29)	(10,113.23)
	0,50%	Value	2,989,086.52	2,683,177.59	305,908.93
		(Diff)	(-119,242.12)	(-109,712.24)	(-9,529.88)
Salary growth	-0,50%	Value	2,985,420.79	2,679,744.97	305,675.82
		(Diff)	(-122,907.85)	(-113,144.86)	(-9,762.99)
	0,50%	Value	3,239,406.09	2,913,695.38	325,710.71
		(Diff)	(131,077.45)	(120,805.55)	(10,271.90)
Duration (DBO)			8.3	8.5	6.5

SKB Leasing					
Assumption	Change	Description	Total	Retirement Benefits	Jubilee Benefits
Central scenario	0,00%	Value	<b>228,749.09</b>	<b>201,074.58</b>	<b>27,674.51</b>
Discount rate	-0,50%	Value	240,412.42	211,484.13	28,928.29
		(Diff)	(11,663.33)	(10,409.55)	(1,253.78)
	0,50%	Value	218,027.00	191,516.56	26,510.44
		(Diff)	(-10,722.09)	(-9,558.02)	(-1,164.07)
Salary growth	-0,50%	Value	217,708.16	191,226.10	26,482.06
		(Diff)	(-11,040.93)	(-9,848.48)	(-1,192.45)
	0,50%	Value	240,666.24	211,717.81	28,948.43
		(Diff)	(11,917.15)	(10,643.23)	(1,273.92)
Duration (DBO)			10.2	10.4	9.1

SKB Leasing Select					
Assumption	Change	Description	Total	Retirement Benefits	Jubilee Benefits
Central scenario	0,00%	Value	<b>10,162.75</b>	<b>7,175.70</b>	<b>2,987.05</b>
Discount rate	-0,50%	Value	11,058.52	7,916.53	3,141.99
		(Diff)	(895.77)	(740.83)	(154.94)
	0,50%	Value	9,358.56	6,514.73	2,843.83
		(Diff)	(-804.19)	(-660.97)	(-143.22)
Salary growth	-0,50%	Value	9,333.60	6,493.44	2,840.16
		(Diff)	(-829.15)	(-682.26)	(-146.89)
	0,50%	Value	11,080.09	7,935.36	3,144.73
		(Diff)	(917.34)	(759.66)	(157.68)
Duration (DBO)			17.5	20.5	10.5

## Litigation

In 2022 and 2021, the SKB Group did not form provisions for outstanding lawsuits. In both years, it also did not benefit from provisions for outstanding lawsuits. As at 31 December 2022 and 31 December 2021, the SKB Group had no provisions for outstanding lawsuits.

In 2022 and 2021, the SKB Bank did not form provisions for outstanding lawsuits. In both years, it also did not benefit from provisions for outstanding lawsuits. As at 31 December 2022 and 31 December 2021, the SKB Bank had no provisions for outstanding lawsuits.

## Provisions for commitments and guarantees given

Provisions are calculated on established off-balance sheet liabilities for guarantee lines and insurances and guarantees, which were approved by the SKB Group and SKB Bank.

## 2.4.34. Other liabilities

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Liabilities for wages	2,638	2,402	2,638	2,402
Liabilities for taxes and contributions	1,031	965	572	527
Advances received	135	2,171	135	259
Income deferred and paid in advance	6,623	5,885	1,958	1,261
	<b>10,427</b>	<b>11,423</b>	<b>5,303</b>	<b>4,449</b>

Among other liabilities, SKB Group and SKB Bank present mainly advances received, prepaid and deferred revenues, and liabilities for taxes, contributions and other duties.

## 2.4.35. Equity

EUR 000	SKB Group		SKB Bank	
	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Ordinary shares</b>				
• called capital paid	52,784	52,784	52,784	52,784
	<b>52,784</b>	<b>52,784</b>	<b>52,784</b>	<b>52,784</b>
<b>Share premium</b>	<b>104,061</b>	<b>104,061</b>	<b>104,061</b>	<b>104,061</b>
<b>Accumulated other comprehensive income</b>				
• financial assets at fair value through other comprehensive income	(39,078)	16,260	(39,078)	16,260
• actuarial profits / (losses)	(252)	(1,095)	(164)	(945)
	<b>(39,330)</b>	<b>15,165</b>	<b>(39,242)</b>	<b>15,315</b>
<b>Reserves from profit (including retained earnings)</b>				
• reserves from profit	29,106	29,106	29,106	29,106
• retained earnings	241,429	195,462	229,679	178,987
	<b>270,535</b>	<b>224,568</b>	<b>258,785</b>	<b>208,093</b>
<b>Profit / (loss) for the year</b>	<b>61,058</b>	<b>46,008</b>	<b>63,592</b>	<b>50,733</b>
	<b>449,108</b>	<b>442,586</b>	<b>439,980</b>	<b>430,986</b>

The SKB Bank's share capital consists of: called capital paid, share premium, accumulated other comprehensive income, reserves from profit, retained earnings and net profit / loss for the financial year.

In 2022, called **capital paid** remained the same as in the previous year, It consists of 12,649,200 no-par value shares, They are registered and issued in dematerialized form, Each no-par value share has the same share and the corresponding amount of the bank's called capital paid.

Net asset per share at 31 December 2022 amount to EUR 35.5 (2021: EUR 34.99) for SKB Group and EUR 34.78 (2021: EUR 34.07) for SKB Bank.

**Capital reserves** in the amount of EUR 104,061 thousand consist mainly of paid-in capital surplus, while the remainder arises from the former general revaluation of capital adjustments.

As at 31 December 2022, the SKB Bank has no treasury shares and has not formed reserves for the repurchase of treasury shares.

**Accumulated other comprehensive income** presents revaluation regarding financial assets measured at fair value through other comprehensive income and actuarial gains / losses from retirement benefits.

**Reserves from profit** includes statutory reserves in the amount of EUR 4,387 thousand (2021: EUR 4,387 thousand) and other reserves from profits in the amount of EUR 24,719 thousand (2021: EUR 24,719 thousand) and according to Bank statute they cannot be distributed.

The item **retained earnings** presents net profit from previous years.

SKB Bank ended the financial year 2022 with a net profit of EUR 63,592 thousand (2021: EUR 50,733 thousand), and SKB Group with a net profit of EUR 61,058 thousand (2021: EUR 46,008 thousand),

### Basic earnings / (loss) per share

EUR 000	SKB Group		SKB Bank	
	2022	2021	2022	2021
Net profit attributable to shareholders	61,058	46,008	63,592	50,733
Weighted average number of ordinary shares in issue	12,649,200	12,649,200	12,649,200	12,649,200
<b>Basic earnings / (loss) per share (in EUR per share)</b>	<b>4.83</b>	<b>3.64</b>	<b>5.03</b>	<b>4.01</b>

The movement of retained earnings / (loss) and income / (loss) in 2022 is presented in the following table:

EUR 000	SKB Group			SKB Bank		
	Retained earnings / (loss)	Income from the current year	Total	Retained earnings / (loss)	Income from the current year	Total
<b>Balance at 1 January 2022</b>	<b>195,462</b>	<b>46,008</b>	<b>241,470</b>	<b>178,987</b>	<b>50,733</b>	<b>229,720</b>
Transfer of profit to retained earnings	46,008	(46,008)	0	50,733	(50,733)	0
Appropriation of (accounting for) dividends	0	0	0	0	0	0
Net profit / (loss) for the financial year	0	61,058	61,058	0	63,592	63,592
Other	(41)	0	(41)	(41)	0	(41)
<b>Balance at 31 December 2022</b>	<b>241,429</b>	<b>61,058</b>	<b>302,487</b>	<b>229,679</b>	<b>63,592</b>	<b>293,271</b>
<b>Balance at 1 January 2021</b>	<b>160,462</b>	<b>34,850</b>	<b>195,312</b>	<b>143,462</b>	<b>35,379</b>	<b>178,841</b>
Transfer of profit to retained earnings	34,850	(34,850)	0	35,379	(35,379)	0
Appropriation of (accounting for) dividends	0	0	0	0	0	0
Net profit / (loss) for the financial year	0	46,008	46,008	0	50,733	50,733
Other	150	0	150	146	0	146
<b>Balance at 31 December 2021</b>	<b>195,462</b>	<b>46,008</b>	<b>241,470</b>	<b>178,987</b>	<b>50,733</b>	<b>229,720</b>



The SKB Bank's distributable profit		
EUR 000	2022	2021
Net profit for the financial year	63,592	50,733
Retained earnings	229,679	178,987
Long-term deferred development costs	(4,565)	(2,903)
<b>Distributable profit</b>	<b>288,706</b>	<b>226,817</b>
Distribution of dividends	-	-
Transfer to following year	288,706	226,817

In the 2021 financial year, SKB Bank generated net profit in the amount of EUR 63,592 thousand (2021: EUR 50,733 thousand), At the end of 2022, retained earnings amounted to EUR 229,679 thousand (2021: EUR 178,987 thousand).

The SKB Bank's management will propose to the SKB Bank's General Meeting that the profit for the 2022 financial year will not be paid out.

## 2.4.36. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, SKB Group and SKB Bank are parties to financial instruments with off-balance sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest and currency rates, These financial instruments include credit lines, financial guarantees, commercial letters of credit and forward foreign exchange contracts,

Credit risk associated with off-balance sheet financial instruments is defined as the possibility of sustaining a loss due to party in a financial instrument that failed to perform in accordance with the terms of the contract, SKB Group and SKB Bank use the same credit policies in making commitments and conditional obligations as for the balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures,

Market risk represents the possibility that the value of financial instruments will change, either positively or negatively, with changes in market prices, such as interest or foreign currency rates,

SKB Group and SKB Bank require collateral to support off-balance sheet financial instruments when it is deemed necessary, Collateral held varies, but may include deposits held in financial institutions, government securities, other marketable securities, and mortgages,

**Credit lines** are commitments to extend credit, which generally has fixed expiry dates or other termination requirements, Substantially all bank's commitments to extend credit are revocable as they are contingent upon the customers maintaining specific credit standards at the time of loan disbursement, Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements,

**Financial guarantees** are conditional commitments issued by SKB Group and SKB Bank to guarantee the performance of a customer to a third party, The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to other customers, SKB Group and SKB Bank apply similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under the guarantee,

**A commercial letter of credit** represents an extension of credit by SKB Group and SKB Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is usually the seller/exporter, As letters of credit are collateralized by the underlying shipments of goods to which they relate, they carry significantly lower risk,

SKB Group's and SKB Bank's exposure to off-balance sheet liabilities by original maturity is as follows:

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
<b>Letters of credit</b>		-	-	-	-
• up to 1 year		0	0	-	-
<b>Guarantees</b>		<b>304,672</b>	<b>265,589</b>	<b>304,672</b>	<b>265,589</b>
<b>Service related</b>		<b>154,960</b>	<b>141,431</b>	<b>154,960</b>	<b>141,431</b>
• up to 1 year		14,092	14,136	14,092	14,136
• over 1 year		140,868	127,295	140,868	127,295
<b>Financial</b>		<b>149,712</b>	<b>124,158</b>	<b>149,712</b>	<b>124,158</b>
• up to 1 year		32,707	27,465	32,707	27,465
• over 1 year		117,005	96,693	117,005	96,693
<b>Pledged assets</b>		-	-	-	-
• up to 1 year		-	-	-	-
• over 1 year		-	0	-	0
<b>Undrawn facilities</b>		<b>612,252</b>	<b>533,909</b>	<b>612,274</b>	<b>533,931</b>
• up to 1 year		460,619	384,200	460,641	384,222
• over 1 year		151,633	149,709	151,633	149,709
<b>Spot</b>		<b>46,999</b>	<b>53,248</b>	<b>46,999</b>	<b>53,248</b>
• up to 1 year		46,999	53,248	46,999	53,248
<b>Derivative financial instruments</b>		<b>577,426</b>	<b>700,778</b>	<b>577,426</b>	<b>700,778</b>
• up to 1 year		149,775	209,715	149,775	209,715
• over 1 year		427,651	491,063	427,651	491,063
		<b>1,541,349</b>	<b>1,553,524</b>	<b>1,541,371</b>	<b>1,553,546</b>

The SKB Group and SKB Bank also enter into guarantee line agreements with customers. Upon conclusion, the SKB Bank and the customer agree on all conditions for the issuance of guarantees, but the SKB Group and SKB Bank always have the option of termination or suspension of the issue of guarantees.

For assumed off-balance sheet liabilities, a provision is made immediately upon their occurrence. Provisions are presented in Note 2.4.33.

For the purpose of providing secondary liquidity, the SKB Group and SKB Bank have eligible assets to collateralise claims on the Eurosystem in the total amount of EUR 466,342 thousand (2021: EUR 636,345 thousand), of which securities are EUR 427,206 thousand (2021: EUR 587,099 thousand) and loans EUR 39,135 thousand (2021: EUR 49,246 thousand).

## 2.4.37. Distribution of dividends

The SKB Bank's management will propose to the General Meeting that the profit for the 2022 financial year will not be paid out.

## 2.4.38. Operations on behalf and for the account of third parties

SKB Group and SKB Bank operate under the authority in the name and on behalf of third parties, mainly in the area lending and securities, They operate through a special account, separate from their assets, revenues and costs belong to the payer and are charged to the payer, SKB Group and SKB Bank charge a fee for its services according to the price list,

SKB Group and SKB Bank			
	EUR 000	31. 12. 2022	31. 12. 2021
<b>ASSETS</b>		<b>2,185,339</b>	<b>2,279,821</b>
<b>Claims due to customers (settlement and current account)</b>		<b>2,176,422</b>	<b>2,279,297</b>
Due to financial instruments		2,176,303	2,279,296
Due to KDD or settlement (custody) account for sold financial instruments		98	1
Due to other or settlement account for sold financial instruments (buyers)		21	0
<b>Cash assets (customers)</b>		<b>8,917</b>	<b>524</b>
On settlement account		6,260	51
On current account		2,657	473
<b>LIABILITIES</b>		<b>2,185,339</b>	<b>2,279,821</b>
<b>Liabilities due to customers (settlement and current account)</b>		<b>2,185,339</b>	<b>2,279,821</b>
Due to customer (cash and financial instruments)		2,185,241	2,279,748
Due to KDD or settlement (custody) account for bought financial instruments		98	72
due to other or settlement account for bought financial instruments (sellers)		0	0
Due to bank or settlement account for commision, fees itc.		0	1
<b>OFF BALANCE SHEET</b>		<b>2,176,303</b>	<b>2,279,296</b>
<b>Customer financial instruments, diverse by services</b>		<b>2,176,303</b>	<b>2,279,296</b>
securities services		0	72
Assets management services		0	0
Custody services		2,176,303	2,279,224

SKB Group and SKB Bank have performed as agent or member of syndicate in performing the syndicate loan in EUR 231,319 thousand (2021: EUR 151,037 thousand).

## 2.4.39. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise of the following balances with maturities of less than 90 days:

	SKB Group		SKB Bank		
	EUR 000	31. 12. 2022	31. 12. 2021	31. 12. 2022	31. 12. 2021
Cash in hand		25,947	24,887	25,947	24,887
Balances with central banks and other demand deposits		528,087	423,548	528,087	423,548
Loans to banks up to 90 days		274,070	3	274,070	3
		<b>828,104</b>	<b>448,438</b>	<b>828,104</b>	<b>448,438</b>

## 3. Related party transactions

In accordance with IAS 24, related parties of the SKB Group and SKB Bank are:

- parent bank (OTP Bank);
- other companies in the OTP Group;
- subsidiary (Leasing Group);
- key management personnel;
- other related parties.

When examining the links, we paid attention especially to the content of the link and not just the legal form.

Key management personnel are those persons having authority and responsibility in the areas of planning, directing and controlling the activities of the SKB Group, either directly or indirectly.

Key management personnel of the SKB Group and SKB Bank include the SKB Board of Directors, directors of divisions who hold high management positions and are not members of the Board of Directors, and the director of a subsidiary company.

Other related parties of the SKB Group and SKB Bank are close family members of the key management personnel and companies that the members of the key management personnel control or have a significant influence on (they are their owners or members of the key management personnel):

Transactions with related parties are concluded under normal market conditions.

### 3.1. Transactions with related parties

Pursuant to Articles 545 and 546 of the Companies Act, the management of SKB Bank submitted a report on relations with the parent company and subsidiaries in the group, in which it found that on the basis of circumstances known to the management at the time of legal transaction. SKB Bank was not disadvantaged in its transactions with the parent company and its subsidiaries. Also, in 2022, no legal transaction was performed nor an act committed or abandoned that would cause damage to SKB Bank and would be the result of the influence of the controlling company OTP Bank Nyrt.

	EUR	foreign currency
Borrowing	Fix interest rate 0.01 %	-
	3M EURIBOR 0.00 % to 4.42 %	-
Lending	Fix interest rate -0.15 % to +2.87 %	Fix interest rate +0.26 % to +5.90 %
overnight	Fix interest rate -0.35 % to +2.29 %	Fix interest rate +0.26 % to +4.79 %

### 3.1.1. Transactions with SKB group's related parties

The scope of banking transactions with related parties is as follows:

INCOME STATEMENT	2022					2021					
	EUR 000	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel
Interest income		7,837	0	7,150	3	2	866	1	5,504	1	1
Interest expenses		(3,469)	(1)	(1)	(1)	0	(2,823)	0	(2)	(1)	0
<b>Net interest income</b>		<b>4,368</b>	<b>(1)</b>	<b>7,149</b>	<b>2</b>	<b>2</b>	<b>(1,957)</b>	<b>1</b>	<b>5,502</b>	<b>0</b>	<b>1</b>
Dividend income		0	0	7,450	0	0	0	0	9,250	0	0
Fee and commission income		93	152	393	2	1	80	142	395	1	1
Fee and commission expenses		(1,043)	(27)	0	0	0	(643)	(25)	0	0	0
<b>Net fee and commission income</b>		<b>(950)</b>	<b>125</b>	<b>393</b>	<b>2</b>	<b>1</b>	<b>(563)</b>	<b>117</b>	<b>395</b>	<b>1</b>	<b>1</b>
Gains and losses on financial assets and liabilities held for trading		11,027	(1)	0	0	0	(2,424)	(165)	0	0	0
Exchange differences		0	0	0	0	0	0	(2)	0	0	0
Other operating income		0	1,252	200	0	0	0	0	201	0	0
<b>Financial and operating income and expenses</b>		<b>14,445</b>	<b>1,375</b>	<b>15,192</b>	<b>4</b>	<b>3</b>	<b>(4,944)</b>	<b>(49)</b>	<b>15,348</b>	<b>1</b>	<b>2</b>
Other administrative expenses		(1,006)	(1,343)	0	(76)	0	(173)	(1,304)	0	(44)	0
Provisions and impairment		(2,430)	(26)	2,151	0	0	(1)	(11)	1,704	0	1
<b>TOTAL PROFIT (LOSS) BEFORE TAX</b>		<b>11,009</b>	<b>6</b>	<b>17,343</b>	<b>(72)</b>	<b>3</b>	<b>(5,145)</b>	<b>(1,364)</b>	<b>17,052</b>	<b>(43)</b>	<b>3</b>

STATEMENT OF FINANCIAL POSITION	2022					2021					
	EUR 000	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel
Assets											
Cash, cash balances at central banks and other demand deposits at banks	1,399	4,873	0	0	0	579	2,886	0	0	0	0
<b>Financial assets held for trading</b>	<b>3,902</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,097</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial assets at amortised cost	271,660	10	500,714	207	42	7	13	479,035	124	16	16
Loans to banks	271,652	0	0	0	0	0	0	0	0	0	0
Loans to non-bank customers	0	0	500,694	207	42	0	0	479,024	124	16	16
<b>Other financial assets</b>	<b>8</b>	<b>10</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>13</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries, associates and joint ventures	0	0	20,454	0	0	0	0	20,454	0	0	0
Property, plant and equipment	0	53	0	0	0	0	0	0	0	0	0
Intangible assets	77	0	0	0	0	0	0	0	0	0	0
<b>Other assets</b>	<b>48</b>	<b>649</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities											
Financial liabilities held for trading	295	0	0	0	0	501	0	0	0	0	0
<b>Financial liabilities measured at amortised cost</b>	<b>250,588</b>	<b>20,055</b>	<b>8,754</b>	<b>928</b>	<b>239</b>	<b>602</b>	<b>35,883</b>	<b>13,965</b>	<b>510</b>	<b>393</b>	<b>393</b>
Deposits from banks and central banks	0	14	0	0	0	0	35,572	0	0	0	0
Deposits from non-bank customers	0	19,877	8,754	885	239	470	248	13,965	423	393	393
Loans from banks and central banks	250,074	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	514	164	0	43	0	132	63	0	87	0	0
Provisions	0	11	0	0	0	0	5	0	0	0	0
Other liabilities	0	1	0	0	0	0	1	0	0	0	0
Off-balance sheet items											
Financial and Other guarantees given	26	615	0	0	0	0	2,133	0	0	0	0
Loan commitments given	0	0	22	35	8	0	0	22	29	6	6
Nominal value SPOT deals	45,990	0	0	0	0	52,533	0	0	0	0	0
Nominal value Derivatives deals	33,915	0	0	0	0	46,268	0	0	0	0	0

### 3.1.2. Transactions with SKB Bank's related parties

The scope of banking transactions with related parties is as follows:

INCOME STATEMENT	2022					2021					
	EUR 000	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel
Interest income		7,837	0	7,150	3	2	866	1	5,504	1	1
Interest expenses		(3,469)	(1)	(1)	(1)	0	(2,823)	0	(2)	(1)	0
<b>Net interest income</b>		<b>4,368</b>	<b>(1)</b>	<b>7,149</b>	<b>2</b>	<b>2</b>	<b>(1,957)</b>	<b>1</b>	<b>5,502</b>	<b>0</b>	<b>1</b>
Dividend income		0	0	7,450	0	0	0	0	9,250	0	0
Fee and commission income		93	152	393	2	1	80	142	395	1	1
Fee and commission expenses		(1,043)	(27)	0	0	0	(643)	(25)	0	0	0
<b>Net fee and commission income</b>		<b>(950)</b>	<b>125</b>	<b>393</b>	<b>2</b>	<b>1</b>	<b>(563)</b>	<b>117</b>	<b>395</b>	<b>1</b>	<b>1</b>
Gains and losses on financial assets and liabilities held for trading		11,027	(1)	0	0	0	(2,424)	(165)	0	0	0
Exchange differences		0	0	0	0	0	0	(2)	0	0	0
Other operating income		0	1,252	200	0	0	0	0	201	0	0
<b>Financial and operating income and expenses</b>		<b>14,445</b>	<b>1,375</b>	<b>15,192</b>	<b>4</b>	<b>3</b>	<b>(4,944)</b>	<b>(49)</b>	<b>15,348</b>	<b>1</b>	<b>2</b>
Other administrative expenses		(1,006)	(1,343)	0	(76)	0	(173)	(1,304)	0	(44)	0
Provisions and impairment		(2,430)	(26)	2,151	0	0	(1)	(11)	1,704	0	1
<b>TOTAL PROFIT (LOSS) BEFORE TAX</b>		<b>11,009</b>	<b>6</b>	<b>17,343</b>	<b>(72)</b>	<b>3</b>	<b>(5,145)</b>	<b>(1,364)</b>	<b>17,052</b>	<b>(43)</b>	<b>3</b>

STATEMENT OF FINANCIAL POSITION	2022					2021					
	EUR 000	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel	With OTP Bank	Other related parties in OTP Group	With SKB Leasing	Key management personnel	Other related personnel
Assets											
Cash, cash balances at central banks and other demand deposits at banks	1,399	4,873	0	0	0	579	2,886	0	0	0	0
<b>Financial assets held for trading</b>	<b>3,902</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,097</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial assets at amortised cost	271,660	10	500,714	207	41	7	13	479,035	123	16	16
Loans to banks	271,652	0	0	0	0	0	0	0	0	0	0
Loans to non-bank customers	0	0	500,694	207	41	0	0	479,024	123	16	16
<b>Other financial assets</b>	<b>8</b>	<b>10</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>13</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries, associates and joint ventures	0	0	20,454	0	0	0	0	20,454	0	0	0
Property, plant and equipment	0	53	0	0	0	0	0	0	0	0	0
Intangible assets	77	0	0	0	0	0	0	0	0	0	0
<b>Other assets</b>	<b>48</b>	<b>649</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities											
Financial liabilities held for trading	295	0	0	0	0	501	0	0	0	0	0
<b>Financial liabilities measured at amortised cost</b>	<b>250,588</b>	<b>20,055</b>	<b>8,754</b>	<b>831</b>	<b>136</b>	<b>602</b>	<b>35,883</b>	<b>13,965</b>	<b>420</b>	<b>319</b>	<b>319</b>
Deposits from banks and central banks	0	14	0	0	0	0	35,572	0	0	0	0
Deposits from non-bank customers	0	19,877	8,754	831	136	470	248	13,965	420	319	319
Loans from banks and central banks	250,074	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	514	164	0	0	0	132	63	0	0	0	0
Provisions	0	11	0	0	0	0	5	0	0	0	0
Other liabilities	0	1	0	0	0	0	1	0	0	0	0
Off-balance sheet items											
Financial and Other guarantees given	26	615	0	0	0	0	2,133	0	0	0	0
Loan commitments given	0	0	22	24	6	0	0	22	18	4	4
Nominal value SPOT deals	45,990	0	0	0	0	52,533	0	0	0	0	0
Nominal value Derivatives deals	33,915	0	0	0	0	46,268	0	0	0	0	0



### 3.1.3. Transactions with the members of Key Management Personnel

The disclosure is prepared in accordance with Article 69 of the Companies Act (ZGD-1).

SKB Group	2022		2021		
	EUR 000	Board of Directors	Key Management Personnel	Board of Directors	Key Management Personnel
<b>Transactions at the end of the year</b>					
Loans and advances		1	206	1	123
Average interest rate (%)		0.00%	3.26%	0.00%	0.44%
Financial liabilities measured at amortised costs		702	226	303	207
Average interest rate (%)		0.00%	0.00%	0.00%	0.00%
Guarantees given		0	0	0	0
<b>Transactions in the year</b>					
Interest income		0	3	0	1
Interest expense		0	(1)	(1)	0
Fee and commission income		1	1	1	0

SKB Bank	2022		2021		
	EUR 000	Board of Directors	Key Management Personnel	Board of Directors	Key Management Personnel
<b>Transactions at the end of the year</b>					
Loans and advances		1	206	1	122
Average interest rate (%)		0.00%	3.26%	0.00%	0.44%
Financial liabilities measured at amortised costs		702	129	303	117
Average interest rate (%)		0.00%	0.00%	0.00%	0.00%
Guarantees given		0	0	0	0
<b>Transactions in the year</b>					
Interest income		0	3	0	1
Interest expense		0	0	(1)	0
Fee and commission income		1	1	1	0

\* Interest rates were approved according to the SKB Bank's policy, Average interest rate is 3.26 % and represents the average of common or notional (Euribor + margin or fix) interest rate,

## 3.2. Remuneration policy

The disclosure is prepared in accordance with Article 69 of the Companies Act (ZGD-1).

Remunerations paid to members of the Board of Directors:

SKB Group and SKB Bank									
EUR 000	Anita Stojčevska	Vojka Ravbar	Imre Bertalan	Draga Cukjati	Tamás Kamarási	Dr. Miklós Németh	Anna Mitkova Florova	Átilla Kovács	
Fixed remuneration	316.7	150.2							
Variable remuneration*	35.5	22.6							
In - kind benefits**	16.2	6.1							
Reimbursement of expenses	13.0	5.7							
Insurance premium	3.0	3.0							
Other payments	1.7	1.7							
Meeting fees			20.3	13.7	13.7	13.7	13.7	13.7	13.7
Monthly fees									
<b>Total</b>	<b>386.1</b>	<b>189.3</b>	<b>20.3</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.7</b>
Deferred payments	177.4	51.5							

\*\* In line with OTP Bank policy the employees who are assigned to work abroad, received some in-kind benefits which are locally considered as fixed remuneration and are presented separately.

Members of the Board of Directors have not received payments in SKB Bank's subsidiary SKB Leasing.

Milkos Nement, a member of Board of Directors gave resignation statement on 12.12.2022.

All the members of the Board of Directors – non-executive directors, receive monthly remuneration for executing the function in the amount of EUR 800. President of Board of Directors is paid EUR 1,200 per month for presidency.

The members of the Board of Directors, who are not employed in the SKB Group or in the OTP Group, are entitled to reimbursement of the travel and other expenses related to the performance of the function.

SKB d.d. will not pay out the profit sharing or bonuses with options or comparable financial instruments neither to the members of the Board of Directors – non-executive directors nor the members of the Committees for their work in the Board of Directors or Committees of the Board of Directors.

Remunerations paid to members of the Key Management Personnel:

EUR 000	SKB Group	SKB Bank
Fixed remuneration	945.0	811.6
Variable remuneration	119.9	84.4
In - kind benefits*	141.5	132.4
Reimbursement of expenses	110.6	102.1
Insurance premium	14.0	11.4
Other payments	10.2	8.5
Meeting fees	0.0	0.0
Monthly fees	0.0	0.0
<b>Total</b>	<b>1,341.2</b>	<b>1,150.4</b>
Deferred remuneration	317.0	317.0

\* In line with OTP Bank policy the employees who are assigned to work abroad, received some in-kind benefits which are locally considered as fixed remuneration and are presented separately.

The annual bonus is divided into two parts:

- Bonus pool for non-identified employees;
- General Bonus Pool and in case established Extraordinary Bonus Pool for identified staff members.

As a rule, the annual bonus part for non-identified employees is paid out with the salary for June of the current year from the funds of the previous year except for Identified Staff members, for which special process and rules are set out.

Levels of identified employees:

- consolidated-level (OTP group-level) personal scope includes those (staff members identified 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-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.

The identified employee is not entitled to performance-based remuneration:

- if it does not contribute to achieving the objectives;
- if his employment is terminated during the probationary period or in the event of immediate dismissal by the employer or termination of employment in connection with the employee's conduct;
- if the employee is not employed at the time of granting the deferral of payment, the entitlement to deferred instalments of performance on the basis of performance that has not yet expired ceases.

An identified employee becomes entitled to performance-based benefits (including the short-term and deferred portion of benefits) for a given calendar half-year only if the legal relationship entitling him to performance-based payments exists on the last day of that calendar half-year (on 30 June or 31 December) and has not been discharged on that day.

Remuneration based on the performance is paid in accordance with applicable legislation and the Remuneration Policy of the SKB Group. Payment of the variable part of the remuneration is divided into payment in cash and payment in shares or share-related financial instruments.

The payment decision on variable part shall be taken for:

- employees at the consolidated level - SKB Board of Directors after obtaining the opinion of the President and Chief Executive Officer of OTP
- for employees not sub-consolidated and local wounds - SKB Board of Directors

Bonus	Payed	Accrued
IDENTIFIED EMPLOYEES	283	887
• cash	258	532
• virtual shares	13	250
• shares	12	105
NON-IDENTIFIED EMPLOYEES	1,025	1,141
	1,308	2,028

## 4. Fair value of financial instruments

### 4.1. Financial instruments not measured at fair value

In estimating the fair value of SKB Group's and SKB Bank's financial instruments, the following methods and assumptions have been used:

For the fair value calculation of financial assets and liabilities which are not measured at fair value in the statement of financial position, the SKB Group follows the net present value method. As the discount factor the bank uses discount curves consisting of a risk-free market curves, liquidity spreads and based on internal method, credit spreads separated by credit rating and customer segment. The risk-free market curve is defined as the Euribor curve on short term and as SWAP curve on longer term while the liquidity spread is defined as the financing cost by the parent bank, including the maturity premium.

Fair value estimation of loans and deposits takes into account the sum of individual contractual cash flows (principals and interests) using the discount curve, which consists of three components. For the estimation of interest cash flow involving the reference rate, the Bank is using the implied forward rates based on the last known data. The discount factor is linearly interpolated as a function of residual maturity in days. The net present value for products without contractual maturity (e.g, demand deposits, saving account, limits) and non-performing loans (financial assets classified in stage 3 based on own risk) are equal to their carrying amount.

SKB Group				
	31. 12. 2022		31. 12. 2021	
EUR 000	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets not measured at fair value</b>				
Cash, cash balances at the central banks and other demand deposits	553,930	553,930	448,435	448,435
Financial assets at amortised cost	3,396,479	3,279,067	2,827,044	2,951,589
<b>Financial liabilities not measured at fair value</b>				
Financial liabilities measured at amortised cost	3,952,976	3,989,426	3,356,691	3,356,596

SKB Bank				
	31. 12. 2022		31. 12. 2021	
EUR 000	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets not measured at fair value</b>				
Cash, cash balances at the central banks and other demand deposits	553,930	553,930	448,435	448,435
Financial assets at amortised cost	3,386,488	3,242,239	2,821,964	2,910,336
<b>Financial liabilities not measured at fair value</b>				
Financial liabilities measured at amortised cost	3,951,287	3,978,982	3,364,146	3,364,052

The table below shows the fair values of financial instruments not measured at fair value by the level in the fair value hierarchy. This table does not include the fair values of non-financial assets and non-financial liabilities.

<b>SKB Group</b>						
	<b>EUR 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>Total carrying amount</b>
31. 12. 2022						
<b>FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE</b>						
Cash, cash balances at the central banks and other demand deposits		553,930	0	0	553,930	553,930
Financial assets at amortised cost		-	135,918	3,143,149	3,279,067	3,396,479
Loans and other financial assets		0	-	3,143,149	3,143,149	3,254,724
Government bonds - listed		-	135,918	0	135,918	141,755
<b>Financial liabilities not measured at fair value</b>						
Financial liabilities measured at amortised cost		-	-	3,989,426	3,989,426	3,952,976
31.12.2021		-	4.287	-	4.287	-
<b>FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE</b>						
Cash, cash balances at the central banks and other demand deposits		448,435	-	-	448,435	448,435
Financial assets at amortised cost		-	207,145	2,744,444	2,951,589	2,827,044
Loans and other financial assets		-	-	2,744,444	2,744,444	2,631,605
Government bonds - listed		-	207,145	-	207,145	195,439
<b>Financial liabilities not measured at fair value</b>						
Financial liabilities measured at amortised cost		-	-	3,356,596	3,356,596	3,356,691

<b>SKB Bank</b>						
	<b>EUR 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>Total carrying amount</b>
31. 12. 2022						
<b>FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE</b>						
Cash, cash balances at the central banks and other demand deposits		553,930	-	-	553,930	553,930
Financial assets at amortised cost		0	135,918	3,106,322	3,242,240	3,386,488
Loans and other financial assets		-	-	3,106,322	3,106,322	3,244,733
Government bonds - listed		-	135,918	-	135,918	141,755
<b>Financial liabilities not measured at fair value</b>						
Financial liabilities measured at amortised cost		-	-	3,978,982	3,978,982	3,951,287
31.12.2021		-	4.287	-	4.287	-
<b>FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE</b>						
Cash, cash balances at the central banks and other demand deposits		448,435	-	-	448,435	448,435
Financial assets at amortised cost		-	207,145	2,703,191	2,910,336	2,821,964
Loans and other financial assets		-	-	2,703,191	2,703,191	2,626,525
Government bonds - listed		-	207,145	-	207,145	195,439
<b>Financial liabilities not measured at fair value</b>						
Financial liabilities measured at amortised cost		-	-	3,364,052	3,364,052	3,364,146

## 4.2. Financial instruments measured at fair value

For determination of fair value for financial instruments which are recorded at fair value using valuation techniques, the estimation of assumptions that a market participant takes into consideration when valuing the instruments is used.

### Derivative financial instruments

Derivative products valued using a valuation technique with market observable inputs are mainly foreign exchange forward and swap deals, interest rate derivatives and options such as Interest rate swaps, cap interest rate options or adjusted performance interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using fair value calculations; the model incorporates market data such as spot rates, forward points and interest rate curves.

### Securities, loans and deposits

SKB Group and SKB Bank value the securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

The fair value of financial assets at fair value through other comprehensive income that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

SKB Group and SKB Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets of liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below summarises the breakdown of financial assets and liabilities by individual valuation method and by individual valuation levels (1, 2, 3). The breakdown is shown for SKB Group and SKB Bank for years 2022 and 2021.

SKB Group and SKB Bank								
EUR 000	31. 12. 2022				31. 12. 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS MEASURED AT FAIR VALUE</b>								
<b>Financial assets held for trading</b>	<b>0</b>	<b>11,203</b>	<b>0</b>	<b>11,203</b>	<b>-</b>	<b>5,707</b>	<b>-</b>	<b>5,707</b>
Derivative financial instruments	0	11,203	0	11,203	-	5,707	-	5,707
• Forward	-	1,673	-	1,673	-	772	-	772
• Interest rate swap	-	8,324	-	8,324	-	4,287	-	4,287
• Currency swap	-	25	-	25	-	521	-	521
• Interest rate option	-	1,172	-	1,172	-	127	-	127
• Currency option	-	0	-	-	-	0	-	-
• Spot	0	9	0	9	-	0	-	0
<b>Non-trading financial assets mandatorily at fair value through profit of loss</b>	<b>0</b>	<b>12,343</b>	<b>7,944</b>	<b>20,287</b>	<b>-</b>	<b>12,917</b>	<b>7,973</b>	<b>20,890</b>
Equity instruments	-	12,343	7,944	20,287	-	12,917	7,973	20,890
Loans	-	0	0	0	-	-	-	-
<b>Financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Debt securities - listed	-	0	0	0	-	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>	<b>-</b>	<b>361,715</b>	<b>-</b>	<b>361,715</b>	<b>-</b>	<b>464,796</b>	<b>-</b>	<b>464,796</b>
Government bonds - listed	-	361,715	-	361,715	-	464,796	-	464,796
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>
<b>LIABILITIES MEASURED AT FAIR VALUE</b>								
<b>Financial liabilities held for trading</b>	<b>0</b>	<b>11,118</b>	<b>0</b>	<b>11,118</b>	<b>-</b>	<b>5,677</b>	<b>-</b>	<b>5,677</b>
Derivative financial instruments	0	11,118	0	11,118	-	5,677	-	5,677
• Forward	-	1,661	-	1,661	-	704	-	704
• Interest rate swap	-	8,269	-	8,269	-	4,231	-	4,231
• Currency swap	-	3	-	3	-	542	-	542
• Interest rate option	-	1,172	-	1,172	-	127	-	127
• Currency option	-	0	-	0	-	0	-	-
• Spot	-	13	0	13	-	73	-	73
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Structured deposit	-	0	-	0	-	-	-	-

Total gains and losses for the year in the above table are presented in statement of profit or loss and other comprehensive income (OCI) as follows:

SKB Group and SKB Bank - 2022	ASSETS MEASURED AT FAIR VALUE					LIABILITIES MEASURED AT FAIR VALUE		Total
	EUR 000	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Non-current assets and disposal groups classified as held for sale	Financial liabilities held for trading	
<b>Total gain and losses recognised in profit or loss</b>	<b>69,357</b>	<b>0</b>	<b>(603)</b>	<b>(113)</b>	<b>0</b>	<b>(68,464)</b>	<b>0</b>	<b>177</b>
Net trading income	65,866	0	0	0	0	(65,521)	0	345
Net income from other financial instruments at fair value	0	0	0	0	0	0	0	0
Other revenue	3,491	0	(603)	(113)	0	(2,943)	0	(168)
<b>Total gain and losses recognised in OCI</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(68,631)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(68,631)</b>
Debt instruments at fair value through other comprehensive income	0	0	0	(68,631)	0	0	0	(68,631)



SKB Group and SKB Bank - 2021	ASSETS MEASURED AT FAIR VALUE					LIABILITIES MEASURED AT FAIR VALUE		Total
	EUR 000	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Non-current assets and disposal groups classified as held for sale	Financial liabilities held for trading	
<b>Total gain and losses recognised in profit or loss</b>	<b>16,768</b>	<b>0</b>	<b>2,284</b>	<b>0</b>	<b>0</b>	<b>(15,708)</b>	<b>0</b>	<b>3,344</b>
Net trading income	13,701	0	0	0	0	(13,222)	0	479
Net income from other financial instruments at fair value	0	0	0	0	0	0	0	0
Other revenue	3,067	0	2,284	0	0	(2,486)	0	2,865
<b>Total gain and losses recognised in OCI</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,934)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,934)</b>
Debt instruments at fair value through other comprehensive income	0	0	0	(12,934)	0	0	0	(12,934)

### Movement of financial assets and liabilities to level 3

SKB Group and SKB Bank			
EUR 000	Non-trading financial assets mandatorily at fair value through profit or loss		
	Securities	Loans	Total
<b>At 1 January 2022</b>	<b>7,973</b>	<b>0</b>	<b>7,973</b>
Valuation in profit or loss	(29)	0	(29)
Additions	0	0	-
Disposal (payment/sale)	0	0	0
<b>At 31 December 2022</b>	<b>7,944</b>	<b>0</b>	<b>7,944</b>
<b>At 1 January 2021</b>	<b>7,909</b>	<b>6,944</b>	<b>14,853</b>
Valuation in profit or loss	64	0	64
Additions	0	0	-
Disposal (payment/sale)	0	(6,944)	(6,944)
<b>At 31 December 2021</b>	<b>7,973</b>	<b>0</b>	<b>7,973</b>

In year 2022 SKB Group and SKB Bank did not have transitions between levels.

The triggers for the transition between different levels of fair value are shown in the following table:

TRANSFER	FINANCIAL INSTRUMENT	REASON FOR TRANSFER BETWEEN LEVELS
From Level 2 to 1	Bonds	Re-availability of the market price of the financial instrument. The price for bonds is available if the published market price is due to actual turnover in a period of less than 1 month.
From Level 3 to 1	Shares / funds	Re-availability of the market price of the financial instrument. The price for shares or funds is available if the published market price is the result of actual turnover in a period of less than 1 month.
From Level 1 to 2	Bonds	Valuation of bonds previously valued at market value. The reason for the valuation and change in the level is the withdrawal of the bond from the regulated market or illiquidity (no transaction was concluded within a period of 1 month).
From Level 1 to 3	Shares / funds	Valuation of shares or funds that were previously valued at market value. The reason for the evaluation and change of the level is the withdrawal of shares or funds from the regulated market.
From Level 2 to 3	Derivatives	The underlying instrument to which the derivative relates is reclassified from Level 1 to Level 2 or Level 3 for the underlying instrument.
From Level 3 to 2	Derivatives	The underlying instrument to which the derivative relates is reclassified to Level 1. There is a market value for the underlying instrument.

## 5. Exposure in equity instruments not included in the trading book

In accordance with the bank's business model all equity investments not included in the trading book are classified as »Non-trading financial assets mandatorily at fair value through profit or loss«. Gains and losses arising from equity investments are disclosed in the income statement under item »Net gains on non-trading financial assets mandatorily at fair value through profit or loss«. In 2022 there were no changes in accounting policies for measurement of equity investments.

### Based on the purpose of acquisition equity instruments are divided into:

- Equity instruments acquired due to regulatory reasons;
- Equity instruments held for strategic reasons; these are long term equity instruments associated with group's core business objectives;
- Non-strategic equity instruments; SKB Group currently does not hold any non-strategic equity investments;
- Equity instruments obtained through debt to equity swap of some non-performing assets. SKB Group holds these financial instruments temporarily.

Book value of all equity instruments is equal to their fair value. None of the equity instruments held by the SKB Group are traded on a stock exchange. Equity investments are revalued to fair value once a year, except in the case of extraordinary events and major changes that significantly affect the financial operations of entities. The investment in Sklad za reševanje bank is revalued on a monthly basis

The table below shows the fair value of equity investments:

Issuer	EUR 000	31. 12. 2022	31. 12. 2021	The month of the last equity investment revaluation
<b>Equity instruments acquired through debt to equity swap</b>		-	-	
Peko, d.d.		-	-	/
<b>Strategic equity instruments</b>		<b>7,944</b>	<b>7,973</b>	
Bankart, d.o.o.		7,064	7,172	June 2022
Pokojninska družba A, d.d.		851	777	May 2022
S.W.I.F.T.		29	24	December 2022
<b>Equity instruments acquired for regulatory reasons</b>		<b>12,343</b>	<b>12,917</b>	
Sklad za reševanje bank		12,343	12,917	December 2022
<b>Total equity investments</b>		<b>20,287</b>	<b>20,890</b>	

Investment in Peko (in insolvency proceedings) was acquired through debt to equity swap, its fair value equals EUR 0.

Gains and losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are recognized in the income statement in the period in which they arise.

The table below shows the total realized gains from fair valuation of equity investments in 2022. In 2022 there were no sales or liquidations of equity investments, therefore no gains or losses were realized on this account.

The amounts in the table below are in thousands EUR.

<b>1. Dividends received</b>	<b>2022</b>	<b>2021</b>
<b>Total</b>	<b>264</b>	<b>163</b>
Bankart, d.o.o.	229	152
Pokojninska družba A, d.d.	35	11
<b>2. Sale of equity investments</b>		
<b>Total</b>	<b>-</b>	<b>-</b>
<b>3. Effects on income statement from fair valuation</b>		
<b>Total</b>	<b>(603)</b>	<b>(48)</b>
S.W.I.F.T.	5	1
Sklad za reševanje bank	(574)	(111)
Bankart, d.o.o.	(108)	3
Pokojninska družba A, d.d.	74	59

## 6. Events after the date of the statement of financial position

No significant circumstances or events occurred after the balance sheet date that would require adjustments of the financial statements.

## 7. Risk management

### Introduction

In accordance with Regulation (EU) No. 575/2013 (CRR) of the of the European Parliament and of the Council on the prudential requirements for credit institutions and investment firms the bank is obliged to disclose to the public all relevant information regarded as material, since any omission could influence the assessment of a user relying on that information for the purpose of making economic decisions. Number and completeness of disclosed information related to capital adequacy, exposure towards risks and adequacy of governance and control mechanisms, have the impact to a higher transparency of the bank's operations.

SKB banka d.d. Ljubljana publishes disclosures in a standalone document in the structure compliant to EBA Guidelines on disclosure requirements under Part 8 of Regulation (EU) No. 575/2013.

SKB d.d. as a member of the international banking OTP Group designed risk policies on the level of a particular risk as well as comprehensive risk management rules. Risk culture is well developed, the rules and risk management systems are compliant to the local/national legislation and with the guidelines of the parent bank.

#### INFORMATION ON THE SCOPE OF APPLICATION OF THE REGULATORY FRAMEWORK

Institution to which the requirements of this Regulation apply is SKB banka d.d. Ljubljana. Consolidated statements for accounting and prudential purposes consist of SKB Bank, SKB Leasing Ltd, 100 % owned by the bank, and SKB Leasing Select, 100 % owned by SKB Leasing. Both companies are fully consolidated. There are no differences in consolidated statements for accounting and prudential purposes.

In the group there are no impediments to the transfer of own funds or repayment of liabilities among the parent bank and its subsidiary.

## 7.1. Risk management objectives and policies

### 7.1.1. The institution's approach to risk management

#### Reputation risk

By strict following of local/national legislation as well as guidelines of the parent bank the bank operates transparently and does not expose itself to risk of reputation loss or degradation, Management of reputation risk is integral part of all the group's activities. This is achieved through increase of this risk awareness, trainings on this topic, through monitoring of media's publications, analysis and adequate management of clients' complaints.

#### Risk Appetite

Risk Appetite is defined as the level of risk that the SKB Group is willing to assume in achieving its strategic goals.

It is formalized in two documents (the Risk Appetite Framework and the Risk Appetite Statement) which describe SKB Group-level principles, policies and metrics which establish the SKB Group's Risk Appetite.

The Risk Appetite is therefore articulated:

- Qualitatively, through a set of principles and policies applicable to various types of risk;
- Quantitatively, through risk control mechanisms comprising forward-looking targets, limits and alert thresholds.

Risk Appetite is revised annually and adjusted based on the annual risk identification process. It is established at SKB Group level, cascaded operationally down to Business Lines through credit policies and delegations and monitored through defined principles.

Risk Appetite is designed such as to encompass the interactions with major strategic processes in the SKB Group such as budgeting and strategic and financial planning (SFP), the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the Recovery Plan and the compensation mechanism.

Risk Appetite is monitored through various indicators, defined per major risk types, which the SKB Group is prepared to take over, and steered by defined thresholds. The SKB Group sets thresholds according to the following principles:

- **Risk capacity:** is the maximum risk that the bank can absorb without jeopardizing its sustainability;
- **Risk tolerance:** is the maximum negative impact, loss amount, a bank is willing to accept from a specific risk event or series of risk events;
- **Risk alert:** the threshold level of the risk indicators which triggers analyses and proposal of potential actions to be taken in order to steer the Group within the risk tolerance;
- **Risk target:** is defined as expected level of risk indicators assuming the base macroeconomic scenario and base financial projections of the Group.

SKB Group monitors five major risk types. Overall, in 2022 the SKB Group demonstrated strong financial profile with stable levels of main risk types. Alert levels have been triggered only on credit risk as a result of macroeconomic environment and changes in stage 2 portfolio.

### 7.1.2. Information on risk management's objectives and policies - by risk category

#### Risk strategy

The risk management strategy of SKB Group takes into account the advanced risk management standards of the OTP Group, together with regulatory norms, The implementation of efficient risk management is crucial for the strategic development of the SKB Group (from hereafter the Group).

The most important objectives of the SKB Group risk management are to protect the financial strength and reputation of the SKB Group while ensuring that capital is well deployed to support business activities and grow value for shareholders.

The SKB Group manages all significant types of risk, including credit, concentration risk, market, liquidity risk, excessive leverage risk, capital risk, operational, reputation and compliance risk.

## Principles of risk-management governance

SKB Bank's risk-management governance is based on:

- strong managerial involvement at all levels from the Board of Directors and the General management to operational management teams;
- the independence of risk assessment from commercial operations.

## Organization of risk management

The risk management function is supported by the following bodies:

### • Board of Directors

The Board of Directors defines and monitors the implementation of the SKB Group's risk strategy, which is then transposed to the Group's risk appetite framework.

### • Internal Audit

Internal Audit is responsible for examining the consistency and compliance of the internal risk monitoring framework with existing procedures and regulatory requirements.

- Risk management committees

Monitoring the evolution of all important risks for the SKB Group is performed by various committees:

- Credit risk committee for retail;
- Credit risk committee for non-retail;
- Asset liability committee (interest, FX and liquidity risk);
- Operational risk and compliance committee;
- Work-Out committee.

### • Risk Division

SKB Risk Division is primarily responsible for setting methodology for monitoring and managing the SKB Group's credit, market and operational risks, The Risk Division acts completely independently from the business operating departments and reports directly to the General Management.

### • Finance Division

Finance Division is responsible for the management of structural risks (interest rate risk, foreign exchange and liquidity risk).

The capital risk is managed via the Internal Capital Adequacy Assessment Process (ICAAP), organized in cooperation between the Risk and Finance Division.

## Risk-adjusted pricing

Since the end of 2007, SKB Bank has been using the risk-adjusted pricing model, which takes into account credit, liquidity, interest rate and capital risk.

The model is a part of the regular decision-making process for newly granted loans and newly taken deposits, and is being frequently updated to reflect current liquidity situation on the market (market short-term and long-term interest rates and the cost of providing liquidity) and takes into account the capital requirements, required return on equity and customer credit risk, The model is also being used in the process of setting the SKB Group's pricing policy for loans and deposits.

Since 2012 SKB Bank has been using maturity matched internal transfer pricing system, which takes into account current market conditions and strategic guidelines of the bank consequently enabling more efficient management of liquidity risk, allocation of costs and benefits and monthly monitoring of the Bank's operations' effectiveness.

## 7.1.3. Credit risk

### Risk approval

#### Corporate (Non-retail)

Risk approval is conducted in the Credit Risk Assessment unit and is independent from the operational units (Commercial Departments in Bank and Leasing). The granting process is based on approving credit limit applications submitted by commercial units. Any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business model, type and nature, the structure and the purpose of the transaction, as well as the sources of repayment.

The final risk profile of the client is defined by the rating and is the basis for the credit decision process and the definition of limits and pricing. The Credit Risk Assessment unit closely co-operates with the commercial units in order to support SKB Group's business activities and to make the credit process more efficient, while closely monitoring the quality of SKB Bank's credit portfolio.

#### Retail (MSE and individuals)

For private individuals the implemented risk policies in the granting tool enable precise fine-tuning of risk appetite. The approval decision process, which includes scoring and credit assessment, is based on client knowledge and is tightly monitored at the branch level.

With Retail MSE clients (professionals and micro companies) granting process is facility based and similar to corporate credit risk, the final risk profile of the client is defined by the rating and is the basis for the credit decision process. Important contribution in terms of process efficiency was the implementation of the new granting tool for Retail MSE (Prozon).

Retail Risk unit supports Business Network in their activities for credit portfolio growth with a sound credit risk strategies and approach. Stability and excellence of Retail portfolio as a result of good and efficient credit risk management and monitoring.

### Risk measurement and internal ratings

SKB Bank's rating system is based on three key pillars:

- internal rating models used to measure counterparty risk (expressed as the probability of default by the borrower within the horizon of one year);
- set of procedures and guidelines for the usage of the rating tools and monitoring the usage of the rating system;
- reliance on expert judgment to assess the model results.

### Client follow-up and monitoring

#### Corporate (Non-retail)

Sensitive clients are included on watch lists (WL1&WL2) for regular and systematic follow-up. SKB Bank in 2022 further upgrade its system of monitoring and early detection of sensitive clients (EWS). The main important triggers to include clients on watch lists are:

- deterioration of credit quality;
- difficulties in the settlement of credit obligations;
- breach of contractual covenants;
- blocked accounts, movements on the account, usage of ST lines, negative alerts from SISBIZ, etc.

Through a client watch lists, the Credit Risk Assessment unit is enabled to closely monitor sensitive clients with deteriorating credit qualities and difficulties in the settlement of their debts from an early stage. The development of exposure towards clients on the watch list is regularly reported to the credit risk committee. Clients' follow-up supports the activities for facilities' restructuring and refinancing.

#### Retail (MSE and individuals)

Retail portfolio for both segments is monitored through regular monthly monitoring reporting with automated algorithms which consists of various portfolio quality measurements such as vintages (HR curves), unpaid instalments, demographic data and others. We use various additional analysis for the purpose of detecting portfolio changes or changing patterns in client's behaviour.

## 7.1.4. Requirements for disclosure of qualitative information related to counterparty credit risk (CCR)

Counterparty credit risk is the risk arising from the possibility that the counterparty may default on derivative transactions concluded with the bank, which can result to a due closing-out settlement amount based on the actual market value of such transactions. In SKB Group the number of derivative transactions is low and limited to the client driven hedging operations and to the asset liability management operations. All derivative deals initiated by the client are closed with back to back deals. Based on agreement within OTP Group, the deals are not executed by using the central clearing institutions in line with European Market Infrastructure Regulation (EMIR).

## 7.1.5. Information on governance arrangements

SKB banka d.d. Ljubljana discloses information on management arrangements in accordance with CRR Part 8 Article 435 (2) and guidelines on the disclosure requirements of Part 8 of Regulation (EU) No 575/2013 in the annual report in Chapter III - Report of the Board of Directors and Committees of the Board of Directors and in point 5.3 - Corporate governance statement of SKB banka d.d. Ljubljana.

## 7.2. Equity requirements

The SKB Bank has identified capital risk as the risk when part of regulatory capital positions will not be available to cover losses in the future due to their maturity or other factors (such as: changed dividend policy, higher deductions, changes in legislation). This risk arises from:

- insufficient capital;
- inappropriate capital structures;
- difficulties in obtaining fresh capital, especially when an immediate increase in capital is required in unfavorable business conditions;
- implementation of legislative changes;
- changes in the carrying amount of intangible assets).

### Internal capital adequacy assessment process

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 SKB 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 normative<sup>11</sup> and economic<sup>12</sup> 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.

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 SKB Group's main strategic processes, such as Risk Appetite Framework, Risk Appetite Statement and Recovery and resolution plan.

### Capital adequacy

The Group measures its credit 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.

European banking legislation, that includes the CRR Regulation and the CRD IV Directive and is based on the Basel III guidelines, prescribes the fulfillment of three capital adequacy ratios, which reflect different capital qualities, and constitute a Pillar 1 requirement:

- Ordinary equity ratio (ratio between ordinary (CET1) capital and weighted risk exposure (RWA), which must be at least 4.5 %.
- Share capital ratio (share capital (T1) to RWA ratio), which must be at least 6 %.
- Total capital ratio (total capital to RWA ratio), which must be at least 8 %.

<sup>11</sup> 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.

<sup>12</sup> 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 SKB Group must also meet other requirements and recommendations prescribed by the supervisory institution and legislation:

- valid common buffer requirement and the capital buffer system to be added above the Pillar 1 capital requirement (TSCR);
- Pillar 2 requirement (SREP requirement) for the bank's own required reserves;
- a recommendation on capital guidelines under Pillar 2, which is not mandatory, but non-compliance affects the distribution of dividends and other profit payments in order to restore the appropriate level of capital.

The SKB 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 SKB 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 13.76 % on a consolidated basis, the Group sets its internal limit for capital adequacy to 14.25 % of total capital. This internal limit is the alert level set in Risk Appetite Framework and Risk Appetite Statement and is monitored on a quarterly basis on the Board of Directors committee.

In 2022 the capital adequacy of the Group has increased and remains well above internally set limit. The primary reason of the increase is in the increase of the total capital by 96 million €, of which 80 million derives from the increase of Tier 2 capital.

## Regulatory capital and capital adequacy

The table below displays the components of regulatory capital and capital ratios of the SKB Group and SKB Bank. Regulatory capital consists of Common equity Tier 1 capital and additional capital.

	SKB Group		SKB Bank		
	EUR 000	2022	2021	2022	2021
Paid up capital instruments		52,784	52,784	52,784	52,784
Share premium		104,061	104,061	104,061	104,061
Retained earnings		241,324	195,316	229,574	178,841
Profit or loss eligible		25,132	0	29,259	0
Profit or loss attributable to owners of the parent		61,060	46,008	63,592	50,733
(-) Part of interim or year-end profit not eligible		(35,928)	(46,008)	(34,333)	(50,733)
Accumulated other comprehensive income		(39,330)	15,165	(39,242)	15,315
Other reserves		29,106	29,106	29,106	29,106
Prudential filters: Value adjustments due to the requirements for prudent valuation		(383)	(487)	(403)	(507)
(-) Goodwill		(1,290)	(1,290)		
(-) Other intangible assets		(3,553)	(2,849)	(4,624)	(3,772)
(-) CET1 capital elements or deductions - other		(22)		(18)	
<b>COMMON EQUITY TIER 1 (CET1)</b>		<b>407,829</b>	<b>391,806</b>	<b>400,497</b>	<b>375,828</b>
<b>TIER 1 CAPITAL (T1)</b>		<b>407,829</b>	<b>391,806</b>	<b>400,497</b>	<b>375,828</b>
<b>TIER 2 CAPITAL</b>		<b>80,000</b>	<b>0</b>	<b>80,000</b>	<b>0</b>
<b>TOTAL CAPITAL (OWN FUNDS)</b>		<b>487,829</b>	<b>391,806</b>	<b>480,497</b>	<b>375,828</b>
Total credit risk exposure		2,681,380	2,410,931	2,815,413	2,554,795
Total exposure to credit valuation adjustment risk		4,770	1,175	4,770	1,175
Total operative risk exposure		197,289	194,696	190,079	185,380
<b>TOTAL RISK EXPOSURE (RWA)</b>		<b>2,883,440</b>	<b>2,606,802</b>	<b>3,010,262</b>	<b>2,741,351</b>
Common share equity ratio (ratio CET1)		14.14 %	15.03 %	13.30 %	13.71 %
Share capital ratio (ratio Tier 1)		14.14 %	15.03 %	13.30 %	13.71 %
Total capital ratio		16.92 %	15.03 %	15.96 %	13.71 %

As at 31 December 2022, the capital ratios of the SKB Group are as follows:

- common share equity Ratio: 14.14 %;
- share capital ratio: 14.14 %;
- total capital ratio: 16.92 %.

The total capital requirement of the SKB Group amounts to 13.76 % at the end of 2022 on a consolidated basis and includes:

- 10 % TSCR (8 % required by 1st pillar and 2 % required by 2nd pillar);
- 2.5 % CCB buffer, 0.25 % buffer for other systemically important institutions and 0.01 % of institution specific CCB
- 1 % P2G.

The capital adequacy of SKB Group and SKB Banka thus remains high at the end of 2022 and in line with risk-taking policies, at a level that covers all current and forecast capital requirements, including capital ratio requirements and other requirements and recommendations under Pillar II.

## The internal capital adequacy assessment process

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 SKB 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 normative<sup>13</sup> and economic<sup>14</sup> 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.

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.

## 7.3. Credit risk

### 7.3.1. General qualitative information on credit risk

#### 7.3.1.1. Definition of past due and credit risk adjustment for accounting purpose

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.

In 2020, the SKB Group adjusted the definition of a default in accordance with the new regulatory requirement. 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. Monitoring of exceeding the materiality threshold is performed daily.

The SKB Group retains customers in default for at least three months from the moment when the criteria for defining a default event are no longer met.

<sup>13</sup>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.

<sup>14</sup>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.

## **Forborne classification (Restructuring and Refinancing)**

In case of financial difficulties of the debtor and subject to still viable underlying business of such debtor, the 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 with consideration of a non-material NPV loss after restructuring. In line with EBA guidelines on payment moratoria, the performing classification also applies on particular cases of moratoriums, launched in response to the COVID-19 pandemic.

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

The performing forborne 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 forborne status;
- all required credit quality conditions for facility / debtor are fulfilled.

## **7.3.1.2. Description of approach for assessment of specific and general credit risk adjustment**

### **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 SKB 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 SKB 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.

The Group regularly follows the developments in macroeconomic environment and regularly analyses the impact of these developments on its portfolio. In case the impact is identified, the significant increase in credit risk is marked either through regular SICR indicator or expert judgement and lifetime expected losses are calculated.

## 7.3.2. General quantitative information on credit risk

The tables throughout the Credit risk section present exposures of SKB Group and SKB Bank seen through various qualitative views and assessments. The data is presented in accordance with the Capital Requirements Regulation.

Maximum exposure to credit risk without collaterals received is displayed in the following table:

SKB Group						
	EUR 000	2022			2021	
	Gross exposure	Risk adjustment	Net exposure	Gross exposure	Risk adjustment	Net exposure
Cash on hand, balances with central banks and sight deposits with banks	554,034	(104)	553,930	448,528	(93)	448,435
Financial assets held for trading	9	0	9	0	0	0
Financial assets measured at fair value through profit or loss that are not held for trading	20,287	0	20,287	20,890	0	20,890
Financial assets measured at fair value through other comprehensive income	361,715	0	361,715	464,796	0	464,796
Financial assets measured at fair value through profit or loss	0	0	0	0	0	0
Financial assets measured at amortized cost	3,453,145	(56,665)	3,396,480	2,900,315	(73,271)	2,827,044
• Debt securities	141,861	(105)	141,756	195,570	(131)	195,439
• Loans to banks	274,071	(2,415)	271,656	61	(1)	60
• Loans to State	50,519	(33)	50,486	56,184	(36)	56,148
• Loans to individuals	1,582,057	(27,745)	1,554,312	1,508,121	(41,135)	1,466,986
• Loans to other customers	1,396,298	(26,354)	1,369,944	1,135,363	(31,927)	1,103,436
• Other financial assets	8,339	(13)	8,326	5,016	(41)	4,975
Derivatives, held for trading	11,194	0	11,194	5,707	0	5,707
<b>Total gross financial assets</b>	<b>4,400,384</b>	<b>(56,769)</b>	<b>4,343,615</b>	<b>3,840,236</b>	<b>(73,364)</b>	<b>3,766,872</b>
Total guarantees and potential liabilities	916,924	(4,057)	912,867	799,498	(9,810)	789,688
<b>Total maximum exposure to credit risk</b>	<b>5,317,308</b>	<b>(60,826)</b>	<b>5,256,482</b>	<b>4,639,734</b>	<b>(83,174)</b>	<b>4,556,560</b>

SKB Bank						
EUR 000	2022			2021		
	Gross exposure	Risk adjustment	Net exposure	Gross exposure	Risk adjustment	Net exposure
Cash on hand, balances with central banks and sight deposits with banks	554,034	(104)	553,930	448,528	(93)	448,435
Financial assets held for trading	9	0	9	0	0	0
Financial assets measured at fair value through profit or loss that are not held for trading	20,287	0	20,287	20,890	0	20,890
Financial assets measured at fair value through other comprehensive income	361,715	0	361,715	464,796	0	464,796
Financial assets measured at fair value through profit or loss	0	0	0	0	0	0
Financial assets measured at amortized cost	3,435,054	(48,566)	3,386,488	2,887,060	(65,096)	2,821,964
• Debt securities	141,861	(105)	141,756	195,570	(131)	195,439
• Loans to banks	274,071	(2,415)	271,656	61	(1)	60
• Loans to State	50,519	(33)	50,486	56,184	(36)	56,148
• Loans to individuals	1,349,596	(22,737)	1,326,859	1,266,669	(36,350)	1,230,319
• Loans to other customers	1,611,275	(23,268)	1,588,007	1,363,968	(28,543)	1,335,425
• Other financial assets	7,732	(8)	7,724	4,608	(35)	4,573
Derivatives, held for trading	11,194	0	11,194	5,707	0	5,707
<b>Total gross financial assets</b>	<b>4,382,293</b>	<b>(48,670)</b>	<b>4,333,623</b>	<b>3,826,981</b>	<b>(65,189)</b>	<b>3,761,792</b>
Total guarantees and potential liabilities	916,946	(4,057)	912,889	799,520	(9,810)	789,710
<b>Total maximum exposure to credit risk</b>	<b>5,299,239</b>	<b>(52,727)</b>	<b>5,246,512</b>	<b>4,626,501</b>	<b>(74,999)</b>	<b>4,551,502</b>

Note: Exposure value is gross value of balance and off-balance credit risk exposure

## Concentration of risk

The concentration of risk is managed by client, by country and by industrial sector. SKB Bank precisely monitors concentration of risk by client name, using large exposure analyses, and manages it by defining the limits comparing to the SKB Group's capital. The regular reporting on large exposure and limits are part of the risk management process of the SKB Group. For regular portfolio analyses, the Group also quarterly monitors concentration by the industrial sector as part of ICAAP process.

In terms of geographical breakdown, the majority of exposure remains to be allocated on Slovenian market.

The portfolio structure on the other hand remains well diversified by client name and by industrial sector.

SKB Group	Loans to banks measured at amortized cost		Loans to non-banks measured at amortized cost		Debt securities measured at amortized cost		Financial assets measured at fair value through other comprehensive income		Financial guarantees and other off-balance sheet liabilities		
	EUR 000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Agriculture and forestry, finshing	-	-	-	25,228	12,091	-	-	-	-	1,079	8,490
Mining	-	-	-	5,438	4,943	-	-	-	-	1,781	3,289
Manufacturing	-	-	-	376,552	295,416	-	-	-	-	178,219	138,559
Electricity, gas and water services	-	-	-	163,443	73,364	-	-	-	-	104,138	91,339
Construction	-	-	-	63,142	59,853	-	-	-	-	84,127	72,607
Commerce	-	-	-	284,401	218,342	-	-	-	-	231,348	187,328
Hotel trading	-	-	-	19,884	22,211	-	-	-	-	15,096	10,401
Traffic, warehousing and communication	-	-	-	268,003	263,243	-	-	-	-	82,832	65,559
Other financial organizations	274,071	61	-	44,473	39,970	-	-	-	-	14,932	28,158
Real estate	-	-	-	31,785	33,308	-	-	-	-	3,852	6,800
Government	-	-	-	75,811	87,522	78,650	80,608	274,157	355,013	2,772	3,265
Education	-	-	-	7,256	1,606	-	-	-	-	1,112	592
Health and social services	-	-	-	18,867	18,049	-	-	-	-	1,923	5,335
Other public, collective and personal services	-	-	-	63,075	62,005	63,211	114,962	87,558	109,783	95,046	80,693
Individuals	-	-	-	1,581,515	1,507,745	-	-	-	-	98,667	97,083
• mortgage secured	-	-	-	864,323	797,407	-	-	-	-	7,598	6,761
• unsecured	-	-	-	389,655	417,837	-	-	-	-	90,646	89,557
<b>Total</b>	<b>274,071</b>	<b>61</b>	<b>3,028,874</b>	<b>2,699,668</b>	<b>141,861</b>	<b>195,570</b>	<b>361,715</b>	<b>464,796</b>	<b>916,924</b>	<b>799,498</b>	

SKB Bank	Loans to banks measured at amortized cost		Loans to non-banks measured at amortized cost		Debt securities measured at amortized cost		Financial assets measured at fair value through other comprehensive income		Financial guarantees and other off-balance sheet liabilities		
	EUR 000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Agriculture and forestry, finshing	-	-	-	21,858	9,272	-	-	-	-	1,079	8,490
Mining	-	-	-	4,043	3,580	-	-	-	-	1,781	3,289
Manufacturing	-	-	-	331,928	248,935	-	-	-	-	178,219	138,559
Electricity, gas and water services	-	-	-	157,652	68,552	-	-	-	-	104,138	91,339
Construction	-	-	-	23,988	22,944	-	-	-	-	84,127	72,607
Commerce	-	-	-	195,123	155,214	-	-	-	-	231,348	187,327
Hotel trading	-	-	-	16,283	18,599	-	-	-	-	15,096	10,401
Traffic, warehousing and communication	-	-	-	197,705	195,224	-	-	-	-	82,832	65,559
Other financial organizations	274,071	61	-	545,154	521,357	-	-	-	-	14,954	28,181
Real estate	-	-	-	30,217	30,872	-	-	-	-	3,852	6,800
Government	-	-	-	75,596	87,155	-	-	-	-	2,772	3,265
Education	-	-	-	6,694	1,152	78,650	80,608	274,157	355,013	1,112	592
Health and social services	-	-	-	17,398	16,673	-	-	-	-	1,923	5,335
Other public, collective and personal services	-	-	-	38,694	41,045	63,211	114,962	87,558	109,783	95,046	80,693
Individuals	-	-	-	1,349,057	1,266,247	-	-	-	-	98,667	97,083
• mortgage secured	-	-	-	797,407	797,407	-	-	-	-	7,598	6,761
• unsecured	-	-	-	176,337	176,337	-	-	-	-	90,646	89,557
											-
<b>Total</b>	<b>274,071</b>	<b>61</b>	<b>3,011,390</b>	<b>2,686,821</b>	<b>141,861</b>	<b>195,570</b>	<b>361,715</b>	<b>464,796</b>	<b>916,946</b>	<b>799,520</b>	

Note: the counterparties have been allocated to the groups according to Standard industry classification, Exposure value is gross value of balance and off balance credit risk exposure

SKB Group	Loans to banks measured at amortized cost		Loans to non-banks measured at amortized cost		Debt securities measured at amortized cost		Financial assets measured at fair value through other comprehensive income		Financial guarantees and other off-balance sheet liabilities		
	EUR 000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Slovenia		2	2	3,012,782	2,685,264	78,650	80,608	183,451	250,689	903,533	775,361
France		0	0	0	0	63,211	114,962	16,921	21,271	4,527	4,421
Hungary		274,068	0	0	0	0	0	70,637	88,513	26	0
Other		1	59	16,091	14,404	0	0	90,705	104,323	8,839	19,716
<b>Total</b>		<b>274,071</b>	<b>61</b>	<b>3,028,874</b>	<b>2,699,668</b>	<b>141,861</b>	<b>195,570</b>	<b>361,715</b>	<b>464,796</b>	<b>916,924</b>	<b>799,498</b>

The vast majority of Group's exposure at the end of 2022 is allocated on Slovenian debtors. Among the loans to non-banks customers, this number exceeds 99 % of the total loans granted and the structure remains comparable to 2021 data. For most asset types, geographical distribution remains very comparable to 2021. The geographical structure changed mostly on loans to banks, measured at amortized cost with the majority of exposure allocated on the parent bank.

SKB Bank	Loans to banks measured at amortized cost		Loans to non-banks measured at amortized cost		Debt securities measured at amortized cost		Financial assets measured at fair value through other comprehensive income		Financial guarantees and other off-balance sheet liabilities		
	EUR 000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Slovenia		2	2	2,995,630	2,672,818	78,650	80,608	183,451	250,689	903,555	775,383
France		0	0	0	0	63,211	114,962	16,921	21,271	4,527	4,421
Hungary		274,068	0	0	0	0	0	70,637	88,513	26	0
Other		1	59	15,760	14,003	0	0	90,705	104,323	8,839	19,716
<b>Total</b>		<b>274,071</b>	<b>61</b>	<b>3,011,390</b>	<b>2,686,821</b>	<b>141,861</b>	<b>195,570</b>	<b>361,715</b>	<b>464,796</b>	<b>916,946</b>	<b>799,520</b>



## Credit quality of exposures by exposure class and instrument

SKB Group - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Central governments or central banks	-	1,064,889	0	138	0	(903)	1,064,751
Regional governments or local authorities	-	81,959	0	38	0	(228)	81,921
Public sector entities	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-
Institutions	-	349,424	0	2,572	0	2,423	346,852
Corporates	-	1,929,202	0	7,415	0	(6,018)	1,921,787
• Of which SME	-	853,120	0	3,831	0	(2,607)	849,289
Retail	-	1,828,828	0	6,708	0	(18,515)	1,822,120
• Of which SME	-	175,266	0	1,443	0	(4,879)	173,823
• Of which secured by mortgages on immovable property	-	870,165	0	3,059	0	(6,603)	867,106
Exposures in default	58,501	-	14,677	29,205	6,304	-	14,619
Items associated with particular high risk	-	4,506	-	74	-	74	4,432
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>58,501</b>	<b>5,258,807</b>	<b>14,677</b>	<b>46,149</b>	<b>6,304</b>	<b>(23,167)</b>	<b>5,256,482</b>
• Of which: loans	58,426	4,161,444	14,675	45,930	6,304	(22,305)	4,144,711
• Of which: debt securities	0	141,861	0	105	0	(26)	141,755
• Of which: off-balance sheet items	5,468	911,456	0	4,057	0	(5,753)	912,867

SKB Group - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Central governments or central banks	-	1,128,457	-	1,041	-	660	1,127,415
Regional governments or local authorities	-	82,892	-	266	-	50	82,627
Public sector entities	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-
Institutions	-	68,614	-	149	-	87	68,466
Corporates	-	1,547,264	-	13,947	-	(8,407)	1,533,317
• Of which SME	-	729,036	-	7,995	-	(3,079)	721,041
Retail	-	1,743,972	-	16,455	-	(3,610)	1,727,517
• Of which SME	-	174,051	-	3,783	-	37	170,267
• Of which secured by mortgages on immovable property	-	802,273	-	9,436	-	(10,801)	792,836
Exposures in default	68,535	-	17,732	34,404	7,685	-	16,399
Items associated with particular high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>68,535</b>	<b>4,571,199</b>	<b>17,732</b>	<b>66,261</b>	<b>7,685</b>	<b>(11,220)</b>	<b>4,555,740</b>
• Of which: loans	68,449	3,430,778	17,732	65,177	7,685	(11,897)	3,399,997
• Of which: debt securities	-	195,570	-	131	-	(231)	195,439
• Of which: off-balance sheet items	4,165	795,333	3,242	6,568	-	(74)	788,873

SKB Bank - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Central governments or central banks	-	1,064,889	0	138	0	(903)	1,064,751
Regional governments or local authorities	-	81,822	0	37	0	(228)	81,784
Public sector entities	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-
Institutions	-	349,424	0	2,572	0	2,423	346,852
Corporates	-	2,230,548	0	7,344	0	(7,545)	2,223,204
• Of which SME	-	686,194	0	3,264	0	(2,019)	682,929
Retail	-	1,520,930	0	5,987	0	(16,914)	1,514,943
• Of which SME	-	93,569	0	1,037	0	(3,054)	92,533
• Of which secured by mortgages on immovable property	-	870,165	0	3,059	0	(6,603)	867,106
Exposures in default	47,121	-	13,626	22,949	6,176	-	10,547
Items associated with particular high risk	-	4,506	0	74	0	74	4,432
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>47,121</b>	<b>5,252,118</b>	<b>13,626</b>	<b>39,101</b>	<b>6,176</b>	<b>(23,092)</b>	<b>5,246,512</b>
• Of which: loans	47,112	4,155,296	13,624	38,886	6,176	(22,231)	4,139,356
• Of which: debt securities	0	141,861	0	105	0	(26)	141,755
• Of which: off-balance sheet items	5,468	911,478	0	4,057	0	0	912,889

SKB Bank - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Central governments or central banks	-	1,128,456	-	1,041	-	(16,353)	1,127,414
Regional governments or local authorities	-	82,715	-	265	-	(7,155)	82,450
Public sector entities	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-
Institutions	-	68,614	-	149	-	(20,866)	68,466
Corporates	-	1,866,018	-	15,709	-	(86,833)	1,850,309
• Of which SME	-	593,320	-	7,145	-	(9,231)	586,174
Retail	-	1,426,934	-	14,936	-	(42,934)	1,411,998
• Of which SME	-	92,119	-	2,871	-	(79,409)	89,248
• Of which secured by mortgages on immovable property	-	802,456	-	9,436	-	7,270	793,020
Exposures in default	53,764	0	16,354	27,366	7,297	0	10,044
Items associated with particular high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>53,764</b>	<b>4,572,737</b>	<b>16,354</b>	<b>59,466</b>	<b>7,297</b>	<b>(174,142)</b>	<b>4,550,681</b>
• Of which: loans	53,754	3,432,648	16,354	55,248	7,297	74,741	3,401,625
• Of which: debt securities	-	195,570	-	131	-	131	195,439
• Of which: off-balance sheet items	-	795,356	3,242	3,430	-	9,810	788,895

Note: presented in the table are gross and net values (after exclusion of provisions) 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 include balance and off-balance part.

At the end of 2022 the share of defaulted exposures represented 1.1% of the gross exposure of the Group. The level of defaulted exposure decreased in comparison with 2021 by almost 15%. The amount of specific credit risk adjustments decreased by 17% compared with 2021, whereas the decrease on the level of general risk adjustment was just less than 30%. The overall decrease of defaulted exposure results from efficient internal recovery process, whereas the applications of Ukrain war, energy crisis and high inflation are not yet visible on the Group's portfolio. The decrease of general credit risk adjustment can mostly be attributed to the partial change of the impairment methodology.

The distribution of portfolio among stages is even slightly better than respective 2021 distribution, with more than 90% of portfolio in stage 1. The coverage with provisions for non-defaulted exposures is a bit lower than in 2021 due to the change of impairment methodology. The coverage of the defaulted exposure is on a similar level than a year before.

## Credit quality of loans and other financial assets by industry

SKB Group - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Agriculture and forestry, fishing	208	26,102	0	442	0	111	25,867
Mining	466	6,752	257	28	0	(152)	6,934
Manufacturing	5,163	549,699	1,842	5,674	436	(3,356)	547,346
Electricity, gas and water services	128	267,469	0	558	7	(1,037)	267,038
Construction	5,635	141,666	2,810	2,457	412	(1,325)	142,034
Commerce	10,186	505,847	4,981	2,516	381	1,247	508,536
Hotel trading	1,426	33,558	347	916	4	(975)	33,721
Traffic, warehousing and communication	3,824	354,113	167	3,662	313	(3,189)	354,107
Other financial organizations	0	919,163	0	2,610	0	2,259	916,553
Real estate	70	35,569	0	145	136	(484)	35,494
Government	0	431,481	0	92	0	(677)	431,390
Education	5	8,365	0	15	4	(13)	8,355
Health and social services	8	20,786	6	42	0	(137)	20,746
Other public, collective and personal services	3,727	305,227	1,296	2,128	334	(1,809)	305,531
Individuals	27,654	1,653,010	2,971	24,865	4,278	(13,631)	1,652,829
<b>Total</b>	<b>58,501</b>	<b>5,258,808</b>	<b>14,677</b>	<b>46,149</b>	<b>6,304</b>	<b>(23,167)</b>	<b>5,256,482</b>

SKB Group - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Agriculture and forestry, fishing	327	20,255	0	331	4	75	20,250
Mining	686	7,546	400	36	0	115	7,796
Manufacturing	7,476	426,560	3,485	7,387	1,987	(5,210)	423,164
Electricity, gas and water services	149	164,648	96	1,499	24	235	163,202
Construction	6,510	125,965	3,220	3,372	343	(2,042)	125,884
Commerce	3,587	403,823	1,201	5,048	754	(2,297)	401,161
Hotel trading	1,914	30,724	568	1,670	3	810	30,400
Traffic, warehousing and communication	6,797	331,968	1,150	5,869	286	(496)	331,747
Other financial organizations	105	535,702	0	352	0	112	535,455
Real estate	337	39,952	0	629	98	(199)	39,660
Government	0	526,294	0	768	0	408	525,526
Education	18	2,181	0	28	0	(13)	2,171
Health and social services	16	23,372	6	179	0	73	23,203
Other public, collective and personal services	5,023	362,672	2,159	3,074	14	897	362,463
Individuals	35,588	1,569,539	5,448	36,020	4,173	(3,685)	1,563,656
<b>Total</b>	<b>68,533</b>	<b>4,571,201</b>	<b>17,733</b>	<b>66,262</b>	<b>7,686</b>	<b>(11,217)</b>	<b>4,555,738</b>

Note: counterparties have been allocated to the groups according to Standard industry classification. Presented exposures are gross and net values (after exclusion of provisions) 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 2022 was observed in the commerce industry (17 %). construction and manufacturing industries follow with almost 10% share of defaulted exposures. Comparing to 2021 the situation is much improved in the traffic, warehousing and communication industry, where the amount of defaulted exposure was reduced by 44 % in comparison to 2021. In the manufacturing industry the amount of defaulted exposure was reduced by 31 %. Defaulted exposures on individuals' portfolio represent a 47 % share of total defaulted portfolio and were reduced by 22 % in one-year horizon.

Comparison of defaulted exposure of 2022 with 2021 shows a reduction of defaulted exposure in the majority of industries. The increase was observed only in the aforementioned commerce industry.

At the end of 2022 commerce industry (34 %) and construction (just below 20 %) also had the highest share of specific credit risk adjustments.

SKB Bank - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Agriculture and forestry, fishing	117	22,821	0	376	0	207	22,563
Mining	466	5,358	257	16	0	(157)	5,551
Manufacturing	4,508	505,721	1,842	5,136	417	(2,927)	503,251
Electricity, gas and water services	2	261,800	0	501	7	(947)	261,300
Construction	4,662	103,454	2,677	1,817	404	(1,135)	103,623
Commerce	9,769	416,923	4,858	2,010	373	1,474	419,824
Hotel trading	1,282	30,099	347	825	4	(962)	30,210
Traffic, warehousing and communication	2,168	285,441	107	2,682	222	(2,146)	284,820
Other financial organizations	0	1,419,883	0	3,230	0	109	1,416,653
Real estate	42	34,029	0	127	136	(457)	33,944
Government	0	431,264	0	91	0	(672)	431,173
Education	0	7,807	0	8	4	(7)	7,799
Health and social services	0	19,322	0	37	0	(131)	19,286
Other public, collective and personal services	3,159	281,387	1,297	1,659	333	(1,487)	281,589
Individuals	20,945	1,426,808	2,241	20,587	6,176	(13,854)	1,424,926
<b>Total</b>	<b>47,121</b>	<b>5,252,118</b>	<b>13,626</b>	<b>39,101</b>	<b>8,073</b>	<b>(23,092)</b>	<b>5,246,512</b>

SKB Bank - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Agriculture and forestry, fishing	48	17,714	0	169	0	(121)	17,593
Mining	686	6,184	400	31	0	(117)	6,439
Manufacturing	6,456	381,085	3,309	6,596	1,966	4,964	377,636
Electricity, gas and water services	13	159,972	0	1,448	0	(292)	158,537
Construction	5,345	90,207	3,079	2,549	297	1,918	89,924
Commerce	2,745	341,486	1,043	4,351	657	1,448	338,837
Hotel trading	1,821	27,205	568	1,566	3	(769)	26,893
Traffic, warehousing and communication	3,405	267,318	877	4,058	92	(3)	265,788
Other financial organizations	105	1,017,120	0	3,121	0	1,579	1,014,104
Real estate	262	37,591	0	583	98	176	37,270
Government	0	525,926	0	763	0	(413)	525,163
Education	7	1,738	0	15	0	6	1,730
Health and social services	4	22,005	0	167	0	(78)	21,842
Other public, collective and personal services	3,893	342,804	2,118	2,326	10	(940)	342,253
Individuals	28,975	1,334,381	4,960	31,722	4,173	5,000	1,326,674
<b>Total</b>	<b>53,764</b>	<b>4,572,737</b>	<b>16,354</b>	<b>59,466</b>	<b>7,297</b>	<b>12,360</b>	<b>4,550,681</b>

## Quality of non - performing exposures by geographical area

SKB Group - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Slovenia	58,444	4,681,562	14,677	43,493	6,199	(24,876)	4,681,837
France	0	92,635	0	58	0	(38)	92,577
Hungary	0	350,052	0	2,428	0	2,260	347,624
Other	56	134,559	0	171	105	(514)	134,444
<b>Total</b>	<b>58,501</b>	<b>5,258,806</b>	<b>14,677</b>	<b>46,149</b>	<b>6,304</b>	<b>(23,167)</b>	<b>5,256,481</b>



SKB Group - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Slovenia	68,455	4,186,397	17,732	65,314	7,014	(11,699)	4,171,806
France	0	141,446	0	96	0	49	141,351
Hungary	0	90,197	0	168	0	149	90,029
Other	80	153,161	0	684	671	280	152,557
<b>Total</b>	<b>68,535</b>	<b>4,571,201</b>	<b>17,732</b>	<b>66,261</b>	<b>7,685</b>	<b>(11,220)</b>	<b>4,555,743</b>

Note: presented in the table are gross and net values (after exclusion of provisions) 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 include balance and off balance part

SKB Bank - 2022							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Slovenia	47,086	4,675,185	13,626	36,459	6,070	(24,799)	4,672,185
France	0	92,635	0	58	0	(38)	92,577
Hungary	0	350,052	0	2,428	0	2,260	347,624
Other	36	134,246	0	156	105	(516)	134,126
<b>Total</b>	<b>47,121</b>	<b>5,252,118</b>	<b>13,626</b>	<b>39,101</b>	<b>6,176</b>	<b>(23,092)</b>	<b>5,246,512</b>

SKB Bank - 2021							
EUR 000	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted Exposures	Non defaulted exposures					
Slovenia	53,699	4,188,309	16,354	58,531	6,626	(12,830)	4,167,131
France	0	141,446	0	96	0	49	141,351
Hungary	0	90,197	0	168	0	149	90,029
Other	57	152,785	0	672	671	272	152,167
<b>Total</b>	<b>53,756</b>	<b>4,572,737</b>	<b>16,354</b>	<b>59,466</b>	<b>7,297</b>	<b>(12,360)</b>	<b>4,550,678</b>

At the end of 2022 almost entire amount of defaulted exposure was observed on the debtors from Slovenia. When comparing with 2021, the amount of defaulted exposure was noticeably reduced towards the debtors from Slovenia. The entire amount of specific credit risk adjustment is allocated on Slovenia as well.

## Credit quality of exposures by rating buckets

The credit quality of financial assets is managed by using internal credit ratings,

SKB Group - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		3,389,510	72,930	22	0	3,462,462
Rating group 2		881,648	260,223	0	0	1,141,871
Rating group 3		0	60,040	1,519	0	61,559
Rating group 4		0	666	56,886	0	57,552
<b>Total gross values</b>		<b>4,271,158</b>	<b>393,859</b>	<b>58,427</b>	<b>0</b>	<b>4,723,444</b>
Risk adjustments		(7,647)	(9,190)	(43,872)	0	(60,709)
<b>Net values</b>		<b>4,263,511</b>	<b>384,669</b>	<b>14,555</b>	<b>0</b>	<b>4,662,736</b>

SKB Group - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		2,958,524	229,018	6,876	-	3,194,418
Rating group 2		707,479	125,987	194	-	833,660
Rating group 3		245	69,546	-	-	69,791
Rating group 4		-	345	61,379	-	61,724
<b>Total gross values</b>		<b>3,666,248</b>	<b>424,895</b>	<b>68,449</b>	<b>-</b>	<b>4,159,592</b>
Risk adjustments		(10,822)	(20,091)	(52,128)	-	(83,040)
<b>Net values</b>		<b>3,655,426</b>	<b>404,805</b>	<b>16,321</b>	<b>-</b>	<b>4,076,552</b>

SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		3,608,794	55,882	22	-	3,664,698
Rating group 2		765,065	191,292	0	-	956,357
Rating group 3		0	37,075	0	-	37,075
Rating group 4		0	762	47,091	-	47,853
<b>Total gross values</b>		<b>4,373,859</b>	<b>285,011</b>	<b>47,113</b>	<b>-</b>	<b>4,705,983</b>
Risk adjustments		(7,927)	(8,118)	(36,570)	0	(52,615)
<b>Net values</b>		<b>4,365,933</b>	<b>276,893</b>	<b>10,543</b>	<b>-</b>	<b>4,653,368</b>

SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		3,133,882	200,907	3,282	-	3,338,071
Rating group 2		611,857	88,993	3,582	-	704,431
Rating group 3		218	51,984	2	-	52,204
Rating group 4		-	5,173	46,889	-	52,062
<b>Total gross values</b>		<b>3,745,956</b>	<b>347,057</b>	<b>53,754</b>	<b>-</b>	<b>4,146,768</b>
Risk adjustments		(12,468)	(18,687)	(43,717)	-	(74,872)
<b>Net values</b>		<b>3,733,489</b>	<b>328,370</b>	<b>10,037</b>	<b>-</b>	<b>4,071,896</b>

Note: exposure value is expressed in 000 EUR and includes gross value of balance and off-balance credit risk exposure. Exposure value includes financial assets measured at amortized cost as well as financial assets at fair value through other comprehensive income.

The distribution of portfolio by rating groups demonstrates a decrease of the amount of exposure in rating group 3 and 4 and increased amount in rating groups 1 and 2. In terms of the share of portfolio by rating group, the distribution of portfolio is comparable to previous year.

## Exposure to credit risk by by credit rating groups

### a) Financial assets measured at fair value through other comprehensive income – debt securities

SKB Group and SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		296,488	-	-	-	296,488
Rating group 2		65,227	-	-	-	65,227
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>361,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,715</b>
Risk adjustments		-	-	-	-	-
<b>Net values</b>		<b>361,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,715</b>

SKB Group and SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		441,951	-	-	-	441,951
Rating group 2		22,845	-	-	-	22,845
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>464,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>464,796</b>
Risk adjustments		-	-	-	-	-
<b>Net values</b>		<b>464,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>464,796</b>

### b) Debt securities measured at amortized cost

SKB Group and SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		141,860	-	-	-	141,860
Rating group 2		-	-	-	-	-
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>141,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,860</b>
Risk adjustments		(105)	-	-	-	(105)
<b>Net values</b>		<b>141,755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,755</b>

SKB Group and SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		195,570	-	-	-	195,570
Rating group 2		-	-	-	-	-
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>195,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,570</b>
Risk adjustments		(131)	-	-	-	(131)
<b>Net values</b>		<b>195,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,439</b>

### c) Loans to banks

SKB Group and SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		274,070	-	-	-	274,070
Rating group 2			-	-	-	0
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>274,070</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>274,070</b>
Risk adjustments		(2,415)	-	-	-	(2,415)
<b>Net values</b>		<b>271,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>271,655</b>

SKB Group and SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		2	-	-	-	2
Rating group 2		59	-	-	-	59
Rating group 3		-	-	-	-	-
Rating group 4		-	-	-	-	-
<b>Total gross values</b>		<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61</b>
Risk adjustments		(1)	-	-	-	(1)
<b>Net values</b>		<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>

### d) Loans to clients, other than banks

SKB Group - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		2,115,248	69,098	-	-	2,184,346
Rating group 2		540,835	198,755	-	-	739,590
Rating group 3		-	51,334	1,519	-	52,852
Rating group 4		-	648	51,439	-	52,086
<b>Total gross values</b>		<b>2,656,083</b>	<b>319,835</b>	<b>52,957</b>	<b>-</b>	<b>3,028,875</b>
Risk adjustments		(4,566)	(7,802)	(41,764)	-	(54,132)
<b>Net values</b>		<b>2,651,517</b>	<b>312,033</b>	<b>11,194</b>	<b>-</b>	<b>2,974,743</b>

SKB Group - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		1,899,742	211,606	6,876	-	2,118,224
Rating group 2		395,501	74,997	194	-	470,692
Rating group 3		209	52,984	0	-	53,193
Rating group 4		0	345	57,214	-	57,559
<b>Total gross values</b>		<b>2,295,452</b>	<b>339,932</b>	<b>64,284</b>	<b>-</b>	<b>2,699,668</b>
Risk adjustments		(7,368)	(16,952)	(48,778)	-	(73,098)
<b>Net values</b>		<b>2,288,084</b>	<b>322,980</b>	<b>15,506</b>	<b>-</b>	<b>2,626,570</b>

SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		2,334,509	52,050	-	-	2,386,559
Rating group 2		424,252	129,824	-	-	554,076
Rating group 3		-	28,368	-	-	28,368
Rating group 4		-	744	41,644	-	42,388
<b>Total gross values</b>		<b>2,758,761</b>	<b>210,986</b>	<b>41,644</b>	<b>-</b>	<b>3,011,392</b>
Risk adjustments		(4,846)	(6,730)	(34,462)	-	(46,038)
<b>Net values</b>		<b>2,753,915</b>	<b>204,257</b>	<b>7,182</b>	<b>-</b>	<b>2,965,354</b>

SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		2,085,980	186,007	3,282	-	2,275,269
Rating group 2		288,973	40,663	3,582	-	333,218
Rating group 3		185	35,423	2	-	35,610
Rating group 4		0	0	42,724	-	42,724
<b>Total gross values</b>		<b>2,375,138</b>	<b>262,093</b>	<b>49,590</b>	-	<b>2,686,821</b>
Risk adjustments		(9,013)	(15,548)	(40,368)	-	(64,929)
<b>Net values</b>		<b>2,366,125</b>	<b>246,545</b>	<b>9,222</b>	-	<b>2,621,892</b>

#### e) Financial guarantees and other off-balance items

SKB Group - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		561,845	3,832	22	-	565,699
Rating group 2		275,586	61,468	-	-	337,054
Rating group 3		-	8,706	-	-	8,706
Rating group 4		-	18	5,447	-	5,465
<b>Total gross values</b>		<b>837,432</b>	<b>74,024</b>	<b>5,468</b>	-	<b>916,924</b>
Risk adjustments		(561)	(1,388)	(2,108)	-	(4,057)
<b>Net values</b>		<b>836,871</b>	<b>72,636</b>	<b>3,360</b>	-	<b>912,867</b>

SKB Group - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		421,259	17,413	-	-	438,672
Rating group 2		289,074	50,990	-	-	340,064
Rating group 3		36	16,562	-	-	16,598
Rating group 4		-	-	4,165	-	4,165
<b>Total gross values</b>		<b>710,369</b>	<b>84,964</b>	<b>4,165</b>	-	<b>799,498</b>
Risk adjustments		(3,322)	(3,139)	(3,349)	-	(9,810)
<b>Net values</b>		<b>707,047</b>	<b>81,825</b>	<b>815</b>	-	<b>789,688</b>

SKB Bank - 2022	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		561,868	3,832	22	-	565,721
Rating group 2		275,586	61,468	-	-	337,054
Rating group 3		-	8,706	-	-	8,706
Rating group 4		-	18	5,447	-	5,465
<b>Total gross values</b>		<b>837,454</b>	<b>74,024</b>	<b>5,468</b>	-	<b>916,946</b>
Risk adjustments		(561)	(1,388)	(2,108)	-	(4,057)
<b>Net values</b>		<b>836,893</b>	<b>72,636</b>	<b>3,360</b>	-	<b>912,889</b>

SKB Bank - 2021	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
Rating group 1		410,378	14,899	-	-	425,278
Rating group 2		299,980	48,330	-	-	348,310
Rating group 3		33	16,562	-	-	16,595
Rating group 4		-	5,173	4,165	-	9,338
<b>Total gross values</b>		<b>710,391</b>	<b>84,964</b>	<b>4,165</b>	-	<b>799,520</b>
Risk adjustments		(3,322)	(3,139)	(3,349)	-	(9,810)
<b>Net values</b>		<b>707,070</b>	<b>81,825</b>	<b>815</b>	-	<b>789,710</b>

## Exposures by exposure categories and by stage

SKB Group - 2022	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
EUR 000	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated negative changes in fair value due to credit risk and provisions		
		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
<b>Cash balances at central banks and other demand deposits</b>	<b>528,087</b>	<b>528,087</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(104)</b>	<b>(104)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loans and advances</b>	<b>3,258,253</b>	<b>2,938,334</b>	<b>319,919</b>	<b>53,032</b>	<b>0</b>	<b>53,032</b>	<b>(14,786)</b>	<b>(6,984)</b>	<b>(7,802)</b>	<b>(41,774)</b>	<b>0</b>	<b>(41,774)</b>
Central banks	0	0	0	0	0	0	(0)	(0)	0	0	0	0
General governments	120,598	120,367	230	0	0	0	(48)	(48)	(0)	0	0	0
Credit institutions	280,013	280,013	0	0	0	0	(2,417)	(2,417)	0	0	0	0
Other financial corporations	8,528	8,459	69	2	0	2	(11)	(11)	(1)	(2)	0	(2)
Non-financial corporations	1,210,222	1,012,132	198,090	23,709	0	23,709	(6,476)	(1,617)	(4,859)	(18,116)	0	(18,116)
Of which: Small and Medium-sized Enterprises	572,690	443,295	129,395	22,857	0	22,857	(3,599)	(712)	(2,887)	(17,363)	0	(17,363)
Households	1,638,893	1,517,363	121,529	29,321	0	29,321	(5,833)	(2,891)	(2,942)	(23,657)	0	(23,657)
<b>Debt securities</b>	<b>504,707</b>	<b>504,707</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,237)</b>	<b>(1,237)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	504,707	504,707	0	0	0	0	(1,237)	(1,237)	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>911,455</b>	<b>837,432</b>	<b>74,023</b>	<b>5,469</b>	<b>0</b>	<b>5,469</b>	<b>1,949</b>	<b>561</b>	<b>1,388</b>	<b>2,108</b>	<b>0</b>	<b>2,108</b>
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	3,360	3,335	25	0	0	0	1	1	0	0	0	0
Credit institutions	12,872	12,362	510	0	0	0	50	40	11	0	0	0
Other financial corporations	661	642	19	0	0	0	1	1	0	0	0	0
Non-financial corporations	781,004	712,435	68,569	5,410	0	5,410	1,676	425	1,251	2,090	0	2,090
Households	113,558	108,658	4,900	59	0	59	222	95	127	18	0	18
<b>Total</b>	<b>5,202,501</b>	<b>4,808,559</b>	<b>393,942</b>	<b>58,501</b>	<b>0</b>	<b>58,501</b>	<b>(14,178)</b>	<b>(7,763)</b>	<b>(6,414)</b>	<b>(39,666)</b>	<b>0</b>	<b>(39,666)</b>

SKB Group - 2021	Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						
	EUR 000	Performing exposures		Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated negative changes in fair value due to credit risk and provisions			
			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
<b>Cash balances at central banks and other demand deposits</b>	<b>423,641</b>	<b>423,641</b>					<b>(93)</b>	<b>(93)</b>					
<b>Loans and advances</b>	<b>2,640,376</b>	<b>2,300,355</b>	<b>340,021</b>	<b>64,370</b>	-	<b>64,370</b>	<b>(24,353)</b>	<b>(7,395)</b>	<b>(16,959)</b>	<b>(48,787)</b>	-	<b>(48,787)</b>	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	129,423	129,029	394	-	-	-	(105)	(91)	(14)	-	-	-	
Credit institutions	3,331	3,331	-	-	-	-	(26)	(26)	-	-	-	-	
Other financial corporations	4,693	4,624	69	3	-	3	(22)	(20)	(2)	(1)	-	(1)	
Non-financial corporations	961,264	834,915	126,349	26,412	-	26,412	(10,571)	(4,874)	(5,696)	(18,483)	-	(18,483)	
Of which: Small and Medium-sized Enterprises	506,866	405,646	101,220	25,557	-	25,557	(7,053)	(2,468)	(4,585)	(17,664)	-	(17,664)	
Households	1,541,665	1,328,456	213,208	37,955	-	37,955	(13,630)	(2,384)	(11,246)	(30,303)	-	(30,303)	
<b>Debt securities</b>	<b>661,186</b>	<b>661,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(951)</b>	<b>(951)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	661,186	661,186	-	-	-	-	(951)	(951)	-	-	-	-	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>795,356</b>	<b>710,392</b>	<b>84,964</b>	<b>4,165</b>	<b>-</b>	<b>4,165</b>	<b>6,461</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>-</b>	<b>3,349</b>	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	3,825	3,825	-	-	-	-	2	2	-	-	-	-	
Credit institutions	24,316	24,316	-	-	-	-	82	82	-	-	-	-	
Other financial corporations	1,948	1,939	10	-	-	-	8	8	-	-	-	-	
Non-financial corporations	652,079	574,563	77,515	4,108	-	4,108	5,697	2,879	2,818	3,342	-	3,342	
Households	113,187	105,748	7,439	56	-	56	671	351	320	8	-	8	
<b>Total</b>	<b>4,520,558</b>	<b>4,095,574</b>	<b>424,985</b>	<b>68,535</b>	<b>-</b>	<b>68,535</b>	<b>(18,937)</b>	<b>(5,117)</b>	<b>(13,820)</b>	<b>(45,437)</b>	<b>-</b>	<b>(45,437)</b>	

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.

SKB Group regularly follows the development in the macroenvironment and macroeconomic events were the ones, that have mostly influenced the movement of portfolio between stages. Eventhough the share of exposure in stage 2 decreased on a total portfolio from 9 % in 2021 to 7 % in 2022, there are differencies among the segments. The biggest increase of exposure in stage 2 was observed on a non-financial corporations' segment following Russia-Ukrainian war and energy crisis. The exposure in stage 2 decreased on households' portfolio, which can be attributed to the change in methodology. The effect from macroeconomy has not yet been observed on households' portfolio segment. The decrease of non-performing exposure derives from low default rates and effective recovery process.

## Ageing of past-due exposures

SKB Group	2022			2021		
EUR 000	Loans to banks	Loans to non-banks	Total debt securities	Loans to banks	Loans to non-banks	Total debt securities
Not past due	283,626	3,763,713	503,575	24,378	3,355,376	661,186
Past due up to 30 days	2,948	123,071	-	-	67,520	-
Past due from 31 to 60 days	-	9,063	-	-	11,059	-
Past due from 61 to 90 days	-	6,923	-	-	3,507	-
Past due from 91 to 180 days	369	3,908	-	-	3,239	-
Past due from 181 to 360 days	-	2,797	-	-	2,224	-
<b>Past due more than 360 days</b>	-	<b>23,454</b>	-	-	<b>31,925</b>	-
<b>Total past due exposures</b>	<b>286,943</b>	<b>3,932,929</b>	<b>503,575</b>	<b>24,378</b>	<b>3,474,850</b>	<b>661,186</b>

SKB Bank	2022			2021		
EUR 000	Loans to banks	Loans to non-banks	Total debt securities	Loans to banks	Loans to non-banks	Total debt securities
Not past due	283,626	3,790,698	503,575	24,378	3,390,676	661,186
Past due up to 30 days	2,948	87,164	-	-	30,012	-
Past due from 31 to 60 days	-	4,323	-	-	5,204	-
Past due from 61 to 90 days	-	6,184	-	-	2,002	-
Past due from 91 to 180 days	369	3,141	-	-	2,422	-
Past due from 181 to 360 days	-	2,360	-	-	1,779	-
<b>Past due more than 360 days</b>	-	<b>21,597</b>	-	-	<b>29,929</b>	-
<b>Total past due exposures</b>	<b>286,943</b>	<b>3,915,467</b>	<b>503,575</b>	<b>24,378</b>	<b>3,462,025</b>	<b>661,186</b>

Note: Exposure value of loans and other securities includes gross value of balance and off-balance exposure. Debt securities includes debt securities measured at other comprehensive income and debt securities measured at amortized cost.

By focusing only on loans to clients, other than banks (as other categories do not demonstrate any past due exposures), the vast majority (96 %) of these exposures have no overdues at all, and slightly less than 3 % of them have up to 30 days past due. Comparing to 2021 the share of portfolio with no overdues is slightly lower than the previous year.



## Non-performing and forborne exposures

SKB Group – 2022								
EUR 000	Gross carrying amount of exposures with forbearance measures				Accumulated impairment, accumulated changes in fair value due to credit risk and provisions		Collateral received on exposures with forbearance measures	
	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures			on performing exposures with forbearance measures	on non-performing exposures with forbearance measures		Financial guarantees received on non-performing exposures with forbearance measures
			of which: Defaulted	of which: Impaired				
Loans and advances	6,208	15,583	15,583	15,583	(203)	(13,192)	6,191	1,867
Central banks	-	-	-	-	-	-	-	-
Central governments	-	-	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	-	-	-	-	-
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial corporations	2,969	8,836	8,836	8,836	(121)	(7,250)	3,675	1,424
Households	3,240	6,747	6,747	6,747	(82)	(5,942)	2,515	443
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,208</b>	<b>15,583</b>	<b>15,583</b>	<b>15,583</b>	<b>(203)</b>	<b>(13,192)</b>	<b>6,191</b>	<b>1,867</b>

SKB Group – 2021									
EUR 000	Gross carrying amount of exposures with forbearance measures				Accumulated impairment, accumulated changes in fair value due to credit risk and provisions		Collateral received on exposures with forbearance measures		
	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures			on performing exposures with forbearance measures	on non-performing exposures with forbearance measures		Financial guarantees received on non-performing exposures with forbearance measures	
			of which: Defaulted	of which: Impaired					
Loans and advances	7,995	19,671	19,671	19,671	(1,348)	(16,039)	5,879	1,281	
Central banks	-	-	-	-	-	-	-	-	
Central governments	-	-	-	-	-	-	-	-	
Regional governments or local authorities	-	-	-	-	-	-	-	-	
Other financial institutions	-	-	-	-	-	-	-	-	
Non-financial corporations	4,659	9,852	9,852	9,852	(609)	(7,576)	3,616	1,257	
Households	3,336	9,819	9,819	9,819	(739)	(8,463)	2,263	23	
Debt securities	-	-	-	-	-	-	-	-	
Loan commitments given	-	15	15	15	-	15	-	-	
<b>Total</b>	<b>7,995</b>	<b>19,686</b>	<b>19,686</b>	<b>19,686</b>	<b>(1,348)</b>	<b>(16,024)</b>	<b>5,879</b>	<b>1,281</b>	

Comparing to 2021 the exposure on accounts with forbearance measures has decreased on performing as well as non-performing portfolio. The decrease on performing side was well anticipated after expiry of covid moratoria loans, that were the primary driver of the increase of performing forboren portfolio in 2021. The decrease of non-performing side results from aforementioned macroeconomic conditions and repayments.

## Modified financial assets

SKB Group and SKB Bank			
	EUR 000	2022	2021
Financial assets with contractual cash flows change, Groups S2 and S3 (lifetime losses)		0	0
• Amortised value before change		1,114	59,583
• Net profit / loss because of change		33	(38)
Financial assets with contractual cash flows change, Transition from group S2 (lifetime losses) to group S1 (12-month losses)		0	0
• Gross carrying amount on reporting day		1,011	55,016

## Changes in stock exposure between stages

SKB Group – 2022							
EUR 000	S1 to S2	S2 to S1	S2 to S3	S3 to S2	S1 to S3	S3 to S1	
Loans and advances	317,624	324,069	14,673	1,914	1,969	1,312	
Non-financial corporations	148,782	75,927	6,226	722	1,736	204	
Households	168,042	247,399	8,446	1,192	233	1,107	

SKB Group – 2021							
EUR 000	S1 v S2	S2 v S1	S2 v S3	S3 v S2	S1 v S3	S3 v S1	
Loans and advances	173,824	159,325	12,289	7,238	837	450	
Non-financial corporations	39,670	37,317	3,749	3,215	342	406	
Households	134,154	122,008	8,540	4,023	495	44	

SKB Bank – 2022							
EUR 000	S1 v S2	S2 v S1	S2 v S3	S3 v S2	S1 v S3	S3 v S1	
Loans and advances	232,929	270,566	9,447	1,546	1,624	1,008	
Non-financial corporations	95,274	47,552	4,788	444	1,608	11	
Households	137,655	223,014	4,659	1,102	16	997	

SKB Bank – 2021							
EUR 000	S1 v S2	S2 v S1	S2 v S3	S3 v S2	S1 v S3	S3 v S1	
Loans and advances	131,447	112,338	2,367	5,826	100	25	
Non-financial corporations	23,532	14,778	447	2,882	97	22	
Households	107,915	97,560	1,920	2,944	3	3	

When comparing to 2021, significantly bigger shift of gross exposure from Stage 1 to Stage 2 occurred in 2022. The transfer from Stage 2 to stage 1 substantially increased as well.

The transfer from Stage 1 to Stage 2 in 2022 is mostly visible on non-financial corporations' segment as a result of macroeconomic developments, mainly related to the Russia-Ukrain war and energy crisis. The increase of transfers from stage 2 to stage 1 is more pronounced on households' segment following upgraded methodology of IFRS9 impairment calculation.

Detailed movement in stock exposure between stages is presented hereafter.

a) Financial instruments at amortized cost - Loans and advances to clients other than

SKB Group – 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>2,295,452</b>	<b>339,932</b>	<b>64,284</b>	-	<b>2,699,668</b>
Transfer to stage 1		325,381	(324,069)	(1,312)	-	-
Transfer to stage 2		(317,624)	319,538	(1,914)	-	-
Transfer to stage 3		(1,969)	(14,673)	16,642	-	-
Changes due to change in credit risk		495,490	(17,604)	(14,973)	-	462,913
Increases due to origination and acquisition		620,097	208,870	14,359	-	843,326
Decreases due to derecognition		(760,744)	(192,159)	(17,670)	-	(970,573)
Changes due to update in the institution's methodology		-	-	-	-	-
Write-offs		-	-	(6,459)	-	-
Changes due to modifications without derecognition		-	-	-	-	-
Other adjustments		-	-	-	-	-
<b>Closing balance 31. 12. 2022</b>		<b>2,656,083</b>	<b>319,835</b>	<b>52,957</b>	-	<b>3,028,875</b>
Loss allowance 31. 12. 2022		(4,566)	(7,802)	(41,764)	-	(54,132)

SKB Group – 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>2,065,009</b>	<b>391,565</b>	<b>74,479</b>	-	<b>2,531,053</b>
Transfer to stage 1		159,775	(159,325)	(450)	-	-
Transfer to stage 2		(173,824)	181,062	(7,238)	-	-
Transfer to stage 3		(837)	(12,289)	13,126	-	-
Changes due to change in credit risk		241,395	(48,838)	(3,607)	-	188,950
Increases due to origination and acquisition		514,962	123,500	17,551	-	656,013
Decreases due to derecognition		(511,028)	(135,743)	(29,577)	-	(676,348)
Changes due to update in the institution's methodology		-	-	-	-	-
Write-offs		-	-	-	-	-
Changes due to modifications without derecognition		-	-	-	-	-
Other adjustments		-	-	-	-	-
<b>Closing balance 31. 12. 2021</b>		<b>2,295,452</b>	<b>339,932</b>	<b>64,284</b>	-	<b>2,699,668</b>
Loss allowance 31. 12. 2021		(7,368)	(16,952)	(48,778)	-	(73,098)

SKB Bank - 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>2,375,138</b>	<b>262,093</b>	<b>49,590</b>		<b>2,686,821</b>
Transfer to stage 1		271,574	(270,566)	(1,008)		0
Transfer to stage 2		(232,929)	234,475	(1,546)		0
Transfer to stage 3		(1,624)	(9,447)	11,071		0
Changes due to change in credit risk		93,770	(23,731)	(8,176)		61,863
Increases due to origination and acquisition		743,295	153,352	11,400		908,047
Decreases due to derecognition		(490,463)	(135,190)	(13,331)		(638,984)
Changes due to update in the institution's methodology						0
Write-offs				(6,355)		(6,355)
Changes due to modifications without derecognition						0
Other adjustments						0
<b>Closing balance 31. 12. 2022</b>		<b>2,758,761</b>	<b>210,986</b>	<b>41,645</b>		<b>3,011,392</b>
Loss allowance 31. 12. 2022		(4,846)	(6,730)	(34,462)		(46,038)

SKB Bank - 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>2,148,938</b>	<b>300,756</b>	<b>63,181</b>	<b>0</b>	<b>2,512,875</b>
Transfer to stage 1		112,363	(112,338)	(25)	0	0
Transfer to stage 2		(131,447)	137,273	(5,826)	0	0
Transfer to stage 3		(100)	(2,367)	2,467	0	0
Changes due to change in credit risk		15,266	(67,030)	4,810	0	(46,954)
Increases due to origination and acquisition		540,403	82,075	9,169	0	631,647
Decreases due to derecognition		(310,285)	(76,276)	(24,186)	0	(410,747)
Changes due to update in the institution's methodology		0	0	0	0	0
Write-offs		0	0	0	0	0
Changes due to modifications without derecognition		0	0	0	0	0
Other adjustments		0	0	0	0	0
<b>Closing balance 31. 12. 2021</b>		<b>2,375,138</b>	<b>262,093</b>	<b>49,590</b>	<b>0</b>	<b>2,686,821</b>
Loss allowance 31. 12. 2021		(9,013)	(15,548)	(40,368)		(64,929)

**b) Financial instruments at amortized cost - Debt securities**

SKB Group and SKB Bank - 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>195.570</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>195.570</b>
Transfer to stage 1		0				0
Transfer to stage 2		0				0
Transfer to stage 3		0				0
Changes due to change in credit risk		(2.332)				(2.332)
Increases due to origination and acquisition		0				0
Decreases due to derecognition		(51.378)				(51.378)
Changes due to update in the institution's methodology		0				0
Write-offs		0				0
Changes due to modifications without derecognition		0				0
Other adjustments		0				0
<b>Closing balance 31. 12. 2022</b>		<b>141.860</b>	<b>0</b>	<b>0</b>		<b>141.860</b>
Loss allowance 31. 12. 2022		(105)				(105)

SKB Group and SKB Bank - 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>214,834</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>214,834</b>
Transfer to stage 1		0	0	0	0	0
Transfer to stage 2		0	0	0	0	0
Transfer to stage 3		0	0	0	0	0
Changes due to change in credit risk		(2,568)	0	0	0	(2,568)
Increases due to origination and acquisition		0	0	0	0	0
Decreases due to derecognition		(16,696)	0	0	0	(16,696)
Changes due to update in the institution's methodology		0	0	0	0	0
Write-offs		0	0	0	0	0
Changes due to modifications without derecognition		0	0	0	0	0
Other adjustments		0	0	0	0	0
<b>Closing balance 31. 12. 2021</b>		<b>195,570</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>195,570</b>
Loss allowance 31. 12. 2021		(131)				(131)

c) Financial instruments at amortized cost - Loans and advances to banks

SKB Group and SKB Bank - 2022						
EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total	
<b>Opening balance 1. 1. 2022</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>	
Transfer to stage 1	0				0	
Transfer to stage 2	0				0	
Transfer to stage 3	0				0	
Changes due to change in credit risk	921				921	
Increases due to origination and acquisition	643,423				643,423	
Decreases due to derecognition	(370,335)				(370,335)	
Changes due to update in the institution's methodology	0				0	
Write-offs	0				0	
Changes due to modifications without derecognition	0				0	
Other adjustments	0				0	
<b>Closing balance 31. 12. 2022</b>	<b>274,071</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>274,071</b>	
Loss allowance 31. 12. 2022	(2,415)				(2,415)	

SKB Group and SKB Bank - 2021						
EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total	
<b>Opening balance 1. 1. 2021</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99</b>	
Transfer to stage 1	0	0	0	0	0	
Transfer to stage 2	0	0	0	0	0	
Transfer to stage 3	0	0	0	0	0	
Changes due to change in credit risk	543	0	0	0	543	
Increases due to origination and acquisition	47,133	0	0	0	47,133	
Decreases due to derecognition	(47,714)	0	0	0	(47,714)	
Changes due to update in the institution's methodology	0	0	0	0	0	
Write-offs	0	0	0	0	0	
Changes due to modifications without derecognition	0	0	0	0	0	
Other adjustments	0	0	0	0	0	
<b>Closing balance 31. 12. 2021</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>	
Loss allowance 31. 12. 2021	(1)	0	0	0	(1)	

d) Debt instruments through other comprehensive income

SKB Group and SKB Bank - 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>464,796</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>464,796</b>
Transfer to stage 1		0				0
Transfer to stage 2		0				0
Transfer to stage 3		0				0
Changes due to change in credit risk		(72,393)				(72,393)
Increases due to origination and acquisition		0				0
Decreases due to derecognition		(30,688)				(30,688)
Changes due to update in the institution's methodology		0				0
Write-offs		0				0
Changes due to modifications without derecognition		0				0
Other adjustments		0				0
<b>Closing balance 31. 12. 2022</b>		<b>361,715</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>361,715</b>
Loss allowance 31. 12. 2022		(1,132)				(1,132)

SKB Group and SKB Bank - 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>366,307</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>366,307</b>
Transfer to stage 1		0	0	0	0	0
Transfer to stage 2		0	0	0	0	0
Transfer to stage 3		0	0	0	0	0
Changes due to change in credit risk		(14,324)	0	0	0	(14,324)
Increases due to origination and acquisition		123,250	0	0	0	123,250
Decreases due to derecognition		(10,437)	0	0	0	(10,437)
Changes due to update in the institution's methodology		0	0	0	0	0
Write-offs		0	0	0	0	0
Changes due to modifications without derecognition		0	0	0	0	0
Other adjustments		0	0	0	0	0
<b>Closing balance 31. 12. 2021</b>		<b>464,796</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>464,796</b>
Loss allowance 31. 12. 2021		(820)	0	0	0	(820)



## e) Off-balance sheet liabilities

SKB Group - 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>710,369</b>	<b>84,964</b>	<b>4,165</b>	<b>0</b>	<b>799,498</b>
Transfer to stage 1		134,153	(134,149)	(4)		0
Transfer to stage 2		(74,442)	74,513	(71)		0
Transfer to stage 3		(23)	(2,397)	2,420		0
Changes due to change in credit risk		(132,602)	42,815	(3,240)		(93,027)
Increases due to origination and acquisition		922,777	123,131	2,904		1,048,812
Decreases due to derecognition		(722,800)	(114,853)	(706)		(838,359)
Changes due to update in the institution's methodology		0	0	0		0
Write-offs		0	0	0		0
Changes due to modifications without derecognition		0	0	0		0
Other adjustments		0	0	0		0
<b>Closing balance 31. 12. 2022</b>		<b>837,432</b>	<b>74,024</b>	<b>5,468</b>	<b>0</b>	<b>916,924</b>
Loss allowance 31. 12. 2022		561	1,388	2,108		4,057

SKB Group - 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>647,372</b>	<b>81,700</b>	<b>5,619</b>	<b>0</b>	<b>734,691</b>
Transfer to stage 1		55,496	(55,476)	(20)	0	0
Transfer to stage 2		(29,475)	30,772	(1,297)	0	0
Transfer to stage 3		(103)	(24)	127	0	0
Changes due to change in credit risk		(117,993)	5,765	1,233	0	(110,995)
Increases due to origination and acquisition		627,855	98,582	1,826	0	728,263
Decreases due to derecognition		(472,783)	(76,355)	(3,323)	0	(552,461)
Changes due to update in the institution's methodology		0	0	0	0	0
Write-offs		0	0	0	0	0
Changes due to modifications without derecognition		0	0	0	0	0
Other adjustments		0	0	0	0	0
<b>Closing balance 31. 12. 2021</b>		<b>710,369</b>	<b>84,964</b>	<b>4,165</b>	<b>0</b>	<b>799,498</b>
Loss allowance 31. 12. 2021		3,322	3,139	3,349	0	9,810

SKB Bank - 2022						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2022</b>		<b>710,391</b>	<b>84,964</b>	<b>4,165</b>	<b>0</b>	<b>799,520</b>
Transfer to stage 1		134,153	(134,149)	(4)		0
Transfer to stage 2		(74,442)	74,513	(71)		0
Transfer to stage 3		(23)	(2,397)	2,420		0
Changes due to change in credit risk		(132,602)	42,815	(3,240)		(93,027)
Increases due to origination and acquisition		922,777	123,131	2,904		1,048,812
Decreases due to derecognition		(722,800)	(114,853)	(706)		(838,359)
Changes due to update in the institution's methodology						0
Write-offs						0
Changes due to modifications without derecognition						0
Other adjustments						0
<b>Closing balance 31. 12. 2022</b>		<b>837,454</b>	<b>74,024</b>	<b>5,468</b>	<b>0</b>	<b>916,946</b>
Loss allowance 31. 12. 2022		561	1,388	2,108		4,057

SKB Bank - 2021						
	EUR 000	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Opening balance 1. 1. 2021</b>		<b>647,395</b>	<b>81,700</b>	<b>5,619</b>	<b>0</b>	<b>734,714</b>
Transfer to stage 1		55,496	(55,476)	(20)	0	0
Transfer to stage 2		(29,475)	30,772	(1,297)	0	0
Transfer to stage 3		(103)	(24)	127	0	0
Changes due to change in credit risk		(117,994)	5,765	1,233	0	(110,996)
Increases due to origination and acquisition		627,855	98,582	1,826	0	728,263
Decreases due to derecognition		(472,783)	(76,355)	(3,323)	0	(552,461)
Changes due to update in the institution's methodology		0	0	0	0	0
Write-offs		0	0	0	0	0
Changes due to modifications without derecognition		0	0	0	0	0
Other adjustments		0	0	0	0	0
<b>Closing balance 31. 12. 2021</b>		<b>710,391</b>	<b>84,964</b>	<b>4,165</b>	<b>0</b>	<b>799,520</b>
Loss allowance 31. 12. 2021		3,322	3,139	3,349	0	9,810

## Movement of specific and general credit risk adjustment

### a) Movement of specific and general credit risk adjustment for financial assets measured at amortized cost

SKB Group - 2022									
	Debt securities	Loans to banks		Loans to non-bank customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL
EUR 000	S1	S1	S2	S1	S2	S3	S1	S2	S3
<b>Opening balance 1. 1. 2022</b>	<b>(131)</b>	<b>(1)</b>	<b>0</b>	<b>(7,368)</b>	<b>(16,952)</b>	<b>(48,778)</b>	<b>(27)</b>	<b>(6)</b>	<b>(8)</b>
Increases due to origination and acquisition	0	(3,797)		(2,311)	(6,744)	(7,785)	(12)	0	0
Decreases due to derecognition	39	2,075		1,513	7,394	14,422	5	0	0
Changes due to change in credit risk	(13)	(692)		(10,504)	6,189	1,859	32	5	(2)
Changes due to modifications without derecognition	0	0					0	0	0
Changes due to update in the institution's methodology	0	0		2,790	5,684		0	0	0
Write-offs	0	0				6,459	0	0	0
Other adjustments	0	0					0	0	0
Transfer S1-S2	0	0		11,191	(11,191)		0	0	0
Transfer S1-S3	0	0		1,312		(1,312)	0	0	0
Transfer S2-S1	0	0		(1,051)	1,051		0	0	0
Transfer S2-S3	0	0			6,943	(6,943)	0	0	0
Transfer S3-S1	0	0		(138)		138	0	0	0
Transfer S3-S2	0	0			(176)	176	0	0	0
<b>Closing balance 31. 12. 2022</b>	<b>(105)</b>	<b>(2,415)</b>	<b>0</b>	<b>(4,566)</b>	<b>(7,802)</b>	<b>(41,764)</b>	<b>(2)</b>	<b>(1)</b>	<b>(10)</b>

SKB Group - 2021									
	Debt securities	Loans to banks		Loans to non-bank customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL
EUR 000	S1	S1	S2	S1	S2	S3	S1	S2	S3
<b>Opening balance 1. 1. 2022</b>	<b>(73)</b>	<b>0</b>	<b>0</b>	<b>(10,089)</b>	<b>(17,235)</b>	<b>(57,597)</b>	<b>(1)</b>	<b>(16)</b>	<b>(28)</b>
Increases due to origination and acquisition	0	(4)	0	(3,770)	(4,907)	(7,829)	(26)	(2)	0
Decreases due to derecognition	7	3	0	1,974	3,790	18,497	29	1	8
Changes due to change in credit risk	(65)	0	0	4,101	(594)	(7,208)	(29)	11	12
Changes due to modifications without derecognition	0	0	0	0	0	0	0	0	0
Changes due to update in the institution's methodology	0	0	0	0	0	0	0	0	0
Write-offs	0	0	0	0	0	7,769	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0
Transfer S1-S2	0	0	0	3,670	(3,670)	0	0	0	0
Transfer S1-S3	0	0	0	175	0	(175)	0	0	0
Transfer S2-S1	0	0	0	(3,304)	3,304	0	0	0	0
Transfer S2-S3	0	0	0	0	4,657	(4,657)	0	0	0
Transfer S3-S1	0	0	0	(125)	0	125	0	0	0
Transfer S3-S2	0	0	0	0	(2,297)	2,297	0	0	0
<b>Closing balance 31. 12. 2021</b>	<b>(131)</b>	<b>(1)</b>	<b>0</b>	<b>(7,368)</b>	<b>(16,952)</b>	<b>(48,778)</b>	<b>(27)</b>	<b>(6)</b>	<b>(8)</b>

SKB Bank - 2022									
	Debt securities	Loans to banks		Loans to non-bank customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL
EUR 000	S1	S1	S2	S1	S2	S3	S1	S2	S3
<b>Opening balance 1. 1. 2022</b>	<b>(131)</b>	<b>(1)</b>	<b>0</b>	<b>(9,011)</b>	<b>(15,549)</b>	<b>(40,369)</b>	<b>(26)</b>	<b>(6)</b>	<b>(3)</b>
Increases due to origination and acquisition		(3,797)		(2,539)	(6,098)	(6,549)	(12)	0	0
Decreases due to derecognition	39	2,075		1,807	6,978	11,943	5	0	0
Changes due to change in credit risk	(13)	(692)		(9,218)	6,141	232	31	5	(2)
Changes due to modifications without derecognition									
Changes due to update in the institution's methodology				4,031	5,808				
Write-offs						6,355			
Other adjustments									
Transfer S1-S2				9,924	(9,924)				
Transfer S1-S3				1,195		(1,195)			
Transfer S2-S1				(902)	902				
Transfer S2-S3					5,183	(5,183)			
Transfer S3-S1				(133)		133			
Transfer S3-S2					(171)	171			
<b>Closing balance 31. 12. 2022</b>	<b>(105)</b>	<b>(2,415)</b>	<b>0</b>	<b>(4,846)</b>	<b>(6,730)</b>	<b>(34,462)</b>	<b>(2)</b>	<b>(1)</b>	<b>(5)</b>

SKB Bank - 2021										
	Debt securities	Loans to banks			Loans to non-bank customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL	
EUR 000	S1	S1	S2	S1	S2	S3	S1	S2	S3	
<b>Opening balance 1. 1. 2021</b>	<b>(73)</b>	<b>0</b>	0	<b>(12,552)</b>	<b>(14,894)</b>	<b>(50,452)</b>	<b>(1)</b>	<b>(16)</b>	<b>(17)</b>	
Increases due to origination and acquisition	0	(4)	0	(4,422)	(4,271)	(4,930)	(25)	0	0	
Decreases due to derecognition	7	3	0	2,174	3,246	15,673	28	0	0	
Changes due to change in credit risk	(65)	0	0	5,938	991	(8,647)	(28)	10	14	
Changes due to modifications without derecognition	0	0	0	0	0	0	0	0	0	
Changes due to update in the institution's methodology	0	0	0	0	0	0	0	0	0	
Write-offs	0	0	0	0	0	7,217	0	0	0	
Other adjustments	0	0	0	0	0	0	0	0	0	
Transfer S1-S2	0	0	0	2,610	(2,610)	0	0	0	0	
Transfer S1-S3	0	0	0	23	0	(23)	0	0	0	
Transfer S2-S1	0	0	0	(2,774)	2,774	0	0	0	0	
Transfer S2-S3	0	0	0	0	980	(980)	0	0	0	
Transfer S3-S1	0	0	0	(10)	0	10	0	0	0	
Transfer S3-S2	0	0	0	0	(1,764)	1,764	0	0	0	
<b>Closing balance 31. 12. 2021</b>	<b>(131)</b>	<b>(1)</b>	0	<b>(9,013)</b>	<b>(15,548)</b>	<b>(40,368)</b>	<b>(26)</b>	<b>(6)</b>	<b>(3)</b>	

**b) Movement of provisions for financial assets measured at fair value through OCI**

SKB Group and SKB Bank	2022			2021		
	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL
EUR 000	S1	S2	S3	S1	S2	S3
<b>Opening balance 1. 1.</b>	<b>(820)</b>	<b>0</b>	<b>0</b>	<b>(289)</b>	<b>0</b>	<b>0</b>
Increase due to origination and acquisition	0	0	0	(580)	0	0
Decreases due to derecognition	20	0	0	4	0	0
Changes due to credit risk (net)	(332)	0	0	45	0	0
Changes due to updating of the institution's assessment methodology (net)	0	0	0	0	0	0
Decreases due to write-offs	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Transfer S1-S2	0	0	0	0	0	0
Transfer S1-S3	0	0	0	0	0	0
Transfer S2-S1	0	0	0	0	0	0
Transfer S2-S3	0	0	0	0	0	0
Transfer S3-S1	0	0	0	0	0	0
Transfer S3-S2	0	0	0	0	0	0
<b>Closing balance 31.12.</b>	<b>(1,132)</b>	<b>0</b>	<b>0</b>	<b>(820)</b>	<b>0</b>	<b>0</b>

### c) Movement in specific and general credit risk adjustment for off-balance sheet liabilities

SKB Group and SKB Bank	2022			2021		
	12-month expected credit losses	Lifetime ECL	Lifetime ECL	12-month expected credit losses	Lifetime ECL	Lifetime ECL
	EUR 000	S1	S2	S3	S1	S2
<b>Opening balance 1. 1.</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>	<b>4,232</b>	<b>1,509</b>	<b>4,143</b>
Increase due to origination and acquisition	2,447	2,999	1,278	3,825	2,698	549
Decreases due to derecognition	(2,042)	(3,687)	(625)	(3,014)	(1,168)	(854)
Changes due to credit risk (net)	1,063	(2,107)	(2,687)	(651)	(562)	(897)
Changes due to updating of the institution's assessment methodology (net)	(2,437)	45	0	0	0	0
Decreases due to write-offs	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Transfer S1-S2	(2,002)	2,002	0	(1,200)	1,200	0
Transfer S1-S3	(13)		13	(7)	0	7
Transfer S2-S1	223	(223)		136	(136)	0
Transfer S2-S3		(782)	782	0	(403)	403
Transfer S3-S1				1	0	(1)
Transfer S3-S2		2	(2)	0	1	(1)
<b>Closing balance 31. 12.</b>	<b>561</b>	<b>1,388</b>	<b>2,108</b>	<b>3,322</b>	<b>3,139</b>	<b>3,349</b>

Movements of specific and general credit risk adjustment reflects the movements in macroeconomic environment in 2022, where after gradual improvement, following COVID-19, new risks arose in the form of higher inflation rates and shocks in energy supply market. The movements also reflect the changes in IFRS9 impairment calculation methodology.

### 7.3.3. General qualitative information on credit risk mitigation measures (CRM)

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 group does not use the close-out netting agreements on derivatives for reporting purposes.

The 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.



### 7.3.4. General quantitative information on credit risk mitigation measures (CRM)

SKB Group - 2022					
EUR 000	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<b>Total loans</b>	<b>3,849,471</b>	<b>370,399</b>	<b>10,629</b>	<b>359,770</b>	-
Total debt securities	503,575	-	-	-	-
Total exposures	4,034,043	370,399	10,629	359,770	-
Of which defaulted	55,389	3,112	191	2,921	-

SKB Group - 2021					
EUR 000	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<b>Total loans</b>	<b>3,323,541</b>	<b>175,686</b>	<b>4,851</b>	<b>170,835</b>	-
Total debt securities	661,186	-	-	-	-
Total exposures	3,675,180	175,686	4,851	170,835	-
Of which defaulted	68,415	34	629	456	-

Presented in the table are only collaterals, eligible for regulatory reporting purposes. Share of secured exposure in total exposure was at the end of 2022 8.4 % and has slightly increased in comparison to 2021.

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

## Overview of collateralized portfolio by segment and collateral type

SKB Group		2022		2021	
EUR 000	Primary collateral	Gross Exposure of collateralized loans	Collateral value	Gross Exposure of collateralized loans	Collateral value
Banks	Guarantees (except state)	12,728	12,729	23,993	24,000
Territorial authorities	State guarantee (cov-19 moratorium)	0	0	98	2
	Deposits	0	0	0	0
	Commercial RE	620	932	698	932
	Guarantees (except state)	0	0	14	17
Large enterprises	State guarantee (regular)	80,541	72,492	46,960	46,927
	State guarantee (ZDLGPE)	696	558	931	746
	State guarantee (cov-19 moratorium)	0	0	6,914	802
	Deposits	7,156	5,629	542	113
	Commercial RE	112,787	118,449	106,516	98,501
	Shares	8,541	15,800	3,522	4,000
	Guarantees (except state)	321,409	340,212	101,452	100,023
SME	State guarantee (regular)	21,880	15,094	17,067	12,406
	State guarantee (ZDLGPE)	2,676	2,077	3,954	3,020
	State guarantee (cov-19 moratorium)	0	0	7,688	411
	Deposits	36,095	5,056	38,484	4,769
	Residential RE	9,152	4,935	5,788	5,430
	Commercial RE	218,392	234,474	162,937	194,905
	Shares	5,739	18,134	4,917	10,015
	Guarantees (except state)	70,006	88,896	60,720	79,532
Retail/SME	State guarantee (regular)	3,899	2,812	4,930	3,506
	State guarantee (ZDLGPE)	1,452	1,167	2,422	1,952
	State guarantee (cov-19 moratorium)	0	0	368	74
	Deposits	3,388	878	5,382	1,470
	Residential RE	1,275	2,971	967	4,439
	Commercial RE	4,594	16,497	5,531	17,701
	Guarantees (except state)	21,054	23,331	25,635	29,591
Retail/Individuals	State guarantee (cov-19 moratorium)	0	0	6,757	576
	Deposits	158	35	129	124
	Residential RE	878,163	1,647,122	801,214	1,439,354
	Commercial RE	2,713	7,041	3,234	7,872
	Insurance company	197,113	198,392	157,378	158,458
	Debt securities	0	0	0	0
	Guarantees (except state)	33,272	36,709	40,517	44,807
Total		2,055,499	2,872,421	1,647,661	2,296,475

Note: The state guarantee (regular) also includes guarantees by the Slovenian Enterprise Fund (SPS). Other collaterals, which usually appear as additional collaterals (life insurance, assignment of receivables, promissory notes, etc.) are excluded from the table.

The total insured exposure and the value of Collaterals increased compared to year 2021. The main reasons for this increase are mainly the growth in the segment of guarantees, sureties, credit insurance by Zavarovalnica Triglav and real estate collaterals.

The Collateral portfolio in 2022 still includes special state guarantees, based on the intervention laws that determine measures to mitigate the economic consequences of the covid-19 pandemic and increase the liquidity of the economy and also based on intervention laws to mitigate possible crises in energy sector:

- state guarantees for new loans (in accordance with ZDLGPE);
- state guarantees for companies in energy sector;

however, will slowly decline given the maturity and the dynamics of repayments.

## 7.4. Market risk

Market risk is the risk of loss resulting from movements in market prices, in particular, changes in:

- Interest rates;
- Foreign exchange rates;
- Equity and commodity prices.

The SKB Group and the companies in the SKB Group are bearing foreign exchange and interest rate risk. The SKB Group has established an independent Market Risk management function, which monitors market risks in accordance with legal requirements and methodologies that reflect their activities and scope of operations.

### 7.4.1. Position risk

Position risk is the risk of loss due to a change in the price of a financial instrument held by the SKB Group in its portfolio for trading purposes in its equity account. The SKB Group does not have this risk because it does not trade with financial instruments for its own account.

### 7.4.2. Structural currency risk

Foreign exchange risk represents potential loss arising from an open foreign exchange position and from changes in foreign exchange rates. It shows the change in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates. The SKB Group monitors its foreign exchange risk in accordance with the requirements of its parent bank OTP and optimizes its foreign exchange risk within the approved limits. The main goal of SKB Group is to minimize foreign exchange risk exposure by matching foreign exchange positions per each currency with minimal exposure against given limits.

The daily foreign exchange position is regulated by the Global Markets department. The daily and intra daily foreign exchange position is monitored by the General Risk Management Department. The monitoring process is supported by the OTP Group Market Risk Information System, which allows continuous control of the compliance of positions with limits. The limit system contains currency position limits, global limit, maximum loss limits (P&L) and Value at Risk (VaR) limits. The structural foreign exchange position of the bank is monitored by the Assets and liabilities management department (ALM) on a monthly basis and managed within prescribed foreign exchange limits.

All foreign exchange positions of SKB Group are monitored as a part of structural risk management. The trading book is not relevant to SKB Bank due to the following reasons:

- There is no proprietary trading, neither by SKB Bank nor by its subsidiaries.
- All derivative deals initiated by the client are closed with back to back deals, therefore having practically no open position from derivative deals on a daily basis.
- If needed SKB Bank uses derivative instruments with the purpose to hedge structural risks arising from balance sheet mismatches. Decisions for structural portfolio hedging are passed by ALCO Committee, which is regularly informed about the level of risk exposure.
- Securities initiated by ALM and bought for hedging, liquidity and interest rate risk management are part of the banking book. Securities bought/sold for clients are fully backed on a daily basis.
- FX spot operations are part of the banking book.

## Foreign exchange sensitivity analysis

The Group's exposure to currency risk was minimal. As at 31 December 2021, the Group estimated that would not be sensitive to +/- 5 % change in foreign exchange rates as the foreign currencies represents less than 1% of total on and off balance sheet.

EUR 000	USD	CHF	GBP	Other*
Impact on P&L +5 %	(7)	(6)	(1)	(7)
Impact on P&L -5 %	7	7	1	7

\* mainly HRK

Foreign exchange sensitivity analysis is the same for SKB Group and SKB Bank.

## Methods of capital requirement calculation

The bank is using the standardized approach for market risks and foreign exchange risk.

In accordance with Annex III DIRECTIVE 2006/49/EC banks do not report capital requirements for an open foreign exchange position if the sum of the overall net foreign exchange position does not exceed 2 % of its total own funds.

The tables below present the Group's foreign exchange risk exposure by currency as of the end of the year.

SKB Group - As of 31 December 2022							
	EUR 000	EUR	USD	CHF	GBP	OTHER	TOTAL
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks		529,517	5,197	6,802	1,015	11,399	553,930
Financial assets held for trading		(9,698)	41	20,819	-	41	11,203
Non-trading financial assets mandatorily at fair value through profit or loss		20,287	-	-	-	-	20,287
Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
Financial assets at fair value through other comprehensive income		361,715	-	-	-	-	361,715
Financial assets at amortised cost		3,362,993	23,494	9,992	-	-	3,396,479
• debt securities		141,755	-	-	-	-	141,755
• loans to banks		248,305	23,350	-	-	-	271,655
• loans to non-bank customers		2,964,611	140	9,992	-	-	2,974,743
• other financial assets		8,322	4	-	-	-	8,326
Derivatives - hedge accounting		-	-	-	-	-	-
Other assets		93,178	-	-	-	-	93,178
<b>Total financial assets</b>		<b>4,357,992</b>	<b>28,732</b>	<b>37,613</b>	<b>1,015</b>	<b>11,440</b>	<b>4,436,792</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading		36,536	(21,970)	(18)	(3,631)	201	11,118
Financial liabilities designated at fair value through profit or loss		-	-	-	-	-	-
Financial liabilities measured at amortised cost		3,849,232	50,566	37,499	4,629	11,050	3,952,976
• deposits from banks and central banks		588	-	-	-	-	588
• deposits from non-bank customers		3,560,952	49,697	37,462	4,603	10,916	3,663,630
• loans from banks and central banks		250,074	-	-	-	-	250,074
• loans from non-bank customers		-	-	-	-	-	-
• debt securities		-	-	-	-	-	-
• other financial liabilities		37,618	869	37	26	134	38,684
Fair value changes of the hedged items in portfolio hedge of interest rate risk		607	-	-	-	-	607
Other liabilities and equity		472,038	1	2	-	50	472,091
<b>Total financial liabilities</b>		<b>4,358,413</b>	<b>28,597</b>	<b>37,483</b>	<b>998</b>	<b>11,301</b>	<b>4,436,792</b>
<b>Net balance sheet position</b>		<b>(421)</b>	<b>135</b>	<b>130</b>	<b>17</b>	<b>139</b>	<b>-</b>

**SKB Group - As of 31 December 2021**

	EUR 000	EUR	USD	CHF	GBP	OTHER	TOTAL
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks		427,446	5,898	6,240	1,000	7,851	448,435
Financial assets held for trading		5,573	-	-	95	39	5,707
Non-trading financial assets mandatorily at fair value through profit or loss		20,890	-	-	-	-	20,890
Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
Financial assets at fair value through other comprehensive income		464,796	-	-	-	-	464,796
Financial assets at amortised cost		2,814,846	135	12,062	-	1	2,827,044
• debt securities		195,439	-	-	-	-	195,439
• loans to banks		60	-	-	-	-	60
• loans to non-bank customers		2,614,377	131	12,062	-	-	2,626,570
• other financial assets		4,970	4	-	-	1	4,975
Derivatives - hedge accounting		-	-	-	-	-	-
Other assets		71,056	-	-	-	12	71,068
<b>Total financial assets</b>		<b>3,804,607</b>	<b>6,033</b>	<b>18,302</b>	<b>1,095</b>	<b>7,903</b>	<b>3,837,940</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading		58,791	(39,191)	(10,615)	(3,098)	(210)	5,677
Financial liabilities designated at fair value through profit or loss		-	-	-	-	-	-
Financial liabilities measured at amortised cost		3,272,831	45,197	28,914	4,180	7,971	3,359,093
• deposits from banks and central banks		36,970	-	-	-	-	36,970
• deposits from non-bank customers		3,202,568	43,730	28,911	4,135	7,902	3,287,246
• loans from banks and central banks		6,003	-	-	-	-	6,003
• loans from non-bank customers		-	-	-	-	-	-
• debt securities		-	-	-	-	-	-
• other financial liabilities		27,290	1,467	3	45	69	28,874
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,165	-	-	-	-	1,165
Other liabilities and equity		471,919	4	2	-	80	472,005
<b>Total financial liabilities</b>		<b>3,804,706</b>	<b>6,010</b>	<b>18,301</b>	<b>1,082</b>	<b>7,841</b>	<b>3,837,940</b>
<b>Net balance sheet position</b>		<b>(99)</b>	<b>23</b>	<b>1</b>	<b>13</b>	<b>62</b>	<b>-</b>

**SKB Bank - As of 31 December 2022**

	EUR 000	EUR	USD	CHF	GBP	OTHER	TOTAL
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks		529,517	5,197	6,802	1,015	11,399	553,930
Financial assets held for trading		(9,698)	41	20,819	-	41	11,203
Non-trading financial assets mandatorily at fair value through profit or loss		20,287	-	-	-	-	20,287
Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
Financial assets at fair value through other comprehensive income		361,715	-	-	-	-	361,715
Financial assets at amortised cost		3,353,002	23,494	9,992	-	-	3,386,488
• debt securities		141,755	-	-	-	-	141,755
• loans to banks		248,305	23,350	-	-	-	271,655
• loans to non-bank customers		2,955,222	140	9,992	-	-	2,965,354
• other financial assets		7,720	4	-	-	-	7,724
Derivatives - hedge accounting		-	-	-	-	-	-
Other assets		86,285	-	-	-	-	86,285
<b>Total financial assets</b>		<b>4,341,108</b>	<b>28,732</b>	<b>37,613</b>	<b>1,015</b>	<b>11,440</b>	<b>4,419,908</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading		36,536	(21,970)	(18)	(3,631)	201	11,118
Financial liabilities designated at fair value through profit or loss		-	-	-	-	-	-
Financial liabilities measured at amortised cost		3,847,543	50,566	37,499	4,629	11,050	3,951,287
• deposits from banks and central banks		588	-	-	-	-	588
• deposits from non-bank customers		3,569,706	49,697	37,462	4,603	10,916	3,672,384
• loans from banks and central banks		250,074	-	-	-	-	250,074
• loans from non-bank customers		-	-	-	-	-	-
• debt securities		-	-	-	-	-	-
• other financial liabilities		27,175	869	37	26	134	28,241
Fair value changes of the hedged items in portfolio hedge of interest rate risk		607	-	-	-	-	607
Other liabilities and equity		456,843	1	2	-	50	456,896
<b>Total financial liabilities</b>		<b>4,341,529</b>	<b>28,597</b>	<b>37,483</b>	<b>998</b>	<b>11,301</b>	<b>4,419,908</b>
<b>Net balance sheet position</b>		<b>(421)</b>	<b>135</b>	<b>130</b>	<b>17</b>	<b>139</b>	<b>-</b>

**SKB Bank - As of 31 December 2021**

	EUR 000	EUR	USD	CHF	GBP	OTHER	TOTAL
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks		427,446	5,898	6,240	1,000	7,851	448,435
Financial assets held for trading		5,573	-	-	95	39	5,707
Non-trading financial assets mandatorily at fair value through profit or loss		20,890	-	-	-	-	20,890
Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
Financial assets at fair value through other comprehensive income		464,796	-	-	-	-	464,796
Financial assets at amortised cost		2,809,766	135	12,062	-	1	2,821,964
• debt securities		195,439	-	-	-	-	195,439
• loans to banks		60	-	-	-	-	60
• loans to non-bank customers		2,609,699	131	12,062	-	-	2,621,892
• other financial assets		4,568	4	-	-	1	4,573
Derivatives - hedge accounting		-	-	-	-	-	-
Other assets		66,307	-	-	-	12	66,319
<b>Total financial assets</b>		<b>3,794,778</b>	<b>6,033</b>	<b>18,302</b>	<b>1,095</b>	<b>7,903</b>	<b>3,828,111</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading		58,791	(39,191)	(10,615)	(3,098)	(210)	5,677
Financial liabilities designated at fair value through profit or loss		-	-	-	-	-	-
Financial liabilities measured at amortised cost		3,280,286	45,197	28,914	4,180	7,971	3,366,548
• deposits from banks and central banks		36,970	-	-	-	-	36,970
• deposits from non-bank customers		3,216,532	43,730	28,911	4,135	7,902	3,301,210
• loans from banks and central banks		6,003	-	-	-	-	6,003
• loans from non-bank customers		-	-	-	-	-	-
• debt securities		-	-	-	-	-	-
• other financial liabilities		20,781	1,467	3	45	69	22,365
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,165	-	-	-	-	1,165
Other liabilities and equity		454,635	4	2	-	80	454,721
<b>Total financial liabilities</b>		<b>3,794,877</b>	<b>6,010</b>	<b>18,301</b>	<b>1,082</b>	<b>7,841</b>	<b>3,828,111</b>
<b>Net balance sheet position</b>		<b>(99)</b>	<b>23</b>	<b>1</b>	<b>13</b>	<b>62</b>	<b>-</b>



### 7.4.3. Structural interest rate risk

The structural interest rate risk in the banking book (IRRBB) is arising from mismatches in repricing behavior of balance and off balance sheet items, which causes volatility of interest income and economic value of equity, depending on the volatility of market interest rates. The main purpose of structural interest rate risk management is to maintain interest rate risk within defined limits and to limit volatility of financial results of SKB Group on the long term.

For the purpose of structural interest rate risk management SKB Group followed the procedures and methods for control, measurement, analysis and interest rate risk reporting which are defined in the Memorandum on the interest rate risk management. Management of structural interest rate in banking book is done within Assets and liabilities management (ALM) within Finance division. Activities of managing interest rate risk are done on monthly basis or quarterly basis on level of SKB Group, which includes SKB Bank, SKB Leasing and SKB Leasing select and are regularly reported on ALCO.

SKB Group has implemented new requirements regarding the interest rate risk in the banking book (IRRBB) published by European Banking Authority and Basel Committee on Banking Supervision. Monitoring of SKB Group IRRBB is broken down into three components:

- Gap risk related to the term structure of the assets and liabilities items of the banking book and arising from the timing of rate changes. The extent of the gap risk depends on whether changes to the term structure occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
- Basis risk refers to the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices. SKB Group is exposed to basis risk which arises when assets are financed by liabilities of different indexes or discrepancies related to different repricing frequencies of the same index. Basis risk is assessed by splitting all the balance and off balance sheet items per currencies and the related interest rate indexes in order to obtain an index gap per repricing time buckets.
- Optionality risk arises from option derivative positions or optional elements embedded in the bank's assets, liabilities and/or off balance sheet items, where the bank or its customer can alter the level and timing of their cash flows.

### CSRBB (Credit Spread Risk in the Banking Book)

Credit spread risk in banking book (CSRBB) is defined as the risk driven by changes of the market price for credit risk, for liquidity and potentially other characteristics of credit-risky instruments, which are not captured by IRRBB. Monitoring of CSRBB is divided into two parts; change in credit spread and change in risk free rate.

Exposure of CSRBB must be included in risk management processes and internal capital assessment processes (ICAAP). CSRBB represents risk which is part of the overall banks strategy and is appropriately expresses within banks risk appetite.

On monthly basis the SKB Group measures Economic value of equity (EVE) and on quarterly basis the Net interest income (NII) based on EBA IRRBB methodology, under various interest rate shock scenarios for potential changes in the level and shape of the interest rate yield curves.

Results are regularly presented on local ALCO committee together with significant modelling assumptions, threshold and limit breaches and possible hedging actions based on bank's Risk Appetite Statement where the internal alerts for EVE are set.

Assets and liabilities management department monitors interest rate risk sensitivity only on Group level based on regulation. IR sensitivity is monitored based on the following methods:

- SKB Group calculates Economic value of equity (EVE) based on new EBA IRRBB methodology. EVE sensitivity is calculated based on eight predefined interest rate shock scenarios (parallel shift, shock on short term curve and change in steepness of the curve) for all interest bearing on-balance sheet and certain off-balance sheet. In the calculation behaviour options and models for non-maturing items are used. SKB Group manages EVE sensitivity within regulatory limits.

SKB Group	31.12.2022					31.12.2021					
	EUR 000	EUR	USD	CHF	Other	Total	EUR	USD	CHF	Other	Total
<b>Standardize stress tests</b>											
Parallel -200 bp shift	15,886	(1,404)	(2,585)	(413)	<b>11,484</b>	5,918	(3,656)	(726)	(665)	<b>871</b>	
Parallel +200 bp shift	(30,114)	615	1,062	158	<b>(28,279)</b>	(29,122)	1,575	1,124	438	<b>(25,985)</b>	
<b>Parallel shift</b>											
Parallel down	15,887	(1,404)	(949)	(542)	<b>12,992</b>	5,928	(3,669)	(730)	(678)	<b>851</b>	
Parallel up	(30,114)	615	540	179	<b>(28,780)</b>	(29,122)	1,575	589	496	<b>(26,462)</b>	
<b>Shift of curve inclination</b>											
Flattener	(18,764)	(346)	(305)	(127)	<b>(19,542)</b>	(2,388)	(184)	(260)	(45)	<b>(2,877)</b>	
Steeper	19,407	587	508	141	<b>20,643</b>	(3,789)	424	298	130	<b>(2,937)</b>	
<b>Short rates shift</b>											
Short rate down	22,578	123	27	(58)	<b>22,670</b>	4,296	(1,206)	(302)	(312)	<b>2,476</b>	
Short rate up	(21,004)	131	184	16	<b>(20,673)</b>	(11,169)	620	194	181	<b>(10,174)</b>	

- Net interest income (NII sensitivity) is calculated based on the EBA IRRBB requirements. NII sensitivity calculates the impact of different interest rate shock scenarios to SKB Group net interests over a three-year rolling horizon. NII sensitivity is calculated based on six interest rate shock scenarios prescribed by the EBA and five internally defined shock scenarios. SKB Group manages NII sensitivity within internally defined limits.

SKB Group	31.12.2022			31.12.2021			
	EUR 000	EUR	Other	Total	EUR	Other	Total
<b>Standardize stress tests</b>							
Parallel -200 bp shift							
Parallel +200 bp shift							
<b>Parallel shift</b>							
Parallel down		(15,719)	(1,627)	<b>(17,346)</b>	(16,022)	(144)	<b>(16,166)</b>
Parallel up		(16,498)	1,596	<b>(14,902)</b>	86,476	119	<b>86,595</b>
<b>Shift of curve inclination</b>							
Flattener		(21,966)	585	<b>(21,381)</b>	29,171	42	<b>29,213</b>
Steeper		18,893	(290)	<b>18,603</b>	(1,613)	(24)	<b>(1,637)</b>
<b>Short rates shift</b>							
Short rate down		11,795	(1,089)	<b>10,706</b>	(12,334)	(145)	<b>(12,479)</b>
Short rate up		(23,821)	1,069	<b>(22,752)</b>	54,605	122	<b>54,727</b>

- Interest rate sensitivity using an internal method calculates the effect of interest rate changes (parallel increase of interest rate curves by 100 basis points) on the SKB Group's net interest income for the period of 1 year.
- For measuring interest rate risk in the banking book based on normative perspective for ICAAP (Internal Capital Adequacy Assessment Process) the SKB Group calculates Net interest income (NII) sensitivity taken into account base budget and adverse scenarios for 3-year period.

SKB Group analyses and estimates the interest rate risk profiles of non-maturing products. Currently the interest rate profiles are defined for cash, mandatory reserves, credit cards, overdrafts, deposits without contractual maturity, off balance sheet items, early repayment of loans and for non-performing loans. Models are reviewed and prepared in line with internal SKB and OTP Group methodology. Models are back tested on a regular basis and are approved by ALCO Committee.

Asset and Liability Committee (ALCO) approves and regularly discusses all actions needed for managing interest rate risk within set limits. SKB group monitors interest risk exposure with aim to manager interest rate sensitivity within the acceptable levels defined in the SKB Group Risk Appetite Statement, the Risk Appetite Framework and in the Internal Capital Adequacy Assessment Process (ICAAP).

## Interest rate policy

The main goal of the interest rate policy in 2022 was to manage the negative interest rate environment and on the other hand fast growing market interest rates while maintaining the competitive position of SKB Group by offering a quality product mix to its clients at acceptable, win-win prices for the clients and the bank.

SKB Group optimizes the interest rate risk exposure, considering the structure of the Group's balance sheet in terms of variable rate and fixed rate products with different maturities.

### Realized interest rates (in %) for SKB Bank:

	As of 31 December 2022	As of 31 December 2021
<b>Assets</b>		
Cash and balances with central banks	0.2%	(0.1)%
Due from banks	1.2%	(0.1)%
Loans and advances to customers	2.1%	2.1%
Debt securities	1.5%	1.8%
Derivatives - hedge accounting	-	-
Other assets	0.5%	-
<b>Liabilities</b>		
Due to banks	(3.4)%	0.1%
Due to customers	0.0%	0.0%
Debt securities in issue	-	-
Other borrowed funds	-	-

## Interest rate risk

The tables below represent the Group's assets and liabilities at carrying amounts, categorized by the earlier of the contractual repricing or the maturity dates

SKB Group - As of 31 December 2022								
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	Non-interest bearing	Total
<b>ASSETS</b>								
Cash, cash balances at central banks and other demand deposits at banks	45,615	508,315	-	-	-	-	-	553,930
Financial assets held for trading	-	11,203	-	-	-	-	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	736	15,873	3,678	-	20,287
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	238,488	166,616	(43,389)	361,715
Financial assets at amortised cost	48,353	654,099	731,098	554,140	746,608	658,396	3,785	3,396,479
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	26,939	26,939
<b>Total financial assets</b>	<b>93,968</b>	<b>1,173,617</b>	<b>731,098</b>	<b>554,876</b>	<b>1,000,969</b>	<b>828,690</b>	<b>(12,665)</b>	<b>4,370,553</b>
<b>LIABILITIES</b>								
Financial liabilities held for trading	-	11,118	-	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,548,535	123,268	373,621	203,114	365,267	339,171	-	3,952,976
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-	607	607
<b>Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,427</b>	<b>10,427</b>
<b>Total financial liabilities</b>	<b>2,548,535</b>	<b>134,386</b>	<b>373,621</b>	<b>203,114</b>	<b>365,267</b>	<b>339,171</b>	<b>11,034</b>	<b>3,975,128</b>
<b>Net balance sheet position</b>	<b>(2,454,567)</b>	<b>1,039,231</b>	<b>357,477</b>	<b>351,762</b>	<b>635,702</b>	<b>489,519</b>	<b>(23,699)</b>	<b>395,425</b>

**SKB Group - As of 31 December 2021**

<b>EUR 000</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1 month to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>ASSETS</b>								
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	-	-	30,092	-	188,135	220,807	25,762	464,796
Financial assets at amortised cost	43,138	404,746	636,497	528,749	669,109	541,097	3,708	2,827,044
Other assets	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,325</b>	<b>19,325</b>
<b>LIABILITIES</b>	<b>82,971</b>	<b>819,055</b>	<b>666,589</b>	<b>529,545</b>	<b>873,358</b>	<b>765,884</b>	<b>48,795</b>	<b>3,786,197</b>
Financial liabilities held for trading	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	5,677	-	-	-	-	-	5,677
Financial liabilities measured at amortised cost	-	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-	1,165	1,165
Other liabilities	-	-	-	-	-	-	9,021	9,021
<b>Total financial liabilities</b>	<b>2,318,658</b>	<b>493,346</b>	<b>467,085</b>	<b>42,760</b>	<b>30,401</b>	<b>12,520</b>	<b>10,186</b>	<b>3,374,956</b>
<b>Net balance sheet position</b>	<b>(2,235,687)</b>	<b>325,709</b>	<b>199,504</b>	<b>486,785</b>	<b>842,957</b>	<b>753,364</b>	<b>38,609</b>	<b>411,241</b>

The tables below represent the Bank's assets and liabilities at carrying amounts, categorized by the earlier of the contractual repricing or the maturity dates.

SKB Bank - As of 31 December 2022								
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	Non-interest bearing	Total
<b>ASSETS</b>								
Cash, cash balances at central banks and other demand deposits at banks	45,615	508,315	-	-	-	-	-	553,930
Financial assets held for trading	-	11,203	-	-	-	-	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	736	15,873	3,678	-	20,287
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	238,488	166,616	(43,389)	361,715
Financial assets at amortised cost	48,353	581,216	865,744	552,554	682,613	652,223	3,785	3,386,488
Derivatives - hedge accounting	-	-	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	20,454	20,454
Other assets	-	-	-	-	-	-	11,737	11,737
<b>Total financial assets</b>	<b>93,968</b>	<b>1,100,734</b>	<b>865,744</b>	<b>553,290</b>	<b>936,974</b>	<b>822,517</b>	<b>(7,413)</b>	<b>4,365,814</b>
<b>LIABILITIES</b>								
Financial liabilities held for trading	-	11,118	-	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,557,289	112,943	373,619	203,104	365,214	339,118	-	3,951,287
Derivatives - hedge accounting	-	-	-	-	-	-	607	607
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-	5,303	5,303
<b>Other liabilities</b>	<b>2,557,289</b>	<b>124,061</b>	<b>373,619</b>	<b>203,104</b>	<b>365,214</b>	<b>339,118</b>	<b>5,910</b>	<b>3,968,315</b>
<b>Total financial liabilities</b>	<b>(2,463,321)</b>	<b>976,673</b>	<b>492,125</b>	<b>350,186</b>	<b>571,760</b>	<b>483,399</b>	<b>(13,323)</b>	<b>397,499</b>
<b>Net balance sheet position</b>	<b>(2,454,567)</b>	<b>1,039,231</b>	<b>357,477</b>	<b>351,762</b>	<b>635,702</b>	<b>489,519</b>	<b>(23,699)</b>	<b>395,425</b>

SKB Bank - 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	Non-interest bearing	Total
<b>ASSETS</b>								
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	-	-	30,092	-	188,135	220,807	25,762	464,796
Financial assets at amortised cost	43,138	335,779	734,374	547,945	619,539	537,481	3,708	2,821,964
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	20,454	20,454
<b>Other assets</b>	-	-	-	-	-	-	<b>4,254</b>	<b>4,254</b>
<b>Total financial assets</b>	<b>82,971</b>	<b>750,088</b>	<b>764,466</b>	<b>548,741</b>	<b>823,788</b>	<b>762,268</b>	<b>54,178</b>	<b>3,786,500</b>
<b>LIABILITIES</b>								
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	2,332,623	481,267	467,083	42,751	30,352	12,472	-	3,366,548
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-	-	1,165	1,165
<b>Other liabilities</b>	-	-	-	-	-	-	<b>2,047</b>	<b>2,047</b>
<b>Total financial liabilities</b>	<b>2,332,623</b>	<b>486,944</b>	<b>467,083</b>	<b>42,751</b>	<b>30,352</b>	<b>12,472</b>	<b>3,212</b>	<b>3,375,437</b>
<b>Net balance sheet position</b>	<b>(2,249,652)</b>	<b>263,144</b>	<b>297,383</b>	<b>505,990</b>	<b>793,436</b>	<b>749,796</b>	<b>50,966</b>	<b>411,063</b>

## SARON

EU regulation<sup>15</sup> is applied as of 1 January 2022 and is binding in its entirety and is directly applicable in all Member States. With its adoption the Regulation assures SARON as the nominated replacement rate, its united implementation. transparent transition to the new reference rate, predictability and continuity of Swiss franc denominated contracts. Replacement of reference rate in the contract does not change any other contractually agreed provision and any right or obligation of the contractual parties.

In all these contracts the new Swiss Franc risk-free rate SARON is nominated replacement rate instead of the CHF LIBOR at the first repricing date in 2022.

In SKB Bank the only outstanding portfolio is related to SARON contracts for housing loans granted primarily between 2006 and 2008. The outstanding value as per 31 December 2022 amounts to 10,413,593.50 EUR and 207 contracts. In all cases contracting variable rate the 3 months SARON is used.

EU regulation determines:

- in the references to CHF LIBOR in contracts the three-month CHF LIBOR was replaced by a three-month SARON, as determined in the three-month period before the interest rate period;
- SARON replacement interest rate was supplemented by an adjustment for a fixed spread of + 0.0031 % when replacing the three-month CHF LIBOR.

Values of benchmark interest rate SARON 3M as per 31 December 2022 was 0.5299 %.

## 7.5. Operational risk

Operational risk exists in bank's day to day operations, It is inherent to all bank's products, activities, procedures and systems and is normally accepted as a necessary consequence of doing business. It is influenced by both internal and external variables, such as advanced internal processes, complex products, rising regulatory requirements and severe economic circumstances.

Operational risk management can have a major influence on bank's costs, its competitiveness, compliance and image. SKB Group therefore act preventively and identify and manage the risk before operational events occur, increasing the chances for our success and diminishing possible mistakes and losses. Great emphasis is also devoted to the collection and monitoring of operational losses linked to credit risk, monitoring action plans defined to mitigate the operational risk, and the identification and prevention of fraud.

SKB Group is very well aware of the importance of good operational risk management, increased awareness, better comprehension and appropriation of operational risks, and the potential impact of concrete manifestations of these risks. Thus a lot of attention is given to improve and strengthen our internal control system and to operational risk training for SKB Group employees and to preventive measures to mitigate these risks.

### Definition

The regulatory definition defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. The official definition includes legal risk but excludes strategic and reputation risks. However, SKB Group also includes reputation risk in its definition.

Under the Basel II rules, an operational loss event is an event that results in loss and is associated with any of the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices, damage to physical assets, business disruption and system failures. Specific examples of loss events include robberies, internal fraud, processing errors and physical losses from natural disasters.

### Operational Risk Framework

SKB Group has acknowledged that operational risk is an integral component of prudent business operations and has adopted an operational risk framework to ensure that operational risks are consistently and comprehensively identified, assessed, managed and controlled. Our framework defines the management governance model, monitoring and control system as well as the reporting on information relevant to operational risk.

The primary goal is prevention, early identification, measurement, assessment, monitoring and mitigation of operational risk. To this end, SKB Group performs regular training for all employees. A bank can only manage effectively the things that can be known and measured well.

<sup>15</sup> 22 October 2021 EU Commission in its Official Gazette published Commission Implementing Regulation EU 2021/1847 of 14 October 2021 on the designation of a statutory replacement for certain settings of CHF LIBOR with SARON as nominated replacement rate in the whole European Union.

More on web page: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1847&qid=1641808314456&from=EN>



## Operational units

At SKB Group each individual operational unit and management level takes responsibility for its own operational risks and the provision of adequate resources and procedures for the management and mitigation of those risks. Operational risk is thus controlled through a network of controls, procedures, reports and responsibilities.

### Independent operational risk management function implemented in the SKB Bank consists of:

- **The Operational Risk and Compliance Committee** is responsible for overseeing the operational risk framework at the SKB Bank level, for defining the scope of monitoring and control, the analysis of operational risk losses, the following up of corrective measures and all actions related to operational risk – resulting in early warnings of identified weaknesses, and a quick and timely approach to mitigating the risk. It is composed of both executive directors of the SKB Bank and all directors of divisions as well as representatives from all relevant functions.  
The Security Committee, Permanent Supervision, Compliance and Anti-Money-Laundering officers report regularly to the Operational Risk and Compliance Committee.  
The Operational Risk and Compliance Committee meets quarterly and reports to the General Management of the SKB Bank and to the Audit Committee of the Board of Directors.
- **Operational Risk Manager** is responsible for implementation and consistent application of operational risk policies, processes, procedures and controls, proper identification, measurement and management of operational risk throughout the entire SKB Bank, and reports to General Management of the bank, Board of Directors, Operational Risk and Compliance Committee and parent bank. The Operational Risk Manager is also responsible for providing adequate support to business units in all operational risk issues. It also coordinates and advises in performing Risk and Control Self-Assessment exercise and scenario analysis.
- **Operational Risk Correspondent** coordinates collection of recorded losses submitted by various departments. Correspondent also coordinates the quarterly performing of Key Risk Indicators and incidents and follows the realization of the defined corrective measures and action plans.
- **Internal Audit** verifies the reliability of risk-profile assessments. This includes the periodic audit of the compliance and relevance of declarations of internal losses and all tools implemented by the SKB Bank for assessing and managing operational risks across the organization.
- **General Management** of SKB Group develops and guides the operational risk framework, strategies, policies, practices and defines major changes in the management of operational risk.
- **External Audit** performs regular reviews of the operational risk management processes. This review includes both the activities of the business units and of the independent operational risk management function.

## Operational risk management activities

### • Risk awareness

Proper risk awareness is key for successful management of operational risk and quality internal control system. In order to raise and maintain the risk awareness among employees the SKB Bank and its HR department organizes various types of trainings, regulatory ones or by initiative of Operational risk management.

### • Determining the value of operational risk appetite

The target relating to the operational risk appetite is defined in the Risk appetite Framework and Risk appetite Statement.

The operational risk appetite expresses the maximum exposure the SKB Bank is willing to take and tolerate in relation to the individual event types.

### • Loss data collection

An operating loss is a financial effect associated with an operating event that is recorded in the financial statement of a financial institution in accordance with International Financial Reporting Standards.

Better operational risk management means the use of effective methods, such as the accurate collection of losses associated with incident data, so that corrective action can be taken to reduce the possibility of recurrence of such losses. The operational risk management department is responsible for collecting data on losses.

Data on losses and incidents provide essential information for identifying, evaluating and effectively managing operational risks, Identification, reporting, analysis and definition of measures are key activities for risk control and an effective system of internal controls.

The centralization and analysis of this information, together with other risk indicators, should enable the development of a global vision of the bank's exposure to operational risk in order to monitor its development and optimize related coverage (especially bank capital and insurance).

All employees and all departments in the bank are responsible for reporting operational risk events.

- **Risk and control self-assessment (RCSA)**

Self-assessment and its associated methodology allow process owners to identify and assess the risks associated with the processes they control. The SKB Bank conducts appraisals once a year, identifying vulnerabilities in procedures and controls.

Each year before the RCSA workshop, the head of the project management, organization and processes department in the bank and the ORM department evaluates the bank's procedures and determines the process owners. The process structure and list of process owners are approved by the ORCC.

The responsibilities of process owners include identifying, measuring, and monitoring potential ones risks in their processes as well as the coordination of its management. In the case of processes that

affecting several business organizations is also providing the necessary communication between these units their responsibility.

The process owner must carry out a close assessment of the risks specific to the processes (self-assessment) in cooperation with the Operational Risk Management Department.

The self-assessment is followed by an action plan for the implementation of corrective measures. The Operational Risk Management Department is responsible for monitoring implementation and reports to the Operational Risk and Compliance Committee.

- **Follow-up of key risk indicators (KRI)**

In addition to monitoring operational loss events. SKB Bank identified appropriate indicators that provide early warning of an increased risk of future losses.

A Key Risk Indicator (KRI) is an objective and measurable piece of information that prompts the Bank to assess one or more key risks and to manage such risks more effectively.

Monitoring of indicators, such as employee turnover, training rates, transaction breaks, cash errors and system failures provide early warnings of increased risk of future losses. Monitoring of these indicators is regularly presented to General Management of the bank, Board of Directors, Operational Risk and Compliance Committee and parent bank.

- **Accounting reconciliation**

The internal loss declaration process must ensure consistency with accounting principles, so that it can be audited. Consistency checking is done by reconciling the data from these accounts with the amounts from the loss database.

Monthly reconciliation is performed between records booked on accounts and declared operational losses, provisions and insurance recoveries which are greater than 10, 000 EUR.

The list of accounts in which the amounts to be declared may be recorded is determined and enclosed to the Accounting reconciliation procedure.

All accounts from the list are classified as sensitive and controlled at least quarterly in a frame of Permanent Supervision. It is defined by the Head of Accounting department in cooperation with ORM department.

- **Scenario analysis and stress testing**

Testing of exceptional situations in the field of operational risk provides an estimate of the maximum financial loss that the bank would still be able to face. Scenario analysis is necessary to evaluate such testing, with which we can determine all the factors that could lead to such a loss. Scenario analysis is a strategy that involves assessing various possible future events and developing scenarios regarding the probability of occurrence of events if different combinations of these events occur.

The SKB Bank uses scenario analysis and stress testing to test operational effectiveness, to cover high-risk areas, to identify major action plans to prevent similar losses, and to calculate regulatory capital. The results of the scenario analysis are reviewed and analyzed by the Bank's Management Board, the Operational Risk Committee and the parent bank.

- **New products process management**

In compliance with EBA guidelines and local Framework policies and processes to approve and manage new products and outsourced services New Product Approval Committee (NPC) has been established by the Bank.

Any new product (activity or service) or big change of existing service in the Bank must be submitted to an approval process before it is put in place in line with regulation. The objective is to ensure that all types of risks that a new product/service generates have been correctly identified and assessed and that, as a result, its launch and execution will take place with the highest possible level of security.

Compliance has been assessed with respect to current laws and Framework, standard industry practices and any risks that may harm the Bank's image and reputation.

All related activities are managed by NPC, a decision-making body that decides on the production & marketing of "new products".

- **Outsourced services management**

In the Bank any new outsourced activity or service is submitted to an approval process before it is put in place. For the purpose of managing risks inherent in outsourcing of services the Bank adopted and implemented a policy for the use of external contractors.

The outsourcing of services is a subject to specific management and controls within the framework of the internal control and risk management system. Any outsourcing must be carried out in a manner that is in line with the Bank's regulatory and ethical practices and must not impair the internal control system or the control of risks, particularly operational risks, or impair the resilience of the Bank's business.

- **Estimation of ICT risks**

The ICT risks (Information and Communication Technology Risk, ICT risk) mean such a combined risk type which stems from the interruption of the availability and continuity of ICT systems and services, incidents relating to data integrity and data security, the lack of tracking the changes in ICT systems, and the negligent follow-up of the outsourced ICT services. The ORM Unit focuses on the quantification of the potential reputation losses relating to ICT risks.

The expert-based estimation methodology is established for this purpose which quantifies the potential reputation losses stemming from the critical nature of the IT systems, the priority of IT incidents, the period of service outages and the financial effect of the incidents.

ICT incidents reported to the regulator are monitored separately.

- **Model risk governance framework**

Model risk means the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models (CRD IV, 2013).

Model risks are managed through the establishment of an adequate control environment.

A model inventory is prepared under the coordination of ORM Unit in order to assess the Banking models. The models included in the model inventory are classified into 3 categories (Tier 1, Tier 2 and Tier 3) based on their complexity, business impact and materiality. Different control criteria are assigned to each category in relation to the review, approval, validation, business continuity plan and documentation of the model.

The ORM department reviews the model inventory annually with the involvement of the model owners.

## **Calculation of the operational risk capital requirement under Standardized approach**

In the Standardized Approach, Banks activities are divided into standardized business units and business lines. Within each business line, there is a specified broad indicator that reflects the size or volume of Banks activities in that area. The indicator serves as a rough proxy for the amount of operational risk within each of the business lines:

- Corporate finance (Issuing of securities, capital market transactions);
- Trading and sales;
- Retail Banking;
- Commercial Banking;
- Payment and settlement;
- Retail brokerage;
- Agency services;
- Asset management.

## **Business continuity and crisis management**

The main purpose of Business Continuity Management (BCM) and Crisis Management (CM) activities is to ensure banking ability to run operations during any kind of crisis. The scope of business continuity activities are written procedures and adequately trained employees, as well as to have resources ready and properly tested, to be ready for immediate activation in case of a crisis.

The complete BCM operational team has been trained, as well as the BCM IT team and new members of the Crisis Management team.

During 2022 we have upgraded documents of Business Impact Analysis (BIA) and documents of Business Continuity Action Plans (BCAP).

BCP, IT and CM tests, prepared in advance, have been tested on-site – such as:

- Branch network Outlet closure, relocation of employees to the user backup location, IT teams to the IT support backup location and a Head Office disaster recovery plan test;
- BCM IT test has been performed as a technical test of application restoration on the back-up servers;
- CM routines were executed in four different types of tests, namely as a Notification test, Notification and Meeting test, Crisis Room test and Evacuation of the Head Office test, Performances were made with performers working from Recovery sites and from home.

## Permanent supervision

Permanent Control includes all controls carried out inside the departments. It is a part of internal control system ensuring its effectiveness in reducing exposure to operational risk.

It is under responsibility of business lines as a part of first line of defense and consists of :

- **Day to day Control**

Day to day Control corresponds to the correct application of the rules and procedures by all employees as well as to the day to day accounts controls they are in charge of. Moreover, it includes the day to day supervision of their work by their hierarchical senior.

- **Managerial Supervision**

It corresponds to the supervision by heads of department of the correct application of the rules of day to day control. It is brought into action through a periodical verification of the accounts and procedures considered as sensitive in line with valid control library.

These verifications are formalized in control files and their results are reported in dedicated control application for statistical quarterly reporting. Synthesis reports are created on a quarterly basis to the different levels of the hierarchy.

## 7.6. Liquidity risk

Liquidity risk represents a risk in a situation that SKB Group will not be able to meet its payment obligations associated with its financial liabilities at maturity, replace the financial sources in case of sudden outflows and meet its contractual obligations. Funding risk is defined as risk that SKB Group will not be able to finance its business model on level, which is aligned with commercial plans, also taking into account cost effectiveness in comparison to competitors.

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 2022 there were no material changes in the liquidity risk management process.

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 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 Group level, consisting of SKB Bank, SKB Leasing and SKB Leasing Select.

## Liquidity management

In addition to regulatory liquidity ratios, SKB Group monitors and regularly discusses a number of internal liquidity indicators on the Asset and Liability Committee (ALCO). Eventual deterioration of liquidity indicators are also used as early warning signals indicating potential liquidity crisis.

SKB Group - liquidity indicators in %	2022		2021	
	Average 2022	31. 12. 2022	Average 2021	31. 12. 2021
Liquid assets / Total assets	23 %	28 %	27 %	27 %
Liquid assets / Short term deposits	86 %	110 %	89 %	98 %
Customer loans / Customer deposits	84 %	81 %	81 %	80 %

SKB Group's liquidity position remains strong despite the COVID-19 epidemic. The effects of the crisis, caused by the COVID-19 pandemic, did not result in material liquidity outflows.

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. 2022 SKB Bank's liquidity buffer amounted to EUR 985 million, while the net cash outflows amounted to EUR 467 million resulting in LCR of 211 %.

NSFR requires that the bank maintains a minimum amount of stable funding in relation to the amount of required stable funding to at least 100 % over one year horizon. NSFR internal threshold for SKB Bank is set above 110 %. SKB reports and analyses NSFR on a quarterly basis. As at 31. 12. 2022 NSFR ratio amounted of 157 %, of which available amount of stable funding 3,758 million and required amount of stable funding 2,392 million.

Bank - liquidity indicators in %	2022		2021	
	Average 2022	31. 12. 2022	Average 2021	31. 12. 2021
Liquidity coverage ratio (LCR)	219 %	211 %	306 %	218 %
Net stable funding ratio (NSFR)	150 %	157 %	153 %	153 %

Within regular reports to the Bank of Slovenia SKB Group calculates additional liquidity monitoring metrics (ALMM) for liquidity reporting which includes different reports: concentration of funding by counterparty, concentration of funding by product type, prices for various lengths of funding, roll-over of funding, concentration of secondary liquidity on issuer/counterparty and maturity ladder.

Operative liquidity is also monitored on a monthly basis through Primary and operative liquidity report in line with the mother bank guidelines. Report includes information related to excess liquidity of the bank placed to the Bank of Slovenia and other nostro accounts, level of obligatory reserve, bank's secondary liquidity, expected inflows and outflows within next month and within next three months, business forecast and the level of deposit shock within next three months.

SKB Group continuously monitors future cash flows as well as calculates and analyses short term, medium term and long term liquidity gaps arising from balance and off balance sheet items Assets and liabilities maturity mismatch is measured monthly, based on maturity gaps per liquidity time buckets. SKB Group analyses and estimates the liquidity risk profile of non-maturing products.

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.

## Funding sources

The global liquidity position of the Group is monitored and managed through annual business plans which include the level of refinancing with the parent bank and all other funding sources. Short term and long term funding limits are in line with its liquidity risk management policy set by (OTP group) and SKB Group within the annual budget process.

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 3,914 million as at 31 December 2022, which represents 88 % of the Group's total liabilities, consisting mainly of customer deposits. In 2022 the Group has raised EUR 80 million of subordinated loan and EUR 170 million MREL eligible loan in order to improve Group's capital position.

Group's capital increased from EUR 443 million to EUR 449 million also due to inclusion of midyear bank's profit in amount of 25 million EUR.

SKB Bank maintained a sufficient and diversified pool of ECB liquid assets in the amount of EUR 466 million as at 31 December 2022. The collateral for central bank funding mainly consist of marketable assets (government bonds) and non-marketable assets (loans to the state, state owned entities, state guaranteed loans and Bank of Slovenia ICAS eligible loans).

## Liquidity stress testing and contingency liquidity risk management

The 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 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.

<sup>16</sup>In-house Credit Assessment System

## **Internal Liquidity Adequacy Assessment Process (ILAAP)**

Internal liquidity adequacy review for the year 2022 was performed simultaneously with the ICAAP process (Internal Capital Adequacy Assessment Process) on the Group level and verified by ALCO Committee, the General Management and Board of Directors.

The review was performed from a qualitative and quantitative perspective, taking into account the overall liquidity risk management and measurement in SKB Group, including description of systems, processes and methodologies for measuring liquidity and funding risk.

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.

## **Risk adjusted pricing model and internal profitability**

When granting new loans, deposits or leasing deals SKB Group uses pricing tool that compares incomes from customer to the main costs of particular deal. This process allows SKB Group, before the contract is signed, to determine the margins, taking into account the cost of funding, capital cost, customer credit risk and direct overhead expenses.

Pricing tool is a part of the daily decision making process and is therefore being frequently updated to reflect current liquidity situation on the market (market short-term and long-term interest rates and liquidity cost). It takes into account normative capital requirements and return on equity and applicable credit risk associated with the client and the facility. The model is also being used in the process of setting the Group's overall pricing policy for loans, leasing deals and deposits.

Besides a forward looking model SKB Bank has also established an internal profitability analysis, which measures a profitability of the stock of the portfolios per client(s), organisational units(s), segment(s), product(s) taking into account maturity matched transfer pricing and allocation of fees, overhead expenses and cost of risk. This enables the bank to better monitor implementation of strategic guidelines and execution of policies of the bank, consequently enabling more efficient management of liquidity risk, allocation of costs and benefits and monthly monitoring of the bank's operations' profitability.

The table below shows the residual maturity of Group's contractual undiscounted financial liabilities, including the future interest from non-derivative financial instruments, based on balance sheet structure as of the end of the year.

SKB Group							
EUR 000	Carrying amount	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<b>As of 31 December 2022</b>							
Financial liabilities held for trading	11,118	11,118	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3,952,976	2,230,510	161,570	330,580	760,003	573,960	4,056,623
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	607	607	-	-	-	-	607
Other liabilities	10,427	10,427	-	-	-	-	10,427
<b>Total undiscounted financial liabilities</b>	<b>3,975,128</b>	<b>2,252,662</b>	<b>161,570</b>	<b>330,580</b>	<b>760,003</b>	<b>573,960</b>	<b>4,078,775</b>
<b>As of 31 December 2021</b>							
Financial liabilities held for trading	5,677	5,677	-	-	-	-	5,677
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3,359,093	2,172,158	71,220	192,756	464,820	460,652	3,361,606
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,165	1,165	-	-	-	-	1,165
Other liabilities	9,021	9,021	-	-	-	-	9,021
<b>Total undiscounted financial liabilities</b>	<b>3,374,956</b>	<b>2,188,021</b>	<b>71,220</b>	<b>192,756</b>	<b>464,820</b>	<b>460,652</b>	<b>3,377,469</b>

SKB Bank							
EUR 000	Carrying amount	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<b>As of 31 December 2022</b>							
Financial liabilities held for trading	11,118	11,118	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3,951,287	2,228,941	161,568	330,570	759,950	573,907	4,054,936
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	607	607	-	-	-	-	607
Other liabilities	5,303	5,303	-	-	-	-	5,303
<b>Total undiscounted financial liabilities</b>	<b>3,968,315</b>	<b>2,245,969</b>	<b>161,568</b>	<b>330,570</b>	<b>759,950</b>	<b>573,907</b>	<b>4,071,964</b>
<b>As of 31 December 2021</b>							
Financial liabilities held for trading	5,677	5,677	-	-	-	-	5,677
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	3,366,548	2,179,725	71,218	192,747	464,771	460,604	3,369,065
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,165	1,165	-	-	-	-	1,165
Other liabilities	2,047	2,047	-	-	-	-	2,047
<b>Total undiscounted financial liabilities</b>	<b>3,375,437</b>	<b>2,188,614</b>	<b>71,218</b>	<b>192,747</b>	<b>464,771</b>	<b>460,604</b>	<b>3,377,954</b>



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

<b>SKB Group</b>	<b>2022</b>					
<b>EUR 000</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Contingent financial liabilities and commitments	628,233	38,730	101,084	114,400	34,477	916,924

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

**Contractual expiry by maturity of the Bank's contingent financial liabilities and commitments:**

<b>SKB Bank</b>	<b>2022</b>					
<b>EUR 000</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Contingent financial liabilities and commitments	628,255	38,730	101,084	114,400	34,477	916,946

<b>SKB Bank</b>	<b>2021</b>					
<b>EUR 000</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Contingent financial liabilities and commitments	551,351	27,492	80,797	108,590	31,290	799,520

All loan commitments are presented as commitments "On demand" while all other commitments are based on contractual maturity. SKB expects that majority of the contingent financial liabilities or commitments (especially related to guarantees) will be drawn at maturity.

## Maturity analysis of contractual cash flows of assets and liabilities

The tables below represent the assets and liabilities at carrying amounts, categorized by contractual maturity dates.

SKB Group - As of 31 December 2022							
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
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks	45,615	508,315	-	-	-	-	553,930
Financial assets held for trading	-	11,203	-	-	-	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	736	15,873	3,678	20,287
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	(43,389)	-	-	238,488	166,616	361,715
Financial assets at amortised cost	48,353	258,184	194,170	605,287	1,355,346	935,139	3,396,479
Other assets	-	26,939	-	-	-	-	26,939
<b>Total financial assets</b>	<b>93,968</b>	<b>761,252</b>	<b>194,170</b>	<b>606,023</b>	<b>1,609,707</b>	<b>1,105,433</b>	<b>4,370,553</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading	-	11,118	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,548,535	126,526	130,700	228,751	518,176	400,288	3,952,976
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	607	-	-	-	-	607
Other liabilities	-	10,427	-	-	-	-	10,427
<b>Total financial liabilities</b>	<b>2,548,535</b>	<b>148,678</b>	<b>130,700</b>	<b>228,751</b>	<b>518,176</b>	<b>400,288</b>	<b>3,975,128</b>
<b>Net balance sheet position</b>	<b>(2,454,567)</b>	<b>612,574</b>	<b>63,470</b>	<b>377,272</b>	<b>1,091,531</b>	<b>705,145</b>	<b>395,425</b>

**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
<b>ASSETS</b>								
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
Other assets	-	19,325	-	-	-	-	-	19,325
<b>Total financial assets</b>	<b>82,971</b>	<b>511,466</b>	<b>113,909</b>	<b>448,190</b>	<b>1,533,818</b>	<b>1,095,843</b>	<b>3,786,197</b>	
<b>LIABILITIES</b>								
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
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	1,165	-	-	-	-	-	1,165
Other liabilities	-	9,021	-	-	-	-	-	9,021
<b>Total financial liabilities</b>	<b>2,318,658</b>	<b>334,198</b>	<b>68,668</b>	<b>170,235</b>	<b>329,843</b>	<b>153,354</b>	<b>3,374,956</b>	
<b>Net balance sheet position</b>	<b>(2,235,687)</b>	<b>177,268</b>	<b>45,241</b>	<b>277,955</b>	<b>1,203,975</b>	<b>942,489</b>	<b>411,241</b>	

**SKB Bank - As of 31 December 2022**

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
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits at banks	45,615	508,315	-	-	-	-	553,930
Financial assets held for trading	-	11,203	-	-	-	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	736	15,873	3,678	20,287
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	(43,389)	-	-	238,488	166,616	361,715
Financial assets at amortised cost	48,353	240,020	162,819	560,210	1,445,844	929,242	3,386,488
Derivatives - hedge accounting	-	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	20,454	20,454
<b>Other assets</b>	-	<b>11,737</b>	-	-	-	-	<b>11,737</b>
<b>Total financial assets</b>	<b>93,968</b>	<b>727,886</b>	<b>162,819</b>	<b>560,946</b>	<b>1,700,205</b>	<b>1,119,990</b>	<b>4,365,814</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading	-	11,118	-	-	-	-	11,118
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	2,557,289	116,201	130,698	228,741	518,123	400,235	3,951,287
Derivatives - hedge accounting	-	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	607	-	-	-	-	607
Other liabilities	-	5,303	-	-	-	-	5,303
<b>Total financial liabilities</b>	<b>2,557,289</b>	<b>133,229</b>	<b>130,698</b>	<b>228,741</b>	<b>518,123</b>	<b>400,235</b>	<b>3,968,315</b>
<b>Net balance sheet position</b>	<b>(2,463,321)</b>	<b>594,657</b>	<b>32,121</b>	<b>332,205</b>	<b>1,182,082</b>	<b>719,755</b>	<b>397,499</b>

**SKB Bank - 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
<b>ASSETS</b>								
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	33,484	59,670	451,850	1,367,457	866,365	-	2,821,964
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	20,454	20,454
Other assets	-	4,254	-	-	-	-	-	4,254
<b>Total financial assets</b>	<b>82,971</b>	<b>477,809</b>	<b>89,762</b>	<b>452,646</b>	<b>1,571,706</b>	<b>1,111,606</b>	<b>3,786,500</b>	
<b>LIABILITIES</b>								
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	2,332,623	311,933	68,666	170,226	329,794	153,306	-	3,366,548
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	1,165	-	-	-	-	-	1,165
Other liabilities	-	2,047	-	-	-	-	-	2,047
<b>Total financial liabilities</b>	<b>2,332,623</b>	<b>320,822</b>	<b>68,666</b>	<b>170,226</b>	<b>329,794</b>	<b>153,306</b>	<b>3,375,437</b>	
<b>Net balance sheet position</b>	<b>(2,249,652)</b>	<b>156,987</b>	<b>21,096</b>	<b>282,420</b>	<b>1,241,912</b>	<b>958,300</b>	<b>411,063</b>	

## Maturity analysis of assets and liabilities according to expected cash flows

The tables below show an analysis of the 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 2022				
	EUR 000	Within 12 months	After 12 months	Total
<b>ASSETS</b>				
Cash, cash balances at central banks and other demand deposits at banks		553,930	-	553,930
Financial assets held for trading		11,203	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss		736	19,551	20,287
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets at fair value through other comprehensive income		(43,389)	405,104	361,715
Financial assets at amortised cost		1,167,497	2,228,982	3,396,479
Tangible assets		1,295	38,401	39,696
Intangible assets		129	14,585	14,714
Tax assets		5,915	5,914	11,829
Other assets		26,939	-	26,939
Non-current assets and disposal groups classified as held for sale		-	-	-
<b>Total financial assets</b>		<b>1,724,255</b>	<b>2,712,537</b>	<b>4,436,792</b>
<b>LIABILITIES</b>				
Financial liabilities held for trading		11,118	-	11,118
Financial liabilities designated at fair value through profit or loss		-	-	-
Financial liabilities measured at amortised cost		264,596	3,688,380	3,952,976
Fair value changes of the hedged items in portfolio hedge of interest rate risk		607	-	607
Provisions		2,984	6,060	9,044
Tax liabilities		3,512	-	3,512
Other liabilities		10,427	-	10,427
<b>Total financial liabilities</b>		<b>293,244</b>	<b>3,694,440</b>	<b>3,987,684</b>
<b>Net balance sheet position</b>		<b>1,431,011</b>	<b>(981,903)</b>	<b>449,108</b>

**SKB Group - As of 31 December 2021**

	EUR 000	Within 12 months	After 12 months	Total
<b>ASSETS</b>				
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
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
<b>Total financial assets</b>		<b>1,198,475</b>	<b>2,639,465</b>	<b>3,837,940</b>
<b>LIABILITIES</b>				
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
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
<b>Total financial liabilities</b>		<b>210,587</b>	<b>3,184,767</b>	<b>3,395,354</b>
<b>Net balance sheet position</b>		<b>987,888</b>	<b>(545,302)</b>	<b>442,586</b>

**SKB Bank - As of 31 December 2022**

	EUR 000	Within 12 months	After 12 months	Total
<b>ASSETS</b>				
Cash, cash balances at central banks and other demand deposits at banks		553,930	-	553,930
Financial assets held for trading		11,203	-	11,203
Non-trading financial assets mandatorily at fair value through profit or loss		736	19,551	20,287
Financial assets designated at fair value through profit or loss		-	-	-
Financial assets at fair value through other comprehensive income		(43,389)	405,104	361,715
Financial assets at amortised cost		1,102,331	2,284,157	3,386,488
Investments in subsidiaries, associates and joint ventures		2,045	18,409	20,454
Tangible assets		914	30,000	30,914
Intangible assets		-	13,036	13,036
Tax assets		5,072	5,072	10,144
Other assets		11,737	-	11,737
Non-current assets and disposal groups classified as held for sale		-	-	-
<b>Total financial assets</b>		<b>1,644,579</b>	<b>2,775,329</b>	<b>4,419,908</b>
<b>LIABILITIES</b>				
Financial liabilities held for trading		11,118	-	11,118
Financial liabilities designated at fair value through profit or loss		-	-	-
Financial liabilities measured at amortised cost		254,259	3,697,028	3,951,287
Fair value changes of the hedged items in portfolio hedge of interest rate risk		607	-	607
Provisions		2,758	5,645	8,403
Tax liabilities		3,210	-	3,210
Other liabilities		5,303	-	5,303
<b>Total financial liabilities</b>		<b>277,255</b>	<b>3,702,673</b>	<b>3,979,928</b>
<b>Net balance sheet position</b>		<b>1,367,324</b>	<b>(927,344)</b>	<b>439,980</b>



**SKB Bank - As of 31 December 2021**

	EUR 000	Within 12 months	After 12 months	Total
<b>ASSETS</b>				
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		632,117	2,189,847	2,821,964
Investments in subsidiaries, associates and joint ventures		2,045	18,409	20,454
Tangible assets		925	30,037	30,962
Intangible assets		-	10,645	10,645
Tax assets		-	-	-
Other assets		4,254	-	4,254
Non-current assets and disposal groups classified as held for sale		4	-	4
<b>Total financial assets</b>		<b>1,150,137</b>	<b>2,677,974</b>	<b>3,828,111</b>
<b>LIABILITIES</b>				
Financial liabilities held for trading		<b>5,677</b>	-	<b>5,677</b>
Financial liabilities designated at fair value through profit or loss		-	-	-
Financial liabilities measured at amortised cost		177,568	3,188,980	3,366,548
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,165	-	1,165
Provisions		5,730	9,188	14,918
Tax liabilities		6,770	-	6,770
Other liabilities		2,047	-	2,047
<b>Total financial liabilities</b>		<b>198,957</b>	<b>3,198,168</b>	<b>3,397,125</b>
<b>Net balance sheet position</b>		<b>951,180</b>	<b>(520,194)</b>	<b>430,986</b>

## 7.7. Encumbered assets

An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn. At the end of the year 2022 SKB Group's encumbrance ratio stood at the level of 1.47 % as the Group had EUR 65 million of encumbered assets compared to EUR 64 million encumbered assets and 1.67 % encumbered ratio as at 31. 12. 2021.

Encumbered assets consist of government bonds which are held by the bank for the purpose of Single Resolution Fund established in Slovenia in the amount of EUR 13 million, capital investment in Single Resolution Fund in amount of 12 million, government bonds reserved due to Market in Financial Instruments Act (ZTFI) in the amount of EUR 1 million ECB required mandatory reserve which has to be held on the Bank of Slovenia target account in the amount of EUR 37 million and funds held at the Bank of Slovenia for the purpose of guarantee schemes and seizures in the amount of EUR 2 million.

**Table A: Assets**

SKB Group - as of 31 December 2022												
	EUR 000	Carrying amount of encumbered assets			Fair value of encumbered assets			Carrying amount of unencumbered assets			Fair value of unencumbered assets	
			of which: central bank's eligible	Of which notionally eligible EHQLA and HQLA			of which: central bank's eligible	Of which notionally eligible EHQLA and HQLA			of which: central bank's eligible	Of which notionally eligible EHQLA and HQLA
		010	030	035	040	050	055	060	080	085	090	100
010	Assets, of which:	65,123	14,319	14,319	-	-	-	4,371,67	646,905	959,110	-	-
020	• Loans on demand	38,460	-	-	-	-	-	489,522	-	469,959	-	-
030	• equity instruments	12,343	-	-	12,343	-	-	7,944	-	-	7,944	-
040	• debt securities	14,319	14,319	14,319	14,319	14,319	14,319	489,151	445,134	489,151	426,348	382,330
070	of which: issued by general governments	14,319	14,319	14,319	14,319	14,319	14,319	489,151	445,134	489,151	426,348	382,330
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-	-	-	-
100	• Loans and advances other than loans on demand	-	-	-	-	-	-	3,254,734	201,771	-	-	-
110	of which: mortgage loan	-	-	-	-	-	-	1,142,345	59,418	-	-	-
120	• other assets	-	-	-	-	-	-	130,319	-	-	-	-

**SKB Group - as of 31 December 2021**

		Carrying amount of encumbered assets			Fair value of encumbered assets			Carrying amount of unencumbered assets			Fair value of unencumbered assets	
		EUR 000	of which:	Of which			of which:	Of which			of which:	Of which
			central bank's eligible	notionally eligible EHQLA and HQLA			central bank's eligible	notionally eligible EHQLA and HQLA			central bank's eligible	notionally eligible EHQLA and HQLA
	010	030	035	040	050	055	060	080	085	090	100	
010	Assets, of which:	64,187	17,327	17,327	-	-	-	3,773,753	721,375	1,017,621	-	-
020	• Loans on demand	33,930	-	-	-	-	-	389,618	-	374,713	-	-
030	• equity instruments	12,931	-	-	12,931	-	-	7,959	-	-	7,959	-
040	• debt securities	17,327	17,327	17,327	17,327	17,327	17,327	642,908	591,715	642,908	545,709	494,517
070	of which: issued by general governments	17,327	17,327	17,327	17,327	17,327	17,327	642,908	591,715	642,908	545,709	494,517
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-	-	-	-
100	• Loans and advances other than loans on demand	-	-	-	-	-	-	2,631,606	129,660	-	-	-
110	of which: mortgage loan	-	-	-	-	-	-	1,007,293	36,378	-	-	-
120	• other assets	-	-	-	-	-	-	101,662	-	-	-	-

**Table B: Collateral received**

SKB Group - as of 31 December 2022						
		Unencumbered assets				
		Fair value of encumbered collateral received or own debt securities issued			Fair value of collateral received or own debt securities issued available for encumbrance	Nominal of collateral received or own debt securities issued non available for encumbrance
			of which: central bank's eligible	Of which notionally eligible EHQLA and HQLA		
		EUR 000	010	030	035	040
130	Collateral received by the reporting institution	-	-	-	-	2,072,601
230	• other collateral received	-	-	-	-	2,072,601
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	65,123	14,319	14,319	-	-

SKB Group - as of 31 December 2021						
		Unencumbered assets				
		Fair value of encumbered collateral received or own debt securities issued			Fair value of collateral received or own debt securities issued available for encumbrance	Nominal of collateral received or own debt securities issued non available for encumbrance
			of which: central bank's eligible	Of which notionally eligible EHQLA and HQLA		
		EUR 000	010	030	035	040
130	Collateral received by the reporting institution	-	-	-	-	1,743,297
230	• other collateral received	-	-	-	-	1,743,297
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	64,187	17,327	17,327	-	-

**Table C: Sources of encumbrance**

SKB Group		2022		2021	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued
EUR 000		010	030	010	030
010	Carrying amount of selected financial liabilities	300	969	300	2.049

**Table D: Encumbrance information****Encumbrance information**

SKB Group maintained very low level of encumbered assets in year 2022.

At the end of the year 2022 SKB Group's encumbrance ratio stood at the level of 1.47% as the Group had EUR 65 million of encumbered assets compared to EUR 64 million encumbered assets and 1.67% encumbered ratio as at 31.12.2021.

Encumbered assets consist of government bonds which are held by the bank for the purpose of Single Resolution Fund established in Slovenia in the amount of EUR 13 million, capital investment in Single Resolution Fund in amount of 12 million, government bonds reserved due to Market in Financial Instruments Act (ZTFI) in the amount of EUR 1 million ECB required mandatory reserve which has to be held on the Bank of Slovenia target account in the amount of EUR 37 million and funds held at the Bank of Slovenia for the purpose of guarantee schemes and seizures in the amount of EUR 2 million.

SKB Group classified all received collateral as unavailable for encumbrance.

## 6.8. Risk management statements

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 fulfill 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 asses 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

Anna Mitkova Florova



Attila Kovács



Anita Stojčevska



Vojka Ravbar



Imre Bertalan



Draga Cukjati



Ljubljana, 28. 3. 2023



Anita Stojčevska  
Chief Executive Officer

## 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 a 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, ICT and security risk, risks related to data protection, AMLFT related risk and HR risk;
- strategic and profitability risk;
- interest rate risk including Credit spread risk from the banking book (CSRBB);
- liquidity risk;
- market risk and
- capital 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 risk evaluation for SKB Group increased from 1,547 in 2021 to 1,589 in 2022. Increased risk was mainly a result of higher level of risk assessed for interest rate and operational risk.

SKB GROUP'S RISK ASSESSMENT in year 2022	81.00%	5.50%	1.00%	9.50%	1.00%	1.00%	1.00%
RISK AREA	CREDIT RISK	OPERATIONAL RISK	STRATEGIC RISK	INTEREST RISK	LIQUIDITY RISK	MARKET RISK	CAPITAL RISK
BUSINESS ACTIVITY							
Retail business (RETAIL)	1.39	2.98					
Corporate business - facilities and treasury (CORP)	1.79	2.82					
Joint functions - finance (FIN)		2.63	2.53	2.10	1.45		2.03
Joint functions - central back offices and payment system (CBS)		2.76					
Joint functions - Secretariat General (SEGL)		3.16					
Joint functions - risks (RISK)	1.20	1.62				1.12	
Debt management (DMD)	1.15	2.63					
Joint functions - informatics, technology, organization (GMS)		2.80					
Subsidiaries - SKB Leasing	1.80	1.79					
Subsidiaries - SKB Leasing Select	1.80	1.79					
Average assessment by type of risk	1.46	2.50	2.53	2.10	1.45	1.12	2.03

<b>Total weighted assessment by the type of risk</b>	1.589	Calculated residual risk for 2022 (acceptable)					
	1.547	Calculated residual risk for 2021 (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 economic<sup>17</sup> and normative<sup>18</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> 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.



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 SKB Group is exposed, including stress test scenarios.

SKB Group	Economic perspective	Normative perspective – base scenario			Normative perspective – adverse scenario		
		31. 12. 22	31. 12. 23	31. 12. 24	31. 12. 25	31. 12. 23	31. 12. 24
<b>CAPITAL ADEQUACY (in %)</b>							
<b>CET 1 capital ratio</b>	14.14 %	13.47 %	15.03 %	16.20 %	12.51 %	13.47 %	14.02 %
<b>Tier 1 capital ratio</b>	<b>14.14 %</b>	<b>13.47 %</b>	<b>15.03 %</b>	<b>16.20 %</b>	<b>12.51 %</b>	<b>13.47 %</b>	<b>14.02 %</b>
<b>Total capital ratio</b>	<b>16.92 %</b>	<b>15.95 %</b>	<b>17.27 %</b>	<b>17.86 %</b>	<b>15.05 %</b>	<b>15.81 %</b>	<b>15.80 %</b>
<b>CAPITAL in MEUR</b>	<b>31.12.22</b>	<b>31.12.23</b>	<b>31.12.24</b>	<b>31.12.25</b>	<b>31.12.23</b>	<b>31.12.24</b>	<b>31.12.25</b>
<b>Capital (own funds) of the group:</b>	<b>487.8</b>	<b>514.4</b>	<b>574.4</b>	<b>629.6</b>	<b>475.1</b>	<b>502.5</b>	<b>517.9</b>
Tier 1 capital of which	407.8	434.4	499.9	571.1	395.1	428.0	459.4
• Common equity tier 1 capital	407.8	434.4	499.9	571.1	395.1	428.0	459.4
• Additional tier 1 capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tier 2 capital	80.0	80.0	74.5	58.5	80.0	74.5	58.5
<b>INTERNAL ESTIMATE OF CAPITAL NEEDS in MEUR</b>	<b>31.12.22</b>	<b>31.12.23</b>	<b>31.12.24</b>	<b>31.12.25</b>	<b>31.12.23</b>	<b>31.12.24</b>	<b>31.12.25</b>
<b>Material risks</b>	<b>214.9</b>	<b>240.0</b>	<b>245.5</b>	<b>259.0</b>	<b>235.6</b>	<b>236.3</b>	<b>243.8</b>
Credit risk	15.8	17.0	17.9	18.3	16.9	17.7	17.8
Operational risk	12.9	9.6	9.8	10.4	9.4	9.5	9.8
Concentration risk	16.9	17.2	17.6	18.5	16.9	16.9	16.9
Counterparty risk	28.8	3.2	9.9	20.0	0.8	4.4	13.5
Interest rate risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Strategic risk	0.9	1.83	1.8	1.8	2.7	2.7	2.7
Model risk	0,9	1,8	1,8	1,8	2,7	2,7	2,7
<b>Stress tests</b>	<b>62.2</b>	<b>80.6</b>	<b>119.6</b>	<b>156.7</b>	<b>35.2</b>	<b>48.7</b>	<b>56.6</b>
<b>Capital requirements for material risks / internal estimate of capital needs</b>	<b>290.2</b>	<b>288.8</b>	<b>302.5</b>	<b>327.9</b>	<b>282.2</b>	<b>287.4</b>	<b>304.5</b>
<b>Overall capital requirements / internal estimate of capital needs</b>	<b>352.4</b>	<b>369.4</b>	<b>422.1</b>	<b>484.7</b>	<b>317.4</b>	<b>336.2</b>	<b>361.1</b>
<b>Capital buffer</b>	<b>197.7</b>	<b>225.6</b>	<b>271.9</b>	<b>301.7</b>	<b>192.9</b>	<b>215.1</b>	<b>213.4</b>

The ICAAP process is intertwined with the ILAAP process (Internal Liquidity Adequacy Assessment process) by which the Group analyzes 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	Base budget				Stress budget				
	(in %)	R 2022	B 2023	B 2024	B 2025	R 2022	B 2023	B 2024	B 2025
LCR		211 %	243 %	259 %	269 %	211 %	221 %	222 %	230 %
NSFR		157 %	164 %	166 %	164 %	157 %	157 %	158 %	158 %

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

Anna Mitkova Florova



Attila Kovács



Anita Stojčevska



Vojka Ravbar



Imre Bertalan



Draga Cukjati



Ljubljana, 28.3.2023



Anita Stojčevska  
Chief Executive Officer

# VII. Addresses & contacts

## Addresses & contacts

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

Contact Center:: 01 471 55 55

Fax: 01 231 45 49  
E-mail: info@skb.si  
Transaction account number SKB Bank: SI56 0372 1000 1000 102  
VAT ID number: SI40502368  
Register number: 5026237  
SWIFT: SKBAS12X

## Outlets

Celje  
Vruncjeva ulica 2a  
3000 Celje  
tel.: 03 428 63 28

Mozirje  
Šmihelska cesta 2  
3330 Mozirje  
tel.: 03 839 12 55

Rogaška Slatina  
Kidričeva ulica 11  
3250 Rogaška Slatina  
tel.: 03 818 14 42

Slovenj Gradec  
Francetova cesta 7  
2380 Slovenj Gradec  
tel.: 02 885 07 70

Velenje  
Cankarjeva cesta 2a  
3320 Velenje  
tel.: 03 898 60 70

Žalec  
Savinjska cesta 12  
3310 Žalec  
tel.: 03 712 03 10

Bled  
Ljubljanska cesta 4  
4260 Bled  
tel.: 04 575 17 14

Jesenice  
Cesta maršala Tita 110  
4270 Jesenice  
Tel.: 04 583 42 50

Kranj Center  
Koroška cesta 5  
4000 Kranj  
tel.: 04 281 01 12

Kranj Primskovo  
Cesta Staneta Žagarja 37  
4000 Kranj  
tel.: 04 201 51 66

Radovljica  
Kranjska cesta 4  
4240 Radovljica  
tel.: 04 537 08 11

Škofja Loka  
Kapucinski trg 4  
4220 Škofja Loka  
tel.: 04 518 40 40

Gornja Radgona  
Partizanska cesta 22  
9250 Gornja Radgona  
tel.: 02 564 33 86

Ljutomer  
Stari trg 7  
9240 Ljutomer  
tel.: 02 583 13 12

Maribor - I  
Ljubljanska ulica 9b  
2000 Maribor  
tel.: 02 333 85 22

Maribor - II  
Ulica heroja Bračiča 1  
2000 Maribor  
tel.: 02 234 77 20

Maribor - Tabor  
Kardeljeva cesta 94  
2000 Maribor  
tel.: 02 333 85 44

Murska Sobota  
Kocljeva ulica 9  
9000 Murska Sobota  
tel.: 02 522 31 20

Ormož  
Vrazova ulica 4  
2270 Ormož  
tel.: 02 719 89 60

Ptuj  
Puhova ulica 21  
2250 Ptuj  
tel.: 02 749 29 00

Brežice  
Ulica prvih borcev 39  
8250 Brežice  
tel.: 07 620 23 40

Črnomelj  
Zadružna cesta 16  
8340 Črnomelj  
tel.: 07 305 64 91

Krško  
Cesta 4. julija 42  
8270 Krško  
tel.: 07 488 26 30

Metlika  
Naselje Borisa Kidriča 4  
8330 Metlika  
tel.: 07 369 15 40

Novo mesto  
Novi trg 3  
8000 Novo mesto  
tel.: 07 373 15 60

Sevnica  
Kvedrova cesta 31  
8290 Sevnica  
tel.: 07 814 16 07

Trebnje  
Gubčeva cesta 16  
8210 Trebnje  
tel.: 07 348 25 50

Cerknica  
Partizanska cesta 1  
1380 Cerknica  
tel.: 01 709 11 05

Idrija  
Ulica Sv. Barbare 3  
5280 Idrija  
tel.: 05 374 10 11

Ilirska Bistrica  
Kosovelova ulica 2  
6251 Ilirska Bistrica  
tel.: 05 714 22 80

Koper  
Ferrarska ulica 6  
6000 Koper  
tel.: 05 666 33 02

Nova Gorica  
Ulica Tolminskih puntarjev 4  
5000 Nova Gorica  
tel.: 05 335 05 16

Postojna  
Tržaška cesta 59  
6230 Postojna  
tel.: 05 726 45 27

Ljubljana - City Park  
Moskovska ulica 4  
1000 Ljubljana  
tel.: 01 546 69 62

Ljubljana - Center  
Ajdovščina 4  
1000 Ljubljana  
tel.: 01 471 59 58

Ljubljana - Šiška  
Bravničarjeva ulica 13  
1000 Ljubljana  
tel.: 01 500 17 82

Ljubljana - Vič  
Jamova cesta 105  
1000 Ljubljana  
tel.: 01 252 87 50

Ljubljana - WTC  
Dunajska cesta 156  
1000 Ljubljana  
tel.: 01 560 72 49

Ljubljana - Zupančičeva jama  
Železna cesta 14  
1000 Ljubljana  
tel.: 01 239 69 02

Domžale  
Ljubljanska cesta 85  
1230 Domžale  
tel.: 01 729 89 10

Grosuplje  
Taborska cesta 2  
1290 Grosuplje  
tel.: 01 788 87 10

Kamnik  
Glavni trg 13  
1240 Kamnik  
tel.: 01 831 85 62

Kočevje  
Trg zbora odposlancev 18  
1330 Kočevje  
tel.: 01 893 18 70

Ljubljana - Zalog  
Zaloška cesta 275  
1000 Ljubljana  
tel.: 01 527 20 14

Litija  
Jerebova ulica 14  
1270 Litija  
tel.: 01 890 02 30

Trzin  
Blatnica 1 (Piramida)  
1236 Trzin  
tel.: 01 562 10 10

Vrhnika  
Ljubljanska cesta 29  
1360 Vrhnika  
tel.: 01 757 12 00

Zagorje  
Kopališka ulica 14  
1410 Zagorje ob Savi  
tel.: 03 566 47 90

Oddelek: Privatno bančništvo  
Dunajska cesta 56  
1000 Ljubljana  
tel.: 01 620 44 28

## **SKB Leasing d.o.o.**

Ajdovščina 4, 1000 Ljubljana  
Telephone number.: 01 300 50 00  
E-mail: info@skb-leasing.si  
Website: www.skb-leasing.si  
Bank account number: SI56 0310 0101 2002 555  
VAT number: 31037038  
Identification number for VAT: SI 31037038  
Registration number: 5808596000

Outlet Ljubljana  
Ajdovščina 4  
1000 Ljubljana  
Tel.: 01 300 50 30

Outlet Celje  
Vrunčeva ulica 2a  
3000 Celje  
Tel.: 01 300 50 61

Outlet Novo mesto  
Novi trg 3  
8000 Novo mesto  
Tel.: 01 300 50 71

Office Maribor  
Ulica heroja Bračiča 1  
2000 Maribor  
Tel.: 01 300 50 75

Office Koper  
Ferrarska ulica 6  
6000 Koper  
Tel.: 01 300 50 80

## **SKB Leasing Select d.o.o.**

Ajdovščina 4, 1000 Ljubljana  
Telephone number.: 01 300 50 10  
E-mail: select-info@skb-leasing.si  
Website: www.skb-leasing.si  
Bank account number: SI56 0310 0100 2108 167  
VAT number: 63452359  
Identification number for VAT: SI 63452359  
Registration number: 2366878000

SKB d.d.  
Ajdovščina 4, 1000 Ljubljana  
SKB Banka d.d. Ljubljana, Ajdovščina 4, is registered with the  
Regional Court of Ljubljana • Registration number: 10148300 • Share capital: 52.784.176,26 EUR  
[www.skb.si](http://www.skb.si) / SKB TEL (01) 471 55 55, [facebook.com/BankaSKB](https://facebook.com/BankaSKB) 